

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2007.

The accounting policies and presentation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2007.

A2. Status on Qualification of Audited Financial Statements

The audit report of the Group's preceding year financial statement was not qualified.

A3. Seasonality or Cyclicity of Operations

The Group's performance is generally affected by seasonal factors such as school holidays and festive seasons.

A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash flows

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the financial period.

A5. Changes in Accounting Estimates

There were no changes in estimate of amount reported in prior interim period or financial year that have a material effect in the current financial quarter.

A6. Debt and Equity Securities

There was no issuance, cancellation, repurchases, resale and repayment of debt and equity securities.

A7. Dividend Paid

Dividend paid on 28 May 2008 was declared on 8 April 2008, in respect of the year ended 31 December 2007 being final dividend of 12 sen less 26% taxation per share, on 198,274,682 ordinary shares, amounted to RM17,606,807.

A8. Segmental Information

RM'million	Cumulative Quarters 1 Jan - 30 Jun 2008		Cumulative Quarters 1 Jan - 30 Jun 2007	
	Revenue	Operating Profit	Revenue	Operating Profit
<u>Malaysia</u>				
KFC restaurants	608.2	65.1	480.1	52.7
Integrated Poultry	202.3	7.9	149.4	7.4
Ancillary	49.7	2.2	38.7	1.6
	<u>860.2</u>	<u>75.2</u>	<u>668.2</u>	<u>61.7</u>
<u>Foreign</u>				
KFC Singapore	158.4	7.6	134.5	5.0
KFC Brunei	6.8	0.5	5.7	0.4
	<u>165.2</u>	<u>8.1</u>	<u>140.2</u>	<u>5.4</u>
Consolidated Total	<u>1,025.4</u>	<u>83.3</u>	<u>808.4</u>	<u>67.1</u>
RM'million	Current Quarter 1 Apr - 30 Jun 2008		Current Quarter 1 Apr - 30 Jun 2007	
	Revenue	Operating Profit	Revenue	Operating Profit
<u>Malaysia</u>				
KFC restaurants	313.0	33.4	242.6	27.4
Integrated Poultry	104.9	5.5	74.2	4.0
Ancillary	27.0	0.1	20.3	0.4
	<u>444.9</u>	<u>39.0</u>	<u>337.1</u>	<u>31.8</u>
<u>Foreign</u>				
KFC Singapore	81.5	4.0	65.8	2.2
KFC Brunei	3.4	0.2	2.7	0.1
	<u>84.9</u>	<u>4.2</u>	<u>68.5</u>	<u>2.3</u>
Consolidated Total	<u>529.8</u>	<u>43.2</u>	<u>405.6</u>	<u>34.1</u>

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the financial statements for the year ended 31 December 2007.

A10. Material Events subsequent to the end of the current quarter

There were no material events subsequent to the end of the current quarter.

A11. Changes in the Composition of the Group

1. On 31 October 2007, the Company announced the acquisition of 440,000 ordinary shares of RM1.00 each representing 55% equity interest in Tepak Marketing Sdn Bhd ("Tepak Marketing") for a cash consideration of RM2,970,000 or RM6.75 per share ("Acquisition").

The Foreign Investment Committee had on 22 January 2008 approved the Acquisition subject to Tepak Marketing maintaining at all times at least 30% of its equity with Bumiputra/Government Agency.

The Acquisition was completed on 4 February 2008.

2. On 22 April 2008, the Company via its subsidiary, Ayamas Food Corporation Sdn Bhd, acquired the entire issued and paid-up share capital of Semangat Juara Sdn Bhd comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.00.
3. On 19 June 2008, the Company has announced the incorporation of a subsidiary in Brunei, Rasamas Sdn Bhd comprising 2 ordinary shares of par value at B\$1.00 each.
4. On 24 June 2008, the Company disposed off the entire issued and paid-up share capital of the following dormant companies to QSR Brands Bhd :
 - (i) Signature Chef Holdings Sdn Bhd - comprising 3 ordinary shares of RM1.00 each for cash consideration of RM3.00;
 - (ii) Sterling Distinction Sdn Bhd - comprising 2 ordinary shares of RM1.00 each for cash consideration of RM2.00; and
 - (iii) SBC Coffee Holdings Sdn Bhd - comprising 2 ordinary shares of RM1.00 each for cash consideration of RM2.00.

A12. Changes in Contingent Liabilities and Contingent Assets

Since the last Balance Sheet date, there were no material changes in contingent liabilities and contingent assets.

A13. Capital Commitments

	RM'000
Capital expenditure : Property, plant and equipment	
- approved and contracted for	30,878
- approved but not contracted for	97,119
	<u>127,997</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENT

B1. Review of the Performance of the Company and its Principal Subsidiaries

The Group achieved a revenue of RM1,025.4 million for the current financial year-to-date, representing a growth of 26.8% over prior year corresponding period of RM808.4 million. The KFC Restaurants segment registered a 24.7% revenue growth to RM773.4 million (2007 : RM620.3 million) while the Integrated Poultry segment recorded a 35.4% revenue growth to RM202.3 million (2007 : RM149.4 million).

It registered a profit before tax of RM83.3 million in the current period as against previous year's corresponding period of RM67.1 million.

Revenue

The Group's revenue for the period under review improved primarily from its continuing strategy of network expansion and its effective KFC Marketing programs. The growth in the integrated poultry segment was attributed to better sales to the KFC restaurants and improvement in its export and local open market sales.

Profitability

(a) KFC Restaurants Segment

The restaurant segment profit growth of 26.0% to RM73.2 million (2007 : RM58.1 million) was primarily attributed to :-

Malaysia Operations

- (i) continuing network expansion where 15 new restaurants were opened during the period under review and 33 outlets were added to the network since July 2007 ;
- (ii) the introduction of innovative new products such as Triple XL Burger, Breakfast menu, Chicken Chop combo, Colonel Chicken Rice combo and effective marketing promotion such as the KFC 400th store celebration set meals ; and
- (iii) the introduction of new sales channel such as breakfast and extension of operating hours of certain outlets to 24 hours.

The better profit from the improved sales was however partly negated by the increased cost of raw materials such as potato-based products, cooking oil, flour and poultry products during the period under review.

Singapore Operations

The effective promotional campaign such as the Real Taste campaign and the introduction of new product such as the Golden Fiesta Bucket Meals, Fish Fingers and Toasted Twister drove sales and transactions at the restaurants .

Its revenue and profitability were also boosted by the net addition of 6 outlets to the network since July 2007.

(b) Integrated Poultry Segment

With improved sales to the KFC restaurants and better sales of its Ayamas products to both the local open market and export sector, this segment registered a marginal increase in profitability to RM7.9 million in the current period from prior year's corresponding period of RM7.4 million.

The higher profit contribution from the improved sales was partly negated by the increasing cost of commodities such as corn, soya bean meal and palm oil which resulted in higher cost of internally produced poultry products. Its profitability was also dampened by the higher cost of its ingredients and packaging materials in its production units.

B2. Material Changes in the Quarterly Results

The Group's revenue increased by 6.9% to RM529.8 million in the current quarter as against RM495.6 million in the previous quarter. Correspondingly, profit before tax increased by 7.7% to RM43.2 million for the current quarter from RM40.1 million in the previous quarter. As a result, earnings per share increased from 14.27 sen in the previous quarter to 15.34 sen in the current quarter.

The better profit in the current quarter was attributed to higher turnover from both its KFC restaurant business and integrated poultry segment. Its profitability was however dampened by the higher cost of imported commodities which increased its cost of production.

B3. Current Year Prospects

Malaysia is expected to achieve an economic growth of 5 - 6% in 2008 while Singapore is projected to achieve a growth of 4 - 5% in the current year.

Domestic consumption has remained resilient to date on the back of a strong labour market and private sector real wage growth in the current year. However inflationary pressures in the economy from the current high oil prices and global food and commodity prices may dampen consumer spending in the later half of the year. Malaysia registered an inflation rate of 7.7% in June 2008 and expected to trend higher in July 2008 (source : Bank Negara Malaysia) with the electricity tariff increase of 18% - 26% while Singapore recorded an average inflation rate of 7.0% for the 1st half of 2008. The Malaysian Government is actively exploring various measures to lessen consumers burden on food expenditure. In the light of the current economic environment, the Group will continue to sustain existing product offerings and introduce new product offerings that focus on value to customers.

Based on the foregoing and in spite of the economic uncertainties, the Board is confident of better performance in the current year. The Group will continue to drive better cost efficiencies across all functions and focus on enhancing productivity at the restaurants and manufacturing facilities.

B4. Statement of Revenue or Profit Estimate, Forecast, Projection or Internal Targets previously announced or Disclosed in a Public Document

The Company had on 24 May 2006 announced its 2006 - 2008 Business Plan & Key Performance Indicators ("KPIs") which, *inter-alia*, are as follows :-

<u>KPIs</u>	<u>Target</u>
Revenue growth	5% per year
EBITDA margin	15% (within 36 months)
EPS growth	10% per year
Dividend payout	25% of net profit each year

Based on current trend and barring unforeseen circumstances, the Board is confident that the above KPIs are achievable.

B5. Profit Forecast/Profit Guarantee

The Company is not subject to any profit forecast or profit guarantee requirement.

B6. Taxation

	Current Quarter RM'000	Cumulative Quarters RM'000
Tax expense for the period :-		
Malaysian income tax	11,153	21,497
Foreign tax	967	1,904
	<hr/>	<hr/>
	12,120	23,401
Deferred tax	80	99
	<hr/>	<hr/>
	<u>12,200</u>	<u>23,500</u>

The effective tax rate for the Group for the current period is higher than the statutory tax rate in view of the disallowance of certain expenses for tax purposes.

B7. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments during the financial period under review. However there was a sale of property during the period which resulted in a gain on disposal of RM499,439.

B8. Quoted Securities

- a) The particulars of purchase or disposal of quoted securities in unit trusts fund by the Group are as follows :-

	Current Quarter RM'000	Cumulative Quarters RM'000
Total purchase consideration	17,000	17,000
Total sale proceeds	-	-
Total profit/(loss) on disposals	-	-
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- b) Investments as at 30 June 2008 :-

	Held as Current Assets RM'000
At cost	17,000
At book value	17,000
At market value	17,509
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B9. Status of Uncompleted Corporate Announcements

- The Company had on 2 November 2007 announced the purchase of a piece of freehold land measuring approximately 41,294.90 square feet identified as Parcel C9 being part of land previously held under Lot 413, Mukim of Tebrau, District of Johor Bahru, via its wholly-owned subsidiary, KFC (Peninsular Malaysia) Sdn Bhd for a cash consideration of RM3,241,648.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Damansara Realty (Johor) Sdn Bhd, a member of Johor Corporation Group of Companies.

2. The Company had on 27 December 2007 announced the purchase of a piece of land (including all factories, buildings, structures, infrastructure and facilities built or erected on the land) measuring 20.533 acres that forms part of a leasehold industrial land (expiring on 30 January 2041) held under document of title HS (D) 2276, PTD 1384, Mukim Hulu Sungai Johor, Kota Tinggi, Johor for a cash consideration of RM6,150,000.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Sindora Berhad, a member of Johor Corporation Group of Companies.

3. The Company had on 10 July 2008 announced the purchase of a part of the land measuring 1.18 acres held under HS(D) 367670 PTD104984, in the Mukim of Tebrau, Daerah Johor Bahru, Johor, via its wholly-owned subsidiary, SPM Restaurants Sdn Bhd for a cash consideration of RM4,034,963.

The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Damansara Realty (Johor) Sdn Bhd, a member of Johor Corporation Group of Companies.

B10. Borrowings and Debt Securities

	As at 30 June 2008
	RM'000
Short term borrowings:-	
Secured - Term Loan I (SGD5,100,000)	12,355
- Term Loan III	10,000
- Term Loans IV	586

	22,941
Unsecured - Term Loan II	45,000

	67,941
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Long term borrowings:-	
Secured - Term Loan III	50,000
- Term Loans IV	2,079

	52,079
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- (a) The Singapore currency denominated Term Loan I is repayable semi-annually over a period of 5 years commencing from the second quarter of year 2004. The term loan is secured by a RM7.3 million cash deposit.
- (b) The unsecured Term Loan II of RM45 million is repayable in the second quarter of year 2009.
- (c) The secured Term Loans III were a partial drawdown of a total loan facility of RM150 million which was arranged to partly finance the redemption of the ABBA NIF. This facility is repayable semi-annually over a period of 4 - 7 years commencing from the first quarter of year 2009 and is secured against 1st and 3rd party charges over certain land and buildings owned by the Company's subsidiaries.
- (d) The secured Term Loans IV of RM2.4 million and RM1.4 million obtained by Tepak Marketing Sdn Bhd were secured by certain of its land and buildings, cash deposit of RM200,000, corporate guarantee of Sindora Berhad (the previous majority shareholder) and a debenture on its assets. The

two term loans are repayable over a period of 7 years expiring in the fourth quarter of year 2013 and third quarter of year 2011 respectively.

B11. Financial Instrument with Off Balance Sheet Risk

There were no financial instruments with off balance sheet risk as at the date of this report.

B12. Changes in Material Litigations

There was no material litigation pending as at the date of this report.

B13. Dividend Proposed

The Board of Directors has during the quarter under review declared an interim dividend of 8 sen less tax of 26% (2007 : 8 sen less tax of 27%) per ordinary share in respect of the financial year ending 31 December 2008 which will be paid on 8 October 2008 to shareholders whose names appear on the Record of Depositors as at 19 September 2008, ie :-

- a) shares transferred into the Depository's Securities Account before 4p.m. on 19 September 2008 in respect of ordinary transfers ; and
- b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

B14. Earnings Per Share

	CURRENT QUARTER		CUMULATIVE QUARTERS	
	1 Apr - 30 June 2008	2007	1 Jan - 30 June 2008	2007
Profit attributable to equity holders of the Company (RM'000)	30,411	23,601	58,699	46,329
Weighted average number of ordinary shares in issue ('000)	198,275	198,275	198,275	198,275
Basic earnings per share (sen)	<u>15.34</u>	<u>11.90</u>	<u>29.60</u>	<u>23.37</u>

There was no dilution in its earnings per share as there were no dilutive ordinary shares outstanding as at the end of the reporting period.

B15. Currency Translation

The exchange rates used for each unit of the foreign currencies in the Group for the current financial period were :-

	THIS YEAR CURRENT QUARTER		PRECEEDING YEAR CORRESPONDING QUARTER	
	MTH-END RATE RM	AVERAGE RATE RM	MTH-END RATE RM	AVERAGE RATE RM
Hong Kong (HK\$)	0.4289	0.4321	0.4530	0.4494
Brunei Darussalam (B\$)	2.4230	2.3700	2.2760	2.2595
Singapore (S\$)	2.4225	2.3695	2.2530	2.2590

By Order of the Board
KFC HOLDINGS (MALAYSIA) BHD

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MOHD ZAM BIN MUSTAMAN (LS 0009020)
IDHAM JIHADI BIN ABU BAKAR (MAICSA 7007381)
(COMPANY SECRETARIES)

Date: 20 August 2008