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 Cyclicality 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 Sep 2008 Revenue	Cumulative Quarters 1 Jan – 30 Sep 2008 Operating Profit	Cumulative Quarters 1 Jan – 30 Sep 2007 Revenue	Cumulative Quarters 1 Jan – 30 Sep 2007 Operating Profit
Malaysia				
KFC restaurants	922.9	105.1	734.3	83.8
Integrated Poultry	324.3	10.5	229.0	9.1
Ancillary	75.7	0.9	59.4	3.8
	1,322.9	116.5	1,022.7	96.7
Foreign				
KFC Singapore	245.0	10.5	205.9	8.2
KFC Brunei	10.0	0.4	8.5	0.5
	255.0	10.9	214.4	8.7
Consolidated Total	**1,577.9**	**127.4**	**1,237.1**	**105.4**

RM'million	Current Quarter 1 Jul – 30 Sep 2008 Revenue	Current Quarter 1 Jul – 30 Sep 2008 Operating Profit/(loss)	Current Quarter 1 Jul – 30 Sep 2007 Revenue	Current Quarter 1 Jul – 30 Sep 2007 Operating Profit
Malaysia				
KFC restaurants	314.7	40.0	254.2	31.1
Integrated Poultry	122.0	2.5	79.6	1.7
Ancillary	25.9	(1.3)	20.7	2.2
	462.6	41.2	354.5	35.0
Foreign				
KFC Singapore	86.6	2.9	71.4	3.2
KFC Brunei	3.2	-	2.8	0.1
	89.8	2.9	74.2	3.3
Consolidated Total	**552.4**	**44.1**	**428.7**	**38.3**

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.

5. On 10 November 2008, the Company announced the voluntary winding-up of the following wholly-owned subsidiaries :

   (i) Kentucky Trading Sdn Bhd
   (ii) Signature Chef Catercare Sdn Bhd
   (iii) KFC Technical Services Sdn Bhd
   (iv) Havprime Sdn Bhd

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	28,166
	- approved but not contracted for	74,993
		103,159

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 RM1,577.9 million for the current financial year-to-date, representing a growth of 27.5% over prior year corresponding period of RM1,237.1 million. The KFC restaurants segment registered a 24.2% revenue growth to RM1,177.9 million (2007 : RM948.7 million) while the Integrated Poultry segment recorded a 41.6% revenue growth to RM324.3 million (2007 : RM229.0 million).

It registered a profit before tax of RM127.4 million in the current period as against previous year's corresponding period of RM105.4 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 25.4% to RM116.0 million (2007 : RM92.5 million) was primarily attributed to :-

Malaysia Operations

(i) continuing network expansion where 27 new restaurants were opened during the period under review and 30 outlets were added to the network since October 2007 ;

(ii) the introduction of innovative new products such as Triple XL Burger, Breakfast menu, Chicken Chop combo, Colonel Chicken Rice combo, Toasted Twister, Spicy Crunch Chicken 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 campaigns such as the Real Taste campaign, Zinger Thematic and the introduction of new products such as the Golden Fiesta Bucket Meals, Fish Fingers, Toasted Twister and reintroduction of Hot Devil Drumlets drove sales and transactions at the restaurants.

Its revenue and profitability were also boosted by the net addition of 9 outlets to the network since October 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 an increase in profitability to RM10.5 million in the current period from prior year's corresponding period of RM9.1 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 4.3% to RM552.4 million in the current quarter as against RM529.8 million in the previous quarter. Correspondingly, profit before tax increased by 2.1% to RM44.1 million for the current quarter from RM43.2 million in the previous quarter. As a result, earnings per share increased from 15.34 sen in the previous quarter to 15.86 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

The financial meltdown particularly in the US and Europe caused by the credit crunch has led to the current global economic slowdown. Singapore had announced an estimated economic contraction of 0.5% in third quarter 2008 and currently in a technical recession. Malaysia's economic growth is expected to be negatively impacted too. The Government had revised downwards its projected economic growth for 2008 from 5.7% to 5%. Amid this economically challenging times, the Malaysian Government has recently unveiled a RM7 billion economic stimulus package to reduce burden on Malaysians and to reinforce private sector confidence. The pump-priming measures as set out in the stimulus package are expected to boost domestic consumption and help cushion Malaysia's economy from the global slowdown. Global crude oil prices are declining and the local petrol prices are expected to fall back to pre-June-2008 pump prices. Thus lessening burden on consumers expenditure.

The Government's positive measures and the declining inflationary pressures will boost consumers confidence and stimulate spending.

In the light of the prevailing 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 :-

KPIs	**Target**
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 the Company's commitment of its commodities purchases for the balance of the year and the prevailing economic uncertainties, the EBITDA margin of 15% is unlikely to be achieved. However the Board, barring unforeseen circumstances, is confident of meeting the rest of the KPIs.

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	11,634	33,131
Foreign tax	652	2,556
	12,286	35,687
Deferred tax	14	113
	12,300	35,800

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 were sales of properties during the financial period which resulted in a gain on disposal of RM499,710.

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	3,000	20,000
Total sale proceeds	-	-
Total profit/(loss) on disposals	-	-

b) Investments as at 30 September 2008 :-

	Held as Current Assets RM'000
At cost	20,000
At book value	20,000
At market value	20,204

B9. Status of Uncompleted Corporate Announcements

1. 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.

4. The Company had on 5 November 2008 announced the purchase of a piece of agricultural land measuring 400 acres in area being part of Lot PTD 9374 HS(D) 41897, Mukim Bukit Batu, District of Kulaijaya, State of Johor Darul Takzim, via its wholly-owned subsidiary, Ayamas Food Corporation Sdn Bhd for a cash consideration of RM10,400,000.

   The Company is in the midst of completing the Condition Precedents as defined in the Sale and Purchase Agreement with Johor Corporation.

B10. Borrowings and Debt Securities

		As at 30 Sep 2008
		RM'000
Short term borrowings:-		
Secured	- Term Loan I (SGD5,100,000)	12,431
	- Term Loan III	20,000
	- Term Loans IV	586

		33,017
Unsecured	- Term Loan II	45,000
	- Term Loan V	836

		78,853
		=====
Long term borrowings:-		
Secured	- Term Loan III	40,000
	- Term Loans IV	1,932
	- Term Loan V	12,534

		54,466
		======

(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.

(e) The unsecured Term Loan V of RM13.4 million is repayable over a period of 4 years commencing from the third quarter of year 2009.

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

There was no dividend proposed during the current quarter (2007 : Nil)

The total dividend declared by the Company to-date for the financial year ending 31 December 2008 represented 8 sen less tax of 26% (2007 : 8 sen less tax of 27%) per ordinary share.

B14. Earnings Per Share

	CURRENT QUARTER 1 Jul – 30 Sep		CUMULATIVE QUARTERS 1 Jan – 30 Sep	
	2008	2007	2008	2007
Profit attributable to equity holders of the Company (RM'000)	31,451	26,226	90,150	72,555
Weighted average number of ordinary shares in issue ('000)	198,275	198,275	198,275	198,275
Basic earnings per share (sen)	15.86	13.23	45.47	36.59

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$)	0.4564	0.4459	0.4482	0.4545
Brunei Darussalam (B$)	2.4380	2.3775	2.3160	2.3165
Singapore (S$)	2.4375	2.3770	2.3155	2.3160

By Order of the Board
KFC HOLDINGS (MALAYSIA) BHD

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

Date: 20 November 2008