



**QSR** Brands Bhd 599171-D

annual report **2007**



## We're Serving Up The Best of Foods And Ensuring Quality Of Service.

We take great pride in our ability to gather together a team of people whose commitment to delivery of service and customer satisfaction is second to none. Added to this, each meal that we produce is made with the freshest of ingredients under the strictest quality assurance programmes, thus ensuring that our customers continue to enjoy our products time and time again.

At QSR Brands, we have the right ingredients for success.

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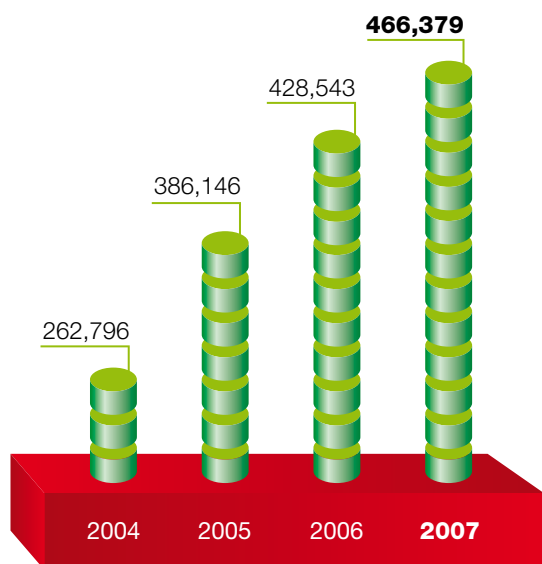


Keep Us Cooking

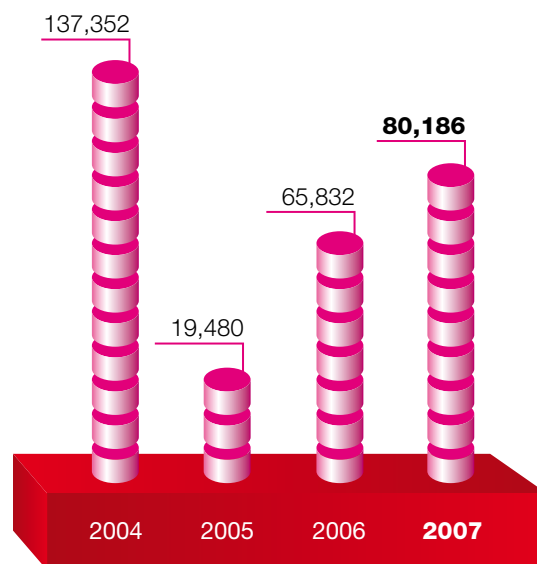


# Financial Highlights

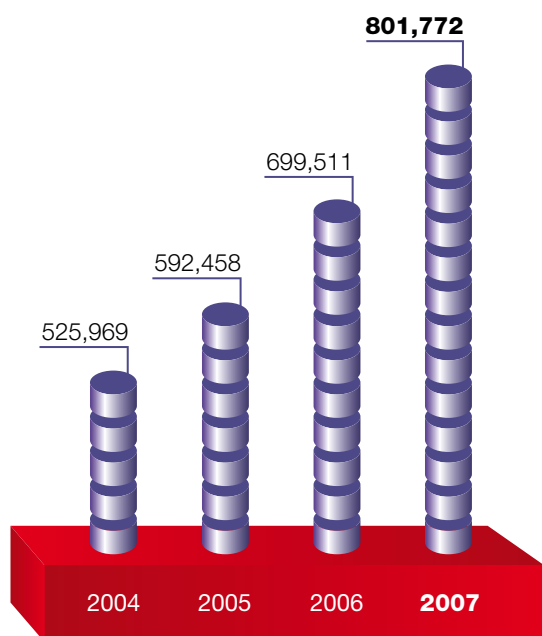
## REVENUE



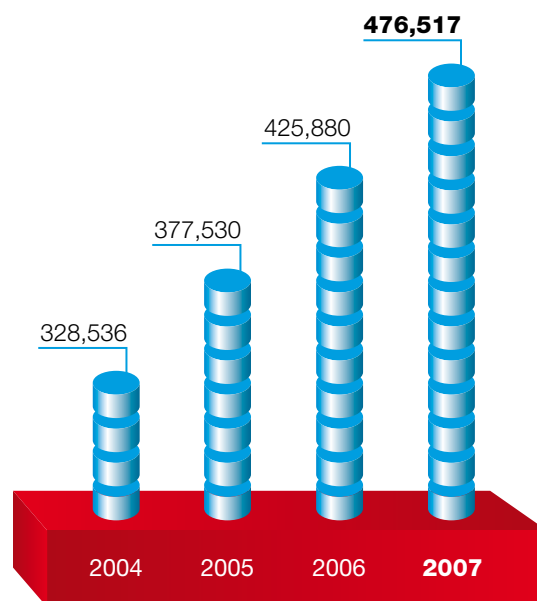
## PROFIT BEFORE TAX



## TOTAL ASSETS



## SHAREHOLDERS' EQUITY



## Financial Highlights

	Apr To Dec 04 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
<b>Revenue</b>				
Pizza Hut Malaysia	157,282	240,533	267,892	<b>301,015</b>
Pizza Hut Singapore	105,514	145,613	160,651	<b>165,364</b>
<b>Total</b>	262,796	386,146	428,543	<b>466,379</b>
Profit Before Tax	137,352	19,480	65,832	<b>80,186</b>
Total Assets	525,969	592,458	699,511	<b>801,772</b>
Shareholders' Equity	328,536	377,530	425,880	<b>476,517</b>
<b>No. of Restaurants</b>				
Pizza Hut Malaysia	122	135	151	<b>168</b>
Pizza Hut Singapore	36	37	38	<b>40</b>
Multibrand Singapore	4	4	3	<b>3</b>
	162	176	192	<b>211</b>



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 5th Annual General Meeting of QSR Brands Bhd will be held at Level 3, Wisma KFC, No.17 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 30 April 2008 at 3:30 p.m. for the following purposes:-

## AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2007 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a final dividend of 5 sen less 26% Malaysian income tax per share. **Resolution 2**
3. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2007. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:
  - (i) Kua Hwee Sim **Resolution 4**
  - (ii) Sheik Sharufuddin bin Sheik Mohd **Resolution 5**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorize the Directors to fix their remuneration. **Resolution 6**
6. As special business:

To consider and, if thought fit, to pass the following resolutions:

### **(a) Ordinary Resolution - Authority to allot and issue shares pursuant to Section 132D of the Companies Act 1965 (the "Act")**

"**THAT** subject always to the Act, Articles of Association of the Company and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other governmental or regulatory authorities, where such approvals shall be necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Act from time to time to issue and allot ordinary shares from the unissued share capital of the Company upon such terms and conditions and at such times as may be determined by the Directors of the Company to be in the interest of the Company Provided Always that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 10 percent of the issued share capital for the time being of the Company."

**Resolution 7**

### **(b) Ordinary Resolution - Proposed Renewal of the Share Buy-Back Authority**

"**THAT** subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Listing Requirements of Bursa Securities and any other relevant authorities, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital ("Proposed Renewal of the Share Buy-Back Authority") through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of

## Notice of Annual General Meeting

the total issued and paid-up share capital of the Company at any time **AND THAT** an amount not exceeding the total retained profits of RM111,655,000 and share premium account of RM9,152,000 as disclosed in the audited accounts of the Company as at 31 December 2007 otherwise available for dividend for the time being be allocated for the Proposed Renewal of the Share Buy-Back Authority.”

“**AND THAT** the Directors be and are hereby authorized to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or cancel the Purchased Shares and/or to retain part of the Purchased Shares and cancel the remainder and/or to resell the treasury shares or to distribute them as share dividend and/or subsequently cancel them and to deal with Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force.”

“**AND THAT** the Directors be and are hereby empowered to do all acts and things (including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act, 1991) and to take such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments, and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Renewal of the Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations (if any) as may be imposed by the relevant authorities.”

“**AND FURTHER THAT** the authority conferred by this ordinary resolution shall be effective immediately upon passing of this ordinary resolution and shall continue in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held (whichever is earlier), unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, but shall not prejudice the completion of purchase(s) by the Company before the expiry date and in any event in accordance with provisions of the Listing Requirements and other relevant authorities.”

### Resolution 8

**(c) Ordinary Resolution - Proposed Renewal of Shareholders' Mandate and additional mandate for QSR Brands Bhd and its subsidiaries (“QSR Group”) to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties (“Proposed Shareholders' Mandate”)**

“**THAT** authority be and is hereby given in line with Chapter 10.09 of the Listing Requirements of the Bursa Securities, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transaction, particulars of which are set out in the Circular to Shareholders dated 8 April 2008 with the Related Parties as described therein, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms with those generally available to the public and are not detrimental to the minority shareholders of the Company;



## Notice of Annual General Meeting

**AND THAT** such authority shall commence immediately upon the passing of this Ordinary Resolution until:-

- (i) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date that is required by law to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier.

**AND FURTHER THAT** the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

**Resolution 9**

7. To transact any other ordinary business of which due notice shall have been given.

### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 5 sen less 26% Malaysian income tax per share will be paid on 28 May 2008 to depositors who are registered in the Record of Depositors at the close of business on 7 May 2008 if approved by members at the 5th Annual General Meeting on 30 April 2008.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 7 May 2008 in respect of the ordinary transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

BY ORDER OF THE BOARD

**MOHD ZAM BIN MUSTAMAN (LS 0009020)**  
**IDHAM JIHADI BIN ABU BAKAR, ACIS (MAICSA 7007381)**  
Company Secretaries

Kuala Lumpur  
8 April 2008



## Notice of Annual General Meeting

### Notes:

1. A member of the Company entitled to attend and vote at the above AGM may appoint a Proxy to attend and vote in his stead. A Proxy may but need not be a member of the Company. If the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or person approved by the Companies Commission of Malaysia.
2. If the member is a corporation, this Proxy Form must be executed under its common seal or the hand of its duly authorized officer or attorney. If this Proxy Form is signed under the hand of an officer duly authorized, it should be accompanied by a statement reading "signed as authorized officer under an Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
3. A member of the Company may appoint more than two (2) proxies to attend the AGM. Where a member of the Company appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. Any alteration made in this form should be initialed by the person who signs it.
5. This Proxy Form or a notarially certified copy thereof must be deposited at Tenaga Koperat Sdn Bhd, G-01, Ground Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

### Explanatory Notes on Special Business

#### 1. Resolution Pursuant to Section 132D of the Companies Act 1965

The Ordinary Resolution proposed under item 6(a), if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot ordinary shares from the unissued share capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next AGM of the Company.

#### 2. Resolution pursuant to the Proposed Renewal of the Share Buy-Back Authority

This resolution proposed under item 6(b) will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilizing the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next AGM of the Company.

Further information on the Proposed Renewal of the Share Buy-Back Authority are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Annual Report for the year ended 2007.

#### 3. Resolution pursuant to the Proposed Shareholders' Mandate

This resolution proposed under item 6(c) will enable QSR Group to enter into any recurrent transactions of a revenue or trading nature which are necessary for the QSR Group's day-to-day operations, subject to the transactions being in the ordinary course of business, made at arm's length and on normal commercial terms and are not to the detriment of the minority shareholders of the Company.

Further information on the Proposed Shareholders' Mandate are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Annual Report for the year ended 2007.

# Statement Accompanying Notice of Annual General Meeting

## 1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE ANNUAL GENERAL MEETING

The Directors retiring by rotation pursuant to Article 89 of the Company's Articles of Association are:

(a) Kua Hwee Sim

(b) Sheik Sharufuddin Sheik Mohd

The details of the directors seeking re-election are set out in the Directors' Profiles which appear on pages 30 and 36 of the Annual Report.

## 2. DETAILS OF ATTENDANCE AT BOARD MEETINGS HELD IN THE FINANCIAL YE AR ENDED 31 DECEMBER 2007

There were seven (7) Board Meetings held during the financial year ended 31 December 2007 and the following are the details of the Board attendance: -

Name of Director	No. of Meetings Attended
1. YBhg Tan Sri Dato' Muhammad Ali bin Hashim	7/7
2. Ahamad bin Mohamad	7/7
3. Jamaludin bin Md Ali	7/7
4. YBhg Dato' Dr Ridzuan bin Mohd Akil	7/7
5. YAM Dato' Seri Syed Amir Abidin Jamalullail Ibni Almarhum Tuanku Syed Putra Jamalullail	7/7
6. Kua Hwee Sim	7/7
7. Sheik Sharufuddin bin Sheik Mohd	7/7

## 3. THE 5TH ANNUAL GENERAL MEETING WILL BE HELD AT LEVEL 3, WISMA KFC, NO. 17 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON WEDNESDAY, 30 APRIL 2008 AT 3.30 P.M.





# Eat, Laugh, Share

QSR Brands operates approximately 210 Pizza Hut restaurants throughout Malaysia and Singapore, making it the pre-eminent pizza operator on both sides of the causeway. Offering an enticing range of nutritious Italian-American dishes, including the ever-popular pan pizza, Pizza Hut caters to both young and old.



# Corporate Statement



**Tan Sri Dato' Muhammad Ali bin Hashim**  
*Chairman*

**Ahamad bin Mohamad**  
*Deputy Chairman*

**Jamaludin bin Md Ali**  
*Managing Director*

## Dear Shareholders,

In 2007, we continued to put customers first by providing the highest quality products and services, by creating new offerings, and by expanding our network of restaurants. Ongoing enhancement and streamlining of our operations enabled us to achieve our objectives of building shareholder value, maximizing returns and delivering sustainable growth. As a result, we registered our best financial performance to date.

At the same time, we did not forget our social responsibilities, and we significantly reinforced our commitment to improving the quality of life and economic vitality of the communities in which we operate.

On behalf of the Board of Directors (the Board), it is our pleasure to present to you the Corporate Statement of QSR Brands Bhd ('QSR') for the financial year ended 31 December 2007.

## Corporate Statement

### LOOKING BACK

The global economy has been shaky ever since the sub-prime mortgage problems in the United States developed into a widespread credit crunch. Fortunately, in the context of a world economic system that has shifted from one that was dominated by a single economic power, the impact on Malaysia and the region is expected to be less threatening, the more so now that it is mitigated by the involved nations' strong fundamentals. Malaysia in particular, though challenged, benefited from the increase in the price of crude oil, palm oil, and the inflow of foreign investment which rose in response to the Government's capital market liberalization programme.

Economic progress was further boosted by buoyant consumer spending coupled with the healthy expansion of various key sectors. As a result, in 2007 Malaysia recorded a praiseworthy annual GDP growth of 6.3%.

Meanwhile Singapore achieved economic growth of 7.7% on the back of strong performances by the construction, tourism and financial services sectors.

### ENHANCING RESULTS

In 2007, QSR recorded outstanding results. Revenue advanced 8.8% to RM466.4 million from RM428.5 million the previous year; and profit before tax – including our share of the profits of our associate company, KFC Holdings (Malaysia) Bhd (KFCH) – improved 21.8% to RM80.2 million as compared to RM65.8 million in 2006. As a result of higher profits, QSR's earnings per share rose from 22.62 sen as at 31 December 2006 to 27.31 sen as at 31 December 2007.

Revenue from Pizza Hut Malaysia restaurants accounted for approximately 64.5% of the total revenue (excluding the contribution from KFCH), whilst Pizza Hut Singapore (including Multibrands) made up the balance 35.5%.



The year's financial highlights included:

- A 12.4% growth in revenue by Pizza Hut Malaysia to RM301 million from RM267.9 million in 2006
- A 5% growth in revenue by Pizza Hut Singapore to RM153 million from RM145.7 million in 2006
- A 30% increase in the share of KFCH group profit after tax to RM46.5 million from RM35.7 million in 2006

### Strategic Initiatives

The continued growth in Group revenue and profitability was the result of a series of strategic initiatives:

- The highly effective launches by Pizza Hut Singapore of its Double Sensations, Fortune Chinese New Year pizza, American Superstars pizza promotions and new products such as Crispy Thin Pizza, Pasta Perfetto, Cheesy Bites Fondue and Sambal Seafood Pizza
- An increase in Same Store Sales growth by Pizza Hut Malaysia, Pizza Hut Singapore and Multibrands Singapore
- Reimaging of various Pizza Hut and KFC stores to enhance their ambience
- A higher share of KFCH's profits resulting from the QSR's increased equity stake and the improved performance of KFCH
- The expansion of the KFC network by 39 new outlets in Malaysia and nine in Singapore
- The launch of KFC's new "Colonel" logo, plus new staff uniform and product packaging
- The continued expansion of the Pizza Hut network, with 20 new outlets being opened in Malaysia and five in Singapore
- Pizza Hut Malaysia's launch of its very successful Sensasi Delight combo value meals, combined with the introduction of new products such as Cheesy Bites Dip-Licious Pizza, Sausage Bites Dip-Licious Pizza and Mexican Fiesta Pizza



## Corporate Statement



below) which enlarged QSR's share capital by 40,911,847 rights shares, from 245,471,082 to 286,382,929 shares. The total dividend for 2006 was also 9 sen per share.

### Asset Management

Effective asset and liability management is one of the highest priorities of the QSR Board and Management.

The Group's total borrowings increased from RM207.4 million in 2006 to RM 251.2 million as at 31 December 2007 due to drawdowns of term loans and short term loan facilities to finance the purchase of additional KFCH shares. Our net gearing ratio has also increased from 0.38 times to 0.43 times as at 31 December 2007 due to the net increase in bank borrowings of RM43.8 million.

### STRENGTHENING THE BUSINESS

The Mandatory General Offer made by QSR for KFCH shares in September 2006 lapsed in April 2007. Nevertheless, QSR is continuing to increase its interest in KFCH by acquiring shares in the open market. In December 2007, QSR acquired another 1.75 million KFCH shares, bringing its total holding in KFCH at present to 46.79%.

In September 2007, QSR announced its intention to undertake a renounceable rights issue of 40,911,847 new ordinary shares of RM1 each with free detachable warrants on the basis of one Rights Share and one Warrant for every six existing ordinary shares.

The Rights Issue will enable QSR to raise funds without incurring interest costs and will be partially utilized to repay bank borrowings and to reduce the gearing level of the Group. It will enhance the company's market capitalization, strengthen its balance sheet, and increase the liquidity of QSR shares in the market, as well as enable investors to increase their equity stake in the Company.



- A series of successful marketing promotions and product launches by KFC
- The extension of operating hours at 73 KFC restaurants, which now open 24 hours a day

### Dividends

QSR is dedicated to developing a strong and sustainable business that delivers reliable, worthwhile returns for the benefit of its investors. For 2007, the Board of Directors recommends a total dividend of 9 sen per share (comprising an interim dividend of 4 sen and a final dividend of 5 sen). This is after taking into account the rights issue (mentioned

## Corporate Statement

Meanwhile the Warrants will provide QSR shareholders with an incentive to subscribe for the Rights Shares and allow them to benefit from the future growth of the Group; and will also raise further proceeds for QSR when they are exercised.

The rights issue exercise which was approved by the Securities Commission, Bank Negara Malaysia, Bursa Malaysia Securities Berhad and the QSR shareholders, was completed on 10 March 2008.

In August 2007, QSR obtained approval in principle from Yum! Restaurants Asia Pte Ltd to operate KFC restaurants in Cambodia. Cambodia offers immense potential since the increasingly stable political climate has allowed local businesses to flourish, and consumer purchasing power is building steadily. Moreover, the fast food market is in its infancy, thus offering a tremendous opportunity for market penetration.

To formalise the business venture, on 29 February 2008 the company signed a Joint Venture Agreement with two partners: Royal Group of Companies Ltd and Rightlink Corporation Limited Hong Kong, with QSR having a 55% stake in the company. The first KFC outlet in Cambodia opened on 2 March 2008 and was well received by Cambodian customers. We plan to open several more restaurants during the year.

### DRIVING PERFORMANCE

To create value for all our stakeholders, we are totally committed to building a performance-driven corporate culture. One of our key vehicles to reinforce our strong corporate culture is the annual Group-wide interactive session called Pedoman. Attended by everyone in leadership positions, from the Chairman to the restaurant managers, Pedoman facilitates open dialogue, and acts as a transparent interface for our entire management and executive team. As a forum, which provides everyone

the opportunity to voice their ideas and concerns and which gives the leadership an opportunity to quickly respond, provide solutions and articulate strategic issues, Pedoman significantly enhances open communication and facilitates fast and effective dissemination of strong, positive values.

Pedoman also supports our longstanding principle of "People First". It is indeed a powerful tool for team-building and strengthening the bonds that unite our people, and it promotes and nurtures faith and trust, enabling us to meet the challenge of constant and often hostile changes.

At QSR, we are very much aware that, the bigger the organizations grow, the more they tend to be hampered by a corresponding growth in bureaucracy and hierarchy. As we expand, Pedoman acts as a powerful instrument to overcome the disadvantages of size, and helps us maintain and foster our employees' creativity and entrepreneurship spirit.

To ensure that our team is on track to meet our strategic and operational goals, QSR



operates a system of Key Performance Indicators (KPIs) that reflect our critical success factors. By setting precise and quantifiable targets, these KPIs become the basis on which we both evaluate performance and recognize and reward our employees' achievements.

Another initiative aimed at driving performance is Hari Mekar, an acronym for Mengejar Kecemerlangan Dalam Kualiti or the Pursuit of Excellence in Quality. This quality movement initiated by our ultimate holding corporation, namely Johor





## Corporate Statement



Corporation, in 1995 brings together representatives from all the companies under Johor Corporation Group in a forum where they share and compare best practices and compete to suggest the most effective ideas to enhance productivity, improve efficiency and cut costs. Most of all, the aim is to empower all levels of people in the organization, involving them in the process of enhancing efficiency and productivity.

In October 2007, QSR and KFCH participated in Hari Mekar for the first time, and we are delighted to record that we won the Overall Champion's Trophy. Both companies have set up a Quality Council with the objective to make the Group a quality focused organization. In

addition, several teams have been formed to propel this quality movement, including suggestion scheme teams, innovative and creative circle teams and cross functional teams.

QSR and KFCH will host a Group-wide Hari Mekar in 2008.

### IMPROVING GOVERNANCE

QSR is deeply committed to good governance. We recognize that we have extensive obligations not just to our investors but to all our stakeholders and to the general public. We place the highest value on honesty, trust,

integrity, accountability and performance-orientation; and we constantly practice openness and transparency.

To further improve our corporate governance in 2007, we ensured that all our staff signed a Work Ethics Declaration Form, and required all members of our senior management to declare their assets.

### INVESTING IN COMMUNITIES

As a responsible corporate citizen, QSR places great emphasis on corporate social responsibility ("CSR") and supports a wide range of community-based projects dedicated to improving the quality of life and economic vitality of the communities we serve. In 2007, we dedicated considerable resources to further building and strengthening our CSR programmes.

In previous years, we have focused mainly on helping the less fortunate. Lately, we have implemented a new CSR structure that considerably broadens our horizon.

Since *halal* compliance is central to our business interests, we have recognized it as our core corporate social responsibility. Other than embedding *halal* practices into our processes, the company is also committed to sponsoring the World Halal Forum and the Malaysia International Halal Showcase, at which we also promote our products. We also sponsor Halal Food Standards Realization MS 15500:2004 seminars which are regularly held throughout Malaysia, a programme dedicated to promoting Malaysian Halal Standards; while, to further increase our visibility worldwide, we place advertisements and articles in the international Halal Journal.

Education is one of the building blocks of society. In response to the Government's call to raise English language proficiency in schools, Pizza Hut sponsors The Star Newspaper-in-Education (NIE) programme. NIE helps students learn English – the lingua franca of the global



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community – in a fun way, while at the same time getting to know about current affairs. To motivate teachers and students to participate, the programme includes a contest with great prizes, from pizza vouchers to overseas trips.

At QSR, we recognize the importance of promoting healthy, active lifestyles and supporting local sports. KFCH is the official sponsor of the Johor FC football team and sponsors billboards in most football stadiums throughout the country. It has also extended its sports sponsorship to sailing and futsal, with the aim of encouraging young Malaysians to pursue them both as popular sports and as activities that offer opportunities for the most talented to be recognized up to the global stage.

The future prosperity of our nation lies in the hands of tomorrow's entrepreneurs. To help develop entrepreneurial skills,



especially among young Malaysians who are excluded from the business sector, we collaborate with Johor Corporation to contribute to the success of the Corporation's Tunas Bistari, Didik Bistari and Siswa Bistari programmes. These programmes are aimed at familiarizing uninitiated young Malaysians with commercial value orientation and the basics of business practices that are needed to turn them into future business practitioners and entrepreneurs.

We also participated in both the annual Floral Float Parade organized by the Ministry of Tourism and the International Kite Festival. Through such community activities, we help foster national unity as well as demonstrate how far our brands have become part of the lives of many Malaysians. With the same aim, we produce both corporate advertisements and periodic public service announcements.

Help for the less fortunate will always remain a key element in our CSR activities. In addition to the numerous programmes we already operate, in October 2007, we ran a vigorous nationwide hunger relief campaign to increase public awareness and raise money for the United Nations' World Food Programme, and also make a

success of YUM's International worldwide initiative. In the same spirit, during the month of Ramadhan, Pizza Hut undertook a nationwide charity delivery to residents of more than 100 orphanages and old folks homes.

In addition, QSR and KFCH now sponsor three episodes every year of *Tijarah Ramadhan* – a television programme that features companies that donate to the underprivileged and highlights the plight of poverty-stricken families.

### WINNING RECOGNITION

We were deeply honoured to receive a number of awards in 2007, chief among which were the following.

In October, Ayamas garnered the Malaysian Livestock Industry Award for Outstanding Meat Processor at the Livestock Asia Expo & Forum 2007 held at the KL Convention Centre. The forum was hosted by the Ministry of Agriculture & Agro Based Industries, and attracted over 514 companies from 35 countries.

In March 2008, the Yum! Franchise Business Partner luncheon was held at the Grand Hyatt, Bangkok. During the





## Corporate Statement



luncheon, awards were made to the region's franchisees for their achievements in year 2007. The most prestigious of all awards is the Franchisee of the Year Award. We are proud to report that KFC Malaysia was voted the Best Operator in the region and was awarded the Franchisee of the Year Award 2007.

### LOOKING FORWARD

Robust domestic demand and projected improvement in exports are expected to sustain the Malaysian economy's momentum to 2008.

Consumer spending will again be the main driver of growth, supported by increases in income. Public investment will remain strong as projects are rolled out under the Ninth Malaysia Plan. These include the Iskandar Development Region (a large logistics and tourism project in southern Peninsular Malaysia), the Northern Corridor Economic Region (involving Perlis, Kedah, Penang and the north of Perak), the East Coast Economic Corridor, and the Sabah and Sarawak Development Corridors.

Though the US, Malaysia's biggest export market, may continue to be affected by the

sub-prime mortgage and financial market problems, Malaysian exports are forecast to perform better in 2008, especially for electrical products, and economic growth is predicted to be a respectable 6%.

As the most export-dependent economy in Asia, Singapore's prospects rely heavily on world market conditions. The economic slowdown in the US, Singapore's main trading partner, could lead to somewhat slower growth in 2008. On the other hand, domestic demand is likely to play a bigger role in supporting Singapore's growth in 2008 and – given the rise in employment and real wages – consumer sentiment should improve further, thus boosting spending.

Construction investment is also forecast to recover in 2008, as the building of casino-resorts moves ahead and the property market picks up. Though exports are likely to achieve solid progress, stronger imports, resulting from greater domestic demand, will partly offset the contribution of net exports to Singapore's GDP growth.

It is anticipated that the increasing prices of oil, food and commodities will continue to fuel global inflation. In 2008 Malaysia's

inflation rate may surpass the 2% recorded in 2007, while the Singaporean inflation rate will probably be revised upwards in response to rising food and energy costs.

However, we believe that the higher cost of imported raw materials will be partially offset by the strength of the Ringgit; and we are therefore confident that the potential slowing of the global economy will not unduly affect our continuing expansion.

### BUILDING THE FUTURE

In the challenging business environment that faces us in the year ahead, the Group will take strong measures to improve its performance by opening more outlets, introducing new product offerings that focus on customer value, enhancing productivity at its restaurants and manufacturing facilities, and increasing cost efficiencies.

Today, our restaurant chains face growing competition from food courts and Mamak restaurants as well as from other fast food operators. With the opening of more shopping malls, the increasing number of food courts is tempting consumers with the offer of convenience, variety and cheap prices. Meanwhile, many hawker restaurants and food stalls are drawing customers by their affordability and wide variety of local flavours.

Pizza Hut and KFC are taking up these challenges by introducing local taste products such as sweet spicy prawn rice for Juadah Ramadhan and Colonel Rice with satay sauce. In addition to fighting competition from other fast food operators, our restaurants have developed value for money meals like Pizza Hut's Sensasi Delights and KFC's Jom Jimat.

Responding to the ever-growing demand for higher convenience value, Pizza Hut Malaysia has tied up with Telekom Malaysia Bhd to provide wireless broadband access through TMNet Hotspot. KFC Malaysia is also offering free internet access from



## Corporate Statement



2.00pm to 6.00pm on weekdays. So far, 128 Pizza Hut restaurants and 118 KFC restaurants in Malaysia enjoy wireless fidelity (WiFi) services.

Another recent trend has seen consumers increasingly choosing fast food as a snack. To capitalize on this trend, KFC has now introduced an Afternoon Menu from 3 pm to 6 pm.

In the years ahead, our main challenge will be to counter negative consumer perceptions about the healthiness of fast food. We will therefore be proactive in expanding our product range into healthier alternatives, and in informing consumers about the importance of regular exercise and a balanced diet. For example, KFC already offers a Garden Salad and also provides nutritional information about its products. We are also promoting healthy lifestyles among the young. To achieve this, we are launching a number of initiatives targeting kids and teenagers, such as KFC's collaboration with Harian Metro to sponsor and organize sporting activities.

To enhance its poultry operations, the Group is in the process of building its third integrated poultry facility and processing

plant in Bandar Tenggara, Johor at a cost of RM30 million. As well as achieving significant synergies and savings, the new plant will enhance the supply-sufficiency of southern Malaysia and Singapore, and ensure product freshness.

Moving forward, we plan to increase our share of the frozen food sector by setting up a new company, KFC Marketing Sdn Bhd, to focus specifically on sales and marketing. The core of this business will be further processed poultry products and sauces marketed under the Ayamas and Life brands, with seafood, side orders, ice cream, bakery and other food products being added later under different brand names. As well as building our frozen food sales and market share, the new company would help us penetrate new market sectors.

In 2005 to 2006, the operations of Kedai Ayamas were rationalized in a move that involved closing several poorly located units and maintaining the 19 outlets in niche trading areas. As a result, 2007 saw the turnaround of the business from a loss in 2006 to a record profit level.

Kedai Ayamas can now concentrate its marketing efforts on increasing brand awareness and recall, boosting its position in the burger take-home category, promoting healthy products, and expanding its exports, especially to Singapore.

2005 and 2006 also witnessed the rationalization of Rasamas, the brand operated by Rasa Ayamas Sdn Bhd. Here, too, poorly located outlets were closed, and in addition the menu, pricing and operations were all revamped to enhance customer appeal. Having moved from a loss position to break-even in 2007, we confidently expect Rasamas to return to profitability in 2008.

A key factor in the ongoing turnaround of Rasamas is our "Intrapreneur Scheme". Initiated in 1999 by Johor Corporation, the aim of the scheme is to institutionalize a performance culture by creating opportunities for highly talented and committed employees to start new business ventures or revive existing ones.

A key factor in the success of the scheme is the introduction of a direct minority ownership element. Giving intrapreneurs the opportunity to own an equity stake of up to 25% in the business concerned has proved to be a powerful motivator.



## Corporate Statement



Under the Rasamas Intrapreneur Scheme, three Rasamas outlets were, by the end of 2007, run by intrapreneurs, who were all initially given a 10% stake in their outlet. The selected outlets are Rasamas Tebrau Sdn Bhd, Rasamas Larkin Sdn Bhd (both in Johor) and Rasamas Bangi Sdn Bhd (in Selangor).

In the year ahead, Rasamas plans to open additional outlets and to launch a vigorous advertising and brand-building campaign aimed at making it the most successful home grown brand in Malaysia.

For our feedmill, however, 2008 looks set to be a tough year. Soya bean meal and corn prices are predicted to rise further,

thus eroding our margins. Moreover, with livestock producers becoming more self-sufficient in feed supply, the market for feed is shrinking.

On the other hand, in the year ahead, we are confident that Region Food's LIFE brand sauces will continue to catch up with its competitors in terms of market share, while, the bakery expects to increase its open market sales.

As well as expanding our existing operations, we are constantly exploring other investment opportunities that would increase shareholder value. By achieving growth either organically or by the acquisition of food-related businesses

we will achieve our vision to be the largest integrated food services group in the ASEAN region based on consistent quality products and exceptional customer-focused service.

### THANKS

In January 2008, Mr Wong Seng Lee and En Mohammad bin Alwi resigned as Board Directors of QSR (though En Mohammad remains Director of Finance), and we would like to take this opportunity to thank them for their outstanding contribution.

At the end of another year of major and positive achievements, we wish to express our appreciation of the exceptional energy, dedication and skill so consistently displayed by our colleagues on the Board of Directors as well as by the entire management team and all of the Group's employees.

In 2007, YUM! Brands Inc once again provided us with tremendous backing and assistance for which we are deeply grateful. On behalf of the Board, we would also like to extend our gratitude to various Government bodies for the guidance they provided during the year.

Finally, we offer our heartfelt thanks to all our customers, suppliers, business partners, investors and financiers for the outstanding support we received throughout 2007.

**Tan Sri Dato' Muhammad Ali bin Hashim**  
Chairman

**Ahamad bin Mohamad**  
Deputy Chairman

**Jamaludin bin Md Ali**  
Managing Director





# It's Finger Lickin' Good

KFC is by far the most popular restaurant chain in Malaysia, commanding a market share of over 44%. With over 400 KFC restaurants in Malaysia, 69 in Singapore and 7 in Brunei – plus new restaurants opening in Cambodia – KFC sees millions of people flocking to its various outlets year in, year out.

## Review of Operations

**Jamaludin bin Md Ali**  
*Managing Director*

All of our restaurant chains continued to expand in 2007, strengthening their brand presence and enhancing their appeal. By keeping abreast of the latest market trends, we were able to make product innovations that ensured our relevance to our customers. By giving our people the fullest possible opportunity to develop, we further strengthened the star quality and teamwork that underly our success.



## Review of Operations

### STRATEGIC PLANS

We are resolute in our commitment to our stakeholders. At the heart of QSR's Strategic Business Plan 2007-2009, as approved by the Board of Directors, lies a series of strategic initiatives specifically designed to build and enhance stakeholder value.

In order to attract committed of long-term investors our goal is to develop a strong and sustainable business that delivers reliable, worthwhile returns. To achieve this, we continuously seek to enhance our operations so as to improve our financial results, especially in terms of earnings per share and dividends. At the same time, we place the highest possible emphasis on transparency and good governance.

To delight our customers, we endeavour to provide them with the highest quality products delivered in the fastest, friendliest and most efficient manner. To satisfy their palates, we regularly launch enticing new products at competitive prices; and to improve accessibility we constantly expand our network of restaurants.

When it comes to our employees, our philosophy is to create opportunities for our people to develop their potential to the fullest. We run programmes specially created to motivate, recognize and reward achievement, and constantly reinforce a corporate culture that is founded on trust, positive energy and empowerment.

### PIZZA HUT

In another excellent performance, in 2007 QSR Brands Bhd (QSR), the franchise holder of Pizza Hut Malaysia and Singapore, saw its revenue rise 8.8% to RM466.4 million from RM428.5 million in 2006. There was also a praiseworthy increase in operating profit (before our share of the results of our associate KFCH) which grew 12% to RM33.7 million from RM30.1 million in the prior year.



Though profitability was affected by the interest costs arising from the acquisition of additional KFCH shares, this was more than covered by the rise in profit received from KFCH.

#### Pizza Hut Malaysia

At Pizza Hut Malaysia, revenue gained

by a healthy 12.4% to RM301.0 million as compared to RM267.9 million in 2006, thanks to an overall increase in Same Store Sales growth and continuing network expansion. Twenty new outlets were opened during the year (as against three closures) while a further 11 stores were remodeled under the Enhanced Dine-In concept.



## Review of Operations

After a sluggish beginning to the year, sales expanded dramatically following the launch of the highly successful Sensasi Delight combo value meals in June, and were further increased by the introduction of new products such as Cheesy Bites Dip-Licious Pizza, Sausage Bites Dip-Licious Pizza and Mexican Fiesta Pizza.

The year also saw a rise in operating profit, which improved to RM25.5 million from RM23.9 million in 2006. This was principally due to the restaurants' higher operating margin from the growth in sales.

2007 was marked by an impressive series of product innovations. The year kicked off with Double Fortune Combos and leading to Chinese New Year, we had the new Ocean Happiness Pizza and Fortune Pockets. Then in February, we celebrated our 25th anniversary with the launch of our new packaging and uniforms, accompanied by special, super value Anniversary Meals.



March saw the introduction of the new Tropical Twist Pan Pizza, while in April Pasta Perfetto Wrap with three variants

tempted customers to try something new. To appeal to Asian taste, we added the Flaming Sambal Crunchy Crust Pizza to the menu in May.

A tremendous success was achieved in June with the launch of Sensasi Delight – Wave 1, which offered customers a variety of pizza, pasta and rice dishes. At only RM7.35 for a personal set, Sensasi Delight provided a quality meal at an affordable price.

July's Cheesy Bites Dip-licious Pizza was another big hit. With its tagline 'Pick it, Pull it, Dip it!', the new pizza offered the ultimate cheese experience with 24 bite-sized crusts coated with cheddar cheese, filled with three cheese flavours and served with barbeque cheese dip. Building on this success, in August we introduced the Sausage Bites Dip-licious Pizza, which proved equally popular.

For Juadah Ramadhan there were many new sensational delights, such as the Hawaiian X-Tra Pan Pizza and Sweet Spicy Prawn Rice. These were followed in October with Sensasi Delight – Wave

**Sensasi Delight Pizza**  
4 choices / 4 pilihan

**Sensasi Delight Pasta**  
3 choices / 3 pilihan

**Sensasi Delight Rice**  
2 choices / 2 pilihan

**So affordable! Eat more!**

You want good value? Get a Pizza Hut Sensasi Delight Set. Choose from a variety of pizza, pasta and rice dishes. At only RM7.35 for a personal set, get a quality meal at an affordable price!

**RM 7.35**  
for a personal set  
set untuk 1 orang

**RM 8.45**  
after tax and  
service charge  
set untuk 1 orang  
(set termasuk 1 orang)

**Mampu dibeli! Makan sesuka hati!**

**sensasi delight**

## Review of Operations

2, while in November the Mexican Fiesta featured the Mexican Fiesta Pan Pizza with Mexican Corn Chips and Mexican Sauce. The Mexican Fiesta Bonanza concluded the year with three exotic Mexican delicacies.

As at 31 December 2007, Pizza Hut Malaysia had 168 restaurants, with 149 restaurants in the Peninsular, 10 in Sabah, and nine in Sarawak.

### Pizza Hut Singapore

Pizza Hut Singapore (including results by Multibrands) achieved strong growth in 2007 with net sales at a record high of RM165.4 million, 3% higher than prior year's RM160.6 million. The improvement resulted mainly from better-received marketing programmes riding on Singapore's strong economic growth. Despite stiff competition, both Dine-in and Home Delivery segments performed well, especially the Dine-in segment which continued to build on its Enhanced Dine-In concept.

Driven mainly by a stronger top line, Pizza Hut Singapore posted an excellent

profit before tax of RM8.2 million, a rise 32% from the RM6.2 million achieved the year before. The positive impact of higher sales was partially offset by higher cost of sales caused by rising food costs plus increases in other operating expenses especially in the Home Delivery segment. For several years, Pizza Hut Delivery shared a common phone number with KFC Delivery. However, in June 2007, KFC launched its own number.

Among the key achievements for 2007 were the successful launches of the Double Sensations, Fortune Chinese New Year pizza, and American Superstars pizza promotions and the introduction of popular new products such as Crispy Thin Pizza, Pasta Perfetto, Cheesy Bites Fondue and Sambal Seafood Pizza.



Competition, however, continues to remain strong as other restaurant chains have also expanded and upgraded indicating that, in the years ahead, competition for share of the consumers' stomach and wallet will be tough.

Pizza Hut Singapore ended the year with 40 stores, which included three new openings and two relocations offset by three closures.

Meanwhile, Multibrands witnessed a decrease in revenue which fell to RM12.4 million from RM15.0 million in 2006 due to the closure of one 3-in-1 store in 2006. On the other hand, profit before tax rose to RM0.8 million from RM0.1 million in 2006.

### KFC

In 2007, our associate, KFC Holdings (Malaysia) Bhd (KFCH), the franchise holder of the KFC brands in Malaysia, Singapore and Brunei, achieved record results. Turnover shot up 13.6% to RM1,730.4 million from RM1,523.8 million in 2006, and there was a 5.8% increase in profit before tax which rose to





## Review of Operations



RM150.6 million from RM142.3 million in the previous year.

### KFC Malaysia and Brunei

By the end of the year, KFC Malaysia and Brunei had garnered an 18.3% increase in turnover to RM1,055.1 million from RM892.1 million the year before, while profit before tax grew 17.0% to RM132.8 million from RM113.5 million.

Robust operational performance was driven by a series of highly effective initiatives. Consumer patronage to the restaurants was significantly increased by value and variety meal promotions and the launch of innovative products such as Chicken Poppers, Half-Half Meltz, Black Pepper Chicken Chop, Alaskan Fish Burger, Variety Bucket with Fish Fingers, and new X-meal combos.

In addition, as part of a continuing programme to attract new customers and strengthen its brand presence, KFC opened 39 new outlets during the year. Major progress was also made with restaurant image enhancement, as some 20 restaurants were refurbished. The new image has already proved to improve customer experience and boost frequency of visits.

In March, KFC's redesigned "Colonel" logo was launched, together with new staff uniform and product packaging. The launch was coordinated with a successful Colonel Rice combo promotion.

Revenue was boosted when the operating hours of 73 restaurants were extended to 24 hours a day.

In the last quarter of 2007, KFC introduced payment card facilities at its restaurants in the Klang Valley, Penang and Johor. By mid 2008 all of Malaysia's KFC restaurants are expected to accept payment cards.

As at 31 December 2007, KFC Malaysia's 410-strong restaurant network stood at 336 restaurants in the Peninsular, 40 in Sabah, 27 in Sarawak and 7 in Brunei.

### KFC Singapore

In 2007, KFC Singapore achieved its best performance ever. Sales rose 3.0% to RM280.2 million from RM272.0 million in 2006; while profit before tax increased 12.3% to RM10.1 million from RM9.0 million the year before.

Following a back-to-school deal in January featuring KFC's signature Zinger Special, Chinese New Year was celebrated in February with a special 'Treasure Feast' bucket meal. In March, KFC Singapore used its vibrant 30th Anniversary media campaign to launch the new KFC logo, uniform and packaging.

The first step to adding a toasted range was taken in April with the introduction of Cheesy BBQ Meltz, while a campaign leading up to the school holidays targeted young people via a tie up with Pepsi and

WOW! Meals, tempting them with a range of cool prizes. To mark the June holidays, the Japanese-themed Miso Crunch was launched.

In July, consumers were on the lookout for deals following the increase in Singapore's Goods and Services Tax. In response, KFC ran a Coupon promotion based around the August National Day celebrations. Shortly afterwards, to test the acceptability of serving seafood (given the negative impact of Avian flu in 2006) KFC Singapore introduced the Surf and Turf seafood meal.

September saw the return of an old favourite – Hot Devil Drumlets; Chilli Pepper Meltz joined the menu in October; and the year ended with the November launch of the Buddy Meal. Breakfast meals were also introduced in a test store at the HarbourFront Centre.

KFC Singapore's Dine-in and Home Delivery segments both prospered during the year, achieving increases in revenue of 2.0% and 19.6% respectively. The Chicky Goes to School programme also continued with 40 schools receiving visits at which toys were given away to the children. Chicky Club membership has now risen to 60,000. Students, too, were offered special privileges with attractively priced Student Specials burger meals.

After sharing a common number with Pizza Hut Delivery for a number of years, in June KFC Delivery soft-launched its own delivery number – 6222 6111. To build awareness of the new number and push sales, KFC rolled out a multimedia campaign linked to a tie-up with HSBC bank which gave customers the chance to win S\$10,000 a week for five weeks, in addition to grand draw prizes worth S\$20,000.

As at the year end, KFC Singapore had 69 stores, including four new openings, five relocations and eight closures.

## Review of Operations

### INTEGRATED POULTRY & ANCILLARY OPERATIONS

At KFCH's Integrated Poultry Business, revenue increased 13.5% to RM756.6 million from RM666.6 million in 2006 thanks mainly to improved pricing and a rise in sales to KFC restaurants, the local open market and the export sector. This was in contrast to the previous year, when the impact of Avian flu had a powerful negative impact on results.

For several reasons, however, profitability fell to RM6.8 million from RM21.4 million in 2006. Not only did the rise in commodity prices force up the cost of internally produced poultry products, but increased demand for poultry meat from KFC's restaurants compelled the business to purchase from external suppliers at a higher cost.

To counter this drop in profitability and boost our frozen food sales, we now plan to capitalize on the growing global market for *halal* food by setting up a new company, KFC Marketing Sdn Bhd. The company will focus on the sale and marketing of Ayamas further processed poultry products. However, other food products under different brand names will eventually be added to the stable. This new trading arm should not only boost our frozen food market share and sales, but also enable us to penetrate new market segments.

Meanwhile, the performance of KFCH's Ancillary segment was positive, recording a healthy rise in sales to RM132.5 million from RM118.0 million in 2006 and a significant growth in profit before tax to RM0.9 million from a loss of RM1.7 million.

### HUMAN CAPITAL DEVELOPMENT

QSR is one of the largest food sector employers in Southeast Asia, with over 22,000 employees in Malaysia, Brunei and Singapore.

In 2007, QSR invested over RM6.1 million – over 5% of the total Group payroll – to provide training opportunities for its more than 22,000 employees. Training was targeted at both restaurant and Restaurant Support Centre (RSC) personnel who each received, on average, one and two man days of training respectively.

The Group offers its people a carefully structured career path. The steps to Management level start with Team Member and then progress to STAR to All Star to Shift Manager and finally to Restaurant Manager.

The core of our Group training programmes is CHAMPS, the acronym for Cleanliness, Hospitality, Accuracy of Order, Maintenance, Product Quality and Speed of Services. At the Regional CHAMPS Challenge, in 2007, seven employees from Pizza Hut Malaysia, six from KFC Malaysia, and three from KFC Singapore received awards, reflecting their tremendous commitment to delivering the highest standards of customer service.

For 2007's Excellent Service Awards, Pizza Hut staff won 26 awards (one Star, 14 Gold and 11 Silver), while KFC staff achieved a total of 67 awards (13 Star, 12 Gold and 42 Silver).

In addition, both Pizza Hut and KFC Singapore achieved Workforce Skills Qualifications (WSQ) Organizational Accreditation in August 2007 under the Singapore WSQ Framework, and both were awarded Approved Training Organisation (ATO) status.

The Singapore Government continued to promote the employment of older workers and the re-employment of retirees beyond the age of 62, and a significant number of retirees were therefore offered part-time employment by QSR on a year-to-year basis subject to medical fitness and work performance.

A Training Needs Analysis was undertaken in November to examine the job competencies required by both restaurant management staff and RSC staff, and this helps to determine training plans for 2008.



## Review of Operations



### GROUP LOGISTICS

In November 2007, a new Group Logistic Division (GLD) was established to provide the Group with the best and most cost effective logistics service. This involves consolidating and centralizing the logistics of its Group warehousing and distribution divisions.

The GLD is divided into two units: Logistic Operations and Logistic Support. Logistic Operations handles, stores and distributes chilled, frozen and dry stock to Pizza Hut, KFC, Rasamas and Kedai Ayamas as well as the open market. Logistic Support covers planning, order taking, Enterprise Resource Planning (ERP), human resources, quality assurance, security, accounts etc.

In an effort to combat the rising costs of labour, fuel, repairs, and maintenance, in 2008, the GLD plans to implement the following initiatives:

- Enhance stock accuracy and integrity by implementing a fully-integrated, nationwide Warehouse Management System
- Tighten operations and improve product safety and security by installing CCTV within the warehouses
- Explore the viability of constructing a centralized distribution centre or setting up satellite warehouses

nationwide, to counter the current shortage of warehouse space

- Fulfill customer orders quickly and correctly every time, and track truck locations by installing a Global Positioning System
- Maintain the cold chain integrity of products and trucks by installing a Truck Temperature Tracking System
- Optimize resources and reduce transport costs by implementing a Truck Optimization System for transport planning and routing
- Introduce 'Cross Docking' for deliveries within the logistic supply chain

The GLD also aims to adopt best practices such as ISO and HACCP.

### GROUP PROCUREMENT

The responsibility for sourcing competitive vendors and suppliers and for ensuring that only JAKIM *Halal* certified and/or approved food ingredients are used by our restaurants lies with Group Procurement.

Despite rapidly increasing global commodity and related raw material prices, in 2007 Group Procurement successfully secured an uninterrupted supply of stock for our restaurants and succeeded in capping the year's overall price increase for the Group to just 7.9% above the 2006 level. Significant Group-wide cost savings were also achieved.

### HALAL COMMITMENT

To ensure *halal* compliance throughout our operations, QSR operates stringent internal controls over its raw materials, purchases, manufacturing processes and packaging. We are diligent in preventing cross-contamination during the storage, preparation, handling, packaging and transportation of our products. We also adhere to best practices to maintain the highest standards of quality and hygiene.

To verify *halal* compliance, the QSR Syariah Advisory Council oversees our internal food management. In addition, the Department of Islamic Development Malaysia (JAKIM) inspects our factory premises, ingredients and processes before permitting us to use their logo. The *halal* logo displayed on all our packaging certifies that the product has passed independent *halal* compliance tests.

All the imported products are certified *halal* by the appropriate local Islamic food and nutrition certification body. In addition, all raw materials have certifications from our suppliers to confirm that they comply with *halal* requirements.

Because of this, QSR is proud to guarantee that all the products it manufactures, imports and sells are *halal*.







# Food People Love

The winner of numerous industry awards, Ayamas is a leading, fully-integrated Asia Pacific poultry enterprise, offering a wide range of quality, *halal* chicken-based products. Ayamas supplies Malaysia's KFC, Pizza Hut and Rasamas restaurants, as well as over 600 Malaysian hypermarkets, supermarkets and convenience stores, plus thousands of food outlets. It also exports to Singapore, Brunei, China, Hong Kong and the Middle East.