

KrisAssets Holdings Berhad (24123-H)
(formerly known as *Kris Components Bhd*)
(Incorporated in Malaysia)

**Interim Report
for the financial three months ended 31 March 2006**

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Notes:

M1 to M12 are explanatory notes in accordance with FRS 134.

K1 to K13 are explanatory notes in accordance with paragraph 9.22 of the Listing Requirements of Bursa Securities Malaysia Berhad.

Condensed Consolidated Income Statements
 (The figures have not been audited)

	3 Months Current Year Quarter 31.03.2006 RM' 000	3 Months Preceding Year Quarter 31.03.2005 RM' 000	3 Months Current Year To Date 31.03.2006 RM' 000	3 Months Preceding Year To Date 31.03.2005 RM' 000
Revenue	46,808	41,197	46,808	41,197
Cost of sales	<u>(8,625)</u>	<u>(7,807)</u>	<u>(8,625)</u>	<u>(7,807)</u>
Gross profit	38,183	33,390	38,183	33,390
Other income	1,070	1,296	1,070	1,296
Interest income	931	865	931	865
Administrative expenses	<u>(3,646)</u>	<u>(5,419)</u>	<u>(3,646)</u>	<u>(5,419)</u>
Profit from operations	36,538	30,132	36,538	30,132
Finance costs	<u>(9,202)</u>	<u>(9,346)</u>	<u>(9,202)</u>	<u>(9,346)</u>
Profit from ordinary activities before tax	27,336	20,786	27,336	20,786
Tax	<u>(8,440)</u>	<u>(5,820)</u>	<u>(8,440)</u>	<u>(5,820)</u>
Profit attributable to equity holders of the parent	<u>18,896</u>	<u>14,966</u>	<u>18,896</u>	<u>14,966</u>
Earnings per ordinary share (sen)				
- basic	5.72	4.53	5.72	4.53
- diluted	5.72	4.53	5.72	4.53
Dividends per ordinary share (sen)	10.00	8.00	10.00	8.00

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying notes attached to the interim financial statements.

Condensed Consolidated Balance Sheets
(The figures have not been audited)

	As at 31.03.2006 RM '000	As at 31.12.2005 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	3,829	4,053
Investment properties	<u>1,680,000</u>	<u>1,480,000</u>
	<u>1,683,829</u>	<u>1,484,053</u>
Current assets		
Inventories	25	14
Trade and other receivables	6,505	5,110
Amount owing by holding & related companies	5,495	4,753
Deposits with licensed banks	180,400	187,997
Cash and bank balances	<u>7,894</u>	<u>11,789</u>
	<u>200,319</u>	<u>209,663</u>
TOTAL ASSETS	<u><u>1,884,148</u></u>	<u><u>1,693,716</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	330,502	330,502
Share premium	376,711	376,711
Reserves on consolidation	-	19,165
Treasury shares	(220)	(220)
Capital redemption reserve	200	200
Retained earnings	259,232	67,750
Current period profit	<u>18,896</u>	<u>52,106</u>
Total equity	<u><u>985,321</u></u>	<u><u>846,214</u></u>
Non-current liabilities		
Redeemable preference shares	93,000	93,000
Redeemable secured bonds	370,000	370,000
Bank guaranteed bonds	194,068	193,759
Deferred taxation	<u>142,861</u>	<u>86,861</u>
	<u>799,929</u>	<u>743,620</u>
Current liabilities		
Trade and other payables	61,309	66,149
Amount owing to holding & related companies	655	2,085
Redeemable secured bonds	30,000	30,000
Taxation	<u>6,934</u>	<u>5,648</u>
	<u>98,898</u>	<u>103,882</u>
Total liabilities	<u><u>898,827</u></u>	<u><u>847,502</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,884,148</u></u>	<u><u>1,693,716</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u><u>2.98</u></u>	<u><u>2.56</u></u>

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying notes attached to the interim financial statements.

KrisAssets Holdings Berhad (24123-H)
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Condensed Consolidated Statement of Changes in Equity
(The figures have not been audited)

	Issued and fully paid ordinary shares of RM1.00 each		-----Treasury shares-----		-----Non-distributable-----			Distributable	Total
	Number of shares '000	Nominal value RM '000	Number of shares '000	Nominal value RM '000	Share premium RM '000	Capital redemption reserves RM '000	Reserves on consolidation RM '000		
As at 1 January 2006	330,502	330,502	(100)	(220)	376,711	200	19,165	119,856	846,214
Reserves on consolidation transferred to retained earnings (effects of adopting FRS 3)	-	-	-	-	-	-	(19,165)	19,165	-
Revaluation surplus of investment property, net of tax (effects of adopting FRS 140)	-	-	-	-	-	-	-	144,000	144,000
Net profit for the period	-	-	-	-	-	-	-	18,896	18,896
Interim dividend paid	-	-	-	-	-	-	-	(23,789)	(23,789)
As at 31 March 2006	330,502	330,502	(100)	(220)	376,711	200	-	278,128	985,321

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Condensed Consolidated Statement of Changes in Equity
(The figures have been audited)

	Issued and fully paid ordinary shares of RM1.00 each		-----Treasury shares-----		-----Non-distributable-----			Distributable	
	Number of shares '000	Nominal value RM '000	Number of shares '000	Nominal value RM '000	Share premium RM '000	redemption reserves RM '000	Reserves on consolidation RM '000	Retained earnings RM '000	Total equity RM '000
As at 1 January 2005	330,502	330,502	(100)	(220)	376,711	-	19,165	110,902	837,060
Net profit for the period	-	-	-	-	-	-	-	14,966	14,966
Interim dividend paid	-	-	-	-	-	-	-	(26,432)	(26,432)
As at 31 March 2005	330,502	330,502	(100)	(220)	376,711	-	19,165	99,436	825,594

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying notes attached to the interim financial statements.

Condensed Consolidated Cash Flow Statements
(The figures have not been audited)

	3 months ended 31.03.2006 RM '000	3 months ended 31.03.2005 RM '000
Operating activities		
Profit before tax	27,336	20,786
Adjustment for non-cash flow items:		
Non-cash items	310	(781)
Non-operating items (which are investing or financing)	8,398	10,393
Operating profit before changes in working capital	36,044	30,398
Net change in current assets	(3,705)	(2,651)
Net change in current liabilities	(1,880)	(1,484)
Cash flow from operations	30,459	26,263
Income taxes paid	(7,155)	(36)
Net cash generated from operating activities	23,304	26,227
Investing activities		
Purchase of property, plant & equipment	(85)	(109)
Payment of retention sum for acquisition of Minority Interest in subsidiaries	-	(21)
Interest received	931	919
Net cash generated from investing activities	846	789
Financing activities		
Interest paid	(11,853)	(11,312)
Dividend paid	(23,789)	(26,432)
Net cash used in financing activities	(35,642)	(37,744)
Net decrease in cash and cash equivalents	(11,492)	(10,728)
Cash and cash equivalents at beginning of period	199,786	164,018
Cash and cash equivalents at end of period	188,294	153,290

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005 and the accompanying notes attached to the interim financial statements.

**Explanatory notes to the Interim Financial Statements
for the three (3) months ended 31 March 2006**

M1 Basis of preparation

This interim report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard 134 "Interim Financial Reporting" (formerly known as MASB26) issued by Malaysian Accounting Standards Board and paragraph 9.22 together with Section A, Appendix 9B of Listing Requirements of Bursa Malaysia Securities Berhad. This interim report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2005.

The accounting policies and methods of computation adopted in this interim report are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2005 except for the adoption of the new and/or revised FRS effective for the financial period commencing 1 January 2006.

The Group has adopted the relevant new and/or revised Financial Reporting Standards and other interpretations ("FRS") set out below with effect from 1 January 2006 and such adoption has not resulted in substantial changes to the Group accounting policies except for FRS 140 "Investment Property" and FRS 3 "Business Combinations":

FRS2	Share-based Payment
FRS3	Business Combinations
FRS101	Presentation of Financial Statements
FRS108	Accounting Policies, Changes in estimates and errors
FRS110	Events after the Balance Sheet Date
FRS116	Property, Plant and Equipment
FRS127	Consolidated and Separated Financial Statements
FRS132	Financial Instruments: Disclosure and Presentation
FRS133	Earnings per share
FRS136	Impairment of Assets
FRS138	Intangible Assets
FRS140	Investment Property

The new and/or revised FRS which would be adopted from the financial year beginning 1 January 2007 are as follows:

FRS117	Leases
FRS124	Related Party Disclosures

With the adoption of the new and/or revised FRS, the Group has effected the changes to accounting policies as follows:

(a) FRS 3 Business Combinations

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (*previously referred to as Reserves on Consolidation or Negative Goodwill*), after reassessment, is recognised immediately in profit or loss. The application of this standard is prospective and in accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 was derecognised with a corresponding adjustment to the opening balance of retained earnings.

M1 Basis of preparation (Continued)

(b) FRS 140 Investment Property

Investment properties are defined as properties held for long term rental yields and not substantially occupied by the Group. The Group has adopted the fair value model, where investment properties are measured at fair value at each balance sheet date. Gains or losses arising from changes in the fair value of investment properties are recognised in income statement in the period in which it arises.

This is a change in the accounting policy, where previously the investment properties are measured at initially at their costs and they are subsequently carried at fair value determined at regular intervals by external independent valuers based on their open market values with additional valuations performed in the intervening years where market conditions indicate that the carrying amounts on the revalued assets are materially different from the market values. Increases in their carrying amount are credited to revaluation reserve. Decreases that offset previous increases of the same assets are charged against revaluation reserve; all other decreases are charged to income statement.

A revaluation was conducted on Mid Valley Megamall and based on the valuation report dated 22 March 2006, the market value of Mid Valley Megamall as at 31 December 2005 was RM1.68 billion, a surplus of RM200 million from the recorded value of RM1.48 billion.

The Group has adopted the transitional provisions for the fair value model adopted and recorded the revaluation surplus of RM144 million (net of deferred tax liability of RM56 million) as an adjustment to the opening balance of retained earnings as at 1 January 2006.

The other new and/or revised FRS adopted resulted in only changes to the presentation and additional disclosures to the annual financial statements and have no significant impact to this interim report.

M2 Auditors' report on preceding annual financial statements

The auditors' report of the Group's annual financial statements for the financial year ended 31 December 2005 was not subject to any audit qualification.

M3 Seasonality or cyclicity factors

The Group's operations were not materially affected by significant seasonal or cyclical factors.

M4 Significant unusual items

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date.

M5 Material changes in estimates

Not applicable.

M6 Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the first quarter ended 31 March 2006.

M7 Dividends paid

An interim dividend of 10% less 28% tax on ordinary shares for the financial year ended 31 December 2005 was paid on 31 March 2006.

M8 Segment reporting

The segmental financial information by business or geographical segments is not presented as the Group is the owner and operator of Mid Valley Megamall which entire business is conducted in Malaysia.

M9 Valuations

A revaluation has been conducted by Collier, Jordan Lee & Jaafar Sdn Bhd ("Valuers") on the 5-storey Mid Valley Megamall together with 6,394 car parking bays on portion of land held under title No. 105027, PT No. 14, Section 95A Town and District of Kuala Lumpur to assess its current market value ("Mid Valley Megamall").

Based on the valuation report dated 22 March 2006, the market value of Mid Valley Megamall as at 31 December 2005 is RM1.68 billion a surplus of RM200 million from the recorded value of RM1.48 billion. The Group has adopted the transitional provisions for the fair value model adopted and recorded the revaluation surplus of RM144 million (net of deferred tax liability of RM56 million) as an adjustment to the opening balance of retained earnings as at 1 January 2006.

M10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period up to the date of this Interim Report.

M11 Changes in the composition of the Group

There were no changes in the composition of the Group for the first quarter ended 31 March 2006.

M12 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at 31 March 2006.

K1 Review of performance

For the current quarter ended 31 March 2006, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall was RM46.808 million, representing approximately 13.6% increase, compared with the corresponding period of RM41.197 million in 2005. This was mainly contributed by the higher rental income due to renewal of tenancy agreements in December 2005 and higher percentage rental.

The Group recorded a pre-tax profit for the current quarter ended 31 March 2006 of RM27.336 million, representing approximately 31.5% increase, compared with pre-tax profit of RM20.786 million in the corresponding period in 2005. This was due to the higher percentage rental and lower upgrading and maintenance costs.

K2 Comparison with immediate preceding quarter

For the first quarter ended 31 March 2006, Group revenue was RM46.808 million when compared with the previous quarter ended 31 December 2005 of RM45.547 million. This was mainly contributed by the higher rental income due to renewal of tenancy agreements in December 2005 and higher percentage rental.

The Group recorded a pre-tax profit for the first quarter ended 31 March 2006 of RM27.336 million compared with pre-tax profit of RM14.278 million in the previous quarter ended 31 December 2005 mainly due to the higher percentage rental and lower upgrading and maintenance costs.

K3 Prospects for 2006

Barring unforeseen circumstances, the Board is optimistic that the Group's financial performance for the current financial year ending 31 December 2006 should be satisfactory.

K4 Profit forecast/profit guarantee

The Group did not issue any profit forecast or profit guarantee.

K5 Tax

	Current quarter ended 31.03.2006 RM '000	Current year-to-date ended 31.03.2006 RM '000
Malaysian income tax		
- Company and subsidiaries	8,440	8,440
Deferred tax	<u>-</u>	<u>-</u>
	<u>8,440</u>	<u>8,440</u>

The effective tax rate for the current quarter and year-to-date are higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

K6 Unquoted investments and properties

There was no sale of unquoted investments or properties for the first quarter and financial year to-date ended 31 March 2006.

K7 Quoted securities

There was no purchase or disposal of quoted securities for the first quarter and financial year to-date ended 31 March 2006.

K8 Corporate proposals

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this Interim Report.

On 5 September 2005 and 6 September 2005, Hwang-DBS Securities Berhad ("Hwang-DBS") had on behalf of the Board of Directors ("Board"), announced that the Company intends to undertake the following:

- (i) proposed issue of RM200,000,000 nominal value of 7year bank guaranteed bonds ("Bonds") together with detachable provisional rights to allotment of up to 110,134,166 5-year warrants ("Warrants") on a "bought-deal" basis ("Bonds with Warrants Issue").
- (ii) proposed offer for sale of up to 110,134,166 Warrants to the shareholders of the company are on a renounceable basis of one (1) Warrant for every three (3) existing Shares held ("Offer for Sale").

The coupon for the Bonds and offer price for the Warrants have been determined and announced by Hwang-DBS, for and on behalf of the Board, on 14 November 2005 as follows:

Principal Terms of the Bonds

Coupon-rate-to-call :	: 3.40% per annum up to the 5th year, payable semiannually in arrears
Coupon rate for 6th & 7th year	: 5.65% per annum, payable semi annually in arrears

Principal Terms of the Warrants

Offer Price :	: 6 sen per Warrant
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K8 Corporate proposals (Continued)

The Bonds have been issued on 23 December 2005 and the resultant proceeds were utilised to partially redeem 2,000,000 out of 2,930,000 5year redeemable preference shares of RM0.10 each ("RPS") at RM100.00 per RPS on 30 December 2005. The preference dividend rate of RPS is 5% per annum based on the issue price of RM100.00 per RPS.

On 6 April 2006, Hwang-DBS Securities had on behalf of the Board announced that Bursa Securities had, via its letter dated 5 April 2006, approved/ granted the following:

- (i) upliftment of the trading in KrisAssets shares with effect from 9.00 a.m., Monday, 10 April 2006; and
- (ii) a final extension of time of six (6) months up to 16 September 2006 for the Company to meet the public shareholding spread.

The following steps have been and will be taken to meet the public shareholding spread requirement of Kris:

- (i) the persons acting in concert with IGB Corporation Berhad ("PACs") had placed out a total of 17,260,217 KrisAssets shares on 7 April 2006, representing approximately 5.2% of the issued and paid-up share capital of the Company (excluding 100,000 treasury shares) as at 31 March 2006, to public investors. Hence, the public shareholding spread of the Company increased to approximately 20.1%;
- (ii) the remaining PACs would be able to carry out further placements and/or open market disposals of KrisAssets shares to public investors to assist the Company in meeting the public shareholding spread by 16 September 2006 once there is benchmark pricing of KrisAssets shares traded on Bursa Securities;
- (iii) further to items (i) and (ii) above, IGB Corporation Berhad may carry out additional placements and/or disposals of KrisAssets shares to help the Company in meeting the public shareholding spread; and/or
- (iv) any other alternatives as may be deemed appropriate by the Company and/or its substantial shareholders.

As at 24 May 2006, the public shareholding spread of Kris was approximately 21.3%, representing a shortfall of approximately 3.7% in meeting the public shareholding spread.

Further to the lifting of suspension of trading in KrisAssets shares on 10 April 2006, the Company announced on 22 May 2006, the book closure date of Offer for Sale on 9 June 2006, after the Securities Commission had approved an extension of time for completion of the Offer for Sale by 9 November 2006.

K9 Group borrowings and debt securities

The Group's borrowings and debt securities as at 31 March 2006 were as follows:

	RM '000
Long term borrowings:	
Secured:-redeemable secured bonds	370,000
-bank guaranteed bonds	194,068
Unsecured: redeemable preference shares	<u>93,000</u>
	<u>657,068</u>
Short term borrowings:	
Secured:-redeemable secured bonds	30,000
Unsecured	<u>-</u>
	<u>30,000</u>
TOTAL	<u><u>687,068</u></u>
Shareholders' funds as at 31 March 2006	<u><u>985,321</u></u>

K10 Financial instruments

The Group does not have any financial instruments with off-balance sheet risk.

K11 Material litigation

The Board is not aware any pending material litigation as at the date of this Interim Report which would be considered material to the business of the Group.

K12 Proposed dividend

Apart from the interim dividend at 10% less 28% tax in respect of the financial year ended 31 December 2005 which was paid on 31 March 2006, no dividend is declared or proposed for the current financial quarter under review.

K13 Earnings per share

		3 months Current Year Quarter ended 31.03.2006	3 months Preceding Year Quarter ended 31.03.2005	3 months Current Year To Date ended 31.03.2006	3 months Preceding Year To Date ended 31.03.2005
Net profit for the period	RM '000	18,896	14,966	18,896	14,966
Weighted average number of ordinary shares in issue*	'000	330,402	330,402	330,402	330,402
Basic earnings per share	sen	5.72	4.53	5.72	4.53
Diluted earnings per share	sen	5.72	4.53	5.72	4.53

Note:

* After taking into consideration 100,000 treasury shares of RM1.00 each in the Company.

BY ORDER OF THE BOARD
 TINA CHAN LAI YIN
 Secretary

Kuala Lumpur
 30 May 2006