

**KrisAssets Holdings Berhad** (24123-H)  
(Incorporated in Malaysia)

**Interim Report  
for the financial six months ended 30 June 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)*

	<b>3 Months</b> <b>Current</b> <b>Year</b> <b>Quarter</b> <b>30.06.2006</b> <b>RM' 000</b>	3 Months Preceding Year Quarter 30.06.2005 RM' 000	<b>6 Months</b> <b>Current</b> <b>Year</b> <b>To Date</b> <b>30.06.2006</b> <b>RM' 000</b>	6 Months Preceding Year To Date 30.06.2005 RM' 000
Revenue	45,351	42,227	92,159	83,424
Cost of sales	<u>(10,505)</u>	<u>(9,978)</u>	<u>(19,130)</u>	<u>(17,785)</u>
Gross profit	34,846	32,249	73,029	65,639
Other income	1,135	1,105	2,205	2,401
Interest income	955	908	1,886	1,773
Administrative expenses	<u>(5,366)</u>	<u>(5,841)</u>	<u>(9,012)</u>	<u>(11,260)</u>
Profit from operations	31,570	28,421	68,108	58,553
Finance costs	<u>(9,136)</u>	<u>(9,297)</u>	<u>(18,338)</u>	<u>(18,642)</u>
Profit from ordinary activities before tax	22,434	19,124	49,770	39,911
Tax	<u>(7,197)</u>	<u>(7,495)</u>	<u>(15,637)</u>	<u>(13,316)</u>
Profit attributable to equity holders of the parent	<u><u>15,237</u></u>	<u><u>11,629</u></u>	<u><u>34,133</u></u>	<u><u>26,595</u></u>
Earnings per ordinary share (sen)				
- basic	4.61	3.52	10.33	8.05
- diluted	4.61	3.52	10.33	8.05
Dividends per ordinary share (sen)	-	5.00	10.00	5.00

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.

**KrisAssets Holdings Berhad (24123-H)**  
(Incorporated in Malaysia)

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

	As at 30.06.2006 RM '000	As at 31.12.2005 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,933	4,053
Investment properties	<u>1,680,000</u>	<u>1,480,000</u>
	<u>1,683,933</u>	<u>1,484,053</u>
<b>Current assets</b>		
Inventories	35	14
Trade and other receivables	3,029	5,110
Amounts owing by holding & related companies	3,587	4,753
Deposits with licensed banks	197,710	187,997
Cash and bank balances	<u>5,087</u>	<u>11,789</u>
	<u>209,448</u>	<u>209,663</u>
<b>TOTAL ASSETS</b>	<u><u>1,893,381</u></u>	<u><u>1,693,716</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
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>34,133</u>	<u>52,106</u>
<b>Total equity</b>	<u>1,000,558</u>	<u>846,214</u>
<b>Non-current liabilities</b>		
Redeemable preference shares	93,000	93,000
Redeemable secured bonds	370,000	370,000
Bank guaranteed bonds	194,380	193,759
Deferred taxation	<u>142,861</u>	<u>86,861</u>
	<u>800,241</u>	<u>743,620</u>
<b>Current liabilities</b>		
Trade and other payables	54,227	66,149
Amounts owing to holding & related companies	261	2,085
Redeemable secured bonds	30,000	30,000
Taxation	<u>8,094</u>	<u>5,648</u>
	<u>92,582</u>	<u>103,882</u>
<b>Total liabilities</b>	<u>892,823</u>	<u>847,502</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,893,381</u></u>	<u><u>1,693,716</u></u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u><u>3.03</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.

**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		
<b>As at 1 January 2006</b>	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	-	-	-	-	-	-	-	34,133	34,133
Interim dividend paid	-	-	-	-	-	-	-	(23,789)	(23,789)
<b>As at 30 June 2006</b>	<b>330,502</b>	<b>330,502</b>	<b>(100)</b>	<b>(220)</b>	<b>376,711</b>	<b>200</b>	<b>-</b>	<b>293,365</b>	<b>1,000,558</b>

**KrisAssets Holdings Berhad** (24123-H)  
(Incorporated in Malaysia)

**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	Capital redemption reserves RM '000	Reserves on consolidation RM '000	Retained earnings RM '000	Total equity RM '000
<b>As at 1 January 2005</b>	330,502	330,502	(100)	(220)	376,711	-	19,165	110,902	837,060
Net profit for the period	-	-	-	-	-	-	-	26,595	26,595
Interim dividend paid	-	-	-	-	-	-	-	(42,952)	(42,952)
<b>As at 30 June 2005</b>	<b>330,502</b>	<b>330,502</b>	<b>(100)</b>	<b>(220)</b>	<b>376,711</b>	<b>-</b>	<b>19,165</b>	<b>94,545</b>	<b>820,703</b>

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)

	6 months ended 30.06.2006 RM '000	6 months ended 30.06.2005 RM '000
<b>Operating activities</b>		
Profit before tax	49,770	39,910
Adjustment for non-cash flow items:		
Non-cash items	867	(6,281)
Non-operating items (which are investing or financing)	16,452	18,777
Operating profit before changes in working capital	67,089	52,406
Net change in current assets	1,161	(2,261)
Net change in current liabilities	788	7,563
Cash flow from operations	69,038	57,708
Income taxes paid	(13,191)	(72)
<b>Net cash generated from operating activities</b>	<b>55,847</b>	<b>57,636</b>
<b>Investing activities</b>		
Purchase of property, plant & equipment	(524)	(1,460)
Proceeds from disposal of property, plant & equipment	17	-
Payment of retention sum for acquisition of minority interest in subsidiary	-	(21)
Interest received	1,886	1,844
<b>Net cash generated from investing activities</b>	<b>1,379</b>	<b>363</b>
<b>Financing activities</b>		
Interest paid	(30,426)	(11,316)
Dividend paid	(23,789)	(42,952)
<b>Net cash used in financing activities</b>	<b>(54,215)</b>	<b>(54,268)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,011</b>	<b>3,731</b>
Cash and cash equivalents at beginning of year	199,786	164,018
<b>Cash and cash equivalents at end of period</b>	<b>202,797</b>	<b>167,749</b>

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 30 June 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 Part 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 Financial Reporting Standards and other interpretations ("FRS") effective for the financial period commencing 1 January 2006.

The Group has adopted the relevant new and/or revised 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 commencing 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 policy 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. Gain or loss arising from changes in the fair value of investment properties is 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 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 carrying amount are credited to revaluation reserve. Decreases that offset previous increases of the same assets are charged against revaluation reserve; 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 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 financial quarter and year-to-date ended 30 June 2006.

**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 second quarter ended 30 June 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 Colliers, 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 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 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**

Save for the issuance of 110,134,166 Warrants 2006/2011 on 26 July 2006 pursuant to the Bonds with Warrants Issue as set out in item K8, 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 second quarter ended 30 June 2006.

**M12 Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets as at 30 June 2006.

**K1 Review of performance**

For the current quarter ended 30 June 2006, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall was RM45.351 million, representing approximately 7.4% increase, compared with the corresponding period of RM42.227 million in 2005. This was mainly contributed by the higher rental income due to renewal of tenancy agreement and higher percentage rental.

The Group recorded a pre-tax profit for the current quarter ended 30 June 2006 of RM22.434 million, representing approximately 17.3% increase, compared with pre-tax profit of RM19.124 million in the corresponding period in 2005. This was due to the higher rental income from renewal of tenancy agreement and higher percentage rental.

**K2 Comparison with immediate preceding quarter**

For the second quarter ended 30 June 2006, Group revenue was RM45.351 million when compared with the previous quarter ended 31 March 2006 of RM46.808 million. This was mainly due to the lower percentage rental in the second quarter ended 30 June 2006.

The Group recorded a pre-tax profit for the second quarter ended 30 June 2006 of RM22.434 million compared with pre-tax profit of RM27.336 million in the previous quarter ended 31 March 2006. This was mainly due to the higher upgrading and advertising & promotion costs as well as higher utilities rates in the second quarter ended 30 June 2006.

**K3 Prospects for 2006**

Barring unforeseen circumstances, the Board is optimistic that the Group's financial performance for the 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**

	<b>Current quarter ended 30.06.2006 RM '000</b>	Current year-to-date ended 30.06.2006 RM '000
Malaysian income tax		
- Company and subsidiaries	<b>7,197</b>	15,637
Deferred tax	-	-
	<b><u>7,197</u></b>	<b><u>15,637</u></b>

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 deduction purposes.

**K6 Unquoted investments and properties**

There was no sale of unquoted investments or properties for the second financial quarter and year-to-date ended 30 June 2006.

**K7 Quoted securities**

There was no purchase or disposal of quoted securities for the second financial quarter and year-to-date ended 30 June 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"); and
- (ii) proposed offer for sale of up to 110,134,166 Warrants to the shareholders of the Company on a renounceable basis of one (1) Warrant for every three (3) existing ordinary shares held ("Offer for Sale").

The coupon for the Bonds and offer price for the Warrants had 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 semi annually 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

The Bonds had been issued on 23 December 2005 and the resultant proceeds were utilised to partially redeem 2,000,000 out of 2,930,000 5-year 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.

**K8 Corporate proposals (Continued)**

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 required public shareholding spread.

The following steps have been and will be taken to meet the required 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 (being 5.2% of the issued and paid-up share capital) KrisAssets shares on 7 April 2006;
- (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 required 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 required public shareholding spread; and/or
- (iv) any other alternatives as may be deemed appropriate by the Company and/or its substantial shareholders.

Further to the lifting of suspension of trading in KrisAssets shares on 10 April 2006, the Warrants had been issued on 26 July 2006 and listed on Bursa Malaysia Securities Berhad on 2 August 2006.

As at 28 August 2006, the public shareholding spread of Kris was approximately 23.6%, representing a shortfall of approximately 1.4% in meeting the required public shareholding spread.

**K9 Group borrowings and debt securities**

The Group's borrowings and debt securities as at 30 June 2006 were as follows:

	<b>RM '000</b>
<b>Long term borrowings:</b>	
Secured:-redeemable secured bonds	370,000
-bank guaranteed bonds	194,380
Unsecured: redeemable preference shares	<u>93,000</u>
	<u>657,380</u>
<b>Short term borrowings:</b>	
Secured:-redeemable secured bonds	30,000
Unsecured	<u>-</u>
	<u>30,000</u>
<b>TOTAL</b>	<u><u>687,380</u></u>
<b>Total equity as at 30 June 2006</b>	<u><u>1,000,558</u></u>

**K10 Financial instruments**

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

**K11 Material litigation**

The Board is not aware any pending material litigation as at the date of this Interim Report.

**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 recommended in relation to the current financial quarter ended 30 June 2006.

**K13 Earnings per share**

		<b>3 months Current Quarter ended 30.06.2006</b>	3 months Preceding Quarter ended 30.06.2005	<b>6 months Current Year-To-Date ended 30.06.2006</b>	6 months Preceding Year-To-Date ended 30.06.2005
Net profit for the period	RM '000	<b>15,237</b>	11,629	<b>34,133</b>	26,595
Weighted average number of ordinary shares in issue*	'000	<b>330,402</b>	330,402	<b>330,402</b>	330,402
Basic earnings per share	sen	<b>4.61</b>	3.52	<b>10.33</b>	8.05
Diluted earnings per share	sen	<b>4.61</b>	3.52	<b>10.33</b>	8.05

**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  
29 August 2006