

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

**Interim Report
for the financial year ended 31 December 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 31.12.2006 RM' 000	3 Months Preceding Year Quarter 31.12.2005 RM' 000	12 Months Current Year To Date 31.12.2006 RM' 000	12 Months Preceding Year To Date 31.12.2005 RM' 000
Revenue	51,634	45,547	190,317	173,293
Cost of sales	<u>(14,544)</u>	<u>(18,846)</u>	<u>(44,009)</u>	<u>(45,589)</u>
Gross profit	37,090	26,701	146,308	127,704
Other income	1,043	1,626	3,919	3,158
Interest income	1,271	1,441	4,436	4,379
Administrative expenses	<u>(7,911)</u>	<u>(5,866)</u>	<u>(23,494)</u>	<u>(23,103)</u>
Profit from operations	31,493	23,902	131,169	112,138
Finance costs	<u>(8,871)</u>	<u>(9,624)</u>	<u>(35,041)</u>	<u>(33,473)</u>
Profit from ordinary activities before tax	22,622	14,278	96,128	78,665
Tax	<u>(205)</u>	<u>(3,389)</u>	<u>(23,663)</u>	<u>(26,559)</u>
Profit attributable to equity holders of the parent	<u><u>22,417</u></u>	<u><u>10,889</u></u>	<u><u>72,465</u></u>	<u><u>52,106</u></u>
Earnings per ordinary share (sen)				
- basic	6.78	3.30	21.93	15.77
- diluted	*	N/A	*	N/A
Dividends per ordinary share (sen)	5.00	-	15.00	13.00

Note:

* *The diluted earnings per ordinary share for the fourth financial quarter and year-to-date ended 31 December 2006 have not been presented because KrisAssets warrants are at-the-money as at 29 December 2006*

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 31.12.2006 RM '000	As at 31.12.2005 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	3,626	4,053
Investment properties	<u>1,680,000</u>	<u>1,480,000</u>
	<u>1,683,626</u>	<u>1,484,053</u>
Current assets		
Inventories	32	14
Trade and other receivables	7,505	5,110
Amounts owing by holding & related companies	2,157	4,753
Deposits with licensed banks	197,182	187,997
Cash and bank balances	<u>6,059</u>	<u>11,789</u>
	<u>212,935</u>	<u>209,663</u>
TOTAL ASSETS	<u><u>1,896,561</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	97,278	67,750
Current period profit	72,465	52,106
Warrants reserve	<u>6,075</u>	<u>-</u>
Total equity	<u>883,011</u>	<u>846,214</u>
Non-current liabilities		
Redeemable preference shares	93,000	93,000
Redeemable secured bonds	330,000	370,000
Bank guaranteed bonds	195,013	193,759
Deferred taxation	<u>290,088</u>	<u>86,861</u>
	<u>908,101</u>	<u>743,620</u>
Current liabilities		
Trade and other payables	55,266	66,149
Amounts owing to holding & related companies	7,080	2,085
Redeemable secured bonds	40,000	30,000
Taxation	<u>3,103</u>	<u>5,648</u>
	<u>105,449</u>	<u>103,882</u>
Total liabilities	<u>1,013,550</u>	<u>847,502</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,896,561</u></u>	<u><u>1,693,716</u></u>
Net assets per share attributable to equity holders of the parent (RM)	<u><u>2.65</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 Statements 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 equity RM '000
	Number of shares '000	Nominal value RM '000	Number of shares '000	Nominal value RM '000	Share premium RM '000	Capital redemption reserve RM '000	Warrants reserve RM '000	Reserves on consolidation RM '000	Retained earnings RM '000	
As at 1 January 2006 (as previously reported)	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 as at 1 January 2006, net of tax (effects of adopting FRS 140)	-	-	-	-	-	-	-	-	148,000	148,000
Additional deferred tax liabilities in respect of fair value adjustments in investment properties	-	-	-	-	-	-	-	-	(154,059)	(154,059)
As at 1 January 2006 (after changes in accounting policies)	330,502	330,502	(100)	(220)	376,711	200	-	-	132,962	840,155
Profit for the year	-	-	-	-	-	-	-	-	72,465	72,465
Issue of warrants	-	-	-	-	-	-	6,075	-	-	6,075
Dividends paid	-	-	-	-	-	-	-	-	(35,684)	(35,684)
As at 31 December 2006	330,502	330,502	(100)	(220)	376,711	200	6,075	-	169,743	883,011

KrisAssets Holdings Berhad (24123-H)
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Condensed Consolidated Statements of Changes in Equity
(The figures have 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 2005	330,502	330,502	(100)	(220)	376,711	-	19,165	110,902	837,060
Profit for the year	-	-	-	-	-	-	-	52,106	52,106
Redemption of RPS	-	-	-	-	-	200	-	(200)	-
Dividends paid	-	-	-	-	-	-	-	(42,952)	(42,952)
As at 31 December 2005	330,502	330,502	(100)	(220)	376,711	200	19,165	119,856	846,214

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)

	12 months ended 31.12.2006 RM '000	12 months ended 31.12.2005 RM '000
Operating activities		
Profit before tax	96,128	78,665
Adjustment for non-cash flow items:		
Non-cash items	2,086	2,168
Non-operating items (which are investing or financing)	30,604	29,279
Operating profit before changes in working capital	128,818	110,112
Net change in current assets	4,397	(2,279)
Net change in current liabilities	263	5,130
Cash flow from operations	133,478	112,963
Income taxes paid	(29,040)	(7,901)
Net cash generated from operating activities	104,438	105,062
Investing activities		
Purchase of property, plant & equipment	(903)	(1,678)
Proceeds from disposal of property, plant & equipment	24	31
Interest received	4,436	4,305
Net cash generated from investing activities	3,557	2,658
Financing activities		
Repayment of redeemable secured bonds	(30,000)	-
Redemption of redeemable preference shares	-	(200,000)
Proceeds from issuance of bank guaranteed bonds	-	193,728
Proceeds from issuance of warrants	6,608	-
Expenses on corporate and fund raising exercise	(533)	(1,800)
Net inter-company balances movement	-	1,877
Interest paid	(44,931)	(22,805)
Dividend paid	(35,684)	(42,952)
Net cash used in financing activities	(104,540)	(71,952)
Net increase in cash and cash equivalents	3,455	35,768
Cash and cash equivalents at beginning of year	<u>199,786</u>	<u>164,018</u>
Cash and cash equivalents at end of year	<u>203,241</u>	<u>199,786</u>

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 December 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 financial year ended 31 December 2005 except for the adoption of the new and/or revised Financial Reporting Standards and other interpretations ("FRS") effective from the financial year 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 Separate Financial Statements
FRS132	Financial Instruments: Disclosure and Presentation
FRS133	Earnings per share
FRS136	Impairment of Assets
FRS138	Intangible Assets
FRS140	Investment Property

With 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 income statement. The application of this policy is prospective and in accordance with the transitional provisions of FRS 3, the reserves on consolidation 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 had been measured initially at their costs and they have been subsequently carried at fair values 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 of 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; 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 of FRS 140 for the fair value model and recorded the revaluation surplus of RM148 million (net of deferred tax liability of RM52 million) as an adjustment to the opening balance of retained earnings as at 1 January 2006.

The Group has also provided additional deferred tax liabilities of RM154 million arising from fair value adjustment of Mid Valley Megamall using the corporate tax rate. Previously, deferred tax was provided at 5%.

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 fourth financial quarter and year-to-date ended 31 December 2006.

M5 Material changes in estimates

Not applicable.

M6 Debt and equity securities

Save for principal repayment of RM30 million on 15 September 2006 in relation to RM400 million nominal value redeemable secured bonds issued by Mid Valley Capital Sdn Bhd and 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 issuance and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the fourth financial quarter ended 31 December 2006.

M7 Dividends paid

An interim dividend of 5% less 28% tax on ordinary shares for the financial year ended 31 December 2006 was paid on 29 December 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 of which the entire business is conducted in Kuala Lumpur, 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 of FRS 140 for the fair value model and recorded the revaluation surplus of RM148 million (net of deferred tax liability of RM52 million) as an adjustment to the opening balance of retained earnings as at 1 January 2006.

Save as disclosed above, there is no valuation of property, plant and equipment for the fourth financial quarter and year-to-date ended 31 December 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 fourth financial quarter ended 31 December 2006.

M12 Contingent liabilities and contingent assets

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

K1 Review of performance

For the current quarter ended 31 December 2006, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall was RM51.634 million, representing approximately 13.36% increase, compared with the corresponding period of RM45.547 million in 2005. This was mainly contributed by higher rental income due to renewal of tenancy agreements and higher percentage rental.

The Group recorded a pre-tax profit for the current quarter ended 31 December 2006 of RM22.622 million, representing approximately 58.44% increase, compared with pre-tax profit of RM14.278 million in the corresponding period in 2005. This was due to the higher rental income from renewal of tenancy agreements and higher percentage rental and lower repair & maintenance costs.

K2 Comparison with immediate preceding quarter

For the fourth quarter ended 31 December 2006, the Group's revenue was RM51.634 million compared with the immediate preceding quarter ended 30 September 2006 of RM46.084 million. This was mainly contributed by the higher rental income due to renewal of tenancy agreements and higher percentage rental.

The Group recorded a pre-tax profit for the fourth quarter ended 31 December 2006 of RM22.622 million compared with pre-tax profit of RM23.736 million in the immediate preceding quarter ended 30 September 2006. This was mainly due to higher repair & maintenance costs.

K3 Prospects for 2007

Barring unforeseen circumstances, the Group's financial performance for the financial year ending 31 December 2007 should be satisfactory.

K4 Profit forecast/profit guarantee

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

K5 Tax

	Current quarter ended 31.12.2006 RM '000	Current year-to-date ended 31.12.2006 RM '000
Malaysian income tax (Company and subsidiaries)		
- Current financial period/year	4,500	28,638
- Prior financial period/year	(1,463)	(2,143)
Deferred tax	<u>(2,832)</u>	<u>(2,832)</u>
	<u>205</u>	<u>23,663</u>

The effective tax rate for the current quarter and year-to-date are lower than the statutory tax rate mainly due to over-provision in prior period/year and the effect of change in the statutory tax rate for deferred tax computations.

K6 Unquoted investments and properties

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

K7 Quoted securities

There was no purchase or disposal of quoted securities for the fourth financial quarter and year-to-date ended 31 December 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 shareholders of the Company on a renounceable basis of one (1) Warrant for every three (3) existing ordinary shares held ("Offer for Sale").

K8 Corporate proposals (Continued)

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
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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.

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 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.

K8 Corporate proposals (Continued)

Further to the lifting of suspension of trading in KrisAssets shares on 10 April 2006, 110,134,166 Warrants had been issued on 26 July 2006 and listed on Bursa Malaysia Securities Berhad on 2 August 2006.

As at 14 September 2006, the public shareholding spread of Kris was approximately 24.9%, representing a shortfall of approximately 0.1% in meeting the required public shareholding spread with 14,500 public shareholders holding not less than 100 shares each.

On 29 September 2006, Bursa Securities had accepted KrisAssets' public shareholding spread of 24.9% as compliance with the required public shareholding spread.

As at 31 December 2006, the public shareholding spread of KrisAssets remained at approximately 24.9%, with 13,571 public shareholders holding not less than 100 shares each.

K9 Group borrowings and debt securities

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

	RM '000
Long term borrowings:	
Secured:-redeemable secured bonds	330,000
-bank guaranteed bonds	195,013
Unsecured: redeemable preference shares	<u>93,000</u>
	<u>618,013</u>
Short term borrowings:	
Secured:-redeemable secured bonds	<u>40,000</u>
	<u>40,000</u>
TOTAL	<u><u>658,013</u></u>
Total equity as at 31 December 2006	<u><u>883,011</u></u>

K10 Financial instruments

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

K11 Material litigation

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

K12 Dividend

The Company paid an interim dividend of 5% less tax in respect of the financial year ended 31 December 2006, on 29 December 2006.

At the forthcoming Annual General Meeting, a final dividend of 10% less tax for the financial year ended 31 December 2006 will be proposed for shareholders' approval.

K13 Earnings per share

		Current Quarter ended 31.12.2006	Preceding Quarter ended 31.12.2005	Current Year-To-Date ended 31.12.2006	Preceding Year-To-Date ended 31.12.2005
Net profit for the period	RM '000	22,417	10,889	72,465	52,106
Weighted average number of ordinary shares in issue ^{*1}	'000	330,402	330,402	330,402	330,402
Basic earnings per share	sen	6.78	3.30	21.93	15.77
Diluted earnings per share	sen	<u>6.78</u> ^{*2}	<u>N/A</u>	<u>21.93</u> ^{*2}	<u>N/A</u>

Notes:

^{*1} After taking into consideration 100,000 treasury shares of RM1.00 each in the Company.

^{*2} The diluted earnings per ordinary share for the fourth financial quarter and year-to-date ended 31 December 2006 have not been presented because KrisAssets warrants are at-the-money as at 29 December 2006

BY ORDER OF THE BOARD
TINA CHAN LAI YIN
Secretary

Kuala Lumpur
26 February 2007