

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

**Interim Financial Report
for the 3-month ended 31 March 2011**

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Notes:

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

K1 to K15 are explanatory notes in accordance with paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Condensed Consolidated Statement of Comprehensive Income

(The figures have not been audited)

	3 Months Current Year Quarter 31.03.2011 RM' 000	3 Months Preceding Year Quarter 31.03.2010 RM' 000	3 Months Current Year To Date 31.03.2011 RM' 000	3 Months Preceding Year To Date 31.03.2010 RM' 000
Revenue	63,465	58,893	63,465	58,893
Cost of sales	(12,051)	(12,648)	(12,051)	(12,648)
Gross profit	51,414	46,245	51,414	46,245
Other income	1,869	1,546	1,869	1,546
Interest income	2,550	642	2,550	642
Administrative expenses	(5,982)	(5,912)	(5,982)	(5,912)
Profit from operations	49,851	42,521	49,851	42,521
Finance costs	(2,942)	(5,870)	(2,942)	(5,870)
Profit before tax	46,909	36,651	46,909	36,651
Tax expense	(11,468)	(9,637)	(11,468)	(9,637)
Profit for the period from continuing operations	35,441	27,014	35,441	27,014
Profit for the period	35,441	27,014	35,441	27,014
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	35,441	27,014	35,441	27,014
Profit attributable to:				
Owners of the Parent	35,441	27,014	35,441	27,014
Earnings per share				
- basic (sen)	8.17	8.02	8.17	8.02
- diluted (sen)	8.17	7.92	8.17	7.92
Total comprehensive income attributable to:				
Owners of the Parent	35,441	27,014	35,441	27,014

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying notes attached to the interim financial statements.

Condensed Consolidated Statement of Financial Position
(The figures have not been audited)

	As at 31.03.2011 RM '000	As at 31.12.2010 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	4,967	5,094
Investment property	<u>1,920,000</u>	<u>1,920,000</u>
	<u>1,924,967</u>	<u>1,925,094</u>
Current assets		
Trade and other receivables	30,859	9,335
Amounts owing by other related companies	4,046	3,401
Tax recoverable	661	9,177
Deposits with licensed banks	431,001	200,997
Cash and bank balances	<u>20,656</u>	<u>17,804</u>
	<u>487,223</u>	<u>240,714</u>
TOTAL ASSETS	<u><u>2,412,190</u></u>	<u><u>2,165,808</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	436,863	430,386
Share premium	542,118	532,046
Treasury shares	(220)	(220)
Capital redemption reserve	293	293
Retained earnings		
- realised	344,066	266,812
- unrealised	173,941	83,941
Current year profit		
- realised	35,441	110,010
- unrealised	-	90,000
	<u>1,532,502</u>	<u>1,513,268</u>
Other reserve	14,628	-
Warrants reserve	<u>208</u>	<u>565</u>
Total equity	<u><u>1,547,338</u></u>	<u><u>1,513,833</u></u>
Non-current liabilities		
Redeemable secured bonds	150,000	150,000
Redeemable convertible secured bonds	248,324	-
Financial liabilities at amortised cost	19,050	19,051
Deferred taxation	<u>344,625</u>	<u>339,749</u>
	<u>761,999</u>	<u>508,800</u>
Current liabilities		
Trade and other payables	32,433	78,555
Amounts owing to holding & other related companies	7,197	5,770
Redeemable secured bonds	50,000	50,000
Taxation	<u>13,223</u>	<u>8,850</u>
	<u>102,853</u>	<u>143,175</u>
Total liabilities	<u><u>864,852</u></u>	<u><u>651,975</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,412,190</u></u>	<u><u>2,165,808</u></u>
Net assets per share	<u><u>3.51</u></u>	<u><u>3.52</u></u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying notes attached to the interim financial statements.

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

Condensed Consolidated Statement of Changes in Equity

(The figures have not been audited)

	Attributable to owners of the Parent										
	Issued and fully paid ordinary shares of RM1.00 each										
	Number of shares '000	Nominal value RM '000	Treasury shares RM '000	Share premium RM '000	Capital redemption reserve RM '000	Retained earnings RM '000	Total RM'000	Other reserve RM'000	Warrants reserve RM'000	Total equity RM '000	
As at 1 January 2011	430,386	430,386	(220)	532,046	293	550,763	1,513,268	-	565	1,513,833	
Total comprehensive income for the period	-	-	-	-	-	35,441	35,441	-	-	35,441	
Issuance of redeemable convertible secured bonds - equity component, net of tax	-	-	-	-	-	-	-	14,628	-	14,628	
Exercise of warrants	6,477	6,477	-	10,072	-	-	16,549	-	(357)	16,192	
Dividend	-	-	-	-	-	(32,756)	(32,756)	-	-	(32,756)	
As at 31 March 2011	436,863	436,863	(220)	542,118	293	553,448	1,532,502	14,628	208	1,547,338	

Dividend paid and distributed for the current quarter ended 31 March 2011 was 7.5 sen per ordinary share.

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

Condensed Consolidated Statement of Changes in Equity (Restated)

(The figures have not been audited)

	----- Attributable to owners of the Parent -----									
	Issued and fully paid ordinary shares of RM1.00 each				Capital					
	Number of shares '000	Nominal value RM '000	Treasury shares RM '000	Share premium RM '000	redemption reserve RM '000	Retained earnings RM '000	Total RM'000	Warrants reserve RM'000	Total equity RM '000	
As at 1 January 2010	336,875	336,875	(220)	386,621	293	408,297	1,131,866	5,723	1,137,589	
Total comprehensive income for the period	-	-	-	-	-	27,014	27,014	-	27,014	
Exercise of warrants	183	183	-	284	-	-	467	(10)	457	
Dividend	-	-	-	-	-	(25,273)	(25,273)	-	(25,273)	
As at 31 March 2010	337,058	337,058	(220)	386,905	293	410,038	1,134,074	5,713	1,139,787	

Dividend paid and distributed for the quarter ended 31 March 2010 was 7.5 sen per ordinary share.

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 2010 and the accompanying notes attached to the interim financial statements.

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

	3 months ended 31.03.2011 RM'000	3 months ended 31.03.2010 RM'000
Operating activities		
Profit before tax	46,909	36,651
Adjustment for non-cash flow items:		
Non-cash items	250	437
Non-operating items (which are investing or financing)	392	5,228
Operating profit before changes in working capital	47,551	42,316
Net change in current assets	(623)	4,113
Net change in current liabilities	(7,728)	(4,925)
Cash flow from operations	39,200	41,504
Income taxes	1,421	(6,798)
Net cash generated from operating activities	40,621	34,706
Investing activities		
Purchase of property, plant & equipment	(172)	(567)
Acquisition of subsidiary - deposit	(21,571)	-
Interest received	971	642
Net cash (used)/generated from investing activities	(20,772)	75
Financing activities		
Proceeds from issuance of redeemable convertible secured bonds	267,790	-
Proceeds from exercise of warrants	16,192	457
Interest paid	(5,948)	(6,902)
Dividend paid for ordinary shares	(65,027)	(50,529)
Net cash generated/(used) in financing activities	213,007	(56,974)
Net increase/(decrease) in cash and cash equivalents	232,856	(22,193)
Cash and cash equivalents at beginning of period	218,801	180,879
Cash and cash equivalents at end of period	451,657	158,686

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying notes attached to the interim financial statements.

**Explanatory Notes to the Interim Financial Statements
for the 3-month ended 31 March 2011**

M1 Basis of preparation

This Interim Financial Report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" issued by Malaysian Accounting Standards Board and paragraph 9.22 together with Part A, Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2010. The accounting policies and methods of computation adopted in this Interim Financial Report are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2010 except for the following:

FRS 3 (revised)	Business Combinations
FRS 127 (revised)	Consolidated and Separate Financial Statements
Amendment to FRS 1	First-time adoption of financial reporting standards
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 132	Financial Instruments: Presentation
IC Interpretation 4	Determining whether an arrangement contains a lease

The adoption of the revised FRSs, Amendments to FRSs and IC Interpretations that are applicable to the Group and effective from 1 January 2011 has no material effect to the Group's financial statements of the current financial year or the comparative financial statements of the preceding financial year.

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 2010 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 period except as disclosed in this Interim Financial Report.

M5 Material changes in estimates

Not applicable.

M6 Capital management: debt and equity securities

The overall objective of capital management is to create a more efficient or optimal capital structure. This would enable continuing operations to be run as going concern whilst providing fair returns to stakeholders such as holders of ordinary shares as well as bonds in the Group. The key components of capital structure mainly consist of equity and debt securities. Based on the Statement of Financial Position as at 31 March 2011, the capital structure was approximately 78% equity financing and 22% debt financing which indicated a gearing of approximately 29%.

Save as disclosed below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations and resale of treasury shares for the current financial quarter and year-to-date.

- (i) The issuance of RM300 million nominal value redeemable convertible secured bonds by the Company on 30 March 2011; and
- (ii) Since 26 July 2008, Warrants 2006/2011 ("Warrants") are exercisable into new ordinary shares of RM1.00 each in the Company on a one-to-one basis at the exercise price of RM2.50. The Company's issued and paid-up ordinary share capital increased from RM430,386,104 as at 31 December 2010 to RM436,862,553 as at 31 March 2011 as follows:

Date of allotment	No. of shares allotted	Type of issue	Total issued & paid-up ordinary share capital RM
As at 31 December 2010			430,386,104
19.01.11	1,600,000	Exercise of Warrants	431,986,104
28.01.11	21,547	Exercise of Warrants	432,007,651
08.02.11	100,000	Exercise of Warrants	432,107,651
17.02.11	1,906,400	Exercise of Warrants	434,014,051
22.02.11	832,602	Exercise of Warrants	434,846,653
24.02.11	1,539,900	Exercise of Warrants	436,386,553
01.03.11	462,700	Exercise of Warrants	436,849,253
07.03.11	10,000	Exercise of Warrants	436,859,253
21.03.11	2,000	Exercise of Warrants	436,861,253
30.03.11	800	Exercise of Warrants	436,862,053
31.03.11/ 05.04.11	500	Exercise of Warrants	436,862,553

M7 Dividends paid

Two (2) single-tier interim dividends of 7.5% each on ordinary shares for the financial year ended 31 December 2010 were paid on 18 January 2011 and 28 March 2011 respectively.

M8 Segment reporting

The segmental financial information by operating segments is not presented as the Group is the owner and operator of Mid Valley Megamall of which the entire business is considered as one (1) operating segment.

M9 Valuations

A revaluation has been conducted by Jordan Lee & Jaafar Sdn Bhd on Mid Valley Megamall to assess its market value. Based on a valuation letter dated 28 April 2011, the market value of Mid Valley Megamall as at 31 March 2011 remained at RM1.92 billion.

Save as disclosed above, the carrying values of property, plant and equipment have been brought forward without material changes from the audited financial statements for the financial year ended 31 December 2010.

M10 Material events subsequent to the end of the interim period

Save as disclosed in Section K8 (Corporate Proposals), there were no material events subsequent to the end of the interim period up to the date of this Interim Financial Report.

M11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period.

M12 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at the date of this Interim Financial Report.

K1 Review of performance

For the current quarter ended 31 March 2011, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall, increased by 7.81% to RM63.5 million, compared with the corresponding period of RM58.9 million in 2010. This was mainly due to higher total rental income.

The Group recorded a pre-tax profit of RM46.9 million, representing 27.79% increase, compared with pre-tax profit of RM36.7 million in the corresponding period in 2010. This was mainly due to higher total rental income and lower finance and utility costs in the current quarter.

K2 Comparison with immediate preceding quarter

For the current quarter ended 31 March 2011, the Group's revenue was RM63.5 million, representing 2.75% increase over the immediate preceding quarter ended 31 December 2010 of RM61.8 million. This was mainly due to higher total rental income in current quarter.

The Group recorded a pre-tax profit for the current quarter ended 31 March 2011 of RM46.9 million, representing 56.33% decrease, compared with pre-tax profit of RM107.4 million in the immediate preceding quarter. This was mainly due to recognition of revaluation surplus of RM70 million as fair value gain on investment property in the immediate preceding quarter.

Excluding the fair value gain on investment property, the Group recorded pre-tax profit of RM46.9 million, representing 25.40% increase, compared with pre-tax profit of RM37.4 million in the immediate preceding quarter. This was mainly due to higher total rental income and lower finance costs in current quarter.

K3 Prospects for 2011

With the improving economic and business conditions, the Group is cautiously optimistic on its financial performance for the financial year ending 31 December 2011.

K4 Profit forecast/profit guarantee

Not applicable.

K5 Tax

	Current quarter ended 31.03.2011 RM '000	Current year-to-date ended 31.03.2011 RM '000
Malaysian income tax (Company and subsidiaries)		
- Current financial period	11,810	11,810
- Prior financial period/year	(342)	(342)
	<u>11,468</u>	<u>11,468</u>

The effective tax rate for the current financial quarter and year-to-date are lower than the statutory tax rate mainly due to over-provision in prior year.

K6 Unquoted investments and properties

There was no sale of unquoted investments or properties for the current financial quarter and year-to-date.

K7 Quoted securities

There was no purchase or disposal of quoted securities for the current financial quarter and year-to-date.

K8 Corporate proposals

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

On 25 March 2011, the Company has entered into a conditional Share Sale Agreement with IGB Corporation Berhad to acquire 100% equity interest in Mid Valley City Gardens Sdn Bhd for a cash consideration of RM215.7 million ("Proposed Acquisition"). The extraordinary general meeting in relation to the Proposed Acquisition is scheduled to be held in early July 2011 and the Proposed Acquisition is expected to be completed by third-quarter of 2011.

K9 Group borrowings and debt securities

The Group's borrowings and debt securities as at 31 March 2011 were as follows:

	RM '000
Long term borrowings:	
Secured :-redeemable secured bonds	150,000
-redeemable convertible secured bonds	248,324
Short term borrowings:	
Secured :-redeemable secured bonds	<u>50,000</u>
TOTAL	<u><u>448,324</u></u>
 Total equity as at 31 March 2011	 <u><u>1,547,338</u></u>

K10 Financial instruments

The Group does not have any off-balance sheet financial instruments. With the adoption of FRS 139, off-balance sheet financial instruments, if any, will be recognised on the statement of financial position.

K11 Material litigation

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

K12 Dividend

Two (2) single-tier interim dividends of 7.5% each for the financial year ended 31 December 2010 were paid on 18 January 2011 and 28 March 2011 respectively. No dividend is declared for the current quarter ended 31 March 2011.

K13 Earnings per share

		Current quarter ended 31.03.2011	Preceding quarter ended 31.03.2010	Current year-to-date ended 31.03.2011	Preceding year-to-date ended 31.03.2010
Profit for the period	RM '000	35,441	27,014	35,441	27,014
Weighted average number of ordinary shares in issue ^{*1}	'000	433,680	336,880	433,680	336,880
Basic earnings per share	sen	<u><u>8.17</u></u>	<u><u>8.02</u></u>	<u><u>8.17</u></u>	<u><u>8.02</u></u>
Weighted average number of ordinary shares in issue ^{*1}	'000	433,680	336,880	433,680	336,880
Adjustments for Warranties	'000	379	4,316	379	4,316
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	434,059	341,196	434,059	341,196
Diluted earnings per share	sen	<u><u>8.17</u></u>	<u><u>7.92</u></u>	<u><u>8.17</u></u>	<u><u>7.92</u></u>

Note:

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

K14 Realised and unrealised retained earnings

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings (Company and subsidiaries)		
- realised	379,507	376,822
- unrealised	173,941	173,941
Total group retained earnings as per unaudited consolidated financial statements	<u><u>553,448</u></u>	<u><u>550,763</u></u>

K15 Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 May 2011.