

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

**Interim Financial Report  
for the 3-month ended 30 September 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)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Restated Preceding Year Corresponding Quarter	Current Year To Date	Restated Preceding Year Corresponding Period
	30.09.2011 RM' 000	30.09.2010 RM' 000	30.09.2011 RM' 000	30.09.2010 RM' 000
Revenue	<b>91,023</b>	83,576	<b>273,131</b>	251,551
Cost of sales	<b>(20,852)</b>	(18,417)	<b>(60,251)</b>	(56,538)
Gross profit	<b>70,171</b>	65,159	<b>212,880</b>	195,013
Other income	<b>1,940</b>	2,154	<b>7,102</b>	6,135
Fair value gain on investment property	<b>25,000</b>	-	<b>80,000</b>	50,000
Interest income	<b>2,339</b>	2,098	<b>5,408</b>	5,373
Administrative expenses	<b>(8,735)</b>	(13,347)	<b>(43,551)</b>	(45,885)
Profit from operations	<b>90,715</b>	56,064	<b>261,839</b>	210,636
Finance costs	<b>(10,640)</b>	(10,384)	<b>(29,595)</b>	(31,232)
Profit before tax	<b>80,075</b>	45,680	<b>232,244</b>	179,404
Tax expense	<b>(21,978)</b>	(13,415)	<b>(61,432)</b>	(45,533)
Profit for the period from continuing operations	<b>58,097</b>	32,265	<b>170,812</b>	133,871
Profit for the period	<b>58,097</b>	32,265	<b>170,812</b>	133,871
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<b>58,097</b>	32,265	<b>170,812</b>	133,871
Profit attributable to:				
Owners of the Parent	<b>58,097</b>	32,265	<b>170,812</b>	133,871
Earnings per share				
- basic (sen)	<b>13.30</b>	9.57	<b>39.10</b>	39.73
- diluted (sen)	<b>13.09</b>	9.40	<b>37.32</b>	37.59
Total comprehensive income attributable to:				
Owners of the Parent	<b>58,097</b>	32,265	<b>170,812</b>	133,871

The acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd was accounted for by KrisAssets Holdings Berhad via the adoption of merger accounting arising from business combinations under common control. Comparative figures have been amended to conform to current year presentation.

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.

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

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

	As at 30.09.2011 RM '000	Restated As at 31.12.2010 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	15,729	62,960
Investment property	<u>2,820,000</u>	<u>2,690,462</u>
	<u>2,835,729</u>	<u>2,753,422</u>
<b>Current assets</b>		
Trade and other receivables	20,947	23,558
Amounts owing by other related companies	4,708	9,700
Tax recoverable	809	9,177
Deposits with licensed banks	63,535	202,921
Cash and bank balances	<u>9,272</u>	<u>20,773</u>
	<u>99,271</u>	<u>266,129</u>
<b>TOTAL ASSETS</b>	<u><u>2,935,000</u></u>	<u><u>3,019,551</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Parent</b>		
Share capital	440,432	430,386
Share premium	547,669	532,046
Treasury shares	(220)	(220)
Capital redemption reserve	4,093	4,093
Retained earnings		
- realised	130,627	196,562
- unrealised	331,797	83,941
Current year profit		
- realised	110,812	124,666
- unrealised	<u>60,000</u>	<u>90,000</u>
	1,625,210	1,461,474
Other reserve	14,628	-
Warrants reserve	-	565
<b>Total equity</b>	<u>1,639,838</u>	<u>1,462,039</u>
<b>Non-current liabilities</b>		
Fixed term loans	180,000	-
Redeemable secured bonds	200,000	380,000
Redeemable convertible secured bonds	251,445	-
Financial liabilities at amortised cost	32,008	30,728
Deferred taxation	<u>438,048</u>	<u>406,389</u>
	<u>1,101,501</u>	<u>817,117</u>
<b>Current liabilities</b>		
Trade and other payables	71,289	104,822
Amounts owing to holding & other related companies	7,734	516,723
Fixed term loans	100,000	-
Redeemable secured bonds	-	110,000
Taxation	<u>14,638</u>	<u>8,850</u>
	<u>193,661</u>	<u>740,395</u>
<b>Total liabilities</b>	<u>1,295,162</u>	<u>1,557,512</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,935,000</u></u>	<u><u>3,019,551</u></u>
<b>Net assets per share</b>	<u>3.69</u>	<u>3.40</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.

**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
<b>As at 1 January 2011</b>	430,386	430,386	(220)	532,046	4,093	480,513	1,446,818	-	565	1,447,383
Acquisition of subsidiary (effect of merger accounting)	-	-	-	-	-	14,656	14,656	-	-	14,656
<b>Restated balance</b>	430,386	430,386	(220)	532,046	4,093	495,169	1,461,474	-	565	1,462,039
Total comprehensive income for the period	-	-	-	-	-	170,812	170,812	-	-	170,812
Issuance of redeemable convertible secured bonds - equity component, net of tax	-	-	-	-	-	-	-	14,628	-	14,628
Exercise of warrants	10,046	10,046	-	15,623	-	11	25,680	-	(565)	25,115
Dividend	-	-	-	-	-	(32,756)	(32,756)	-	-	(32,756)
<b>As at 30 September 2011</b>	<b>440,432</b>	<b>440,432</b>	<b>(220)</b>	<b>547,669</b>	<b>4,093</b>	<b>633,236</b>	<b>1,625,210</b>	<b>14,628</b>	<b>-</b>	<b>1,639,838</b>

There was no dividend proposed and declared for the current quarter ended 30 September 2011.

**KrisAssets Holdings Berhad** (24123-H)  
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**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		Retained	Total	Warrants	Total
	Number of shares '000	Nominal value RM '000	Treasury shares RM '000	Share premium RM '000	redemption reserve RM '000	earnings RM '000	RM'000	reserve RM'000	equity RM '000
<b>As at 1 January 2010</b>	336,875	336,875	(220)	386,621	293	408,297	1,131,866	5,723	1,137,589
Acquisition of subsidiary (effect of merger accounting)	-	-	-	-	-	(66,451) <sup>1</sup>	(66,451)	-	(66,451)
Redemption of RPS	-	-	-	-	3,800	(3,800)	-	-	-
<b>Restated balance</b>	336,875	336,875	(220)	386,621	4,093	338,046	1,065,415	5,723	1,071,138
Total comprehensive income for the period	-	-	-	-	-	133,871	133,871	-	133,871
Exercise of warrants	344	344	-	535	-	-	879	(19)	860
Dividend	-	-	-	-	-	(25,273)	(25,273)	-	(25,273)
<b>As at 30 September 2010</b>	<b>337,219</b>	<b>337,219</b>	<b>(220)</b>	<b>387,156</b>	<b>4,093</b>	<b>446,644</b>	<b>1,174,892</b>	<b>5,704</b>	<b>1,180,596</b>

**Note:**

1 A reduction in retained earnings is due to merger deficit arising from the adoption of merger accounting for the acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd.

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)

	<b>9 months ended 30.09.2011 RM'000</b>	<b>Restated 9 months ended 30.09.2010 RM'000</b>
<b>Operating activities</b>		
Profit before tax	232,244	179,404
Adjustment for non-cash flow items:		
Non-cash items	(79,497)	(34,169)
Non-operating items (which are investing or financing)	24,187	25,859
Operating profit before changes in working capital	176,934	171,094
Net change in current assets	4,917	7,644
Net change in current liabilities	(35,214)	(11,624)
Cash flow from operations	146,637	167,114
Income taxes	(22,894)	(26,798)
<b>Net cash generated from operating activities</b>	<b>123,743</b>	<b>140,316</b>
<b>Investing activities</b>		
Purchase of property, plant & equipment	(559)	(914)
Acquisition of subsidiary	(215,455)	-
Interest received	3,354	2,338
<b>Net cash (used)/generated from investing activities</b>	<b>(212,660)</b>	<b>1,424</b>
<b>Financing activities</b>		
Repayment of redeemable secured bonds	-	(50,000)
Redemption of redeemable preference shares	(250,000)	-
Proceeds from issuance of redeemable convertible secured bonds	267,790	-
Repayment of revolving credit	(10,000)	-
Proceeds from exercise of warrants	25,115	860
Repayment of advances to ultimate holding company	-	(22,538)
Interest paid	(29,848)	(33,622)
Dividend paid for ordinary shares	(65,027)	(50,529)
<b>Net cash used in financing activities</b>	<b>(61,970)</b>	<b>(155,829)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(150,887)</b>	<b>(14,089)</b>
Cash and cash equivalents at beginning of period	223,694	185,871
<b>Cash and cash equivalents at end of period</b>	<b>72,807</b>	<b>171,782</b>

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 30 September 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 30 September 2011, the capital structure was approximately 69% equity financing and 31% debt financing which indicated a gearing of approximately 45%.

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 ("Convertible Bonds") 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 Warrants expired on 25 July 2011 and 204,608 warrants lapsed. The Company's issued and paid-up ordinary share capital increased from RM430,386,104 as at 31 December 2010 to RM440,432,058 as at 30 September 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
05.04.11	14,200	Exercise of Warrants	436,876,253
14.04.11	14,439	Exercise of Warrants	436,890,692
27.04.11	7,100	Exercise of Warrants	436,897,792
03.05.11	13,366	Exercise of Warrants	436,911,158
06.05.11	71,700	Exercise of Warrants	436,982,858
11.05.11	20,200	Exercise of Warrants	437,003,058
16.05.11	2,667	Exercise of Warrants	437,005,725
23.05.11	44,700	Exercise of Warrants	437,050,425
27.05.11	2,691	Exercise of Warrants	437,053,116



**M6 Capital management: debt and equity securities (continued)**

Date of allotment	No. of shares allotted	Type of issue	Total issued & paid-up ordinary share capital RM
02.06.11	31,800	Exercise of Warrants	437,084,916
08.06.11	65,282	Exercise of Warrants	437,150,198
14.06.11	26,788	Exercise of Warrants	437,176,986
17.06.11	32,479	Exercise of Warrants	437,209,465
22.06.11	19,643	Exercise of Warrants	437,229,108
28.06.11	18,126	Exercise of Warrants	437,247,234
01.07.11	603,088	Exercise of Warrants	437,850,322
05.07.11	411,082	Exercise of Warrants	438,261,404
08.07.11	393,498	Exercise of Warrants	438,654,902
12.07.11	357,606	Exercise of Warrants	439,012,508
15.07.11	1,000,183	Exercise of Warrants	440,012,691
21.07.11	128,417	Exercise of Warrants	440,141,108
27.07.11	290,950	Exercise of Warrants	440,432,058

**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 and The Gardens Mall (subsequent to completion of the Acquisition as set out in Section K8) 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 21 November 2011, the market value of Mid Valley Megamall as at 30 September 2011 is RM2.0 billion, a surplus of RM80 million from the previous financial year recorded value of RM1.92 billion.

In addition, based on a valuation letter dated 27 April 2011 by Jordan Lee & Jaafar Sdn Bhd, the market value of The Gardens Mall is RM820 million.

**M9 Valuations (continued)**

In accordance with Group's accounting policy, revaluation surplus is recognised as fair value gain on investment property in statement of comprehensive income for the financial period ended 30 September 2011.

Save as disclosed above and consolidation of non-current assets of Mid Valley City Gardens Sdn Bhd arising from completion of the Acquisition as set out in Section K8, 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**

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**

Save for the completion of Acquisition as set out in Section K8, there were no changes in the composition of the Group for the current financial period.

Mid Valley City Gardens Sdn Bhd has contributed the following results to the Group:

	<b>Current quarter ended 30.09.2011</b>	Current year-to-date ended 30.09.2011
	<b><u>RM'000</u></b>	<u>RM'000</u>
Turnover	<b>26,162</b>	78,446
Profit for the period	<b>6,024</b>	14,769

The assets and liabilities acquired as well as net cash outflow arising from the Acquisition are as follows:

	<u>RM '000</u>
Non-current assets	619,003
Non-current liabilities	(276,445)
Net current liabilities	(320,876)
Fair value gain adjustment	200,997
Purchase consideration	222,679
Less: Cash and cash equivalents in subsidiary acquired	(7,224)
Net cash outflow on the Acquisition	<u>215,455</u>

**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**

The acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd ("MVCG") which owns and operates The Gardens Mall ("Acquisition"), as set out in Section K8, was completed on 29 July 2011. Merger accounting was adopted in view of common control by IGB Corporation Berhad, the substantial shareholder.

For the current quarter ended 30 September 2011, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall and The Gardens Mall, increased by 8.85% to RM91.0 million, compared with RM83.6 million in the corresponding period in 2010. This was mainly due to higher total rental income.

The Group recorded a pre-tax profit of RM80.1 million, representing 75.27% increase, compared with pre-tax profit of RM45.7 million in the corresponding period in 2010. This was mainly due to recognition of revaluation surplus of RM25.0 million for Mid Valley Megamall as fair value gain on investment property in current quarter.

Excluding the fair value gain on investment property, the Group recorded pre-tax profit of RM55.1 million, representing 20.57% increase, compared with pre-tax profit of RM45.7 million in the corresponding quarter. This was mainly due to higher total rental income and lower property maintenance costs in current quarter.

## **K2 Comparison with immediate preceding quarter**

For the current quarter ended 30 September 2011, the Group's revenue was RM91.0 million, representing 1.62% decrease over the immediate preceding quarter ended 30 June 2011 of RM92.5 million. This was mainly due to lower total rental income in current quarter.

The Group recorded a pre-tax profit for the current quarter ended 30 September 2011 of RM80.1 million, representing 18.18% decrease, compared with pre-tax profit of RM97.9 million in the immediate preceding quarter. This was mainly due to recognition of revaluation surplus of RM25.0 million for Mid Valley Megamall as fair value gain on investment property in current quarter compared with RM55.0 million in the immediate preceding quarter.

Excluding fair value gains on investment properties, the Group recorded pre-tax profit of RM55.1 million, representing 28.44% increase, compared with pre-tax profit of RM42.9 million in the immediate preceding quarter. This was mainly due to lower depreciation incurred for The Gardens Mall in current quarter due to adoption of fair value method for measurement of investment property in accordance with Group's accounting policy.

## **K3 Prospects for 2011**

The retail industry may be affected by the current economic and business conditions. Nonetheless, the Group's financial performance for the financial year ending 31 December 2011 should be satisfactory.

## **K4 Profit forecast/profit guarantee**

Not applicable.

**K5 Tax**

	<b>Current quarter ended 30.09.2011 RM '000</b>	Current year-to-date ended 30.09.2011 RM '000
Malaysian income tax (Company and subsidiaries)		
- Current financial period	<b>22,018</b>	61,814
- Prior financial period/year	<u><b>(40)</b></u>	<u>(382)</u>
	<u><b>21,978</b></u>	<u>61,432</u>

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

**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 were no corporate proposals announced but not completed as at the date of this Interim Financial Report.

On 25 March 2011, the Company had entered into a conditional Share Sale Agreement ("SSA") with IGB Corporation Berhad to acquire 100% equity interest in Mid Valley City Gardens Sdn Bhd ("MVCG") for a cash consideration of RM215.71 million ("Acquisition"). The Acquisition was approved at the Extraordinary General Meeting on 7 July 2011.

As provided for in the SSA, the purchase consideration for the Acquisition was adjusted to RM222.679 million after taking into consideration, inter-alia, the earnings of MVCG for the 6-month ended 30 June 2011. The purchase consideration was settled by internal generated funds. The Acquisition was completed on 29 July 2011.

The net proceed from issuance of the Convertible Bonds on 30 March 2011 was utilised to subscribe for loan stocks in MVCG on 29 July 2011 in relation to the Acquisition.



**K13 Earnings per share**

		<b>Current quarter ended 30.09.2011</b>	Preceding quarter ended 30.09.2010	<b>Current year-to-date ended 30.09.2011</b>	Preceding year-to-date ended 30.09.2010
Profit for the period	RM '000	<b>58,097</b>	32,265	<b>170,812</b>	133,871
Weighted average number of ordinary shares in issue <sup>*1</sup>	'000	<b>436,882</b>	336,980	<b>436,882</b>	336,980
<b>Basic earnings per share</b>	sen	<u><u><b>13.30</b></u></u>	<u><u>9.57</u></u>	<u><u><b>39.10</b></u></u>	<u><u>39.73</u></u>
Weighted average number of ordinary shares in issue <sup>*1</sup>	'000	<b>436,882</b>	336,980	<b>436,882</b>	336,980
Adjustments for Convertible Bonds	'000	<b>6,951</b>	6,386	<b>20,854</b>	19,157
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	<b>443,833</b>	343,366	<b>457,736</b>	356,137
<b>Diluted earnings per share</b>	sen	<u><u><b>13.09</b></u></u>	<u><u>9.40</u></u>	<u><u><b>37.32</b></u></u>	<u><u>37.59</u></u>

**Note:**

<sup>\*1</sup> After taking into consideration 100,000 treasury shares of RM1.00 each in the Company.

**K14 Realised and unrealised retained earnings**

	<b>As at 30.09.2011 RM'000</b>	As at 31.12.2010 RM'000
Total retained earnings (Company and subsidiaries)		
- realised	<b>241,439</b>	321,228
- unrealised	<b>391,797</b>	173,941
Total group retained earnings as per consolidated financial statements	<u><u><b>633,236</b></u></u>	<u><u>495,169</u></u>

**K15 Authorised for issue**

This Interim Financial Report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 November 2011.