

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

**Interim Financial Report
for the 3-month ended 31 March 2012**

Contents

	Page
Condensed Consolidated Statement of Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Changes in Equity	3-4
Condensed Consolidated Cash Flow Statement	5
Explanatory Notes to the Interim Financial Statements:	
M1 – Basis of preparation	6
M2 – Auditors’ report on preceding annual financial statements	6
M3 – Seasonality or cyclical factors	6
M4 – Significant unusual items	6
M5 – Material changes in estimates	6
M6 – Capital management: debt and equity securities	7
M7 – Dividends paid	7
M8 – Segment reporting	7
M9 – Valuations	7
M10 – Material events subsequent to the end of the interim period	8
M11 – Changes in the composition of the Group	8
M12 – Contingent liabilities and contingent assets	8
K1 – Review of performance	8
K2 – Comparison with immediate preceding quarter	8
K3 – Prospects for 2012	9
K4 – Profit forecast/profit guarantee	9
K5 – Tax	9
K6 – Unquoted investments and properties	9
K7 – Quoted securities	9
K8 – Corporate proposals	9-10
K9 – Group borrowings and debt securities	10
K10 – Financial instruments	10
K11 – Material litigation	10
K12 – Dividend	11
K13 – Earnings per share	11
K14 – Realised and unrealised retained earnings	11
K15 – Authorised for issue	11

Notes:

M1 to M12 are explanatory notes in accordance with MFRS 134 and IAS 34.

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
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	94,542	89,723	94,542	89,723
Cost of sales	<u>(24,924)</u>	<u>(28,838)</u>	<u>(24,924)</u>	<u>(28,838)</u>
Gross profit	69,618	60,885	69,618	60,885
Other income	1,641	2,313	1,641	2,313
Fair value gain on investment properties	1,296,523	-	1,296,523	-
Interest income	3,672	2,627	3,672	2,627
Administrative expenses	<u>(5,430)</u>	<u>(4,623)</u>	<u>(5,430)</u>	<u>(4,623)</u>
Profit from operations	1,366,024	61,202	1,366,024	61,202
Finance costs	<u>(9,237)</u>	<u>(6,933)</u>	<u>(9,237)</u>	<u>(6,933)</u>
Profit before tax	1,356,787	54,269	1,356,787	54,269
Tax expense	<u>(17,097)</u>	<u>(13,871)</u>	<u>(17,097)</u>	<u>(13,871)</u>
Profit for the period from continuing operations	<u>1,339,690</u>	<u>40,398</u>	<u>1,339,690</u>	<u>40,398</u>
Profit for the period	1,339,690	40,398	1,339,690	40,398
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,339,690</u>	<u>40,398</u>	<u>1,339,690</u>	<u>40,398</u>
Profit attributable to:				
Owners of the Parent	<u>1,339,690</u>	<u>40,398</u>	<u>1,339,690</u>	<u>40,398</u>
Earnings per share				
- basic (sen)	304.18	9.32	304.18	9.32
- diluted (sen)	291.17	9.31	291.17	9.31
Total comprehensive income attributable to:				
Owners of the Parent	<u>1,339,690</u>	<u>40,398</u>	<u>1,339,690</u>	<u>40,398</u>

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 2011 and the accompanying notes attached to the interim financial statements.

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

	As at 31.03.2012 RM '000	As at 31.12.2011 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	2,657	16,162
Investment property	4,600,000	3,290,000
Deposits with licensed banks	1,998	1,983
	<u>4,604,655</u>	<u>3,308,145</u>
Current assets		
Trade and other receivables	24,846	25,439
Amounts owing by other related companies	2,975	4,025
Tax recoverable	816	809
Deposits with licensed banks	50,367	80,955
Cash and bank balances	15,652	18,281
	<u>94,656</u>	<u>129,509</u>
TOTAL ASSETS	<u>4,699,311</u>	<u>3,437,654</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	440,432	440,432
Share premium	547,669	547,669
Treasury shares	(220)	(220)
Capital redemption reserve	4,093	4,093
Retained earnings		
- realised	207,553	97,600
- unrealised	1,278,553	334,682
Current year profit		
- realised	43,167	142,978
- unrealised	1,296,523	412,500
	<u>3,817,770</u>	<u>1,979,734</u>
Other reserve	14,628	14,628
Total equity	<u>3,832,398</u>	<u>1,994,362</u>
Non-current liabilities		
Fixed term loans	150,000	170,000
Redeemable secured bonds	200,000	200,000
Redeemable convertible secured bonds	254,567	253,013
Financial liabilities at amortised cost	40,229	35,480
Deferred taxation	33,494	560,995
	<u>678,290</u>	<u>1,219,488</u>
Current liabilities		
Trade and other payables	59,445	98,986
Trade and other payables - interest payables	3,311	5,018
Amounts owing to holding & other related companies	1,359	10,296
Fixed term loans	80,000	60,000
Revolving credit	30,000	40,000
Taxation	14,508	9,504
	<u>188,623</u>	<u>223,804</u>
Total liabilities	<u>866,913</u>	<u>1,443,292</u>
TOTAL EQUITY AND LIABILITIES	<u>4,699,311</u>	<u>3,437,654</u>
Net assets per share	<u>8.67</u>	<u>4.49</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 2011 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	Total equity RM '000	
As at 1 January 2012	440,432	440,432	(220)	547,669	4,093	987,760	1,979,734	14,628	1,994,362	
Transferred of deferred tax liabilities to retained earnings (effects of adopting MFRS 112)	-	-	-	-	-	531,371	531,371	-	531,371	
Restated balance	440,432	440,432	(220)	547,669	4,093	1,519,131	2,511,105	14,628	2,525,733	
Total comprehensive income for the period	-	-	-	-	-	1,339,690	1,339,690	-	1,339,690	
Dividend	-	-	-	-	-	(33,025)	(33,025)	-	(33,025)	
As at 31 March 2012	440,432	440,432	(220)	547,669	4,093	2,825,796	3,817,770	14,628	3,832,398	

Dividend proposed and declared for the current quarter ended 31 March 2012 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		Redeemable preference shares	Treasury shares	Share premium	Capital redemption reserve	Retained earnings	Total	Warrants reserve	Other reserve	Total equity
	Number of shares '000	Nominal value RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM'000	RM'000	RM'000	RM '000
As at 1 January 2011	430,386	430,386	250,000	(220)	532,046	293	501,854	1,714,359	565	-	1,714,924
Total comprehensive income for the period	-	-	-	-	-	-	40,398	40,398	-	-	40,398
Issuance of redeemable convertible secured bonds	-	-	-	-	-	-	-	-	-	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	250,000	(220)	542,118	293	509,496	1,738,550	208	14,628	1,753,386

Dividend proposed and declared for the quarter ended 31 March 2011 was 7.5 sen per ordinary share.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying notes attached to the interim financial statements.

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

	3 months ended 31.03.2012 RM'000	Restated 3 months ended 31.03.2011 RM'000
Operating activities		
Profit before tax	1,356,787	54,269
Adjustment for non-cash flow items:		
Non-cash items	(1,296,358)	5,126
Non-operating items (which are investing or financing)	5,565	4,306
Operating profit before changes in working capital	65,994	63,701
Net change in current assets	1,643	(18,236)
Net change in current liabilities	(12,411)	(5,782)
Cash flow from operations	55,226	39,683
Income taxes	(8,230)	1,419
Net cash generated from operating activities	46,996	41,102
Investing activities		
Purchase of property, plant & equipment	(137)	(172)
Acquisition of subsidiary - deposit	-	(21,571)
Interest received	3,672	2,627
Net cash generated from/(used in) investing activities	3,535	(19,116)
Financing activities		
Proceeds from issuance of redeemable convertible secured bonds	-	267,790
Repayment of fixed term loans	-	(20,000)
(Repayment)/Proceeds of revolving credit	(10,000)	120,000
Proceeds from exercise of warrants	-	16,192
Interest paid	(7,683)	(9,552)
Dividend paid for ordinary shares	(66,050)	(65,028)
Net cash (used in)/generated from financing activities	(83,733)	309,402
Net (decrease)/increase in cash and cash equivalents	(33,202)	331,388
Cash and cash equivalents at beginning of period	101,219	223,694
Cash and cash equivalents at end of period	68,017	555,082

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and the accompanying notes attached to the interim financial statements.

**Explanatory Notes to the Interim Financial Statements
for the 3-month ended 31 March 2012**

M1 Basis of preparation

This Interim Financial Report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board and International Accounting Standard (IAS) 34 “Interim Financial Reporting” issued by International 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 2011. 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 2011 except for the following:

MFRS 10	Consolidated financial statements
MFRS 13	Fair value measurement
MFRS 124 (revised)	Related party disclosures
MFRS 127 (revised)	Separate financial statements
Amendment to MFRS 101	Presentation of items of other comprehensive income
Amendment to MFRS 112	Income taxes

This Interim Financial Report formed the 3-month period covered by first MFRS framework annual financial statements and MFRS 1, “First-time Adoption of Malaysian Financial Reporting Standards”, has been adopted in the transition to the MFRS Framework on 1 January 2012. Save as disclosed in this Interim Financial Report, the adoption of the revised MFRSs and Amendments to MFRSs that are applicable to the Group and effective from 1 January 2012 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 2011 was not subject to any audit qualification.

M3 Seasonality or cyclicity factors

The Group’s operations were not significantly affected by 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 2012, the capital structure was approximately 84% equity financing and 16% debt financing which indicated a gearing of approximately 19%.

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.

M7 Dividends paid

The following dividends were declared or paid during the current financial year-to-date:

(i) Interim dividend for the financial year	31.12.2011
Approved and declared on	22.11.2011
Date paid	20.01.2012
Number of ordinary shares on which dividends were paid ('000)	440,332
Amount per share (single-tier) (sen)	7.5
Net dividend paid (RM'000)	33,025
(ii) Interim dividend for the financial year	31.12.2011
Approved and declared on	21.02.2012
Date paid	30.03.2012
Number of ordinary shares on which dividends were paid ('000)	440,332
Amount per share (single-tier) (sen)	7.5
Net dividend paid (RM'000)	33,025

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 of which the entire business is considered as one (1) operating segment.

M9 Valuations

A revaluation has been conducted by Henry Butcher Malaysia Sdn Bhd on Mid Valley Megamall and The Gardens Mall to assess the market value. Based on valuation reports dated 10 April 2012, the market value of Mid Valley Megamall and The Gardens Mall as at 31 March 2012 are RM3.44 billion and RM1.16 billion respectively, indicating surplus of RM1.08 billion and RM230 million respectively from the previous financial year.

In accordance with Group's accounting policy, revaluation surplus is recognised as fair value gain on investment properties in statement of comprehensive income for the financial period ended 31 March 2012.

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 2011.

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 quarter and year-to-date

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 2012, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall and The Gardens Mall, increased by 5.35% to RM94.5 million, compared with RM89.7 million in the corresponding quarter in 2011. This was mainly due to higher total rental income in current quarter.

The Group recorded a pre-tax profit of RM1,356.8 million, approximately 25 times higher, compared with pre-tax profit of RM54.3 million in the corresponding quarter in 2011. This was mainly due to recognition of revaluation surplus of RM1,296.5 million as fair value gain on investment properties as well as higher total rental income and lower property maintenance costs in current quarter.

Excluding the fair value gain on investment properties, the Group recorded pre-tax profit of RM60.3 million, representing 11.05% increase, compared with pre-tax profit of RM54.3 million in the corresponding quarter in 2011. 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 31 March 2012, the Group's revenue was RM94.5 million, representing 2.58% decrease over the immediate preceding quarter ended 31 December 2011 of RM97.0 million. This was mainly due to lower total rental income and lower utility recovery in current quarter.

The Group recorded a pre-tax profit for the current quarter ended 31 March 2012 of RM1,356.8 million, approximately 2.57 times higher, compared with pre-tax profit of RM528.2 million in the immediate preceding quarter. This was mainly due to recognition of revaluation surplus of RM1,296.5 million as fair value gain on investment properties in the current quarter compared with RM470.0 million in immediate preceding quarter as well as lower finance costs in current quarter.

Excluding fair value gains on investment properties, the Group recorded pre-tax profit of RM60.3 million, representing 3.61% increase, compared with pre-tax profit of RM58.2 million in the immediate preceding quarter. This was mainly due to lower finance costs in current quarter.

K3 Prospects for 2012

Despite the challenging global conditions, growth in domestic demand in first quarter 2012 remained favourable. Going forward, the external environment presents great downside risks to further growth activity. In this environment, consumers will remain cautious. The Group expects its financial performance for the year ending 31 December 2012 to be satisfactory.

K4 Profit forecast/profit guarantee

Not applicable.

K5 Tax

	Current quarter ended 31.03.2012 RM '000	Current year-to-date ended 31.03.2012 RM '000
Malaysian income tax (Company and subsidiaries)		
- Current financial period	16,698	16,698
- Prior financial period/year	399	399
	<u>17,097</u>	<u>17,097</u>

The effective tax rate for the current financial year-to-date is lower than the statutory tax rate mainly due to recognition of fair value gain on investment properties which is non-taxable under the Malaysian income tax pursuant to MFRS 112.

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 16 April 2012, on behalf of the Board of Directors of IGB Corporation Berhad ("IGB") and the Company, CIMB Investment Bank Berhad and Hong Leong Investment Bank Berhad ("Joint Principal Advisers") announced that IGB proposed to establish and list a real estate investment trust on the Main Market of Bursa Securities, which comprised of Mid Valley Megamall and The Gardens Mall ("IGB REIT").

K8 Corporate proposals (continued)

On 11 May 2012, the Joint Principal Advisers announced the following proposals on behalf of the Board of Directors of the Company:

- (i) Proposed disposal of Mid Valley Megamall and The Gardens Mall together with related assets for a total purchase consideration of RM4,612.6 million to be satisfied via proposed issuance of 3,400 million units in IGB REIT and balance in cash;
- (ii) Proposed offer for sale by MVCG of 670 million units in IGB REIT via an initial public offering;
- (iii) Proposed distribution by the Company of 2,730 million units in IGB REIT and remaining cash proceeds from proposals (i) & (ii) above to entitled shareholders of the Company ("Proposed Distribution-In-Specie"); and
- (iv) Proposed amendments to the Memorandum and Articles of Association of the Company to reduce par value of ordinary shares from RM1.00 to RM0.02 to facilitate a proposed capital reduction and repayment.

Please refer to the announcement dated 11 May 2012 for further details of the corporate proposals.

On 14 May 2012, the application for the Proposed Distribution-In-Specie was submitted by the Joint Principal Advisers to the Securities Commission.

K9 Group borrowings and debt securities

The Group's borrowings and debt securities as at 31 March 2012 were as follows:

	RM '000
Non-current borrowings:	
Secured :-redeemable secured bonds	200,000
-redeemable convertible secured bonds	254,567
-fixed term loans	150,000
Current borrowings:	
Secured :-fixed term loans	80,000
-revolving credit	30,000
TOTAL	<u>714,567</u>
Capital and reserves attributable to equity holders of the Company at 31 March 2012	<u><u>3,817,770</u></u>

K10 Financial instruments

The Group does not have any off-balance sheet financial instruments. With the adoption of MFRS 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 Proposed dividend

Two (2) single-tier interim dividends of 7.5% each for the financial year ended 31 December 2011 were paid on 20 January 2012 and 30 March 2012.

K13 Earnings per share

		Current quarter ended 31.03.2012	Preceding quarter ended 31.03.2011	Current year-to-date ended 31.03.2012	Preceding year-to-date ended 31.03.2011
Profit for the period	RM'000	1,339,690	40,398	1,339,690	40,398
Weighted average number of ordinary shares in issue ^{*1}	'000	440,432	433,680	440,432	433,680
Basic earnings per share	sen	304.18	9.32	304.18	9.32
Profit for the period	RM'000	1,339,690	40,398	1,339,690	40,398
Adjustment for Convertible Bonds	RM'000	1,406	-	1,406	-
Adjusted profit for the period	RM'000	1,341,096	40,398	1,341,096	40,398
Weighted average number of ordinary shares in issue ^{*1}	'000	440,432	433,680	440,432	433,680
Adjustment for Warrants	'000	-	379	-	379
Adjustments for Convertible Bonds	'000	20,161	-	20,161	-
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	460,593	434,059	460,593	434,059
Diluted earnings per share	sen	291.17	9.31	291.17	9.31

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 31.03.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings (Company and subsidiaries)		
- realised	250,720	240,578
- unrealised	2,575,076	747,182
Total group retained earnings as per consolidated financial statements	2,825,796	987,760

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 16 May 2012.