

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

**Interim Financial Report
for the 3-month ended 30 June 2012**

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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
	30.06.2012 RM' 000	30.06.2011 RM' 000	30.06.2012 RM' 000	30.06.2011 RM' 000
Revenue	97,339	92,541	191,881	182,264
Cost of sales	<u>(23,841)</u>	<u>(28,974)</u>	<u>(48,765)</u>	<u>(57,812)</u>
Gross profit	73,498	63,567	143,116	124,452
Other income	2,413	2,693	4,054	5,006
Fair value gain on investment properties	-	55,000	1,296,523	55,000
Interest income	475	937	4,147	3,564
Administrative expenses	<u>(8,913)</u>	<u>(11,780)</u>	<u>(14,343)</u>	<u>(16,403)</u>
Profit from operations	67,473	110,417	1,433,497	171,619
Finance costs	<u>(10,159)</u>	<u>(12,518)</u>	<u>(19,396)</u>	<u>(19,451)</u>
Profit before tax	57,314	97,899	1,414,101	152,168
Tax expense	<u>(15,177)</u>	<u>(25,583)</u>	<u>(32,274)</u>	<u>(39,454)</u>
Profit for the period from continuing operations	<u>42,137</u>	<u>72,316</u>	<u>1,381,827</u>	<u>112,714</u>
Profit for the period	42,137	72,316	1,381,827	112,714
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>42,137</u>	<u>72,316</u>	<u>1,381,827</u>	<u>112,714</u>
Profit attributable to:				
Owners of the Parent	<u>42,137</u>	<u>72,316</u>	<u>1,381,827</u>	<u>112,714</u>
Earnings per share				
- basic (sen)	9.57	16.61	313.74	25.89
- diluted (sen)	9.45	15.87	288.01	23.66
Total comprehensive income attributable to:				
Owners of the Parent	<u>42,137</u>	<u>72,316</u>	<u>1,381,827</u>	<u>112,714</u>

The acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd was accounted for by KrisAssets Holdings Berhad using predecessor basis of 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 30.06.2012 RM '000	As at 31.12.2011 RM '000	As at 01.01.2011 RM '000
ASSETS			
Non-current assets			
Property, plant and equipment	14,544	16,162	17,269
Investment property	4,600,000	3,290,000	2,740,000
Deposits with licensed banks	2,014	1,983	1,924
	<u>4,616,558</u>	<u>3,308,145</u>	<u>2,759,193</u>
Current assets			
Trade and other receivables	23,368	25,439	23,558
Amounts owing by other related companies	4,428	4,025	9,700
Tax recoverable	827	809	9,177
Deposits with licensed banks	100,436	80,955	187,531
Cash and bank balances	11,400	18,281	34,239
	<u>140,459</u>	<u>129,509</u>	<u>264,205</u>
TOTAL ASSETS	<u>4,757,017</u>	<u>3,437,654</u>	<u>3,023,398</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	440,432	440,432	430,386
Redeemable preference shares	-	-	250,000
Share premium	547,669	547,669	532,046
Treasury shares	(220)	(220)	(220)
Capital redemption reserve	4,093	4,093	293
Retained earnings			
- realised	207,553	97,600	42,506
- unrealised	1,278,553	334,682	244,682
Current year profit			
- realised	85,304	142,978	124,666
- unrealised	1,296,523	412,500	90,000
	<u>3,859,907</u>	<u>1,979,734</u>	<u>1,714,359</u>
Other reserve	14,628	14,628	565
Total equity	<u>3,874,535</u>	<u>1,994,362</u>	<u>1,714,924</u>
Non-current liabilities			
Fixed term loans	100,000	170,000	230,000
Redeemable secured bonds	200,000	200,000	150,000
Redeemable convertible secured bonds	256,210	253,013	-
Financial liabilities at amortised cost	41,564	35,480	30,728
Deferred taxation	36,365	560,995	407,351
	<u>634,139</u>	<u>1,219,488</u>	<u>818,079</u>
Current liabilities			
Trade and other payables	69,703	98,986	100,535
Trade and other payables - interest payables	5,979	5,018	4,285
Amounts owing to holding & other related companies	4,042	10,296	266,725
Fixed term loans	130,000	60,000	60,000
Revolving credit	20,000	40,000	-
Redeemable secured bonds	-	-	50,000
Taxation	18,619	9,504	8,850
	<u>248,343</u>	<u>223,804</u>	<u>490,395</u>
Total liabilities	<u>882,482</u>	<u>1,443,292</u>	<u>1,308,474</u>
TOTAL EQUITY AND LIABILITIES	<u>4,757,017</u>	<u>3,437,654</u>	<u>3,023,398</u>
Net assets per share	<u>8.76</u>	<u>4.49</u>	<u>3.98</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	-	-	-	-	-	1,381,827	1,381,827	-	1,381,827	
Dividend	-	-	-	-	-	(33,025)	(33,025)	-	(33,025)	
As at 30 June 2012	440,432	440,432	(220)	547,669	4,093	2,867,933	3,859,907	14,628	3,874,535	

There was no dividend proposed and declared for the current quarter ended 30 June 2012.

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	-	-	-	-	-	-	112,714	112,714	-	-	112,714
Issuance of redeemable convertible secured bonds	-	-	-	-	-	-	-	-	-	14,628	14,628
Redemption of RPS	-	-	(250,000)	-	-	3,800	(3,800)	(250,000)	-	-	(250,000)
Exercise of warrants	6,861	6,861	-	-	10,670	-	-	17,531	(378)	-	17,153
Dividend	-	-	-	-	-	-	(32,757)	(32,757)	-	-	(32,757)
As at 30 June 2011	437,247	437,247	-	(220)	542,716	4,093	578,011	1,561,847	187	14,628	1,576,662

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

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)

	6 months ended 30.06.2012 RM'000	Restated 6 months ended 30.06.2011 RM'000
Operating activities		
Profit before tax	1,414,101	152,168
Adjustment for non-cash flow items:		
Non-cash items	(1,294,624)	(55,271)
Non-operating items (which are investing or financing)	15,249	15,887
Operating profit before changes in working capital	134,726	112,784
Net change in current assets	1,668	(13,530)
Net change in current liabilities	(10,423)	(3,820)
Cash flow from operations	125,971	95,434
Income taxes	(16,436)	(6,040)
Net cash generated from operating activities	109,535	89,394
Investing activities		
Purchase of property, plant & equipment	(281)	(499)
Acquisition of subsidiary - deposit	-	(21,571)
Interest received	4,147	3,564
Net cash generated from/(used in) investing activities	3,866	(18,506)
Financing activities		
Redemption of redeemable preference shares	-	(250,000)
Proceeds from issuance of redeemable convertible secured bonds	-	267,790
Repayment of fixed term loans	-	(30,000)
(Repayment)/Proceeds of revolving credit	(20,000)	285,000
Proceeds from exercise of warrants	-	17,153
Interest paid	(14,720)	(14,633)
Dividend paid for ordinary shares	(66,050)	(65,027)
Net cash (used in)/generated from financing activities	(100,770)	210,283
Net increase in cash and cash equivalents	12,631	281,171
Cash and cash equivalents at beginning of period	101,219	223,694
Cash and cash equivalents at end of period	113,850	504,865

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 30 June 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 a 3-month period covered by MFRS framework for annual financial statements (“MFRS Framework”). The 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 30 June 2012, the capital structure was approximately 85% equity financing and 15% debt financing which indicated a gearing of approximately 18%.

Save for principal repayment of RM10 million each in relation to the revolving credit facility during the first and second quarters of 2012, 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 to assess the market value of Mid Valley Megamall and The Gardens Mall has been conducted by Henry Butcher Malaysia Sdn Bhd. Based on valuation reports dated 10 April 2012, the market value of Mid Valley Megamall and The Gardens Mall were respectively RM3.44 billion and RM1.16 billion, 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 30 June 2012.

Save as disclosed above, the carrying values of property, plant and equipment have been brought forward without significant 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 30 June 2012, the Group's revenue, reflecting mainly the operations of Mid Valley Megamall and The Gardens Mall, increased by 5.19% to RM97.3 million, compared with RM92.5 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 RM57.3 million, representing 41.47% decrease, compared with pre-tax profit of RM97.9 million in the corresponding quarter in 2011. This was mainly due to recognition of revaluation surplus of RM55 million as fair value gain in the corresponding quarter.

Excluding the fair value gain on investment properties, the Group recorded pre-tax profit of RM57.3 million, representing 33.57% increase, compared with pre-tax profit of RM42.9 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 30 June 2012, the Group's revenue was RM97.3 million, representing 2.96% increase over the immediate preceding quarter ended 31 March 2012 of RM94.5 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 30 June 2012 of RM57.3 million, approximately 23.68 times lower, compared with pre-tax profit of RM1,356.8 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 immediate preceding quarter.

Excluding fair value gains on investment properties, the Group recorded pre-tax profit of RM57.3 million, representing 4.98% decrease, compared with pre-tax profit of RM60.3 million in the immediate preceding quarter. This was mainly due to higher property maintenance costs in current quarter.

K3 Prospects for 2012

Growth in domestic demand in the second quarter 2012 remained favourable. Going forward, the external environment presents downside risks to further growth activity. In this environment, consumers would 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 30.06.2012 RM '000	Current year-to-date ended 30.06.2012 RM '000
Malaysian income tax (Company and subsidiaries)		
- Current financial period	15,135	31,833
- Prior financial period/year	42	441
	15,177	32,274

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" or "JPA") 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 JPA 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 (“Proposed Disposal”);
- (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 at an entitlement date to be determined and announced later (“Proposed Distribution-In-Specie”); and
- (iv) Proposed amendments to the Memorandum and Articles of Association of the Company to alter the 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 JPA to the Securities Commission (“SC”) and SC had in its letter dated 8 June 2012 approved the application.

On 26 July 2012, on behalf of the Board of Directors of the Company, the JPA announced that the Vendors (together with Mid Valley City Developments Sdn Bhd as the registered land proprietor and a wholly-owned subsidiary of IGB in the case of The Gardens Mall and The Gardens Mall Related Assets) had entered into the respective Sale and Purchase Agreements with AmTrustee Berhad (on behalf of IGB REIT) for the Proposed Disposal at a total consideration of RM4,612.6 million.

K9 Group borrowings and debt securities

The Group’s borrowings and debt securities as at 30 June 2012 were as follows:

	RM '000
Non-current borrowings:	
Secured :-redeemable secured bonds	200,000
-redeemable convertible secured bonds	256,210
-fixed term loans	100,000
Current borrowings:	
Secured :-fixed term loans	130,000
-revolving credit	20,000
TOTAL	<u>706,210</u>
Capital and reserves attributable to equity holders of the Company at 30 June 2012	<u>3,859,907</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. No dividend is declared for the current quarter ended 30 June 2012.

K13 Earnings per share

		Current quarter ended 30.06.2012	Preceding quarter ended 30.06.2011	Current year-to-date ended 30.06.2012	Preceding year-to-date ended 30.06.2011
Profit for the period	RM'000	42,137	72,316	1,381,827	112,714
Weighted average number of ordinary shares in issue ^{*1}	'000	440,432	435,308	440,432	435,308
Basic earnings per share	sen	<u>9.57</u>	<u>16.61</u>	<u>313.74</u>	<u>25.89</u>
Profit for the period	RM'000	42,137	72,316	1,381,827	112,714
Adjustment for Convertible Bonds	RM'000	1,406	-	2,813	-
Adjusted profit for the period	RM'000	43,543	72,316	1,384,640	112,714
Weighted average number of ordinary shares in issue ^{*1}	'000	440,432	435,308	440,432	435,308
Adjustment for Warrants	'000	-	343	-	686
Adjustments for Convertible Bonds	'000	20,161	20,161	40,322	40,322
Weighted average number of ordinary shares in issue for diluted earnings per share	'000	460,593	455,812	480,754	476,316
Diluted earnings per share	sen	<u>9.45</u>	<u>15.87</u>	<u>288.01</u>	<u>23.66</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 30.06.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings (Company and subsidiaries)		
- realised	292,857	240,578
- unrealised	2,575,076	747,182
Total group retained earnings as per consolidated financial statements	<u>2,867,933</u>	<u>987,760</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 August 2012.