

## **KUALA LUMPUR CITY CORPORATION BERHAD (426627-H)**

### **QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

#### **Notes (In compliance with FRS 134)**

##### **A1. Accounting policies**

The Unaudited Quarterly Report has been prepared in accordance with the Financial Reporting Standards 134 ('FRS' 134) issued by Malaysian Accounting Standards Board ('MASB') on 'Interim Financial Reporting' and Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad ('BMSB').

The accounting policies and methods of computations adopted by the Group in these quarterly financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2006.

##### **A2. Audit report of previous annual financial report**

The audit report of the previous annual financial report was not qualified.

##### **A3. Seasonal or Cyclical Factors**

The Group's operations are not affected by any seasonal or cyclical factors.

##### **A4. Unusual items affecting financial statements**

There were no unusual items affecting the financial statements for the period ended 30 June 2007.

##### **A5. Changes in accounting estimates**

There were no changes in the accounting estimates used in the preparation of the financial statements in the current financial quarter as compared to the previous financial year.

##### **A6. Debts and Equity Securities**

There was no transaction in Group debts and equity securities for the period ended 30 June 2007.

##### **A7. Dividend Paid**

No dividend has been paid during the financial period. The Board of Directors has not declared or recommended the payment of dividend in respect of the current financial period under review.

## A8. Segmental Information

Segmental analysis for the current financial year to date is as follows:

### Quarter ended 30 June 2007

Revenue and expenses	Investment holding RM'000	Hospitality Industry RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>				
Total revenue - External	34,726	3,933	(30,697)	7,962
<b>Results</b>				
Segment results	35,266	1,363	(30,178)	6,451
Share in results of an associate				1,094
Taxation				(1,875)
Profit after taxation				5,670

### Quarter ended 30 June 2006

Segmental reporting by business segment had not been prepared for the preceding corresponding quarter as the Group's results were derived primarily from its investment holding activities.

Segmental reporting by geographical location has not been prepared as the Group's operations are carried out in Malaysia.

## A9. Revaluation of property, plant and equipment

There has been no revaluation on any of the Group's property, plant and equipment during the current quarter under review.

## A10. Subsequent events

The subsequent events are as follow:-

### A10.1 Reclassification of Kuala Lumpur City Corporation Berhad ('KLCCB' or 'the Company')'s shares from 'Finance' sector to 'Trading/Services' sector.

KLCCB had on 1 June 2007 submitted the proposal for a change in its sector classification from 'Finance' to 'Trading/Services' pursuant to Practice Note No. 7/2001 of Bursa Malaysia Listing Requirements ('PN7'). The said proposal had subsequently been approved by Bursa Malaysia via its letter dated 11 July 2007 and the new sector classification of KLCCB's shares to 'Trading/Services' sector was effected from 9.00a.m., Monday, 16 July 2007. The Stock Number ('8508') and Stock Short Name ('KLCity') of KLCCB's shares remain unchanged.

A10.2 Incorporation of a wholly-owned subsidiary in Singapore, Nomad Space Pte Ltd.

KLCCB had on 10 August 2007 incorporated a wholly-owned subsidiary in Singapore known as Nomad Space Pte Ltd ('NSPL').

NSPL was incorporated for the purposes of investment holding and services related business.

The issued and paid up share capital of NSPL is SGD2.00 ordinary shares of SGD1.00 each.

The incorporation of NSPL is not expected to have any material effects on the issued and paid-up share capital, consolidated earnings and net assets per share, gearing and major shareholders' shareholdings of KLCCB for the financial year ending 31 December 2007.

None of the Directors and major shareholders of KLCCB and/or persons connected with them has any interest, direct or indirect, in the incorporation of NSPL.

A10.3 Proposed Acquisition of Central Offices Pte Ltd ('COPL')

NSPL, a wholly-owned subsidiary of KLCCB had on 14 August 2007 entered into a Sale and Purchase Agreement ('SPA') with Mr Chan Farn Ho and Madam Ng Hen Lan to acquire the entire equity interest in COPL for a total cash consideration of SGD1,200,000. The purchase price of SGD1,200,000 is subject to a price adjustment (if any) whereby any profits before tax ('PBT') exceeding SGD271,000 (RM623,300) for the year ending 31 December 2008 from the serviced office operations at the current location shall be returned to the Vendors.

Refer to explanatory Note **B8** for details.

A10.4 Approval obtained from the Securities Commission ('SC') and Economic Compliance Unit ('ECU') pertaining to proposed acquisition of Bangsar Suria

The SC had, vide its letter dated 13 August 2007 approved the utilisation of Balance Proceeds to acquire Bangsar Suria and for related expenditure subject to certain terms and conditions.

In addition, the ECU of SC had, vide the same letter, approved the Proposed Acquisition.

Refer to explanatory Note **B8** for details.

A10.5 SPA dated 4 June 2004 with regards to the disposal of stockbroking related business subsidiaries : Revised Adjusted Proceeds

We had on 17 August 2007 received a total net proceeds of RM652,689 being crystallization of economic benefits pursuant to the Supplemental Letter dated 29 August 2005. Accordingly, the Adjusted Proceeds has increased from RM215,007,235 RM215,659,924.

#### A10.6 Completed Acquisition of MIHR Sdn Bhd ('MIHR')

The Purchase price of MIHR has been agreed at RM2,292,988. The acquisition was completed on 24 August 2007.

Refer to explanatory Note **B8** for details.

Saved for the above, there were no material events subsequent to the balance sheet date.

#### A11. **Changes in the Composition of the Group**

##### Sucasa Sdn Bhd - New subsidiary with effect from 28 February 2007

Assedina Sdn Bhd ('ASB') a wholly-owned subsidiary of the Company, had on 28 February 2007 completed the proposed acquisition of the entire equity interest in Sucasa Sdn. Bhd. ('SSB'). As such, SSB is now a wholly-owned sub-subsiidiary company of KLCCB.

The assets and liabilities arising from the acquisition are as follows:

	<b>Fair Value</b>	<b>Acquiree's</b>
	<b>RM'000</b>	<b>carrying amount</b>
		<b>RM'000</b>
Property, Plant & Equipment	62,595	57,637
Inventories	131	131
Trade Receivables	481	481
Other Receivables	265	265
Cash and Bank Balances	518	518
Trade Payables	(186)	(186)
Other Payables	(692)	(692)
Short Term Loan	(5,100)	(5,100)
Provision for Taxation	(159)	(159)
Deferred Tax Liability	(6,473)	(6,473)
Total Net Assets	<u>51,380</u>	<u>46,422</u>
Goodwill	1,838	
	<u>53,218</u>	

<u>The cash outflow on acquisition is as follows:-</u>	<b>RM'000</b>
Purchase consideration satisfied by cash	53,000
Cost attributable to the acquisition, paid in cash	<u>218</u>
Total cost of acquisition	53,218
Cash and cash equivalents of subsidiary acquired	<u>(518)</u>
Net Cash outflow from the Group	52,700
Deposit paid in previous year	<u>(5,300)</u>
Net Cash outflow from the Group in current year	<u>47,400</u>

Saved from the above, there were no changes in the composition of the Group until 30 June 2007.

#### A12. **Changes in contingent liabilities or contingent assets**

There were no changes in the contingent liabilities or contingent assets during the current quarter under review.

### A13. Commitment

There were no material commitments not provided for in the financial statement as at 30 June 2007 other than as disclosed below:-

<u>Capital Expenditure</u>	<b>RM'000</b>
Approved and contracted for	3,400
Approved but not contracted for	<u>3,600</u>
	<u>7,000</u>

### A14. Related Party Transactions

Related Party Transactions had been entered into in the ordinary course of business based on normal commercial terms and arms length basis.

### A15. Others

#### Status of Practice Note 10/2001 ('PN10')

Following the disposal of the stockbroking related subsidiary companies which represent the core business of the Group, the Company is an affected listed issuer pursuant to PN10.

Pursuant to PN10, the Company is required, amongst others, to comply with the following :-

- 1) within 9 months from the date of the Initial Announcement, i.e. by 30 September 2005, to announce a detailed proposal to Bursa Malaysia Securities Berhad ('Securities Exchange') to ensure level of operations that is adequate to warrant continued trading and / or listing on Bursa Securities. ('Requisite Announcement');
- 2) submit the proposal within 2 months from the Requisite Announcement;
- 3) obtain all necessary approvals for the implementation of the proposal within 4 months from the date of the submission of the proposal.

Subsequently, the Securities Exchange had granted extension of time to 30 September 2006 for the Company to make its Requisite Announcement. Accordingly, in compliance with the PN10 requirement, the Company had on 30 August 2006 made the Requisite Announcement to the Securities Exchange in relation to the Proposed Acquisition of the entire equity interest in Sucasa Sdn Bhd ('SSB') and subsequent renovation to the hotel premises.

The Proposed Acquisition was approved by SC and the shareholders on 19 January 2007 and 8 February 2007 respectively. The Proposed Acquisition was completed on 28 February 2007.

Notwithstanding that SSB is KLCCB's core business contributor as at the balance sheet date, KLCCB is still an affected listed issuer pursuant to PN10 because cash and cash equivalent balance constitute more than 70% of its total assets. KLCCB expects that its position to be regularised once the payment for the proposed renovation works to the hotel premises has been made and completion of Bangsar Suria.

## A16. Comparative

Certain comparative figures have been restated as a result of the retrospective application of FRS101 Presentation of Financial Statement.

	<u>← Individual quarter →</u>		<u>← Cumulative quarter →</u>	
	As restated	Previously stated	As restated	Previously stated
	RM'000	RM'000	RM'000	RM'000
Share in results of associated company	196	-	491	-
Share in results of associated company before taxation	-	227	-	636
Share in taxation of associated company	-	(31)	-	(145)

## Notes (BMSB Revised Listing Requirements)

### B1. Review of the performance of the Group

For the second quarter ended 30 June 2007, the Group reported a higher profit before taxation of RM4.2 million as compared to RM2.3 million in the previous corresponding quarter. This was mainly contributed by profits generated from SSB, which was acquired on 28 February 2007.

For the six month period, the group recorded a higher PBT of RM7.5 million as compared to RM3.6 million in the last corresponding period, an increase of RM3.9 million mainly due to contribution from the Group's newly acquired SSB.

The Board of Directors are of the opinion that there had been no material and unusual items, transactions or events that has arisen which would significantly affect the results of the operations of the Group for the period from 30 June 2007 to the date of issue of this announcement.

### B2. Material changes in Quarterly Results

Profit before taxation of the Group has increased marginally to RM4.2 million in the current quarter as compared to the profit before taxation for last quarter ended 31 March 2007 of RM3.4 million. The increase was mainly due to profits generated from hospitality industry.

### B3. Current year prospects

Subsequent to the completion of the acquisition of SSB, a company principally involved in the services based business with emphasis on the hospitality industry, KLCCB had on 24 April 2007 entered into a sales and purchase agreement ('SPA') to acquire MIHR, a company principally involved in the provision of hotel management and consultancy services. In addition, U.C.M. Realty Sdn. Bhd. ('UCM'), a wholly-owned subsidiary company of KLCCB had on 11 May 2007 entered into an SPA to acquire Bangsar Suria Condominium. The acquisitions are to complement the business of SSB.

The Group strategic direction is to be involved in the services based industry. The Board of Directors is of the view that the prospects of the services based industry will remain positive in the remaining year 2007.

Refer to explanatory Note **A15** and **B8** for details.

### B4. Profit forecast / Profit Guarantee

Not applicable in this Quarterly Report.

### B5. Taxation

Taxation comprises the following :

	Current quarter 30 June 2007 RM'000	Year to date 30 June 2007 RM'000
Provision for taxation	<u>1,389</u>	<u>1,875</u>

The year to date effective tax rate was lower than the statutory tax rate mainly due to certain income which was not subject to tax.

**B6. Unquoted Investments and / or properties**

There were no disposals or purchase of unquoted investments or properties for the period ended 30 June 2007.

**B7. Quoted Securities**

Total purchases and disposals of quoted securities were as follows :-

	Current quarter 30 June 2007 RM'000	Year to date 30 June 2007 RM'000
Total purchase consideration	11,665	26,067
Total sale proceeds	10,838	24,630
Total profits on disposal	714	1,653

Total investments in quoted securities as at 30 June 2007 were as follows:-

At cost	RM'000 17,080
At book value	17,080
At market value	78,029

**B8. Status of Corporate Proposal Announced But Not Completed As At 28 August 2007****B8.1 Proposed Acquisition of MIHR Sdn. Bhd. ('MIHR')**

KLCCB had on 24 April 2007 entered into a SPA to acquire from Tan & Tan Developments Berhad ('TTDB') the entire equity interest in MIHR for a total cash consideration which shall be equal to the Net Tangible Asset of MIHR as at 31 July 2007 ('NTA').

MIHR is principally involved in the provision of hotel management and consultancy services. The acquisition of MIHR would complement the business of SSB and this is in line with the strategic direction of the KLCCB Group which is desirous to be involved in the services based industry (which includes serviced apartments, serviced offices, outsourcing and other services-related businesses). SSB and MIHR would lay the foundation towards achieving this goal.

The NTA/Purchase price of MIHR has been agreed at RM2,292,988. The acquisition was completed on 24 August 2007.

Please refer to the announcement made on 24 April 2007 and 24 August 2007 respectively for the full Announcement setting out, amongst others, details of the Proposed Acquisition and salient terms of the SPA.



## B8.2 Proposed acquisition of Bangsar Suria Condominium ('Proposed Acquisition')

UCM had on 11 May 2007 entered into an SPA to acquire from Malaysian Assurance Alliance Berhad ('MAAB' or the 'Vendor'), three (3) contiguous parcels of land held under (i) Geran 7756, Lot No. 40543, (ii) Geran 7757, Lot No. 40544 and (iii) Geran 7759, Lot No. 40546, all in the Mukim of Kuala Lumpur, and District of Negeri Wilayah Persekutuan (collectively referred to as the 'Said Lands') together with the residential development constructed thereon known as Bangsar Suria Condominium (collectively referred to as the 'Subject Property') for a total cash consideration of RM34,500,000.

Bangsar Suria Condominium is sited on the Said Lands. An area measuring approximately 656 square feet within the parcel of land held under Geran 7759, Lot No. 40546 has been leased to Tenaga Nasional Berhad for a period of thirty (30) years commencing from 15 December 1991 until 14 December 2021.

Bangsar Suria Condominium comprises fifty-eight (58) apartments, ten (10) of which are one-bedroom apartments and forty-eight (48) of which are three-bedroom apartments.

The cash consideration of RM34,500,000 for the Proposed Acquisition ('Purchase Price') was arrived at by the Board and management of KLCCB on a willing buyer-willing seller basis after taking into consideration, inter-alia, the future earnings potential of the Subject Property. The Board and the management of KLCCB also considered the synergistic benefits arising from the Proposed Acquisition as the Subject Property will be involved in a similar business as SSB, the owner and operator of the Sucasa Serviced Apartments, which was recently acquired by KLCCB.

The Board and the management of KLCCB are of the view that the acquisition of the Subject Property will complement the acquisition of Sucasa Serviced Apartments as the Company proposes to convert the Subject Property into serviced apartments. This is in line with the strategic direction of the KLCCB Group mentioned above.

The SC had, vide its letter dated 13 August 2007 approved the utilization of RM50.0 million from the Balance Proceeds to acquire Bangsar Suria subject to the following terms and conditions:-

- 1) UCM to increase its paid-up capital to RM100,000 within six months from the date of the SC's approval;
- 2) Alliance Investment Bank Berhad/KLCCB to inform the SC upon the completion of the Proposed Acquisition.

In addition, the ECU of SC had, vide the same letter, approved the Proposed Acquisition.

Please refer to the announcements made on 11 May 2007, 6 July 2007 and 15 August 2007 for the full announcement setting out, amongst others, details of the Proposed Acquisition, the proposed utilisation of balance proceeds and the terms and conditions attached to the approvals granted by SC and ECU.

## B8.3 Proposed Share Capital Reduction for Alpha AB Sdn.Bhd. ('Alpha AB')

The Board of Directors of KLCCB had on 8 May 2007 announced that Alpha AB proposed to undertake a share capital reduction exercise whereby the issued and paid-up share capital of Alpha AB will be reduced from RM20,000,000.00 comprising 20,000,000 ordinary shares of RM1.00 each to RM19,120,000.00 comprising 19,120,000 ordinary shares of RM1.00 each pursuant to Section 64 of the Companies Act, 1965 ('Proposed Share Capital Reduction').

Alpha AB is a wholly-owned subsidiary company of Amal Bakti Sdn Bhd ('ABSB') which in turn is a wholly-owned subsidiary company of KLCCB. Alpha AB is presently a dormant company with an authorised share capital of RM25,000,000.00 comprising 25,000,000 ordinary shares of RM1.00 each, of which 20,000,000 ordinary shares are issued and fully paid-up.

The Proposed Share Capital Reduction being undertaken by Alpha AB is to return excess capital for purpose of offsetting inter-company balances with ABSB. The Proposed Share Capital Reduction by Alpha AB is subject to the sanction of the High Court pursuant to Section 64 of the Companies Act, 1965. This exercise is expected to be completed by end of the year.

Please refer to the announcement made on 8 May 2007 for the full Announcement.

**B8.4 Proposed Bonus Issue and Share Capital Reduction ('The Proposals') By Assedina Sdn Bhd ('ASB')**

The Board of Directors of KLCCB had on 8 June 2007 announced that ASB proposed to:-

- (a) Implement a bonus issue of up to 122,650,000 new ordinary shares of RM1.00 each ('Bonus Shares') credited as fully paid-up to the shareholder of ASB ('Proposed Bonus Issue') on a date to be determined later by the Directors of ASB upon obtaining the approval of shareholder of ASB.

The Proposed Bonus Issue will be implemented by capitalising up to RM122,650,000 from the retained profits of ASB. Based on the latest audited financial statements as at 31 December 2006, the retained profits of ASB stood at RM144,636,472.

Upon completion of the Proposed Bonus Issue, the issued and paid-up share capital of ASB will be increased from RM139,000,000 to RM261,650,000.

- (b) To undertake a share capital reduction exercise upon completion of the Proposed Bonus, whereby the issued and paid-up share capital of ASB will be reduced from RM261,650,000 comprising 261,650,000 ordinary shares of RM1.00 each to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each pursuant to Section 64 of the Companies Act, 1965 ('Proposed Share Capital Reduction').

The Proposed Share Capital Reduction will involve the cancellation of 260,650,000 ordinary shares of RM1.00 each of ASB. The credit of RM260,650,000 arising from the Proposed Share Capital Reduction shall be applied by setting off amount due from KLCCB.

The Proposed Share Capital Reduction being undertaken by ASB is to return share capital in excess of the operational needs of ASB as part of the KLCCB Group's capital reconstruction.

The Proposals are expected to be completed by end of the year.

Please refer to the announcement made on 8 June 2007 for the full Announcement.

**B8.5** Proposed Acquisition of Central Offices Pte Ltd ('COPL')

Nomad Space Pte Ltd ('NSPL'), a wholly-owned subsidiary of KLCCB had on 14 August 2007 entered into an SPA with Mr Chan Farn Ho and Madam Ng Hen Lan to acquire the entire equity interest in COPL for a total cash consideration of SGD1,200,000. The purchase price of SGD1,200,000 is subject to a price adjustment (if any) whereby any profits before tax ('PBT') exceeding SGD271,000 (RM623,300) for the year ending 31 December 2008 from the serviced office operations at the current location shall be returned to the Vendors.

COPL was incorporated under the Companies Act of Singapore on 1 September 2005 as a private company limited by shares. The present issued and paid up capital of COPL is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each. COPL presently operates a serviced office at No. 3, Raffles Place (Bharat Building) in Singapore.

The proposed acquisition is part of the Group's strategic direction to become a regional player in the serviced office sector. COPL will mark the Group's foray into a serviced office sector in Singapore.

Please refer to the announcement made on 15 August 2007 for the full Announcement setting out, amongst others, details of the Proposed Acquisition and salient terms of the SPA.

**B9. Borrowing and Debt Securities**

There were no outstanding group borrowings and debt securities as at the end of the quarter ended 30 June 2007.

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risks as at the date of the issue of this announcement.

**B11. Material litigations**

There were no material litigations against the Company and its subsidiary companies.

**B12. Dividend**

Please refer to explanatory Note **A7**.

**B13. Earning Per Share ('EPS')**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Financial Year Quarter Ended 30 June 2007 RM'000	Preceding Financial Year Corresponding Quarter Ended 30 June 2006 RM'000	Current Financial Year To date 30 June 2007 RM'000	Preceding Financial Year To date 30 June 2006 RM'000
Basic Earnings per share				
Group's profit after tax used as numerator in the calculation of basic EPS	2,792	1,680	5,670	2,625
Weighted average no of ordinary shares in issue used as denominator in the calculation of basic EPS	223,068	223,068	223,068	223,068
Basic Earnings Per Share (sen)	1.3	0.8	2.5	1.2
Diluted Earnings Per Shares	N/A	N/A	N/A	N/A

By order of the Board  
**KUALA LUMPUR CITY CORPORATION BERHAD**

WONG KEO ROU (MAICSA 7021435)  
Secretary  
Kuala Lumpur  
29 August 2007