

KUALA LUMPUR CITY CORPORATION BERHAD (426627-H)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 the 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 were 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 quarter ended 30 September 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 September 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 September 2007

Revenue and expenses	Investment holding RM'000	Hospitality Industry RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
Total revenue - External	39,123	6,911	(31,012)	15,022
Results				
Segment results	38,279	1,997	(30,025)	10,211
Share in results of an associate				1,484
Taxation				(3,469)
Profit after taxation				8,226

Quarter ended 30 September 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 Completed 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 a Sales and Purchase Agreement 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 dated 15 August 2007 for the full Announcement setting out, amongst others, details of the Proposed Acquisition and salient terms of the SPA.

The acquisition was completed on 30 October 2007.

A11. Changes in the Composition of the Group

A11.1 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:

	Fair Value RM'000	Acquiree's carrying amount RM'000
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	<u>1,838</u>	
	<u>53,218</u>	

The cash outflow on acquisition is as follows:-

	RM'000
Purchase consideration satisfied by cash	53,000
Cost attributable to the acquisition, paid in cash	218
Total cost of acquisition	<u>53,218</u>
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>

A11.2 Nomad Space Pte Ltd - New subsidiary in Singapore with effect from 10 August 2007

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.

A11.3 MIHR Sdn Bhd ('MIHR') – New subsidiary with effect from 24 August 2007

KLCCB had on 24 August 2007 completed the proposed acquisition of the entire equity interest in MIHR. As such, MIHR is now a wholly-owned sub-subsidiary of KLCCB.

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

	Fair Value RM'000	Acquiree's carrying amount RM'000
Trade Receivables	152	152
Other Receivables	5	5
Cash and Bank Balances	1,983	1,983
Other Payables	(13)	(13)
Provision for Taxation	(6)	(6)
Total Net Assets	<u>2,121</u>	<u>2,121</u>
Goodwill	<u>186</u>	
	<u>2,307</u>	

The cash outflow on acquisition is as follows:-

	RM'000
Purchase consideration satisfied by cash	2,293
Cost attributable to the acquisition, paid in cash	<u>14</u>
Total cost of acquisition	2,307
Cash and cash equivalents of subsidiary acquired	<u>(1,983)</u>
Net Cash outflow from the Group	<u>324</u>

A11.4 Nomad Space Sdn Bhd – New Subsidiary with effect from 24 September 2007

KLCCB had on 24 September 2007 incorporated a wholly-owned subsidiary known as Nomad Space Sdn Bhd ('NSSB') in Malaysia under the Company Act, 1965.

NSSB was incorporated for the purposes of investment holding and service related businesses.

The present authorised share capital of NSSB is RM 100,000.00 divided into 100,000 ordinary shares of RM 1.00 each of which 2 ordinary shares of RM 1.00 each have been issued and fully paid-up.

The incorporation of NSSB 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/or major shareholders of KLCCB and/or persons connected with them have any interest, direct or indirect, in the incorporation of NSSB.

Saved from the above, there were no changes in the composition of the Group until 30 September 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 September 2007 other than as disclosed below:-

<u>Capital Expenditure</u>	RM'000
Approved and contracted for	5,800
Approved but not contracted for	<u>1,200</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 on 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. 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 the acquisition 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	110	-	601	-
Share in results of associated company before taxation	-	118	-	754
Share in taxation of associated company	-	(8)	-	(153)

Notes (BMSB Revised Listing Requirements)

B1. Review of the performance of the Group

For the third quarter ended 30 September 2007, the Group reported a higher profit before taxation of RM4.2 million compared to RM2.5 million in the previous corresponding quarter. This was mainly contributed by profits generated from SSB and dividends received from Bursa Malaysia Berhad.

For the nine month period, the Group recorded a higher PBT of RM11.7 million compared to RM6.0 million in the last corresponding period. The increase was mainly due to contribution from the Group's hospitality segment and dividend income.

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 September 2007 to the date of issue of this announcement.

B2. Material changes in Quarterly Results

The Group achieved PBT at RM4.2 million in the current quarter, same as that recorded in last quarter ended 30 June 2007. The profit was mainly due to dividend income received during the quarter under review.

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 August 2007 completed the acquisition of the entire equity interest in 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 of KLCCB had on 11 May 2007 entered into an SPA to acquire Bangsar Suria Condominium. These acquisitions are part of the Group's strategy to venture into the serviced residence business.

On 30 October 2007, KLCCB's wholly-owned subsidiary, NSPL completed the acquisition of COPL which operates a serviced office centre at No. 3 Raffles Place, Singapore. COPL presently operates a serviced office in Singapore's Central Business District at No. 3 Raffles Place, Bharat Building. Its acquisition marks KLCCB's maiden effort to venture into the serviced office sector. KLCCB intends to expand its serviced office business into major cities in the ASEAN region. Coupled with its serviced residence segment, KLCCB shall offer seamless hospitality services and business office support solutions to international business travelers, MNC's and local enterprises in the ASEAN region.

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 September 2007 RM'000	Year to date 30 September 2007 RM'000
Provision for taxation	<u>1,594</u>	<u>3,469</u>

The year to date effective tax rate was marginally 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 September 2007.

B7. Quoted Securities

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

	Current quarter 30 September 2007 RM'000	Year to date 30 September 2007 RM'000
Total purchase consideration	<u>7,450</u>	<u>33,517</u>
Total sale proceeds	<u>2,740</u>	<u>27,370</u>
Total profits on disposal	<u>288</u>	<u>1,941</u>

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

At cost	<u>22,079</u>
At book value	<u>20,847</u>
At market value	<u>81,552</u>

B8. Status of Corporate Proposal Announced But Not Completed As At 21 November 2007

B8.1 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.

B8.2 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.

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 Economic Compliance Unit ('ECU') of the 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.

UCM had on 16 October 2007 increased its share capital to RM100,000 and thus fulfilled the first condition set by SC as mentioned above.

B8.3 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 early next year.

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

B9. Borrowing and Debt Securities

There were no outstanding group borrowings and debt securities as at the end of the quarter ended 30 September 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 September 2007 RM'000	Preceding Financial Year Corresponding Quarter Ended 30 September 2006 RM'000	Current Financial Year To date 30 September 2007 RM'000	Preceding Financial Year To date 30 September 2006 RM'000
Basic Earnings per share				
Group's profit after tax used as numerator in the calculation of basic EPS	2,556	1,835	8,226	4,460
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)	1.1	0.8	3.7	2.0
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

23 November 2007