

Audit Committee Report

The Audit Committee (“AC”) of KrisAssets Holdings Berhad (“Company”) is pleased to present the AC Report for the year ended 31 December 2005.

The AC was established by the Board of Directors (“Board”) on 19 March 1997 to assist the Board to carry out its responsibilities. The AC is governed by its Terms of Reference.

MEMBERSHIP

The members of the AC comprises three (3) Independent Non-Executive Directors and the Group Managing Director as follows:

Halim bin Haji Din (Chairman), Independent Non-Executive Director
Tan Sri Dato’ Dr. Lin See Yan, Independent Non-Executive Chairman
Le Ching Tai @ Lee Chen Chong, Independent Non-Executive Director
Robert Tan Chung Meng, Group Managing Director

MEETINGS

During the financial year ended 31 December 2005, the AC met four (4) times. The attendance of each committee member is as follows:

Members	Number of AC Meetings	
	Held	Attended
Le Ching Tai @ Lee Chen Chong	4	4
Halim bin Haji Din	4	4
Tan Sri Dato’ Dr. Lin See Yan	4	4
Robert Tan Chung Meng	4	4

SUMMARY OF ACTIVITIES

A summary of the activities performed by the AC during the financial year ended 31 December 2005 is set out below:

Financial Reporting

- Deliberated and recommended for Board approval the Quarterly and Annual Financial Statements and announcements.

External Audit

- Recommended to the Board the appointment and remuneration of the External Auditor.
- Approved the external audit plan and scope for the financial year.
- Deliberated the results of external audits.

Internal Audit

- Approved Audit Charters of Group Internal Audit (“GIA”) functions in the Group.
- Reviewed GIA audit reports on the Group and ad hoc assignments.
- Reviewed GIA audit reports on the effectiveness and adequacy of risk management, compliance and governance processes.

Related Party Transactions

- Reviewed the disclosure of related party transactions of the Group.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION

The internal audit function of the Company was carried out by the GIA Department. GIA is independent and reports directly to the AC.

Internal audits were undertaken to provide independent and objective assessment of the following:

- Existence, effectiveness and adequacy of the internal control system to manage operations and safeguard the Group's assets.
- Adequacy and effectiveness of the risk management, governance and compliance functions to manage and anticipate potential risks over key business processes.

The internal audit reports arising from assignments were issued to management for their response and corrective actions. The reports were subsequently tabled to the AC for their deliberation.

Further details of the activities of GIA are set out in the Statement of Internal Control.

TERMS OF REFERENCE

Membership

The members of the AC shall be appointed by the Board upon the recommendations of the Nomination Committee and shall consist of not less than three (3) members, a majority of whom shall be independent Directors. Where the members for any reason fall below three (3), the Board shall, within three (3) months of that event, appoint such number of new members as may be required to fulfil the minimum requirement. The Chairman of the AC shall be an Independent Non-Executive Director. No alternate Director shall be appointed to the AC. At least one (1) member of the AC must be a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years of working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one (1) of the associations of accountants specified in Part II of the said Schedule. The Board shall review the terms of office of each member of the AC at least once in three (3) years.

Objectives

The primary objectives of the AC are:

- ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
- provide assistance to the Board in discharging its responsibilities relating to the Group's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements; and
- maintain through regularly scheduled meetings, a direct line of communication between the Board, senior management, internal auditors and external auditors.

Authorities

The AC has the following authorities as empowered by the Board:

- investigate any activity within its Terms of Reference or as directed by the Board;
- obtain the resources required to perform its duties;
- has full and unrestricted access to any information and personnel pertaining to the Group;
- has direct communication channels with external and internal auditors; and
- obtain independent professional advice as necessary.

Audit Committee Report (cont'd)

Functions and Responsibilities

The functions and responsibilities of the AC are as follows:

- review the quarterly results and annual financial statements prior to submission to the Board for approval, focusing primarily on:
 - going concern assumptions;
 - changes in existing or implementation of new accounting policies;
 - major judgemental areas, significant and unusual events; and
 - compliance with accounting standards, regulatory and other legal requirements.
- review and discuss with the external auditors of the following:
 - external audit plans and scope of work;
 - external audit reports, management's response and actions taken;
 - external audit evaluation of the system of internal controls; and
 - problems and reservations arising out of external audits and any matters the external auditors may wish to discuss, in the absence of management, if necessary.
- review the following in respect of internal auditors:
 - adequacy of the scope and plan, functions and resources of internal audit function and that it has the necessary authority to carry out their work;
 - internal audit programme, processes and results of the internal audit programme, processes or investigation, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - effectiveness of the system of internal controls;
 - major findings of internal audit investigations and management's response;
 - appraisal or assessment of performance of internal audit staff;
 - approve any appointment or termination of senior staff member of the internal audit function; and
 - note resignations of internal audit staff and provide the resigning staff an opportunity to submit his/her reason for resignation.
- review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and to ensure that the Directors report such transactions annually to the shareholders via the annual report.
- consider and recommend the nomination and appointment, the audit fee and any questions of resignation, dismissal or re-appointment of the external auditors.
- report promptly to Bursa Malaysia Securities Berhad on any matter reported by it to the Board which has not been satisfactorily resolved resulting in the breach of the Listing Requirements.
- review all prospective financial information provided to the regulators and/or the public.
- prepare reports, if the circumstances arise or at least once a year, to the Board summarising the work performed in fulfilling the AC's primary responsibilities.
- act on any matters as may be directed by the Board.

Audit Committee Report (cont'd)

Meetings

The AC meets on a quarterly basis with the objective of reviewing the Group's financial reporting. The AC complements this through regular meetings with the senior management and both the internal and external auditors to review the Group's overall state of governance and internal controls. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the AC meetings are convened before the Board meetings. The minutes of the AC are tabled to the Board where issues can be further deliberated, if necessary.

Unless otherwise determined by the AC members, three (3) days' notice specifying the place, date and time of the AC meeting and the matters to be discussed thereat shall be given to all AC members. The external and internal auditors may request a meeting by notifying the Company Secretary if deemed necessary.

The quorum for each meeting shall be two (2) members present in person, of whom two (2) must be independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting amongst the members present.

HALIM BIN HAJI DIN
Chairman of Audit Committee

This Report was approved by the Board of Directors on 20 March 2006.

Statement on Corporate Governance

The Board of Directors (“Board”) of KrisAssets Holdings Berhad (“Company”) is committed to ensure that sound policies are in place and to direct the Company to achieve its objectives of enhancing shareholders’ value with corporate accountability and transparency. This Statement sets out the application of the principles of the Corporate Governance and compliance with the Best Practices of the Malaysian Code of Corporate Governance (“Code”) by the Company. The only area of non-compliance with the Code is the recommended disclosure of details of the remuneration of each Director. Details of Directors’ remuneration are set out by applicable bands of RM50,000, which comply with the disclosure requirements under the Listing Requirements of Bursa Securities. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors’ remuneration are appropriately served by the band disclosure made.

BOARD

Board responsibility

The Board has always recognised the need for good corporate governance to protect and enhance long term shareholders’ value and the financial performance of the Company. An indication of the Board’s commitment is reflected in the conduct of regular Board meetings and the incorporation of various processes and systems as well as the establishment of relevant committees which also meet regularly.

Board balance

The Board currently comprises seven (7) members; all of whom are Non-Executive Directors except the Group Managing Director. Out of the seven (7) Directors; three (3) of them, including the Chairman, are Independent Directors and four (4) are Non-Independent Directors. This composition reflects a balance of Independent Directors and Non-Independent Directors such that no individual or small group of individuals can dominate the Board’s decision making.

The presence of Independent Directors fulfils a pivotal role in corporate accountability. Essentially, Independent Directors provide unbiased and independent view, advice and judgement as well as safeguard the interests of minority shareholders. All Independent Directors fulfil the definition of ‘Independent Director’ as stipulated under the Listing Requirements. They are independent of both the management and shareholders of the Company, and are free from any business or other conflicts of interest which may interfere with the discharge of their duties and in making independent judgements.

To-date, the Board has not found it necessary to identify a Senior Independent Non-Executive to whom concerns may be conveyed, mainly because the Chairman encourages full deliberation of issues affecting the Group by all members of the Board.

A brief description of the background of each Director is presented in the Profile of the Board of Directors.

Board meetings

The Board meets on a quarterly basis to review the Group’s quarterly performance and to discuss new policies and strategies. Additional meetings are called as and when necessary. During the financial year ended 31 December 2005, four (4) Board meetings were held and the attendance of Board members is as follows:

Directors	Number of Board Meetings	
	Held	Attended
Tan Sri Dato’ Dr Lin See Yan	4	4
Robert Tan Chung Meng	4	4
Halim bin Haji Din	4	4
Le Ching Tai @ Lee Chen Chong	4	4
Tan Lei Cheng	4	4
Tan Boon Lee	4	3
Daniel Yong Chen-I	4	4
Elizabeth Tan Hui Ning (Alternate to Group Managing Director)	4	4

Statement on Corporate Governance (cont'd)

Supply of Information to the Board

All Directors are provided with an agenda of meeting and board papers on the Company's financial performance, corporate developments, business outlook, various committees' reports and disclosures by Directors of their interest in shares and contracts, where applicable, prior to Board meetings. The board papers are issued in advance to facilitate informed decision-making. Any proposals and recommendations by the management are presented to and discussed by the Board before any decision is made. Minutes are prepared for all Board proceedings and are signed by the chairman of the meeting.

The Directors are also notified of any corporate announcement released to Bursa Securities and the impending restriction in dealing with the securities of the Company prior to the announcement of the financial results or corporate proposals. The Board is also kept informed of the various requirements and updates issued by the various regulatory authorities.

All Directors have access to the advice and services of the senior management and the company secretary to enable them to discharge their duties.

Continuing Board Development

All members of the Board have attended and successfully completed the Continuing Education Programme. Apart from attending various conferences and seminars organized by external organizers, the Board also benefit from internal Board Development Programme which is conducted in-house. In 2005, the in-house Board Development Programmes comprised among others, those relating to Corporate Governance aspects and a special course in the New Financial Reporting Standards.

Re-election of Directors

An election of Directors takes place each year. One-third of the Board retires from office at each Annual General Meeting and they are eligible to offer themselves for re-election. Directors who are appointed by the Board in each financial year are subject to election by the shareholders at the next Annual General Meeting following their appointments.

Directors standing for re-election at the Thirty First Annual General Meeting ("31st AGM") of the Company to be held on 30 May 2006 are Tan Sri Dato' Dr Lin See Yan and Halim bin Haji Din, who retire by rotation under Article 81 of the Company's Articles of Association.

Number of Directorships

In compliance with the Listing Requirements, the Directors do not hold more than ten (10) directorships in public listed companies and not more than fifteen (15) in non-public listed companies. The listing of directorships held by Directors is submitted and confirmed by each Director on a quarterly basis and is tabled at each Board meeting for notification.

DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group efficiently. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the individual Non-Executive Director concerned.

The Remuneration Committee reviews annually and recommends to the Board, the Company's remuneration policy for Executive Directors to ensure that Executive Directors are rewarded appropriately for their contributions to the Company's growth and profitability. The Non-Executive Directors' remuneration would be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration. Generally, all Non-Executive Directors are paid a meeting allowance for attending each Board or Committee Meeting. Directors' fees are approved by the shareholders of the Company at the Annual General Meeting.

Statement on Corporate Governance (cont'd)

The aggregate remuneration paid to Directors in 2005 is as follows:

Category	Salaries RM	Fees RM	*Other Emoluments RM	**Benefits-in-kind RM	Total RM
Executive Director	150,000	-	-	-	150,000
Non-Executive Directors	-	70,000	-	-	70,000
Total	150,000	70,000	-	-	220,000

Notes:

* Other emoluments include: bonuses, incentives, retirement benefits, provisions for leave and allowances.

** Benefits-in-kind include: rental payments, motor vehicle, club membership and personal expenses.

The Directors' remuneration are broadly categorized into the following bands:

Range of Remuneration	Executive	Non-Executive
Below RM50,000	-	6
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	1	-

BOARD COMMITTEES

The Board delegates certain responsibilities to several Board Committees that operate within clear defined terms of reference. The Chairmen of the various committees report the outcomes of their committee meetings to the Board, and any further deliberation is made at Board level if required. These reports and deliberations are incorporated into the minutes of the Board meetings.

Audit Committee ("AC")

The AC comprises three (3) Independent Directors and the Group Managing Director. With an independent component of 75%, the composition of the AC is fully compliant with the Code and the Listing Requirements, which require the majority of Directors on the AC to be independent.

The Board receives reports on all audits performed via the AC. AC meetings are scheduled prior to Board meetings and the minutes of the AC proceedings are presented to the Board for notification. Any issue raised or recommendation made by the AC is tabled for the Board's deliberation and approval.

Further details of the composition, the terms of reference and the activities of the AC during the financial year ended 31 December 2005 are set out in the Audit Committee Report.

Nomination Committee ("NC")

The NC comprises three (3) Independent Directors and one (1) Non-Independent Director. The NC recommends suitable candidates for appointments to the Board of the Company, including Committees of the Board. In addition, the NC assesses the effectiveness of the Board, the Committees of the Board and the contribution of each individual Director on an annual basis, and reviews succession plans for members of the Board. The NC meets as and when required. The NC members are:

Tan Sri Dato' Dr Lin See Yan, *Chairman*
Halim bin Haji Din
Le Ching Tai @ Lee Chen Chong
Tan Boon Lee

Remuneration Committee ("RC")

The RC comprises the members of the Board. The RC recommends to the Board the policy framework on terms of employment of and on all elements of the remuneration of Executive Directors of the Company. The RC meets as and when required.

Statement on Corporate Governance (cont'd)

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board views the timely and equal dissemination of information to its shareholders as important. It strictly adheres to the disclosure requirements of the Listing Requirements as well as the relevant requirements of the Security Industry Act and Securities Commission Act.

The Annual General Meeting ("AGM") is an important forum where communications with shareholders are effectively conducted. Shareholders are notified of the meeting together with a copy of the Company's Annual Report at least 21 days before the meeting. The Board ensures that each item of special business included in the notices of the AGM or extraordinary general meeting ("EGM") is accompanied by details and information in relation to the proposed resolution.

At the AGM and EGM, shareholders are given sufficient time and opportunity to request for more information on the audited financial statements and/or the proposed resolutions. The Chairman and the Board members would be prepared to respond to queries and undertake to provide clarification and/or information on issues and concerns raised by the shareholders. The external auditors also present to provide their professional and independent view, if required, on issues or concern highlighted by the shareholders. The status of all resolutions proposed at the AGM or EGM is announced to Bursa Securities. A press conference is also held immediately after the AGM or EGM in order for the Directors and Management to meet members of the media for the purpose of clarifying or explaining any issues raised.

The Company would also conduct roadshows and investors briefings with financial analysts, institutional investors and fund managers on the Group's financial results, performance and potential new developments or business.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The financial statements are prepared in accordance with the requirements of the Companies Act, 1965 and MASB approved accounting standards. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Financial Statements.

The AC scrutinizes the financial, statutory compliance aspects of the Audited Financial Statements and Company's policies and procedures prior to full deliberation at the Board level. The Board ensures the integrity of the Company's financial reporting and fully recognized that accountability in financial disclosure form an integral part of the good corporate governance practices.

Internal Control

The Code requires the Board to maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets. The Company adheres to Bursa Securities guidelines on the Statement on Internal Control – Guidance for Directors of Public Listed Companies, as a guidance for compliance with these requirements.

The state of internal control of the Company, pursuant to paragraph 15.27(b) of the Listing Requirements is presented in the Statement of Internal Control.

Relationship with the Auditors

The Board maintains a formal and transparent professional relationship with the auditors, through the AC. The role of the AC in relation to the internal and external auditors is described in the Audit Committee Report.

RESPONSIBILITY STATEMENT IN RESPECT OF THE FINANCIAL YEAR UNDER REVIEW

(pursuant to paragraph 15.27(a) of the Listing Requirements)

The Board is fully accountable to ensure that the financial statements are prepared in accordance with the Act and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to present a true and fair view, balanced and understandable assessment of the Group's financial position and prospects. In this Annual Report, an assessment is provided in the Directors' Report of the Audited Financial Statements.

The AC reviews the statutory compliance and scrutinises the financial aspects of the Audited Financial Statements prior to full deliberation at the Board level.

Statement on Corporate Governance (cont'd)

ADDITIONAL COMPLIANCE STATEMENT

(pursuant to paragraph 9.25 of the Listing Requirements)

Utilisation of proceed raised from any corporate proposal

The RM200,000,000 nominal value of 7-year bank AAA-rated guaranteed bonds ("BG Bonds") were issued together with detachable provisional rights to allotment of 110,134,166 5-year warrants on a 'bought-deal' basis in December 2005. The proceeds from BG Bonds were utilised to redeem 2,000,000 out of 2,930,000 redeemable preference shares of RM0.10 each ("RPS") issued by the Company at a redemption price of RM100.00 per RPS for a total redemption sum of RM200,000,000 on 30 December 2005.

Material Contracts

Neither the Company nor any of its subsidiaries had entered into any material contract which involved Directors' and/or major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2005, or which were entered into since the end of the previous financial year.

Share Buy-Back

There was no share buy-back exercise carried out by the Company for the financial year ended 31 December 2005.

Sanctions and/or penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2005.

Variation in Results

The Company did not issue any financial forecast for the financial year ended 31 December 2005. Hence, no variation in financial results.

Profit Guarantee

The Company did not issue any profit guarantee for the financial year ended 31 December 2005.

Non-audit Fees

For the financial year ended 31 December 2005, non-audit fees paid to PricewaterhouseCoopers Taxation Services Sdn Bhd amounted to RM62,930.00 relating to tax compliance.

Revaluation Policy

The revaluation policy of the Company in relation to its investment properties is set out in Notes to the Financial Statements of this Annual Report.

Recurrent related party transactions of a revenue or trading nature ("Recurrent Transactions")

(pursuant to paragraph 4.15 of Practice Note 12/2001 of the Listing Requirements)

The Company had on 25 May 2005 obtained approval for a renewal of general mandate from the shareholders to enter into Recurrent Transactions with related parties.

Statement on Corporate Governance (cont'd)

The nature and the contracting parties involved in the Recurrent Transactions during the financial year ended 31 December 2005 are as follows:

Nature of Recurrent Transactions	Transacting Parties	Interested Related Parties	Aggregate value RM'000
<ul style="list-style-type: none"> • Construction contracts • Leasing of retail space • Management, consultancy and/or support services • Mechanical and electrical works • Rental of office space 	IGB Corporation Berhad group of companies (IGB Group) <ul style="list-style-type: none"> • IGB • Ensignia Construction Sdn Bhd • IGB Properties Sdn Bhd • Mid Valley City Enterprise Sdn Bhd • MVEC Exhibition and Event Services Sdn Bhd • Tan & Tan Developments Berhad • Tanah Permata Sdn Bhd • Technoltic Engineering Sdn Bhd 	Robert Tan Chung Meng ^a Tan Lei Cheng ^b Tan Boon Lee ^c Daniel Yong Chen-I ^d Elizabeth Tan Hui Ning ^e Dato' Tan Chin Nam ^f Tan Boon Seng ^g Pauline Tan Suat Ming ^h Tony Tan @ Choon Keat ⁱ IGB ^j Goldis Berhad ("Goldis") ^k Tan Chin Nam Sdn Bhd ("TCNSB") ^l Tan Kim Yeow Sdn Bhd ("TKYSB") ^m Wah Seong (M) Trading Co Sdn Bhd ("WSTSB") ⁿ	16,175
<ul style="list-style-type: none"> • Leasing of retail space 	Goldis Berhad group of companies (Goldis Group) <ul style="list-style-type: none"> • Ecofen Marketing Sdn Bhd • Hoe Pharmaceuticals Sdn Bhd • Sweat Club Sdn Bhd 	Robert Tan Chung Meng ^a Tan Lei Cheng ^b Tan Boon Lee ^c Daniel Yong Chen-I ^d Elizabeth Tan Hui Ning ^e Dato' Tan Chin Nam ^f Tan Boon Seng ^g Pauline Tan Suat Ming ^h Tony Tan @ Choon Keat ⁱ IGB ^j Goldis ^k TCNSB ^l TKYSB ^m WSTSB ⁿ	329
<ul style="list-style-type: none"> • Legal advisory services 	Jeyaratnam & Chong (J&C)	Tan Lei Cheng ^b Tan Boon Lee ^c Dato' Tan Chin Nam ^f Tan Boon Seng ^g	143

Nature of Interest:

- ^a Robert Tan Chung Meng is a Director of Kris Group, IGB Group, WSTSB and TKYSB. He is a Major Shareholder of Kris, IGB, Goldis and TKYSB. He is the father of Elizabeth Tan Hui Ning and a brother of Pauline Tan Suat Ming and Tony Tan @ Choon Keat.
- ^b Tan Lei Cheng is a Director of Kris Group, IGB Group, Goldis Group, TCNSB and WSTSB. She is a daughter of Dato' Tan Chin Nam and a sister of Tan Boon Seng and Tan Boon Lee; and the spouse of Chong Kim Weng, a senior partner of J&C.
- ^c Tan Boon Lee is a Director of Kris, IGB Group, Goldis Group and TCNSB. He is a son of Dato' Tan Chin Nam and a brother of Tan Boon Seng and Tan Lei Cheng; and a brother-in-law to Chong Kim Weng, a senior partner of J&C.
- ^d Daniel Yong Chen-I is a Director of Kris Group and IGB Group. He is a son of Pauline Tan Suat Ming.
- ^e Elizabeth Tan Hui Ning is alternate to Robert Tan Chung Meng on the Board of Kris. She is a daughter to Robert Tan Chung Meng.

Statement on Corporate Governance (cont'd)

Nature of Interest (continued):

- ^f Dato' Tan Chin Nam is a Director of MVC, TCNSB and WSTSB. He is a Major Shareholder of Kris, IGB, Goldis and TCNSB. Dato' Tan Chin Nam is the father of Tan Boon Seng, Tan Lei Cheng and Tan Boon Lee, and the father-in-law to Chong Kim Weng, a senior partner of J&C.
- ^g Tan Boon Seng is a Director of IGB and MVC. He is a son of Dato' Tan Chin Nam and a brother of Tan Lei Cheng and Tan Boon Lee; and a brother-in-law to Chong Kim Weng, a senior partner of J&C.
- ^h Pauline Tan Suat Ming is a Director of IGB, Goldis, WSTSB and TKYSB. She is a Major Shareholder of Kris, IGB, Goldis and TKYSB. She is the mother to Daniel Yong Chen-I and a sister of Robert Tan Chung Meng and Tony Tan @ Choon Keat.
- ⁱ Tony Tan @ Choon Keat is a Director of IGB and TKYSB. He is a Major Shareholder of Kris, IGB, Goldis and TKYSB. He is a brother of Robert Tan Chung Meng and Pauline Tan Suat Ming.
- ^j IGB is a Major Shareholder of Kris and a Person Connected to Robert Tan Chung Meng, Dato' Tan Chin Nam, Pauline Tan Suat Ming, Tony Tan @ Choon Keat, Goldis, TKYSB, TCNSB and WSTSB.
- ^k Goldis is a Major Shareholder of Kris and IGB and a Person Connected to Robert Tan Chung Meng, Dato' Tan Chin Nam, Pauline Tan Suat Ming, Tony Tan @ Choon Keat, TKYSB, TCNSB and WSTSB.
- ^l TCNSB is a Major Shareholder of Kris, IGB, Goldis and WSTSB and a Person Connected to Dato' Tan Chin Nam.
- ^m TKYSB is a Major Shareholder of Kris, IGB, Goldis and WSTSB and a Person Connected to Robert Tan Chung Meng, Pauline Tan Suat Ming, Tony Tan @ Choon Keat.
- ⁿ WSTSB is a Major Shareholder of Kris, IGB and Goldis and a Person Connected to Robert Tan Chung Meng, Dato' Tan Chin Nam, Pauline Tan Suat Ming, Tony Tan @ Choon Keat, TCNSB and TKYSB.

This Statement was approved by the Board of Directors on 20 March 2006.

Statement of Internal Control

RESPONSIBILITY

The Board of Directors recognizes the importance of maintaining a sound system of internal control and risk management practices to safeguard shareholders' investment and the company's assets. Therefore, the Board affirms its overall responsibility for the Group's approach to assessing risk and the systems of internal control, and for reviewing the adequacy and effectiveness the Group's internal control systems and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The review covers financial, operational and compliance controls, and risk management procedures of the Group. However, such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, misstatement, losses or fraud.

The role of management is to implement the Board's policies on risk and control and present assurance on compliance with these policies. The Group internal audit function and the external auditors provide further independent assurance. All employees are accountable for operating within these policies.

RISK MANAGEMENT

The Board has taken steps during the period to implement an ongoing process for identifying, evaluating, managing and reviewing any changes in the risks faced by the business in the Group. The risk management process involves the business and functional units of the Group in identifying significant risks impacting the achievement of business objectives of the Group. It also involves the assessment of the impact and likelihood of such risks and of the effectiveness of controls in place to manage them.

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the management's and the Board's attention.

INTERNAL CONTROL

Whilst the Board maintains full control and direction over appropriate strategic, financial, organizational and compliance issues, it has delegated to management the implementation of the systems of internal control.

The main elements in the internal control framework include:

- An organizational structure with formally defined lines of responsibility and delegation of authority;
- Established procedures for planning, capital expenditure, information and reporting systems, and for monitoring the Group's businesses and their performances;
- Review by operating departments of their annual operating budgets and capital plans with the relevant heads of department and Group Managing Director prior to submission to the Board for approval;
- Monthly comparison of the actual financial performance of operating departments with budget;
- Operating policies and procedures which are subject to regular review and improvement;
- Regular reporting of accounting and legal developments to the Board;
- Appointment of employees of the necessary caliber to carry out the assigned responsibilities.

The Group Internal Audit function monitors compliance with policies and standards and the effectiveness of the internal control systems. The work of the internal audit function is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved each year by the Audit Committee. The head of this function reports to the Audit Committee. The Audit Committee receives reports on the function's work and findings and regular updates on specific issues.

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal control and the data contained in the financial statements to the extent necessary to express their audit opinion. Findings arising from the audit are discussed with management and reported to the Audit Committee.

The directors through the Audit Committee have reviewed the effectiveness of the Group's system of internal control. Some minor internal control weaknesses were identified during the period, all of which have been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies, or uncertainties that would require disclosure in the Group's annual report.

This Statement was approved by the Board of Directors on 20 March 2006.

Analysis of Shareholdings

as at 31 March 2006

Authorised Share Capital	: RM999,700,000
Issued and Paid-up Share Capital	: RM330,502,500
Class of shares	: Ordinary Shares of RM1.00 each
Voting rights	: One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

No. of Holders	Size of Holding	No. of Shares	%#
7,235	Less than 100	408,360	0.12
13,325	100 – 1,000	4,436,485	1.34
3,240	1,001 – 10,000	8,270,134	2.50
290	10,001 – 100,000	8,654,100	2.62
58	100,001 to less than 5% of issued shares	61,104,378	18.50
1	5% and above of issued shares	247,529,043	74.92
24,149		330,402,500	100.00

Based on the issued and paid-up share capital of RM330,402,500 excluding 100,000 treasury shares held by the Company as per Record of Depositors.

THIRTY LARGEST SHAREHOLDERS

(without aggregating securities from different securities accounts belonging to the same person)

Name	No. of Shares	%#
1. IGB Corporation Berhad	247,528,988	74.92
2. Goldis Berhad	10,317,599	3.12
3. A.A. Assets Nominees (Tempatan) Sdn Bhd - Goldis Berhad	9,318,345	2.82
4. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	6,475,950	1.96
5. A.A. Assets Nominees (Tempatan) Sdn Bhd - Tan Chin Nam Sdn Bhd	2,703,212	0.82
6. Employees Provident Fund Board	2,532,337	0.77
7. IJM Corporation Berhad	2,373,075	0.72
8. Permodalan Nasional Berhad	2,269,087	0.69
9. A.A. Assets Nominees (Tempatan) Sdn Bhd - Wah Seong (Malaya) Trading Co Sdn Bhd	2,216,498	0.67
10. HK 28 Limited	1,730,640	0.52
11. M & A Nominee (Asing) Sdn Bhd - Montego Assets Limited	1,726,000	0.52
12. HSBC Nominees (Asing) Sdn Bhd - HPBS SG for Kenderlay Ltd	1,524,646	0.46
13. Multistock Sdn Bhd	1,477,240	0.45
14. Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	1,461,501	0.44
15. A.A. Assets Nominees (Tempatan) Sdn Bhd - Tan Kim Yeow Sdn Bhd	1,424,371	0.43
16. HSBC Nominees (Asing) Sdn Bhd - MSCO NY for Tiedemann Global Emerging Markets L.P.	1,391,081	0.42
17. Mayban Nominees (Asing) Sdn Bhd - DBS Bank for Timbarra Services Limited	869,104	0.26
18. A.A. Assets Nominees (Tempatan) Sdn Bhd - Tan Chin Nam	828,143	0.25
19. A.A. Assets Nominees (Tempatan) Sdn Bhd - Wah Seong Enterprises Sdn Bhd	769,648	0.23
20. Insas Plaza Sdn Bhd	644,760	0.20
21. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	601,000	0.18
22. M & A Nominee (Asing) Sdn Bhd - Dawnfield Pte Ltd	519,675	0.16
23. Mayban Nominees (Asing) Sdn Bhd - DBS Bank for Ripley Services Limited	439,383	0.13
24. SLW Sdn Bhd	408,058	0.12
25. HSBC Nominees (Tempatan) Sdn Bhd - Nomura Asset Mgmt SG for Employees Provident Fund	373,100	0.11
26. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Fund	368,377	0.11
27. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for J.P. Morgan Bank Luxembourg S.A.	360,094	0.11
28. Tentang Emas Sdn Bhd	340,300	0.10
29. M & A Nominee (Asing) Sdn Bhd - Pedigree Limited	332,837	0.10
30. HSBC Nominees (Asing) Sdn Bhd - HPBS SG for Bioyield Trading Ltd	332,000	0.10
TOTAL	303,657,049	91.91

Analysis of Shareholdings (cont'd)

as at 31 March 2006

SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

Name	No. of Shares			
	Direct	%#	Indirect	%#
IGB Corporation Berhad	247,528,988	74.92	-	-
Goldis Berhad	19,635,944	5.94	249,006,228*	75.36
Dato' Tan Chin Nam	832,140	0.25	275,009,537*	83.23
Robert Tan Chung Meng	208,698	0.06	273,771,909*	82.86
Pauline Tan Suat Ming	46,732	0.01	273,771,909*	82.86
Tony Tan @ Choon Keat	-	-	273,771,909*	82.86
Tan Chin Nam Sdn Bhd	2,703,212	0.82	272,306,325*	82.42
Tan Kim Yeow Sdn Bhd	1,644,606	0.50	272,127,303*	82.36
Wah Seong (Malaya) Trading Co. Sdn Bhd	2,216,498	0.67	269,813,787*	81.66

* Deemed interest pursuant to Section 6A of the Companies Act, 1965.

Authorised Redeemable Preference Share ("RPS") Capital	: RM300,000
Issued and Paid-up RPS	: RM93,000
Class of shares	: RPS of RM0.10 each (not listed on the Bursa Malaysia Securities Berhad)
Voting rights	: One vote per RPS holder on a show of hands or one vote per RPS on a poll in respect of meeting of RPS holders
Sole RPS holder	: IGB Corporation Berhad

25

DIRECTORS' INTERESTS IN SHARES

The direct and deemed interests of the Directors in the shares of the Company and its related corporation.

The Company KrisAssets Holdings Berhad

Name	No. of Ordinary Shares of RM1.00 each			
	Direct	%#	Indirect	%#
Robert Tan Chung Meng	208,698	0.06	273,771,909*	82.86
Tan Lei Cheng	95,955	0.03	90,084*	0.03
Tan Boon Lee	149,536	0.05	-	-
Daniel Yong Chen-I	7,462	negligible	-	-

Holding Company IGB Corporation Berhad

Name	No. of Ordinary Shares of RM0.50 each			
	Direct	%√	Indirect	%√
Robert Tan Chung Meng	3,915,562	0.27	493,612,678*	34.14
Tan Lei Cheng	1,812,667	0.13	1,690,137*	0.12
Tan Boon Lee	2,805,574	0.19	-	-
Daniel Yong Chen-I	20,000	negligible	-	-

√ Based on the issued and paid-up share capital of the Company of RM722,836,526 excluding 15,969,100 treasury shares held by IGB Corporation Berhad as per Register of Substantial Shareholders.

List of Properties

held by KrisAssets Holdings Berhad Group as at 31 December 2005

Location	Tenure	Year Lease Expiring	Age of Building (Years)	Titled Hectareage	Description/ Existing use	Date of Acquisition/ Revaluation	Value as at 31 Dec 2005 RM'000
PT 11 HS(D) 105024 Section 95A Kuala Lumpur	Leasehold	2103	-	0.11	Mid Valley City Phase 5 land for LPG tank	31-1-2002	-
Part of Lot PT 14 HS(D) 105027 Section 95A Kuala Lumpur	Leasehold	2103	6	-	Shopping complex known as Mid Valley Megamall together with car parks	30-11-2003	1,480,000