KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2011

The Directors are pleased to present their report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2011.

Principal activities

The principal activity of the Company during the financial year is that of investment holding. Its wholly-owned subsidiaries, Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd, are the owners and operators of Mid Valley Megamall and The Gardens Mall respectively, whereas Mid Valley Capital Sdn Bhd is a special purpose vehicle incorporated for the issuance of redeemable secured bonds. There have been no significant changes in the nature of these activities during the financial year.

Financial results

	Group RM '000	Company RM '000
Profit for the financial year	555,478	187,459

Share capital

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM430,386,104 to RM440,432,058 by way of the issuance of 10,045,954 new ordinary shares of RM1.00 each arising from the exercise of Warrants 2006/2011 ("Warrants") at the exercise price of RM2.50 per share in accordance with the Deed Poll dated 6 December 2005. The Warrants were expired on 25 July 2011 and 204,608 warrants were lapsed.

Dividends

Dividends on ordinary shares paid, declared or proposed by the Company since the end of the previous financial year are as follows:

	RM '000
(a) In respect of the financial year ended 31 December 2010:	
(i) Single-tier interim dividend of 7.5% paid on 18 January 2011	32,271
(ii) Single-tier interim dividend of 7.5% paid on 28 March 2011	32,757
(b) In respect of the financial year ended 31 December 2011:	
(i) Single-tier interim dividend of 7.5% paid on 20 January 2012	33,026
(ii) Single-tier interim dividend of 7.5% paid on 30 March 2012	33,026

The Directors have not recommended the payment of any final dividend for the financial year ended 31 December 2011.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

Directors

The Directors in office since the date of the last report are:

Tan Sri Dato' Dr. Lin See Yan
Robert Tan Chung Meng
Halim bin Haji Din
Le Ching Tai @ Lee Chen Chong
Tan Lei Cheng
Tan Boon Lee
Daniel Yong Chen-I
Elizabeth Tan Hui Ning (*alternate to Robert Tan Chung Meng*)

In accordance with Article 81 of the Company's Articles of Association, Halim bin Haji Din and Tan Boon Lee retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Tan Sri Dato' Dr. Lin See Yan and Le Ching Tai @ Lee Chen Chong, being over seventy years of age, retire in accordance with Section 129(2) of the Companies Act, 1965 and offer themselves for re-appointment under Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

Directors' interests

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares and warrants in the Company and its ultimate holding company are as follows:

Company	**Number of ordinary shares of RM1.00 each**			
	01.01.2011	**Addition**	**Disposal**	**31.12.2011**
Robert Tan Chung Meng				
Direct	662,730	0	0	662,730
Indirect	333,502,386	242,747	(422,800)	333,322,333
Tan Lei Cheng				
Direct	44,045	0	0	44,045
Indirect	39,916	0	0	39,916
Tan Boon Lee				
Direct	1,100	0	0	1,100
Daniel Yong Chen-I				
Direct	7,462	2,487	0	9,949

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2011 (continued)

Directors' interests (continued)

Company	Number of warrants 2006/2011			
	01.01.2011	**Granted**	**Exercised**	**25.07.2011 (Expiry Date)**
Robert Tan Chung Meng				
Indirect	242,747	0	(242,747)	0
Daniel Yong Chen-I				
Direct	2,487	0	(2,487)	0

Ultimate Holding Company IGB Corporation Berhad	Number of ordinary shares of RM0.50 each			
	01.01.2011	**Addition**	**Disposal**	**31.12.2011**
Robert Tan Chung Meng				
Direct	3,915,562	39,155	0	3,954,717
Indirect	505,465,178	7,654,646	0	513,119,824
Tan Lei Cheng				
Direct	1,962,667	19,626	0	1,982,293
Indirect	1,690,137	16,901	0	1,707,038
Tan Boon Lee				
Direct	2,895,574	28,955	0	2,924,529

By virtue of Robert Tan Chung Meng holding more than 15% interest in the ordinary shares in IGB Corporation Berhad, he is deemed to have interest in the shares in all the subsidiaries of IGB Corporation Berhad to the extent IGB Corporation Berhad has an interest.

Other than as disclosed above, none of the other Directors in office at the end of the financial year held any interests in the ordinary shares and warrants in the Company and its holding company during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in note 8 and transactions as disclosed in note 32 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain Directors received remuneration as Directors/executives of the holding company.

Except as disclosed above, neither during nor at the end of the financial year was the Company a party to any arrangement which object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or warrants in, or debentures of, the Company or any other body corporate.

Statutory information on the financial statements

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist any:

(a) charge on the assets of the Group or Company which has arisen since the end of the financial year that secures the liability of any other person; or

(b) contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the significant events during the financial year as disclosed in Note 33 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Directors' report
for the financial year ended 31 December 2011 (continued)

Significant events during the financial year

(i) Issuance of 7-year redeemable convertible secured bonds

On 23 August 2010, the Company made an announcement to issue RM300 million nominal value 7-year redeemable convertible secured bonds ("CB Bonds"). The transaction was approved by Bursa Malaysia Securities Berhad and the Securities Commission on 2 November 2010 and 2 December 2010 respectively. The subscription agreement was signed on 11 January 2011. The CB Bonds were issued on 30 March 2011.

(ii) Acquisition of Mid Valley City Gardens Sdn Bhd

On 25 March 2011, the Company entered into a conditional share sale agreement with its holding company, IGB Corporation Berhad, for the acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd. The acquisition was completed on 29 July 2011 with a total cash consideration of RM222.7 million. The details are disclosed in Note 33 to the financial statements.

Ultimate holding company

The Directors regard IGB Corporation Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office. The Directors had endorsed the recommendations of the Audit Committee for PricewaterhouseCoopers to be reappointed as auditors.

Signed in accordance with a resolution of the Directors dated 30 March 2012.

Robert Tan Chung Meng
Group Managing Director

Halim bin Haji Din
Independent Non-Executive Director

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
for the financial year ended 31 December 2011

		Group		Company	
			Restated		
	Note	**2011 RM '000**	2010 RM '000	**2011 RM '000**	2010 RM '000
Revenue	5	**371,627**	340,989	**203,738**	64,184
Cost of sales		**(120,836)**	(115,805)	**0**	0
Gross profit		**250,791**	225,184	**203,738**	64,184
Other income	6	**7,791**	6,211	**0**	0
Fair value gain on investment properties	15	**550,000**	120,000	**0**	0
Administrative expenses		**(25,841)**	(26,959)	**(6,262)**	(1,780)
Profit from operations	7	**782,741**	324,436	**197,476**	62,404
Finance income	10	**6,549**	11,611	**0**	0
Finance costs	10	**(41,482)**	(43,470)	**(10,399)**	(9,630)
Profit before tax		**747,808**	292,577	**187,077**	52,774
Tax (expense)/income	11	**(192,330)**	(77,911)	**382**	(192)
Profit for the financial year / Total comprehensive income for the financial year		**555,478**	214,666	**187,459**	52,582
Equity attributable to:					
Equity holders of the Company		**555,478**	214,666	**187,459**	52,582
Earnings per share attributable to ordinary equity holders of the Company:	12				
- basic (sen)		**126.9**	62.8		
- diluted (sen)		**108.7**	62.3		

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2011

		Group		Company	
			Restated		
	Note	**2011 RM '000**	2010 RM '000	**2011 RM '000**	2010 RM '000
Non-current assets					
Property, plant and equipment	14	**16,162**	17,269	**0**	0
Investment properties	15	**3,290,000**	2,740,000	**0**	0
Subsidiaries	16	**0**	0	**1,252,473**	1,029,794
Amount owing by a subsidiary	18b	**0**	0	**267,790**	0
Cash and bank balances	19	**1,983**	1,924	**0**	0
		3,308,145	2,759,193	**1,520,263**	1,029,794
Current assets					
Trade and other receivables	18a	**29,464**	33,258	**5,757**	113
Tax recoverable		**809**	9,177	**809**	9,177
Cash and bank balances	19	**99,236**	221,770	**6,766**	72,874
		129,509	264,205	**13,332**	82,164
Less: Current liabilities					
Trade and other payables	20	**108,805**	116,218	**33,320**	32,886
Borrowings - internal	21a	**477**	251,042	**0**	0
Borrowings - external	21b	**105,018**	114,285	**1,895**	0
Current tax liabilities		**9,504**	8,850	**0**	0
		223,804	490,395	**35,215**	32,886
Net current (liabilities)/assets		**(94,295)**	(226,190)	**(21,883)**	49,278
Less: Non-current liabilities					
Trade and other payables	20	**35,480**	30,728	**0**	0
Borrowings - external	21b	**623,013**	380,000	**253,013**	0
Deferred taxation	22	**560,995**	407,351	**4,876**	0
		1,219,488	818,079	**257,889**	0
		1,994,362	1,714,924	**1,240,491**	1,079,072

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Statements of financial position
as at 31 December 2011 (continued)

		Group		Company	
			Restated		
	Note	**2011**	2010	**2011**	2010
		RM '000	RM '000	**RM '000**	RM '000
Capital and reserves attributable to equity holder of the Company					
Share capital	23	**440,432**	430,386	**440,432**	430,386
Redeemable preference shares	24	**0**	250,000	**0**	0
Share premium		**547,669**	532,046	**547,669**	532,046
Treasury shares	25	**(220)**	(220)	**(220)**	(220)
Capital redemption reserve	26	**4,093**	293	**293**	293
Retained earnings	27	**987,760**	501,854	**237,689**	116,002
		1,979,734	1,714,359	**1,225,863**	1,078,507
Warrants reserve	28	**0**	565	**0**	565
Other reserve	29	**14,628**	0	**14,628**	0
Total equity		**1,994,362**	1,714,924	**1,240,491**	1,079,072

Company No.: 24123-H

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
for the financial year ended 31 December 2011

		Attributable to equity holders of the Company									
	Note	Share capital	Redeemable preference shares	Treasury shares	Share premium	Capital redemption reserve	Retained earnings	Total	Warrants reserve	Other reserve	Total equity
Group		**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**	**250,000**	**(220)**	**532,046**	**293**	**501,854**	**1,714,359**	**565**	**0**	**1,714,924**
Total comprehensive income for the financial year		**0**	**0**	**0**	**0**	**0**	**555,478**	**555,478**	**0**	**0**	**555,478**
Transactions with equity holders:											
Issuance of redeemable convertible secured bonds - equity component, net of tax		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**14,628**	**14,628**
Redemption of redeemable preference shares	24	**0**	**(250,000)**	**0**	**0**	**3,800**	**(3,800)**	**(250,000)**	**0**	**0**	**(250,000)**
Exercise of warrants	23/28	**10,046**	**0**	**0**	**15,623**	**0**	**11**	**25,680**	**(565)**	**0**	**25,115**
Dividends	13	**0**	**0**	**0**	**0**	**0**	**(65,783)**	**(65,783)**	**0**	**0**	**(65,783)**
Total transactions with equity holders		**10,046**	**(250,000)**	**0**	**15,623**	**3,800**	**(69,572)**	**(290,103)**	**(565)**	**14,628**	**(276,040)**
As at 31 December 2011		**440,432**	**0**	**(220)**	**547,669**	**4,093**	**987,760**	**1,979,734**	**0**	**14,628**	**1,994,362**

	Note	2011	2010
		Sen	Sen
Dividends per ordinary share	13	**15.0**	15.0

Company No.: 24123-H

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
for the financial year ended 31 December 2011 (continued)

		Attributable to equity holders of the Company								
	Note	**Share capital**	**Redeemable preference shares**	**Treasury shares**	**Share premium**	**Capital redemption reserve**	**Retained earnings**	**Total**	**Warrants reserve**	**Total equity**
Group (restated)		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1 January 2010 – as previously stated		336,875	0	(220)	386,621	293	408,297	1,131,866	5,723	1,137,589
Acquisition of a subsidiary										
- effect of predecessor accounting		0	250,000	0	0	0	(10,428)	239,572	0	239,572
- merger deficit adjusted against retained earnings		0	0	0	0	0	(53,137)	(53,137)	0	(53,137)
As at 1 January 2010, restated		336,875	250,000	(220)	386,621	293	344,732	1,318,301	5,723	1,324,024
Total comprehensive income for the financial year		0	0	0	0	0	214,666	214,666	0	214,666
Transactions with equity holders:										
Exercise of warrants	23/28	93,511	0	0	145,425	0	0	238,936	(5,158)	233,778
Dividends	13	0	0	0	0	0	(57,544)	(57,544)	0	(57,544)
Total transactions with equity holders		93,511	0	0	145,425	0	(57,544)	181,392	(5,158)	176,234
As at 31 December 2010		430,386	250,000	(220)	532,046	293	501,854	1,714,359	565	1,714,924

Company No.: 24123-H

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
for the financial year ended 31 December 2011

	Note			Non-distributable		Distributable				
	Note	Share capital	Treasury shares	Share premium	Capital redemption reserve	Retained earnings	Total	Warrants reserve	Other reserve	Total equity
Company		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	(220)	532,046	293	116,002	1,078,507	565	0	1,079,072
Total comprehensive income for the financial year		0	0	0	0	187,459	187,459	0	0	187,459
Transactions with equity holders:										
Issuance of redeemable convertible secured bonds - equity component, net of tax		0	0	0	0	0	0	0	14,628	14,628
Exercise of warrants	23/28	10,046	0	15,623	0	11	25,680	(565)	0	25,115
Dividends	13	0	0	0	0	(65,783)	(65,783)	0	0	(65,783)
Total transactions with equity holders		10,046	0	15,623	0	(65,772)	(40,103)	(565)	14,628	(26,040)
As at 31 December 2011		440,432	(220)	547,669	293	237,689	1,225,863	0	14,628	1,240,491

Company No.: 24123-H

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Company statement of changes in equity
for the financial year ended 31 December 2011 (continued)

				Non-distributable		Distributable			
	Note	**Share Capital**	**Treasury shares**	**Share premium**	**Capital redemption reserve**	**Retained earnings**	**Total**	**Warrants reserve**	**Total equity**
Company		**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**
As at 1 January 2010		336,875	(220)	386,621	293	120,964	844,533	5,723	850,256
Total comprehensive income for the financial year		0	0	0	0	52,582	52,582	0	52,582
Transactions with equity holders:									
Exercise of warrants	23/28	93,511	0	145,425	0	0	238,936	(5,158)	233,778
Dividends	13	0	0	0	0	(57,544)	(57,544)	0	(57,544)
Total transactions with equity holders		93,511	0	145,425	0	(57,544)	181,392	(5,158)	176,234
As at 31 December 2010		430,386	(220)	532,046	293	116,002	1,078,507	565	1,079,072

KrisAssets Holdings Berhad
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Statements of cash flows
for the financial year ended 31 December 2011

		Group		Company	
			Restated		
		2011	2010	**2011**	2010
	Note	**RM '000**	RM '000	**RM '000**	RM '000
Operating activities					
Profit before tax		**747,808**	292,577	**187,077**	52,774
Adjustments for:					
• Property, plant and equipment:					
- depreciation		**3,573**	3,399	**0**	0
- written off		**16**	136	**0**	0
• Finance costs		**41,482**	43,470	**10,399**	9,630
• Allowance for impairment of trade receivables		**0**	872	**0**	0
• Reversal of excess allowance for impairment of trade receivables		**(1,248)**	(84)	**0**	0
• Fair value gain on investment properties		**(550,000)**	(120,000)	**0**	0
• Finance income		**(10,564)**	(12,795)	**(9,738)**	(1,184)
• Dividend income		**0**	0	**(194,000)**	(63,000)
		231,067	207,575	**(6,262)**	(1,780)
Changes in working capital:					
Trade and other receivables		**3,498**	(5,003)	**0**	0
Trade and other payables		**(7,144)**	19,898	**2,287**	459
Cash flow from/(used in) operations		**227,421**	222,470	**(3,975)**	(1,321)
Income tax (paid) / refund		**(34,540)**	(39,532)	**8,750**	(67)
Net cash flows from/(used in) operating activities		**192,881**	182,938	**4,775**	(1,388)
Investing activities					
Purchase of property, plant and equipment		**(2,482)**	(2,972)	**0**	0
Net cash outflow on acquisition	33	**(215,455)**	0	**(222,679)**	0
Advances to a subsidiary		**0**	0	**(267,790)**	0
Interest received		**11,353**	4,342	**3,365**	1,072
Dividends received		**0**	0	**194,000**	63,000
Net cash flows (used in)/from investing activities		**(206,584)**	1,370	**(293,104)**	64,072

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2011 (continued)

		Group		Company	
			Restated		
		2011	2010	**2011**	2010
	Note	**RM '000**	RM '000	**RM '000**	RM '000
Financing activities					
Interest paid		**(30,749)**	(37,534)	**(5,656)**	(6,800)
Cash held under trustee		**(4,189)**	(318)	**(3,801)**	0
Deposits pledged with licensed bank		**(59)**	(47)	**0**	0
Dividend paid for ordinary shares		**(65,028)**	(50,529)	**(65,028)**	(50,529)
Repayment of fixed term loan		**(60,000)**	0	**0**	0
Proceeds from revolving credit		**40,000**	0	**0**	0
Advances from ultimate holding company		**20,000**	35,900	**0**	0
Repayment of advances to ultimate holding company		**(55,900)**	(48,100)	**0**	0
Redemption of redeemable preference shares		**(250,000)**	0	**0**	0
Repayment of revolving credit		**0**	(10,000)	**0**	0
Repayments of redeemable secured bonds		**0**	(50,000)	**0**	0
Redemption of medium term notes		**0**	(20,000)	**0**	0
Redemption of bank guaranteed bonds		**0**	(200,000)	**0**	(200,000)
Proceeds from issuance of redeemable convertible secured bonds		**267,790**	0	**267,790**	0
Proceeds from exercise of warrants		**25,115**	233,778	**25,115**	233,778
Net cash flows (used in)/from financing activities		**(113,020)**	(146,850)	**218,420**	(23,551)
Net (decrease)/increase in cash and cash equivalents during the financial year		**(126,723)**	37,458	**(69,909)**	39,133
Cash and cash equivalents at beginning of financial year		**208,170**	170,712	**72,874**	33,741
Cash and cash equivalents at end of financial year	19	**81,447**	208,170	**2,965**	72,874

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Notes to the financial statements
for the financial year ended 31 December 2011

1. General information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is as follows:

Level 32, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

The principal place of business of the Company is as follows:

Mid Valley Megamall and The Gardens Mall
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

The principal activity of the Company during the financial year is that of investment holding. Its wholly-owned subsidiaries, Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd, are the owners and operators of Mid Valley Megamall and The Gardens Mall respectively, whereas Mid Valley Capital Sdn Bhd is a special purpose vehicle incorporated for the issuance of redeemable secured bonds.

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entities operate ('functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

These financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 March 2012.

2. Summary of significant accounting policies

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(i) Standards, amendments and improvements to published standards and interpretations to existing standards that are effective and are applicable

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business combinations"
- Revised FRS 127 "Consolidated and separate financial statements"
- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- Amendments to FRS 1 "First-time adoption of financial reporting standards"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- Improvements to FRSs (2010)

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments and improvements to published standards.

The adoption of the above accounting standards, amendments and improvements to published standards and interpretation to existing standards does not give rise to any material impact on the financial statements of the Group and Company.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

For the financial year ending 31 December 2012, the Group and Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS" ("MFRS 1").

The adoption of MFRS 1 is not expected to have material impact on the financial statements of the Group and Company.

The Group and Company will apply the new standards, amendments and improvements to standards and interpretations in the following period:

(i) Financial year beginning on/after 1 January 2012

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

  The adoption of the above will not result in any impact on the financial statements of the Group and Company.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment properties measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

  The Group estimates that, due to this change and based on statement of financial position as at 31 December 2011, which will be applied on 1 January 2012, the deferred tax liabilities would have been decreased by RM562,352,000.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

(ii) Financial year beginning on/after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

The adoption of the above accounting standards, amendments and improvements to published standards and interpretation to existing standards is not expected to have material impact on the financial statements of the Group and Company.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

(iii) Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" ("MFRS 9") (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments have been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  The adoption of MFRS 9 is not expected to have material impact on the financial statements of the Group and Company.

(iii) Standards, amendments and improvements to published standards and interpretations to existing standards that are applicable to and early adopted by the Group and Company

There are no new accounting standards, amendments to published standards and interpretations to existing standards that are applicable to and early adopted by the Group and Company.

2. Summary of significant accounting policies (continued)

(b) Consolidation - subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the acquisition method of accounting except for acquisition of Mid Valley City Gardens Sdn Bhd (as disclosed in Note 33) which was accounted for using predecessor basis of accounting, i.e. combination involving entities or businesses under common control. The Group has restated the comparatives as if the entity had always been combined throughout the current and previous years.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The subsidiary's results, assets and liabilities, are consolidated as if that combinations had been acquired from the same date the ultimate holding company obtained control. Consequently, the corresponding amounts of the consolidated financial statements for the previous financial year reflect the combined results and financial position.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (continued)

(b) Consolidation – subsidiaries (continued)

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

(c) Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in statement of comprehensive income.

(d) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and is not substantially occupied by the Group and Company. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value.

Fair value is based on investment method, where cash flows projections are capitalised using a capitalisation rate, which takes into account the unexpired period, yield and sinking fund, where applicable. Changes in fair values are recorded in the statement of comprehensive income during the period in which they are reviewed.

The fair value of the investment property reflects the market conditions at the reporting date. It reflects, among others, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are reflected in liability whereas others relate to outflows that are not recognised in the financial statements until a later date.

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income in the period of the retirement or disposal.

2. Summary of significant accounting policies (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Property, plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Motor vehicles	20%
Furniture and fittings	12.5%
Equipment	12.5% - 17.5%
Information technology ("IT") equipment	12.5% - 33 1/3%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The Group and Company carries out assessment on residual values and estimated useful lives of assets on an annual basis. There was no adjustment arising from the assessment performed in the financial year.

At each reporting date, the Group and Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Please refer to accounting policy Note 2(j) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in profit/(loss) from operations in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

(f) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the income have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue includes rental income, and service charges and management charges from properties.

Rental income, net of rent rebate, is recognised on an accrual basis in accordance with the substance of the relevant agreements unless collectibility is in doubt, in which case the recognition of such income is suspended. Other rent related and carpark income is recognised in the accounting period in which the services being rendered. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Dividend income is recognised when the Company's right to receive payment is established.

2. Summary of significant accounting policies (continued)

(g) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible differences to the extent that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply for the period, when the asset is realized or the liability is settled, based on tax rates that have been enacted and substantially enacted at the reporting date.

Deferred tax is recognised in statement of comprehensive income, except when it arises from a transaction which is recognised directly in the equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset and intends to settle either on a net basis or to realize the assets and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

(h) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument is charged to equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends on redeemable preference shares are recognised as a liability and on an accrual basis.

Interim dividends on ordinary shares are recognised as liabilities when declared before the reporting date. Proposed final dividends are accrued as liabilities only after approval by shareholders.

(iv) Purchase of own shares

When the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the equity holders as treasury shares until they are cancelled, reissued or disposed off. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental external costs and the related tax effects, is included in equity attributable to equity holders.

(i) Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve will be transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the exercise period will be transferred to retained earnings.

2. Summary of significant accounting policies (continued)

(j) Impairment of non-financial assets

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the statement of comprehensive income during the period in which they are incurred and any subsequent increase in recoverable amount is recognised in the statement of comprehensive income during the period in which they are incurred.

(k) Financial assets

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favorable, or an equity instrument of another enterprise.

Financial assets are recognised in the statement of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprised of "trade and other receivables" and "cash and bank balances" (excluding cash in hand) in the statement of financial position (Notes 18 and 19).

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset.

2. Summary of significant accounting policies (continued)

(l) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

<u>Assets carried at amortised cost</u>

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include, amongst others, the following:

- Significant financial difficulty of the obligor;
- A breach of contract, such as a default or delinquency in payments;
- The Group, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that the Group would not otherwise consider;
- It becomes probable that the obligor will enter bankruptcy or other financial destress;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of obligors in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in statement of comprehensive income during the period in which it is incurred.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of comprehensive income during the period in which such reversal is evidenced.

2. Summary of significant accounting policies (continued)

(m) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with licensed financial institutions, other short term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

(n) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or vendors. Trade payables are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables, deposits received from tenant and non-current trade liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

(p) Compound financial instruments

Compound financial instruments issued by the Group are convertible notes that can be converted to equity share capital at the option of the holder, and the number of equity shares to be issued does not vary with changes in the fair value of such instruments.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until extinguished on conversion or maturity of the compound instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound instrument is redeemed or repurchased before maturity. The equity component is subject to deferred tax liability which is charged directly to equity.

Upon conversion of the compound instrument into equity shares, the amount credited to ordinary share capital and share premium is the aggregate of the carrying amounts of the liability components classified within liability and equity component at the time of conversion. No gain or loss is recognised.

2. Summary of significant accounting policies (continued)

(q) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses, paid annual leave, sick leave and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The defined contribution plan of the Group relates to the contribution to the Employee Provident Fund, the national defined contribution plan.

The Group's contributions to defined contribution plans are charged to the statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefit plan

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after end of the reporting period are discounted to present value.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee, lead by the Group Managing Director, that makes strategic decisions.

(s) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income during the lease period in which they are incurred.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions for management's estimation of fair value

The principal assumptions underlying management's estimation of fair value of investment properties are those related to the receipt of contractual rentals, expected future market rentals, void periods, sinking funds and maintenance requirements, and the respective appropriate capitalisation rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market, when available. The Group uses assumptions that are mainly based on market conditions existing at each reporting date.

The fair valuation of investment properties is most sensitive to capitalisation rates used. The capitalisation rate adopted for Term 1 is 6.5 % (2010: 7.0%) and reversion is 7.0% (2010: 7.5%). Other key parameters used in the investment method of valuation are allowance for void of 3% (2010: 3%), carpark income of 7% (2010: 7%), other income of 15% (2010: 15%) and sinking fund of 3% (2010: 3%).

Changes to capitalisation rate of Term 1 and reversion used in the investment method on existing unexpired contractual terms by 100 basis points, the fair value of investment properties would be an estimate of RM330 million lower or RM430 million higher, respectively.

4. Financial risk management objectives and policies

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The management regularly reviews these risks and approves the treasury policies, which cover the management of such risks.

Market risk

Interest rate risk

The Group's borrowings are made up of both fixed and variable rates borrowings.

The fixed rate borrowings taken by the Group, namely fixed term loan, redeemable secured bonds and redeemable convertible secured bonds (Note 21b), lock in the interest rate against any fluctuation, which expose the Group to fair value interest risk. The variable rate borrowing, namely revolving credit facility (Note 21b), exposes the Group to cash flow interest rate risk. Most borrowings are fixed rate, hence the Group has no significant exposure to cash flow interest rate risk. The Group regularly reviews the risk and does not expect the impact to be material to the Group.

As the interest rate risk arises from the Group's borrowings is not material and does not have significant impact on the financial statements of the Group at the reporting date, hence sensitivity analysis is not presented.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to outstanding receivables from the tenants in Mid Valley Megamall and The Gardens Mall.

Credit risk arising from outstanding receivables from the tenants is minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an on-going basis via Group management reporting procedures. Other than the anchor tenants, namely Carrefour, Aeon, Metrojaya, Isetan, Robinsons and GSC Signature, which contribute 12.6% of the rental income, the Group does not have any significant exposure to any individual customer or counterparty nor does the Group have any major concentration of credit risk related to any financial instruments.

Credit risk with respect to trade receivables is limited due to the Group's nature of business which is predominately rental related and cash-based. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Furthermore, the tenants have placed security deposits with the Group which act as collateral. Due to these factors, no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

The deposits are placed with credit worthy licensed financial institutions. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

4. Financial risk management objectives and policies (continued)

(a) Financial risk factors (continued)

Liquidity and cash flow risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities (Note 21b).

The Group manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

At the reporting date, the Group held cash and cash equivalents of approximately RM81,447,000 (2010: RM208,170,000) that are expected to readily generate cash inflows for managing liquidity risk.

The analysis of the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date is set out below. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 year and 2 years**	**Between 2 years and 3 years**	**Over 3 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group					
At 31 December 2011					
Trade and other payables (Note 20)	**108,805**	**18,953**	**16,527**	**-**	**144,285**
Borrowings - internal (Note 21a)	**477**	**-**	**-**	**-**	**477**
Borrowings - external (Note 21b)	**127,131**	**190,863**	**15,877**	**496,075**	**829,946**
At 31 December 2010					
Trade and other payables (Note 20)	116,218	10,215	20,513	-	146,946
Borrowings - internal (Note 21a)	251,042	-	-	-	251,042
Borrowings - external (Note 21b)	135,133	133,439	233,945	54,625	557,142

4. Financial risk management objectives and policies (continued)

(a) Financial risk factors (continued)

Liquidity and cash flow risk (continued)

	Less than 1 year RM'000	Between 1 year and 2 years RM'000	Between 2 years and 3 years RM'000	Over 3 years RM'000	Total RM'000
Company					
At 31 December 2011					
Trade and other payables (Note 20)	**33,320**	**-**	**-**	**-**	**33,320**
Borrowings - external (Note 21b)	**7,479**	**7,541**	**7,500**	**279,252**	**301,772**
At 31 December 2010					
Trade and other payables (Note 20)	32,886	-	-	-	32,886
Borrowings - external (Note 21b)	-	-	-	-	-

The Group recorded net current liabilities of RM94,295,000 as at 31 December 2011. The net current liabilities position is mainly due to the external borrowings amounting to RM100 million of which the repayments are due within the twelve (12) months. Subsequent to the reporting date, the tranches of fixed term loans amounting to RM30 million which will mature in 26 March 2012 and 30 May 2012 have been granted extension of maturity based on existing terms and maturing on 26 September 2012. The revolving credit facility of RM40 million due in 24 January 2012 is allowed to be roll-overed for another three (3) months upon maturity. The Group monitors the liquidity and cash flow risks closely and is confident that there is sufficient cash flows from operations to repay the external borrowings when they become due.

(b) Capital risk management

The Group's overall capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide adequate returns for shareholders and other stakeholders as well as to maintain a more efficient or optimal capital structure which is mainly consists of equity and debt securities.

Management has continuously monitored the debt covenants of the borrowings as disclosed in Note 21b to the financial statements.

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5. Revenue

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Rental and rent related income	**327,432**	305,714	**0**	0
Car park income	**40,180**	34,091	**0**	0
Dividend income	**0**	0	**194,000**	63,000
Interest income	**4,015**	1,184	**9,738**	1,184
	371,627	340,989	**203,738**	64,184

6. Other income

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Advertising income	**2,580**	898	**0**	0
Customer service and housekeeping	**2,078**	1,814	**0**	0
Repair and maintenance	**1,750**	1,670	**0**	0
Others	**1,383**	1,829	**0**	0
	7,791	6,211	**0**	0

7. Profit from operations

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Profit from operations is stated after charging:				
Auditors' remuneration:				
- current financial year	**97**	100	**15**	15
- (over)/under provision in prior financial year	**(2)**	20	**0**	0
- other fee	**6**	6	**6**	6
Other professional fee	**4,165**	0	**4,165**	0
Property, plant and equipment:				
- depreciation	**3,573**	3,399	**0**	0
- written off	**16**	136	**0**	0
Hire of machinery and equipment	**42**	41	**0**	0
Rental expense for buildings	**1,038**	996	**0**	0
Allowance for impairment of trade receivables	**0**	872	**0**	0
and crediting:				
Reversal of excess allowance for impairment of trade receivables	**1,248**	84	**0**	0
Bad debts recovered	**0**	63	**0**	0

Direct operating expenses from investment properties that generated rental income of the Group during the financial year amounted to approximately RM120,836,000 (2010: RM115,805,000).

Included in direct operating expenses are the following expenses:

	Group	
	2011	2010
	RM'000	RM'000
Repair and maintenance	**10,472**	8,857
Utilities	**45,486**	43,553
Staff costs	**20,597**	19,870
Depreciation of property, plant and equipment	**3,049**	2,913
Directors' remuneration	**1,178**	542

8. Directors' remuneration

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Fees				
- Directors of the Company	**200**	200	**200**	200
- Directors of subsidiaries	**70**	70	**0**	0
Other emoluments				
- Directors of the Company	**306**	293	**306**	293
- Directors of subsidiaries	**979**	413	**0**	0
Defined contribution plan				
- Directors of the Company	**29**	29	**29**	29
- Directors of subsidiaries	**118**	50	**0**	0
Benefits-in-kind				
- Directors of subsidiaries	**11**	9	**0**	0
	1,713	1,064	**535**	522

9. Employee benefits costs

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Salaries, wages and bonus	**18,495**	17,835	**0**	0
Defined contribution plan	**1,894**	1,827	**0**	0
Social security costs	**208**	208	**0**	0
	20,597	19,870	**0**	0

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10. Finance income and costs

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Finance costs				
- Redeemable secured bonds	**10,781**	14,988	**0**	0
- Redeemable convertible secured bonds	**5,676**	0	**5,676**	0
- Fixed term loans	**13,833**	14,957	**0**	0
- Revolving credit facility	**3,598**	0	**0**	0
- Advances from ultimate holding company	**0**	1,085	**0**	0
- Bank guaranteed bonds	**0**	6,651	**0**	6,651
Accretion of discount on bonds				
- Redeemable convertible secured bonds	**4,723**	0	**4,723**	0
- Bank guaranteed bonds	**0**	1,223	**0**	1,223
Guarantee fee in respect of bonds				
- Bank guaranteed bonds	**0**	1,756	**0**	1,756
Others	**2,871**	2,810	**0**	0
Total finance costs	**41,482**	43,470	**10,399**	9,630
Finance income				
- Interest income on deposits with licensed financial institutions	**3,157**	3,412	**0**	0
- Interest income on late payment from tenants	**51**	1,010	**0**	0
- Others	**3,341**	7,189	**0**	0
Total finance income	**6,549**	11,611	**0**	0
Net finance costs	**34,933**	31,859	**10,399**	9,630

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11. Tax expense/(income)

	Note	Group		Company	
			Restated		
		2011	2010	**2011**	2010
		RM '000	RM '000	**RM '000**	RM '000
Malaysia tax:					
- Current financial year		**43,944**	40,353	**0**	200
- Overprovision in respect of prior financial year		**(382)**	(8)	**(382)**	(8)
Deferred taxation:					
- Origination and reversal of temporary differences	22	**148,768**	37,566	**0**	0
		192,330	77,911	**(382)**	192

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	%	%	**%**	%
Reconciliation between the average effective tax rate and the Malaysian corporate income tax rate				
Malaysian corporate income tax rate	**25**	25	**25**	25
Tax effects of:				
- expenses not deductible for tax purpose	**1**	2	**1**	2
- income not taxable for tax purpose	**0**	0	**(26)**	(27)
- over provision in prior financial year	***0**	*0	***0**	*0
Average effective tax rate	**26**	27	**0**	0

* Amount below 1%

12. Earnings per share attributable to equity holders of the Company

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2011	Restated 2010
Profit attributable to equity holders of the Company (RM '000)	**555,478**	214,666
Weighted average number of ordinary shares in issue (exclude treasury shares) ('000)	**437,752**	341,770
Basic earnings per share (sen)	**126.9**	62.8

(b) Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue should be adjusted on the assumption of full exercise and full conversion of all dilutive potential ordinary shares, i.e. Warrants 2006/2011 and redeemable convertible secured bonds (Note 21b), excluding ordinary shares purchased by the Company and held as treasury shares. The number of ordinary shares that could have been acquired at market price is determined based on the monetary value of the subscription and conversion rights attached to the warrants and redeemable convertible secured bonds. This calculation serves to determine the 'bonus' element to the outstanding ordinary shares for computation of potential full dilution impact. Profit for the financial year is adjusted to eliminate the interest expense less tax effect in relation to the potential full bonds conversion where no adjustment is made for potential full warrants conversion.

The warrants were exercisable at any time within a period commencing from the 2nd anniversary of the date of issue, i.e. 26 July 2006 and ending on the 5th anniversary of the date of issue. The warrants expired on 25 July 2011 and 204,608 warrants lapsed.

The redeemable convertible secured bonds are convertible anytime from date of issue, i.e. 30 March 2011 and ending on the 5th anniversary of the date of issue.

	2011	Restated 2010
Profit attributable to equity holders of the Company (RM '000)	**555,478**	214,666
Interest expense on redeemable convertible secured bonds (net of tax) (RM'000)	**7,800**	0
	563,278	214,666
Weighted average number of ordinary shares in issue ('000)	**437,752**	341,770
Adjustments for warrants ('000)	**0**	2,646
Adjustments for redeemable convertible secured bonds ('000)	**80,645**	0
Weighted average number of ordinary shares for diluted earnings per shares ('000)	**518,397**	344,416
Diluted earnings per share (sen)	**108.7**	62.3

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13. Dividends per ordinary share

Dividends paid, declared or proposed are as follows:

	Group and Company			
	2011		2010	
	Gross dividend per share Sen	**Amount of dividend, net of tax RM '000**	Gross dividend per share Sen	Amount of dividend, net of tax RM '000
Interim dividends of:				
- 7.5% single-tier dividend for financial year ended 31 December 2009, paid on 30 March 2010	**0**	**0**	7.5	25,273
- 7.5% single-tier dividend for financial year ended 31 December 2010, paid on 18 January 2011	**0**	**0**	7.5	32,271
- 7.5% single-tier dividend for financial year ended 31 December 2010, paid on 28 March 2011	**7.5**	**32,757**	0	0
- 7.5% single-tier dividend for financial year ended 31 December 2011, paid on 20 January 2012	**7.5**	**33,026**	0	0
Dividend recognised as distribution to equity holders of the Company	**15.0**	**65,783**	15.0	57,544

On 21 February 2012, the Directors declared an interim dividend in respect of the financial year ended 31 December 2011 of 7.5% single-tier interim dividend amounting to approximately RM33 million and paid on 30 March 2012. The interim dividend has not been recognised in the Statement of Changes in Equity as it was declared subsequent to the financial year end.

14. Property, plant and equipment

Group	Motor vehicles RM '000	Furniture and fittings RM '000	Equipment RM '000	IT Equipment RM '000	Total RM '000
At cost					
At 1 January 2011	**1,646**	**6,849**	**22,325**	**3,969**	**34,789**
Additions	**80**	**63**	**2,243**	**96**	**2,482**
Write-offs	**(3)**	**(104)**	**(39)**	**(27)**	**(173)**
At 31 December 2011	**1,723**	**6,808**	**24,529**	**4,038**	**37,098**
Accumulated depreciation					
At 1 January 2011	**1,070**	**3,862**	**8,827**	**3,761**	**17,520**
Charge for the financial year	**187**	**568**	**2,654**	**164**	**3,573**
Write-offs	**(3)**	**(102)**	**(31)**	**(21)**	**(157)**
At 31 December 2011	**1,254**	**4,328**	**11,450**	**3,904**	**20,936**
Net book value					
At 31 December 2011	**469**	**2,480**	**13,079**	**134**	**16,162**

14. Property, plant and equipment (continued)

Group (restated)	**Motor vehicles RM '000**	**Furniture and fittings RM '000**	**Equipment RM '000**	**IT Equipment RM '000**	**Total RM '000**
At cost					
At 1 January 2010	1,225	6,995	20,043	4,041	32,304
Additions	439	93	2,360	80	2,972
Write-offs	(18)	(239)	(78)	(152)	(487)
At 31 December 2010	1,646	6,849	22,325	3,969	34,789
Accumulated depreciation					
At 1 January 2010	861	3,404	6,647	3,560	14,472
Charge for the financial year	227	609	2,229	334	3,399
Write-offs	(18)	(151)	(49)	(133)	(351)
At 31 December 2010	1,070	3,862	8,827	3,761	17,520
Net book value					
At 31 December 2010	576	2,987	13,498	208	17,269

15. Investment properties

	Group	
		Restated
	2011	2010
	RM '000	RM '000
At 1 January	**2,740,000**	1,800,000
Acquisition of a subsidiary (effect of predecessor accounting)	**-**	820,000
Net fair value gain recognised in statement of comprehensive income	**550,000**	120,000
At 31 December	**3,290,000**	2,740,000

The Group's investment properties, Mid Valley Megamall and The Gardens Mall were revalued at 31 December 2011 by independent professionally qualified valuer who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued, Jordan Lee and Jaafar Sdn Bhd. Fair value is determined primarily based on investment method. Based on the valuation report dated 15 February 2012, the fair value of the investment properties as at 31 December 2011 were RM2.36 billion and RM930 million respectively agree to valuation performed by the external valuer. The investment properties are leasehold properties with lease expiry year in 2103.

As at 31 December 2011, the Group has no unprovided contractual obligations for future repairs and maintenance.

The properties have been charged as security for borrowings as disclosed in Note 21b.

16. Subsidiaries

	Company	
	2011	2010
	RM '000	RM '000
Unquoted shares, at cost	**1,252,473**	1,029,794

The effective equity interest in the subsidiaries and their respective principal activities and place of incorporation were as follows:

Name of company	Principal activities	Place of incorporation	Group's effective interest (%) 2011	Group's effective interest (%) 2010
Mid Valley City Sdn Bhd ("MVC")	Owner and operator of Mid Valley Megamall	Malaysia	**100**	100
Mid Valley City Gardens Sdn Bhd ("MVCG")	Owner and operator of The Gardens Mall	Malaysia	**100**	0
Mid Valley Capital Sdn Bhd ("MVCap")	Special purpose vehicle for issuance of redeemable secured bonds	Malaysia	**100**	100

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

The unquoted shares of MVC and MVCap have been pledged as security for borrowings as disclosed in Note 21b.

17. Financial instruments

(a) Financial instruments by category

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Loans and receivables at amortised cost				
Assets as per statement of financial position:				
- Trade and other receivables excluding prepayments (Note 18a)	**18,992**	22,084	**5,757**	113
- Amount owing by a subsidiary (Note 18b)	**0**	0	**267,790**	0
- Cash and bank balances excluding cash in hand (Note 19)	**98,862**	221,394	**6,766**	72,874
Total financial assets	**117,854**	243,478	**280,313**	72,987
Other financial liabilities at amortised cost				
Liabilities as per statement of financial position:				
- Trade and other payables (Note 20)	**144,285**	146,946	**33,320**	32,886
- Borrowings - internal (Note 21a)	**477**	251,042	**0**	0
- Borrowings - external (Note 21b)	**728,031**	494,285	**254,908**	0
Total financial liabilities	**872,793**	892,273	**288,228**	32,886

(b) Credit quality of financial assets

The trade receivables that are past due nor impaired were substantially amounts due from tenants with good collection track record with the Group. Management will continuously monitor closely the trade receivables which were past due with outstanding balances exceeding the security deposits.

Bank deposits were mainly deposits with licensed financial institutions with high credit ratings assigned by international credit rating agencies.

18a. Trade and other receivables

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Trade receivables	**14,889**	13,574	**0**	0
Less: Allowance for impairment of trade receivables	**(1,848)**	(3,291)	**0**	0
Trade receivables – net	**13,041**	10,283	**0**	0
Other receivables	**1,120**	1,322	**34**	113
Sundry deposits	**806**	779	**0**	0
Amount owing by a subsidiary	**0**	0	**5,723**	0
Amounts owing by fellow subsidiaries	**4,025**	9,700	**0**	0
	18,992	22,084	**5,757**	113
Prepayments	**10,472**	11,174	**0**	0
	29,464	33,258	**5,757**	113

The carrying amounts of trade and other receivables as at 31 December 2011 and 31 December 2010 approximated their fair values.

The credit terms of trade receivables were seven (7) days (2010: seven (7) days).

The amount owing by a subsidiary is unsecured, repayable on demand and bearing interest of 5% per annum.

The amounts owing by fellow subsidiaries are unsecured, repayable on demand and interest free.

As at 31 December 2011, trade receivables of RM13,041,000 were past due but not impaired. Such trade receivables are due from tenants in Mid Valley Megamall and The Gardens Mall who have paid security deposits for the tenancy and with no known recent history of default. In addition, the Group's historical experience in collection of trade receivables falls within the recorded allowance. The ageing analysis of these trade receivables is as follows:

	Group	
		Restated
	2011	2010
	RM '000	RM '000
8 to 30 days	**11,253**	9,242
31 to 60 days	**543**	441
61 to 90 days	**1,245**	600
	13,041	10,283
Individually impaired	**1,848**	3,291
Less: Allowance for impairment of trade receivables	**(1,848)**	(3,291)
	13,041	10,283

18a. Trade and other receivables (continued)

Movements of the Group's allowance for impairment of trade receivables are as follows:

	Group	
		Restated
	2011	2010
	RM '000	RM '000
At 1 January	**3,291**	3,651
Allowance for impairment of trade receivables (Note 7)	**0**	872
Receivables written-off during the financial year as uncollectible	**(195)**	(1,148)
Reversal of excess allowance for impairment of trade receivables (Note 7)	**(1,248)**	(84)
At 31 December	**1,848**	3,291

The creation and release of allowance for impairment of trade receivables have been included in the statement of comprehensive income (Note 7).

There were no impaired assets included in the other classes within trade and other receivables.

The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivables mentioned above.

18b. Amount owing by a subsidiary

	Group		Company	
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Amount owing by a subsidiary	**0**	0	**267,790**	0

The amount owing by a subsidiary is unsecured, repayable on demand and bearing interest of 5% per annum.

19. Cash and cash equivalents

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Non-current assets				
Deposits with licensed banks	**1,983**	1,924	**0**	0
Cash and bank balances	**1,983**	1,924	**0**	0
Less: Restricted cash	**(1,983)**	(1,924)	**0**	0
Cash and cash equivalents	**0**	0	**0**	0

Deposits with licensed banks amounting to RM1,983,000 (2010: RM1,924,000) are pledged as security for fixed term loans (Note 21b) and the interest earned are required to be added to the principal and shall form part of the security.

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Current assets				
Cash in hand	**374**	376	**0**	0
Bank balances	**17,907**	33,863	**2,965**	13,743
Deposits with licensed banks	**80,955**	187,531	**3,801**	59,131
Cash and bank balances	**99,236**	221,770	**6,766**	72,874
Less: Restricted cash	**(17,789)**	(13,600)	**(3,801)**	0
Cash and cash equivalents	**81,447**	208,170	**2,965**	72,874

Bank balances are deposits held at call with licensed banks and earn no interest.

The cash and bank balances amounting to RM86,825,000 (2010: RM218,801,000) for the Group was assigned as security pursuant to the redeemable secured bonds ("MVCap Bonds") and redeemable convertible secured bonds ("CB Bonds") (Note 21b), out of which RM17,789,000 (2010: RM13,600,000) was restricted for use and maintained by the trustee for the payment of interest in relation to the MVCap Bonds and CB Bonds.

The weighted average annual interest rates of deposits with licensed banks effective at the reporting date were as follows:

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	% per annum	% per annum	**% per annum**	% per annum
Weighted average interest rate	**2.8**	2.7	**3.4**	2.7

Deposits of the Group with licensed banks have an average maturity period of 17 days (2010: 29 days).

20. Trade and other payables

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Current liabilities				
Trade payables	**9,278**	10,798	**0**	0
Other payables	**5,002**	5,644	**44**	400
Accrued expenses	**24,280**	24,950	**251**	215
Deposits received from tenants	**27,401**	26,872	**0**	0
Dividends payable	**33,025**	32,271	**33,025**	32,271
Amounts owing to fellow subsidiaries	**9,819**	15,683	**0**	0
	108,805	116,218	**33,320**	32,886
Non-current liabilities				
Deposits received from tenants	**35,480**	30,728	**0**	0
	35,480	30,728	**0**	0
Total liabilities	**144,285**	146,946	**33,320**	32,886

Credit terms of trade payables vary from 30 days to 90 days (2010: vary from 30 days to 90 days).

The amounts owing to fellow subsidiaries were unsecured, interest free and are repayable on demand.

The fair value of the non-current portion of security deposits received from tenants at reporting date was approximately RM35,480,000 (2010: 30,728,000).

21a. Borrowings - internal

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Advances from ultimate holding company	**0**	35,900	**0**	0
Amount owing to ultimate holding company	**477**	215,142	**0**	0
	477	251,042	**0**	0

The amount owing to ultimate holding company is unsecured, interest free and is repayable on demand.

In the previous financial year, advances from ultimate holding company was unsecured, interest free (2010: 3.75% per annum) and was repayable on demand.

21b. Borrowings - external

		Group		Company	
			Restated		
	Note	**2011**	2010	**2011**	2010
		RM '000	RM '000	**RM '000**	RM '000
<u>Secured borrowings</u>					
Current					
Redeemable secured bonds	(i)	**2,437**	53,766	**0**	0
Redeemable convertible secured bonds	(ii)	**1,895**	0	**1,895**	0
Fixed term loans	(iii)	**60,414**	60,519	**0**	0
Revolving credit	(iv)	**40,272**	0	**0**	0
		105,018	114,285	**1,895**	0
Non-current					
Redeemable secured bonds	(i)	**200,000**	150,000	**0**	0
Redeemable convertible secured bonds	(ii)				
- Principal		**300,000**	0	**300,000**	0
- Equity component		**(19,504)**	0	**(19,504)**	0
- Discount on bonds		**(27,483)**	0	**(27,483)**	0
		253,013	0	**253,013**	0
Fixed term loans	(iii)	**170,000**	230,000	**0**	0
		623,013	380,000	**253,013**	0
Total					
Redeemable secured bonds	(i)	**202,437**	203,766	**0**	0
Redeemable convertible secured bonds	(ii)	**254,908**	0	**254,908**	0
Fixed term loans	(iii)	**230,414**	290,519	**0**	0
Revolving credit	(iv)	**40,272**	0	**0**	0
		728,031	494,285	**254,908**	0

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for the financial year ended 31 December 2011 (continued)

21b. Borrowings - external (continued)

The maturity profile of the borrowings is as follows:

Group	< 1 year RM '000	1-2 years RM '000	2-3 years RM '000	3-4 years RM '000	4-5 years RM '000	>5 years RM '000	Total RM '000
At 31 December 2011							
Redeemable secured bonds	**2,437**	**0**	**0**	**0**	**200,000**	**0**	**202,437**
Redeemable convertible secured bonds	**1,895**	**0**	**0**	**0**	**0**	**253,013**	**254,908**
Fixed term loans	**60,414**	**170,000**	**0**	**0**	**0**	**0**	**230,414**
Revolving credit	**40,272**	**0**	**0**	**0**	**0**	**0**	**40,272**
	105,018	**170,000**	**0**	**0**	**200,000**	**253,013**	**728,031**
At 31 December 2010							
Redeemable secured bonds	53,766	50,000	50,000	50,000	0	0	203,766
Fixed term loans	60,519	60,000	170,000	0	0	0	290,519
	114,285	110,000	220,000	50,000	0	0	494,285

Company	< 1 year RM '000	1-2 years RM '000	2-3 years RM '000	3-4 years RM '000	4-5 years RM '000	>5 years RM '000	Total RM '000
At 31 December 2011							
Redeemable convertible secured bonds	**1,895**	**0**	**0**	**0**	**0**	**253,013**	**254,908**
At 31 December 2010							
Redeemable convertible secured bonds	0	0	0	0	0	0	0

21b. Borrowings - external (continued)

(i) Redeemable secured bonds

In September 2004, a subsidiary, Mid Valley Capital Sdn Bhd, issued 2 classes of AAA-rated RM400 million nominal value redeemable secured bonds ('MVCap Bonds'). Class 1 Bonds comprise 6 series with issue amount up to RM285 million and Class 2 Bonds comprise 4 series with issue amount up to RM115 million. As at 31 December 2011, the nominal value of MVCap Bonds outstanding was RM200 million.

The MVCap Bonds are secured by way of:

(a) Legal assignment of all cashflows (Note 19), tenancy agreements and insurance policies in relation to the Mid Valley Megamall;
(b) Third party first rank fixed and floating charge over the Mid Valley Megamall (Note 15) and by way of debenture over assets, undertakings and paid-up capital of Mid Valley City Sdn Bhd and Mid Valley Capital Sdn Bhd (Note 16); and
(c) Power of Attorney granted in favour of the trustee for the MVCap Bonds for the sale of Mid Valley Megamall.

The MVCap Bonds contain covenant which requires Mid Valley City Sdn Bhd to maintain a Debt Service Coverage Ratio ("DSCR") of 1.5 times.

The holders of MVCap Bonds approved the extension of tenure of the aggregate nominal amount outstanding of RM200 million to 5 years from 15 September 2011 and maturing on 14 September 2016, subject to an aggregate indebtedness not exceeding 60% of the prevailing market value of Mid Valley Megamall. The extended MVCap Bonds are rated AAA with a coupon-rate-to-expected-maturity of 4.20% per annum.

In addition, all relevant obligations and covenants have been complied with and no event of default or trigger event has incurred.

21b. Borrowings - external (continued)

(ii) Redeemable convertible secured bonds

On 30 March 2011, the Company issued RM300 million nominal value 7-year redeemable convertible secured bonds ("CB Bonds") with 2.5% per annum coupon rate. The CB Bonds could be converted into ordinary shares within conversion period at a conversion price of RM3.72 per share. The CB Bonds contain covenant which requires the Company to maintain a DSCR of 1.25 times. In addition, all relevant obligations and covenants have been complied with and no event of default or trigger event has incurred.

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserve (Note 29), net of tax.

The CB Bonds recognised in the statement of financial position was calculated as follows:

	2011	2010
	RM'000	RM'000
Nominal value of CB Bonds	**300,000**	-
Equity component (Note 29)	**(19,504)**	-
Liability component on 30 March 2011 (issue date)	**280,496**	-
Discount on bonds	**(27,483)**	-
Interest expense	**1,895**	-
Liability component as at 31 December	**254,908**	-

(iii) Fixed term loans

In 2008, Mid Valley City Gardens Sdn Bhd ("MVCG") managed to drawdown a 5-year RM300 million term loan with a fixed interest rate at 5% per annum ("FTL").

The FTL is secured by way of:
(a) Fixed charges over The Gardens Mall;
(b) Deposits pledged with licensed bank; and
(c) Corporate guarantee by ultimate holding company.

Subsequent to the reporting date, the tranches of FTL amounting to RM30 million which will mature in March 2012 and May 2012 have been granted extension of maturity based on existing terms and maturing on 26 September 2012. As at the reporting date, the total outstanding FTL was RM230 million.

(iv) Revolving credit facility

MVCG also obtained a RM160 million revolving credit facility from the same lender of FTL in 2011 ("RC"). The weighted average effective interest rate as at the reporting date was 4.3% per annum.

The RC is secured by way of:
(a) A promissory note drawn in favour of the financial institution for each drawdown/rollover; and
(b) Corporate guarantee by ultimate holding company.

The RC is repayable on maturity date/due date of each drawdown at a tenure of one (1), two (2), three (3), six (6) or nine (9) months but not exceeding the expiry date of each tranche of the RC. RC is allowed to be roll-overed for another three (3) months upon maturity. As at the reporting date, the total RC outstanding was RM40 million.

KrisAssets Holdings Berhad
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Notes to the financial statements
for the financial year ended 31 December 2011 (continued)

21b. Borrowings - external (continued)

The weighted average effective interest rate as at the reporting date were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	% per annum	% per annum	**% per annum**	% per Annum
Weighted average effective interest rates at reporting date:				
Redeemable secured bonds	**4.2**	6.0	**0**	0
Redeemable convertible secured bonds	**5.5**	0	**5.5**	0
Fixed term loans	**5.0**	5.0	**0**	0
Revolving credit facility	**4.3**	0	**0**	0

The carrying amounts and fair values of the borrowings as at the reporting date were as follows:

	Group			
	2011		Restated 2010	
	Carrying amount RM '000	**Fair value RM '000**	Carrying amount RM '000	Fair value RM '000
Redeemable secured bonds	**202,437**	**204,037**	203,766	211,476
Redeemable convertible secured bonds	**254,908**	**254,908**	0	0
Fixed term loans	**230,414**	**223,093**	290,519	274,519
Revolving credit facility	**40,272**	**40,272**	0	0
	728,031	**722,310**	494,285	485,995

	Company			
	2011		2010	
	Carrying amount RM '000	**Fair value RM '000**	Carrying amount RM '000	Fair value RM '000
Redeemable convertible secured bonds	**254,908**	**254,908**	0	0

22. Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Note	Group 2011 RM '000	Group Restated 2010 RM '000	Company 2011 RM'000	Company 2010 RM'000
Deferred tax liabilities					
- subject to income tax		**560,995**	407,351	**4,876**	0
		560,995	407,351	**4,876**	0
At start of financial year		**407,351**	369,785	**0**	0
Charged to statement of comprehensive income:					
- Property, plant and equipment		**422**	184	**0**	0
- Investment properties		**145,001**	33,607	**0**	0
- Unabsorbed capital allowances		**3,345**	3,775	**0**	0
	11	**148,768**	37,566	**0**	0
Charged to equity:					
- Redeemable convertible secured bonds		**4,876**	0	**4,876**	0
		4,876	0	**4,876**	0
At end of financial year		**560,995**	407,351	**4,876**	0
Subject to income tax					
Deferred tax assets					
- Trade and other receivables		**130**	130	**0**	0
- Unabsorbed capital allowances		**7,197**	10,542	**0**	0
- Unused tax losses		**977**	977	**0**	0
- Offsetting		**(8,304)**	(11,649)	**0**	0
		0	0	**0**	0
Deferred tax liabilities					
- Property, plant and equipment		**2,071**	1,649	**0**	0
- Investment properties		**562,352**	417,351	**0**	0
- Redeemable convertible secured bonds		**4,876**	0	**4,876**	0
		569,299	419,000	**4,876**	0
- Offsetting		**(8,304)**	(11,649)	**0**	0
Deferred tax liabilities (after offsetting)		**560,995**	407,351	**4,876**	0

22. Deferred taxation (continued)

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM'000**	RM'000
Deferred tax assets				
- recovered within 12 months	**2,384**	3,345	**0**	0
- recovered after 12 months	**5,920**	8,304	**0**	0
	8,304	11,649	**0**	0
Deferred tax liabilities				
- settled within 12 months	**562,352**	417,351	**0**	0
- settled after 12 months	**6,947**	1,649	**4,876**	0
	569,299	419,000	**4,876**	0
Deferred tax liabilities, net	**560,995**	407,351	**4,876**	0

23. Share capital

	Group and Company			
	2011		2010	
	No. of shares ‘000	**Nominal value RM ’000**	No. of shares ‘000	Nominal value RM ’000
Ordinary shares of RM1.00 each				
Authorised				
At 1 January/31 December	**999,700**	**999,700**	999,700	999,700
Issued and fully paid				
At 1 January	**430,386**	**430,386**	336,875	336,875
Exercise of warrants	**10,046**	**10,046**	93,511	93,511
At 31 December	**440,432**	**440,432**	430,386	430,386

24. Redeemable preference shares

	Group			
	2011		Restated 2010	
	No. of shares ‘000	**Value RM ’000**	No. of shares ‘000	Value RM ’000
Redeemable preference shares of RM0.05 each				
Authorised				
At 1 January/31 December	**900,000**	**45,000**	900,000	45,000
Issued and fully paid				
At 1 January	**250,000**	**250,000**	250,000	250,000
Redeemed during the financial year	**(250,000)**	**(250,000)**	0	0
At 31 December	**0**	**0**	250,000	250,000

A total of 250 million redeemable preference shares (“RPS”) were issued by Mid Valley City Gardens Sdn Bhd to IGB Corporation Berhad, where 200 million RPS were issued in 2007 and 50 million RPS in 2009. The entire 250 million RPS were fully redeemed at the value of RM1.00 per RPS in 2011.

25. Treasury shares

During the financial year, shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting on 9 May 2011, approved the Company’s plan to purchase its own ordinary shares. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan should be applied in the best interests of the Company and its shareholders.

The 100,000 treasury shares as at 31 December 2011 were acquired by the Company in April 2003 for RM220,000. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares has been sold as at 31 December 2011.

26. Capital redemption reserve

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM '000**	RM '000
At 1 January	**293**	293	**293**	293
Redemption of redeemable preference shares	**3,800**	0	**0**	0
At 31 December	**4,093**	293	**293**	293

The capital redemption reserve in the Company was created as a result of the redemption of 2,930,000 redeemable preference shares ("RPS") of the Company of RM0.10 each at a redemption price of RM100 per share on 30 December 2005 (RM200 million), 26 July 2007 (RM43 million), 4 February 2008 (RM25 million) and 21 August 2009 (RM25 million) respectively, in accordance with Section 61 of the Companies Act, 1965. The redemption was financed by the issuance of RM200 million nominal value bank guaranteed bonds in 2005 and internally generated funds in the form of dividends received from Mid Valley City Sdn Bhd in 2007, 2008 and 2009.

The additional capital redemption reserve in the Group was created as a result of the redemption of redeemable preference shares in Mid Valley City Gardens Sdn Bhd of RM0.05 each at a redemption price of RM1.00 per share on 5 April 2011 and 3 May 2011 in accordance with Section 61 of the Companies Act, 1964. The redemption was financed by borrowings from financial institutions.

27. Retained earnings

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credit under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless the Company opts to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

As at 31 December 2011, the Company also has tax exempt income amounting to RM26,166,000 (2010: RM26,166,000) available for distribution as tax exempt dividends to shareholders.

28. Warrants reserve

	Group and Company	
	2011	2010
	RM '000	RM '000
At 1 January	**565**	5,723
Exercise of warrants	**(554)**	(5,158)
Lapse during the financial year	**(11)**	0
At 31 December	**0**	565

On 26 July 2006, the Company issued 110,134,166 5-year Warrants 2006/2011 ("Warrants") at an offer price of 6 sen per warrant to the shareholders. The Warrants were exercisable into new ordinary shares of RM1.00 each in the Company on a one-to-one basis. The Warrants were exercisable at any time within the period commencing from the second anniversary of the date of issue of the Warrants and ending on the expiry date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. The exercise price of the Warrants was RM2.50. The weighted average quoted price of shares of the Company at the time when the Warrants were exercised was RM4.10 (2010: RM3.37). A total of 204,608 Warrants lapsed on 25 July 2011.

29. Other reserve

		Group and Company	
		2011	2010
	Note	**RM '000**	RM '000
At 1 January		**0**	0
Redeemable convertible secured bonds – equity component	21b	**19,504**	0
Deferred tax liability	22	**(4,876)**	0
At 31 December		**14,628**	0

The other reserve of the Group was arising from the issuance of RM300 million nominal value redeemable convertible secured bonds by the Company.

30. Segment reporting - Group

The Board of Directors is the Group's chief operating decision maker. The Group Managing Director has an overall responsibility for the operating segments, organisational effectiveness and implementation of policies and decisions from the Board of Directors.

The segmental financial information by business or geographical segments is not presented as the Group only comprises of one business activity, which is the owner and operator of Mid Valley Megamall and The Gardens Mall and its entire business is conducted in Kuala Lumpur.

The Group Managing Director assesses the performance of the operating segments based on various factors, including but not limited to, a measure of adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA"). The EBITDA enables performance benchmarking as such basis eliminates the effect of financing and accounting decisions which may not be made at operating level.

31. Capital commitment

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM '000**	RM '000
Property, plant and equipment:				
- authorised by Directors but not contracted	**2,576**	8,019	**0**	0

32. Significant related party disclosures

In addition to related party disclosures mentioned in these financial statements, the significant related party transactions set out below are carried out in the normal course of business on terms and conditions negotiated between the parties.

The holding company is IGB Corporation Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Related parties with significant related party transactions	**Relationship**
IGB Corporation Berhad	Holding company
Ensignia Construction Sdn Bhd	A fellow subsidiary
IGB Properties Sdn Bhd	A fellow subsidiary
Mid Valley City Developments Sdn Bhd	A fellow subsidiary
Mid Valley City Energy Sdn Bhd	A fellow subsidiary
Mid Valley City Enterprise Sdn Bhd	A fellow subsidiary
Mid Valley City Hotels Sdn Bhd	A fellow subsidiary
Mid Valley City North Tower Sdn Bhd	A fellow subsidiary
Mid Valley City South Tower Sdn Bhd	A fellow subsidiary
MVC Centrepoint North Sdn Bhd	A fellow subsidiary
MVC Centrepoint South Sdn Bhd	A fellow subsidiary
MVEC Exhibition and Event Services Sdn Bhd	A fellow subsidiary
Tanah Permata Sdn Bhd	A fellow subsidiary
Technoltic Engineering Sdn Bhd	A fellow associate
Strass Media Sdn Bhd	A subsidiary of Wah Seong (Malaya) Trading Co. Sdn Bhd, which is a substantial shareholder of IGB Corporation Berhad

32. Significant related party disclosures (continued)

	Group	
		Restated
	2011	2010
Significant related party transactions	**RM '000**	RM '000
(a) Sales of services		
MVEC Exhibition and Event Services Sdn Bhd		
- rental of premise	**2,793**	2,395
IGB Properties Sdn Bhd		
- utility charges, engineering and supervision services	**711**	819
Mid Valley City Enterprise Sdn Bhd		
- utility charges, rental of premise and car park	**1,158**	1,223
Tanah Permata Sdn Bhd		
- utility charges and rental of car park	**1,143**	1,367
Strass Media Sdn Bhd		
- rental of light box and car park	**1,121**	974
MVC Centrepoint South Sdn Bhd		
- utility charges, supervision and housekeeping services	**970**	1,054
MVC Centrepoint North Sdn Bhd		
- rental of car park, utility charges and supervision services	**1,453**	1,506
Mid Valley City Hotels Sdn Bhd		
- utility charges	**2,390**	2,316
Mid Valley City South Tower Sdn Bhd		
- utility charges	**1,729**	1,873
Mid Valley City North Tower Sdn Bhd		
- utility charges	**1,829**	1,524
(b) Purchases of services		
Ensignia Construction Sdn Bhd		
- property maintenance and upgrade works	**2,457**	1,726
Technoltic Engineering Sdn Bhd		
- lift and escalator repair and maintenance	**1,457**	1,177
IGB Corporation Berhad		
- support cost, share registrar expenses, interest charged on advances	**3,344**	3,942
Mid Valley City Energy Sdn Bhd		
- electricity charges	**17,043**	16,390
Mid Valley City South Tower Sdn Bhd		
- rental of premise	**1,217**	1,161
(c) Advances		
IGB Corporation Berhad		
- advances from ultimate holding company	**20,000**	35,900
- repayment of advances to ultimate holding company	**(55,900)**	(48,100)

32. Significant related party disclosures (continued)

	Group	
		Restated
	2011	2010
Significant related party balances as at reporting date	**RM '000**	RM '000
(a) Amount owing by		
Mid Valley City Developments Sdn Bhd	**946**	941
(a) Amount owing to		
Ensignia Construction Sdn Bhd	**6,467**	11,255
Mid Valley City Energy Sdn Bhd	**1,495**	1,366

Remuneration of key management personnel (including Directors) compensation for the financial year was as follows:

	Group		Company	
		Restated		
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Directors' fee	**270**	270	**200**	200
Salaries, bonus and allowances	**2,414**	1,890	**306**	293
Defined contribution plan	**288**	227	**29**	29
Social security costs	**3**	4	**0**	0
	2,975	2,391	**535**	522

Key management comprises management personnel having authority and responsibility for planning, directing and controlling the activities of the Group.

33. Significant events during the financial year

(i) Issuance of 7-year redeemable convertible secured bonds

On 23 August 2010, the Company made an announcement to issue RM300 million nominal value 7-year redeemable convertible secured bonds ("CB Bonds"). The transaction had been approved by Bursa Malaysia Securities Berhad and the Securities Commission on 2 November 2010 and 2 December 2010 respectively. The subscription agreement was signed on 11 January 2011. The CB Bonds were issued on 30 March 2011.

(ii) Acquisition of Mid Valley City Gardens Sdn Bhd

On 25 March 2011, the Company had entered into a conditional share sale agreement with its holding company for the acquisition of 100% equity interest in Mid Valley City Gardens Sdn Bhd. The acquisition was completed on 29 July 2011 with a total cash purchase consideration of RM222.7 million. The acquisition was accounted for using predecessor basis of accounting.

33. Significant events during the financial year (continued)

(ii) Acquisition of Mid Valley City Gardens Sdn Bhd (continued)

The details of assets and liabilities acquired as well as net cash outflow arising from the acquisition were as follows:

	At date of acquisition RM'000
Identifiable assets and liabilities:	
Non-current assets	
Property, plant and equipment	4,443
Investment property	820,000
	824,443
Current assets	
Trade and other receivables	19,057
Cash and bank balances	7,224
	26,281
Current liabilities	
Trade and other payables	81,570
Borrowings	10,000
Current tax liabilities	3
	91,573
Non-current liabilities	
Borrowings	540,000
Deferred taxation	60,037
	600,037
Net assets	159,114
Purchase consideration	222,679
Less: Cash and cash equivalents in subsidiary acquired	(7,224)
Net cash outflow on the acquisition	215,455

34. Comparatives

Comparatives were restated to reflect the effects of acquisition of Mid Valley City Gardens Sdn Bhd (Note 33(ii)) by applying predecessor accounting as disclosed in accounting policy Note 2(b) in the financial statements.

35. Breakdown of realised and unrealised retained earnings for the financial year ended 31 December 2011

Supplementary information disclosed pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The analysis of realised and unrealised retained earnings at the legal entity is prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group		**Company**	
		Restated		
	2011	2010	**2011**	2010
	RM '000	RM '000	**RM'000**	RM'000
Total retained earnings:				
- Realised	**240,578**	167,172	**237,689**	116,002
- Unrealised	**747,182**	334,682	**0**	0
Total retained earnings	**987,760**	501,854	**237,689**	116,002

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purposes.

The unrealised portion within retained earnings as at 31 December 2011 relates mainly to fair value gain arising from valuation of Mid Valley Megamall and The Gardens Mall (Note 15).

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Statement by Directors
pursuant to Section 169(15) of the Companies Act, 1965

We, Robert Tan Chung Meng and Halim bin Haji Din, being two (2) of the Directors of KrisAssets Holdings Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 6 to 63 are drawn up in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2011 and of the results and cash flows of the Group and Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 30 March 2012.

Robert Tan Chung Meng
Group Managing Director

Halim bin Haji Din
Independent Non-Executive Director

Statutory Declaration
pursuant to Section 169(16) of the Companies Act, 1965

I, Chai Lai Sim, the officer primarily responsible for the financial management of KrisAssets Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 63 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Chai Lai Sim

Subscribed and solemnly declared by the abovenamed Chai Lai Sim at Kuala Lumpur on 30 March 2012.

Before me:

Commissioner for Oaths

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KRISASSETS HOLDINGS BERHAD
(Incorporated in Malaysia)
(Company No. 24123-H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KrisAssets Holdings Berhad, on pages 6 to 62, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in notes 1 to 34.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KRISASSETS HOLDINGS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 24123-H)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 63 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad dated 20 December 2011 ("Bursa Directive"). In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Soo Hoo Khoon Yean
(No. 2682/10/13(J))
Chartered Accountant

Kuala Lumpur
30 March 2012

KrisAssets Holdings Berhad
(Incorporated in Malaysia)

Reports and financial statements
for the financial year ended 31 December 2011

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