

XII. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



AF: 0039

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13 July 2004

The Board of Directors
KLCC Property Holdings Berhad
Level 36, Tower 2,
PETRONAS Twin Towers,
Kuala Lumpur City Centre,
50088 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of KLCC Property Holdings Berhad ("KLCCProperty" or "the Company") to be dated 21 July 2004 in connection with the proposed listing of and quotation for the entire issued and paid-up share capital of KLCCProperty on the Main Board of Bursa Malaysia Securities Berhad ("the Listing").

2. GENERAL INFORMATION

2.1 Incorporation

KLCCProperty was incorporated in Malaysia on 7 February 2004 as a public company limited by shares.

2.2 Principal Activities

The principal activities of KLCCProperty are investment holding, property investment and the provision of management services. The principal activities of the subsidiaries are set out in Note 2.4 of this Report.

2.3 Share Capital

KLCCProperty was incorporated with an authorised share capital of RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM3 comprising 3 ordinary shares of RM1.00 each.

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2. GENERAL INFORMATION (CONTD.)

2.3 Share Capital (Contd.)

The details of the authorised and issued and paid-up share capital of KLCCProperty from the date of incorporation to the date of this Report are as follows:

Authorised Share Capital

<u>Date of creation</u>	<u>Number of ordinary shares of RM1.00 each</u>	<u>Cumulative total RM</u>
7 February 2004	5,000,000,000	5,000,000,000

Issued and Paid-Up Share Capital

<u>Date of allotment</u>	<u>Number of ordinary shares of RM1.00 each</u>	<u>Cumulative total RM</u>	<u>Type of issue/ Consideration</u>
7 February 2004	3	3	Subscribers' shares
31 May 2004	189,276,671	189,276,674	Issued pursuant to Acquisitions I

2.4 Subsidiaries

Details of the subsidiary companies of KLCCProperty at the date of this Report are as follows:

<u>Subsidiaries</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	<u>Country of incorporation</u>	<u>Date of incorporation</u>
Arena Johan Sdn Bhd ("Arena Johan")	Property investment	100%	Malaysia	27.12.1990
KLCC Urusharta Sdn Bhd ("KLCCUH")	Facilities management	100%	Malaysia	13.08.1996
KLCC Parking Management Sdn Bhd ("KLCCParking")	Management of car park operations	100%	Malaysia	08.03.1993
Impian Cemerlang Sdn Bhd ("Impian Cemerlang")	Property investment	100%	Malaysia	04.02.1991

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**2. GENERAL INFORMATION (CONTD.)****2.4 Subsidiaries (Contd.)**

Subsidiaries	Principal activities	Effective equity interest	Country of incorporation	Date of incorporation
Arena Merdu Sdn Bhd ("Arena Merdu")	Property investment	100%	Malaysia	13.12.1990
Kompleks Dayabumi Sdn Bhd ("Kompleks Dayabumi")	Property investment	100%	Malaysia	18.02.1993
Asas Klasik Sdn Bhd ("Asas Klasik")	Property investment in a hotel	75%	Malaysia	22.01.1991
Suria KLCC Sdn Bhd ("Suria")	Ownership and management of a shopping centre and the provision of business management services	60%	Malaysia	04.12.1990
Midciti Resources Sdn Bhd ("Midciti")	Property investment	50.5%	Malaysia	02.01.1991
Associate Company				
Impian Klasik Sdn Bhd ("Impian Klasik")	Property investment	33%	Malaysia	31.12.1990

3. LISTING EXERCISE

In conjunction with, and as an integral part of the Listing, the Company implemented a corporate exercise which involved the following transactions:

3.1 Transfer of Asas Klasik

Transfer of 12,499,998 ordinary shares of RM1.00 each in Asas Klasik, representing approximately 9.62% of the issued and fully paid-up share capital of Asas Klasik, from Kompleks Dayabumi to KLCC (Holdings) Bhd ("KLCCH") for a total purchase consideration of RM12,499,998, satisfied via setting off of inter company advances.

The transaction was completed on 28 May 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)

**3. LISTING EXERCISE (CONTD.)****3.2 Acquisitions I****(a) Acquisition of Arena Johan**

Acquisition by KLCCProperty of 85,715,000 ordinary shares of RM1.00 each in Arena Johan, representing the entire issued and fully paid-up share capital of Arena Johan, from KLCCH for a total purchase consideration of RM209,617,532 satisfied by the issuance of 139,745,021 new ordinary shares of RM1.00 each in KLCCProperty ("Shares") at approximately RM1.50 per new Share.

(b) Acquisition of KLCCUH

Acquisition by KLCCProperty of 2,000,000 ordinary shares of RM1.00 each in KLCCUH, representing the entire issued and fully paid-up share capital of KLCCUH, from KLCCH for a total purchase consideration of RM32,096,555 satisfied by the issuance of 21,397,703 new Shares at approximately RM1.50 per new Share.

(c) Acquisition of KLCCParking

Acquisition by KLCCProperty of 2,000,000 ordinary shares of RM1.00 each in KLCCParking, representing the entire issued and fully paid-up share capital of KLCCParking, from KLCCH for a total purchase consideration of RM5,275,389 satisfied by the issuance of 3,516,927 new Shares at approximately RM1.50 per new Share.

(d) Acquisition of Impian Cemerlang

Acquisition by KLCCProperty of 15,033,023 ordinary shares of RM1.00 each in Impian Cemerlang, representing the entire issued and fully paid-up share capital of Impian Cemerlang, from KLCCH for a total purchase consideration of RM21,094,250 satisfied by the issuance of 14,062,833 new Shares at approximately RM1.50 per new Share.

(e) Acquisition of Arena Merdu

Acquisition by KLCCProperty of 33,070,717 ordinary shares of RM1.00 each in Arena Merdu, representing the entire issued and fully paid-up share capital of Arena Merdu, from KLCCH for a total purchase consideration of RM15,831,277 satisfied by the issuance of 10,554,185 new Shares at approximately RM1.50 per new Share.

(f) Acquisition of Kompleks Dayabumi

Acquisition by KLCCProperty of 2 ordinary shares of RM1.00 each in Kompleks Dayabumi, representing the entire issued and fully paid-up share capital of Kompleks Dayabumi, from KLCCH for a total purchase consideration of RM3 satisfied by the issuance of 2 new Shares at RM1.50 per new Share.

The transactions referred to under Acquisition I were completed on 31 May 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)



3. LISTING EXERCISE (CONTD.)

3.3 Acquisitions II

(a) Acquisition of Asas Klasik

Acquisition by KLCCProperty of 97,500,000 ordinary shares of RM1.00 each in Asas Klasik, representing 75% of the issued and fully paid-up share capital of Asas Klasik, from KLCCH for a total purchase consideration of RM79,952,900 to be satisfied in cash. The transaction was completed on 31 May 2004, with the total purchase consideration owing to KLCCH.

Pursuant to the listing, KLCCProperty will satisfy the amount owing to KLCCH in the following manner:

- (i) 19,528,342 new Shares to be issued, at RM1.50 per new Share for a total consideration of RM29,292,513;
- (ii) cash payment of RM40,000,000 from the proceeds to be raised from the Public Issue; and
- (iii) RM10,660,387 nominal value ten (10)-year 1% Redeemable Convertible Unsecured Loan Stocks ("RCULS"), at an issue price of 100% of its nominal value.

(b) Acquisition of Suria

Acquisition by KLCCProperty of 205,000,002 ordinary shares of RM1.00 each in Suria, representing 60% of the issued and fully paid-up share capital of Suria, from KLCCH for a total purchase consideration of RM451,452,082 to be satisfied in cash. The transaction was completed on 31 May 2004, with the total purchase consideration owing to KLCCH.

Pursuant to the listing, KLCCProperty will satisfy the amount owing to KLCCH in the following manner:

- (i) 62,762,096 new Shares to be issued, at RM1.50 per new Share for a total consideration of RM94,143,144;
- (ii) cash payment of RM258,558,937 from the proceeds to be raised from the Public Issue; and
- (iii) RM98,750,001 RCULS, at an issue price of 100% of its nominal value.

XII. ACCOUNTANTS' REPORT (CONT'D)



3. LISTING EXERCISE (CONTD.)

3.3 Acquisitions II (Contd.)

(c) Acquisition of Midciti

- Acquisition by KLCCProperty of 212,313,105 ordinary shares of RM1.00 each in Midciti, representing approximately 49% of the issued and fully paid-up share capital of Midciti, from KLCCH for a total purchase consideration of RM700,527,481 to be satisfied in cash. The transaction was completed on 31 May 2004, with the total purchase consideration owing to KLCCH.

Pursuant to the listing, KLCCProperty will satisfy the amount owing to KLCCH in the following manner:

- (i) 18,905,870 new Shares to be issued, at RM1.50 per new Share for a total consideration of RM28,358,805;
 - (ii) cash payment of RM209,663,364 from the proceeds to be raised from the Public Issue; and
 - (iii) RM462,505,312 RCULS, at an issue price of 100% of its nominal value.
- Acquisition by KLCCProperty of 6,500,000 ordinary shares of RM1.00 each in Midciti, representing approximately 1.5% of the issued and fully paid-up share capital of Midciti, from the trustees of Petroliam Nasional Berhad ("PETRONAS") Retirement Benefit Scheme ("PRBS") for a total purchase consideration of RM38,322,419 to be satisfied in cash. The transaction was completed on 31 May 2004, with the total purchase consideration owing to PRBS. Pursuant to the listing, KLCCProperty will satisfy the amount owing to PRBS by the issuance of 25,548,279 new Shares at approximately RM1.50 per new Share.

(d) Acquisition of Impian Klasik

Acquisition by KLCCProperty of 43,000,002 ordinary shares of RM1.00 each in Impian Klasik, representing 33% of the issued and fully paid-up share capital of Impian Klasik, from KLCCH for a total purchase consideration of RM98,860,527 to be satisfied in cash. The transaction was completed on 31 May 2004, with the total purchase consideration owing to KLCCH.

Pursuant to the listing, KLCCProperty will satisfy the amount owing to KLCCH in the following manner:

- (i) 5,907,018 new Shares to be issued, at RM1.50 per new Share for a total consideration of RM8,860,527; and
- (ii) cash payment of RM90,000,000 from the proceeds to be raised from the Public Issue.

3.4 Debt Settlement

In conjunction with the Listing, KLCCProperty will issue 180,000,000 new Shares, at RM1.50 per new Share for the settlement of debt of RM270,000,000 owing by Kompleks Dayabumi to PETRONAS.

XII. ACCOUNTANTS' REPORT (CONT'D)



3. LISTING EXERCISE (CONTD.)

3.5 Issuance of RCULS

In conjunction with the Listing, KLCCProperty will issue a total of RM714,110,437 RCULS at an issue price of 100% of its nominal value to KLCCH for the following:

- (i) RM462,505,312 RCULS at an issue price of 100% of its nominal value as partial settlement for the Acquisition of Midciti;
- (ii) RM98,750,001 RCULS at an issue price of 100% of its nominal value as partial settlement for the Acquisition of Suria;
- (iii) RM10,660,387 RCULS at an issue price of 100% of its nominal value as partial settlement for the Acquisition of Asas Klasik; and
- (iv) RM142,194,737 RCULS at an issue price of 100% of its nominal value as settlement of the net amounts owing by the subsidiaries of KLCCProperty to KLCCH.

3.6 Public Issue

In conjunction with the Listing, KLCCProperty will undertake a Public Issue of 432,146,000 Issue Shares. The calculation of the proceeds arising from the Public Issue is based on the Retail Price of RM1.68 per Issue Share and an assumed Institutional Price of RM1.81 per Issue Share.

3.7 Listing and Quotation

The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of KLCCProperty comprising 934,074,279 Shares on the Main Board of Bursa Malaysia Securities Berhad.

4. FINANCIAL STATEMENTS AND AUDITORS

Ernst & Young was appointed as the first auditor of KLCCProperty on 9 February 2004.

Ernst & Young was appointed as auditors of the subsidiaries on 12 December 2003 and audited the accounts for the financial year ended 31 March 2004. The financial statements of the subsidiaries prior to 31 March 2004 were audited by PricewaterhouseCoopers.

PricewaterhouseCoopers is the auditor of the associate company, Impian Klasik Sdn Bhd.

The financial statements during the financial years/period under review were not subject to any qualification.

5. DIVIDENDS

No dividends have been paid or declared by KLCCProperty since the date of its incorporation.

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6. SUMMARISED INCOME STATEMENTS

6.1 Proforma Consolidated Income Statements

We set out below the proforma consolidated income statements of KLCCProperty and its subsidiaries ("the KLCCProperty Group" or "the Group") for the past five financial years ended 31 March 2004 based on the audited financial statements of the Group. The proforma consolidated income statements are provided for illustrative purposes only, based on the assumption that the KLCCProperty Group had been in existence throughout the financial years under review.

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	← (restated) →				
	← RM'000 →				
Revenue	448,569	504,625	550,224	596,349	628,328
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	338,685	381,588	422,049	444,259	476,350
Net interest expense	(223,984)	(228,235)	(219,679)	(202,200)	(186,048)
Depreciation	(10,780)	(19,314)	(19,840)	(17,958)	(14,779)
Exceptional items	-	-	-	-	-
Share of profit in associate	5,615	6,150	6,987	7,607	8,117
Profit before taxation	109,536	140,189	189,517	231,708	283,640
Taxation	(35,066)	39,770	(47,943)	(39,244)	(82,559)
Profit after taxation ("PAT") before extraordinary items	74,470	179,959	141,574	192,464	201,081
Extraordinary items	-	-	-	-	-
Minority interests ("MI")	(31,272)	(71,060)	(55,939)	(72,770)	(80,429)
Consolidated PAT after MI	43,198	108,899	85,635	119,694	120,652
No. of ordinary shares of RM1.00 each ('000) *	501,928	501,928	501,928	501,928	501,928
Net earnings per share (sen)	9	22	17	24	24
Gross dividend rate (%)	-	-	-	-	-

* Based on the issued and paid-up share capital of KLCCProperty after the Acquisitions I, Acquisitions II and Debt Settlement.

XII. ACCOUNTANTS' REPORT (CONT'D)



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6. SUMMARISED INCOME STATEMENTS (CONTD.)**6.1 Proforma Consolidated Income Statements (Contd.)**

Notes to the proforma consolidated income statements of the KLCCProperty Group

- (a) The proforma consolidated income statements for the financial years ended 31 March 2000 to 31 March 2004 include the following adjustments:
- (i) Taxation expenses for the financial years under review have been adjusted and restated in compliance with MASB 25: Income Taxes; and
 - (ii) Revenue has been adjusted to exclude interest income.
- (b) There were no exceptional items or extraordinary items in all the financial years under review.
- (c) The financial year end of Arena Johan and Impian Klasik is 31 December and 31 January respectively, which are not coterminous with the financial year end of KLCCProperty of 31 March. Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.

However, Arena Johan changed its financial year end with effect from 1 January 2003 to be coterminous with the financial year end of KLCCProperty.

The share of profit in associate company, Impian Klasik, for the financial year ended 31 March 2004 includes the profit for the two months period ended 31 March 2004 based on its management accounts.

- (d) The proforma consolidated revenue of the KLCCProperty Group excludes rental revenue from Menara Dayabumi as the property was only acquired by Kompleks Dayabumi on 3 June 2004.
- (e) Financial year ended 31 March 2000

The increase in revenue by approximately 28% from the previous financial year was mainly due to the increase in revenue of Suria and Asas Klasik by approximately 90% and 397% respectively. The significant increase in the revenue of Suria was attributable to the first revision in base rent rates for its pioneer tenants since 1998. The financial year ended 31 March 2000 was also the first full year of operation for the Mandarin Oriental Kuala Lumpur (Asas Klasik), which opened for business in October 1998.

The consolidated PAT after MI has also increased by 105% from the previous financial year mainly due to the increase in profit in Asas Klasik and Suria, in line with the increase in revenue as explained above, in addition, there was also a reduction in interest expense for Midciti as it refinanced its syndicated revolving credit facility via the issuance of private debt securities, which bear lower rate of interest.

- (f) Financial year ended 31 March 2001

The increase in revenue by approximately 13% from the financial year ended 31 March 2000 was mainly due to the increase in:

- the rental revenue of Midciti arising from the upward revision in rental for the PETRONAS Twin Towers, in accordance with the term of the lease agreement;

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.1 Proforma Consolidated Income Statements (Contd.)

Notes to the proforma consolidated income statements of the KLCCProperty Group (Contd.)

(f) Financial year ended 31 March 2001 (Contd.)

- the rental revenue of Suria arising from the improvement in the occupancy rate of its retail space in Suria KLCC as well as an upward revision in base rent rates for several of its existing tenants; and
- the revenue of Asas Klasik from the operations of the Mandarin Oriental Kuala Lumpur due to the improvement in the hotel's occupancy rate, as it begins to establish itself as the premier hotel in the Klang Valley.

The consolidated PAT after MI increased significantly by approximately 153% mainly due to the recognition of deferred tax asset arising from unabsorbed capital allowances and unabsorbed losses, by Suria, amounting to RM76.2 million, following the adoption of MASB 25: Income Taxes.

(g) Financial year ended 31 March 2002

The increase in revenue by approximately 9% from financial year ended 31 March 2001 was mainly due to:

- the full year effect of the upward revision in rental for the PETRONAS Twin Towers, which was revised in October 2000.
- the increase in rental revenue of Suria by approximately 16% as a result of an upward revision in base rent rates for several of the existing tenants; and
- the increase in revenue of Asas Klasik by approximately 8% as the occupancy rate of Mandarin Oriental Kuala Lumpur continued to improve.

The Consolidated PAT after MI decreased by approximately 21%, mainly due to the fact that deferred tax asset recognised in the previous financial year by Suria was not a recurring event.

(h) Financial year ended 31 March 2003

The increase in revenue by approximately 8% from the financial year ended 31 March 2002 was mainly due to the increase in:

- the rental revenue of Suria which increased by 15% due to an upward revision in base rent rates for several of its existing tenants;
- the revenue of Asas Klasik which increased by 15% due to the significant improvement in the occupancy rates of Mandarin Oriental Kuala Lumpur as Kuala Lumpur hosted several international events and conferences; and

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.1 Proforma Consolidated Income Statements (Contd.)

Notes to the proforma consolidated income statements of the KLCCProperty Group (Contd.)

(h) Financial year ended 31 March 2003 (Contd.)

- the revenue of KLCCUH as it managed to secure various new facilities management contracts as well as an increase in the scope of work on existing maintenance facilities for various new and existing facilities within Putrajaya.

The consolidated PAT after MI increased by approximately 40% mainly due to the increase in revenue, as explained above and the recognition of deferred tax asset arising from unabsorbed capital allowances and unabsorbed losses, by Asas Klasik, of RM25.6 million following the adoption of MASB 25: Income Taxes.

(i) Financial year ended 31 March 2004

The increase in revenue by approximately 5% from the financial year ended 31 March 2003 was largely due to the increase in the rental revenue of Midciti arising from the upward revision in rental for the PETRONAS Twin Towers in accordance with the terms of the lease agreement.

The consolidated PAT after MI only increased by approximately 1% despite the significant increase in revenue, as the recognition of the deferred tax asset by Asas Klasik in 2003 had lowered the tax charge for 2003 but not such benefit in the year ended 31 March 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)

**6. SUMMARISED INCOME STATEMENTS (CONTD.)****6.2 KLCCProperty**

KLCCProperty was incorporated on 7 February 2004. Accordingly, there is no comparative information to be disclosed in this Report.

The summarised income statement of KLCCProperty set out below, is based on the audited financial statements.

	Period from 07.02.04 (date of incorporation) to 31.03.04 RM'000
Revenue	-
Loss before interest, taxation, depreciation and amortisation	(80)
Net interest expense	-
Depreciation	-
Loss before taxation	(80)
Taxation	-
Net loss for the period	(80)
No. of ordinary shares of RM1.00 each ('000)	*
Net loss per share (RM'000)	(27)

* 3 ordinary shares of RM1.00 each

XII. ACCOUNTANTS' REPORT (CONT'D)

**6. SUMMARISED INCOME STATEMENTS (CONTD.)****6.3 Arena Johan**

The summarised income statements of Arena Johan set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.3(c) of this Report:

	Financial year/period ended				
	31.12.99	31.12.00	31.12.01	31.12.02	15 months 31.03.04
	← RM'000 →				
Revenue	25,646	23,756	23,598	23,598	29,516
EBITDA	19,058	17,053	18,315	19,247	19,921
Net interest expense	(4,235)	(3,903)	(3,302)	(1,716)	(1,487)
Depreciation	(2,258)	(2,260)	(2,260)	(2,263)	(2,828)
Profit before taxation	12,565	10,890	12,753	15,268	15,606
Taxation	(1,297)	(3,177)	(2,188)	(2,690)	(4,673)
Adjustment pursuant to MASB 25	-	-	7,706	(1,499)	-
Net profit for the year (as restated)	11,268	7,713	18,271	11,079	10,933
No. of ordinary shares of RM1.00 each ('000)	85,715	85,715	85,715	85,715	85,715
Net earnings per share (sen)	13	9	21	13	13

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.3 Arena Johan (Contd.)

Notes to the results of Arena Johan

- (a) There were no exceptional items or extraordinary items in all the financial years/period under review.
- (b) In the financial year ended 31 December 2000, Arena Johan changed its accounting policy on the treatment of deferred expenditure relating to leasing operations incurred prior to the date of commencement of the lease. The deferred expenditure which were previously capitalised and amortised over ten years, are now recognised immediately as an expense in the income statement in the period in which the expenditure was incurred. The change in accounting policy was applied retrospectively.
- (c) In the period ended 31 March 2004, Arena Johan changed its accounting policy on the treatment of deferred tax in accordance with the requirements of MASB 25: Income Taxes. The change in accounting policy was applied retrospectively.
- (d) Arena Johan's revenue consists of building and car park rental income from Menara ExxonMobil, derived from a single customer, ExxonMobil Exploration and Production Malaysia Inc.
- (e) The statutory tax rate for the years under review was 28%.

The effective tax rate for the financial year ended 31 December 1999 was lower than the statutory tax rate, because capital allowances were higher than depreciation. In the financial year ended 31 December 2001, the Inland Revenue Board confirmed additional capital allowances available on plant and equipment which formed part of its investment property which was not depreciated. Arising from this, there was also a reversal of the deferred taxation provision which was no longer required.

- (f) With effect from 1 January 2003, Arena Johan changed its financial year end to be coterminous with the financial year end of KLCCProperty. The financial statements have been prepared for a period of 15 months to 31 March 2004.

XII. ACCOUNTANTS' REPORT (CONT'D)

**6. SUMMARISED INCOME STATEMENTS (CONTD.)****6.4 KLCCUH**

The summarised income statements of KLCCUH set out below, are based on the audited financial statements:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	RM'000				
Revenue	20,044	24,714	33,062	46,952	52,200
EBITDA	10,336	12,432	13,061	15,262	18,911
Net interest expense	(604)	-	(63)	-	-
Depreciation	(399)	(430)	(546)	(597)	(666)
Profit before taxation	9,333	12,002	12,452	14,665	18,245
Taxation	(3,100)	(3,592)	(2,607)	(3,891)	(5,411)
Net profit for the year	6,233	8,410	9,845	10,774	12,834
No. of ordinary shares of RM1.00 each ('000)	2,000	2,000	2,000	2,000	2,000
Net earnings per share (sen)	312	421	492	539	642

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.4 KLCCUH (Contd.)

Notes to the results of KLCCUH

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) KLCCUH's revenue comprises management fees derived from the management of facilities of various clients. The increase in revenue during the financial year ended 31 March 2004 is mainly due to the new facilities management contracts for various locations within Putrajaya.
- (c) The statutory tax rate for the years under review was 28%.

The effective tax rate for the financial years ended 31 March 2000 and 2001 were higher than the statutory tax rate due to certain expenditure such as donation and entertainment expenses which were disallowed for tax purposes. In the financial year ended 31 March 2002, the effective tax rate was lower than the statutory tax rate due to the overprovision for taxation in prior years whereas in the financial year ended 31 March 2003, the effective tax rate was lower than the statutory tax rate due to a reversal of deferred taxation relating to temporary differences.

The deferred taxation represents the tax effect of excess of capital allowances over depreciation.

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6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.5 KLCCParking

The summarised income statements of KLCCParking set out below, are based on the audited financial statements:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	RM'000				
Revenue	12,002	13,736	17,298	18,336	19,845
EBITDA	2,020	4,230	3,235	3,334	3,723
Net interest expense	-	-	-	-	-
Depreciation	(866)	(1,548)	(1,282)	(1,174)	(608)
Profit before taxation	1,154	2,682	1,953	2,160	3,115
Taxation	(346)	(832)	(1,007)	(514)	(596)
Net profit for the year	808	1,850	946	1,646	2,519
No. of ordinary shares of RM1.00 each ('000)	2,000	2,000	2,000	2,000	2,000
Net earnings per share (sen)	40	93	47	82	126

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6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.5 KLCCParking (Contd.)

Notes to results of KLCCParking

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) KLCCParking's revenue consists solely of car park charges. KLCCParking operates the surface and basement parking in the KLCC Development. The car park consists of the temporary surface car park within the KLCC Development and the basement car park known as the North-West Development Car Park.

The increasing trend in revenue for all the financial years is due to the increasing volume in transient and season parkers.

- (c) The statutory tax rate for the financial years under review was 28%.

The effective tax rate for the financial year ended 31 March 2000 to the financial year ended 31 March 2002 were higher than the statutory tax rate due to certain expenditure such as donation and entertainment expenses which were disallowed for tax purposes. In the financial year ended 31 March 2003 and the financial year ended 31 March 2004, the effective tax rate were lower than the statutory tax rate due to an overprovision for taxation in prior years.

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XII. ACCOUNTANTS' REPORT (CONT'D)



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6. SUMMARISED INCOME STATEMENTS (CONTD.)**6.6 Impian Cemerlang**

The summarised income statements of Impian Cemerlang set out below, are based on the audited financial statements:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	←————— RM'000 —————→				
Revenue	-	-	-	-	-
Loss before interest, taxation, depreciation and amortisation	(157)	(38)	(1,077)	(451)	(415)
Net interest expense	-	-	(2,888)	(3,188)	(3,510)
Depreciation	-	-	-	-	-
Loss before taxation	(157)	(38)	(3,965)	(3,639)	(3,925)
Taxation	-	-	-	-	-
Net loss for the year	(157)	(38)	(3,965)	(3,639)	(3,925)
No. of ordinary shares of RM1.00 each ('000)	15,033	15,033	15,033	15,033	15,033
Net loss per share (sen)	(1)	-	(26)	(24)	(26)

Notes to results of Impian Cemerlang

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) No revenue was recorded for all the financial years under review as the land (known as Lot D1), owned by Impian Cemerlang, is currently vacant for future development.

The significant loss before taxation from the financial year ended 31 March 2002 onwards was mainly due to interest charged by KLCCH, its previous holding company, on the advances made to Impian Cemerlang. The interest charged by KLCCH for the financial year ended 31 March 2000 and the financial year ended 31 March 2001 was capitalised under investment property.

There is no tax charge for the years under review as Impian Cemerlang was in a tax loss position.

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.7 Arena Merdu

The summarised income statements of Arena Merdu out below, are based on the audited financial statements:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	RM'000				
Revenue	-	-	-	-	-
Loss before interest, taxation, depreciation and amortisation	(172)	(42)	(1,180)	(494)	(608)
Net interest expense	-	-	(3,129)	(3,447)	(3,790)
Depreciation	-	-	-	-	-
Loss before taxation	(172)	(42)	(4,309)	(3,941)	(4,398)
Taxation	-	-	-	-	-
Net loss for the year	(172)	(42)	(4,309)	(3,941)	(4,398)
No. of ordinary shares of RM1.00 each ('000)	33,071	33,071	33,071	33,071	33,071
Net loss per share (sen)	(1)	-	(13)	(12)	(13)

Notes to results of Arena Merdu

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) No revenue was generated for all the financial years under review as the land (known as Lot C), owned by Arena Merdu, is currently vacant for future development.

The significant loss before taxation from the financial year ended 31 March 2002 onwards was mainly due to interest charged by KLCCH, its previous holding company, on the advances made to Arena Merdu. The interest charged by KLCCH for the financial year ended 31 March 2000 and the financial year ended 31 March 2001 was capitalised under investment property.

There is no tax charge for the years under review as Arena Merdu was in a tax loss position.

XII. ACCOUNTANTS' REPORT (CONT'D)



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6. SUMMARISED INCOME STATEMENTS (CONTD.)**6.8 Kompleks Dayabumi**

The summarised income statements of Kompleks Dayabumi set out below, are based on the audited financial statements:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	←————— RM'000 —————→				
Revenue	-	-	-	-	-
Loss before interest, taxation, depreciation and amortisation	(1)	(1)	(3)	(5)	(404)
Net interest expense	-	-	-	-	-
Depreciation	-	-	-	-	-
Loss before taxation	(1)	(1)	(3)	(5)	(404)
Taxation	-	-	-	-	-
Net loss for the year	(1)	(1)	(3)	(5)	(404)
No. of ordinary shares of RM1.00 each	2	2	2	2	2
Net loss per share (RM)	(500)	(500)	(1,500)	(2,500)	(202,000)

Notes to results of Kompleks Dayabumi

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) The principal activity of Kompleks Dayabumi is property investment. No revenue was recorded for the years under review.

The significant loss before taxation in the financial year ended 31 March 2002 and the financial year ended 31 March 2003 mainly relates to auditors' remuneration, professional and secretarial fees.

The significant loss before taxation in the financial year ended 31 March 2004 mainly relates to provision of general management services fees from KLCCH for provision of legal, accounting and secretarial services to Kompleks Dayabumi.

XII. ACCOUNTANTS' REPORT (CONT'D)

**6. SUMMARISED INCOME STATEMENTS (CONTD.)****6.9 Asas Klasik**

The summarised income statements of Asas Klasik set out below, are based on the audited financial statements and include the adjustments referred to in Section 6.9(b) of this Report:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	RM'000				
Revenue	74,103	95,297	103,340	119,347	119,879
EBITDA	8,939	19,357	30,983	35,771	43,932
Net interest expense	(25,776)	(23,425)	(20,342)	(17,874)	(16,407)
Depreciation	(5,429)	(12,906)	(13,367)	(11,309)	(8,345)
(Loss)/profit before taxation	(22,266)	(16,974)	(2,726)	6,588	19,180
Taxation	-	-	-	-	(5,916)
Adjustment pursuant to MASB 25	-	-	-	25,636	-
Net (loss)/profit for the year (as restated)	(22,266)	(16,974)	(2,726)	32,224	13,264
No. of ordinary shares of RM1.00 each ('000)	130,000	130,000	130,000	130,000	130,000
Net (loss)/earnings per share (sen)	(17)	(13)	(2)	25	10

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.9 Asas Klasik (Contd.)

Notes to results of Asas Klasik

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) In the financial year ended 31 March 2004, Asas Klasik changed its accounting policy on the treatment of deferred tax in accordance with the requirements of MASB 25: Income Taxes. The change in accounting policy was applied retrospectively.
- (c) Asas Klasik's revenue represents income from the operations of the Mandarin Oriental Kuala Lumpur. Revenue increased over the years under review as the hotel establishes itself as the premier hotel in the Klang Valley.
- (d) The improvement in the profit before taxation is largely due to the growth in revenue and stringent cost management initiatives and continuous improvement in business processes, operational efficiencies and maximisation of yield management.
- (e) There were no taxation charge over the years as Asas Klasik was in a tax loss position in the early years of operation. In the first profit making year, Asas Klasik had sufficient capital allowances and business losses to set-off against the chargeable income.

The taxation amount for the financial year ended 31 March 2004 relates to a reversal of the deferred taxation balance as a result of the utilisation of unabsorbed capital allowances carried forward.

XII. ACCOUNTANTS' REPORT (CONT'D)**6. SUMMARISED INCOME STATEMENTS (CONTD.)****6.10 Suria**

The summarised income statements of Suria set out below, are based on the audited financial statements and include the adjustments referred to in Section 6.10(b) of this Report:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	RM'000				
Revenue	74,142	93,765	109,215	124,672	138,291
EBITDA	55,643	73,231	92,125	105,531	116,907
Net interest expense	(55,613)	(62,650)	(56,742)	(48,615)	(37,959)
Depreciation	(1,827)	(2,169)	(2,384)	(2,616)	(2,898)
(Loss)/profit before taxation	(1,797)	8,412	32,999	54,300	76,050
Taxation	-	-	95	-	(21,913)
Adjustment pursuant to MASB 25	-	76,188	(10,117)	(16,282)	-
Net (loss)/profit for the year (as restated)	(1,797)	84,600	22,977	38,018	54,137
No. of ordinary shares of RM1.00 each ('000)	341,667	341,667	341,667	341,667	341,667
Net (loss)/earnings per share (sen)	(1)	25	7	11	16

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.10 Suria (Contd.)

Notes to the results of Suria

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) In the financial year ended 31 March 2004, Suria changed its accounting policy on the treatment of deferred tax in accordance with the requirements of MASB 25: Income Taxes. The change in accounting policy was applied retrospectively.
- (c) Revenue is generally derived from the rental of space within its shopping centre, known as Suria KLCC. Revenue is also derived from the North-West Development Car Park which is jointly owned by Impian Klasik, Midciti and Suria. Suria's share of the car park rental and the income from advertisements in the car park area is computed based on a pre-agreed distribution ratio.
- (d) The improvement in profit before tax is largely due to the annual increment in base rent rates, increase in car park rental due to an increase in the number of visitors to Suria KLCC, and reduction in interest expense due to lower interest rates from the restructuring its long term borrowings.
- (e) There was no taxation charge on profit earned for the years under review due to the availability of sufficient capital allowances and business losses to set-off against the chargeable income for each year.

The taxation amount for the financial year ended 31 March 2004 relates to a reversal of the deferred taxation balance as a result of the utilisation of unabsorbed capital allowances carried forward.

XII. ACCOUNTANTS' REPORT (CONT'D)

**6. SUMMARISED INCOME STATEMENTS (CONTD.)****6.11 Midciti**

The summarised income statements of Midciti set out below, are based on the audited financial statements, and include the adjustments referred to in Section 6.11(b) of this Report:

	Financial year ended				
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04
	←————— RM'000 —————→				
Revenue	245,000	256,359	267,718	267,718	280,130
EBITDA	243,520	255,050	266,357	266,512	278,927
Net interest expense	(137,839)	(138,407)	(133,609)	(127,471)	(123,189)
Depreciation	-	-	-	-	-
Profit before taxation	105,681	116,643	132,748	139,041	155,738
Taxation	-	-	-	-	(43,701)
Adjustment pursuant to MASB 25	(29,808)	(32,878)	(36,931)	(39,027)	-
Net profit for the year (as restated)	75,873	83,765	95,817	100,014	112,037
No. of ordinary shares of RM1.00 each ('000)	433,292	433,292	433,292	433,292	433,292
Net earnings per share (sen)	18	19	22	23	26

XII. ACCOUNTANTS' REPORT (CONT'D)



6. SUMMARISED INCOME STATEMENTS (CONTD.)

6.11 Midciti (Contd.)

Notes to the results of Midciti

- (a) There were no exceptional items or extraordinary items in all the financial years under review.
- (b) In the financial year ended 31 March 2004, Midciti changed its accounting policy on the treatment of deferred tax in accordance with the requirements of MASB 25: Income Taxes. The change in accounting policy was applied retrospectively.
- (c) Revenue represents rental income from the leasing of the PETRONAS Twin Towers. The rental income is derived from a single customer, PETRONAS. A revision in rental is carried out every 3 years in accordance with the terms of the lease agreement.
- (d) The taxation adjustment in financial year ended 31 March 2004 relates to a reversal of the deferred taxation balance as a result of the utilisation of unabsorbed capital allowances carried forward.

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