III. DETAILS OF THE PUBLIC ISSUE

1. INTRODUCTION

This Prospectus is dated 21 July 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, has been lodged with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares as a prescribed security. In consequence thereof, the Issue Shares to be issued through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Issue Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

An application will be made to Bursa Securities within three (3) Market Days of the issuance of this Prospectus for the admission to the Official List of the Main Board of Bursa Securities and for permission to deal in and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of the Company, including the Issue Shares, which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Main Board of Bursa Securities and the official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of applications will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for the entire enlarged issued and fully paid-up ordinary shares of RM1.00 each of the Company, including the Issue Shares. Accordingly, monies paid in respect of any application accepted from the applications will be returned without interest if the said permission for the listing and quotation is not granted within six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe.

Pursuant to the SC Guidelines, at least 25% of the enlarged issued and paid-up share capital of the Company must be held by a minimum number of 1,250 public shareholders holding not less than 100 shares each upon completion of the Public Issue. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned without interest if the said permission for the listing and quotation is not granted.

The completion of the Retail Offering and Institutional Offering are inter-conditional. If the Retail Offering and Institutional Offering are not completed, monies paid in respect of any application will be returned without interest.

Applicants of the Issue Shares **MUST** have a CDS account. In the case of an application by way of Application Form, an applicant must state his CDS account number in the space provided in the Application Form and he shall be deemed to have authorised Bursa Depository to disclose information pertaining to his CDS Account to the issuing house/Company for the purpose of crediting the Issue Shares, allotted to him to his CDS account. In the case of an application by way of Electronic Share Application, only an applicant who is an individual can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institutions by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by the Company. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company or the Group since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares are subject to Malaysian law and the Company takes no responsibility for the distribution of this Prospectus and/or the sale of the Issue Shares outside Malaysia. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to apply for or offer to sell any Issue Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any person to whom it is unlawful to make such invitation or offer.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser immediately.

2. SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES

	RM
Authorised	
5,000,000,000 ordinary shares of RM1.00 each	5,000,000,000
Issued and fully paid-up as at the date of this Prospectus	
189,276,674 ordinary shares of RM1.00 each	189,276,674
To be issued pursuant to the Acquisitions II	
132,651,605 new ordinary shares of RM1.00 each	132,651,605
To be issued pursuant to the Debt Settlement	
180,000,000 new ordinary shares of RM1.00 each	180,000,000
To be issued pursuant to the Public Issue	
432,146,000 new ordinary shares of RM1.00 each	432,146,000
Enlarged issued and fully paid-up share capital	934,074,279
To be issued pursuant to the full conversion of RCULS+	
358,669,230 new ordinary shares of RM1.00 each	358,669,230

The Retail Price* of RM1.68 per Issue Share is payable in full upon application.

Notes:

\+ *The terms of the RCULS are set out in Section 2.4 of Part VI of this Prospectus.*

* *The Final Retail Price will be fixed upon completion of the bookbuilding exercise as set out in Section 6 herein.*

Classes of Shares and Ranking

There is only one class of shares in KLCCProperty, being ordinary shares of RM1.00 each. The Issue Shares shall rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date of this Prospectus.

The new Shares to be issued pursuant to the Acquisitions II and Debt Settlement will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of this Prospectus.

The new Shares to be issued upon conversion of the RCULS will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of allotment of the new Shares to be issued upon the conversion of the RCULS.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

At a general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or proxy or attorney of a shareholder or other duly authorised representative shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

3. OPENING AND CLOSING OF APPLICATION LISTS

Applications will be accepted from 10.00 a.m. on 21 July 2004 and will close at 5.00 p.m. on 30 July 2004 or such other date or dates as the Directors of the Company, the Underwriters (in respect of the Retail Offering) and the Sole Lead Manager and Sole Bookrunner (in respect of the Institutional Offering) may in their absolute discretion mutually decide. Late applications will not be accepted.

Event	**Tentative/Indicative Date**
Opening of the Retail Offering and Institutional Offering	21 July 2004
Closing of the Retail Offering	30 July 2004
Closing of the Institutional Offering	30 July 2004
Price Determination Date	31 July 2004
Balloting of applications for Issue Shares	3 August 2004
Allotment of shares to successful applicants	13 August 2004
Listing and quotation	18 August 2004

The Retail Offering and Institutional Offering will open and close at the dates stated above or such other date or dates as the Directors of the Company, the Underwriters (in respect of the Retail Offering) and the Sole Lead Manager and Sole Bookrunner (in respect of the Institutional Offering) may in their absolute discretion mutually decide. Should the closing date of the Retail Offering or Institutional Offering be changed, the dates for the price determination, balloting, allotment of shares and, the listing and quotation would be changed accordingly (where relevant). Any change to the closing date of the Retail Offering will be published in a widely circulated English and Bahasa Malaysia newspaper in Malaysia.

4. DETAILS OF THE PUBLIC ISSUE

The Public Issue shall be subject to the terms and conditions of this Prospectus and upon acceptance of applications, the Issue Shares will be allocated in the following manner subject to the clawback and re-allocation provisions as set out below:

(i) Malaysian public

77,840,000 Issue Shares will be available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

(ii) Directors and eligible Malaysian employees of KLCCProperty and KLCCH, and eligible Malaysian employees of the subsidiaries of KLCCProperty and KLCCH

15,568,000 Issue Shares have been reserved for Directors and eligible Malaysian employees of KLCCProperty and KLCCH, and eligible Malaysian employees of the subsidiaries of KLCCProperty and KLCCH.

(iii) Bookbuilding

338,738,000 Issue Shares will be available for application by institutional investors, whereby attempt will be made to allocate 30% of the Issue Shares to Bumiputera investors on a best effort basis.

Save for the 338,738,000 Issue Shares in item (iii) above, all of the Issue Shares have been fully underwritten by the Underwriters. Further details of the Underwriting Agreement are set out in Section 10 herein.

The Issue Shares in respect of item (ii) above are allocated based on the following criteria:

(a) all the Directors of KLCCProperty and KLCCH are each allocated 50,000 Issue Shares; and

(b) the length of service of the eligible Malaysian employees of KLCCProperty and its subsidiaries and KLCCH and its subsidiaries. Eligible employees must be Malaysian and are employed on a full-time basis with the relevant companies as at 30 June 2004, either on a permanent or contract basis (in which case, their contract must be for at least one (1) year). Based on these criteria, there are 1,612 employees who are eligible to subscribe for the reserved Issue Shares (excluding the Directors of KLCCProperty and KLCCH).

Any Issue Shares in respect of item (ii) above not taken up by the Directors and eligible Malaysian employees will be made available for application by the Malaysian public as stated in item (i) above.

The allocation of Issue Shares under the Public Ballot Portion as stated in item (i) above and the Bookbuilding Portion as stated in item (iii) above are subject to adjustment. In the event of an over-application in the Public Ballot Portion and an under-application in the Bookbuilding Portion, the Issue Shares may be clawed back from the Bookbuilding Portion to Public Ballot Portion. If there is an under-application in the Public Ballot Portion, and an over-application in the Bookbuilding Portion, the Issue Shares may be clawed back from the Public Ballot Portion to the Bookbuilding Portion. The clawback and re-allocation as mentioned above shall not apply in the event of an over-application in both the Public Ballot Portion and the Bookbuilding Portion.

The minimum level of subscription in respect of the Public Issue shall be the entire 432,146,000 Issue Shares from the Retail Offering and Institutional Offering. The said minimum level of subscription has been determined based on the estimated level of funds to be raised from the Public Issue of approximately RM770.041 million and the number of Shares required to meet the minimum public shareholding spread.

5. BASIS OF ARRIVING AT THE RETAIL PRICE

Upon application, applicants for the Retail Offering will pay the Retail Price of RM1.68 per Issue Share. The Retail Price of RM1.68 per Issue Share, was determined and agreed upon by the Company and CIMB, as the Adviser, Sole Lead Manager, Sole Lead Arranger, Sole Bookrunner and Managing Underwriter, after taking into consideration the following factors:

(i) the Group's financial and operating history and conditions;

(ii) the future plans and prospects of the industry in which the Group operates as outlined in Part V of this Prospectus;

(iii) the forecast net PE multiple of 9.38 times based on the weighted average issued and paid-up share capital of 754,013,000 Shares (computed based on the assumption that the Public Issue will be completed in August 2004) for the financial year ending 31 March 2005;

(iv) the proforma consolidated NTA per Share of RM2.37 as at 31 March 2004 (after the Acquisitions, Debt Settlement, Public Issue, proposed utilisation of proceeds from the Public Issue and Issuance of RCULS); and

(v) the prevailing market conditions.

Investors should also note that the Retail Price is subject to the Final Retail Price and that the market prices of the Issue Shares, upon and subsequent to the listing on the Main Board of Bursa Securities are subject to the vagaries of market forces and other uncertainties, which may affect the price of the said Issue Shares. Investors should bear in mind the risk factors as set out in Part IV of this Prospectus before deciding on whether or not to invest in the Issue Shares.

6. BASIS OF ARRIVING AT THE FINAL RETAIL PRICE AND THE REFUND MECHANISM

The Institutional Price will be determined using a process known as "bookbuilding" wherein prospective investors will be invited to bid for Issue Shares by specifying the number of shares they would be prepared to subscribe at different prices.

The bookbuilding process is expected to commence on 21 July 2004 and close on 30 July 2004. Upon completion of the bookbuilding process, the Institutional Price will be fixed by KLCCProperty with the advice from CIMB on the Price Determination Date, which is expected to be on or around 31 July 2004. Agreements will be executed between KLCCProperty, CIMB (as Sole Lead Manager and Sole Bookrunner) and the respective investors to fix their respective allocation of the number of Issue Shares to be sold at the Institutional Price.

Thereafter, the Final Retail Price will be the lower of:

(i) The Retail Price of RM1.68 per Issue Share; or

(ii) 93% of the Institutional Price.

Prospective investors should be aware that the Final Retail Price will not in any event be greater than the Retail Price of RM1.68 per Issue Share. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made to the applicants without any interest thereon. Notwithstanding this, the Final Retail Price shall not be lower than the par value of the Issue Shares.

The refund will be effected via remittances in the form of cheques, which will be dispatched by ordinary mail to the address stated in the Application Form of the successful applicants or to the address as stated in the Bursa Depository records for applications made via Electronic Share Applications at their own risks within twenty one (21) days from the final ballot of applications for the Issue Shares.

The Final Retail Price will be published in a widely circulated English and Bahasa Malaysia newspaper in Malaysia within two (2) Market Days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price in the notices of allotment.

7. PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

(i) To part-finance the Acquisitions II;

(ii) To provide an opportunity for the Malaysian public, Directors and eligible Malaysian employees of KLCCProperty and KLCCH, and eligible Malaysian employees of the subsidiaries of KLCCProperty and KLCCH to participate in the continuing growth of the Group;

(iii) To provide the Company access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group;

(iv) To provide additional funds to meet the present and future working capital requirements of the Group; and

(v) To obtain a listing of and quotation for the entire issued and paid-up share capital of KLCCProperty on the Main Board of Bursa Securities.

8. PROCEEDS FROM THE PUBLIC ISSUE AND THE UTILISATION THEREOF

The estimated total gross proceeds receivable by KLCCProperty from the Public Issue of approximately RM770.041 million is expected to be fully utilised by the Group for its core business by March 2006 in the following manner:

	Note	RM 000
Part payment to KLCCH for the Acquisitions II		598,222
Working capital		148,819
Estimated listing expenses	1	23,000
Total		770,041*

Notes:

* *Calculation of the proceeds arising from the Public Issue is based on the Retail Price of RM1.68 per Issue Share for the Retail Offering and an assumed Institutional Price of RM1.81 per Issue Share for the Institutional Offering.*

1 *The estimated listing expenses and fees, including brokerage, professional fees, underwriting and selling commission, and agency fees relating to the Issue Shares and RCULS, incidental to the Listing amounting to RM23.00 million will be borne by the Company. Out of the RM23.00 million estimated listing expenses, approximately RM5 million is provided for professional fees for services rendered by advisers and experts.*

In the event the Final Retail Price and Institutional Price are different from the above assumption, the actual net proceeds to the Company from the Public Issue may be higher or lower than the expected proceeds of RM770.041 million. Any increase or decrease in the proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to KLCCProperty's provision for working capital requirement or for the redemption of the RCULS in the situation as stated in the paragraph below.

In the event the amount of proceeds raised from the Public Issue exceed RM700.00 million, the holder of the RCULS, namely KLCCH, shall have an option within two (2) months from the date of issue of the RCULS to require KLCCProperty to redeem the RCULS. However, the amount of RCULS to be redeemed in this situation shall be limited to the quantum of proceeds in excess of RM700.00 million only. If KLCCH exercises this option, the amount to be set aside for working capital purposes will be reduced accordingly.

The total proforma impact of the utilisation of proceeds on the consolidated balance sheets of the KLCCProperty Group is reflected in Section 4.2 of Part II and Section 7 of Part XI of this Prospectus.

9. BROKERAGE AND COMMISSIONS

Brokerage is payable in respect of the Public Issue to the Malaysian public, and will be borne by the Company at the rate of 1% of the Final Retail Price in respect of successful applications bearing the stamp of CIMB, a member company of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter for the Public Issue is CIMB, whilst the Underwriters are CIMB, Aseambankers Malaysia Berhad, AmMerchant Bank Berhad, Public Merchant Bank Berhad and Avenue Securities Sdn Bhd.

The Managing Underwriter and Underwriters have agreed to underwrite 15,568,000 Issue Shares for application by the Directors and eligible Malaysian employees of KLCCProperty and KLCCH, and eligible Malaysian employees of the subsidiaries of KLCCProperty and KLCCH, and 77,840,000 Issue Shares for application by the Malaysian public. The managing underwriting commission and underwriting commission relating to the said Issue Shares is payable by the Company at the rate of 0.25% and 1% respectively of the Retail Price of RM1.68 for each Issue Share being underwritten.

The Company will also be paying the Sole Lead Manager and Sole Bookrunner, a management and selling commission and fees at rates totalling not more than 1.75% of the Institutional Price for each Issue Share under the Institutional Offering.

10. DETAILS OF THE UNDERWRITING AGREEMENT

An underwriting agreement was entered into between the Company, CIMB, Aseambankers Malaysia Berhad, AmMerchant Bank Berhad, Public Merchant Bank Berhad and Avenue Securities Sdn Bhd ("Parties") on 9 July 2004 to underwrite the 93,408,000 Issue Shares available for application by the Malaysian public and Directors and eligible Malaysian employees of KLCCProperty and KLCCH, and eligible Malaysian employees of the subsidiaries of KLCCProperty and KLCCH ("Underwritten Shares"). Some of the salient terms of the Underwriting Agreement are as follows:

(i) The agreement of the Underwriters to underwrite the Underwritten Shares is entered into on the basis of the representations, warranties and undertakings of the Company in Clause 3 of the Underwriting Agreement ("Agreement"). If there occurs any misrepresentation or breach of warranties or failure to perform the undertakings set out in the Agreement, the Underwriters shall be entitled (but not bound) at their respective absolute discretion without prejudice to any other right or remedy which they may have by notice to the Company to elect to treat such misrepresentation or breach or failure as releasing and discharging them from their obligations in the Agreement;

(ii) The Company undertakes that it:

(a) shall procure an undertaking from the promoters, namely KLCCH and PETRONAS, to refrain from disposing, transferring or assigning directly or indirectly any shares or any securities convertible into or exercisable or exchangeable for the shares in the Company or any part of their respective interests in the shares for a period of 180 days commencing from the Listing Date; and

(b) save as disclosed in this Prospectus, shall not issue any ordinary shares or any securities convertible into or exercisable or exchangeable for ordinary shares for a period of 180 days commencing from the Listing Date;

(iii) The obligations of the Underwriters under the Agreement shall further be conditional upon inter alia:

(a) Bursa Securities having agreed in principle to the listing of and quotation for the Shares on the Main Board of Bursa Securities within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC);

(b) the Managing Underwriter being satisfied that the listing of and quotation for the Issue Shares on the Main Board of Bursa Securities will be granted two (2) clear Market Days after the submission to Bursa Securities of the requisite documents there has not been, as at any time hereafter up to and including the Closing Date;

(c) any adverse change, or any development involving a prospective adverse change, in the business, financial condition or prospect of the Group other than as set out in the Prospectus, nor has any event occurred or any fact discovered which will render inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in Clause 3.1 if they are repeated on and as of the Closing Date;

(d) the Prospectus being issued not later than (2) months from the date of the Agreement or such date the Company and the Managing Underwriter may agree in writing. This has been satisfied via the issuance of this Prospectus;

(e) the issue, offering and subscription of the Issue Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);

(f) all necessary approvals and consents required in relation to the Issue Shares including but not limited to governmental approvals having been obtained and are in full force and effect;

(g) the price of the Institutional Issue (following the closure of the bookbuilding exercise as mentioned in this Prospectus) has been determined and agreed to by the Company in consultation with the Managing Underwriter;

(h) the successful completion of the Institutional Issue. For the purpose of the Agreement, the Institutional Issue shall be deemed to be successfully completed, if the entire Institutional Issue have been allocated pursuant to the Bookbuilding Agreement; and

(i) the Bookbuilding Agreement shall become unconditional in all respects (save for any condition requiring the Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof.

In the event any of the conditions set forth above are not satisfied on or prior to the Closing Date which in any case shall not be later than four (4) months from the date of the Agreement or such later date as consented to by the Underwriters, the Underwriters shall, subject as mentioned below, thereupon be entitled to terminate the Agreement by notice in writing to the Company.

(iv) Notwithstanding anything contained in the Agreement, the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw their Underwriting Commitment if:

(a) there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 3;

(b) the Company withhold any material information from the Underwriters, which, in the opinion of the Managing Underwriter may or is likely to have an adverse effect on the business, operation, financial condition or prospect of the Group or the success of the Initial Public Offering;

(c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospect of the Group or the success of the Initial Public Offering or which is likely to have the effect of making any material obligation under the Agreement incapable of performance in accordance with its terms;

(d) trading of securities on Bursa Securities have been suspended for three (3) consecutive Market Days or more;

(e) the Institutional Issue is stopped or delayed for any reason whatsoever;

(f) the Bookbuilding Agreement has not been executed or is terminated or rescinded for any reason whatsoever;

(g) the entire Institutional Issue has not been validly subscribed and the subscription monies for such Issue Shares have not been duly paid to the Issuing House; or

(h) the listing and quotation for all the entire issued and paid-up ordinary share capital of the Company on the Main Board of Bursa Securities does not take place by the fourth (4th) month after the date of the Agreement.

(v) Upon such notice of termination being given under Clause 5.1 of the Agreement, the Underwriters will be released and discharged of their respective obligations without prejudice to their rights under the Agreement and the Agreement will thereafter be of no further force or effect and no Party will be under any liability to any other in respect of the Agreement, except that the Company will remain liable in respect of its obligations and liabilities under Clause 3 of the Agreement and for the payment of the Broken Funding Costs which the Underwriters are entitled to claim together with all costs and expenses already incurred by the Underwriters up to the date on which such notice was given and for the payment of any taxes, duties or levies and the Company shall refund to the Underwriters the subscription monies including interests accrued thereon, if any, paid by the Underwriters pursuant to their subscription of the Underwritten Shares pursuant to Clause 8.1 of the Agreement not later than seven (7) days after the Company's receipt of the termination notice from the Underwriters.

(Note: All capitalised items shall bear the same meanings as prescribed in the Agreement)

11. APPROXIMATE GAP BETWEEN THE PRICE DETERMINATION DATE AND TRADING DATE OF THE SHARES

The Issue Shares to be issued in this Prospectus will not commence trading on Bursa Securities until approximately eighteen (18) days after the Price Determination Date. Investors will not be able to sell or otherwise deal in the Issue Shares (except by way of book entry transfer to other CDS accounts in circumstances permitted by Bursa Depository) prior to the commencement of trading on Bursa Securities.

IV. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE KLCCPROPERTY GROUP OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE OPERATIONS AND PERFORMANCE OF THE KLCCPROPERTY GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE APPLYING FOR THE ISSUE SHARES.

1. DELAY IN OR FAILURE OF THE LISTING

The Shares are currently not listed on Bursa Securities or any other stock exchange. An application will be made to Bursa Securities within three (3) Market Days from the date of this Prospectus for admission to the Official List of Bursa Securities and for the listing of and quotation for the entire issued and fully paid-up share capital of the Company on the Main Board of Bursa Securities, including the Issue Shares. Acceptance of applications will be conditional upon permission being granted by Bursa Securities accordingly within six (6) weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided the Company is notified by or on behalf of Bursa Securities within the aforesaid timeframe. As such, monies paid in respect of any applications accepted will be returned without interest if the said permission is not granted within the aforesaid timeframe.

Furthermore, the Listing exercise is subject to the risk that it may be delayed or aborted should any of the following events occur:

(i) the identified investors fail to subscribe for the portion of the Issue Shares to be placed to them;

(ii) the Underwriters exercising their rights pursuant to the Underwriting Agreement, discharge themselves from their obligations thereunder; or

(iii) the Company is unable to meet the public shareholding spread requirement, that is, at least 25% of the enlarged issued and paid-up share capital of the Company must be held by a minimum number of 1,250 public shareholders holding not less than 100 shares each, at the point of Listing.

2. NO PRIOR MARKET FOR THE SHARES

Prior to the Public Issue, there has been no public market for the Shares. There can be no assurance that an active market for the Shares will develop upon the listing of KLCCProperty on the Main Board of Bursa Securities or, if developed, that such market can be sustained. The Retail Price of RM1.68 per Issue Share was determined, after taking into consideration several factors including, but not limited to, the Group's financial and operating history and conditions as well as the Group's future prospects and the future prospects of the industry in which the Group operates, the management of the Group and the prevailing market conditions prior to the issue of this Prospectus. The price at which the Shares would trade on the Main Board of Bursa Securities upon or subsequent to Listing may be influenced by a number of factors, including the liquidity of the market for the Shares, changes in securities analysts estimates of its financial results or recommendations and the investors' perception of the Group. There can be no assurance that the Retail Price will correspond to the price at which the Shares will trade on the Main Board of Bursa Securities either upon or subsequent to its Listing or that an active market for the Shares will develop and continue upon or subsequent to its Listing.

3. DELAY IN SETTLEMENT AND TRADING

After the Shares have been allocated to the investors' CDS accounts with Bursa Depository, which would occur at least two (2) clear Market Days prior to the anticipated date for admission, it may not be possible to immediately recover monies paid in respect of the Issue Shares from the Company in the event that admission to the Main Board of Bursa Securities is revoked.

In order for the Company to return the monies to investors in respect of the Issue Shares following their allocation in Bursa Depository, a reduction of the Company's capital would be necessary. This would require a special resolution of the Company and the approval of the High Court. There can be no assurance that monies can be recovered within a short period of time.

4. ABILITY TO REALISE DIVIDENDS FROM ITS SUBSIDIARIES

The Company derives its main income from its subsidiaries which mainly own properties. The core subsidiary is Midciti. Accordingly, an important source of the Company's income, and consequently an important factor in the Company's ability to pay dividends on the Shares, is dividends and other distributions received from its subsidiaries. The subsidiaries' ability to pay dividends or make other distributions to it are subject to restrictions contained in their loan agreements, adequate tax credit under Section 108 of the Income Tax Act, 1967 and to their having sufficient funds after providing for their operational requirements or business plans. Furthermore, in the unlikely event of a subsidiary's liquidation, as the Company is a shareholder of that subsidiary, its claims as such will generally rank junior to all other creditors and claimants against that subsidiary. There may not be sufficient assets for the Company to recoup its investment. There can also be no assurance that the Company will indeed be in a position to pay dividends in the future financial years.

5. PROPERTY INVESTMENT RISK

Property investments are subject to varying degrees of risk. The returns available from such investments depend largely on the amount of income earned and capital appreciation generated by the properties. If the properties do not generate sufficient revenue to meet operating expenses, including debt service and capital expenditure, the ability to make distributions to shareholders will be adversely affected. The revenues and values of property investment projects may be adversely affected by a number of factors, including: international, regional and local economic climate; local real estate conditions; perceptions by businesses, retailers or shoppers of the attractiveness of the development projects; competition from other available properties; changes in market rates for comparable sales and rental; the inability to collect rent due to bankruptcy or insolvency of tenants or otherwise; the need of periodical repair and re-let space and the costs thereof and, as the properties get older, the need to undertake major renovations that necessitate capital expenditure and that may result in loss of income during the period of renovation; casualty losses due to fire, floods and other natural and man-made disasters; the ability of an owner to provide adequate maintenance and insurance; and increased operating costs.

Property investments are also affected by such factors as changes in interest rates; the availability of funds; changes in government regulations; changes in tax laws or rates; and potential environmental or other legal liabilities. Certain significant expenditure associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in revenue from the investment.

Nevertheless, approximately 45% of the proforma consolidated revenue and 55% of the proforma consolidated PBT of the KLCCProperty Group for the financial year ended 31 March 2004 comprises lease rental receivable from PETRONAS Twin Towers. The building is leased to PETRONAS, on a long-term fifteen (15)-year triple-net basis whereby the lessee, PETRONAS, in addition to paying rent to the KLCCProperty Group, also pays and is responsible for all expenses for fit-out costs, taxes, insurance and maintenance. Effectively, Midciti, the owner of the said building, only incurs interest expense for loans taken for the development of the respective buildings. The payment of rent or part thereof may be suspended only in the event where there is considerable damage to any of the buildings to a stage where it is unfit for occupation. The irrevocable terms to the lease agreement with PETRONAS effectively mitigates several of the property investment risks as mentioned above.

Suria has long-term leases with the anchor tenants like Isetan of Japan Sdn Bhd and Parkson Corporation Sdn Bhd, whilst Arena Johan has a long-term lease for the entire office space with ExxonMobil Exploration and Production Malaysia Inc.. Menara Maxis is leased to Tanjong City Centre Property Management Sdn Bhd, a subsidiary of Tanjong Public Limited Company on a fifteen (15)-year triple net-lease. The terms of the lease are similar to those for the PETRONAS Twin Towers.

6. ILLIQUIDITY OF PROPERTY INVESTMENT

Property investments are relatively illiquid. Such illiquidity limits the ability of an owner or a developer to convert real estate assets into cash on short notice or may require a substantial reduction in the price that might otherwise be sought for such asset to ensure a quick sale. Such illiquidity also limits the ability of the Group to vary its portfolio in response to changes in economic or other conditions.

However, the need for liquidation of an investment at short notice has been minimised as sufficient income is being generated through long-term leases which is more than sufficient to service the loans.

7. COMPETITION

The Group's properties occupy a niche in the property market in Kuala Lumpur. The ability of the Group to maintain or increase rental revenue will be dependent on market conditions at the time of lease renewal or rent review and the availability of space and rental terms of comparable properties. Nevertheless, KLCCH has created a competitive advantage over other properties in the vicinity by virtue of its integrated approach towards development, providing its customers and tenants accessibility to entertainment, shopping, hotel and residential facilities, all designed within a park setting. The KLCC Park, covering approximately 50% of KLCC, has a unique feature giving the entire development a more balanced environment, which is not found elsewhere in Kuala Lumpur. As a result, the properties in KLCC command premium rentals or room rates.

8. CONTROL BY CERTAIN SUBSTANTIAL SHAREHOLDERS

Upon completion of the Public Issue, the substantial shareholders of KLCCProperty, namely KLCCH and PETRONAS will collectively hold 51% of the enlarged issued and paid-up share capital of the Company. The aforesaid substantial shareholders will be able to control the outcome of most matters requiring the vote of KLCCProperty's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

However, it should be noted that these shareholders have had the vision and drive to create the unique KLCC Development and maintain its quality at a very high end.

9. DEPENDENCY ON MAJOR TENANTS AND LEASE RENEWALS

The Group's top four (4) tenants namely, PETRONAS, ExxonMobil Exploration and Production Malaysia Inc., Isetan of Japan Sdn Bhd and Parkson Corporation Sdn Bhd accounted for approximately 51% of the Group's proforma consolidated revenue for the financial year ended 31 March 2004. Hence, the Group's future revenue is dependent, to a certain extent, on the continuous renewals of the lease or rental agreements with these major tenants, with favourable leases or rental adjustments.

Leases in Malaysia are typically entered into for a period of three (3) years or more for office space. However, the KLCCProperty Group has signed long-term leases with its tenants occupying the PETRONAS Twin Towers and Menara ExxonMobil. The lease rental income from the properties contribute approximately 48% of the proforma consolidated revenue of the KLCCProperty Group for the financial year ended 31 March 2004. These leases have a tenure of fifteen (15) years and twelve (12) years respectively and expire in September 2012 and February 2009 respectively. With this arrangement, KLCCProperty has, to a large extent, mitigated such risk.

10. DEPENDENCY ON KEY PERSONNEL

The Group believes that its continued success will depend, to some extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Group's Directors and/or senior management may adversely affect the Group's performance and continuing ability to compete effectively in the industry. The Group endeavours to groom the existing staff to support senior management and/or to shoulder further responsibilities in preparation for long-term expansion and to provide suitable incentives such as conducive working environment. As such, the Group has implemented both external and in-house training programmes with a view of grooming and developing its younger management personnel. The Group's future success would also depend upon its ability to attract new employees and to retain and motivate its existing employees. However, there can be no assurance that the above measures will be successful in attracting and retaining key personnel or ensuring a smooth transition should changes occur.

11. ADEQUACY OF INSURANCE COVERAGE

The fixed assets of the Group are adequately insured. As at 31 March 2004, the audited NBV of its investment properties and fixed assets, including land, is approximately RM5.7 billion. The insurance coverage of the Group amounts to RM5.9 billion.

Although the Group has taken the necessary measures to ensure that all its other assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be received in full should it become necessary to make claims.

12. RISKS OF FIRE, ENERGY CRISIS AND OTHER EMERGENCIES

As in any other business enterprise, the breakout of fire, energy crisis or other emergencies could adversely affect the business operations and financial performance of the Group. For instance, a fire breakout may damage or destroy the Group's assets while a prolonged breakdown in power supply may disrupt its business operations and progress. In an effort to mitigate the risk of fire, the Group places emphasis on proper fire safety procedures being implemented and practised at its premises as well as ensuring that its physical assets such as buildings, furniture and fittings plants have adequate insurance coverage.

13. RISKS ASSOCIATED WITH BANK BORROWINGS AND RESTRICTIVE COVENANTS UNDER BORROWING FACILITY AGREEMENTS

The Group finances its capital requirements by borrowings and internally generated funds. The Group's total borrowings based on the proforma consolidated balance sheet as at 31 March 2004 amounted to approximately RM2,867 million comprising short and long-term bank borrowings and private debt securities. Approximately 49% of the total borrowings are borrowed at fixed interest rates. Furthermore, the RCULS to be issued (details of which are set out in Section 2.4 of Part VI of this Prospectus) are interest free for the first three (3) years and attract only 1% per annum thereafter. Any additional borrowings and/or increase in interest rates may result in an increase in interest expense and affect the performance of the Group. There can be no assurance that the interest rates will be maintained in the future for borrowings at floating rates of interest and/or that any increase in the Group's borrowings will not have a material effect on the performance of the Group. However, the Group has mitigated this risk by having a large proportion of its borrowings at fixed interest rates.

The subsidiaries and the associate company of KLCCProperty have entered into various credit facility agreements with banks or other financial institutions to finance their developments. These agreements contain, inter alia, covenants that may limit the Group's operating and financing flexibility. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financial institutions. Breach of such covenants may give rise to a right by the bank or financial institution to terminate the relevant credit facility and/or enforce any securities granted in relation to that credit facility and this may in turn cause a cross default of other credit facility agreements. The Directors of the Company are aware of such covenants and shall take all precautions necessary to obtain the consent of the relevant banks or financial institutions. However, there can be no assurance that such consent will be obtained and if the consent is not obtained, that it will not have a material effect on the performance of the Group.

14. APPROVALS, LICENCES AND PERMITS

The Group has been granted approvals, licences and permits as described in Section 6.6 of Part VI of this Prospectus for its hotel operation, facilities management and car park management. Some of these licences are subject to annual renewal. Although the Group has not faced any difficulties in renewing these licences in the past, there can be no assurance that the licences will not be revoked or suspended prior to its expiration, or renewed upon its expiration.

15. POSSIBLE DISPOSAL OF INVESTMENT IN ASSOCIATE COMPANY

In 1996, arising from a proposal by Tanjong Public Limited Company to subscribe for shares in Impian Klasik, among others, the FIC had imposed an equity condition requiring Impian Klasik to have at least 30% Bumiputera/Government equity interest. Following this, the SC (on behalf of FIC) has imposed a condition, as set out in Part IX of this Prospectus, that the Company's associate company, Impian Klasik, should increase its Bumiputera equity holding by 13.17% within two (2) years from the date of the implementation of the flotation exercise. In order to meet this condition, the Company may, among other options, have to dispose up to 27% of its equity interest in Impian Klasik to Bumiputera investors. The Company has submitted an appeal to the FIC on 12 July 2004 to remove/waive the said condition imposed by the FIC in 1996. There can be no assurance that the appeal will be successful.

16. POLITICAL, ECONOMIC AND REGULATORY CONSIDERATIONS

As with any other company, the performance of the KLCCProperty Group is subject to the overall economic, political, legislative, business and credit conditions both domestically and internationally. Political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation or nullification of existing contracts, changes in interest rates, global economic recession and methods of taxation and currency exchange. There can be no assurance that such adverse political, economic and regulatory factors will not materially affect the KLCCProperty Group's business and performance.

17. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

KLCCProperty and its subsidiaries have entered into related party transactions as described in Sections 1 and 2 of Part X of this Prospectus. In addition, KLCCProperty expects that it will in the future enter into other transactions with related parties. These transactions may involve conflict of interests.

However, these transactions have been entered into on an arms-length basis and generally provide income to the KLCCProperty Group.

Any related party transactions entered into by KLCCProperty and its subsidiaries subsequent to the Listing will be subject to the Listing Requirements of Bursa Securities and the Malaysian Code on Corporate Governance for Independent Directors in the Board of Directors and the Audit Committee. However, there can be no assurance that competition will not arise or that there will not be any other direct or indirect competition and conflict of interests in relation to transactions or any other areas of business undertaken by KLCCProperty and its subsidiaries and these related parties.

18. PROFIT FORECAST

This Prospectus contains the consolidated profit forecast of the Group and its associate company for the financial year ending 31 March 2005 that have been prepared based on assumptions that are subject to uncertainties and contingencies but which the Directors of the Company believe to be reasonable. Owing to the inherent uncertainties underlying the consolidated profit forecast and given that events and circumstances do not always occur as expected, there can be no assurance that the consolidated profit forecast contained in this Prospectus will be achieved and actual results may be materially different from the consolidated profit forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast herein contained.

19. DIVIDEND FORECAST

This Prospectus contains the dividend forecast of KLCCProperty for the financial year ending 31 March 2005 that have been prepared based on assumptions that are subject to uncertainties and contingencies. Owing to the inherent uncertainties, the actual dividend to be proposed and declared by the Directors of the Company, at the relevant point in time, may be materially different from the dividend forecast presented in this Prospectus.

20. FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results and others are forward-looking in nature which are subject to uncertainties and contingencies. These forward-looking statements, including statements as to the Group's revenue and profitability, cost measures, plans, strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given the risks and uncertainties that may cause the Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, the Company advise investors not to place undue reliance on those statements. The inclusion of forward-looking statements in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

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V. INDUSTRY OVERVIEW, PROSPECTS AND FUTURE PLANS

1. INDUSTRY OVERVIEW

The KLCCProperty Group is principally involved in investment holding, property investment, facilities management and management of car park operations. Therefore, the prospects of the KLCCProperty Group can mainly be linked to the growth of the following:

(i) Global economy;

(ii) Malaysian economy; and

(iii) Property market.

1.1 Global Economy

The global economic environment improved further in the first quarter of 2004, led by the United States of America ("US") and supported by a strong revival of growth in Japan and robust economic expansion in emerging Asia, especially the People's Republic of China. US economic expansion was sustained at a strong pace of 4.2% in the first quarter of 2004 (fourth quarter of 2003: 4.1%), driven by consumption, investment and inventory re-building. Stronger growth was, however, accompanied by heightened inflationary expectations in some of the major countries amidst rising energy prices. In the euro area (Europe), weak consumer spending and subdued sentiment continued to constrain growth. Meanwhile, recovery in the Japanese economy broadened as private consumption strengthened due to sustained capital expenditure and exports, as well as improved labour market conditions. Global equity markets during the quarter of 2004 remained buoyant on improving global outlook, higher corporate earnings and positive business expectations. Borrowing costs remained low, strongly supporting the revival in the global investment cycle. The forward momentum of the global economic expansion is expected to hinge on further strengthening of business investment, the ongoing rebalancing of growth between the US, Japan, the other major industrial and Asia regional economies and the reactions of businesses and consumers to the expectations of increases in US interest rates.

(Source: BNM, Press Release for the First Quarter of 2004 dated 26 May 2004)

1.2 Malaysian Economy

Economic expansion strengthened further, with growth in real GDP rising at the pace of 7.6% in the first quarter of 2004 from 6.6% in the fourth quarter of 2003. The robust economic activity, driven mainly by the private sector, reflected sustained strong growth in household consumption and an increase in momentum in private investment activity. Growth was broad based across all sectors. The key contributor to the strong GDP performance was the strengthening in growth of the manufacturing and services sectors. Growth in the manufacturing sector strengthened to 12.5%, contributing 3.8 percentage points to GDP. The expansion was supported by stronger growth in export-oriented industries and sustained growth in domestic-oriented industries. The growth reflected stronger external demand, in particular for electronics, and the improving domestic demand and continued recovery in the investment cycle.

More robust economic activity for final and intermediate services products led to value added growth in the services sector strengthening to 6.2% (fourth quarter of 2003: 4.7%). In the final services segment, growth was driven by high consumer expenditure amidst rising domestic incomes and a record level of tourist arrivals during the first quarter of 2004. Expanding external and domestic trade activity and tourist arrivals induced stronger growth in the intermediate services segment particularly in the transport, storage and communication sub-sector. Higher loan growth, stronger performance of the insurance sub-sector and real estate and stock market activities also led to strong demand for finance, insurance, real estate and business services.

On the demand side, private consumption remained robust, underpinned by the rise in disposable income, improvement in business conditions, low interest rates and stable labour market conditions. Amidst growing consumer confidence, the increase in propensity to consume was broad based, stemming from high commodity prices, positive wealth effect from the pick-up in stock market performance during the first quarter of 2004 as well as the strong growth in manufactured exports.

(Source: BNM, Press Release for the First Quarter of 2004 dated 26 May 2004)

1.3 Overview of the Property Market

The Budget 2003 reflected the Government's focus on rapid expansion of the property market activity, particularly affordable housing in the residential sub-sector. With the objective of eradicating squatters by 2005 in the Federal Territory of Kuala Lumpur and other major towns, the Government allocated RM700.60 million to continue 51 on-going projects and to implement 13 new projects, involving 65,778 housing units.

On 21 May 2003, the Government introduced the economic stimulus package as an immediate relief to the Severe Acute Respiratory Syndrome ("SARS")-affected sectors and to sustain economic growth in the medium and longer terms. Several measures and incentives were introduced for the property sector. For a period of a year starting from 1 June 2003, purchases of houses priced at RM180,000 and below from developers were eligible for stamp duty exemption and the secondary property market was exempted from real property gains tax. FIC rules were further relaxed when the ceiling prices for properties purchased by foreigners were reduced to RM150,000 from RM250,000. In addition, BNM intervention rate was reduced by 50 basis point, which indicated that loans should be cheaper than previously. Despite these measures, the nation's residential sub-sector saw a marginal growth in the number of transactions i.e. by only 1.5%.

There was a 2.5% decrease in loans for purchase of industrial properties and 1% commercial complexes. This indicated demand for industrial properties and commercial complexes remained weak though improved as compared to the contraction of 4.0% and 2.9% respectively in 2002.

The occupancy of hotels in the first half of 2003 was badly affected by SARS and the war in Iraq. The occupancy rate for three to five star hotels was 56.1% in the first quarter of 2003 and reduced to 50.9% in the second quarter of 2003. In the second half of 2003, when the Iraq war was over, SARS epidemic was contained and stimulus package was introduced, the performance improved to 61.0% and 60.1% in the third and fourth quarters of 2003 respectively.

(Source: Property Market Report 2003)

Construction activity in the non-residential sub-sector remained subdued as reflected in lower ongoing activity in projects related to purpose-built office and shopping complex. In particular, completion of new office space in the Klang Valley slowed down during the last three (3) years. In the first nine (9) months of 2003, only 93,000 sq. m. of office space were completed compared with 200,000 sq. m. in 2002 (2001: 178,000 sq. m.; 2000: 1.4 million sq. m.). Large shopping complexes that were completed in the Klang Valley include the Berjaya Times Square, Ikano Power Centre, IKEA, Maju Junction and the Great Eastern Mall. The share of new starts to total incoming supply for Malaysia as a whole increased from 2% to 8% in the first nine (9) months of 2003. The average occupancy rate for office space and retail complexes stabilised at 79% and 78% respectively as at end-September 2003, reflecting continued demand, particularly for projects located in choice locations.

Rentals for prime office space in the Klang Valley stabilised at RM45 per sq. m. per month during the year 2003. In the case of shopping complexes, the average monthly rental rates of prime retail space also remained stable at RM226 per sq. m.. Rentals of office and retail space in secondary locations remained low to attract tenants.

In the case of hotels, there were 111 new hotels completed during the year 2003, providing 7,838 additional rooms. However, the hotel industry was adversely affected by SARS, especially during the second quarter of 2003, when tourist arrivals fell by 59% to below 500,000 in April 2003. Arrivals for the year 2003 as a whole declined to 10.6 million from 13.3 million in 2002, thus resulting in the average occupancy rate of hotels declining to 53% (2002: 58%).

(Source: BNM Annual Report 2003)

1.4 Overview of the Property Market in Kuala Lumpur

Property market activity in Kuala Lumpur showed a buoyant market. There was a greater transaction activity in the market, underpinned by a better demand for properties in the residential sub-sector.

Purpose-Built Office Sector

The market for purpose-built office continued to improve both in occupancy and rental rates. The overall occupancy rate for the 377 office buildings in the city had moved up encouragingly by 3.5% to 79.0%. Total space occupied increased by 244,479 sq. m. to 4,832,063 sq. m., leaving 1,282,314 sq. m. vacant. The additional space occupied was larger than the 48,424 sq. m. completed in 2003.

By location, only average occupancies in the Golden Triangle of Kuala Lumpur reduced. Occupancy in the Golden Triangle of Kuala Lumpur area declined due to six older buildings that endured less than 50.0%. Jalan Ampang remained the most popular location within the city particularly around KLCC. 17 out of the 26 office buildings in the area secured more than 80.0% occupancy with eight buildings managed to achieve full occupancy.

The rental market went through a period of stability with some buildings experiencing rental contraction and others rental growth. In Jalan Ampang, rental for Menara Kemayan, Wisma MCA, and Angkasaraya Building decreased by 3.0% to 4.0%. Rentals for prominent PETRONAS Twin Towers were stable and continued to fetch RM70.00 to RM86.00 per sq. m.. Rentals for Wisma Selangor Dredging and Wisma OSK, located in the vicinity of KLCC expanded by 2.0% to RM33.37 to RM48.40 per sq. m. per month respectively.

As at the end of 2003, there were 37 buildings under various stages of construction with a total provisional net area of 1,085,347 sq. m. while another 16 buildings with a total space of 1,028,022 sq. m. were in planned supply.

Commercial Complex Sector

Demand for retail space in commercial complexes stabilised with marginal decrease in the average occupancy by 1.9% to 77.9% compared to 79.8% in 2002. The total area occupied was 1,305,575 sq. m. from existing stock of 1,675,880 sq. m. available from 83 complexes.

Rentals of retail outlets in commercial complexes were generally stable with some exceptions in certain complexes. Rental in prime area of the city centre, Starhill, Campbell, The Mall and Pertama Complex reduced ranging from 3.4% to 11.3% while in the secondary area, Plaza Yow Chuan, Shaw Parade, Plaza Pudu rental decreased ranging from 3.7% to 4.7%. In most other areas rental remained stable including Suria KLCC, Sungai Wang Plaza, Ampang Park, Mid Valley, Bangsar Shopping Centre and Leisure Mall.

Leisure Property Sector

The hotel sector continued to decline in the average occupancy for three to five star hotels to 59.1%. The lowest occupancy for the year was in the second quarter of 2003 at 47.2% during the SARS outbreak and the Iraq war. The occupancy improved in the fourth quarter of 2003 to 68.5%.

In the final quarter of 2003, the average occupancy for three to five star hotels were 66.6% for five star, 71.0% for four star and 67.1% for three star.

(Source: Property Market Report 2003)

2. PROSPECTS AND FUTURE PLANS

2.1 Prospects

The outlook for the global economy has become increasingly optimistic, following the strong upturn in the second half of 2003. Amidst improved prospects, most growth projections have been revised upwards. For 2004, world output and world trade are projected to grow at a faster pace of 4.1% and 5-6%, respectively. The Asian regional economies' share in global trade has also increased. Measured in terms of the share of world exports of goods and services, the region's share has increased from 16.3% in 1994 to 19.6% in 2002. Favourable export performance, continued growth in private consumption and expansion in investment are expected to lead to higher growth for the Asian regional economies in 2004.

The Malaysian economy is expected to strengthen further in 2004, building on the strong growth momentum in the second half of 2003 and brighter prospects for global growth in 2004. Real GDP is expected to expand by 6-6.5% (2003: 5.2%), underpinned by stronger domestic demand and reinforced by more favourable external demand. Growth will mainly be private sector-driven, while the public sector gradually consolidates. The growing consumer and business confidence since the second quarter of 2003, strengthened economic fundamentals and the positive impact of pro-growth fiscal and monetary measures are expected to mutually reinforce robust consumer spending and the upturn in private investment activities.

The projections for growth in 2004 are based on a stronger global economic growth of 4.1% and led by synchronised recovery across all regions, an upturn in the global electronics cycle and firm prices for crude palm oil and crude oil. With the growth in Asia stronger than the global average, Malaysia is also expected to benefit from the continued expansion in intra-regional trade. The expectation of the stronger pace of growth is also premised on the strength and dynamism of the private sector performance, especially the strength of the upturn in domestic investment. Evidence of higher new investments and capacity expansion are indicative that the recovery in economic growth is sustainable.

(Source: BNM Annual Report 2003)

Purpose-Built Office Sector

There would be further improvement in the office sub-sector in 2004. The sub-sector is expected to respond positively in tandem with the growth in the services sector. The office sub-market is anticipated to portray positive impact with improved occupancy rates within dynamic market activities, particularly in the Klang Valley. Prominent office buildings in Klang Valley and other major cities should be able to secure higher rentals and occupancy rates.

Commercial Complexes Sector

The occupancy of commercial complexes is expected to improve as general economy improves and consumers and investors confidence strengthen. Leading indicators continue to support strong and sustainable growth in the near to medium terms. The Government's move to accelerate the domestic-led investment spearheaded by private sector in the Budget 2004 will further enhance retail market activity and ultimately spur commercial complex sub-sector. The occupancy rates of commercial complexes that have improved moderately i.e. 73.9% in 2000, 75.6% in 2001, 77.7% in 2002 and 77.9% in 2003, will continue at similar pace despite increases in total retail space. Rentals are expected to remain stable.

Tourism Sector

The prospect for tourism sector would remain encouraging. The effect of the outbreak of SARS and the war in Iraq in the first half of 2003 will not leave any permanent damage to the industry. Although tourist arrivals fell by 20.4% to 10.56 million in 2003, tourist arrivals in the second half of 2003 was far more encouraging (5.98 million). Given the promotion and marketing efforts by the Tourism Development Corporation and supported by the Government's allocation of RM215 million, the prospects for tourism sector would remain promising in 2004. The recovery in the tourism sector amidst a vibrant economy is expected to result in higher occupancy rates for retail complexes and hotel in 2004.

(Source: Property Market Report 2003)

2.2 Future Plans

The Company is a subsidiary of PETRONAS. The PETRONAS group of companies include KLCCH and Putrajaya Holdings Sdn Bhd ("PHSB"), the developer of 4,000-hectare Putrajaya, the Federal Government Administrative Capital. PHSB has been given a concession by the Government to build government complexes/buildings, and alienated the lands for the residential and commercial development projects in Putrajaya. It is also responsible for the development of infrastructure, and landmark projects such as the Dataran Putra, Putra Mosque, Putra Bridge, the Putrajaya Lake and the Wetlands. As the lead developer, PHSB, in partnership with four eminent property developers of the nation is responsible for developing the residential precincts into a "garden city" as conceptualised by the Masterplan of Putrajaya. PHSB started construction of Putrajaya in 1996 and completed Phase 1 in 2000 with the delivery of infrastructure and key government buildings including the Prime Minister's office. It is now in Phase 2 of its development and is expected to complete this phase in 2005.

The KLCCProperty Group might have the opportunity, at the appropriate time, to invest in certain completed commercial properties in Putrajaya.

KLCCH, through its subsidiaries owns the Kuala Lumpur Convention Centre (which is not part of the KLCCProperty Group), currently under construction, and parcels of land within the prime KLCC Development. There could also be opportunities for the Group to acquire certain of these properties following the completion of development.

The Group owns two vacant parcels of land through Impian Cemerlang (Lot D1, adjacent to Mandarin Oriental Kuala Lumpur) and Arena Merdu (Lot C, adjoining Suria KLCC) which are located within KLCC. These will provide opportunities for the extension of the Suria KLCC shopping centre and future purpose-built offices.

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