

# PROSPECTUS

Stapled Securities  
Comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in



**KLCC PROPERTY HOLDINGS BERHAD** (641576-U)  
(A company incorporated under the Companies Act, 1965)

and 1,805,333,083 units in



**KLCC REAL ESTATE INVESTMENT TRUST**

(An Islamic real estate investment trust constituted in Malaysia under a deed dated 2 April 2013 and registered with the Securities Commission Malaysia on 9 April 2013, entered into between KLCC REIT Management Sdn Bhd (Company Number : 1026769-H) and Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad) (Company Number : 5004-P), both companies incorporated in Malaysia under the Companies Act, 1965)



THE LISTING OF AND QUOTATION FOR 1,805,333,083 STAPLED SECURITIES ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS RELATING TO THE STAPLED SECURITIES, SEE SECTION 5 OF THIS PROSPECTUS ENTITLED "RISK FACTORS".

SHAREHOLDERS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THIS DOCUMENT IS ISSUED FOR INFORMATION PURPOSES ONLY. NO OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES IS OR WILL BE MADE ON THE BASIS OF THIS DOCUMENT. THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

Manager



**KLCC REIT Management Sdn Bhd** (1026769-H)

Trustee



**Maybank Trustees Berhad** (5004-P)  
(formerly known as Mayban Trustees Berhad)

Shariah Adviser



**CIMB Islamic Bank Berhad** (671380-H)

Principal Adviser



**CIMB Investment Bank Berhad** (18417-M)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

International Financial Adviser



**Citigroup Global Markets Limited** (1763297)

This Prospectus is dated 7 May 2013

*All terms used are defined under "Definitions" and "Presentation of Financial and Other Information" commencing on pages x and xxvi of this Prospectus respectively.*

## **RESPONSIBILITY STATEMENTS**

This Prospectus has been reviewed and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in this Prospectus false or misleading. Each of the Directors accepts full responsibility for the profit forecasts included in this Prospectus and confirms that the profit forecasts have been prepared based on the assumptions made.

The Principal Adviser and the International Financial Adviser acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Listing and are satisfied that the profit forecasts (for which the Directors are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors after due and careful inquiry and have been duly reviewed by the Reporting Accountants.

## **STATEMENTS OF DISCLAIMER**

The SC has approved the issuance of Units in KLCC REIT and the Stapling and a copy of this Prospectus has been registered with the SC.

The approvals, and registration of this Prospectus, should not be taken to indicate that the SC recommends KLCC REIT or the Stapled Securities or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus.

The SC is not liable for any non-disclosure on the part of the Company and the Manager and takes no responsibility for the contents in this Prospectus. The SC makes no representation on the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

This Prospectus is distributed to the Shareholders pursuant to the Listing.

**SHAREHOLDERS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, SHAREHOLDERS WHO ARE IN ANY DOUBT ON THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

Admission to the Official List on the Main Market is not to be taken as an indication of the merits of the Stapled Securities and/or KLCC REIT.

The valuation approved or accepted by the SC shall only be utilised for the purpose of the proposals, in relation to the establishment of KLCC REIT and the Listing, submitted to and approved by the SC, and shall not be construed as an endorsement by the SC on the value of the Subject Properties for any other purpose.

## NOTICE TO SHAREHOLDERS

Shareholders are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are premised on full and accurate disclosure of all material information concerning the issue for which any person set out in section 236 of the CMSA, e.g. directors and advisers, are responsible.

Bursa Securities' approval for the listing of and quotation for all the Stapled Securities in relation to the Listing has been obtained on 10 April 2013.

KLCC REIT has been certified as being Shariah compliant by the Shariah Adviser appointed for the KLCCP Stapled Group, namely, CIMB Islamic Bank Berhad.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

The Manager will not, prior to the distribution of the Units, make or be bound to make any inquiry as to whether Shareholders have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any inquiry or investigation is made in connection therewith. It shall be the Shareholders' sole responsibility if they are or may be subject to the laws of countries or jurisdictions other than Malaysia to consult their legal and/or other professional advisers as to whether the Listing would result in the contravention of any laws of such countries or jurisdictions.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any countries or jurisdictions other than Malaysia.

This Prospectus is published solely in connection with the Listing. The distribution of the Units are solely based on the information contained and representations made in this Prospectus. The Manager, the Company, the Principal Adviser and the International Financial Adviser have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by the Manager, the Company, the Principal Adviser and the International Financial Adviser, any of their respective directors or any other persons involved in the Listing. If anyone provides Shareholders with different or inconsistent information, Shareholders should not rely upon it. The delivery of this Prospectus shall not under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of the KLCCP Stapled Group, the Manager or the Stapled Securities since the date on the front cover of this Prospectus. Shareholders should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. Unless required by applicable laws, and save as provided in the Directors' responsibility statement as set out in this Prospectus, no representation, warranty or covenant, express or implied, is made by any of KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Principal Adviser and the International Financial Adviser or any of their respective affiliates, directors,

officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Principal Adviser or the International Financial Adviser or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Principal Adviser and the International Financial Adviser or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any Shareholder of the Stapled Securities regarding the legality of an investment by such Shareholder under appropriate legal, investment or similar laws. In addition, Shareholders in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Shareholders should be aware that they may be required to bear the financial risks of an investment in the Stapled Securities for an indefinite period of time. Shareholders should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Stapled Securities.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Principal Adviser and the International Financial Adviser require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Trustee, the Principal Adviser and the International Financial Adviser. This Prospectus does not constitute, and the Manager, the Company, the Principal Adviser and the International Financial Adviser are not making, an offer of, or an invitation to subscribe for or purchase, any of the Stapled Securities in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Copies of this Prospectus are available from the Bursa Malaysia Securities Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

This Prospectus has been prepared in the context of a Listing under the laws of Malaysia.

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## GENERAL INFORMATION AND TIMETABLE

On 27 November 2012, the Company announced that it is proposing to undertake the establishment of KLCC REIT where its Units will be stapled together with the existing Shares in forming the Stapled Securities to be listed on the Main Market of Bursa Securities, the implementation process of which included the Pre-Listing Restructuring. On the same day, the Company entered into the conditional share sale agreement with KLCCH in relation to the Midciti Acquisition.

As at the date of this Prospectus, all requisite approvals for the Pre-Listing Restructuring have been received. The Company had on 10 April 2013 received a conversion notice from KLCCH exercising its right to convert the outstanding RM714,110,437.00 RCULS into 360,661,836 new Shares. The RCULS Conversion was completed on 25 April 2013. The Midciti Acquisition became unconditional on 10 April 2013 and was completed on the same day.

On 10 April 2013, the Trustee, on behalf of KLCC REIT, entered into the SPAs with the Vendors for the Acquisitions. The Acquisitions became unconditional and were completed by 3 May 2013, details as set out in the table below. On completion of the SPAs, which is prior to the Bonus RPS Issue and the subsequent redemption thereof, 1,805,333,083 Consideration Units are issued as part of the total purchase consideration for the Acquisitions.

The Company is implementing the Bonus RPS Issue and the subsequent redemption thereof, as a mechanism undertaken solely for the purpose of distributing the 1,805,333,083 Units to its entitled Shareholders, where each entitled Shareholder shall receive one Unit to be stapled to every one Share held. The resultant Stapled Securities will be quoted and traded as one security on the Main Market of Bursa Securities and will not be able to be traded separately. The completion of the Bonus RPS Issue and the subsequent redemption thereof shall take place one day apart from each other.

The timing of events leading up to the Listing is set out below:

Date / Tentative Date	Event
29 April 2013	: Record date to ascertain the entitlement of the Shareholders for the Bonus RPS Issue
2 May 2013	: Completion Date for Menara 3 PETRONAS SPA
3 May 2013	: Completion Date for PETRONAS Twin Towers SPA and Menara ExxonMobil SPA
6 May 2013	: Bonus RPS Issue
7 May 2013	: Redemption of the RPS distributing the Units to entitled Shareholders
7 May 2013	: Stapling

9 May 2013

: Admission of KLCC REIT to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Stapled Securities on the Main Market of Bursa Securities

The Stapled Securities will be credited into the CDS account(s) of the Shareholders prior to the Listing of the Stapled Securities on the Main Market of Bursa Securities.

Shareholders do not need to take any action nor make any direct payment to receive the Stapled Securities.

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## TABLE OF CONTENTS

	Page
DEFINITIONS .....	x
PRESENTATION OF FINANCIAL AND OTHER INFORMATION .....	xxviii
FORWARD-LOOKING STATEMENTS .....	xxx
CORPORATE DIRECTORY .....	xxxii
INFORMATION SUMMARY .....	1
<b>1. DETAILED INFORMATION ON THE KLCCP STAPLED GROUP .....</b>	<b>27</b>
1.1 OVERVIEW OF THE KLCCP STAPLED GROUP .....	27
1.2 KLCCP STAPLED GROUP AND STAPLED SECURITIES .....	28
1.3 LISTING OF AND QUOTATION FOR THE STAPLED SECURITIES .....	28
1.4 ADVANTAGES OF THE STAPLED SECURITIES STRUCTURE .....	29
1.5 POLICIES AND STRATEGIES OF THE KLCCP STAPLED GROUP .....	30
1.6 THE COMPANY .....	33
1.7 KLCC REIT .....	39
<b>2. BUSINESS OF KLCC REIT AND THE SUBJECT PROPERTIES .....</b>	<b>49</b>
2.1 THE BUSINESS OF KLCC REIT .....	49
2.2 ACQUISITIONS BY KLCC REIT .....	49
2.3 OVERVIEW OF THE SUBJECT PROPERTIES .....	51
2.4 PETRONAS TWIN TOWERS .....	60
2.5 MENARA EXXONMOBIL .....	62
2.6 MENARA 3 PETRONAS .....	64
2.7 TENANCY / LEASE MANAGEMENT .....	66
2.8 TAKAFUL / INSURANCE .....	67
2.9 FIRE PROTECTION .....	67
2.10 CAPITAL EXPENDITURE .....	67
2.11 COMPETITION .....	68
2.12 LEGAL PROCEEDINGS .....	68
<b>3. PARTICULARS OF THE LISTING .....</b>	<b>69</b>
3.1 INTRODUCTION .....	69
3.2 PRE-LISTING RESTRUCTURING .....	69
3.3 ACQUISITIONS BY KLCC REIT .....	75
3.4 TOTAL SIZE OF KLCC REIT AND THE KLCCP STAPLED GROUP .....	77
3.5 TIMETABLE .....	78
3.6 PRINCIPAL UNITHOLDERS AND PRINCIPAL HOLDERS OF THE STAPLED SECURITIES AND THEIR HOLDINGS .....	78
3.7 EXPENSES FOR THE LISTING OF THE STAPLED SECURITIES .....	79
3.8 TRADING ON THE MAIN MARKET AND SETTLEMENT IN THE SECONDARY MARKET .....	80

	<b>Page</b>
3.9 REIT FINANCING .....	80
<b>4. FINANCIAL INFORMATION .....</b>	<b>83</b>
4.1 FINANCIAL INFORMATION OF THE KLCCP STAPLED GROUP .....	83
4.1.1 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE KLCCP STAPLED GROUP .....	83
4.1.2 CAPITALISATION AND INDEBTEDNESS OF THE KLCCP STAPLED GROUP .....	89
4.1.3 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE KLCCP STAPLED GROUP .....	89
4.1.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE KLCCP STAPLED GROUP .....	92
4.1.5 PROFIT FORECASTS FOR THE KLCCP STAPLED GROUP .....	104
4.2 FINANCIAL INFORMATION OF KLCC REIT .....	112
4.2.1 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR KLCC REIT .....	112
4.2.2 CAPITALISATION AND INDEBTEDNESS FOR KLCC REIT .....	115
4.2.3 PRO FORMA NET PROPERTY INCOME FOR KLCC REIT .....	116
4.2.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR KLCC REIT .....	117
4.2.5 PROFIT FORECASTS FOR KLCC REIT .....	127
4.3 SENSITIVITY ANALYSIS .....	133
<b>5. RISK FACTORS .....</b>	<b>134</b>
<b>6. THE MANAGER .....</b>	<b>146</b>
6.1 CORPORATE INFORMATION .....	146
6.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER .....	146
6.3 MANAGEMENT REPORTING STRUCTURE .....	148
6.4 DIRECTORS OF THE MANAGER .....	148
6.5 MANAGEMENT TEAM OF THE MANAGER .....	155
6.6 MANAGEMENT FEES .....	158
6.7 OUTSOURCING OF THE REGISTRAR FUNCTION .....	159
6.8 OUTSOURCING OF THE INTERNAL AUDIT FUNCTION .....	161
6.9 HOLDINGS OF SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE MANAGER IN KLCC REIT .....	162
6.10 SUMMARY OF THE MANAGER'S FINANCIAL POSITION SINCE THE DATE OF INCORPORATION .....	163
6.11 RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER .....	163
6.12 RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST .....	164
6.13 CORPORATE GOVERNANCE .....	165
6.14 MATERIAL LITIGATION AND ARBITRATION .....	165
<b>7. THE TRUSTEE .....</b>	<b>166</b>
7.1 CORPORATE INFORMATION .....	166



	Page
7.2 BOARD OF DIRECTORS OF THE TRUSTEE .....	166
7.3 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE .....	167
7.4 FINANCIAL INFORMATION OF THE TRUSTEE .....	168
7.5 TRUSTEE'S FEE .....	168
7.6 RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE .....	169
7.7 TRUSTEES' RESPONSIBILITY STATEMENT .....	170
7.8 MATERIAL LITIGATION AND ARBITRATION .....	170
7.9 DELEGATION OF THE TRUSTEE'S FUNCTION .....	172
<b>8. THE PROPERTY MANAGER .....</b>	<b>173</b>
8.1 CORPORATE INFORMATION .....	173
8.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE PROPERTY MANAGER .....	173
8.3 EXPERIENCE IN PROPERTY MANAGEMENT AND PROPERTIES MANAGED .....	175
8.4 INFORMATION ON KEY PERSONNEL AND STAFF STRENGTH .....	175
8.5 PROPERTY MANAGEMENT FEE .....	176
8.6 SALIENT TERMS OF THE PROPERTY MANAGEMENT AGREEMENT .....	176
8.7 UNITHOLDING OF THE PROPERTY MANAGER IN KLCC REIT AND THE KLCCP STAPLED GROUP .....	178
8.8 SERVICE PROVIDERS TO PROVIDE PERSONNEL TO THE PROPERTY MANAGER .....	178
<b>9. THE SHARIAH ADVISER .....</b>	<b>179</b>
9.1 CORPORATE INFORMATION .....	179
9.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE SHARIAH ADVISER .....	179
9.3 DESIGNATED PERSON RESPONSIBLE FOR THE KLCCP STAPLED GROUP .....	180
9.4 SHARIAH ADVISER'S FEE .....	184
<b>10. SALIENT TERMS OF THE DEED AND THE STAPLING DEED .....</b>	<b>185</b>
10.1 THE DEED .....	185
10.2 STAPLING DEED .....	197
<b>11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST .....</b>	<b>203</b>
11.1 CORPORATE GOVERNANCE .....	203
11.2 EXISTING AND ON-GOING RELATED PARTY TRANSACTIONS .....	203
11.3 POTENTIAL CONFLICTS OF INTEREST .....	205
11.4 INTERESTS OF DIRECTORS AND OTHER SUBSTANTIAL SHAREHOLDERS OF THE MANAGER IN OTHER CORPORATIONS CARRYING ON SIMILAR BUSINESSES .....	207
11.5 OTHER PERTINENT INFORMATION .....	207
11.6 DECLARATIONS BY ADVISERS .....	208
<b>12. APPROVALS, CONDITIONS, WAIVERS AND VARIATIONS .....</b>	<b>210</b>
12.1 APPROVALS AND CONDITIONS .....	210
12.2 WAIVERS AND VARIATIONS .....	212

<b>13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING THE KLCCP STAPLED GROUP</b> .....	218
13.1 OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING COMPANIES LISTED ON THE MAIN MARKET OF BURSA SECURITIES.....	218
13.2 OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING REITS LISTED ON THE MAIN MARKET OF BURSA SECURITIES.....	218
13.3 OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING THE KLCCP STAPLED GROUP .....	221
<b>14. ADDITIONAL INFORMATION</b> .....	222
14.1 GENERAL.....	222
14.2 MATERIAL CONTRACTS.....	223
14.3 SALIENT TERMS OF THE SPAS .....	224
14.4 CONSENTS.....	228
14.5 DOCUMENTS AVAILABLE FOR INSPECTION.....	229
14.6 RESPONSIBILITY STATEMENTS.....	230
<b>APPENDIX A - VALUATION CERTIFICATES</b> .....	A-1
<b>APPENDIX B - TAX CONSULTANT'S LETTERS ON TAXATION OF KLCC REIT AND UNITHOLDERS, AND TAXATION OF THE COMPANY AND SHAREHOLDERS</b> .....	B-1
<b>APPENDIX C - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECASTS FOR THE KLCCP STAPLED GROUP FOR THE YEARS ENDING 31 DECEMBER 2013 AND 2014</b> .....	C-1
<b>APPENDIX D - REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECASTS FOR KLCC REIT FOR THE YEARS ENDING 31 DECEMBER 2013 AND 2014</b> .....	D-1
<b>APPENDIX E - REPORTING ACCOUNTANTS' LETTERS ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KLCCP STAPLED GROUP AS AT 31 DECEMBER 2012, AND THE PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE YEARS ENDED 31 MARCH 2010 AND 2011, NINE (9)-MONTH PERIOD ENDED 31 DECEMBER 2011 AND YEAR ENDED 31 DECEMBER 2012</b> .....	E-1
<b>APPENDIX F - REPORTING ACCOUNTANTS' LETTERS ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC REIT AS AT THE LISTING DATE, AND THE PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCC REIT FOR THE YEARS ENDED 31 MARCH 2010 AND 2011, NINE (9)-MONTH PERIOD ENDED 31 DECEMBER 2011 AND YEAR ENDED 31 DECEMBER 2012</b> .....	F-1
<b>ANNEXURE A - QUESTIONS AND ANSWERS PERTAINING TO STAPLED SECURITIES</b> .....	AN-1

## DEFINITIONS

The following terms in this Prospectus bear the same meaning unless the term is defined otherwise or the context requires otherwise:

- Accrued Rental Income** : Accrued rental income is the difference between the lease payment received/receivable and the amount of lease revenue recognised pursuant to the Malaysian FRS117.
- As the total lease payment received/receivable over the period of the lease is equal to the total lease revenue that will be recognised pursuant to the Malaysian FRS117 over the period of the lease, the Accrued Rental Income balance in the financial statements will be reduced to zero at the end of the lease period
- Acquisitions** : Acquisitions by the Trustee on behalf of KLCC REIT of the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities for a total purchase consideration of RM8,823,099,125.00 to be satisfied by:
- (a) the issuance of the Consideration Units; and
  - (b) the adoption and acceptance by the Trustee (or a subsidiary of KLCC REIT) or in any other manner howsoever procuring the discharge of all remaining and outstanding debt obligations and liabilities of the respective Vendors pursuant to the terms and conditions of the respective SPAs.
- Please refer to Section 3.3 of this Prospectus entitled "Acquisitions by KLCC REIT" for further details
- Act** : Companies Act, 1965, as amended from time to time and any re-enactment thereof
- AJSB** : Arena Johan Sdn Bhd (Company Number: 210100-M), a company incorporated under the laws of Malaysia, being a wholly-owned subsidiary of the Company
- AMSB** : Arena Merdu Sdn Bhd (Company Number: 209443-V), a company incorporated under the laws of Malaysia, being a wholly-owned subsidiary of the Company
- Appraised Value** : In relation to a Subject Property, the value of that Subject Property as appraised by the Independent Property Valuer as at 1 October 2012
- Asset Valuation Guidelines** : Asset Valuation Guidelines issued by the SC on 8 May 2009 (and updated on 3 August 2009), as amended from time to time

- Associated Rights and Benefits** : All prevailing rights, entitlements, benefits and interests of the Vendors under and arising from such documents (and where appropriate, that is assigned and transferred to the Trustee under assignments or novations, as the case may be) as provided under the SPAs as at and from the Completion Date of the SPAs, including but not limited to (a) the benefit of all approvals given for the development on the Subject Properties; (b) all benefits, rights and entitlements arising from and under all existing contracts in relation to the Subject Properties; (c) all benefits, rights and entitlements to use and enjoy all licences that is transferred with any applicable equipment, machinery or computer delivered together with the Subject Properties; (d) all benefits, rights and entitlements to own, use and enjoy all the intellectual property and licences and rights that is attached to the Subject Properties or the use thereof; (e) all benefits, rights and entitlements to claim under any warranty issued in connection with the Subject Properties or any equipment or machinery that is delivered together with the Subject Properties (to the extent any such warranty is still subsisting on and after the Completion Date of the SPAs); (f) all benefits, rights and entitlements to the services and/or facilities to be made available under any service agreement, management agreement or facilities agreement constituting part of the existing contracts; and (g) the right to enforce any of the claims or rights assigned under (a) to (f) above
- ATM** : Automated teller machine
- Authorised Investments** : The following investments in which KLCC REIT may invest, subject to the provisions of the REIT Guidelines and the Islamic REIT Guidelines:
- (a) Real Estate;
  - (b) SPVs;
  - (c) Real Estate-Related Assets;
  - (d) Non-Real Estate-Related Assets;
  - (e) cash, Shariah-compliant deposits and Islamic money market instruments; and
  - (f) any other investment not specified in (a) to (e) above but specified as a permissible investment in the REIT Guidelines which are not Non-Permissible Activities or within specified thresholds as provided under the REIT Guidelines and the Islamic REIT Guidelines or as otherwise permitted by the SC

<b>Board</b>	: The board of directors of the Company and the board of directors of the Manager of which the members of the boards of directors are one and the same
<b>Bonus RPS Issue</b>	: Bonus issue of RPS being undertaken by the Company. Please refer to Section 3.2.4 of this Prospectus entitled "Bonus RPS Issue by the Company and the subsequent redemption thereof" for further details
<b>Book Closing Date</b>	: The specified time and date set by the Manager for the purpose of determining the Unitholders' entitlement to the Distributable Income, new Units or other distributions or entitlements
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd (Company Number: 165570-W), a company incorporated under the laws of Malaysia, being the central depository of Malaysia
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Company Number: 635998-W), a company incorporated under the laws of Malaysia, being the securities exchange of Malaysia
<b>CCM</b>	: Companies Commission of Malaysia
<b>CDS</b>	: Central Depository System
<b>CDS Account</b>	: An account established by Bursa Depository for a depositor for the recording of the deposit of securities and for dealing in such securities by the depositor
<b>Central Depository Act</b>	: Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
<b>Cheston</b>	: Cheston International (KL) Sdn Bhd (Company Number: 647245-W), a company incorporated under the laws of Malaysia
<b>CIMB</b>	: CIMB Investment Bank Berhad (Company Number: 18417-M), a company incorporated under the laws of Malaysia
<b>CIMB Islamic</b>	: CIMB Islamic Bank Berhad (Company Number: 671380-H), a company incorporated under the laws of Malaysia
<b>CIS Prospectus Guidelines</b>	: Prospectus Guidelines for Collective Investment Schemes issued by the SC on 3 March 2008 (and updated on 1 June 2010), as amended from time to time
<b>Citi</b>	: Citigroup Global Markets Limited (Company Number: 1763297), a company incorporated under the laws of England
<b>CMSA</b>	: Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof

<b>Common Facilities Agreement</b>	: The agreement dated 17 January 2003 made amongst Midciti, Impian Klasik Sdn Bhd and Suria in connection with the design, development, construction, maintenance and cost allocation of certain common facilities (including the basement car-park) on land owned by each of them in the North-West Development of the KLCC Development (as such agreement may be amended, supplemented and/or novated from time to time) and which agreement shall be novated by Midciti to the Trustee on behalf of KLCC REIT upon completion of the PETRONAS Twin Towers SPA
<b>Company</b>	: KLCC Property Holdings Berhad (Company Number: 641576-U), a company incorporated under the laws of Malaysia
<b>Completion Date of the SPAs</b>	: Completion date of the SPAs and " <b>Completion Date</b> " shall mean the completion date of each and any one of the SPAs
<b>Consideration Units</b>	: The 1,805,333,083 Units to be issued as satisfaction of part of the purchase consideration for the Acquisitions which shall be deemed fully paid
<b>Dayabumi</b>	: An integrated retail cum office development comprising a 36 storey purpose-built office building with an annexed six storey office cum retail podium together with two levels of basement
<b>Deed</b>	: The deed of trust dated 2 April 2013 entered into between the Manager and the Trustee, constituting KLCC REIT and registered with the SC on 9 April 2013
<b>Deposited Property</b>	: All the assets of KLCC REIT, including all its Authorised Investments and other assets (after consulting with the auditor) to be in the nature of assets in accordance with the generally accepted accounting practices in Malaysia, for the time being held or deemed to be held in accordance with the Deed
<b>Director</b>	: Director of the Manager and the Company
<b>Distributable Income</b>	: The amount available for distribution to the Unitholders, the particulars of which are set out in Section 10.1.7 of this Prospectus entitled "Distributable Income"
<b>Distribution Period</b>	: Quarterly, or such other interval as the Manager may determine in accordance with the Deed
<b>DPU</b>	: Distribution per Unit
<b>EGM</b>	: Extraordinary general meeting
<b>Electronic Prospectus</b>	: A copy of this Prospectus that is issued, circulated or disseminated via the internet, electronic mail and/or distribution of CD-ROMs

<b>ExxonMobil</b>	: ExxonMobil Exploration and Production Malaysia Inc. (Company Number: 992953-X), a company incorporated under the laws of Malaysia
<b>Forecast Year 2013</b>	: 1 January 2013 to 31 December 2013
<b>Forecast Year 2014</b>	: 1 January 2014 to 31 December 2014
<b>FPE2011</b>	: Nine-month period 31 December 2011
<b>FRS</b>	: Financial Reporting Standards issued by the Malaysian Accounting Standards Board
<b>FY</b>	: Financial year ended or, as the case may be, ending 31 December or 31 March (prior to change of year end in 2011)
<b>GDP</b>	: Gross domestic product
<b>GFA</b>	: Gross floor area
<b>Government</b>	: Government of Malaysia
<b>Gross Rental Income</b>	: Comprises base and percentage rent, service charges, promotional charges and car park income. However, for the PETRONAS Twin Towers Lease and the Menara 3 PETRONAS (Office Tower) Lease which are triple net leases, the Gross Rental Income would refer to the triple net lease income received thereunder
<b>Group Properties</b>	: All properties under the KLCCP Stapled Group
<b>Holdings</b>	: Holders of the Stapled Securities
<b>Ijtihad</b>	: The process of reasoning by Islamic jurists to obtain legal rulings from the sources of Shariah
<b>Income Tax Act</b>	: Income Tax Act, 1967, as amended from time to time and any re-enactment thereof
<b>Independent Property Valuer</b>	: Cheston
<b>Internal Auditor</b>	: KLCCH (Group Internal Audit Division), being the Internal Auditor of KLCC REIT
<b>International Financial Adviser</b>	: Citi
<b>Islamic REIT Guidelines</b>	: The Guidelines on Islamic Real Estate Investment Trusts issued by the SC on 21 November 2005, as amended from time to time
<b>KLCC</b>	: Kuala Lumpur City Centre

<b>KLCC Development</b>	: An integrated mixed-use real-estate development on a 40-hectare parcel of land, centrally located in the heart of the commercial district of Kuala Lumpur. The development is being carried out on 22 commercial lots of land located along the perimeter of a 20-hectare landscaped park. On full completion, the development will provide more than 2.39 million sq. m. (approximately 25.71 million sq. ft.) of commercial, retail, hotel, convention and exhibition, residential and entertainment facilities within a park setting
<b>KLCCCH</b>	: KLCC (Holdings) Sdn Bhd (Company Number: 178368-U), a company incorporated under the laws of Malaysia
<b>KLCCCH Group</b>	: KLCCCH and its subsidiaries
<b>KLCCP Group</b>	: The Company, its subsidiaries and associate company as more particularly set out in Section 1.6.4 of this Prospectus entitled "Subsidiaries and associate companies"
<b>KLCCP IPO</b>	Initial public offering undertaken by the Company in 2004
<b>KLCCP Stapled Group</b>	: A stapled structure, comprising the KLCCP Group and KLCC REIT, where the Shares will be stapled together with the Units on a one for one basis, thus forming the Stapled Securities which are to be quoted and dealt with as one security on the Main Market
<b>KLCC REIT</b>	: KLCC Real Estate Investment Trust, an Islamic REIT established in Malaysia and constituted by the Deed
<b>KLCC Urusharta</b>	: KLCC Urusharta Sdn Bhd (Company Number: 397735-U), a company incorporated under the laws of Malaysia, being a wholly-owned subsidiary of the Company
<b>Kompleks Dayabumi</b>	: Kompleks Dayabumi Sdn Bhd (Company Number: 258201-T), a company incorporated under the laws of Malaysia, being a wholly-owned subsidiary of the Company
<b>LPD</b>	: 26 March 2013, being the latest practicable date prior to the issuance of this Prospectus
<b>Listing</b>	: Admission of KLCC REIT to the Official List and the listing of and quotation for the Stapled Securities on the Main Market
<b>Listing Date</b>	: The date of Listing
<b>Listing Requirements</b>	: Main Market Listing Requirements of Bursa Securities, as amended from time to time
<b>M &amp; E</b>	: Mechanical and electrical
<b>Main Market</b>	: Main Market of Bursa Securities



<b>majority resolution</b>	: A resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions contained in the Deed by a majority consisting of not less than two-third of the persons voting thereat upon a show of hands and if a poll is demanded, then by a majority consisting of not less than two-third of the votes given on such poll
<b>Malaysian FRS</b>	: Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
<b>Management Fee</b>	: Fee payable to the Manager which comprises the Base Fee and the Performance Fee as set out in Section 6.6 of this Prospectus entitled “Management Fees”
<b>Manager</b>	: KLCC REIT Management Sdn Bhd (Company Number: 1026769-H), a company incorporated under the laws of Malaysia, being the manager of KLCC REIT
<b>Manager Undertaking</b>	: The binding and effective undertaking of the Manager in form and substance acceptable to PETRONAS or its nominee, (“ <b>Beneficiary</b> ”) that the Manager will (on behalf of KLCC REIT): <ul style="list-style-type: none"> <li>(a) regardless of whether the PETRONAS Twin Towers Lease with PETRONAS is subsisting, grant a first right of refusal that entitles PETRONAS or its nominee to purchase the PETRONAS Twin Towers at (i) the same price offered to (1) the lessor (i.e. the owner of PETRONAS Twin Towers) by a third party; or (2) a third party by the lessor (i.e. the owner of PETRONAS Twin Towers); or (ii) market rate as determined by an independent valuation absent any offer from or to a third party; and</li> <li>(b) do all things necessary and incidental pursuant to and in furtherance of the exercise of any of the rights in (a) above by PETRONAS</li> </ul>
<b>Mandarin Oriental Kuala Lumpur</b>	: An international class hotel comprising 592 hotel rooms and 51 service apartments erected on the land held under GRN 43700 Lot 172, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>Market Day</b>	: A day on which Bursa Securities is open for trading in securities

- Menara 3 PETRONAS** : A 58-storey commercial tower comprising 52 levels of office space and six levels of retail podium together with four levels of basement car park known as “Menara 3 PETRONAS” erected on the land held under GRN 43699 Lot 171, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, together with all machineries, equipment, fixtures and fittings and all other appurtenant thereto owned by AMSB and affixed to the building, but excluding always all fixtures and fittings of the lessee and the tenants, being one of the Subject Properties to be acquired by the Trustee on behalf of KLCC REIT pursuant to the Acquisitions
- Menara 3 PETRONAS (Office Tower) Lease** : The triple net lease agreement dated 27 November 2012 entered into between AMSB (as lessor) and PETRONAS (as lessee) pursuant to which a 15 years lease was granted by AMSB to PETRONAS for the Office Tower of Menara 3 PETRONAS commencing from 15 December 2011 and expiring on 14 December 2026
- Menara 3 PETRONAS Related Assets and Liabilities** : The net amount to be borne by the Trustee arising from the acquisition of Menara 3 PETRONAS subject to the Menara 3 PETRONAS (Office Tower) Lease which amount would include:
- (a) the related assets including (i) Accrued Rental Income and/or any other sums of money to be received by the Trustee under the Menara 3 PETRONAS (Office Tower) Lease to be novated, and (ii) such cash amount as may be reserved by AMSB and to be paid to the Trustee to settle any financing costs due on the debt obligations or liabilities of AMSB, at the time of discharge of AMSB’s obligations/liabilities or, at or about the time of completion of the transfer of Menara 3 PETRONAS into KLCC REIT, and net of,
  - (b) the related liabilities to be borne by the Trustee arising from the acquisition of Menara 3 PETRONAS subject to the Menara 3 PETRONAS (Office Tower) Lease which amount would include the liabilities of the Trustee to refund any deposits or other moneys paid by PETRONAS under the Menara 3 PETRONAS (Office Tower) Lease

- Menara 3 PETRONAS SPA** : The Sale and Purchase Agreement dated 10 April 2013 entered into by AMSB as the Vendor and the Trustee on behalf of KLCC REIT as the purchaser in relation to the sale and purchase of Menara 3 PETRONAS together with the Associated Rights and Benefits and the Related Assets and Liabilities in relation to Menara 3 PETRONAS, including any supplemental agreements executed thereafter
- Menara ExxonMobil** : A 29-storey office building including four levels of elevated car park together with three levels of basement car park known as "Menara ExxonMobil" erected on the land held under GRN 43685 Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, together with all machineries, equipment, fixtures and fittings and all other appurtenant thereto owned by AJSB and affixed to the building, but excluding always all fixtures and fittings of the lessee, being one of the Subject Properties to be acquired by the Trustee on behalf of KLCC REIT pursuant to the Acquisitions
- Menara ExxonMobil Lease** : The lease agreement dated 5 October 2012 entered into between AJSB (as lessor) and ExxonMobil (as lessee) pursuant to which a five years lease was granted by AJSB to ExxonMobil for Menara ExxonMobil commencing from 1 February 2012 and expiring on 31 January 2017
- Menara ExxonMobil Related Assets and Liabilities** : The net amount to be borne by the Trustee arising from the acquisition of Menara ExxonMobil subject to the Menara ExxonMobil Lease which amount would include:
- (a) the related assets including (i) Accrued Rental Income and/or any other sums of money to be received by the Trustee under the Menara ExxonMobil Lease to be novated, and (ii) such cash amount as may be reserved by AJSB and to be paid to the Trustee to settle any financing costs due on the debt obligations or liabilities of AJSB, at the time of discharge of AJSB's obligations/liabilities or, at or about the time of completion of the transfer of Menara ExxonMobil into KLCC REIT, and net of,
  - (b) the related liabilities to be borne by the Trustee arising from the acquisition of Menara ExxonMobil subject to the Menara ExxonMobil Lease which amount would include the liabilities of the Trustee to refund any deposits or other moneys paid by ExxonMobil under the Menara ExxonMobil Lease

<b>Menara ExxonMobil SPA</b>	: The Sale and Purchase Agreement dated 10 April 2013 entered into by AJSB as the Vendor and the Trustee on behalf of KLCC REIT as the purchaser in relation to the sale and purchase of Menara ExxonMobil together with the Associated Rights and Benefits and the Related Assets and Liabilities in relation to Menara ExxonMobil, including any supplemental agreements executed thereafter
<b>Menara Maxis</b>	: A 49-storey office building with a lower ground concourse level erected on the land held under GRN 43696 Lot 168, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>MER</b>	: Management expense ratio, calculated by dividing the expenses of KLCC REIT by the NAV of KLCC REIT, where expenses of the REIT comprise all expenses, including the Management Fee, the Trustee's fee, valuation fee and other administrative expenses provided for under the Deed
<b>Midciti</b>	: Midciti Resources Sdn Bhd (Company Number: 210373-H), a company incorporated under the laws of Malaysia, being a wholly-owned subsidiary of the Company following the completion of the Midciti Acquisition
<b>Midciti Acquisition</b>	: Acquisition by the Company of the remaining 49.5% interest not held by it in Midciti from KLCCH
<b>MOT</b>	: A valid, executed and registrable memorandum of transfer in the form as prescribed by the National Land Code, 1965
<b>MSC</b>	: Multimedia Super Corridor
<b>NAV</b>	: Net asset value
<b>NBV</b>	: Net book value
<b>Net Property Income or NPI</b>	: Total Revenue less Property Operating Expenses. However, for the PETRONAS Twin Towers Lease and the Menara 3 PETRONAS (Office Tower) Lease which are triple net leases and as such do not have Property Operating Expenses, NPI would refer to the triple net lease income received thereunder
<b>Net Lettable Area or NLA</b>	: Area in a property that is lettable for Gross Rental Income but excludes space used for building and centre management operations, common areas, carts, storage, signages and ATMs
<b>Non-Permissible Activities</b>	Rental activities that are classified as non-permissible under the Islamic REIT Guidelines as set out in Section 1.7.3 of this Prospectus entitled "Shariah Investment Guidelines"

<b>Non-Real Estate-Related Assets</b>	: Refers to: <ul style="list-style-type: none"> <li>(a) Shariah-compliant listed shares issued by non-property companies;</li> <li>(b) Shariah-compliant debt securities issued by, or fully guaranteed by the Government; and</li> <li>(c) Shariah-compliant commercial papers or other debt securities issued by companies or institutions with a credit rating of not less than: <ul style="list-style-type: none"> <li>(i) A/PI by RAM Holdings Berhad; and</li> <li>(ii) A/MARC-1 by Malaysian Rating Corporation Berhad,</li> </ul> </li> </ul> <p>and such other Shariah-compliant assets as may be permitted by the REIT Guidelines, the Islamic REIT Guidelines and the SC</p>
<b>North-West Development</b>	: For the purpose of the Common Facilities Agreement, the development comprising of the PETRONAS Twin Towers, Suria KLCC and Menara Maxis in the northwest corner of the KLCC Development
<b>Occupancy Rate</b>	: The percentage of Occupied NLA against total NLA
<b>Occupied NLA</b>	: The total NLA of the Subject Properties which is committed by the lessees and tenants and determined based on the commencement date stipulated in the respective leases, tenancy agreements and/or letters of offer
<b>Overall Distributable Income</b>	: Overall distributable income to the Holders consisting of profit attributable to equity holders of the Company, excluding any fair value adjustments, if any, and Distributable Income of KLCC REIT
<b>Office Tower</b>	: 52 levels of office tower of Menara 3 PETRONAS
<b>Official List</b>	: A list specifying all securities listed on the Main Market
<b>ordinary resolution</b>	: A resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions contained in the Deed by a majority of the persons voting thereto upon a show of hands and if a poll is demanded, then by a majority of the votes given on such poll
<b>PBT</b>	: Profit before taxation
<b>PETRONAS</b>	: Petroliaam Nasional Berhad (Company Number: 20076-K), a company incorporated under the laws of Malaysia

- PETRONAS Twin Towers** : An office building comprising two 88-storey office towers linked by a sky-bridge and a podium together with the rights to use such number of bays in the North-West Development car park known as "PETRONAS Twin Towers" erected on the land held under GRN 43697 Lot 169, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, together with all machineries, equipment, fixtures and fittings and all other appurtenant thereto owned by Midciti and affixed to the building, but excluding always all fixtures and fittings of the lessee, being one of the Subject Properties to be acquired by the Trustee on behalf of KLCC REIT pursuant to the Acquisitions
- PETRONAS Twin Towers Lease** : The triple net lease agreement dated 27 November 2012 entered into between Midciti (as lessor) and PETRONAS (as lessee) pursuant to which a 15 years lease was granted by Midciti to PETRONAS for PETRONAS Twin Towers commencing from 1 October 2012 and expiring on 30 September 2027
- PETRONAS Twin Towers Related Assets and Liabilities** : The net amount to be borne by the Trustee arising from the acquisition of PETRONAS Twin Towers subject to the PETRONAS Twin Towers Lease which amount would include:
- (a) the related assets including (i) Accrued Rental Income and/or any other sums of money to be received by the Trustee under the PETRONAS Twin Towers Lease to be novated, and (ii) such cash amount as may be reserved by Midciti and to be paid to the Trustee to settle any financing costs due on the debt obligations or liabilities of Midciti, at the time of discharge of Midciti's obligations/liabilities or, at or about the time of completion of the transfer of PETRONAS Twin Towers into KLCC REIT, and net of,
  - (b) the related liabilities to be borne by the Trustee arising from the acquisition of PETRONAS Twin Towers subject to the PETRONAS Twin Towers Lease which amount would include the liabilities of the Trustee to refund any deposits or other moneys paid by PETRONAS under the PETRONAS Twin Towers Lease

<b>PETRONAS Twin Towers SPA</b>	: The Sale and Purchase Agreement dated 10 April 2013 entered into by Midciti as the Vendor and the Trustee on behalf of KLCC REIT as the purchaser in relation to the sale and purchase of PETRONAS Twin Towers together with the Associated Rights and Benefits and the Related Assets and Liabilities in relation to PETRONAS Twin Towers, including any supplemental agreements executed thereafter
<b>Pre-Listing Restructuring</b>	: Collectively, the Midciti Acquisition, the establishment of the KLCC REIT, the Acquisitions, the Bonus RPS Issue and the Stapling
<b>Principal Adviser</b>	: CIMB
<b>Profit Forecasts</b>	: The profit forecasts of the KLCC REIT, the Company and the KLCCP Stapled Group for the Forecast Year 2013 and the Forecast Year 2014
<b>Profit Income</b>	: Income earned from Shariah-compliant deposits, Islamic money market and other Islamic financial instruments
<b>Property Management Agreement</b>	: The property management agreement dated 10 April 2013 entered into between the Manager, the Trustee (on behalf of KLCC REIT) and the Property Manager
<b>Property Manager</b>	: Rahim & Co Chartered Surveyors Sdn Bhd (Company Number: 69437-W), a company incorporated under the laws of Malaysia, being the property manager of KLCC REIT
<b>Property Operating Expenses</b>	: All expenses or outgoings required to manage or maintain the Subject Properties as permitted by the Deed
<b>RCULS</b>	: Nominal value ten (10)-year 1.00% Redeemable Convertible Unsecured Loan Stocks issued by the Company in 2004
<b>RCULS Conversion</b>	: Conversion of all the outstanding RM714,110,437.00 RCULS into 360,661,836 new Shares based on the conversion price of RM1.98 per Share by KLCCH
<b>Real Estate</b>	: Land and structures or objects attached to the land both below and above ground and any interest or option or right to use, possession and/or occupation, or other right in or over any land and structures or objects attached to the land both below and above ground (other than a security interest arising under a mortgage, lien or other security) whether located in or outside of Malaysia
<b>Real Estate Assets</b>	: Real Estate and SPVs

<b>Real Estate-Related Assets</b>	: Includes units of other Islamic REITs, Shariah-compliant listed securities of and issued by property companies, Shariah-compliant listed or unlisted debt securities of and issued by property companies and Shariah-compliant real estate-related asset-backed securities
<b>Record of Depositors</b>	: A record provided by Bursa Depository to the Manager under Chapter 24 of the Rules of Bursa Depository
<b>Registrar</b>	: Tricor Investor Services Sdn Bhd (Company Number: 118401-V), a company incorporated under the laws of Malaysia, being the registrar of KLCC REIT
<b>REIT</b>	: Real estate investment trust
<b>REIT Guidelines</b>	: The Guidelines on Real Estate Investments Trusts issued by the SC on 21 August 2008 (and updated on 28 December 2012), as amended from time to time
<b>Related Assets and Liabilities</b>	: Collectively, the PETRONAS Twin Towers Related Assets and Liabilities, the Menara ExxonMobil Related Assets and Liabilities and the Menara 3 PETRONAS Related Assets and Liabilities
<b>Relevant Laws and Requirements</b>	: The laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to REITs from time to time including securities laws, the REIT Guidelines, the Islamic REIT Guidelines, the Guidelines on Sukuk (Revised 28 December 2012), the Asset Valuation Guidelines, the Listing Requirements, the Rules of Bursa Depository and taxation laws, rulings and guidelines
<b>Reporting Accountants</b>	: Ernst & Young (Firm No. AF 0039)
<b>Retail Podium</b>	: Six levels of retail podium of Menara 3 PETRONAS
<b>ROFR</b>	: Right of first refusal granted by KLCCH in favour of the Company and the Trustee (as trustee of KLCC REIT)
<b>RPS</b>	: Class A redeemable preference shares at par of RM0.01 each in the Company
<b>Rules of Bursa Depository</b>	: Rules of Bursa Malaysia Depository Sdn Bhd, as amended from time to time
<b>SAC of the SC</b>	: Shariah Advisory Council of the SC
<b>SC</b>	: Securities Commission Malaysia



<b>Service Provider Agreements</b>	: The Service Provider Agreement and Facilities Maintenance Service Provider Agreement, both dated 10 April 2013, entered into by the Property Manager with Suria and KLCC Urusharta respectively, for the provision of, amongst others, a team of personnel by each of Suria and KLCC Urusharta to the Property Manager, to facilitate the Property Manager in carrying out its obligations under the Property Management Agreement
<b>Shareholder(s)</b>	: Person(s) registered at the relevant time in the Record of Depositors as the holder(s) of Shares
<b>Shares</b>	: Ordinary shares of RM1.00 each in the Company
<b>Shariah</b>	: Islamic law, originating from the <i>Qur'an</i> (the holy book of Islam), and its practices and explanations rendered by the prophet Muhammad ( <i>pbuh</i> ) and <i>Ijtihad</i> of <i>ulamak</i> (personal effort by qualified Shariah scholars to determine the true ruling of the divine law on matters whose revelations are not explicit)
<b>Shariah Adviser</b>	: CIMB Islamic
<b>SPAs</b>	: Collectively, Menara 3 PETRONAS SPA, Menara ExxonMobil SPA and PETRONAS Twin Towers SPA
<b>Special Resolution</b>	: In respect of KLCC REIT, a resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Deed by a majority consisting of not less than $\frac{3}{4}$ of the persons voting upon a show of hands and if a poll is demanded, then by a majority consisting of not less than $\frac{3}{4}$ of the votes given on such poll, provided always that for the purpose of terminating or winding up of KLCC REIT, a " <b>Special Resolution</b> " means a resolution passed by a majority in number representing at least $\frac{3}{4}$ of the value of the Units held by Unitholders at the meeting  In respect of the Company, a resolution passed at a meeting of the Shareholders duly convened and held in accordance with the provisions of its Articles of Association by a majority consisting of not less than $\frac{3}{4}$ of the persons voting upon a show of hands and if a poll is demanded, then by a majority consisting of not less than $\frac{3}{4}$ of the votes given on such poll, provided always that for the purpose of terminating or winding up of the Company, a " <b>Special Resolution</b> " means a resolution passed by a majority in number representing at least $\frac{3}{4}$ of the value of the Shares held by the Shareholders at the meeting

<b>SPV</b>	: Any unlisted single-purpose company, corporation, entity or structure whose principal assets comprise Real Estate or shares or interest in a SPV or such other entities whose principal assets comprise Real Estate, as may be permitted by the SC
<b>sq. ft.</b>	: Square feet
<b>sq. m.</b>	: Square metre
<b>Stapled or Stapling</b>	: The means by which each Unit is attached to a Share so that one may not be dealt with without the other, in accordance with the Stapling Deed; and “ <b>Stapling</b> ” shall be construed accordingly
<b>Stapled Security</b>	: Shariah-compliant security, combining the following securities which, subject to the provisions in the Stapling Deed, can only be dealt with together and may not be dealt with individually or one without the other: <ul style="list-style-type: none"> <li>(a) a Unit; and</li> <li>(b) a Share,</li> </ul> and “ <b>Stapled Securities</b> ” shall be construed accordingly
<b>Stapling Deed</b>	: The stapling deed dated 2 April 2013 entered into amongst the Manager, the Trustee and the Company, characterising the relationship as each Unit being “stapled” to a Share
<b>State Authority</b>	: In relation to the Federal Territory of Kuala Lumpur the minister charged with the responsibility for local government
<b>Subject Properties</b>	: PETRONAS Twin Towers, Menara ExxonMobil, Menara 3 PETRONAS which form the initial property portfolio of KLCC REIT at the point of Listing, and “ <b>Subject Property</b> ” means any one of them
<b>Sukuk</b>	: An Islamic medium term notes programme of up to RM880,000,000.00 in nominal value issued by Midciti under the Shariah principle of Musharakah
<b>Suria</b>	: Suria KLCC Sdn Bhd (Company Number: 208950-T), a company incorporated under the laws of Malaysia, being a 60%-owned subsidiary of the Company
<b>Suria KLCC</b>	: A six-storey retail centre erected on the land held under GRN 43698 Lot 170, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>Take-over Code</b>	: Malaysian Code on Take-Overs and Mergers 2010 issued by the SC, as amended from time to time and any re-enactment thereof

<b>Tax Consultant</b>	: Ernst & Young Tax Consultants Sdn Bhd (Company Number: 179793-K), a company incorporated under the laws of Malaysia
<b>Total Asset Value</b>	: The value of the Deposited Property in accordance with generally accepted accounting practices in Malaysia, as determined in accordance with the Deed
<b>Total Revenue</b>	: Gross Rental Income and other operating income earned through the Subject Properties
<b>triple net lease</b>	: A lease that designates the lessee as being solely responsible for all of the costs relating to the asset being leased such as quit rent, assessment and building maintenance, in addition to the rent fee applied under the lease
<b>Trustee</b>	: Maybank Trustees Berhad (Company Number: 5004-P) (formerly known as Mayban Trustees Berhad), a company incorporated under the laws of Malaysia, acting in its capacity as trustee of KLCC REIT
<b>Trustee Undertaking</b>	: The binding and effective undertaking of the Trustee in form and substance acceptable to PETRONAS or its nominee, (" <b>Beneficiary</b> ") that the Trustee will, in its capacity as trustee for and on behalf of KLCC REIT: <ul style="list-style-type: none"> <li>(a) regardless of whether the PETRONAS Twin Towers Lease with PETRONAS is subsisting, grant a first right of refusal that entitles PETRONAS or its nominee to purchase PETRONAS Twin Towers at (i) the same price offered to (1) the lessor (i.e. the owner of PETRONAS Twin Towers) by a third party; or (2) a third party by the lessor (i.e. the owner of PETRONAS Twin Towers); or (ii) market rate as determined by an independent valuation absent any offer from or to a third party; and</li> <li>(b) do all things necessary and incidental pursuant to and in furtherance of the exercise of any of the rights in (a) above by PETRONAS</li> </ul>
<b>Unit</b>	: An undivided interest in KLCC REIT as provided for in the Deed
<b>Unitholder</b>	: The holder of Units
<b>Unstapled</b>	: In relation to a Unit, not being stapled to a Share, and vice versa and " <b>Unstapling</b> " shall be construed accordingly

**Vendors** : In relation to the Acquisitions, the vendors of the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities, namely:

- (a) Midciti;
  - (b) AJSB; and
  - (c) AMSB,
- (each a "**Vendor**")

**YE** : Year ended

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to the “Manager” are to “KLCC REIT Management Sdn Bhd”, unless the context otherwise requires. Unless the context otherwise requires, references to “Management” are to the directors and senior management team of the Manager as at the date of this Prospectus, and statements in this Prospectus as to beliefs, expectations, estimates and opinions of KLCC REIT are those of the Management. All references to “KLCC REIT” in this Prospectus include references to Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad), in its capacity as trustee for KLCC REIT, unless the context otherwise requires.

In this Prospectus, references to the “Government” are to the Government of Malaysia; references to “Ringgit”, “Ringgit Malaysia”, “Malaysian Ringgit”, “RM” and “sen” are to the lawful currency of Malaysia.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations and a reference to a section is a reference to the relevant section of this Prospectus.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a date and time in this Prospectus shall be a reference to Malaysian date and time, unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Figures and percentages are rounded to one or two decimal places, where appropriate. Percentage changes in this Prospectus have been calculated on the basis of relevant figures disclosed in the Prospectus, where applicable, which may be after rounding.

Certain acronyms, technical terms and other abbreviations used herein are defined in the “Definitions” section of this Prospectus.

This Prospectus includes statistical data provided by the Manager and various third parties and cites third-party projections regarding growth and performance of the markets in which KLCC REIT operates. This data is taken or derived from information published by industry sources and from the internal data of the Company and/or the Manager. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from the Company or the Manager. The Company and the Manager believe that the statistical data and projections cited in this Prospectus are useful in helping Shareholders understand the major trends in the markets in which KLCC REIT operates. However, none of KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Principal Adviser and the International Financial Adviser has independently verified these figures. Moreover, the rapidly evolving nature of the property industry makes it difficult to obtain precise and accurate statistics. None of KLCC REIT, the KLCCP Stapled Group, the Manager, the Company, the Principal Adviser and the International Financial Adviser make any representation as to the correctness, accuracy or completeness of such data and accordingly Shareholders should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the forecasted figures. No assurances are or can be given that

the estimated figures will be achieved, and Shareholders should not place undue reliance on the third-party projections cited in this Prospectus.

All the information set out in this Prospectus is presented as at the LPD, unless otherwise indicated.

The information on the Manager's, the Company's KLCC REIT's and the Subject Properties' websites or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.

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## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward-looking statements”. All statements other than statements of historical facts included in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of KLCC REIT, the KLCCP Stapled Group, the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which KLCC REIT or the Manager will operate in the future. Because these statements reflect the current views of the Manager concerning future events, these statements necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements. Shareholders should not place any undue reliance on these forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- estimated financial information regarding the future development and economic performance of the business of the KLCCP Stapled Group, in particular KLCC REIT;
- future earnings, cash flow and liquidity;
- potential growth opportunities;
- financing plans;
- the Company and the Manager’s business strategy;
- the competitive position and the effects of competition on the KLCCP Stapled Group, and in particular KLCC REIT’s investment portfolio;
- development of additional revenue sources;
- the amount and nature of future capital expenditures required by the KLCCP Stapled Group, and in particular KLCC REIT.

Among the important factors that could cause the actual results, performance or achievements of KLCC REIT or the Manager to differ materially from those in the forward-looking statements are the conditions of, and changes in, the domestic, regional and global economies, including, but not limited to, factors such as political, economic and social conditions in Malaysia, changes in government laws and regulations affecting KLCC REIT, competition in the Malaysian property market in which KLCC REIT may invest, currency exchange rates, interest rates (which for the avoidance of doubt refers to the general interest rate of the country which may affect the value of the investments of KLCC REIT), inflation, relations with tenants, relations with service providers, relations with lenders, hostilities (including any potential terrorist attacks), the performance and reputation of KLCC REIT’s properties and/or acquisitions, difficulties in identifying future acquisitions, difficulty in completing acquisitions, changes in the Manager’s directors and executive officers, risks related to natural disasters, general volatility of the capital markets, general risks

relating to the property market in which KLCC REIT may invest and the market price of the Stapled Securities as well as other matters not yet known to the Manager or the Company or not currently considered material by the Manager or the Company.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those set out in Section 5 of this Prospectus entitled "Risk Factors", Section 4.1.5 of this Prospectus entitled "Profit Forecasts for the KLCCP Stapled Group", Section 4.2.5 of this Prospectus entitled "Profit Forecasts for KLCC REIT", Section 4.1.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for the KLCCP Stapled Group", Section 4.2.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for KLCC REIT" and Section 2 of this Prospectus entitled "Business of KLCC REIT and the Subject Properties". None of KLCC REIT, the KLCCP Stapled Group, the Manager or the Company can give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. The Manager and the Company expressly disclaims any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the Manager and the Company with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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## CORPORATE DIRECTORY

- COMPANY** : KLCC Property Holdings Berhad  
(Company Number: 641576 - U)
- COMPANY'S REGISTERED OFFICE** : Level 54, Tower 2  
PETRONAS Twin Towers  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Telephone No.: +603 2382 8000  
Facsimile No.: +603 2273 5060
- COMPANY'S BUSINESS OFFICE** : Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Telephone No.: +603 2382 8000  
Facsimile No.: +603 2382 8001  
E-mail: [info@klcc.com.my](mailto:info@klcc.com.my)  
Website: [www.klcc.com.my](http://www.klcc.com.my)
- MANAGER** : KLCC REIT Management Sdn Bhd  
(Company Number: 1026769-H)
- MANAGER'S REGISTERED OFFICE** : Level 54, Tower 2  
PETRONAS Twin Towers  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Telephone No.: +603 2382 8000  
Facsimile No.: +603 2273 5060
- MANAGER'S BUSINESS OFFICE** : Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Telephone No.: +603 2382 8000  
Facsimile No.: +603 2382 8001  
E-mail: [info@klcc.com.my](mailto:info@klcc.com.my)  
Website: [www.klcc.com.my](http://www.klcc.com.my)

## DIRECTORS OF THE COMPANY AND THE MANAGER

No.	Name	Designation
1	Krishnan A/L C K Menon	Independent Non-Executive Director / Chairman
2	Datuk Manharlal A/L Ratilal	Non-Independent Non-Executive Director
3	Augustus Ralph Marshall	Independent Non-Executive Director
4	Datuk Ishak Bin Imam Abas	Non-Independent Non-Executive Director
5	Dato' Leong Ah Hin @ Leong Swee Kong	Independent Non-Executive Director
6	Dato' Halipah Binti Esa	Independent Non-Executive Director
7	Pragasa Moorthi A/L Krishnasamy	Independent Non-Executive Director
8	Hashim Bin Wahir	Chief Executive Officer

## AUDIT COMMITTEE OF THE COMPANY AND THE MANAGER

No.	Name	Designation	Directorship
1	Augustus Ralph Marshall	Chairman	Independent Non-Executive Director
2	Datuk Manharlal A/L Ratilal	Member	Non-Independent Non-Executive Director
3	Dato' Leong Ah Hin @ Leong Swee Kong	Member	Independent Non-Executive Director
4	Dato' Halipah Binti Esa	Member	Independent Non-Executive Director

**COMPANY SECRETARY OF THE COMPANY AND THE MANAGER** : Abd Aziz Bin Abd Kadir (LS0001718)  
Yeap Kok Leong (MAICSA 0862549)  
Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Telephone No.: +603 2382 8000  
Facsimile No.: +603 2382 8001

**TRUSTEE FOR KLCC REIT** : Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad)  
(Company Number: 5004-P)

**TRUSTEE'S REGISTERED OFFICE** : 34<sup>th</sup> Floor Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No.: +603 2078 8363  
Facsimile No.: +603 2070 9387

- TRUSTEE'S BUSINESS OFFICE** : 34<sup>th</sup> Floor Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No.: +603 2078 8363  
Facsimile No.: +603 2070 9387  
Website: www.maybank.com
- PROPERTY MANAGER** : Rahim & Co Chartered Surveyors Sdn Bhd  
(Company Number: 69437-W)  
Level 17, Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur  
Telephone No.: +603 2691 9922  
Facsimile No.: +603 2691 9992  
Website: www.rahim-co.com
- LEGAL ADVISERS TO THE MANAGER** : Adnan Sundra & Low  
Level 11, Menara Olympia  
No. 8, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone No.: +603 2070 0466  
Facsimile No.: +603 2078 3382
- AUDITORS/REPORTING ACCOUNTANTS** : Ernst & Young  
(Firm No. AF 0039)  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Telephone No.: +603 7495 8000  
Facsimile No.: +603 2095 9076 / 78  
Website: www.ey.com
- TAX CONSULTANT** : Ernst & Young Tax Consultants Sdn Bhd  
(Company Number: 179793-K)  
Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Telephone No.: +603 7495 8000  
Facsimile No.: +603 2095 7043  
Website: www.ey.com

**PRINCIPAL  
BANKER/FINANCIER  
FOR KLCC REIT** : Great Eastern Life Assurance (Malaysia) Berhad  
(Company Number: 93745-A)  
Menara Great Eastern  
303 Jalan Ampang  
50450 Kuala Lumpur  
Telephone No.: +603 4259 8888  
Facsimile No.: +603 4259 8000  
Website: [www.greasternlife.com](http://www.greasternlife.com)

CIMB Islamic Bank Berhad  
(Company Number: 671380-H)  
UL Wisma Amanah Raya  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No.: +603 2084 8888  
Facsimile No.: +603 2084 9888  
Website: [www.cimb.com](http://www.cimb.com)

**INDEPENDENT  
PROPERTY VALUER** : Cheston International (KL) Sdn Bhd  
(Company Number: 647245-W)  
Suite 2A, 2<sup>nd</sup> Floor, Plaza Flamingo  
No. 2, Jalan Hulu Kelang  
Tasik Ampang  
68000 Ampang  
Selangor Darul Ehsan  
Telephone No.: +603 4251 2599  
Facsimile No.: +603 4251 6599  
Website: [www.chestonint.com](http://www.chestonint.com)

**REGISTRAR** : Tricor Investor Services Sdn Bhd  
(Company Number: 118401-V)  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone No.: +603 2264 3883  
Facsimile No.: +603 2282 1886  
Website: [www.my.tricorglobal.com/MY](http://www.my.tricorglobal.com/MY)

- INTERNAL AUDITOR** : KLCC (Holdings) Sdn Bhd (Group Internal Audit Division)  
(Company Number: 178368-U)  
Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Telephone No.: +603 2382 8000  
Facsimile No.: +603 2051 8486
- PRINCIPAL ADVISER** : CIMB Investment Bank Berhad  
(Company Number: 18417-M)  
10th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No.: +603 2084 8888  
Facsimile No.: +603 2084 9888  
Website: [www.cimb.com](http://www.cimb.com)
- INTERNATIONAL FINANCIAL ADVISER** : Citigroup Global Markets Limited  
(Company Number: 1763297)  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5 LB, United Kingdom  
Telephone No.: +44 (0) 20 7986 4000  
Facsimile No.: +44 (0) 20 8043 0297  
Website: [www.citi.com](http://www.citi.com)
- SHARIAH ADVISER** : CIMB Islamic Bank Berhad  
(Company Number: 671380-H)  
Level 34, Menara Bumiputra Commerce  
11, Jalan Raja Laut  
50350 Kuala Lumpur  
Telephone No.: +603 2619 1188  
Facsimile No.: +603 2619 3657  
Website: [www.cimb.com](http://www.cimb.com)
- LISTING AND QUOTATION SOUGHT FOR THE STAPLED SECURITIES** : Main Market of Bursa Malaysia Securities Berhad

## INFORMATION SUMMARY

*This section is only a summary of the salient information on the Listing, the KLCCP Stapled Group and the KLCC REIT, as extracted from the full text of this Prospectus. The following section is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus and Shareholders should read and understand this Prospectus in its entirety prior to making investment decisions. If necessary, Shareholders should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers as to the legal, business, financial, tax and related aspects of an investment in the Stapled Securities.*

*Shareholders should be aware that the rental yields of the Subject Properties as well as other real estate that KLCC REIT may invest in the future are not equivalent to the yields of the Stapled Securities and the current rental receipts and yields of the Subject Properties may not be sustainable. Shareholders should also note that the value of the Subject Properties (including other investments that KLCC REIT may have in the future), Stapled Securities prices and distributions payable, if any, may go down as well as up. For information concerning certain risk factors relating to the Stapled Securities, please refer to Section 5 of this Prospectus entitled "Risk Factors".*

*Statements contained in this section that are not historical facts may be forward-looking statements or are historical statements reconstituted on a pro forma basis. Such statements are based on certain assumptions and are subject to certain risks and uncertainties which could cause actual results of the KLCC REIT and the KLCCP Stapled Group to differ materially from those forecast. Please refer to the section on "Forward-looking Statements" for further details. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the KLCC REIT, the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Principal Adviser, the International Financial Adviser or any other person or that these results will be achieved or are likely to be achieved. Investing in the Stapled Securities involves risks.*

### OVERVIEW OF THE KLCCP STAPLED GROUP

Upon Listing, the KLCCP Stapled Group comprises:

- (a) the KLCCP Group which is involved, amongst others, in property investment, provision of management services and leasing; and
- (b) KLCC REIT which is involved in income producing property ownership achieved initially by the Acquisitions,

where each of its Stapled Security comprises two components, namely:

- (i) a Share in the Company which is stapled to a Unit in KLCC REIT; and
- (ii) a Unit in KLCC REIT which is stapled to a Share in the Company.

A general overview of stapled securities is set out under "Questions and Answers Pertaining to Stapled Securities" in Annexure A of this Prospectus.

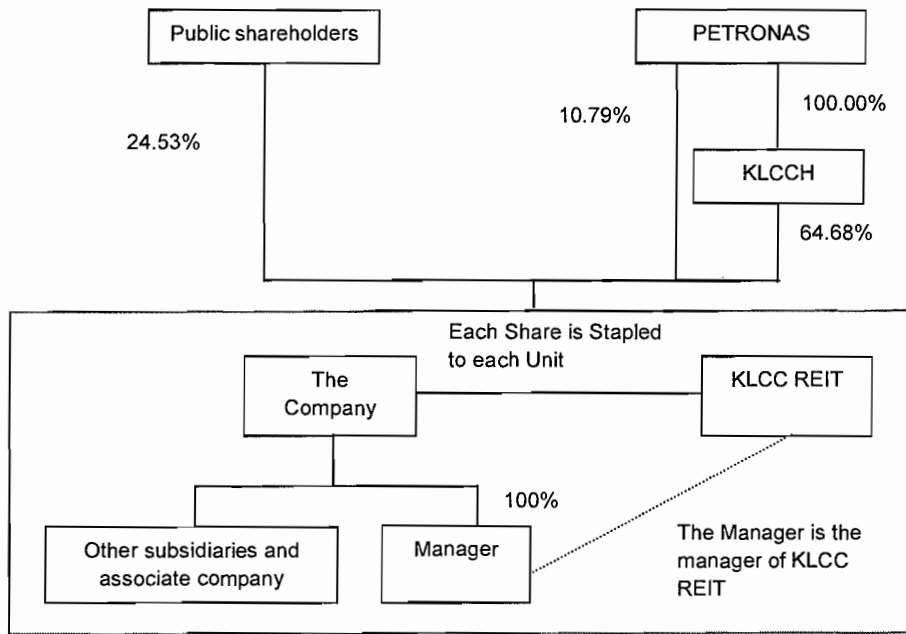
*Meaning of "Stapled"*

Each Unit issued by the Manager must be attached or "stapled" to a Share, with the Share to be held by the Holder of the Stapled Security (along with the Unit) as the fully legal and beneficial owner, so that one cannot trade without the other. The Stapling Deed characterises this relationship as each Unit being "stapled" to a Share.

*Number of Units and Shares must be the same*

Under the Deed, the Stapling Deed and the Company's Articles, the number of Shares in issue must, at all times, be equal to the number of Units in issue.

The chart below illustrates the structure of the KLCCP Stapled Group upon Listing taking into account completion of the RCULS Conversion and the Midciti Acquisition (based on information as at the LPD):



**Principal activities of the KLCCP Group which includes:**

- Property investment
- Leasing of investment property
- Buildings and facilities management
- Carpark operations management
- REIT management (through the Manager)

**Portfolio under KLCC REIT:**

- PETRONAS Twin Towers
- Menara ExxonMobil
- Menara 3
- PETRONAS

## **Listing of and quotation for the Stapled Securities**

The Stapled Securities will be listed and quoted on the Main Market of Bursa Securities. There will be a single price quotation on the Main Market for the Stapled Securities. No price quotation will be given for the individual components (i.e. the Unit and the Share) of the Stapled Securities. Under the Stapling Deed, each Unit must remain stapled to a Share and the unstapling of the Stapled Securities is prohibited except under certain permitted circumstances as set out in the Stapling Deed. For so long as the Stapled Securities are listed on the Main Market, trading on the Main Market shall only take place in the form of Stapled Securities. There will not be any separate price quotation available for the Units and the Shares. Accordingly, Shareholders can only deal in the Stapled Securities on the Main Market and are not permitted to deal in the individual components of the Stapled Securities.

## **Advantages for adopting the Stapled Securities Structure**

- (a) Operating under a Stapled Securities structure as compared to the existing corporate structure of the Company will enable the existing Shareholders who will also be the Unitholders post the Stapling (also referred to as the Holders) to benefit from the expected increase in distribution by the KLCCP Stapled Group, which is expected to be contributed from the following:
- (i) additional contribution post Midciti Acquisition, which forms an integral part of the restructuring of the existing KLCCP Group into a Stapled Securities structure;
  - (ii) commitment to distribute to the Holders at least 90.00% of the Overall Distributable Income of the KLCCP Stapled Group in each financial year. Please refer to Section 1.5.1 of this Prospectus entitled "Distribution policy" for further details; and
  - (iii) tax profile of a REIT structure, whereby Section 61A of the Income Tax Act stipulates that a REIT shall be exempted from tax provided that at least 90.00% of the total income is distributed to the unitholders in the basis period of the year of assessment.

To illustrate, the dividend declared by the Company for FY2012 amounted to 16.50 sen per Share, representing a dividend yield of approximately 2.92% based on the closing price of RM5.66 on 26 November 2012. As disclosed in the profit forecast for the KLCCP Stapled Group for Forecast Year 2013, distribution per Stapled Security is forecasted to be 30.95 sen per Stapled Security, representing a distribution yield of 5.47% based on the closing price of RM5.66 on 26 November 2012. Please note that the said distribution yield of the KLCCP Stapled Group is not directly comparable with that of other standalone REITs. Please refer to Section 4.1.5 of this Prospectus entitled "Profit Forecasts for the KLCCP Stapled Group" for details of the profit forecast.

- (b) Operating under a Stapled Securities structure as compared to a standalone REIT is expected to accord, among others, the benefits set out below:
- (i) to allow existing Shareholders to simultaneously, (i) continue to enjoy growth potential from existing developments and undeveloped property assets of the KLCCP Stapled Group as well as the ROFR to be granted by KLCCH to the Company and the Trustee (as Trustee to KLCC REIT) over its property assets, and (ii) enjoy stable cash flows from KLCC REIT. The ability to enjoy the benefits



of both (i) and (ii) above is a unique feature of the Stapled Securities structure versus investing in a standalone REIT that primarily provides stable cash flows;

- (ii) the Subject Properties are within the KLCC Development which includes the development of other properties by the Company and its major Shareholder, KLCCCH. It is imperative that the same Board and management (rather than a separate set of board and management in the case of a standalone REIT) manage both the development of properties and the Subject Properties within the KLCC Development, to ensure all development and operations are in accordance with the master plan of the KLCC Development precinct. Such alignment will ensure efficient infrastructure build-up without duplication of utilities or support structures. Furthermore, precinct wide tenant mix can also be more effectively strategised while minimising supply imbalances in any particular segment; and
- (iii) to allow existing Shareholders to retain full value and ownership of the current property assets portfolio, unlike a standalone REIT structure where the Company, for instance, may be required to monetise its unitholding, via an offer for sale, to satisfy public spread requirements for the standalone REIT. Under such scenario of a standalone REIT, the existing Shareholders' effective holdings in the Subject Properties, together with their respective participation in the long term yield potential of the Subject Properties, may decrease.

Notwithstanding the offer for sale route, the public spread requirements can also be satisfied with a distribution-in-specie of units in a standalone REIT to existing Shareholders of the Company, resulting in the existing Shareholders (who will also be the Unitholders post the exercise of distribution-in-specie) retaining similar value and ownership in two separate listed vehicles (i.e., the Company and KLCC REIT). However, having two standalone listed vehicles with different boards and managements may result in the de-alignment of interest between the Company and KLCC REIT, and may create conflicts of interest between the entities. Such conflicts would be mitigated by adopting the Stapled Securities structure.

The salient features of the KLCCP Stapled Group are set out below:

Size of KLCCP Stapled Group	1,805,333,083 Stapled Securities
Distribution policy	It is the intention of the KLCCP Stapled Group to distribute 95.00% <sup>1</sup> of the Overall Distributable Income for the Forecast Year 2013 <sup>2</sup> and Forecast Year 2014, and thereafter at least 90.00% of the KLCCP Stapled Group's Overall Distributable Income. The distributions can be on a quarterly basis or such other intervals.

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<sup>1</sup> The distribution policy of 95% for Forecast Year 2013 is only applicable from the date of establishment of the KLCCP Stapled Group.

<sup>2</sup> The Forecast Year 2013 has been prepared assuming that the first financial year is the 12-month period ending 31 December 2013 and assuming that the date of establishment of KLCC REIT and the KLCCP Stapled Group is 1 January 2013. The profit forecast may be different to the extent that the establishment date of KLCC REIT and the KLCCP Stapled Group is other than 1 January 2013.

In relation to KLCC REIT, the Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of KLCC REIT's Distributable Income. It is the intention of the Manager to distribute at least 95.00% of KLCC REIT's Distributable Income for Forecast Year 2013<sup>1</sup> and Forecast Year 2014, and thereafter at least 90.00% of KLCC REIT's Distributable Income. The distributions can be on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

Valuation policy	<ul style="list-style-type: none"> <li>(a) Independent professional valuation on the Real Estate of KLCCP Group is carried out once every five years with an update valuation carried out annually.</li> <li>(b) Independent professional valuation on the Deposited Properties of KLCC REIT will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary. All valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines.</li> </ul>
Financing limitations and gearing policy	KLCC REIT may obtain financing up to 50.00% of its Total Asset Value at the time the financing is incurred (or such other limit permitted by the REIT Guidelines and the Islamic REIT Guidelines from time to time). However, KLCC REIT's total financing may exceed this limit with the prior approval of the Unitholders.
Performance benchmark	<p>The following performance indicators can be considered in reviewing the performance of the KLCCP Stapled Group:</p> <ul style="list-style-type: none"> <li>(a) distribution yield;</li> <li>(b) NAV;</li> <li>(c) total return; or</li> <li>(d) MER of KLCC REIT.</li> </ul>
Board lot	100 Stapled Securities
Quotation	Main Market

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<sup>1</sup> The Forecast Year 2013 has been prepared assuming that the first financial year is the 12-month period ending 31 December 2013 and assuming that the date of establishment of KLCC REIT is 1 January 2013. The profit forecast may be different to the extent that the establishment date of KLCC REIT is other than 1 January 2013.

## THE COMPANY

The Company was incorporated in Malaysia under the Act as a public limited company under the name KLCC Property Holdings Berhad on 7 February 2004 and was listed on the Main Board of Bursa Securities (presently known as the Main Market of Bursa Securities) on 18 August 2004. As at the LPD, the Company has an authorised share capital of RM5,000,000,000.00 comprising 5,000,000,000 ordinary shares of RM1.00 each of which 934,074,279 Shares have been issued and are fully paid-up. The KLCCP Group is principally involved in property investment, the provision of management services and leasing. As the Company is already listed on Bursa Securities and its information is available publicly, the focus of this Prospectus is on the newly established KLCC REIT and the KLCCP Stapled Group.

## KLCC REIT

KLCC REIT, constituted by the Deed dated 2 April 2013 and registered with the SC on 9 April 2013, is an Islamic REIT formed to invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets. KLCC REIT may invest in Malaysia and overseas. As at the date of this Prospectus, KLCC REIT has a wholly-owned special purpose vehicle, namely, Midciti Sukuk Berhad (Company Number: 1042868-A), incorporated on 17 April 2013 whose principal activity is as a special purpose vehicle to undertake the issuance of Sukuk on behalf of KLCC REIT under the Sukuk Programme (as defined in Section 3.9(a) of this Prospectus). Please refer to Section 3.9 of this Prospectus entitled "REIT Financing" for further details on the Sukuk Programme and the Sukuk.

The salient features of KLCC REIT are set out below:

Name of REIT	KLCC Real Estate Investment Trust
REIT type	Income and growth
Deed	Deed dated 2 April 2013 and registered with the SC on 9 April 2013
Stapling Deed	Stapling Deed dated 2 April 2013
Investment policy	To invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets subject always to the investments limits imposed by the REIT Guidelines and the Islamic REIT Guidelines. KLCC REIT may invest in Malaysia and overseas.
Investment objective	To provide the Unitholders with regular and stable distributions which is supported by KLCC REIT's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure

Investment strategies	<p>The Manager intends to continue with the strategies currently adopted by the Company to increase the income and consequently, the value of the Subject Properties and for continued growth through:</p> <ul style="list-style-type: none"> <li>(a) active asset management strategy; and</li> <li>(b) acquisition growth strategy</li> </ul>
Size of KLCC REIT	1,805,333,083 Units
Authorised Investments	<p>The following investments in which KLCC REIT may invest, subject to the provisions of the REIT Guidelines and the Islamic REIT Guidelines:</p> <ul style="list-style-type: none"> <li>(a) Real Estate;</li> <li>(b) SPVs;</li> <li>(c) Real Estate-Related Assets;</li> <li>(d) Non-Real Estate-Related Assets;</li> <li>(e) cash, Shariah-compliant deposits and Islamic money market instruments; and</li> <li>(f) any other investment not specified in (a) to (e) above but specified as a permissible investment in the REITs Guidelines which are not Non-Permissible Activities or within specified thresholds as provided under the REIT Guidelines and the Islamic REIT Guidelines or as otherwise permitted by the SC</li> </ul>
Authorised investment limit	<p>Set out below are the authorised investment limits:</p> <ul style="list-style-type: none"> <li>(a) at least 50.00% of KLCC REIT's Total Asset Value must be invested in Real Estate Assets;</li> <li>(b) not more than 25.00% of KLCC REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, Shariah-compliant deposits and Islamic money market instruments; and</li> <li>(c) such other limits and investments as may be permitted by the SC or the REIT Guidelines</li> </ul>

Non-Permissible Activities

Rental activities that are classified as non-permissible as decided by the SAC of the SC are set out below:

- (a) financial services based on riba (interest);
- (b) gambling/gaming;
- (c) manufacture or sale of non-halal products or related products;
- (d) conventional insurance;
- (e) entertainment activities that are non-permissible according to the Shariah requirements;
- (f) manufacture or sale of tobacco-based products or related products;
- (g) stockbroking or share trading in Shariah non-compliant securities; and
- (h) hotel and resorts.

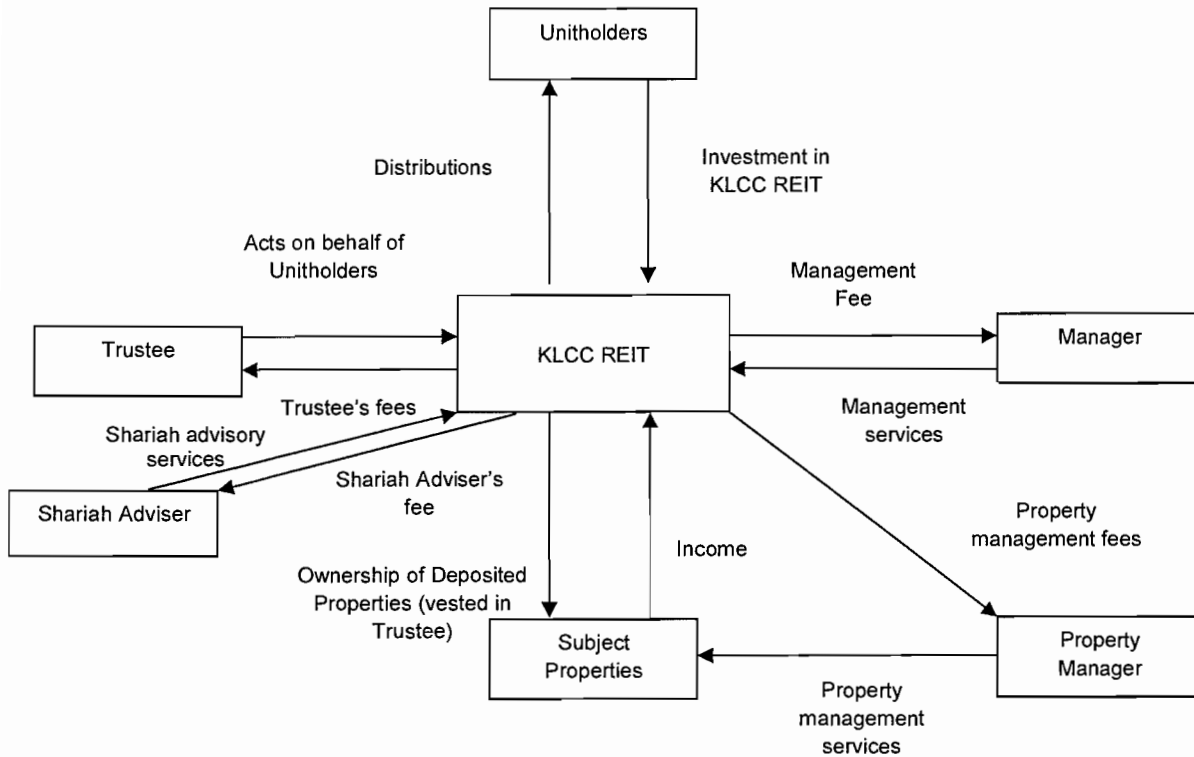
Apart from the activities listed above, the Shariah Adviser can apply Ijtihad for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for KLCC REIT

Redemption policy

Unitholders have no right to request for their Units to be redeemed

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The diagram below illustrates the structure of KLCC REIT and the key relationships amongst KLCC REIT, the Manager, the Trustee, the Shariah Adviser, the Property Manager and its Unitholders:



## OVERVIEW OF THE SUBJECT PROPERTIES

KLCC REIT's initial property portfolio will consist of interests in the following Subject Properties acquired from KLCCP's subsidiaries, pursuant to the SPAs:

- (a) PETRONAS Twin Towers, a two office towers of 88-storey each linked by a sky-bridge and a podium with a total NLA of 3,195,544.00 sq ft. as at 1 October 2012;
- (b) Menara ExxonMobil, a 29-storey office building with a total NLA of 395,851.20 sq. ft. as at 1 October 2012; and
- (c) Menara 3 PETRONAS, a 58-storey commercial building with Retail Podium, a level of retail concourse and 52 levels of Office Tower on top of the Retail Podium with a total NLA of 944,907 sq. ft. as at 1 October 2012,

all located within the KLCC Development.

The following table sets forth certain key information relating to the Subject Properties:

	Subject Properties		
	PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS
<b>Land area as stated in the title</b>	21,740.00 sq. m. (equivalent to approximately 234,007.19 sq. ft.)	3,999.00 sq. m. (equivalent to approximately 43,044.84 sq. ft.)	4,302.00 sq. m. (equivalent to approximately 46,306.30 sq. ft.)
<b>Tenure</b>	Freehold	Freehold	Freehold
<b>Title information</b>	GRN 43697, Lot 169, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	GRN 43685, Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	GRN 43699, Lot 171, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>Encumbrances / material limitations as stated in the title</b>	Nil <sup>(1)</sup>	Land charge registered in favour of Great Eastern Life Assurance (Malaysia) Berhad (Company No. 93745-A) vide presentation no. 3938/2004 on 11 March 2004 <sup>(2)</sup>	Land charge registered in favour of CIMB Islamic Bank Berhad (Company No. 671380-H) vide presentation no. 11993/2009 on 5 May 2009 <sup>(3)</sup>
<b>Restrictions in interest as stated in the title</b>	Nil	Nil	Nil
<b>Express conditions as stated in the title</b>	This land shall be used as a site for commercial building only (Tanah ini hendaklah digunakan untuk tapak bangunan perdagangan sahaja)	This land shall be used as a site for commercial building only (Tanah ini hendaklah digunakan untuk tapak bangunan perdagangan sahaja)	This land shall be used as a commercial building only for the purpose of shopping complex and offices (Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pusat membeli belah dan pejabat sahaja)
<b>Audited net book value as at FY2012 (RM'000)</b>	6,500,000	451,921	1,790,000
<b>Appraised Value as at 1 October 2012 (RM'000)</b>	6,500,000	450,000	1,300,000 (Office Tower) 490,000 (Retail Podium)

	Subject Properties		
	PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS
<b>Purchase consideration<sup>(4)</sup> (RM'000)</b>	6,544,336	454,003	1,824,760
<b>Subject Properties weighting (by Appraised Value) (%)</b>	74.37	5.15	20.48
<b>NLA as at 1 October 2012</b>	296,876.04 sq. m. (equivalent to approximately 3,195,544.00 sq. ft.)	36,775.80 sq. m. (equivalent to approximately 395,851.20 sq. ft.)	75,512.22 sq. m. (equivalent to approximately 812,806.00 sq. ft.) (Office Tower)  12,272.60 sq. m. (equivalent to approximately 132,101.00 sq. ft.) (Retail Podium)
<b>GFA as at 1 October 2012</b>	510,917.79 sq. m. (equivalent to approximately 5,499,468.00 sq. ft.)	74,369.04 sq. m. (equivalent to approximately 800,501.00 sq. ft.)	155,296.30 sq. m. (equivalent to approximately 1,671,596.00 sq. ft.)
<b>Number of tenancies / leases as at 1 October 2012</b>	1	1	1 (Office Tower)  30 (Retail Podium)
<b>Occupancy Rate as at 1 October 2012 (%)</b>	100.00	100.00	100.00 (Office Tower)  93.89 (Retail Podium)
<b>Number of car park bays as at 1 October 2012</b>	3,312 <sup>(5)</sup>	524	193 <sup>(6)</sup>

**Notes:**

- (1) *The PETRONAS Twin Towers Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*
- (2) *The Menara ExxonMobil Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*
- (3) *The Menara 3 PETRONAS (Office Tower) Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*



- (4) *The total purchase consideration for the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities in relation to the relevant Subject Property.*
- (5) *There are a total of 5,053 car park bays. However, only 4,889 car par bays are suitable to be used as the remaining 164 bays are located at the exit of the fire rated doors, safety and security exits and are unsuitable car park bays. The 4,889 car park bays within the North-West Development car park are available for PETRONAS Twin Towers, Suria KLCC and Menara Maxis with the rights of the respective owners of PETRONAS Twin Towers, Suria KLCC and Menara Maxis to use such number of bays in accordance with the Common Facilities Agreement. In accordance with the Common Facilities Agreement, it is noted that the share of car park ownership is according to a "Final Cost Allocation Formula", which translates to the owner of PETRONAS Twin Towers having the right to use 3,312 car park bays.*
- (6) *There are a total of 195 car park bays. However, only 193 car par bays are suitable to be used as car park.*

## **FINANCIAL HIGHLIGHTS**

### **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE KLCCP STAPLED GROUP**

*The following is an extract from Section 4.1.1 of this Prospectus entitled "Pro Forma Consolidated Statement of Financial Position for the KLCCP Stapled Group".*

*The following table presents the Pro Forma Consolidated Statement of Financial Position for the KLCCP Stapled Group prepared for illustrative purposes only, to show the effects of the Pre-Listing Restructuring based on the assumption that such events had been effected on the date of Stapling and are not represented as being necessarily indicative of the Company or the KLCCP Stapled Group of their respective future financial position. The Pro Forma Consolidated Statement of Financial Position of the KLCCP Stapled Group should be read in conjunction with the "Reporting Accountants' Letter on the Pro Forma Consolidated Statement of Financial Position of the KLCCP Stapled Group as at 31 December 2012" in Appendix E and the related notes in this Prospectus.*

*The pro forma consolidated statement of financial position of the KLCCP Stapled Group has been prepared for illustrative purposes using the financial statements of the Company for the year ended 31 December 2012 which was prepared in accordance with the Malaysian FRS and in a manner consistent with both the format of the financial statements and the accounting policies of the Company after taking into consideration the Pre-Listing Restructuring.*

**Pro Forma Consolidated Statement of Financial Position for the KLCCP Stapled Group as at 31 December 2012**

	Unaudited (RM'mil)
<b>ASSETS</b>	
<b>Non-Current Assets</b>	
Property, plant and equipment	598
Investment properties	13,807
Investment in an associate	261
Deferred tax assets	1
	14,667
<b>Current Assets</b>	
Inventories	1
Trade and other receivables	102
Cash and cash equivalents	1,020
	1,123
	15,790
<b>EQUITY AND LIABILITIES</b>	
<b>Equity Attributable to Equity</b>	
<b>Holders of the Company</b>	
Share capital	1,805
Capital redemption reserve	18
Distributable reserve	2,355
	4,178
Non-controlling interest ("NCI") relating to KLCC REIT	7,177
Other NCI	1,677
Total NCI	8,854
<b>Total Equity</b>	13,032
<b>Non-Current Liabilities</b>	
Other long term liabilities	76
Long term financing/borrowings	2,299
Deferred tax liabilities	9
	2,384
<b>Current Liabilities</b>	
Trade and other payables	247
Financing/Borrowings	48
Taxation	79
	374
<b>Total Liabilities</b>	2,758
<b>TOTAL EQUITY AND LIABILITIES</b>	15,790
Net assets per Stapled Security <sup>(1)</sup> (RM):	6.29

**Note:**

- (1) *Net assets per Stapled Security is net assets attributable to equity holders of the Company and NCI relating to KLCC REIT divided by number of Stapled Securities.*

## PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE KLCCP STAPLED GROUP

The following is an extract from Section 4.1.3 of this Prospectus entitled "Pro Forma Consolidated Statements of Comprehensive Income for the KLCCP Stapled Group".

The following table presents the pro forma consolidated statements of comprehensive income of the KLCCP Stapled Group for FY2010, FY2011, FPE 2011 and FY2012. The pro forma consolidated statements of comprehensive income should be read in conjunction with Section 4.1.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for the KLCCP Stapled Group".

The objective of the pro forma consolidated statements of comprehensive income for the KLCCP Stapled Group is to show what the results of operations might have been had the KLCCP Stapled Group existed at an earlier date. However, the pro forma consolidated statements of comprehensive income for the KLCCP Stapled Group is not necessarily indicative of the results of operation that would have been attained had the KLCCP Stapled Group actually existed earlier.

### Pro Forma Consolidated Statements of Comprehensive Income for the KLCCP Stapled Group

The revenue and expenses stated below are directly related to the operations of the Group Properties and should be read together with Section 4.1.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for the KLCCP Stapled Group".

RM'mil	FY2010 (12-mth YE 31 Mar 2010)	FY2011 (12-mth YE 31 Mar 2011)	FPE2011 (9-mth PE 31 Dec 2011)	FY2012 (12-mth YE 31 Dec 2012)
Revenue	881	926	746	1,178
<b>Operating profit</b>	<b>647</b>	<b>675</b>	<b>522</b>	<b>878</b>
Fair value adjustments	758	547	1,140	1,379
Profit Income/Interest income	12	17	16	36
Financing costs	(139)	(127)	(86)	(122)
Share of profit of an associate	16	10	8	24
<b>Profit before tax</b>	<b>1,294</b>	<b>1,122</b>	<b>1,600</b>	<b>2,195</b>
Tax expense	(78)	(85)	(61)	(98)
<b>Profit after tax</b>	<b>1,216</b>	<b>1,037</b>	<b>1,539</b>	<b>2,097</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	369	427	287	650
Non-controlling interests ("NCI") relating to KLCC REIT	652	477	1,102	1,094
Other NCI	195	133	150	353
	<b>1,216</b>	<b>1,037</b>	<b>1,539</b>	<b>2,097</b>
<b>Earnings per Stapled Security</b>				
Basic	56.57	50.06	76.95	96.62
Basic (excluding fair value adjustments)	22.33	23.53	19.16	33.96

## PROFIT FORECASTS FOR THE KLCCP STAPLED GROUP

The following is an extract from Section 4.1.5 of this Prospectus entitled “Profit Forecasts for the KLCCP Stapled Group”.

Statements contained in this “Profit Forecasts for the KLCCP Stapled Group” section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser, the International Financial Adviser or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See the Section on “Forward-looking Statements” and Section 5 of this Prospectus entitled “Risk Factors” for further details. Shareholders of the Stapled Securities are cautioned not to place undue reliance on these forward-looking statements which are made only as at the date of this Prospectus.

***None of KLCC REIT, the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser or the International Financial Adviser guarantees the performance of KLCC REIT and the KLCCP Stapled Group, the repayment of capital or the payment of any distribution, or any particular return of the Stapled Securities. The forecast yields for the KLCCP Stapled Group stated in the following table are calculated based on a price of RM5.66. The distribution yield of the KLCCP Stapled Group is not directly comparable with that of other standalone REITs.***

***Shareholders are cautioned that rental yields on properties within the KLCCP Stapled Group, including the Subject Properties to be held by KLCC REIT, are not equivalent to the yield of the KLCC REIT or Stapled Securities. Current rental receipts and yields may not sustain. The values of properties within the KLCCP Stapled Group, including the Subject Properties to be held by KLCC REIT, may rise as well as fall.***

The following table shows the profit forecasts for the KLCCP Stapled Group for the Forecast Year 2013 and Forecast Year 2014. The financial year end of the KLCCP Stapled Group is 31 December. The Forecast Year 2013 has been prepared assuming that the first financial year is the 12 month period ending 31 December 2013 and assuming that the date of establishment of KLCC REIT and the KLCCP Stapled Group is 1 January 2013. The profit forecasts may be different to the extent that the establishment date of KLCC REIT and the KLCCP Stapled Group is other than 1 January 2013. The profit forecasts are based on the assumptions set out below and have been examined by the Reporting Accountants and should be read together with the “Reporting Accountants’ Letter on the Profit Forecasts for the KLCCP Stapled Group for the Years Ending 31 December 2013 and 2014” set out in Appendix C, as well as the assumptions set out in this section of the Prospectus.

## Profit Forecasts for the KLCCP Stapled Group

	Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
Total Revenue	1,295	1,333
Total operating expenses	(345)	(339)
Operating profit	950	994
Profit Income/Interest income	21	18
Financing costs	(127)	(124)
Fair value adjustment	-	-
Share of profit of an associate	13	15
Profit before tax	857	903
Taxation	(96)	(104)
<b>Profit after tax</b>	<b>761</b>	<b>799</b>
<b>Profit attributable to:</b>		
Equity holders of the Company	225	251
Non controlling interest relating to KLCC REIT	444	449
Other non-controlling interests	92	99
	<b>761</b>	<b>799</b>
<b>Distribution</b>		
<b>Distribution from KLCC REIT</b>		
Distributable income (RM'mil)	363	371
Distribution rate (%)	95%	95%
Distribution (RM'mil)	345	352
<b>Distribution to Stapled Security holders</b>		
Overall Distributable Income <sup>(1)</sup> (RM'mil)	588	622
Distribution rate (%)	95% <sup>(2)</sup>	95%
Distribution (RM'mil)	559	591
Number of Stapled Securities in issue (million)	1,805	1,805
Distribution cover (times)	0.95	0.95
Distribution per Stapled Security (sen)	30.95	32.74
Closing price as at 26 November 2012 (RM)	5.66	5.66
Distribution yield on closing price as at 26 November 2012 (%)	5.47%	5.78%

### Notes:

- (1) Overall Distributable Income to the Stapled Security holders consist of profit attributable to the equity holders of the Company, excluding any fair value adjustments if any; and distributable income of KLCC REIT.
- (2) The distribution policy of 95% for Forecast Year 2013 is only applicable from the date of establishment of the KLCCP Stapled Group.

## **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR KLCC REIT**

*The following is an extract from Section 4.2.1 of this Prospectus entitled “Pro Forma Consolidated Statement of Financial Position for KLCC REIT”.*

*The following table presents the Pro Forma Consolidated Statement of Financial Position for KLCC REIT prepared for illustrative purposes only. It shows the effects on the consolidated statement of financial position of KLCC REIT on its Listing Date had the establishment of KLCC REIT and Acquisitions been effected on 31 December 2012, by application of bases consistent with the accounting policies to be adopted by KLCC REIT. However, the Pro Forma Consolidated Statement of Financial Position for KLCC REIT is not necessarily indicative of its respective future financial position.*

*The Pro Forma Consolidated Statement of Financial Position of KLCC REIT should be read in conjunction with the “Reporting Accountants’ Letter on the Pro Forma Consolidated Statement of Financial Position of KLCC REIT as at the Listing Date” in Appendix F and the related notes in this Prospectus.*

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**Pro Forma Consolidated Statement of Financial Position of KLCC REIT as at the Listing Date**

	<b>Unaudited (RM'mil)</b>
<b>Non-current assets</b>	
Investment properties	8,742
<b>Current assets</b>	
Deferred rental income	47
Cash and bank balances	46
	<u>93</u>
Total Assets	<u><u>8,835</u></u>
<b>Equity:</b>	
Unitholders' capital	7,209
Accumulated losses	(32)
Unitholders' fund	<u>7,177</u>
<b>Non-current liabilities</b>	
Security deposits	16
Term financing	738
Islamic private debt securities	845
	<u>1,599</u>
<b>Current liabilities</b>	
Rental deposits	7
Long term financing	21
Islamic private debt securities	16
Provision for listing expenses	15
	<u>59</u>
Total equity and liabilities	<u><u>8,835</u></u>
NAV <sup>(1)</sup>	7,177
Units in issue ('mil)	1,805
NAV per Unit (RM)	3.98

**Note:**

(1) Net asset value is the value of KLCC REIT's total assets less total liabilities.

## PRO FORMA NET PROPERTY INCOME FOR KLCC REIT

The following is an extract from Section 4.2.3 of this Prospectus entitled "Pro Forma Net Property Income for KLCC REIT".

The following table presents the pro forma net property income of KLCC REIT, for the FY2010, FY2011, FPE2011 and FY2012. The pro forma net property income should be read in conjunction with Section 4.2.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for KLCC REIT".

The objective of the pro forma net property income of KLCC REIT is to show what the results of operations might have been had KLCC REIT been in existence at an earlier date. However, the pro forma net property income of KLCC REIT is not necessarily indicative of the results of the operation that would have been attained had KLCC REIT been in existence earlier.

### Pro Forma Net Property Income for KLCC REIT

The revenue and expenses stated below are directly related to the operations of the Subject Properties and should be read together with Section 4.2.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for KLCC REIT".

RM'mil	FY2010	FY2011	FPE2011	FY2012
<b>Total Revenue</b>	<b>375</b>	<b>375</b>	<b>298</b>	<b>515</b>
Utilities expenses	(6)	(6)	(7)	(12)
Maintenance expenses	(2)	(1)	(1)	(2)
Quit rent and assessment	(2)	(2)	(3)	(2)
Other operating expenses	(4)	(7)	(9)	(10)
<b>Property Operating Expenses</b>	<b>(14)</b>	<b>(16)</b>	<b>(20)</b>	<b>(26)</b>
<b>NPI</b>	<b>361</b>	<b>359</b>	<b>278</b>	<b>489</b>



## PROFIT FORECASTS FOR KLCC REIT

The following is an extract from Section 4.2.5 of this Prospectus entitled "Profit Forecasts for KLCC REIT".

Statements contained in this "Profit Forecasts for KLCC REIT" section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser, the International Financial Adviser or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See the Section on "Forward-looking Statements" and Section 5 "Risk Factors" of this Prospectus for further details. Shareholders of the Stapled Securities are cautioned not to place undue reliance on these forward-looking statements which are made only as at the date of this Prospectus.

***None of KLCC REIT, the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser or the International Financial Adviser guarantees the performance of KLCC REIT and the KLCCP Stapled Group, the repayment of capital or the payment of any distribution, or any particular return of Units or the Stapled Securities.***

***Shareholders are cautioned that rental yield on the Subject Properties to be held by KLCC REIT is not equivalent to the yield of the Units or Stapled Securities. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.***

The following table shows the profit forecasts of KLCC REIT for the Forecast Year 2013 and Forecast Year 2014. The financial year end of KLCC REIT is 31 December. The Forecast Year 2013 has been prepared assuming that the first financial year is the 12 month period ending 31 December 2013 and assuming the date of establishment of KLCC REIT is 1 January 2013. The profit forecasts may be different to the extent that the establishment date of KLCC REIT is other than 1 January 2013. The profit forecasts are based on the assumptions set out below and have been examined by the Reporting Accountants and should be read together with the "Reporting Accountants' Letter on the Profit Forecasts for KLCC REIT for the Years Ending 31 December 2013 and 2014" set out in Appendix D, as well as the assumptions set out in this section of the Prospectus.

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## KLCC REIT Profit Forecasts

	Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
<b>Total Revenue</b>	<b>589</b>	<b>592</b>
Utilities expenses	(12)	(12)
Maintenance expenses	(4)	(4)
Quit rent and assessment	(3)	(3)
Other operating expenses	(8)	(8)
<b>Property Operating Expenses</b>	<b>(27)</b>	<b>(27)</b>
<b>Net Property Income</b>	<b>562</b>	<b>565</b>
Profit Income	7	7
	<b>569</b>	<b>572</b>
Management Fees	(43)	(43)
Trustee's fee	(1)	(1)
Financing costs	(81)	(79)
<b>Profit Before Tax<sup>(1)</sup></b>	<b>444</b>	<b>449</b>
Taxation	-	-
<b>Profit After Tax</b>	<b>444</b>	<b>449</b>
Less: Non-cash items <sup>(2)</sup>	(81)	(78)
<b>Distributable Income</b>	<b>363</b>	<b>371</b>
Number of Units in issue (million)	1,805	1,805
Distribution rate (%)	95	95
<b>Distribution per Unit (sen)</b>	<b>19.11</b>	<b>19.53</b>

### Notes:

- (1) The PBT is after deducting other REIT expenses (including auditor's fee, valuation fee, professional fees, Shariah Adviser's fee, annual listing fee, tax consultant's fees general expenses that are directly related to and necessary for the administration of KLCC REIT and all other expenses related to KLCC REIT as provided for in the Deed). However, as the amount is less than RM500,000.00 in aggregate and thus deemed insignificant, the same has not been disclosed as a separate line entry in the profit forecasts.
- (2) Non-cash items mainly comprise the Accrued Rental Income, fair value adjustments (if any) and others, such as amortisation of transaction costs for financing and accrued financing cost.

## RISK FACTORS

Prospective Shareholders should carefully consider certain risks connected with an investment in the Stapled Securities and the investment portfolio of KLCC REIT, as set out in Section 5 of this Prospectus entitled "Risk Factors". The risks disclosed in this Prospectus are not exhaustive and are primarily on the risks of investing in the Stapled Securities and the risks relating to the investment portfolio of KLCC REIT. Additional risks and uncertainties, whether known or unknown, may in the future have a material and adverse effect on the Stapled Securities and/or investment portfolio of KLCC REIT. Risks on the business and operations of the KLCCP Stapled Group have not been disclosed on the premise that the business and operations of the KLCCP Stapled Group is essentially the business and operations of the KLCCP Group prior to the implementation of the Pre-Listing Restructuring.

- (a) Risks relating to the investment portfolio of KLCC REIT and the Subject Properties being held under a REIT
  - (i) Property investment risk;
  - (ii) Oversupply in the local office sector and cyclical property market conditions;
  - (iii) Dependency on major lease renewals;
  - (iv) The loss of key tenants/lessees of the Subject Properties, a downturn in the businesses of the Subject Properties' key tenants/lessees or any breach by the tenants/lessees of their obligations under their tenancy/lease agreements may have a material adverse effect on the financial conditions and results of operations of KLCC REIT;
  - (v) The Subject Properties may require significant capital expenditure beyond the Manager's current estimate and KLCC REIT may not be able to secure funding;
  - (vi) Transportation infrastructure near the Subject Properties may be redirected, relocated and/or terminated;
  - (vii) Save for PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS, the Subject Properties might be adversely affected if the Manager and the Property Manager do not provide adequate management and maintenance;
  - (viii) KLCC REIT may suffer material losses in excess of takaful/insurance proceeds or KLCC REIT may not put in place or maintain adequate takaful/insurance in relation to the Subject Properties and its potential liabilities to third parties;
  - (ix) The appraised values of the Subject Properties are based on various assumptions which may or may not materialise; the price at which KLCC REIT is able to sell the Subject Properties in future may be lower than the acquisition value of the Subject Properties;
  - (x) KLCC REIT is dependent on third parties for certain services;
  - (xi) The Subject Properties or any part of them may be acquired compulsorily;

- (xii) Unitholders may be unable to recover claims brought against the Manager as the Manager is not an entity with significant assets;
  - (xiii) Performance of the Subject Properties may be adversely affected should the Trustee and Manager subsequently fail to co-operate with one another;
  - (xiv) KLCC REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations; and
  - (xv) The removal of the Manager could have an adverse effect on KLCC REIT's financial condition and results of operations.
- (b) Risks relating to the Stapled Securities
- (i) The structure involving the listing of the KLCCP Stapled Group and the Stapled Securities is novel and there is no precedent for it in the Malaysian capital market. Despite considerable efforts having been made to afford Holders the level of investor protection equivalent to those enjoyed by shareholders of companies or unitholders of REITs listed on the Main Market of Bursa Securities, the application of the relevant investor protection legislation to the Stapled Securities structure is subject to the interpretation of the courts;
  - (ii) Given that the listing of the stapled structure involving KLCC REIT, the Company and the Stapled Securities is novel, the KLCCP Stapled Group may be affected by the introduction of any new legislation, regulations, guidelines or directives affecting it;
  - (iii) The Stapled Securities have never been publicly traded and the listing of the Stapled Securities on the Main Market of Bursa Securities may not result in an active or liquid market for the Stapled Securities;
  - (iv) The market price of the Stapled Securities may decline after the Listing;
  - (v) The KLCCP Stapled Group may not be able to make distributions to Holders at all or the level of distributions may fall;
  - (vi) The performance of the Company and/or KLCC REIT may be affected if either or both over-distribute;
  - (vii) The actual performance of the Company, KLCC REIT and the KLCCP Stapled Group could differ materially from the forward-looking statements in this Prospectus;
  - (viii) The market price of the Stapled Securities may be adversely affected;
  - (ix) Holders of the Stapled Securities who do not or are not able to participate in future equity financing by the Company and KLCC REIT will experience a dilution of their interest in the KLCCP Stapled Group;
  - (x) Cancellation of Units cannot take place without a corresponding reduction in the issued and paid-up share capital of the Company which has to be approved by Shareholders and which is subject to sanction from the High Court of Malaya;

- (xi) The Stapled Securities may be subsequently Unstapled. In the unlikely event that the Stapled Securities are Unstapled, the structure of the KLCCP Stapled Group may be undermined and there may be ramifications and adverse effects to the Holders;
- (xii) There is no assurance that the Stapled Securities will remain listed on Bursa Securities and/or not be suspended from trading;
- (xiii) Foreign investment in Malaysian assets may be subject to further controls;
- (xiv) A stapled structure may be restrictive compared to KLCC REIT being a standalone REIT or the Company being a standalone listed issuer, where each of the Company and KLCC REIT would be able to conduct its respective affairs individually without having to consult one another and/or to ensure that corresponding actions (or inactions) are undertaken by the other; and
- (xv) Reclassification of the Shariah status of the Stapled Securities to be non Shariah-compliant pursuant to periodic review by the SAC of the SC or the Shariah Adviser.

## FEES AND CHARGES

There are no fees or charges payable directly by the Holders of the Stapled Securities as there is no offer for the sale of Stapled Securities. The Company is undertaking the Bonus RPS Issue on the basis of one RPS for one Unit and the subsequent redemption thereof as mechanisms solely for the purpose of distributing the Units to its entitled Shareholders.

However, there are certain fees and charges payable by the KLCC REIT in connection with the establishment and on-going management and operation of KLCC REIT. The following is a summary of such fees and charges payable by KLCC REIT:

	Payable by KLCC REIT	Amount payable
(a)	Management Fee (payable to the Manager)	<p>The Manager will receive the Management Fee in cash. The Manager is entitled under the Deed to the following management fees (exclusive of service tax, if any):</p> <p>(i) Base Fee</p> <p>Up to 1.00% per annum of the Total Asset Value of KLCC REIT (excluding cash and bank balances).</p> <p>For avoidance of doubt, where an investment is held through one or more SPVs, the Total Asset Value shall include the value of all the assets of the relevant SPV, <i>prorated</i>, if applicable, to the proportion of KLCC REIT's interest in the said SPV.</p> <p>The Manager intends to charge a Base Fee of 0.30% for the Forecast Year 2013 and Forecast Year 2014.</p>

	Payable by KLCC REIT	Amount payable
		<p>(ii) Performance Fee</p> <p>Up to 5.00% per annum of KLCC REIT's NPI in the relevant financial year.</p> <p>The Manager intends to charge a Performance Fee of 3.00% for the Forecast Year 2013 and the Forecast Year 2014.</p> <p>Based on the profit forecast, the Management Fee estimated for the Forecast Year 2013 and Forecast Year 2014 amounts to approximately RM43.00 million each, which were computed based on a base fee of 0.30% per annum of the Total Asset Value of KLCC REIT (excluding cash and bank balances) and a performance fee of 3.00% per annum of the NPI of KLCC REIT for both the Forecast Year 2013 and the Forecast Year 2014. For the avoidance of doubt, the Management Fee payable to the Manager will be of no effect to the KLCCP Stapled Group on a consolidated basis as the Manager is a wholly-owned subsidiary of the Company and will be consolidated as part of the KLCCP Stapled Group.</p>
(b)	Trustee's fee (payable to the Trustee)	Up to 0.025% per annum of the NAV of KLCC REIT, subject to a maximum cap of RM600,000.00 per annum.
(c)	Property management fee (payable to the Property Manager)	<p>The Property Manager is entitled to receive RM7,500.00 per month for the Subject Properties.</p> <p>In addition, the Property Manager is also entitled to reimbursement of costs and expenses incurred in the operation, maintenance, administration, advertising, marketing and promotion activities of the Subject Properties, including fees and disbursements for similar permissible expenses payable to its services provider(s).</p>
(d)	Other REIT expenses	<p>These include:</p> <ul style="list-style-type: none"> <li>• auditor's fee;</li> <li>• valuation fee;</li> <li>• professional fees;</li> <li>• Shariah Adviser's fee as set out below: <ul style="list-style-type: none"> <li>(a) payable by the Company: <ul style="list-style-type: none"> <li>(i) an annual retainer fee of RM5,000.00;</li> </ul> </li> </ul> </li> </ul>

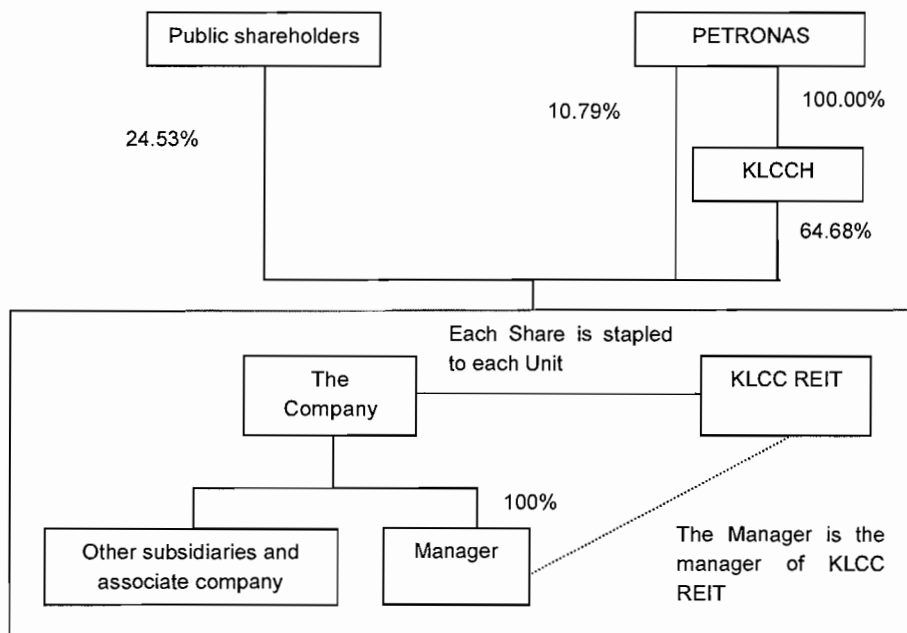
	Payable by KLCC REIT	Amount payable
		<p>(b) payable by KLCC REIT:</p> <p>(i) establishment fee of RM50,000.00 being a one-off fee, payable upon issuance of the Shariah pronouncement for the establishment of KLCC REIT;</p> <p>(ii) an annual retainer fee of RM15,000.00; and</p> <p>(iii) RM10,000.00 payable upon issuance of the Shariah pronouncement for each new investment;</p> <ul style="list-style-type: none"> <li>• annual listing fee;</li> <li>• tax consultant's fees;</li> <li>• general expenses that are directly related to and necessary for the administration of the KLCC REIT; and</li> <li>• all other expenses related to KLCC REIT as provided for in the Deed.</li> </ul>

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## 1. DETAILED INFORMATION ON THE KLCCP STAPLED GROUP

### 1.1 OVERVIEW OF THE KLCCP STAPLED GROUP

The chart below illustrates the structure of the KLCCP Stapled Group upon Listing taking into account completion of the RCULS Conversion, the Midciti Acquisition and the Acquisitions (based on information as at the LPD):



#### Principal activities of the KLCCP Group which includes:

- Property investment
- Leasing of investment property
- Buildings and facilities management
- Carpark operations management
- REIT management (through the Manager)

#### Portfolio under KLCC REIT:

- PETRONAS Twin Towers
- Menara ExxonMobil
- Menara 3 PETRONAS

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## **1.2 KLCCP STAPLED GROUP AND STAPLED SECURITIES**

Upon Listing, the KLCCP Stapled Group comprises:

- (a) the KLCCP Group which is involved in, amongst others, property investment, provision of management services and leasing; and
- (b) KLCC REIT which is involved in income producing property ownership achieved initially by the Acquisitions,

where each of its Stapled Security comprises two components, namely:

- (i) a Share in the Company which is stapled to a Unit in KLCC REIT; and
- (ii) a Unit in KLCC REIT which is stapled to a Share in the Company.

### *Meaning of "Stapled"*

Each Unit issued by the Manager must be attached or "stapled" to a Share, with the Share to be held by the Holder of the Stapled Security (along with the Unit) as the fully legal and beneficial owner, so that one cannot trade without the other. The Stapling Deed characterises this relationship as each Unit being "stapled" to a Share.

### *Number of Units and Shares must be the same*

Under the Deed, the Stapling Deed and the Company's Articles, the number of Shares in issue must, at all times, be equal to the number of Units in issue.

## **1.3 LISTING OF AND QUOTATION FOR THE STAPLED SECURITIES**

For purposes of the Listing Requirements, both the Company and KLCC REIT are "listed issuers" and hence, both the Company and KLCC REIT (via the Manager) are subject to, and need to comply with, the Listing Requirements. In addition, by virtue that KLCC REIT and the Company will be subject to the provisions of the Code, trades in the Stapled Securities will also be subject to the Code. Please refer to Section 13 of this Prospectus entitled "Overview of the Relevant Laws and Regulations in Malaysia Governing the KLCCP Stapled Group" for further details.

The Stapled Securities will be listed and quoted on the Main Market. There will be a single price quotation on the Main Market for the Stapled Securities. No price quotation will be given for the individual components (i.e. the Unit and the Share) of the Stapled Securities. Under the Stapling Deed, each Unit must remain stapled to a Share and the unstapling of the Stapled Securities is prohibited except under certain permitted circumstances as set out in the Stapling Deed (please refer to Section 10.2 of this Prospectus entitled "Stapling Deed" for further details).

For so long as the Stapled Securities are listed on the Main Market, trading on the Main Market shall only take place in the form of Stapled Securities. There will not be any separate price quotation available for the Units and the Shares.

Accordingly, Shareholders can only deal in the Stapled Securities on the Main Market and are not permitted to deal in the individual components of the Stapled Securities.

## 1.4 ADVANTAGES OF THE STAPLED SECURITIES STRUCTURE

1.4.1 Operating under a Stapled Securities structure as compared to the existing corporate structure of the Company will enable the existing Shareholders who will also be the Unitholders post the Stapling (also referred to as the Holders) to benefit from the expected increase in distribution by the KLCCP Stapled Group, which is expected to be contributed from the following:

- (a) additional contribution post Midciti Acquisition, which forms an integral part of the restructuring of the existing KLCCP Group into a Stapled Securities structure;
- (b) commitment to distribute to the Holders at least 90.00% of the Overall Distributable Income of the KLCCP Stapled Group in each financial year. Please refer to Section 1.5.1 of this Prospectus entitled "Distribution policy" for further details; and
- (c) tax profile of a REIT structure, whereby Section 61A of the Income Tax Act stipulates that a REIT shall be exempted from tax provided that at least 90.00% of the total income is distributed to the unitholders in the basis period of the year of assessment.

To illustrate, the dividend declared by the Company for FY2012 amounted to 16.50 sen per Share, representing a dividend yield of approximately 2.92% based on the closing price of RM5.66 on 26 November 2012. As disclosed in the profit forecast for the KLCCP Stapled Group for Forecast Year 2013, distribution per Stapled Security is forecasted to be 30.95 sen per Stapled Security, representing a distribution yield of 5.47% based on the closing price of RM5.66 on 26 November 2012. Please note that the said distribution yield of the KLCCP Stapled Group is not directly comparable with that of other standalone REITs. Please refer to Section 4.1.5 of this Prospectus entitled "Profit Forecasts for the KLCCP Stapled Group" for details of the profit forecast.

1.4.2 Operating under a Stapled Securities structure as compared to a standalone REIT is expected to accord, among others, the benefits set out below:

- (a) to allow existing Shareholders to simultaneously, (i) continue to enjoy growth potential from existing developments and undeveloped property assets of the KLCCP Stapled Group as well as the ROFR to be granted by KLCCH to the Company and the Trustee (as Trustee to KLCC REIT) over its property assets, and (ii) enjoy stable cash flows from KLCC REIT. The ability to enjoy the benefits of both (i) and (ii) above is a unique feature of the Stapled Securities structure versus investing in a standalone REIT that primarily provides stable cash flows;
- (b) the Subject Properties are within the KLCC Development which includes the development of other properties by the Company and its major Shareholder, KLCCH. It is imperative that the same Board and management (rather than a separate set of board and management in the case of a standalone REIT) manage both the development of properties and the Subject Properties within the KLCC Development, to ensure all development and operations are in accordance with the master plan of the KLCC Development precinct. Such alignment will ensure efficient infrastructure build-up without duplication of utilities or support structures. Furthermore, precinct wide tenant mix can also be more effectively strategised while minimising supply imbalances in any particular segment; and

- (c) to allow existing Shareholders to retain full value and ownership of the current property assets portfolio, unlike a standalone REIT structure where the Company, for instance, may be required to monetise its unitholding, via an offer for sale, to satisfy public spread requirements for the standalone REIT. Under such scenario of a standalone REIT, the existing Shareholders' effective holdings in the Subject Properties, together with their respective participation in the long term yield potential of the Subject Properties, may decrease.

Notwithstanding the offer for sale route, the public spread requirements can also be satisfied with a distribution-in-specie of units in a standalone REIT to existing Shareholders of the Company, resulting in the existing Shareholders (who will also be the Unitholders post the exercise of distribution-in-specie) retaining similar value and ownership in two separate listed vehicles (i.e., the Company and KLCC REIT). However, having two standalone listed vehicles with different boards and managements may result in the de-alignment of interest between the Company and KLCC REIT, and may create conflicts of interest between the entities. Such conflicts would be mitigated by adopting the Stapled Securities structure.

## **1.5 POLICIES AND STRATEGIES OF THE KLCCP STAPLED GROUP**

### **1.5.1 Distribution policy**

Distributions from the KLCCP Stapled Group will comprise dividends from the Company and/or distributions from KLCC REIT.

It is the intention of the KLCCP Stapled Group to distribute 95.00%<sup>1</sup> of the Overall Distributable Income for the Forecast Year 2013<sup>2</sup> and Forecast Year 2014, and thereafter at least 90.00% of the KLCCP Stapled Group's Overall Distributable Income. The distributions can be on a quarterly basis or such other intervals.

In relation to KLCC REIT, the Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of KLCC REIT's Distributable Income. It is the intention of the Manager to distribute at least 95.00% of KLCC REIT's Distributable Income for Forecast Year 2013<sup>3</sup> and Forecast Year 2014, and thereafter at least 90.00% of KLCC

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<sup>1</sup> The distribution policy of 95% for Forecast Year 2013 is only applicable from the date of establishment of the KLCCP Stapled Group.

<sup>2</sup> The Forecast Year 2013 has been prepared assuming that the first financial year is the 12-month period ending 31 December 2013 and assuming that the date of establishment of KLCC REIT and the KLCCP Stapled Group is 1 January 2013. The profit forecast may be different to the extent that the establishment date of KLCC REIT and the KLCCP Stapled Group is other than 1 January 2013.

<sup>3</sup> The Forecast Year 2013 has been prepared assuming that the first financial year is the 12-month period ending 31 December 2013 and assuming that the date of establishment of KLCC REIT is 1 January 2013. The profit forecast may be different to the extent that the establishment date of KLCC REIT is other than 1 January 2013.

REIT's Distributable Income. The distributions can be on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion. The actual proportion of Distributable Income to be distributed to Unitholders beyond 31 December 2014, which shall be at the absolute discretion of the Manager, may be greater than 90.00% of its Distributable Income to the extent that the Manager believes it is appropriate, having regard to KLCC REIT's funding requirements, other capital management considerations and the availability of funds. Distributions, when made, will be in Ringgit Malaysia. The first distribution, which will be in respect of the period from the date of establishment of KLCC REIT to 31 December 2013, will be paid by the Manager within two months from the end of the financial period ending 31 December 2013.

Quarterly basis refers to each consecutive three-month period commencing on and ending on the following dates (all dates inclusive) in each FY during the continuance of KLCC REIT or such other interval as the Manager may determine in accordance with the Deed:

- (a) 1 January to 31 March;
- (b) 1 April to 30 June;
- (c) 1 July to 30 September; and
- (d) 1 October to 31 December,

except that the first quarter-year of KLCC REIT shall commence on the date the Deed is registered with the SC and end on 30 June 2013 and the last quarter-year of KLCC REIT shall end on the date KLCC REIT ceases to operate.

#### **1.5.2 Valuation policy**

Independent professional valuation on the Real Estate of the KLCCP Group is currently carried out once every five years with an update valuation carried out annually. However, independent professional valuation on the Deposited Properties of the KLCC REIT will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. The Independent Property Valuer was engaged to carry out valuation of the Subject Properties as at 1 October 2012. The Manager has yet to decide on the exact date for the next valuation for the Subject Properties, but in any event, such valuation will be carried out within three years from 1 October 2012, in accordance with KLCC REIT's valuation policy. Please refer to the Valuation Certificates set out in Appendix A of this Prospectus entitled "Valuation Certificates" for details on the valuation of the Subject Properties as at 1 October 2012. Copies of the full valuation reports will be available for inspection at the registered office of the Manager for a period of 12 months from the date of this Prospectus.

#### **1.5.3 Financing limitations and gearing policy**

KLCC REIT may obtain financing up to 50.00% of the Total Asset Value of KLCC REIT at the time the financing is incurred (or such other limit permitted by the REIT Guidelines and the Islamic REIT Guidelines from time to time). However, KLCC REIT's total financing may exceed this limit with the prior approval of the Unitholders.

Upon Listing, based on:

- (a) KLCC REIT's Pro Forma Statement of Financial Position as at the Listing Date, KLCC REIT is expected to have an initial indebtedness of approximately RM1.60 billion representing approximately 18.34% of its estimated Total Asset Value; and
- (b) the KLCCP Stapled Group's Pro Forma Consolidated Statement of Financial Position as at 31 December 2012, the KLCCP Stapled Group is expected to have an initial indebtedness of approximately RM2.30 billion representing approximately 14.86% of the estimated total asset value of the KLCCP Stapled Group.

Please refer to Section 4.1.1 of this Prospectus entitled "Pro Forma Consolidated Statement of Financial Position for the KLCCP Stapled Group" and Section 4.2.1 of this Prospectus entitled "Pro Forma Statement of Financial Position for KLCC REIT" for further details.

#### **1.5.4 Performance benchmark**

The following performance indicators can be considered in reviewing the performance of the KLCCP Stapled Group:

- (a) **Distribution yield**  
The ratio of the distribution paid to the Holders of the Stapled Securities to the market price of the Stapled Securities.
- (b) **NAV**  
NAV of the Stapled KLCC Group represents the total asset value of the Stapled KLCC Group after subtracting all of KLCCP Stapled Group's liabilities and obligations. The NAV of KLCC REIT represents the Total Asset Value after subtracting all of KLCC REIT's liabilities and obligations.
- (c) **Total return**  
The change in market price of the Stapled Securities over a period of time plus any distributions received during the relevant period.
- (d) **MER of KLCC REIT**  
MER of KLCC REIT is the ratio of expenses incurred in operating KLCC REIT to the NAV of KLCC REIT.

The performance indicators will be used to benchmark the KLCCP Stapled Group against its own historical performance, where applicable. There will be no benchmarking against any domestic peers for the present as the Stapled Securities of the KLCCP Stapled Group will be the first Stapled Securities to be listed and quoted on Bursa Securities.

### **1.5.5 Strategies**

Being a stapled structure, the KLCCP Stapled Group will take a consistent approach on its proposed investments. The Stapled Deed provides, amongst others, that to the extent permitted by the Relevant Laws, Regulations and Guidelines, the Company and the Manager must cooperate with each other on all matters relating to the Stapled Securities including taking a consistent approach on its proposed investments, and keeping each other properly informed of their investment policies and any changes to those policies and carrying out their duties under their respective constitutions with a view to enhance the market value of the Stapled Securities. It is also envisaged that KLCC REIT will consider acquisitions of Real Estate owned or developed by the KLCCP Group which satisfy the requirements under the REIT Guidelines, the Islamic REIT Guidelines and the investment criteria and policy of KLCC REIT.

For the KLCCP Group, it will continue with its short and long term strategies aimed to enhance value to the Shareholders. These strategies include introducing new Real Estates through, amongst others, its property development activities, as well as active asset management activities to a level which will enhance Shareholders' value, carrying out refurbishment to existing Real Assets to yield rental growth, organising events and promotions at its retail properties to establish the retail properties as the preferred retail destination and containing costs whilst improving operational efficiency at its Real Estates. These measures are not very different from the ones which the Manager will adopt, particulars of which are set out in the ensuing paragraphs focused on the strategies of KLCC REIT.

#### **KLCC REIT**

Please refer to Section 1.7.4 of this Prospectus entitled "Strategies" for further details on the strategies of KLCC REIT.

## **1.6 THE COMPANY**

The Company is already listed on Bursa Securities and its information has been made available publicly in its prospectus issued for the KLCCP IPO and its annual reports and announcements to Bursa Securities from time to time. However, certain basic information on the Company is set out in this Section 1.6 of this Prospectus entitled "The Company".

### **1.6.1 Corporate information**

The Company was incorporated in Malaysia under the Act as a public limited company under the name KLCC Property Holdings Berhad on 7 February 2004 and was listed on the Main Board of Bursa Securities (presently known as the Main Market of Bursa Securities) on 18 August 2004. As at the LPD, the Company has an authorised share capital of RM5,000,000,000.00 comprising 5,000,000,000 ordinary shares of RM1.00 each of which 934,074,279 ordinary shares have been issued and fully paid-up. The KLCCP Group is principally involved in property investment, the provision of management services and leasing. Please refer to Section 1.6.4 of this Prospectus entitled "Subsidiaries and associate companies" for further information on the subsidiaries and associate company of the Company.

### 1.6.2 Substantial Shareholders

The substantial Shareholders of the Company and their respective shareholdings in the Company as at the LPD are as follows:

Substantial Shareholders	Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%
KLCCH	296,380	31.73	-	-
PETRONAS	194,817	20.86	296,380 <sup>(1)</sup>	31.73
Employees Provident Fund Board	83,250	8.91	-	-

**Note:**

(1) Deemed to have an interest in the Shares pursuant to Section 6A of the Act by virtue of KLCCH being its wholly-owned subsidiary.

### 1.6.3 Board of directors

The particulars of the Directors of the Company and their respective shareholdings in the Company, as at the LPD, are as follows:-

Name	Designation	Nationality	Direct		Indirect	
			No. of Shares	%	No. of Shares	%
Krishnan C K Menon	Chairman, Independent Non-Executive Director	Malaysian	-	-	-	-
Datuk Manharial A/L Ratilal	Non-Independent Non-Executive Director	Malaysian	5,000	0.00054	-	-
Augustus Ralph Marshall	Independent Non-Executive Director	Malaysian	50,000	0.0054	-	-
Datuk Ishak Bin Imam Abas	Non-Independent Non-Executive Director	Malaysian	-	-	-	-
Dato' Leong Ah Hin @ Leong Swee Kong	Independent Non-Executive Director	Malaysian	50,000	0.0054	-	-

Name	Designation	Nationality	Direct		Indirect	
			No. of Shares	%	No. of Shares	%
Dato' Halipah Binti Esa	Independent Non-Executive Director	Malaysian	-	-	-	-
Pragasa Moorthi A/L Krishnasamy	Independent Non-Executive Director	Malaysian	-	-	-	-
Hashim Bin Wahir	Chief Executive Officer	Malaysian	-	-	-	-

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#### 1.6.4 Subsidiaries and associate company

The details of the Company's subsidiaries and its associate company as at the LPD are set out below:

Name	Date and place of incorporation	Principal activities	Total issued and paid-up share capital (RM)	Effective equity interest held (%)
<b>Subsidiaries</b>				
Suria (Company Number: 208950-T)	4 December 1990 / Malaysia	Ownership and management of a shopping centre and the provision of business management services	341,666,670 ordinary shares	60.00
Asas Klasik Sdn Bhd (Company Number: 211510-H)	22 January 1991 / Malaysia	Property investment which owns and operates a hotel on its parcel of land.	130,000,000 ordinary shares	75.00
AJSB (Company Number: 210100-M)	27 December 1990 / Malaysia	Property investment <sup>(1)</sup>	85,715,000 ordinary shares	100.00
KLCC Parking Management Sdn Bhd (Company Number: 259094-U)	8 March 1993 / Malaysia	Management of car park operations	2,000,000 ordinary shares	100.00
KLCC Urusharta (Company Number: 397735-U)	13 August 1996 / Malaysia	Buildings and facilities management	2,000,000 ordinary shares	100.00

Name	Date and place of incorporation	Principal activities	Total issued and paid-up share capital (RM)	Effective equity interest held (%)
Kompleks Dayabumi Sdn Bhd (Company Number: 258201-T)	18 February 1993 / Malaysia	Property investment	5,000,002 ordinary shares  2,050,000 non-cumulative non-convertible redeemable preference shares of RM1.00 each ("NCNCRPS")	100.00
Midciti (Company Number: 210373-H)	2 January 1991 / Malaysia	Property investment <sup>(2)</sup>	433,292,105 ordinary shares	50.50 <sup>(4)</sup>
Impian Cemerlang Sdn Bhd (Company Number: 212146-U)	4 February 1991 / Malaysia	Property investment	15,033,023 ordinary shares  631,060 NCNCRPS	100.00
AMSB (Company Number: 209443-V)	13 December 1990 / Malaysia	Property investment <sup>(3)</sup>	33,070,717 ordinary shares  2,141,160 NCNCRPS	100.00
KLCC REIT Management Sdn Bhd (Company Number: 1026769-H)	5 December 2012 / Malaysia	REIT management	1,000,000 <sup>(5)</sup> ordinary shares	100.00 <sup>(6)</sup>

Name	Date and place of incorporation	Principal activities	Total issued and paid-up share capital (RM)	Effective equity interest held (%)
<b>Associate company</b> Impian Klasik Sdn. Bhd. (Company Number: 210292-H)	31 December 1990 / Malaysia	Leasing of investment property	130,303,036 ordinary shares	33.00

**Notes:**

- (1) *The company has entered into the Menara ExxonMobil SPA for the sale of Menara ExxonMobil to the KLCC REIT. Please refer to Section 14.3 of this Prospectus entitled "Salient terms of the SPAs" for further details.*
- (2) *The company has entered into the PETRONAS Twin Towers SPA for the sale of PETRONAS Twin Towers to the KLCC REIT. Please refer to Section 14.3 of this Prospectus entitled "Salient terms of the SPAs" for further details.*
- (3) *The company has entered into the Menara 3 PETRONAS SPA for the sale of Menara 3 PETRONAS to the KLCC REIT. Please refer to Section 14.3 of this Prospectus entitled "Salient terms of the SPAs" for further details.*
- (4) *The company has entered into a conditional share sale agreement dated 27 November 2012 with KLCCH to acquire the remaining 49.50% equity interest in Midciti. Please refer to Section 3.2.1 of this Prospectus entitled "Midciti Acquisition" for further details.*
- (5) *The company has become a wholly-owned subsidiary of the Company on 7 December 2012. It increased its issued and paid-up ordinary share capital from RM3.00 to RM1,000,000.00 on 29 March 2013.*

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## 1.7 KLCC REIT

### 1.7.1 Overview of KLCC REIT

An Islamic REIT is essentially a collective investment scheme where funds from investors are pooled and invested towards a specified goal as set out in the investment objective of the fund. It is also a fund that invests using monies raised from investors in a Shariah-compliant portfolio of Real Estate Assets or Real Estate-Related Assets, subject to the authorised investment imposed by the REIT Guidelines and the Islamic REIT Guidelines. These Real Estate Assets generate income from rent collected from tenants/lessees, which is then, net of expenses, distributed to the unitholders at regular intervals. A REIT may be listed or unlisted. The KLCC REIT is unlike the typical REIT. As explained in Section 1.3 of this Prospectus entitled "Listing of and Quotation for the Stapled Securities", no price quotation will be given for the individual components (i.e. the Unit and the Share) of the Stapled Securities. The Stapled Securities will be listed and quoted on the Main Market and there will be a single price quotation on the Main Market for the Stapled Securities. Furthermore, there is no offer for subscription or purchase of the Units by investors. The Units will, instead, be distributed to entitled existing Shareholders of the Company on the proposed basis of one Unit for every one Share held by the Shareholders pursuant to the Bonus RPS Issue by the Company and the subsequent redemption thereof. Please refer to Section 3.2.4 of this Prospectus entitled "Bonus RPS Issue by the Company and the subsequent redemption thereof" for further details.

KLCC REIT has the following investment policy and objective:

(a) **Investment policy**

The principal investment policy of KLCC REIT is to invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets subject always to the investments limits imposed by the REIT Guidelines and the Islamic REIT Guidelines. Please refer to Section 1.7.4.3 of this Prospectus entitled "Authorised investments and investments limits" for further details on the investments limits imposed by the REIT Guidelines and the Islamic REIT Guidelines. KLCC REIT may invest in Malaysia and overseas.

(b) **Investment objective**

The Manager's key objective is to provide the Unitholders with regular and stable distributions which is supported by KLCC REIT's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure.

(c) **Investment strategy**

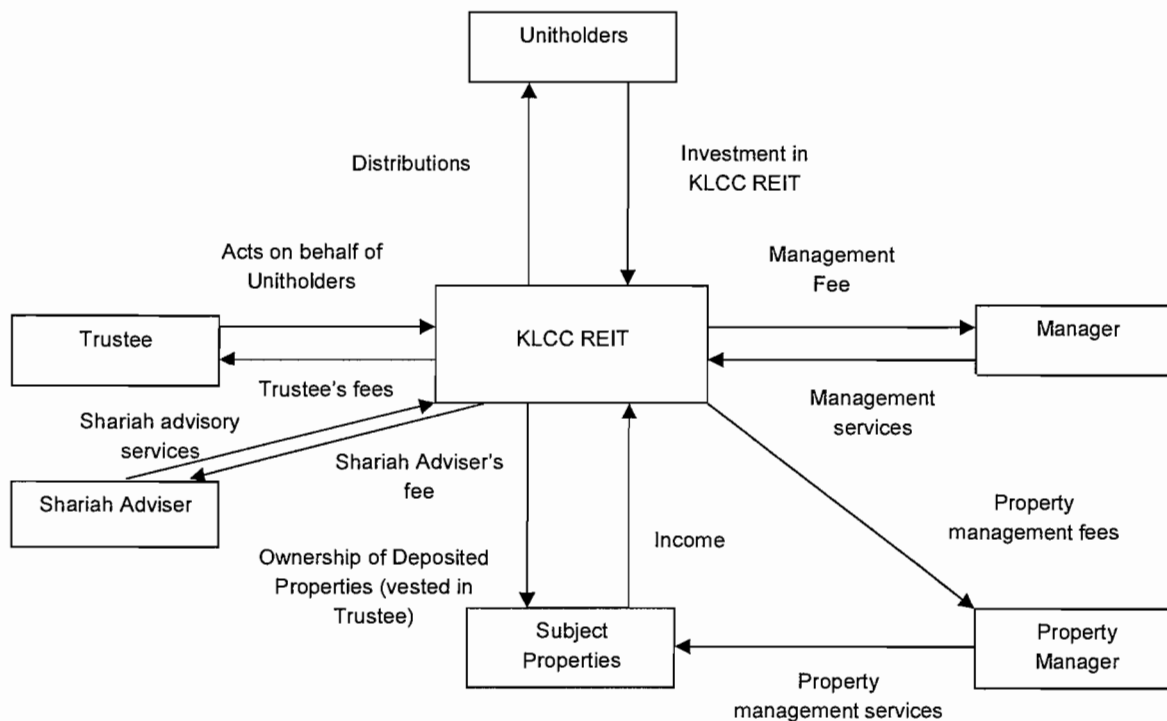
The Manager's principal investment strategy for KLCC REIT is to invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail as well as Real Estate-Related Assets subject always to the investment limits imposed by the REIT Guidelines and the Islamic REIT Guidelines, if any. KLCC REIT may invest in Malaysia and overseas.

KLCC REIT may be also described as a tripartite relationship between the Manager, the Trustee and the Unitholders governed by the Deed which is registered with the SC. The tripartite relationship between the Manager, the Trustee and the Unitholders is illustrated in the structure of the KLCC REIT set out in Section 1.7.2 of this Prospectus entitled "Structure of KLCC REIT" together with a brief description of the said parties involved.

KLCC REIT is constituted by the Deed entered into between the Manager and the Trustee and registered with the SC which sets out the manner in which KLCC REIT is administered, the valuation and pricing of the Units, the keeping of proper accounts and records, the collection and distribution of income, the rights of Unitholders, the duties and responsibilities of the Manager and Trustee with regard to the operations of the KLCC REIT and the protection of the interests of the Unitholders. The salient terms of the Deed is set out in Section 10.1 of this Prospectus entitled "The Deed".

### 1.7.2 Structure of KLCC REIT

The diagram below illustrates the structure of KLCC REIT and the key relationships amongst KLCC REIT, the Manager, the Trustee, the Shariah Adviser, the Property Manager and its Unitholders.



A brief description of the parties involved in the KLCC REIT is as follows:

(a) KLCC REIT:

KLCC REIT has undertaken the Acquisitions of the Subject Properties vide the SPAs which Completion Date of the SPAs will take place no later than the Listing Date. Please refer to Section 3.2.3 of this Prospectus entitled "Acquisitions" and Section 14.3 of this Prospectus entitled "Salient Terms of the SPAs" for further details on the Acquisitions and the SPAs.

(b) the Manager:

The Manager is appointed to manage and administer the KLCC REIT in accordance with the objectives and investment policy of the KLCC REIT. The Manager is obliged to administer the KLCC REIT in accordance with the Deed, the CMSA, the REIT Guidelines and the Islamic REIT Guidelines. Please refer to Section 6 of this Prospectus entitled "The Manager" for further details on the Manager.

(c) the Trustee:

The Trustee is appointed to act as the custodian for all the assets of KLCC REIT on behalf of the Unitholders. The Trustee, therefore, must act to ensure that the Manager adheres strictly to the provisions of the Deed, particularly with regard to the creation of Units, exercise of investment powers of the KLCC REIT, collection and distribution of income, proper record keeping of administration and investment and in upholding Unitholders' interests. Please refer to Section 7 of this Prospectus entitled "The Trustee" for further details on the Trustee.

(d) the Unitholders:

The interest of a Unitholder is an equitable interest of a beneficiary of a trust, subject to the terms of the Deed. Unitholders shall be entitled to receive the distributions of KLCC REIT and such other rights as provided in the Deed. Please refer to Section 10.1 of this Prospectus entitled "The Deed" for details on the salient terms of the Deed.

(e) the Property Manager:

The Property Manager is appointed to manage the Real Estate Assets of KLCC REIT. Please refer to Section 8 of this Prospectus entitled "The Property Manager" for further details on the Property Manager.

(f) the Shariah Adviser:

The Shariah Adviser is appointed to ensure KLCC REIT shall invest in activities and instruments that are allowed under Shariah and shall not invest in activities and instruments that are prohibited under Shariah. Please refer to Section 9 of this Prospectus entitled "The Shariah Adviser" for further details on the Shariah Adviser.

### 1.7.3 Shariah Investment Guidelines

At all times, KLCC REIT shall only invest in Shariah-compliant activities and instruments as advised by the Shariah Adviser or based on the Shariah rulings of the SAC of the SC.

#### Screening process

**(a) In general, the tenants of KLCC REIT are required to only operate permissible activities according to the Shariah.**

The list of Non-Permissible Activities are as follows:

- (i) financial services based on riba (interest);
- (ii) gambling/gaming;
- (iii) manufacture or sale of non-halal products or related products;
- (iv) conventional insurance;
- (v) entertainment activities that are non-permissible according to the Shariah requirements;
- (vi) manufacture or sale of tobacco-based products or related products;
- (vii) stockbroking or share trading in Shariah non-compliant securities; and
- (viii) hotel and resorts.

Apart from the activities listed above, the Shariah Adviser can apply Ijtihad for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for KLCC REIT.

**(b) Acquiring Real Estate with existing tenant(s)**

In acquiring Real Estate with existing tenant(s), Shariah-compliant assessments must be carried out by the Shariah Adviser to assess any property to be acquired by KLCC REIT. The criteria that have to be observed are set out below:

- (i) In general, the tenant(s) of KLCC REIT are required to only operate permissible activities according to the Shariah.
- (ii) However, in the event that the tenant(s) is found to operate Non-Permissible Activities, additional compliance assessments must be performed to ascertain its compliance as prescribed by the Shariah Adviser.
- (iii) In such a case, rental from each Non-Permissible Activity of the property to be acquired must be obtained and added to obtain the total rental from Non-Permissible Activities.
- (iv) Subsequently, the total rental from Non-Permissible Activities will be compared to the total turnover of KLCC REIT (latest financial year) of which the percentage of rental from Non-Permissible Activities should not exceed 20.00% of its total turnover for the same financial year.

- (v) In the event that the percentage exceeds 20.00%, the Shariah Adviser shall advise the Manager not to invest in the said Real Estate.
- (vi) KLCC REIT is also not permitted to own Real Estate in which all the tenants operate Non-Permissible Activities, even if the percentage of rental from that building to the total turnover of KLCC REIT is still below the benchmark of 20.00%.

**(c) Renting out Real Estate to a new tenant(s)**

- (i) In general, KLCC REIT must not accept a new tenant(s) whose activities are fully non-permissible.
- (ii) However, in the event that the tenants are found to be operating mixed activities (non-permissible and permissible activities), the method for calculating the portion of rental is as follows:
  - (1) calculation of the rental of Non-Permissible Activities from a tenant(s) operating mixed activities can be based on the ratio of area occupied for Non-Permissible Activities to the total area occupied. The percentage will be used as the basis for determining the ratio of rental of Non-Permissible Activities to total rental paid by the tenant(s); and
  - (2) for activities that do not involve the usage of space, such as service-based activities, the calculation method will be based on the Ijtihad of the Shariah Adviser.

**Investment, deposit and financing**

KLCC REIT is required to ensure that all forms of investment, deposit and financing instruments comply with Shariah, as advised by the Shariah Adviser or based on the Shariah rulings of the SAC of the SC.

**Takaful**

KLCC REIT is required to use the Takaful schemes to insure its Real Estate. In the event that the Takaful schemes are unable to provide the insurance coverage, then KLCC REIT may use the conventional insurance scheme, subject to consultation with the Shariah Adviser.

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#### **1.7.4 Strategies**

The Manager's principal investment strategy is to invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail as well as Real Estate-Related Assets subject always to the investment limits imposed by the REIT Guidelines and the Islamic REIT Guidelines, if any. KLCC REIT may invest in Malaysia and overseas. Upon Listing, KLCC REIT will own a portfolio made up by the Subject Properties, all located within the KLCC Development. Specifically, the Manager intends to continue with the following strategies currently adopted by the Company to increase the income and consequently, the value of the Subject Properties and for continued growth:

- (a) active asset management strategy; and
- (b) acquisition growth strategy.

##### **1.7.4.1 Active asset management strategy**

The Manager will continue to optimise the rental and Occupancy Rates and the NLA of the Subject Properties in order to improve the returns from KLCC REIT's property portfolio. This shall be achieved by, inter alia:

- (a) continuing to improve rental rates while maintaining high Occupancy Rates of at least 90.00%. The Manager intends to achieve this by working closely with the Property Manager through:
  - (i) entering into long term leases with quality lessees (i.e. leases with the same tenant covering a lease period in excess of 10 years, and with reputable financial standing and business track record as in the case of PETRONAS and ExxonMobil). The Subject Properties (other than the Retail Podium of Menara 3 PETRONAS) are each leased on a long term lease to a single lessee, such as PETRONAS who has been granted a 15-year lease each in respect of PETRONAS Twin Towers and Office Tower of Menara 3 PETRONAS. In relation to the Retail Podium of Menara 3 PETRONAS, the retail units are tenanted to international and domestic tenants carrying, inter alia, high-end fashion brands;
  - (ii) identifying tenancies that are about to expire with the goal of realising positive rental increases;
  - (iii) engaging in continuous improvement of the tenant and zoning mix in order to drive shopper traffic in relation to the Retail Podium of Menara 3 PETRONAS;
  - (iv) actively marketing current and impending vacancies for non triple net lease assets to manage void periods;
  - (v) actively monitoring rental arrears to manage defaults by tenants and other aspects of tenant performance; and
  - (vi) searching for new tenants from sectors under-represented in the Retail Podium of Menara 3 PETRONAS to achieve an optimal tenant mix.

- (b) minimising Property Operating Expenses without compromising the quality of services to tenants and the integrity of the Subject Properties. The Manager believes that opportunities still exist to introduce new initiatives aimed at improving operational efficiency and reducing operating costs without any compromise to the services to tenants or the integrity of the asset, quality so as to further increase the NPI. Such initiatives shall include:
- (i) actively reviewing the Subject Properties' overall energy needs, consumption and the operational efficiency of equipment; and
  - (ii) working closely with the Property Manager to reduce and maintain the Property Operating Expenses at an efficient level. Some of the methods to be employed are the promotion of energy efficiency through green energy and better management of energy consumption;
- (c) mitigating risk by entering into triple net leases. A "triple net lease" is a lease where the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful/insurance and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessments. Entry into triple net leases is one of the ways to mitigate the risk of uncertainty vis-a-vis the Property Operating Expenses that will be generated by these properties. The Property Operating Expenses may be affected by a number of factors including the age, upkeep and upgrading of the properties, and changes to the maintenance and service charges, utilities tariff, marketing and distribution expenses, quit rent and assessment levied by local government and relevant authorities and takaful contribution/insurance premium. The single leases granted in respect of each of PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS are triple net leases;
- (d) maximising NLA by having shared facilities. For example, the supply of chilled water for the air-conditioning at the Subject Properties is produced by a central plant, namely, the gas district cooling co-generation plant located within the KLCC Development. By having a central supply of chilled water, the Subject Properties are able to maximise their respective NLA as there would be no need to provide for space to house the equipment for their respective cooling needs nor would there be a need to maintain individual cooling towers; and
- (e) ensuring continuous high traffic. The Manager intends to ensure a continuous high level of traffic to the Subject Properties. The Manager believes that continuous high traffic will help drive demand for lettable area from existing and potential new tenants, thus resulting in higher rental rates and continued high Occupancy Rates of at least 90.00%. This is especially pertinent in relation to the Retail Podium of Menara 3 PETRONAS. The Manager, working closely with the Property Manager, aims to do this via:
- (i) continuing to seek out promotional partnerships as a future incentive in attracting both domestic and international shoppers. This may include partnerships with the local tourism board and high end fashion brands or

- participating in cultural programmes organised by the local government and initiatives taken by the local tourism board;
- (ii) improving exterior signage, lighting and other physical aspects in order to continuously enhance the overall aesthetics; and
- (iii) improving surrounding infrastructure and amenities attached to the Subject Properties in order to ease access.

#### **1.7.4.2 Acquisition growth strategy**

The Manager, on behalf of KLCC REIT, will seek to acquire Real Estate that fit with KLCC REIT's investment policy and investment strategy to enhance the returns to Holders and capitalise on opportunities for future income and NAV growth. The Manager has the following avenues for sourcing for and acquiring properties, whether directly or indirectly (through a SPV):

- (a) acquisitions from the KLCCP Group

The KLCCP Group owns various Real Estates and undertakes Real Estate development from time to time. In this respect, KLCC REIT will consider acquisitions of such Real Estate owned or developed by the KLCCP Group which satisfy the requirements under the REIT Guidelines, the Islamic REIT Guidelines and the investment criteria and policy of KLCC REIT;

- (b) ROFR granted by KLCCH to, inter alia, the Trustee (as trustee of KLCC REIT)

The Manager expects KLCC REIT to benefit from the ROFR granted by KLCCH, which will allow the Trustee a ROFR to acquire existing and future Relevant Asset (as defined in Section 11.2.2(a) of this Prospectus) of KLCCH or any KLCCH Entity (as defined in Section 11.2.2(a) of this Prospectus) with a retail and/or office component. The KLCCH Group is currently undertaking various proposed developments within the KLCC Development as well as outside the KLCC Development through its subsidiaries. Please refer to Section 11.2.2(a) of this Prospectus entitled "ROFR granted to the KLCCP Stapled Group" for further details on the ROFR.

- (c) acquisitions from third parties

In addition, the Manager will also explore acquisition opportunities from third parties if such opportunities fit with the investment criteria and investment objectives of KLCC REIT.

The Manager believes that KLCC REIT has the following characteristics that will enable it to pursue acquisition opportunities:

- (a) investment criteria

In evaluating acquisition opportunities for KLCC REIT, the Manager will consider the following investment criteria for properties under consideration:

- (i) location – Properties in prime or strategic areas characterised by available infrastructure facilities, easy accessibility to the public, and strong catchment;
- (ii) tenancy composition – Properties which have the right tenant mix of established and reputable tenants and are able to provide continuous and stable rental income streams;

- (iii) tenancy expiry profile – Properties with tenancy terms that will balance and diversify the tenancy expiry profile of the portfolio of KLCC REIT;
- (iv) building specification – Properties with quality specifications similar to those of the Subject Properties. For further details on the Subject Properties, please refer to Section 2.2 of this Prospectus entitled “Acquisitions by KLCC REIT”. These specifications will depend on the type of property and may change over time due to market developments and tenant demands; and
- (v) asset enhancement potential – Properties for which there is potential to add value by increasing occupancy or increasing lettable area, through selective capital expenditure and/or other asset enhancement initiatives.

The Manager will focus on acquisitions that are immediately yield accretive. However, the Manager will also consider opportunities that are not immediately yield accretive that will still add value for Holders over the long term on the basis of the above factors.

#### **1.7.4.3 Authorised investments and investments limits**

The list of Authorised Investments of KLCC REIT is as follows:

- (a) Real Estate;
- (b) SPVs;
- (c) Real Estate-Related Assets;
- (d) Non-Real Estate-Related Assets;
- (e) cash, Shariah-compliant deposits and Islamic money market instruments; and
- (f) any other investment not specified in (a) to (e) above but specified as a permissible investment in the REIT Guidelines which are not Non-Permissible Activities or within specified thresholds as provided under the REIT Guidelines and the Islamic REIT Guidelines or as otherwise permitted by the SC.

The investments of KLCC REIT are subject to the following investment limits imposed by the REIT Guidelines:

- (a) at least 50.00% of KLCC REIT's Total Asset Value must be invested in Real Estate Assets at all times;
- (b) not more than 25.00% of KLCC REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, Shariah-compliant deposits and Islamic money market instruments,

provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:

- (i) the value of KLCC REIT's investments in securities issued by any single issuer must not exceed 5.00% of KLCC REIT's Total Asset Value;
- (ii) the value of KLCC REIT's investments in securities issued by any group of companies must not exceed 10.00% of KLCC REIT's Total Asset Value; and

- (iii) KLCC REIT's investment in any class of securities must not exceed 10.00% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the SC or the REIT Guidelines.

#### **1.7.5 Intellectual property**

KLCC REIT does not own any registered intellectual property rights. The Trustee and the Manager has been granted a non-exclusive and non-transferable licence to use the trademark "KLCC" by the Company. Pursuant to a Licence Agreement dated 10 April 2013 ("**Licence Agreement**") entered into amongst the Trustee, the Manager and the Company, the Company has the option to terminate the Licence Agreement upon the occurrence of the following events:

- (a) the Company ceasing, directly or indirectly, to be the holding company of the Manager;
- (b) the Shares in the Company ceasing to be Stapled to the Units of KLCC REIT;
- (c) the Manager ceasing to be the management company of KLCC REIT;
- (d) the Company ceasing to have the right to use the trademark; or
- (e) the termination, winding up or dissolution of KLCC REIT or any of the parties.

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## **2. BUSINESS OF KLCC REIT AND THE SUBJECT PROPERTIES**

*Unless otherwise specified, all information relating to the Subject Properties in this Prospectus are as at 1 October 2012.*

### **2.1 THE BUSINESS OF KLCC REIT**

KLCC REIT is a REIT established with the principal investment policy of investing, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets. KLCC REIT may invest in Malaysia and overseas. Initially, upon Listing, KLCC REIT's portfolio will comprise of the Subject Properties acquired by the Trustee on behalf of KLCC REIT from the Vendors who are wholly-owned subsidiaries of the Company and which investment has been carried out in accordance with the ruling issued by the Shariah Adviser. Details of the Acquisitions are set out in Section 2.2 of this Prospectus entitled "Acquisitions by KLCC REIT".

### **2.2 ACQUISITIONS BY KLCC REIT**

On 10 April 2013, the Trustee had, on behalf of KLCC REIT, entered into the SPAs with the Vendors for the acquisition of the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities for a total purchase consideration of RM8,823,099,125.00 to be satisfied by:

- (a) the issuance of the Consideration Units; and
- (b) the adoption and acceptance by the Trustee (or a subsidiary of KLCC REIT) or in any other manner howsoever procuring the discharge of all remaining and outstanding debt obligations and liabilities of the respective Vendors pursuant to the terms and conditions of the respective SPAs. The value of the said debt obligations or liabilities is based on its net book value computed up to 30 April 2013.

There was no arrangement for settlement of consideration on a deferred basis.

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The details of the total consideration for each of the Subject Properties together with their respective Associated Rights and Benefits and Related Assets and Liabilities are set out below:

Subject Properties	Vendors	Total consideration RM'000	Satisfied via	
			Number of Units <sup>(3)</sup> '000	Assumption of Vendors' debt obligations/liabilities <sup>(4)</sup> RM'000
PETRONAS Twin Towers*	Midciti	6,500,000 <sup>(2)</sup>		
PETRONAS Twin Towers Related Assets and Liabilities <sup>(1)</sup>		44,336		
<b>Subtotal</b>		<b>6,544,336</b>	<b>1,421,263</b>	<b>857,541</b>
Menara ExxonMobil*	AJSB	450,000 <sup>(2)</sup>		
Menara ExxonMobil Related Assets and Liabilities <sup>(1)</sup>		4,003		
<b>Subtotal</b>		<b>454,003</b>	<b>93,878</b>	<b>78,376</b>
Menara 3 PETRONAS*	AMSB	1,790,000 <sup>(2)</sup>		
Menara 3 PETRONAS Related Assets and Liabilities <sup>(1)</sup>		34,760		
<b>Subtotal</b>		<b>1,824,760</b>	<b>290,192</b>	<b>663,634</b>
<b>Total Consideration</b>		<b>8,823,099</b>	<b>1,805,333</b>	<b>1,599,551</b>

**Notes:**

- \* This includes the Associated Rights and Benefits in respect of the relevant Subject Property.
- (1) Based on the net book value computed up to 30 April 2013. For the avoidance of doubt, the Related Assets and Liabilities refers to the net amount to be borne by the Trustee arising from the acquisition of the Subject Properties subject to the respective lease which amount would include (a) the related assets including (i) Accrued Rental Income and/or any other sums of money to be received by the Trustee under the leases to be novated, and (ii) such cash amount as may be reserved by the Vendors and to be paid to the Trustee to settle any financing costs due on the debt obligations or liabilities of the respective Vendors, at the time of discharge of the Vendor's obligations/liabilities or, at or about the time of completion of the transfer of the Subject Properties into KLCC REIT, and net of, (b) the related liabilities to be borne by the Trustee arising from the acquisition of the Subject Properties subject to the

*respective lease which amount would include the liabilities of the Trustee to refund any deposits or other moneys paid by lessees under the respective lease.*

- (2) *The market values of the Subject Properties as appraised by the Independent Property Valuer for the Subject Properties as at 1 October 2012.*

*The consideration for the Subject Properties, when added with the Accrued Rental Income (which forms part of the Related Assets and Liabilities acquired) amounting to RM41.5 million, RM3.6 million and RM30.9 million for the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS respectively, would result in the total consideration for the Acquisitions being at a premium to the market value of the Subject Properties. However, in view of the stapled nature of the Stapled Securities, there is no adverse impact at the KLCCP Stapled Group level.*

- (3) *At an issue price of approximately RM4.00 per Unit.*
- (4) *Based on the net book value computed up to 30 April 2013.*

### **2.3 OVERVIEW OF THE SUBJECT PROPERTIES**

KLCC REIT's initial property portfolio will consist of the Subject Properties, namely:

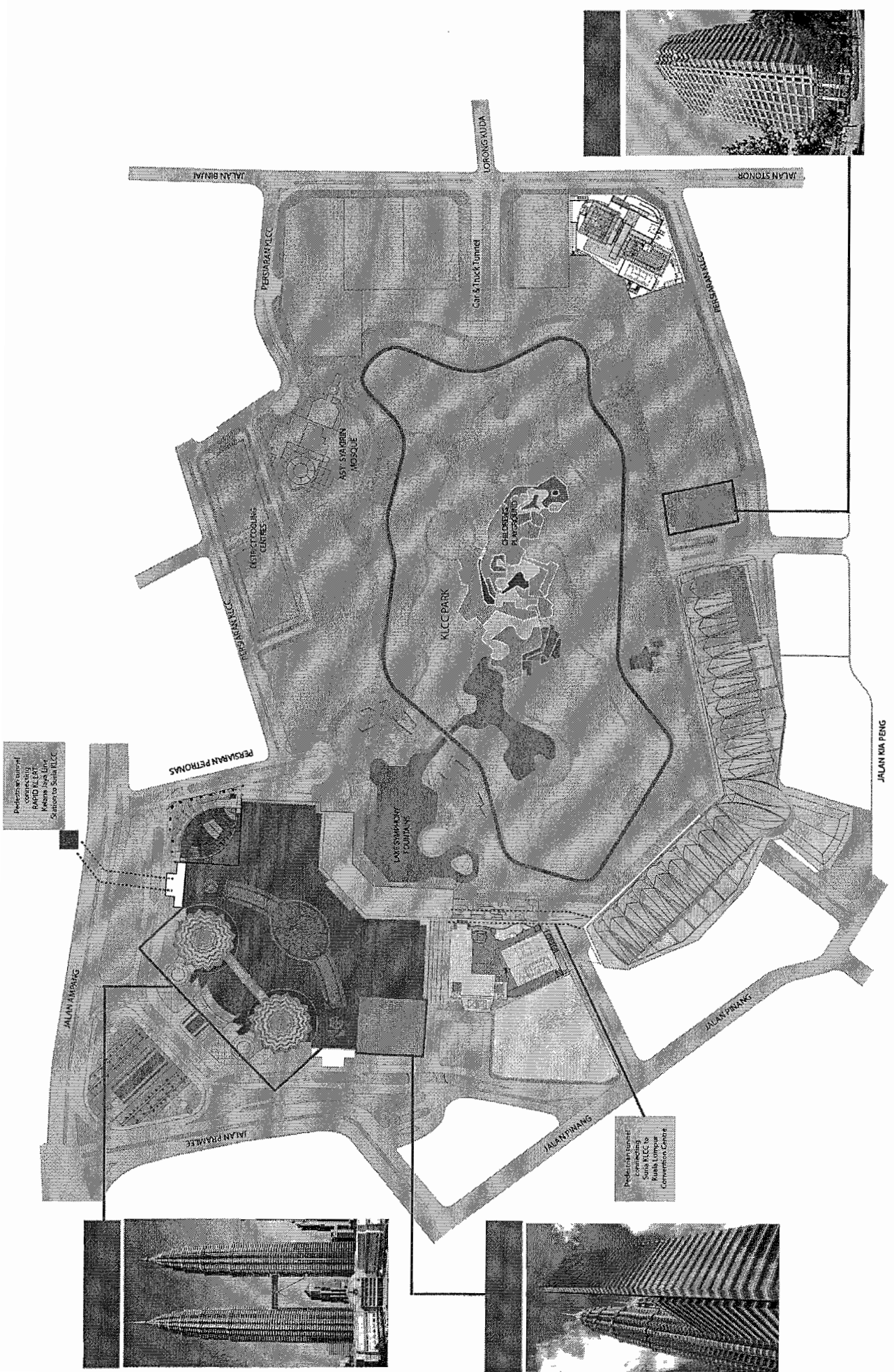
- (a) PETRONAS Twin Towers;
- (b) Menara ExxonMobil; and
- (c) Menara 3 PETRONAS.

The Subject Properties have a combined NLA of over 4.54 million sq. ft. The Subject Properties are located within the 40-hectare KLCC Development which has a GFA of approximately 18.34 million sq. ft. which was subsequently revised to 25.71 million sq. ft. based on the latest approved revised master layout plan dated 8 October 2012 in relation to KLCC Development. The Subject Properties are at the heart of a site strategically located, within the Golden Triangle of Kuala Lumpur, a site born of a vision to create a place where people can work, live, visit, shop and enjoy the leisure and cultural activities in a convenient and pleasant environment. The Subject Properties have benefited and will continue to benefit much from the KLCC Development, an integrated mixed-use development, which comprises commercial, retail, hotel, residential, entertainment convention and exhibition facilities within a park setting.

Accessibility is essential for the KLCC Development. A planned comprehensive set of traffic improvement measures have been implemented including improvements to the intersections, road widening and the introduction of better public transportation. These measures have improved the traffic flow from KLCC (including the Subject Properties) to the main arterial roads and highways instead of the mediate road networks. Public transportation has also featured prominently in the KLCC Development and the Subject Properties have benefitted from the provisions made for bus terminals and taxi stands and the direct linking of the KLCC Station for the PUTRA LRT System via an underground pedestrian tunnel to the concourse level of Suria KLCC, the shopping mall to which PETRONAS Twin Towers and Menara 3 PETRONAS are annexed to and which is just a stone throw from Menara ExxonMobil.

The approximate location of each of the Subject Properties is shown in the map below.





Summary details of the Subject Properties are set out in the table below.

	Subject Properties		
	PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS
<b>Land area as stated in the title</b>	21,740.00 sq. m. (equivalent to approximately 234,007.19 sq. ft.)	3,999.00 sq. m. (equivalent to approximately 43,044.84 sq. ft.)	4,302.00 sq. m. (equivalent to approximately 46,306.30 sq. ft.)
<b>Tenure</b>	Freehold	Freehold	Freehold
<b>Title information</b>	GRN 43697, Lot 169, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	GRN 43685, Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	GRN 43699, Lot 171, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>Encumbrances / material limitations as stated in the title</b>	Nil <sup>(1)</sup>	Land charge registered in favour of Great Eastern Life Assurance (Malaysia) Berhad (Company No. 93745-A) vide presentation no. 3938/2004 on 11 March 2004 <sup>(2)</sup>	Land charge registered in favour of CIMB Islamic Bank Berhad (Company No. 671380-H) vide presentation no. 11993/2009 on 5 May 2009 <sup>(3)</sup>
<b>Restrictions in interest as stated in the title</b>	Nil	Nil	Nil
<b>Express conditions as stated in the title</b>	This land shall be used as a site for commercial building only ( <i>Tanah ini hendaklah digunakan untuk tapak bangunan perdagangan sahaja</i> )	This land shall be used as a site for commercial building only ( <i>Tanah ini hendaklah digunakan untuk tapak bangunan perdagangan sahaja.</i> )	This land shall be used as a commercial building only for the purpose of shopping complex and offices ( <i>Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pusat membeli belah dan pejabat sahaja.</i> )
<b>Audited net book value as at FY2012 (RM'000)</b>	6,500,000	451,921	1,790,000
<b>Appraised Value as at 1 October 2012 (RM'000)</b>	6,500,000	450,000	1,300,000 (Office Tower) 490,000 (Retail Podium)
<b>Purchase consideration<sup>(4)</sup> (RM'000)</b>	6,544,336	454,003	1,824,760

	Subject Properties		
	PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS
<b>Subject Properties weighting (by Appraised Value) (%)</b>	74.37	5.15	20.48
<b>NLA as at 1 October 2012</b>	296,876.04 sq. m. (equivalent to approximately 3,195,544.00 sq. ft.)	36,775.80 sq. m. (equivalent to approximately 395,851.20 sq. ft.)	75,512.22 sq. m. (equivalent to approximately 812,806.00 sq. ft.)(Office Tower)  12,272.60 sq. m. (equivalent to approximately 132,101.00 sq. ft.) (Retail Podium)
<b>GFA as at 1 October 2012</b>	510,917.79 sq. m. (equivalent to approximately 5,499,468.00 sq. ft.)	74,369.04 sq. m. (equivalent to approximately 800,501.00 sq. ft.)	155,296.30 sq. m. (equivalent to approximately 1,671,596.00 sq. ft.)
<b>Number of tenancies / leases as at 1 October 2012</b>	1	1	1 (Office Tower)  30 (Retail Podium)
<b>Occupancy Rate as at 1 October 2012 (%)</b>	100.00	100.00	100.00 (Office Tower)  93.89 (Retail Podium)
<b>Number of car park bays as at 1 October 2012</b>	3,312 <sup>(5)</sup>	524	193 <sup>(6)</sup>

**Notes:**

- (1) *The PETRONAS Twin Towers Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*
- (2) *The Menara ExxonMobil Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*
- (3) *The Menara 3 PETRONAS (Office Tower) Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*
- (4) *The total purchase consideration for the Subject Property together with the Associated Rights and Benefits and the Related Assets and Liabilities in relation to the relevant Subject Property.*

- (5) *There are a total of 5,053 car park bays. However, only 4,889 car par bays are suitable to be used as the remaining 164 bays are located at the exit of the fire rated doors, safety and security exits and are unsuitable car park bays. The 4,889 car park bays within the North-West Development car park are available for PETRONAS Twin Towers, Suria KLCC and Menara Maxis with the rights of the respective owners of PETRONAS Twin Towers, Suria KLCC and Menara Maxis to use such number of bays in accordance with the Common Facilities Agreement. In accordance with the Common Facilities Agreement, it is noted that the share of car park ownership is according to a "Final Cost Allocation Formula", which translates to the owner of PETRONAS Twin Towers having the right to use 3,312 car park bays.*
- (6) *There are a total of 195 car park bays. However, only 193 car par bays are suitable to be used as car park.*

### **PETRONAS Twin Towers**

PETRONAS Twin Towers is a two office towers of 88-storey each (namely, Tower 1 and Tower 2) linked by a sky-bridge on levels 41 and 42 and a podium. At the podium levels, PETRONAS Twin Towers has the following attractions:

- a 864-seat concert hall known as Dewan Filharmonik PETRONAS;
- PETROSAINS which is an interactive petroleum discovery centre;
- a reference library on energy, petroleum, petro-chemical and related industries;
- the PETRONAS art gallery;
- the PETRONAS in-house sports and cultural centre; and
- the PETRONAS gift shop.

There are four levels of car park with about 4,889 car parks (shared with visitors, tenants and guests of Suria KLCC and Menara Maxis).

PETRONAS Twin Towers is an "intelligent" office development. It is designed to provide tenants and occupants with a flexible operating requirement / environment and to accommodate technical changes in telecommunications systems. There is an optical fibre backbone wiring system which facilitates high quality communications.

PETRONAS Twin Towers has been installed with a computerised building management system. The air-conditioning for the building utilises chilled water supplied by the District Cooling Centre, which uses natural gas to produce chilled water for air-conditioning for the entire KLCC Development. The air-conditioning system on each floor is individually monitored and managed by a direct, digitally controlled air-conditioning system linked to the computerised control centre of the building management system so as to provide comfort for internal environment and safety for equipment operation. Sensors directly linked to the ventilation and air-conditioning systems, supply information to the computer which maintains the temperature and humidity of the relevant areas at desired levels. Standby generators ensure uninterrupted power supply for all lift and safety systems.

PETRONAS Twin Towers is located within the boundary of MSC Malaysia Cybercity and Tower 2 of PETRONAS Twin Towers is a "designated premise" of the MSC Malaysia Cybercity.

### **Menara ExxonMobil**

Menara ExxonMobil is a 29-storey office building which houses the ExxonMobil group of companies in Malaysia.

The rectangular-shaped building has a central service core and a virtually column free interior. For aesthetic reasons, the north and south elevations are set back at level 5, while the north elevation facing the public park is further set back at levels 22 and 26.

Rising 126 metres above street-level, Menara ExxonMobil has three levels of basement which accommodate car parks and M&E areas. The ground floor provides the main entrance to the building with areas allotted for, amongst others, the following facilities:

- main lobby and reception area;
- office space and owner's administration office;
- surau;
- control rooms and M & E areas; and
- loading dock, refuse and bin areas.

The first to the fifth floors, together with the basement, provide the 524 parking bays and M&E areas. The sixth floor is used for recreational facilities including two squash courts, a gymnasium, rooms for indoor games and a cafeteria whilst the roof top accommodates M&E areas.

### **Menara 3 PETRONAS**

Menara 3 PETRONAS is a 58-storey commercial building with six levels of Retail Podium, a level of retail concourse and 52 levels of Office Tower on top of the Retail Podium. It has four levels of basement car park with 195 parking bays.

Menara 3 PETRONAS stands at 267 metres above street level. At the Retail Podium, it features exclusive retail space which has seamless link with Suria KLCC.

For Menara 3 PETRONAS, an application has been submitted for (a) the expansion of the boundary of MSC Malaysia Cybercity and (b) the inclusion of Menara 3 PETRONAS as a "designated premise" in the MSC Malaysia Cybercity, and which application is in progress. MSC-status is the recognition by the Malaysian Government through Multimedia Development Corporation for companies that participate and undertake its Information and Communications Technology activities in the MSC.

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### 2.3.1 Total Revenue, Gross Rental Income and NPI

The Total Revenue, Gross Rental Income and NPI of each of the Subject Properties for each of FY2010, FY2011, FPE2011, FY2012, Forecast Year 2013 and Forecast Year 2014 are set out below.

		Subject Properties							Total
		PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS			Sub-Total		
				Retail Podium	Office Tower				
	FY2010	335,838	38,759	-	-	-	-	374,597	
	FY2011	335,838	39,259	-	-	-	-	375,097	
Total Revenue (RM'000)	FPE2011	251,878	29,992	14,503	1,972	16,475		298,345	
	FY2012	356,974	41,847	31,182	84,939	116,121		514,942	
	Forecast Year 2013	423,060	42,773	37,151	86,442	123,593		589,426	
	Forecast Year 2014	423,060	42,691	39,137	87,548	126,685		592,436	
	FY2010	335,838	35,143	-	-	-	-		370,981
Gross Rental Income <sup>(1)</sup> (RM'000)	FY2011	335,838	35,143	-	-	-		370,981	
	FPE2011	251,878	26,365	14,503	1,972	16,475		294,718	
	FY2012	356,974	37,862	31,182	84,939	116,121		510,957	
	Forecast Year 2013	423,060	36,922	37,151	86,442	123,593		583,575	

		Subject Properties						Total
		PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS			Sub-Total	
				Retail Podium	Office Tower			
Forecast Year 2014		423,060	36,922	39,137	87,548	126,685	586,667	
FY2010		334,777	26,947	-	-	(1,188) <sup>(3)</sup>	360,536	
FY2011		334,554	26,198	-	-	(1,308) <sup>(3)</sup>	359,444	
FPE2011		250,733	20,215	6,486	308	6,794	277,742	
FY2012		355,419	28,757	21,079	83,902	104,981	489,157	
Forecast Year 2013		421,685	29,289	24,724	86,417	111,141	562,115	
Forecast Year 2014		421,646	29,346	26,493	87,521	114,014	565,006	

NPI<sup>(2)</sup>  
(RM'000)

**Notes:**

- (1) As the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease are triple net leases, the Gross Rental Income would not be applicable and we have included the triple net lease rental received from the two said leases here.
- (2) As the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease are triple net leases, the NPI for the two said leases would be the triple net lease rental received.
- (3) The construction of Menara 3 PETRONAS was completed in 2011. These relate to operating costs common estate cost, assessment fee and administrative expenses incurred in relation to Menara 3 PETRONAS in FY2010 and FY2011 prior to rental collections in FPE2011.

### 2.3.2 Trade sector analysis

The Subject Properties comprise mostly offices with leases granted to PETRONAS and ExxonMobil as single lessees of PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS and Menara ExxonMobil respectively contributing in aggregate, 97.28% of the total Occupied NLA and 93.90% of the total Gross Rental Income of the Subject Properties for FY2012. The balance Occupied NLA and Gross Rental Income relates to the Retail Podium of Menara 3 PETRONAS.

### 2.3.3 Tenancy or lease expiry profile

The table below provides the leasing expiry profile of the Subject Properties as of 1 October 2012.

Period	Number of tenancies or leases expiring	Percentage of Occupied NLA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2013	-	-	-
FY2014	6 <sup>(1)</sup>	0.81 <sup>(1)</sup>	0.75 <sup>(1)</sup>
FY2015	2 <sup>(1)</sup>	0.23 <sup>(1)</sup>	0.36 <sup>(1)</sup>
FY2016 and thereafter	25	98.96	98.89
<b>Total</b>	<b>33</b>	<b>100.00</b>	<b>100.00</b>

**Note:**

(1) These are the tenancies granted for the Retail Podium of MENARA 3 PETRONAS.

### 2.3.4 Occupancy profile

The occupancy rates of the Subject Properties for the past three years are set out in the table below.

Subject Properties	As at			
	1 October 2012 (%)	FPE2011 (%)	FY2011 (%)	FY2010 (%)
PETRONAS Twin Towers	100.00	100.00	100.00	100.00
Menara ExxonMobil	100.00	100.00	100.00	100.00
Menara 3 PETRONAS	93.89 (Retail Podium)	86.16 (Retail Podium)	Not applicable	Not applicable
	100.00 (Office Tower)	62.42 (Office Tower)		

PETRONAS Twin Towers and Menara ExxonMobil are currently each leased to a single lessee, namely, PETRONAS and ExxonMobil respectively whilst the Office Tower of Menara 3 PETRONAS is leased to a single lessee, namely, PETRONAS, and the Retail Podium of Menara 3 PETRONAS is leased/tenanted to various lessees/tenants. As at 1 October 2012, the percentage of the NLA for the Retail Podium of Menara 3 PETRONAS which is occupied is 93.89%.



## 2.4 PETRONAS Twin Towers

### 2.4.1 Vendor

Midciti, a wholly-owned subsidiary of the Company.

### 2.4.2 Address

PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur

### 2.4.3 Description

Please refer to Section 2.3 of this Prospectus entitled "Overview of the Subject Properties" for a description of PETRONAS Twin Towers.

The table below sets out a summary of selected information on PETRONAS Twin Towers.

Existing use	Offices
Age of Subject Property as at 1 October 2012	16 years
GFA as at 1 October 2012	510,917.79 sq. m. (equivalent to approximately 5,499,468.00 sq. ft.)
NLA as at 1 October 2012	296,876.04 sq. m. (equivalent to approximately 3,195,544.00 sq. ft.)
Number of car park bays as at 1 October 2012	3,312 <sup>(1)</sup>
Total Revenue (RM'000) for FY2012	356,974
NPI (RM'000) for FY2012	355,419
Audited net book value as at FY2012 (RM'000)	6,500,000
Appraised Value as at 1 October 2012 (RM'000)	6,500,000
Purchase consideration (RM'000)	6,544,336 <sup>(2)</sup>
Number of leases as at 1 October 2012	1

**Note:**

- (1) *There are a total of 5,053 car park bays. However, only 4,889 car park bays are suitable to be used as the remaining 164 bays are located at the exit of the fire rated doors, safety and security exits and are unsuitable car park bays. The 4,889 car park bays within the North-West Development car park are available for PETRONAS Twin Towers, Suria KLCC and Menara Maxis with the rights of the respective owners of PETRONAS Twin Towers, Suria KLCC and Menara Maxis to use such number of bays in accordance with the Common Facilities Agreement. In accordance with the Common Facilities Agreement, it is noted that the share of car park ownership is according to a "Final Cost Allocation Formula", which translates to the owner of PETRONAS Twin Towers having the right to use 3,312 car park bays.*
- (2) *The total purchase consideration for PETRONAS Twin Towers together with the Associated Rights and Benefits and the PETRONAS Twin Towers Related Assets and Liabilities.*

The table below sets out a summary of selected information of the title in relation to PETRONAS Twin Towers.

<b>Land area as stated in the title</b>	21,740.00 sq. m. (equivalent to approximately 234,007.19 sq. ft.)
<b>Tenure</b>	Freehold
<b>Title information</b>	GRN 43697, Lot 169 Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>Encumbrances / material limitations as stated in the title</b>	Nil <sup>(1)</sup>
<b>Restrictions in interest as stated in the title</b>	Nil
<b>Express conditions as stated in the title</b>	This land shall be used as a site for commercial building only ( <i>Tanah ini hendaklah digunakan untuk tapak bangunan perdagangan sahaja</i> )

**Note:**

- (1) *The PETRONAS Twin Towers Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.*

**2.4.4 Lessee profile of PETRONAS Twin Towers**

PETRONAS Twin Towers has been leased to a single lessee, PETRONAS, since 1 October 1997.

**2.4.5 Occupancy Rate and rental rate**

The Occupancy Rate is 100.00% and the triple net lease rental is RM349,311,420.00 per annum commencing from 1 October 2012. Such triple net lease rental rate shall be reviewed every three years based on the formula of 3.00% per annum compounded for the preceding three years.

**2.4.6 Lease expiry**

The PETRONAS Twin Towers Lease commences on 1 October 2012 and expires on 30 September 2027. The PETRONAS Twin Towers Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.

**2.4.7 Major expansion and renovation of PETRONAS Twin Towers**

**(a) Completed by the Vendor**

The Vendor has not undertaken any major asset enhancement works since completion of construction of the PETRONAS Twin Towers. By virtue of the consecutive leases granted to PETRONAS since 1 October 1997 being triple net leases, PETRONAS has, at its own cost and expense, carried out regular maintenance, repair and upgrading works of PETRONAS Twin Towers in the past.

**(b) Future opportunities**

The Manager will review the state of repair of PETRONAS Twin Towers from time to time and where appropriate and feasible, consider with consultation with PETRONAS any expansion and/or renovation which may be effected to PETRONAS Twin Towers.

**2.5 MENARA EXXONMOBIL**

**2.5.1 Vendor**

AJSB, a wholly-owned subsidiary of the Company.

**2.5.2 Address**

Menara ExxonMobil, Kuala Lumpur City Centre, 50088 Kuala Lumpur

**2.5.3 Description**

Please refer to Section 2.3 of this Prospectus entitled "Overview of the Subject Properties" for a description of Menara ExxonMobil.

The table below sets out a summary of selected information on Menara ExxonMobil.

Existing use	Offices
Age of Subject Property as at 1 October 2012	16 years
GFA as at 1 October 2012	74,369.04 sq. m. (equivalent to approximately 800,501.00 sq. ft.)
NLA as at 1 October 2012	36,775.80 sq. m. (equivalent to approximately 395,851.20 sq. ft.)
Number of car park bays as at 1 October 2012	524
Total Revenue (RM'000) for FY2012	41,847
NPI (RM'000) for FY2012	28,757
Audited net book value as at FY2012 (RM'000)	451,921
Appraised Value as at 1 October 2012 (RM'000)	450,000
Purchase consideration (RM'000)	454,003 <sup>(1)</sup>
Number of leases as at 1 October 2012	1

**Note:**

- (1) *The total purchase consideration for Menara ExxonMobil together with the Associated Rights and Benefits and the Menara ExxonMobil Related Assets and Liabilities.*

The table below sets out a summary of selected information of the title in relation to ExxonMobil.

<b>Land area as stated in the title</b>	3,999.00 sq. m. (equivalent to approximately 43,044.84 sq. ft.)
<b>Tenure</b>	Freehold
<b>Title information</b>	GRN 43685, Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
<b>Encumbrances / material limitations as stated in the title</b>	Land charge registered in favour of Great Eastern Life Assurance (Malaysia) Berhad (Company No. 93745-A) vide presentation no. 3938/2004 on 11 March 2004 <sup>(1)</sup>
<b>Restrictions in interest as stated in the title</b>	Nil
<b>Express conditions as stated in the title</b>	This land shall be used as a site for commercial building only ( <i>Tanah ini hendaklah digunakan untuk tapak bangunan perdagangan sahaja</i> )

**Note:**

- (1) *The Menara ExxonMobil Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisition.*

**2.5.4 Lessee profile of Menara ExxonMobil**

Menara ExxonMobil has been leased to the single lessee, ExxonMobil since 1 February 1997.

**2.5.5 Occupancy Rate and rental rate**

The Occupancy Rate is 100.00% and the gross rental rate is as follows:

- (a) from 1 February 2012 until 31 January 2014 – RM7.45 per sq. ft./month; and
- (b) from 1 February 2014 until 31 January 2017 – RM8.50 per sq. ft./month.

**2.5.6 Lease expiry**

The Menara ExxonMobil Lease commences on 1 February 2012 and expires on 31 January 2017. The Menara ExxonMobil Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.

**2.5.7 Major expansion and renovation of Menara ExxonMobil**

**(a) Completed by the Vendor**

During the two years prior to the LPD, the Vendor has completed, amongst others, the following asset enhancements in respect of Menara ExxonMobil:

- (i) façade rectification works; and
- (ii) modification of glass main entrance door.

**(b) Future opportunities**

The Manager will review the state of repair of Menara ExxonMobil from time to time and where appropriate and feasible, consider in consultation with the lessee any expansion and/or renovation which may be effected to Menara ExxonMobil.

**2.6 MENARA 3 PETRONAS**

**2.6.1 Vendor**

AMSB, a wholly-owned subsidiary of the Company.

**2.6.2 Address**

Menara 3 PETRONAS, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

**2.6.3 Description**

Please refer to Section 2.3 of this Prospectus entitled "Overview of the Subject Properties" for a description of Menara 3 PETRONAS.

The table below sets out a summary of selected information on Menara 3 PETRONAS.

Existing use	Offices with retail podium
Age of Subject Property as at 1 October 2012	1 year
GFA as at 1 October 2012	155,296.30 sq. m. (equivalent to approximately 1,671,596.00 sq. ft.)
NLA as at 1 October 2012	75,512.22 sq. m. (equivalent to approximately 812,806.00 sq. ft.) (Office Tower) 12,272.60 sq. m. (equivalent to approximately 132,101.00 sq. ft.) (Retail Podium)
Number of car park bays as at 1 October 2012	193 <sup>(1)</sup>
Total Revenue (RM'000) for FY2012	84,939 (Office Tower) 31,182 (Retail Podium)
NPI (RM'000) for FY2012	83,902 (Office Tower) 21,079 (Retail Podium)
Audited net book value as at FY2012 (RM'000)	1,790,000
Appraised Value as at 1 October 2012 (RM'000)	1,300,000 (Office Tower) 490,000 (Retail Podium)
Purchase consideration (RM'000)	1,824,760 <sup>(2)</sup>
Number of tenancies / leases as at 1 October 2012	1 (Office Tower) 30 (Retail Podium)

**Notes:**

- (1) There are a total of 195 car park bays. However, only 193 car park bays are suitable to be used as car park.
- (2) The total purchase consideration for Menara 3 PETRONAS together with the Associated Rights and Benefits and the Menara 3 PETRONAS Related Assets and Liabilities.

The table below sets out a summary of selected information of the title in relation to Menara 3 PETRONAS.

<b>Land area as stated in the title</b>	4,302.00 sq. m. (equivalent to approximately 46,306.30 sq. ft.)
<b>Tenure</b>	Freehold
<b>Title information</b>	GRN 43699, Lot 171 Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan
<b>Encumbrances / material limitations as stated in the title</b>	Land charge registered in favour of CIMB Islamic Bank Berhad (Company No. 671380-H) vide presentation no. 11993/2009 on 5 May 2009 <sup>(1)</sup>
<b>Restrictions in interest as stated in the title</b>	Nil.
<b>Express conditions as stated in the title</b>	This land shall be used as commercial building only for the purpose of shopping complex and offices ( <i>Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan pusat membeli belah dan pejabat sahaja</i> )

**Note:**

(1) The Menara 3 PETRONAS (Office Tower) Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions.

#### 2.6.4 Tenant / lessee profile of Menara 3 PETRONAS

The Office Tower of Menara 3 PETRONAS constituting 86.02% of the NLA of Menara 3 PETRONAS (as at 1 October 2012) is leased to a single lessee, namely, PETRONAS and which triple net lease rental contributes 73.15% of the Gross Rental Income for Menara 3 PETRONAS (for FY2012). The balance 13.98% of the NLA of Menara 3 PETRONAS (as at 1 October 2012) comprises the Retail Podium of Menara 3 PETRONAS with 13.24% of Occupied NLA of Menara 3 PETRONAS (as at 1 October 2012) and which lease/tenancy rental contributes 26.85% of the Gross Rental Income for Menara 3 PETRONAS for FY2012.

#### 2.6.5 Occupancy Rate and average rental rates

The Occupancy Rate for the Office Tower of Menara 3 PETRONAS is 100.00% and the triple net lease rental rate is RM7.35 per sq. ft. per month or a monthly sum of RM6,103,778.10 for the three year period commencing from 15 December 2011. Such triple net lease rental rate shall be reviewed every three years based on the formula of 3.00% per annum compounded for the preceding three years. The table below sets out the Occupancy Rate and the average Gross Rental Income of the Retail Podium of Menara 3 PETRONAS for FY2010, FY2011, FPE2011 and FY2012.

As at / Period	Retail Podium	
	Occupancy Rate (%)	Monthly Average Gross Rental Income (RM per sq ft)
31 December 2012 / FY2012	92.20	21.26
31 December 2011 / FPE2011	86.16	11.20
31 March 2011 / FY2011	Not applicable	Not applicable
31 March 2010 / FY2010	Not applicable	Not applicable

## 2.6.6 Tenancy / lease expiry profile of Menara 3 PETRONAS

The construction of Menara 3 PETRONAS was completed in 2011. The lease for the Office Tower of Menara 3 PETRONAS to PETRONAS and the tenancies for the Retail Podium of Menara 3 PETRONAS commenced in 2011 with tenures of no shorter than three years. As such, none of the leases or tenancies expired in FPE2011 and FY2012 nor is any expected to expire in FY2013.

The lease granted to PETRONAS for the Office Tower of Menara 3 PETRONAS is for 15 years commencing from 15 December 2011. The Menara 3 PETRONAS (Office Tower) Lease will be presented for registration at the relevant land office at a later date but in any event no later than simultaneously with the MOT in favour of the Trustee pursuant to the Acquisitions. The table below illustrates the tenancy / lease expiry profile of the Retail Podium of Menara 3 PETRONAS as at 1 October 2012.

Period	Number of tenancies / leases expiring	Percentage Occupied of NLA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2014	6	29.66	16.43
FY2015	2	8.32	7.85
FY2016 and thereafter	22	62.02	75.72
<b>Total</b>	<b>30</b>	<b>100.00</b>	<b>100.00</b>

## 2.6.7 Major expansion and renovation of Menara 3 PETRONAS

### (a) Completed by the Vendor

Not applicable as Menara 3 PETRONAS was completed in 2011.

### (b) Future opportunities

The Manager will review the state of repair of Menara 3 PETRONAS from time to time and where appropriate and feasible, consider any expansion and/or renovation which may be effected to Menara 3 PETRONAS and where such expansion and/or renovation is in relation to the Officer Tower of Menara 3 PETRONAS, the Manager will consult with PETRONAS.

## 2.7 TENANCY / LEASE MANAGEMENT

The tenancy agreements and leases for the Subject Properties generally contain, amongst others, terms and conditions relating to the rental, term of the tenancy or lease (as the case may be), the provision of security deposit as well as renewal and termination of the tenancy or lease (as the case may be). These terms and conditions vary and are negotiated on a case-by-case basis to accommodate the specific needs of the tenants / lessees and the landlord / lessor.

The Menara ExxonMobil Lease and some of the tenancies for the Retail Podium of Menara 3 PETRONAS have an option to renew for additional term(s). The rental rates are pre-agreed over the term of the tenancy or lease (as the case may be).

Tenants / lessees are required to provide a security deposit of typically three months of monthly rental as security for due observance and performance by tenants / lessees of their tenancy / lease agreements. Security deposits are held on an unsecured basis and do not bear interest on behalf of the tenant / lessee. Rental is payable on a monthly basis.

## **2.8 TAKAFUL / INSURANCE**

The Subject Properties are currently insured under property and liability takaful certificates / insurance policies with coverage features and insured limits that are in line with industry practice in Malaysia. The coverage of these takaful certificates / insurance policies includes claims arising out of accident, bodily and/or personal injury including death, property damage, property destruction, machinery breakdown, business interruption, all risks and primary liability. There are no significant or unusual excess or deductible amounts required under these policies.

There are, however, certain risks that are not covered by such takaful certificates / insurance policies, pursuant to typical exclusions such as war, act of foreign enemy and radioactive or nuclear risk.

## **2.9 FIRE PROTECTION**

The life and safety of the Subject Properties rely on a combination of passive and active systems called the integrated Fire Alarm System ("**FAS**").

FAS comprises of fire and smoke detection, evacuation signalling, emergency voice communication, fireman's intercom system and auxiliary function control system.

Each of the following fire alarm sub-system will be a directly addressable computer-based multiplexed system utilising Local Area Network (LAN) with back up fire command:

- (a) the Fire Protection System (FPS) which consists of an Automatic Sprinkler System, a Wet Riser System and a Hose Reel System located throughout, amongst others, the Subject Properties; and
- (b) the Smoke Management System which consist of smoke fans, pressurisation fans and fire curtain in each of the Subject Properties.

The FPS, alarm systems and equipment utilised under the FAS are maintained with periodic servicing and testing to ensure the integrity of the system. There is also a centralised 24-hour manned Central Fire Command Room ("CFCR") which monitors the FAS with direct communication to BOMBA and an in-house Emergency Response Team ("ERT") which is the first responder to handle any emergency situation which may arise at the Subject Properties.

## **2.10 CAPITAL EXPENDITURE**

The Manager will review the state of repair of the Subject Properties from time to time and where appropriate and feasible, consider any expansion and/or renovation which may be effected to the Subject Properties.



## **2.11 COMPETITION**

The office and retail property sector in Malaysia remains highly competitive. The principal competitive factors include rental rates, quality and location of properties, supply of comparable space and changing needs of business users brought about by corporate restructuring or technological advances. The accessibility of office and retail properties and trade mix within retail properties are also major factors in attracting tenants. Although the Subject Properties are located at the heart of a site strategically located, within the Golden Triangle of Kuala Lumpur with leases granted in respect of all the office space of the Subject Properties, the Subject Properties nonetheless are subjected to competition from the other major office and retail properties located in their vicinity.

## **2.12 LEGAL PROCEEDINGS**

As at the LPD, neither the Subject Properties nor the Manager is currently involved in any material litigation nor, to the best of the Manager's knowledge, is any material litigation currently contemplated or threatened against KLCC REIT or the Manager or to the best of the Company's knowledge, is any material litigation currently contemplated or threatened against the KLCCP Group.

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### 3. PARTICULARS OF THE LISTING

#### 3.1 INTRODUCTION

The SC granted its approval for the Listing on 7 March 2013. The approval of the SC shall not be taken to indicate that the SC recommends the Listing. **Shareholders should rely on their own evaluation to assess the merits and risks of the Listing and their investment in the KLCCP Stapled Group. In considering the investment, if Shareholders are in any doubt as to the action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

Bursa Securities' approval for the admission of KLCC REIT to the Official List of the Main Market and for the listing of and quotation for all the Stapled Securities was obtained on 10 April 2013. The official quotation of the Stapled Securities on the Main Market will commence after receipt of confirmation from Bursa Depository that all the Stapled Securities have been credited into the respective CDS Account of the Holders of the Stapled Securities. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of the KLCCP Stapled Group, KLCC REIT, the Stapled Securities or the Listing.

**Pursuant to Section 14(1) of the Central Depository Act, Bursa Securities will prescribe the Units and the Shares as a prescribed security. Consequently, the Units and the Shares will be deposited directly with Bursa Depository. Any dealings in the Units, the Shares and the Stapled Securities will be carried out in accordance with the Deed, the Stapling Deed, the Central Depositories Act and the Rules of Bursa Depository. Certificates will not be issued to the Unitholders or the Holders of the Stapled Securities.**

Pursuant to the Listing Requirements, at least 25.00% of the total number of Stapled Securities in issue must be held by public holders upon completion of the Listing and at the point of Listing or such other minimum public spread as may be approved by Bursa Securities. The Company and the Manager expect the public holding spread of the Stapled Securities to be approximately 24.50% (excluding the holdings of the directors and substantial shareholders of the Manager, the principal Holders of the Stapled Securities and their respective associates) at the point of Listing. Bursa Securities has, through its letter dated 11 March 2013, granted its approval for the acceptance of a lower public holding spread of 24.50%. Please refer to Section 12.2 of this Prospectus entitled "Waivers and Variations" for further details.

#### 3.2 PRE-LISTING RESTRUCTURING

##### **Prior to the Pre-Listing Restructuring**

As part of the KLCCP IPO, the Company had on 9 August 2004 issued 714,110,437 RCULS to KLCCH bearing the following salient terms:

- (a) nominal value of the RCULS is RM1.00 each;
- (b) the conversion price of the RCULS is RM1.98 for every one Share;

- (c) KLCCH has the option at any time during the conversion period to convert the RCULs at the conversion price into new Shares;
- (d) the conversion period of the RCULS commences after the fifth anniversary of the issue date of the RCULS and unless the RCULS are converted into new Shares or redeemed by the Company by the maturity date in 2014, the RCULS will be redeemed in full by the said maturity date; and
- (e) the new Shares to be issued upon conversion of the RCULS will rank pari passu in all respects with existing Shares other than as may be specified in a resolution approving the distribution of dividends prior to the conversion.

KLCCH had on 10 April 2013 issued a conversion notice to the Company exercising its right to convert the outstanding RM714,110,437.00 RCULS into 360,661,836 new Shares. The RCULS Conversion was completed on 25 April 2013. The conversion resulted in KLCCH's interests in the Company increasing from 296,380,000 Shares representing 31.73% of the issued and paid-up share capital of the Company to 657,041,836 Shares representing 50.75% of the issued and paid-up share capital of the Company.

In preparation for the Listing of the Stapled Securities, the Company is implementing the Pre-Listing Restructuring to establish the structure of the KLCCP Stapled Group as illustrated in the chart under Section 1.1 of this Prospectus entitled "Overview of the KLCCP Stapled Group" of which the Midciti Acquisition and the Acquisitions had already been completed. Implementation of the Pre-Listing Restructuring is as set out below.

### **3.2.1 Midciti Acquisition**

On 27 November 2012, the Company entered into a conditional share sale agreement with KLCCH to acquire from KLCCH 214,479,000 ordinary shares of RM1.00 each in Midciti representing the remaining 49.50% equity interest in Midciti not already owned by the Company for a total purchase consideration of RM2,859,343,024.00 which shall be satisfied via the issuance of 510,596,968 new Shares to KLCCH at the issue price of RM5.60 per Share representing 39.44% of the Company's issued and paid-up capital as at the LPD and after taking into consideration the new Shares to be issued pursuant to the RCULS Conversion. The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, inter alia, the following:

- (a) the net assets of Midciti based on its unaudited financial statements as at 31 October 2012; and
- (b) the market value of PETRONAS Twin Towers of RM6,500,000,000.00 based on the valuation undertaken by the Independent Property Valuer, on 1 October 2012 using the investment method of valuation.

The purchase consideration was arrived at as follows:

	RM'000
Market value of PETRONAS Twin Towers as at 1 October 2012	6,500,000
Less: Unaudited net book value of PETRONAS Twin Towers as at 31 October 2012	6,400,000
Revaluation surplus	100,000
Add: Unaudited net asset value of Midciti as at 31 October 2012	5,676,450
Adjusted net asset value of Midciti	5,776,450
Divide: Number of outstanding shares in Midciti in thousand as at 31 October 2012	433,292
Adjusted net asset value per share in Midciti (approximately) (RM)	13.33
Multiply: Number of shares in Midciti in thousand to be acquired pursuant to the Midciti Acquisition	214,479
Total purchase consideration	2,859,343

The issue price of RM5.60 was determined on a willing-buyer willing-seller basis, through negotiations between the buyer, the Company, and the seller, KLCCH. The issue price of RM5.60 was arrived at, taking into consideration, the volume weighted average price of the Shares of RM5.67 for the five market days before 27 November 2012, being the date on which the terms of the Midciti Acquisition were agreed upon, and rounded down to the nearest one decimal place. The price of RM5.60 above represents a discount of approximately 1.23% over the volume weighted average price of the Shares for the five market days before 27 November 2012 of RM5.67.

The Share prices have been trending upwards since the initial announcement released on 28 June 2012 ("**Initial Announcement**") by the Company of its plan to explore a corporate structure including an appropriate REIT structure, or equivalent, with the objective of optimising shareholder value. To illustrate this, the price of RM5.60 represents a premium of approximately 45.08% over the closing price of RM3.86 as at 27 June 2012, being the trading day preceding the Company's Initial Announcement, a positive reflection of market perception of the proposed corporate exercise that the Company is undertaking.

There is no arrangement for settlement of the purchase consideration on a deferred basis.

The Midciti Acquisition was completed on 10 April 2013, resulting in KLCCH's interests in the Company increasing from 657,041,836 Shares representing 50.75% of the issued and paid-up share capital of the Company to 1,167,638,804 Shares representing 64.68% of the issued and paid-up share capital of the Company.

### 3.2.2 Establishment of KLCC REIT

KLCC REIT was constituted by the Deed which came into effect on 9 April 2013 when the Deed was registered with the SC. Upon establishment, KLCC REIT had allotted and issued two subscriber Units to the Company for cash at a nominal value of RM1.00 each.

The issuance of the subscriber Units was purely to facilitate the Acquisitions as it allowed the Company to have control in KLCC REIT as soon as KLCC REIT was established, i.e. 9 April 2013 being the date on which the Deed was registered with the SC and prior to the Acquisitions taking place. The subscriber Units shall be redeemed prior to the Stapling taking place.

### 3.2.3 Acquisitions

The Acquisition entails the transfer of the Subject Properties by the Vendors, which are subsidiaries of the Company, to KLCC REIT as follows:

Subject Properties	Vendor	Property Description
PETRONAS Twin Towers	Midciti <sup>(1)</sup>	An office building comprising two 88-storey office towers linked by a sky-bridge and a podium together with the rights to use such number of bays in the North-West Development car park
Menara ExxonMobil	AJSB <sup>(2)</sup>	A 29-storey office building including four levels of elevated car park together with three levels of basement car park
Menara 3 PETRONAS	AMSB <sup>(2)</sup>	A 58-storey commercial tower comprising 52 levels of office space and six levels of retail podium together with four levels of basement car park

**Notes:**

- (1) *Midciti is a wholly-owned subsidiary of the Company following completion of the Midciti Acquisition on 10 April 2013.*
- (2) *AJSB and AMSB are both wholly-owned subsidiaries of the Company.*

The Vendors had on 10 April 2013 entered into the SPAs with the Trustee (on behalf of KLCC REIT) as the acquiror for the acquisition of the Subject Properties, including the Associated Rights and Benefits and the Related Assets and Liabilities, for a total purchase consideration of RM8,823,099,125.00 to be satisfied via:

- (a) the issuance of the Consideration Units; and
- (b) the adoption and acceptance by the Trustee (or a subsidiary of KLCC REIT) or in any other manner howsoever procuring the discharge of all remaining and outstanding debt obligations and liabilities of the respective Vendors pursuant to the terms and conditions of the respective SPAs. The value of the said debt obligations or liabilities is based on its net book value computed up to 30 April 2013.

The SPAs were completed on 2 May 2013 in respect of Menara Tower 3 and on 3 May 2013 in respect of PETRONAS Twin Towers and Menara ExxonMobil. The Company had subsequently received the Consideration Units from the Vendors via distribution of dividend in specie up to the extent of available distributable reserves and the excess transferred via inter-company balances. There was no arrangement for settlement of consideration on a deferred basis. Please refer to Section 3.3 of this Prospectus entitled "Acquisitions by KLCC REIT" for further details of the Acquisitions.

#### **3.2.4 Bonus RPS Issue by the Company and the subsequent redemption thereof**

The Company is undertaking a bonus issue of RPS to distribute 1,805,333,083 RPS with the following salient terms to the entitled Shareholders, the entitlement date of which is set out in Section 3.5 of this Prospectus entitled "Timetable" on the basis of one RPS for each Share held on the said entitlement date ("**Bonus RPS Issue**"). The RPS are issued at its par value of RM0.01 each by way of capitalisation of the Company's distributable reserve. The Bonus RPS Issue and the subsequent redemption thereof is a mechanism undertaken by the Company solely for the purpose of distributing the Units to its entitled Shareholders. The terms of the RPS are set out below:

- Par value : The RPS shall be issued at the nominal value of RM0.01 per RPS.
- Dividends : The RPS shall not confer on the holders thereof of any right to payment of dividend.
- Liquidation preference : The RPS shall not confer on the holders thereof any right to participate on a return in excess of capital of liquidation, winding-up or otherwise of the Company, other than on redemption, up to the redemption price of approximately RM4.00 for each RPS.
- Tenure and maturity : The RPS does not have any fixed tenure and maturity date.
- Ranking : The RPS shall rank pari passu among themselves in all respects.
- Transferability : The RPS shall not be transferable and shall not be listed on Bursa Securities or any other stock exchange.
- Conversion : No RPS may be converted into fully paid Shares.

- Redemption : The RPS shall, subject to section 61 of the Act, be redeemed upon and subject to the following terms and conditions:
- (a) the Company shall have the right, at any time to redeem the RPS in whole or in part thereof, at the redemption price of approximately RM4.00 for each RPS;
  - (b) the redemption price for each RPS shall be solely and completely settled by the Company's delivery of one Unit to the holder of the RPS on such date as shall be announced by the Company to Bursa Securities ("**Settlement Date**"). No cash or other form of property shall paid or distributed by the Company save as provided herein;
  - (c) notwithstanding anything herein, no part of a Unit shall be delivered and only a whole Unit shall be delivered to the holder of an RPS on the Settlement Date. If there are insufficient aggregate reserves in the share premium account and the distributable reserves of the Company to enable the Company's delivery of one Unit to the holder of an RPS on the Settlement Date, then no redemption of the RPS shall occur;
  - (d) no notice of the intention of the Company to redeem the RPS is required to be given to the holders of the RPS to effect the redemption; and
  - (e) no RPS shall be redeemed otherwise than in accordance with the provisions of Section 61 of the Act and provided herein.
- Voting Rights : The RPS shall carry no right to vote at any general meeting of the Company.
- Notices, reports, audited accounts and meetings : The RPS shall not confer on the holders thereof any rights in relation to receiving notices, reports and audited accounts and attending meetings.

The RPS will be subsequently redeemed by the Company. The par value of RM0.01 per RPS will be redeemed out of the Company's retained profits whereas the premium on redemption of approximately RM3.99 per RPS will be in the form of Units by capitalising out of the Company's share premium account and distributable reserves. This will result in a distribution of 1,805,333,083 Units to the entitled Shareholders and each entitled Shareholder will hold one Unit for every one Share the entitled Shareholder holds.

### 3.2.5 Stapling of one Unit to each Share

Each Unit to be received by the entitled Shareholder will be stapled to each Share the entitled Shareholder holds. The resultant Stapled Securities will be quoted and traded as one security on the Main Market of Bursa Securities and will not be able to be traded separately. Each Holder of the Stapled Securities would be entitled to attend:

- (a) general meetings of the Company as a Shareholder and vote thereat; and
- (b) general meetings of KLCC REIT as a Unitholder and vote thereat.

The Stapling is effected through the Stapling Deed. Please refer to Section 10.2 of this Prospectus entitled "Stapling Deed" for further details on the Stapling Deed.

### 3.3 ACQUISITIONS BY KLCC REIT

*Unless otherwise specified, all information relating to the Subject Properties in this Prospectus are as at 1 October 2012.*

On 10 April 2013, the Trustee had, on behalf of KLCC REIT, entered into the SPAs with the Vendors for the acquisition of the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities for a total purchase consideration of RM8,823,099,125.00 to be satisfied by:

- (a) the issuance of the Consideration Units; and
- (b) the adoption and acceptance by the Trustee (or a subsidiary of KLCC REIT) or in any other manner howsoever procuring the discharge of all remaining and outstanding debt obligations and liabilities of the respective Vendors pursuant to the terms and conditions of the respective SPAs. The value of the said debt obligations or liabilities is based on its net book value computed up to 30 April 2013.

There was no arrangement for settlement of consideration on a deferred basis.

The issuance of the Consideration Units is required in order to ensure the ratio of one Unit for every one Share held is adhered to pursuant to the Stapling. As such, the number of Units issued must be equal to the number of Shares in issue.

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The details of the total consideration for each of the Subject Properties together with their respective Associated Rights and Benefits and Related Assets and Liabilities are set out below:

Subject Properties	Vendors	Total consideration RM'000	Satisfied via	
			Number of Units <sup>(3)</sup> 000	Assumption of Vendors' debt obligations/liabilities <sup>(4)</sup> RM'000
PETRONAS Twin Towers*	Midciti	6,500,000 <sup>(2)</sup>		
PETRONAS Twin Towers Related Assets and Liabilities <sup>(1)</sup>		44,336		
<b>Subtotal</b>		<b>6,544,336</b>	<b>1,421,263</b>	<b>857,541</b>
Menara ExxonMobil*	AJSB	450,000 <sup>(2)</sup>		
Menara ExxonMobil Related Assets and Liabilities <sup>(1)</sup>		4,003		
<b>Subtotal</b>		<b>454,003</b>	<b>93,878</b>	<b>78,376</b>
Menara 3 PETRONAS*	AMSB	1,790,000 <sup>(2)</sup>		
Menara 3 PETRONAS Related Assets and Liabilities <sup>(1)</sup>		34,760		
<b>Subtotal</b>		<b>1,824,760</b>	<b>290,192</b>	<b>663,634</b>
<b>Total Consideration</b>		<b>8,823,099</b>	<b>1,805,333</b>	<b>1,599,551</b>

**Notes:**

- \* This includes the Associated Rights and Benefits in respect of the relevant Subject Property.
- (1) Based on the net book value computed up to 30 April 2013. For the avoidance of doubt, the Related Assets and Liabilities refers to the net amount to be borne by the Trustee arising from the acquisition of the Subject Properties subject to the respective lease which amount would include (a) the related assets including (i) Accrued Rental Income and/or any other sums of money to be received by the Trustee under the leases to be novated, and (ii) such cash amount as may be reserved by the Vendors and to be paid to the Trustee to settle any financing costs due on the debt obligations or liabilities of the respective Vendors, at the time of discharge of the Vendor's obligations/liabilities or, at or about the time of completion of the

transfer of the Subject Properties into KLCC REIT, and net of, (b) the related liabilities to be borne by the Trustee arising from the acquisition of the Subject Properties subject to the respective lease which amount would include the liabilities of the Trustee to refund any deposits or other moneys paid by lessees under the respective lease.

- (2) The market values of the Subject Properties as appraised by the Independent Property Valuer for the Subject Properties as at 1 October 2012.

The consideration for the Subject Properties, when added with the Accrued Rental Income (which forms part of the Related Assets and Liabilities acquired) amounting to RM41.5 million, RM3.6 million and RM30.9 million for the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS respectively, would result in the total consideration for the Acquisitions being at a premium to the market value of the Subject Properties. However, in view of the stapled nature of the Stapled Securities, there is no adverse impact at the KLCCP Stapled Group level.

- (3) At an issue price of approximately RM4.00 per Unit.

- (4) Based on the net book value computed up to 30 April 2013.

KLCC REIT had also acquired the Related Assets and Liabilities in order to ensure the continuity of operations of the Subject Properties.

### 3.4 TOTAL SIZE OF KLCC REIT AND THE KLCCP STAPLED GROUP

The table below sets out the details of the Units and the Stapled Securities:

	Number
Size of KLCC REIT approved by the SC	1,805,333,085
Subscriber Units (which shall be redeemed prior to the Stapling and subsequent Listing taking place)	2
Consideration Units issued to the Vendors as payment for the Acquisitions and distributed to the entitled Shareholders	1,805,333,083
Total issued Units upon Listing	1,805,333,083
Total issued Stapled Securities upon Listing	1,805,333,083

There is only one class of units to be issued by KLCC REIT and the Units rank *pari passu* in all respects with each other and will be entitled to all distributions that may be declared subsequent to the Listing.

### 3.5 TIMETABLE

The timing of events leading up to the Listing is set out below:

Date / Tentative Date	Event
29 April 2013	: Record date to ascertain the entitlement of the Shareholders for the Bonus RPS Issue
2 May 2013	: Completion Date for Menara 3 PETRONAS SPA
3 May 2013	: Completion Date for PETRONAS Twin Towers SPA and Menara ExxonMobil SPA
6 May 2013	: Bonus RPS Issue
7 May 2013	: Redemption of the RPS distributing Units to entitled Shareholders
7 May 2013	: Stapling
9 May 2013	: Admission of KLCC REIT to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Stapled Securities on the Main Market of Bursa Securities

### 3.6 PRINCIPAL UNITHOLDERS AND PRINCIPAL HOLDERS OF THE STAPLED SECURITIES AND THEIR HOLDINGS

The total number of Units and Stapled Securities in issue immediately upon Listing will be 1,805,333,083.

The following table sets out the principal Unitholders and the principal Holders of the Stapled Securities and their expected holdings immediately upon Listing (after completion of the RCULS Conversion, the Midiciti Acquisition and the Acquisitions and calculated based on their shareholdings in the Company available as at LPD):

(a) Principal Unitholders:

Principal Unitholders	Units			
	Direct		Indirect	
	('000)	(%)	('000)	(%)
PETRONAS	194,817	10.79	1,167,639 <sup>(1)</sup>	64.68 <sup>(1)</sup>
KLCCCH	1,167,639	64.68	-	-
Employees Provident Fund Board	83,250	4.61	-	-

**Note:**

(1) Deemed to have an interest in the Units pursuant to Section 4 of the CMSA by virtue of KLCCCH being its wholly-owned subsidiary.

(b) Principal Holders of Stapled Securities:

Principal Holders of Stapled Securities	Stapled Securities			
	Direct		Indirect	
	('000)	(%)	('000)	(%)
PETRONAS	194,817	10.79	1,167,639 <sup>(1)</sup>	64.68 <sup>(1)</sup>
KLCCCH	1,167,639	64.68	-	-
Employees Provident Fund Board	83,250	4.61	-	-

**Note:**

(1) Deemed to have an interest in the Stapled Securities pursuant to Section 6A of the Act in respect of the Shares and Section 4 of the CMSA in respect of the Units, by virtue of KLCCCH being its wholly-owned subsidiary.

### 3.7 EXPENSES FOR THE LISTING OF THE STAPLED SECURITIES

The expenses for the Listing of the Stapled Securities will be funded through internally generated funds of the KLCCP Stapled Group. The expenses will be fully settled within one month of the Listing. The breakdown of the estimated expenses in relation to the Listing is as follows:

Estimated Listing expenses	(RM'000)
Professional and advisory fees	: 10,000
Regulatory fees	: 1,600
Printing and marketing expenses	: 2,500
Financing cost	: 700
Other related expenses	: 200
<b>Total</b>	<b>: 15,000</b>

There are no fees or charges payable directly by the Holders of the Stapled Securities as there is no offer for the sale of Stapled Securities. The Company is undertaking the Bonus RPS Issue and the subsequent redemption thereof as mechanisms solely for the purpose of distributing the Units to its entitled Shareholders.

### 3.8 TRADING ON THE MAIN MARKET AND SETTLEMENT IN THE SECONDARY MARKET

Upon listing and quotation on the Main Market, the Stapled Securities will be traded on the Main Market and transferred by book-entry settlement through CDS, which will be effected in accordance with the Rules of Depository, as amended from time to time, and the provisions of the Central Depositories Act. Bursa Depository operates the CDS.

Holders of Stapled Securities are required under the Rules of Bursa Depository to maintain CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as Holders of Stapled Securities in respect of the number of Stapled Securities credited to their respective securities accounts.

Transfer of Stapled Securities under the book-entry settlement will be reflected by the seller's CDS Account being debited with the number of Stapled Securities sold and the buyer's CDS Account being credited with the number of Stapled Securities acquired. No transfer stamp duty is currently payable for the Stapled Securities that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

Dealings in securities listed on the Main Market are normally transacted in "board lots" of 100 units. Shareholders who desire to deal in less than 100 units of a listed issuer occasionally experience delays in effect such transaction.

Please refer to Section 5 of this Prospectus entitled "Risk Factors" for further details on risks relating to investment in the Stapled Securities.

### 3.9 REIT FINANCING

As at the LPD, the following are the financing facilities undertaken by Midciti, AJSB and AMSB:

(a) The Sukuk established by Midciti in October 2011 ("**Sukuk Programme**")

The Sukuk Programme has a tenure of 10 years from the date of first issuance of the Sukuk while the Sukuk themselves shall have a tenure of more than one year and up to 10 years, provided that the Sukuk mature prior to the expiry of the Sukuk Programme. The tenure and size of each Sukuk issuance under the Sukuk Programme are determined closer to the point of issuance.

As of the LPD, the outstanding nominal value of Sukuk is RM880.00 million with expected periodic distribution rates ranging between 3.53% and 4.25% per annum and mature on various dates in October 2014 to October 2021. Proceeds from the Sukuk have been used to refinance the existing debt securities of Midciti and meet all costs and expenses for the issuance of the Sukuk.

The Sukuk are secured against, among others, the following:

- (i) a legal assignment over all rights, titles and benefits of Midciti under the PETRONAS Twin Towers Lease and any subsequent head lease agreement between Midciti and PETRONAS for the PETRONAS Twin Towers;
- (ii) a legal assignment over the rights, titles and benefits of Midciti under the takaful contract(s)/insurance policy(ies) in respect of the PETRONAS Twin Towers; and
- (iii) a first ranking charge and assignment over a bank account to receive funds that are at least equivalent to 100.00% of the aggregate value of expected periodic distributions and/or principal payments of the Sukuk one month before any such periodic distributions and/or principal payments become due.

- (b) Secured Fixed Rate Term Loan amounting to RM180.00 million provided by Great Eastern Life Assurance (Malaysia) Berhad to AJSB ("**AJSB Loan**")

The AJSB Loan has a tenure of 10 years from the date of first drawing and bears an interest rate of 5.50% per annum. As of the LPD, the outstanding AJSB Loan is RM78.00 million. Proceeds drawn from the AJSB Loan have been used to part-finance the construction of the Kuala Lumpur Convention Centre and as advances to KLCC.

The AJSB Loan is secured against, among others, the following:

- (i) second legal charge over the land held under GRN 43685 Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with the Menara ExxonMobil erected thereon;
- (ii) assignment of the rental proceeds from Menara ExxonMobil;
- (iii) assignment of all rights and interest accrued under any insurance policies taken on Menara ExxonMobil;
- (iv) second debenture on all fixed and floating assets of AJSB; and
- (v) charge over an escrow account of AJSB.

- (c) Islamic Financing Facility of up to RM660.00 million provided by CIMB Islamic to AMSB ("**AMSB Facility**")

The AMSB Facility has a tenure of seven years. As of the LPD, the outstanding AMSB Facility is RM660.00 million. Proceeds drawn from the AMSB Facility have been used to meet the funding requirements of AMSB for the construction of Menara 3 PETRONAS and working capital purposes of AMSB.

The AMSB Facility is secured against, among others, the following:

- (i) first party and first legal charge over the land held under GRN 43699 Lot 171, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with the Menara 3 PETRONAS erected thereon and excluding the car park;
- (ii) assignment of the rental proceeds from the Office Tower and Retail Podium of Menara 3 PETRONAS;
- (iii) assignment of all rights and interest accrued under any insurance policies taken on Menara 3 PETRONAS; and
- (iv) charge over an escrow account of AMSB.

As part of the consideration for the acquisition of the Subject Properties, KLCC REIT will assume the obligations of the Sukuk, AJSB Loan and AMSB Facility in the manner described below:

- (a) the novation from Midciti to a wholly-owned special purpose vehicle of KLCC REIT, namely, Midciti Sukuk Berhad, of the Sukuk and the transfer of a cash amount equivalent to the amount required to meet the next immediate payment obligation thereunder;
- (b) the novation from AJSB to KLCC REIT of the AJSB Loan and the transfer of a cash amount equivalent to the amount required to meet the next immediate payment obligation thereunder; and
- (c) the novation from AMSB to KLCC REIT of the AMSB Facility and the transfer of a cash amount equivalent to the amount required to meet the next immediate payment obligation thereunder.

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#### **4. FINANCIAL INFORMATION**

##### **4.1 FINANCIAL INFORMATION OF THE KLCCP STAPLED GROUP**

###### **4.1.1 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE KLCCP STAPLED GROUP**

*The following table presents the Pro Forma Consolidated Statement of Financial Position for the KLCCP Stapled Group prepared for illustrative purposes only, to show the effects of the Pre-Listing Restructuring based on the assumption that such events had been effected on the date of Stapling and are not represented as being necessarily indicative of the Company or the KLCCP Stapled Group of their respective future financial position. The Pro Forma Consolidated Statement of Financial Position of the KLCCP Stapled Group should be read in conjunction with the "Reporting Accountants' Letter on the Pro Forma Consolidated Statement of Financial Position of the KLCCP Stapled Group as at 31 December 2012" in Appendix E and the related notes in this Prospectus.*

*The pro forma consolidated statement of financial position of the KLCCP Stapled Group has been prepared for illustrative purposes using the financial statements of the Company for the year ended 31 December 2012 which was prepared in accordance with the Malaysian FRS and in a manner consistent with both the format of the financial statements and the accounting policies of the Company after taking into consideration the Pre-Listing Restructuring.*

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**Pro Forma Consolidated Statement of Financial Position for the KLCCP Stapled Group as at 31 December 2012**

	Unaudited (RM'mil)
<b>ASSETS</b>	
<b>Non-Current Assets</b>	
Property, plant and equipment	598
Investment properties	13,807
Investment in an associate	261
Deferred tax assets	1
	14,667
<b>Current Assets</b>	
Inventories	1
Trade and other receivables	102
Cash and cash equivalents	1,020
	1,123
	15,790
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Equity Attributable to Equity Holders of the Company</b>	
Share capital	1,805
Capital redemption reserve	18
Distributable reserve	2,355
	4,178
Non-controlling interest ("NCI") relating to KLCC REIT	7,177
Other NCI	1,677
Total NCI	8,854
<b>Total Equity</b>	13,032
<b>Non-Current Liabilities</b>	
Other long term liabilities	76
Long term financing/borrowings	2,299
Deferred tax liabilities	9
	2,384
<b>Current Liabilities</b>	
Trade and other payables	247
Financing/Borrowings	48
Taxation	79
	374
<b>Total Liabilities</b>	2,758
<b>TOTAL EQUITY AND LIABILITIES</b>	15,790
Net assets per Stapled Security <sup>(1)</sup> (RM):	6.29

**Note:**

- (1) *Net assets per Stapled Security is net assets attributable to equity holders of the Company and NCI relating to KLCC REIT divided by number of Stapled Securities*

### **Basis of Preparation**

The pro forma consolidated statement of financial position as at 31 December 2012 for which the directors of the Company are solely responsible, have been prepared for illustrative purposes to show the effects on the consolidated statement of financial position of the KLCCP Stapled Group on its assumed date of listing had the Pre-Listing Restructuring as described in Section 3.2 of this Prospectus entitled "Pre-Listing Restructuring" been effected on 31 December 2012.

The pro forma consolidated statement of financial position of the KLCCP Stapled Group has been prepared using the consolidated financial statements of the Company for the year ended 31 December 2012 which was prepared in accordance with the Malaysian FRS and in a manner consistent with both the format of the financial statements and the accounting policies of the Company after taking into consideration the Pre-Listing Restructuring.

Furthermore, such financial information does not purport to predict the future financial position of the KLCCP Stapled Group.

### **Basis of Consolidation**

The consolidated statement of financial position of the Company comprises of the statements of financial position of the Company, its subsidiaries and a controlled entity, KLCC REIT. Consolidated financial statements are prepared on the basis that the Company and KLCC REIT agree to combine their business by contract, i.e. Stapling Deed between the Company and KLCC REIT even though the Company owns no units in KLCC REIT and vice versa.

The Company is deemed to be the controlling entity (i.e. parent) for accounting purpose, as it is identified to be the party with power to govern the financial and operating policies of KLCC REIT. As the Company holds no equity interest in KLCC REIT, it will reflect 100% non-controlling interest relating to KLCC REIT in the consolidated financial statement of the Company.

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**Pro Forma Consolidated Statement of Financial Position of the KLCCP Stapled Group (Including Breakdown of Pro Forma Adjustments)**

RM'mil	Audited as at 31 Dec 2012				Pro forma				
	Dec 2012	Adj.	Pro forma I	Adj.	Pro forma II	Adj.	Pro forma III	Adj.	Pro forma IV
<b>ASSETS</b>									
<b>Non-Current Assets</b>									
Property, plant and equipment	598		598		598		598		598
Investment properties	13,807		13,807		13,807		13,807		13,807
Investment in an associate	261		261		261		261		261
Deferred tax assets	1		1		1		1		1
	<u>14,667</u>		<u>14,667</u>		<u>14,667</u>		<u>14,667</u>		<u>14,667</u>
<b>Current Assets</b>									
Inventories	1		1		1		1		1
Trade and other receivables	102		102		102		102		102
Cash and cash equivalents	1,020		1,020		1,020		1,020		1,020
	<u>1,123</u>		<u>1,123</u>		<u>1,123</u>		<u>1,123</u>		<u>1,123</u>
<b>TOTAL ASSETS</b>	<u>15,790</u>		<u>15,790</u>		<u>15,790</u>		<u>15,790</u>		<u>15,790</u>
<b>EQUITY AND LIABILITIES</b>									
<b>Equity Attributable to Equity Holders of the Company</b>									
Share capital	934	361	1,295	510	1,805		1,805		1,805
Redeemable preference shares	-		-		-	18	18	(18)	-
Share premium	562	340	902	2,349	3,251		3,251	(3,251)	-
Capital redemption reserve	-		-		-		-	18	18
Redeemable convertible unsecured loan stocks (RCULS)	688	(688)	-		-		-		-
Distributable reserve	6,250		6,250	22	6,272	9	6,281	(3,926)	2,355
	<u>8,434</u>		<u>8,447</u>		<u>11,328</u>		<u>11,355</u>		<u>4,178</u>
Non-controlling interest ("NCI") relating to KLCC REIT	-		-		-		-	7,177	7,177
Other NCI	4,558		4,558	(2,881)	1,677		1,677		1,677
Total NCI	4,558		4,558		1,677		1,677		8,854
<b>Total Equity</b>	<u>12,992</u>		<u>13,005</u>		<u>13,005</u>		<u>13,032</u>		<u>13,032</u>

RM'mil	Audited as at 31 Dec 2012	Adj.	Pro forma I	Adj.	Pro forma II	Adj.	Pro forma III	Adj.	Pro forma IV
<b>Non-Current Liabilities</b>									
Redeemable convertible unsecured loan stocks (RCULS)	13	(13)	-		-		-		-
Other long term liabilities	76		76		76		76		76
Long term financing/borrowings	2,299		2,299		2,299		2,299		2,299
Deferred tax liabilities	36		36	(27)	36	(27)	9		9
	2,424		2,411		2,411		2,384		2,384
<b>Current Liabilities</b>									
Trade and other payables	247		247		247		247		247
Financing/Borrowings	48		48		48		48		48
Taxation	79		79		79		79		79
	374		374		374		374		374
<b>Total Liabilities</b>	2,798		2,785		2,785		2,758		2,758
<b>TOTAL EQUITY AND LIABILITIES</b>	15,790		15,790		15,790		15,790		15,790
<b>Before dilution of RCULS</b>									
Net assets per Stapled Security	8.29		6.52		6.28		6.29		6.29
<b>After dilution of RCULS</b>									
Net assets per Stapled Security	6.52		6.52		6.28		6.29		6.29
<b>Note:</b>									
(1)	Net assets per Stapled Security is the net assets attributable to equity holders of the Company and NCI relating to KLCC REIT divided by number of Stapled Securities.								

**(a) Pro forma Adjustment I**

Pro forma I incorporates the effects of the conversion of RCULS as described in Section 3.2 of this Prospectus entitled "Pre-Listing Restructuring".

The RCULS conversion results in an increase in the Company's issued and paid-up share capital of RM361 million and share premium of RM340 million with a corresponding decrease in RCULS (both equity and liability portions) of RM701 million.

**(b) Pro forma Adjustment II**

Pro forma II incorporates the effects of Pro forma I and the effects of the Midciti Acquisition with a total purchase consideration of RM2,859 million as described in Section 3.2.1 of this Prospectus entitled "Midciti Acquisition", which results in:

- (i) increase in share capital of RM510 million;
- (ii) increase in share premium of RM2,349 million;
- (iii) a reduction in non-controlling interest of RM2,881 million as the Company own 100% interest in Midciti after the Midciti Acquisition, and
- (iv) increase in distributable reserve of RM22 million, being the difference between the 49.5% non-controlling interest acquired and the fair value of the purchase consideration paid, recognised directly in equity.

**(c) Pro forma Adjustment III**

Pro forma III incorporates the effects of Pro forma II and the effects of disposal of the Subject Properties to KLCC REIT as described in Section 3.2.3 of this Prospectus entitled "Acquisitions" and Bonus RPS Issue as described in Section 3.2.4 of the this Prospectus entitled "Bonus RPS Issue by the Company and the subsequent redemption thereof".

The disposal of the Subject Properties results in the derecognition of deferred tax liabilities of RM27 million as KLCC REIT is exempted from income tax pursuant to Section 61A of Income Tax Act on the assumption that KLCC REIT distributes 95% of its distributable income which is expected to be more than 90% of its total income as defined in the Income Tax Act.

After the Bonus RPS Issue, RPS increases by RM18 million with a corresponding RM18 million decrease in distributable reserve.

**(d) Pro forma Adjustment IV**

Pro forma IV incorporates the effect of Pro forma III and the effects of redemption of RPS as described in Section 3.2.4 of this Prospectus entitled "Bonus RPS Issue by the Company and the subsequent redemption thereof".

The redemption of RPS results in:

- (i) increase in capital redemption reserve of RM18 million with a corresponding decrease in RPS;
- (ii) decrease in share premium of RM3,251 million;
- (iii) decrease in distributable reserve of RM3,926 million; and

- (iv) increase in non controlling interest relating to KLCC REIT of RM7,177 million, net of transaction cost of RM15 million, as the holders of the Units are presented as NCI in the consolidated statement of financial position of the KLCCP Stapled Group.

#### 4.1.2 CAPITALISATION AND INDEBTEDNESS OF THE KLCCP STAPLED GROUP

The following table sets forth the pro forma capitalisation of the KLCCP Stapled Group as at the 31 December 2012.

As at 31 December 2012	RM'mil
Financing/Borrowings	2,347
Shareholders' funds <sup>(1)</sup>	11,355
<b>Total capitalisation</b>	<b>13,702</b>

**Notes:**

- (1) Consisting of equity attributable to equity holders in the Company and NCI relating to KLCC REIT.

Based on the KLCCP Stapled Group's Pro Forma Consolidated Statement of Financial Position, the KLCCP Stapled Group is expected to have an initial indebtedness of approximately RM2,347 million representing approximately 14.86% of the estimated total asset value of the KLCCP Stapled Group.

#### 4.1.3 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE KLCCP STAPLED GROUP

*The following table presents the pro forma consolidated statements of comprehensive income of the KLCCP Stapled Group for FY2010, FY2011, FPE 2011 and FY2012. The pro forma consolidated statements of comprehensive income should be read in conjunction with Section 4.1.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for the KLCCP Stapled Group".*

*The objective of the pro forma consolidated statements of comprehensive income for the KLCCP Stapled Group is to show what the results of operations might have been had the KLCCP Stapled Group existed at an earlier date. However, the pro forma consolidated statements of comprehensive income for the KLCCP Stapled Group is not necessarily indicative of the results of operation that would have been attained had the KLCCP Stapled Group actually existed earlier.*

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## Pro Forma Consolidated Statements of Comprehensive Income for the KLCCP Stapled Group

The revenue and expenses stated below are directly related to the operations of the Group Properties and should be read together with Section 4.1.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for the KLCCP Stapled Group".

RM'mil	FY2010 (12-mth YE 31 Mar 2010)	FY2011 (12-mth YE 31 Mar 2011)	FPE2011 (9-mth PE 31 Dec 2011)	FY2012 (12-mth YE 31 Dec 2012)
Revenue	881	926	746	1,178
<b>Operating profit</b>	<b>647</b>	<b>675</b>	<b>522</b>	<b>878</b>
Fair value adjustments	758	547	1,140	1,379
Profit Income/Interest income	12	17	16	36
Financing costs	(139)	(127)	(86)	(122)
Share of profit of an associate	16	10	8	24
<b>Profit before tax</b>	<b>1,294</b>	<b>1,122</b>	<b>1,600</b>	<b>2,195</b>
Tax expense	(78)	(85)	(61)	(98)
<b>Profit after tax</b>	<b>1,216</b>	<b>1,037</b>	<b>1,539</b>	<b>2,097</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	369	427	287	650
Non-controlling interests ("NCI") relating to KLCC REIT	652	477	1,102	1,094
Other NCI	195	133	150	353
	<b>1,216</b>	<b>1,037</b>	<b>1,539</b>	<b>2,097</b>
<b>Earnings per Stapled security</b>				
Basic	56.57	50.06	76.95	96.62
Basic (excluding fair value adjustments)	22.33	23.53	19.16	33.96

The pro forma consolidated statements of comprehensive income for the years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 have been prepared based on the following pro forma adjustments:

**(a) Adoption of Malaysian FRS**

The date of transition of KLCCP Group for the adoption of Malaysian FRS is 1 April 2011. The audited consolidated statement of comprehensive income of KLCCP for the year ended 31 December 2012, together with its comparative period of 31 December 2011, have been prepared in accordance with Malaysian FRS.

For financial years ended 31 March 2010 and 31 March 2011, the audited consolidated statements of comprehensive income were prepared in accordance with FRS. For comparability purposes, the statement of comprehensive income for the financial years ended 31 March 2010 and 31 March 2011 have been adjusted to comply with Malaysian FRS, reflecting the reversal of deferred tax expense recognised on fair valuation of investment properties of RM27 million and RM52 million in financial year ended 31 March 2010 and 31 March 2011 respectively.

**(b) Pro forma Adjustment I**

Pro forma I incorporates the effects of the conversion of RCULS as described in Section 3.2 of this Prospectus entitled "Pre-Listing Restructuring".

This results in decrease in financing cost of:

- (i) RM3 million in financial year ended 31 March 2010;
- (ii) RM2 million in financial year ended 31 March 2011;
- (iii) RM1 million in financial period ended 31 December 2011; and
- (iv) RM2 million in the financial year ended 31 December 2012.

**(c) Pro forma Adjustment II**

Pro forma II incorporates the effects of Pro forma I and the effects of the Midciti Acquisition as described in Section 3.2.1 of this Prospectus entitled "Midciti Acquisition".

As the Company will own 100% of Midciti after the Midciti Acquisition, there is a reduction in profit attributable to NCI, with a corresponding increase in profit attributable to equity holders of:

- (i) RM290 million in financial year ended 31 March 2010;
- (ii) RM97 million in financial year ended 31 March 2011;
- (iii) RM523 million in financial period ended 31 December 2011; and
- (iv) RM167 million in financial year ended 31 December 2012.



**(d) Pro forma Adjustment III**

Pro forma III incorporates the effects of Pro forma II and the effects of the establishment of KLCC REIT, disposal of the Subject Properties to KLCC REIT, Bonus RPS Issue and redemption of RPS as described in Sections 3.2.2 entitled “Establishment of the KLCC REIT”, 3.2.3 entitled “Acquisitions” and 3.2.4 entitled “Bonus RPS Issue by the Company and the subsequent redemption thereof” of this Prospectus.

This results in increase in profit attributable to NCI, with a corresponding decrease in profit attributable to equity holders of:

- (i) RM584 million in financial year ended 31 March 2010;
- (ii) RM413 million in financial year ended 31 March 2011;
- (iii) RM1,044 million in financial period ended 31 December 2011.; and
- (iv) RM983 million in financial year ended 31 December 2012.

**(e) Pro forma Adjustment IV**

Pro forma IV incorporates the effects of Pro forma III and the effects for KLCC REIT's exemption to income tax pursuant to Section 61A of the Income Tax Act on the assumption that KLCC REIT distributes 95% of its distributable income which is expected to be more than 90% of its total income as defined in the Income Tax Act. This results in decrease in tax expense of:

- (i) RM68 million in financial year ended 31 March 2010;
- (ii) RM64 million in financial year ended 31 March 2011;
- (iii) RM58 million in financial period ended 31 December 2011; and
- (iv) RM111 million in financial year ended 31 December 2012.

**4.1.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE KLCCP STAPLED GROUP**

**4.1.4.1 General background**

KLCC REIT is a REIT established in Malaysia and constituted by the Deed whilst the KLCCP Stapled Group is characterised by the Stapling Deed. As both KLCC REIT and the KLCCP Stapled Group are newly established, they do not have historical results and financial information for which recipients of this Prospectus and prospective Holders of the Stapled Securities may evaluate KLCC REIT and the KLCCP Stapled Group.

Each Unit issued by the Manager will be stapled to a Share to be held by the Holder of the Stapled Security as the full legal and beneficial owner, so that one cannot trade without the other. The Manager is also a wholly-owned subsidiary of the Company with the same Board of Directors as the Company.

#### **4.1.4.2 Presentation of financial information**

The consolidated financial statements of the KLCCP Stapled Group comprise the statements of comprehensive income of the Company, its subsidiaries and a controlled entity, KLCC REIT. Consolidated financial statements are prepared on the basis that the Company and KLCC REIT agree to combine their business by contract, i.e. Stapling Deed between the Company and KLCC REIT even though the Company owns no units in KLCC REIT and vice versa.

Even though the Company owns no units in KLCC REIT and vice versa, the Company is deemed to be the controlling entity (i.e. parent) for accounting purposes, as it is identified to be the one with the power to govern the financial and operating policies of KLCC REIT.

As the Company holds no equity interest in KLCC REIT, it will reflect 100% NCI relating to KLCC REIT in the consolidated financial statements of the Company. The KLCCP Stapled Group's profit forecast has also been prepared with the related assumptions and information contained in Section 4.1.5.2 of this Prospectus entitled "Bases and assumptions" below which should be read together with the "Reporting Accountants' Letter on the Profit Forecasts for the KLCCP Stapled Group for the Years Ending 31 December 2013 and 2014" in Appendix C.

#### **4.1.4.3 Factors affecting KLCCP Stapled Group's financial condition and results of operations**

The performance of KLCCP Stapled Group's property portfolio, including the Subject Properties held by KLCC REIT, is primarily dependent on the revenue generated from the tenancies as well as the operating expenses relating to the properties.

##### ***Rental Rates***

For office properties in particular, PETRONAS Twin Towers and the Office Tower in Menara 3 PETRONAS have been leased to a single lessee, being PETRONAS on 15-year leases which had commenced from 1 October 2012 and 15 December 2011 respectively. The rental rates of these leases are reviewed every three years based on the formula of 3% per annum compounded for the preceding three years. Menara ExxonMobil has been leased out to a single lessee ExxonMobil for a 5-year lease which had commenced from 1 February 2012, with a step-up in rental of 14% after three years. The long term leases to high quality tenants, especially the triple net leases at PETRONAS Twin Towers and the Office Tower at Menara 3 PETRONAS provide a high degree of certainty in rental and expenses generated by these properties.

KLCCP Stapled Group's retail revenue is mainly from Suria KLCC and the Retail Podium of Menara 3 PETRONAS. Rental rates for leases at retail properties are mainly affected by tenancy profiles (including tenancy mix, trade sector mix), tenure of tenancies, and size of tenanted area (including proportion of NLA rented by anchor tenants). Performance of the retail properties are also impacted by the overall sales performance and business conditions of tenants, and general shopper traffic, profile and spending patterns.

### ***Occupancy Rates***

Fluctuations in occupancy rates are not expected for PETRONAS Twin Towers, the Office Tower in Menara 3 PETRONAS and Menara ExxonMobil, as these properties are on long term leases to high quality single lessees and are at 100% occupancy.

For the remaining properties held by KLCCP Stapled Group, occupancy rates will generally depend on supply/demand trends affecting the real estate markets, potential vacancy periods arising from tenancy expiries and/or early terminations, and rental rates and occupancy trends of other competing properties within the locality.

### ***Property Operating Expenses***

As the lease agreements for PETRONAS Twin Towers and the Office Tower for Menara 3 PETRONAS are on a triple net lease basis, the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful/insurance and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessments.

For the properties not under the triple net lease, operating expenses may be affected by a number of factors including the age, upkeep and upgrading of the properties, and changes to the maintenance and service charges, utilities tariff, marketing and distribution expenses, quit rent and assessment levied by local government and relevant authorities, and takaful contributions/insurance premium.

### ***Valuation of the Properties***

An independent professional valuation for KLCCP Stapled Group's property portfolio will be obtained at least once every three years in line with the REIT Guidelines or such other shorter interval as necessary. These valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. Any increase or decrease in valuation will be credited or charged directly to the statement of net property income as a fair value gain or loss on investment properties. The revaluation of the KLCCP Stapled Group's properties may therefore in the future result in significant fluctuations in the financial performance of KLCCP Stapled Group.

### ***General Economic and Property Market Conditions***

In general, KLCCP Stapled Group's business and financial condition may be affected by broader economic conditions of Malaysia and conditions of the Malaysian real estate sector.

#### **4.1.4.4 Significant accounting policies**

##### **(a) Basis of Preparation**

KLCCP Stapled Group's pro forma financial statements have been compiled based on the audited financial statements of the Company for the years/period FY2010, FY2011, FPE2011 and FY2012, drawn in accordance which was prepared in accordance with Malaysian FRS and in a manner consistent with both the format of the financial statements and the accounting policies of the Company.

**(b) Basis of Consolidation**

The consolidated financial statements of KLCCP Stapled Group comprise the financial statements of the Company, its subsidiaries and a controlled entity, KLCC REIT.

Consolidated financial statements should be prepared on the basis that the Company and KLCC REIT agree to combine their business by contract, i.e. Stapling Deed between the Company and KLCC REIT even though the Company owns no units in KLCC REIT and vice versa.

The Company is deemed to be the controlling entity (i.e. parent) for accounting purposes, as it is identified to be the one with the power to govern the financial and operating policies of KLCC REIT. As the Company holds no equity interest in KLCC REIT, it will reflect 100% NCI relating to KLCC REIT in the consolidated financial statements of the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the KLCCP Group obtains control, and continues to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the KLCCP Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the KLCCP Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries and KLCC REIT not held by the KLCCP Group. It is measured at the non-controlling interests' share of the fair value of the subsidiaries' and KLCC REIT's identifiable assets and liabilities at the acquisition date and the non-controlling share of changes in the subsidiaries' and KLCC REIT's equity since then.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining activities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The consolidated statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

**(c) Property, Plant and Equipment**

Freehold land which has an unlimited life is stated at cost and is not depreciated. Projects-in-progress are stated at cost and are not depreciated as the assets are not available for use.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight line basis over the estimated useful life of the related assets.

Costs are expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the KLCCP Stapled Group and the Company and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-today servicing of property, plant and equipment are recognised in the profit or loss as incurred.

The estimated useful life for the years/period is as follows:

Hotel building	80 years
Building improvements	5 to 6 years
Furniture and fittings	5 to 10 years
Plant and equipment	4 to 10 years
Office equipment	5 years
Renovation	5 years
Motor vehicles	4 to 5 years
Crockery, linen and utensils	3 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit or loss.

**(d) Investment Properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair value of investment properties are recognised in the profit or loss in the period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the KLCCP Stapled Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period in which they arise.

The land portion under the Investment Properties Under Construction (IPUC) is measured at fair value by a qualified independent valuer based on the comparison method. The construction work in progress is measured at cost based on the costs certified up to the end of the reporting period.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, and balances and deposits with banks. For the purpose of cash flow statements, cash and cash equivalents include cash on hand and deposits with banks, less restricted cash held in designated accounts on behalf of clients.

**(f) Financing Costs**

Financing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other financing costs are charged to the profit or loss as an expense in the period in which they are incurred.

**(g) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the KLCCP Stapled Group and the Company and the revenue can be reliably measured.

Rental income is recognised based on the accrual basis or on a straight line basis unless collection is in doubt, in which case it is recognised on the receipt basis.

Revenue from building and facilities management fees is recognised when the services are performed. Revenue is recognised net of sales and service tax and discount, where applicable.

Profit Income/Interest income is recognised on an accrual basis using the effective profit rate/interest method.

**(h) Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the KLCCP Stapled Group becomes a party to the contractual provisions of the financial instrument.

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

The KLCCP Stapled Group determines the classification of their financial assets at initial recognition, and the categories include loans and receivables.

**(a) Financing and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as financing and receivables.

Subsequent to initial recognition, financing and receivables are measured at amortised cost using the effective profit rate/interest method. Gains and losses are recognised in profit or loss when the financing and receivables are derecognised or impaired, and through the amortisation process.

Financing and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**(i) Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

**(a) Current tax**

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

**(b) Deferred tax**

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused investment tax allowances, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused investment tax allowances, unused tax losses and unused tax credits can be utilised.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on statutory tax rates at the reporting date.

**(j) RCULS**

The RCULS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible loan stock. The difference between the proceeds of issue of the RCULS and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying



amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible loan stock to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

**(k) Operating leases – the Group as lessor**

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

**4.1.4.5 Components of revenue**

KLCCP Stapled Group's revenue is predominantly from rental income derived from the rental of office and retail spaces and other related activities, as well as from hotel operations and the provision of management services such as facilities management, car park operations and general management services.

A substantial part of the revenue is derived from the Subject Properties which are held by KLCC REIT.

***Rental of Office Space***

KLCCP Stapled Group derives rental income from the rental of office space to tenants and other related activities. Properties operating in this segment include PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil held in KLCC REIT, and Dayabumi.

A substantial portion of the rental income derived from the rental of office space is based on the 15-year triple net lease to high quality tenants with an in-built escalation clause, ensuring long-term and stable rental income. A "triple net lease" is a lease where the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful/insurance and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessments.

KLCC REIT's lease agreements for PETRONAS Twin Tower and the Office Tower for Menara 3 PETRONAS are for a period of 15 years on a triple net lease basis with PETRONAS. The rental rates of the leases are renewed based on 3% per annum compounded for a period of three years. Menara ExxonMobil has been leased out to a single lessee, being ExxonMobil on a 5-year lease which had commenced from 1 February 2012, with a step-up in rental of 14% after three years.

### ***Rental of Retail Space***

KLCCP Stapled Group derives rental income from the rental of retail space to tenants and other related activities. Properties operating in this segment include Suria KLCC and the Retail Podium of Menara 3 PETRONAS. Retail rental income of the KLCCP Stapled Group typically comprise mainly of base rent with a component from percentage rent, as well as service charges.

Base rent is driven by rental rates committed by tenants as well as overall occupancy level, providing stable level of rental income for the tenure of the lease. Percentage rent is calculated based on a percentage of the gross sales of the tenant, which is pre-determined in the tenancy agreement, and provides for some degree of upside to rental income should the tenant be able to achieve significant growth in gross sales during the tenure of the lease.

Service charges are back-charges of service works for tenants, typically based on a charge rate per square foot.

Retail rental income is also affected by tenant profiles and tenant mix, size of tenanted area, including proportion of lettable area taken up by anchor tenants, overall sales performance and business conditions of tenants and shopper traffic, profile and spending patterns.

### ***Hotel Operations***

Revenue from hotel operations is generated by Mandarin Oriental Kuala Lumpur, and mainly consists of room revenue and revenue from sales of food and beverage.

Room rental is driven by room rates and occupancy level of the hotel room available for rental. Sales of food and beverage is driven by number of patrons of the hotel.

### ***Management Services***

Management services mainly consist of revenue from the provision of facilities management and car park operations, provided by KLCC Urusharta and KLCC Parking Management Sdn Bhd.

#### **4.1.4.6 Components of expense**

As the lease agreements for PETRONAS Twin Tower and the Office Tower for Menara 3 PETRONAS are on a triple net lease basis, the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful/insurance and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessments. As a result of this, the portion of property operating expenses as a percentage to rental income would be relatively lower as compared to the same property not under a triple net lease agreement.

#### ***Utilities***

Utilities expenses refer to electricity, chilled water, sewerage and water.

### ***Maintenance***

Maintenance expenses refer to cost of repair and maintenance of landscape, air-conditioned, ventilation system, plumbing and elevator services.

### ***Quit Rent and Assessment***

Quit rent and assessment is payable to the Federal government and local council in respect of Menara ExxonMobil, Dayabumi, Suria KLCC and Retail Podium of Menara 3 PETRONAS.

### ***Selling, Marketing and Distribution***

Selling, marketing and distribution costs are mainly derived from Suria KLCC and Mandarin Oriental Kuala Lumpur.

#### **4.1.4.7 Results of operations for FY2012 compared to results of operations for FPE2011**

##### ***Revenue***

KLCCP Stapled Group recorded revenue of RM1,178 million and RM746 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively. The revenue for FY2012 increased by RM183 million or 18.39% compared to FPE2011 on an annualised basis. The increase in revenue was mainly due to full year revenue contribution from Menara 3 PETRONAS following commencement of the lease for its office tower in December 2011 and additional retail revenue arising from better space utilisation and higher rental rates secured for renewals in Suria KLCC.

##### ***Operating Expenses***

KLCCP Stapled Group recorded operating expenses of RM300 million and RM224 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively.

The operating expenses for year ended 31 December 2012 were comparable to the annualised operating expenses for FPE2011 of RM299 million.

##### ***Profit After Tax (excluding Other NCI)***

KLCCP Stapled Group achieved profit after tax excluding other NCI of RM1,744 million and RM1,389 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively.

Excluding the impact of fair value adjustments, the KLCCP Stapled Group achieved profit after tax excluding other NCI of RM613 million and RM346 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively. The profit after tax excluding other NCI for FY2012 increased by RM152 million or 32.97% compared to FPE2011 on an annualised basis mainly due to the improvement in revenue as noted above.

#### **4.1.4.8 Results of operations for FPE2011 compared to results of operations for FY2011**

##### ***Revenue***

KLCCP Stapled Group recorded revenue of RM746 million and RM926 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. On an annualised basis, revenue for FPE2011 increased by RM69 million or 7.45% compared to FY2011. The increase in revenue was due to increase in contribution from Menara 3 PETRONAS, upward rent revisions in Dayabumi, and additional revenue arising from better space utilisation and higher rental rates secured for renewals in Suria KLCC.

##### ***Operating Expenses***

KLCCP Stapled Group recorded operating expenses of RM224 million and RM251 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. On an annualised basis, operating expenses for FPE2011 increased by RM48 million or 19.12% compared to FY2011.

The increase was attributable to the higher utilities and operating expenses from the retail portion of Menara 3 PETRONAS which was tenanted in mid 2011, and recognition of pre-opening costs for Menara 3 PETRONAS which was previously capitalised during the construction stage.

##### ***Profit After Tax (excluding Other NCI)***

KLCCP Stapled Group achieved profit after tax excluding other NCI of RM1,389 million and RM904 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. Excluding the impact of fair value adjustments, profit after tax excluding other NCI was RM346 million and RM425 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. On an annualised basis, profit after tax excluding other NCI for FPE2011 increased by RM36 million or 8.47% compared to FY2011. The increase was attributable to the factors affecting revenue and operating expenses as described in previous sections.

#### **4.1.4.9 Results of operations for FY2011 compared to results of operations for FY2010**

##### ***Revenue***

KLCCP Stapled Group's revenue for FY2011 increased by RM45 million or 5.11% to RM926 million from RM881 million for FY2010. This was mainly contributed by the improved revenue from hotel operations in addition to the better rentals attained by the retail mall. This was further amplified by the higher rentals of office building, in particular Dayabumi (rental revisions) and improved revenue achieved by the management services segment.

##### ***Operating Expenses***

Operating expenses for FY2011 increased by RM17 million or 7.26% to RM251 million from RM234 million for FY2010. The increase was due to general increase in operating costs including utilities and maintenance expenses.

### ***Profit After Tax (excluding Other NCI)***

KLCCP Stapled Group achieved profit after tax excluding other NCI of RM904 million and RM1,021 million for FY2011 and FY2010 respectively, or a decrease of RM117 million or 11.46%. This is mainly due to the lower fair value adjustment in FY2011 compared to FY2010.

Excluding the impact of fair value adjustments, profit after tax excluding other NCI was RM425 million and RM403 million for FY2011 and FY2010 respectively, or an increase in profit after tax excluding other NCI of RM22 million or 5.46% compared to FY2010. This is mainly due to improved operating profits, higher Profit Income/interest income and lower financing cost borne during the year.

#### **4.1.5 PROFIT FORECASTS FOR THE KLCCP STAPLED GROUP**

Statements contained in this "Profit Forecasts for the KLCCP Stapled Group" section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser, the International Financial Adviser or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See the Section on "Forward-looking Statements" and Section 5 of this Prospectus entitled "Risk Factors" for further details. Shareholders of the Stapled Securities are cautioned not to place undue reliance on these forward-looking statements which are made only as at the date of this Prospectus.

***None of KLCC REIT, the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser or the International Financial Adviser guarantees the performance of KLCC REIT and the KLCCP Stapled Group, the repayment of capital or the payment of any distribution, or any particular return of the Stapled Securities. The forecast yields for the KLCCP Stapled Group stated in the following table are calculated based on a price of RM5.66. The distribution yield of the KLCCP Stapled Group is not directly comparable with that of other standalone REITs.***

***Shareholders are cautioned that rental yields on properties within the KLCCP Stapled Group, including the Subject Properties to be held by KLCC REIT, are not equivalent to the yield of the KLCC REIT or Stapled Securities. Current rental receipts and yields may not sustain. The values of properties within the KLCCP Stapled Group, including the Subject Properties to be held by KLCC REIT, may rise as well as fall.***

The following table shows the profit forecasts for the KLCCP Stapled Group for the Forecast Year 2013 and Forecast Year 2014. The financial year end of the KLCCP Stapled Group is 31 December. The Forecast Year 2013 has been prepared assuming that the first financial year is the 12 month period ending 31 December 2013 and assuming that the date of establishment of KLCC REIT and the KLCCP Stapled Group is 1 January 2013. The profit forecasts may be different to the extent that the establishment date of KLCC REIT and the KLCCP Stapled Group is other than 1 January 2013. The profit forecasts are based on the assumptions set out below and have been examined by the Reporting Accountants and should be read together with the "Reporting Accountants' Letter on the Profit Forecasts for the KLCCP Stapled Group for the Years Ending 31 December 2013 and 2014" set out in Appendix C, as well as the assumptions set out in this section of the Prospectus.

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## Profit Forecasts for the KLCCP Stapled Group

	Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
Total Revenue	1,295	1,333
Total operating expenses	(345)	(339)
Operating profit	950	994
Profit Income/Interest income	21	18
Financing costs	(127)	(124)
Fair value adjustment	-	-
Share of profit of an associate	13	15
Profit before tax	857	903
Taxation	(96)	(104)
<b>Profit after tax</b>	<b>761</b>	<b>799</b>
<b>Profit attributable to:</b>		
Equity holders of the Company	225	251
Non controlling interest relating to KLCC REIT	444	449
Other non-controlling interests	92	99
	<b>761</b>	<b>799</b>
<b>Distribution</b>		
<b>Distribution from KLCC REIT</b>		
Distributable income (RM'mil)	363	371
Distribution rate (%)	95%	95%
Distribution (RM'mil)	345	352
<b>Distribution to Stapled Security holders</b>		
Overall Distributable Income (RM'mil) <sup>(1)</sup>	588	622
Distribution rate (%)	95% <sup>(2)</sup>	95%
Distribution (RM'mil)	559	591
Number of Stapled Securities in issue (million)	1,805	1,805
Distribution cover (time)	0.95	0.95
Distribution per Stapled Security (sen)	30.95	32.74
Closing price as at 26 November 2012 (RM)	5.66	5.66
Distribution yield on closing price as at 26 November 2012 (%)	5.47%	5.78%

### Notes:

- (1) Overall Distributable Income to the Stapled Security holders consist of profit attributable to the equity holders of the Company, excluding any fair value adjustments if any; and distributable income of KLCC REIT.
- (2) The distribution policy of 95% for Forecast Year 2013 is only applicable from the date of establishment of the KLCCP Stapled Group.

#### 4.1.5.1 Directors' analysis and commentary

The Company confirms that the profit forecasts of the KLCCP Stapled Group and the underlying bases and assumptions stated herein have been reviewed by the directors of the Company. After due and careful inquiries, with the directors taking into account the future prospects of the industry, the future direction of the KLCCP Stapled Group and its level of gearing, liquidity and working capital requirements, the directors are of the opinion that the profit forecasts of the KLCCP Stapled Group are achievable and the assumptions made are reasonable at the time of issue of this Prospectus, barring unforeseen circumstances.

Nevertheless, the bases and assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the Company's control. Therefore, future events may impact the actual results of the KLCCP Stapled Group during the Forecast Year 2013 and Forecast Year 2014.

#### 4.1.5.2 Bases and assumptions

The financial year end for the KLCCP Stapled Group is 31 December. The profit forecasts have been prepared on the assumption that KLCC REIT, the units of which will be stapled with the ordinary shares of the Company, was established and had commenced operation on 1 January 2013.

##### Total Revenue

Revenue of the KLCCP Stapled Group is expected to be as follows:

		Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
Office	(a)	597	600
Hotel	(b)	165	165
Retail	(c)	423	452
Management Services	(d)	110	116
<b>Total Revenue</b>		<b>1,295</b>	<b>1,333</b>

(a) Office revenue from rental of office buildings is derived from:

	Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
KLCC REIT	552	553
Kompleks Dayabumi	45	47
<b>Total</b>	<b>597</b>	<b>600</b>

##### KLCC REIT

The office rental income from KLCC REIT, which consists of Menara 3 PETRONAS, PETRONAS Twin Towers and Menara ExxonMobil, is forecast based on committed tenancies. As the leases are non-cancellable, the rental income is recognised on a straight-line basis over the lease tenure.



### **Kompleks Dayabumi**

The rental of Kompleks Dayabumi is based on committed tenancies. The forecast growth rates of the office rental income are 7% and 4% per annum for the Forecast Year 2013 and Forecast Year 2014 respectively.

- (b) Hotel revenue is generated by Mandarin Oriental Kuala Lumpur, owned by Asas Klasik Sdn Bhd. Hotel revenue consists of:

	<b>Forecast Year 2013 (RM'mil)</b>	<b>Forecast Year 2014 (RM'mil)</b>
Room	88	81
Food and beverage	62	70
Others	15	14
<b>Total</b>	<b>165</b>	<b>165</b>

The room occupancy rates are forecast at 63% and 56% for Forecast Year 2013 and Forecast Year 2014 respectively. The average room rates are expected to be at RM601 and RM604 per night for the Forecast Year 2013 and Forecast Year 2014 respectively.

Food and beverage revenue forecast is based on the expected numbers of patrons.

- (c) Retail rental income comprises base rent, percentage rent and service charges of Suria KLCC and KLCC REIT (i.e. Retail Podium of Menara 3 PETRONAS).

	<b>Forecast Year 2013 (RM'mil)</b>	<b>Forecast Year 2014 (RM'mil)</b>
Suria KLCC	386	413
KLCC REIT	37	39
<b>Total</b>	<b>423</b>	<b>452</b>

Base rent is forecast based on committed tenancies. Percentage rent is forecast based on a percentage of the total expected gross sales generated by each tenant, where applicable, during each relevant period. Service charges are back-charges of service works for tenants which are based on charge rate per square foot. The service charges are projected to increase at 5% and 4% per annum for the Forecast Year 2013 and Forecast Year 2014 respectively.

The expected occupancy rate of Suria KLCC is 99% and the retail podium of Menara 3 PETRONAS is 95% for the Forecast Year 2013 and Forecast Year 2014. The forecast growth rates of total retail rental income are 9% and 7% per annum respectively for the Forecast Year 2013 and Forecast Year 2014.

- (d) Management services are expected to increase at 16% and 5% per annum for the Forecast Year 2013 and Forecast Year 2014 respectively.

## Total Operating Expenses

Total operating expenses for the KLCCP Stapled Group comprise of:

		Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
Utilities	(a)	55	56
Quit rent and assessment	(b)	12	12
Selling, marketing and distribution	(c)	12	12
Repair and maintenance	(d)	26	27
Depreciation	(e)	36	34
Other operating expenses	(f)	204	198
		<hr/>	<hr/>
		345	339

- (a) Utilities expenses refer to electricity, chilled water, sewerage and water. Total utilities expenses are expected to increase at 2% per annum for the Forecast Year 2013 and Forecast Year 2014.
- (b) Quit rent and assessment is expected to remain consistent for the Forecast Year 2013 and Forecast Year 2014.
- (c) Selling, marketing and distribution costs are mainly derived from Suria KLCC and Mandarin Oriental Kuala Lumpur. The costs are expected to be at 2% of the combined total income of Suria KLCC and Mandarin Oriental Kuala Lumpur for the Forecast Year 2013 and Forecast Year 2014.
- (d) Repair and maintenance is expected to increase at 18% and 4% per annum respectively for the Forecast Year 2013 and Forecast Year 2014.
- (e) The depreciation rates used are as follows:
- |                        |               |
|------------------------|---------------|
| Hotel building         | 80 years      |
| Building improvements  | 5 to 6 years  |
| Furniture and fittings | 5 to 10 years |
| Plant and equipment    | 4 to 10 years |
| Renovation             | 5 years       |
| Others                 | 3 to 5 years  |
- (f) Other operating expenses include, among others, staff costs, property management fee and trustee fee. The expenses are expected to be at 16% and 15% of total revenue for the Forecast Year 2013 and Forecast Year 2014 respectively.

## Profit Income/Interest Income

Profit Income/Interest income on investment account/fixed deposit is computed on monthly basis at a profit/interest rate of 3% per annum.

## Financing Costs

Included in financing costs are profit/interest expenses for financing/borrowings and fair value accretion of financial instruments. Interest/profit for borrowings/financing is assumed to be incurred based on the financing agreements.

## Fair Value Adjustment

It is assumed that the fair value of investment properties of the KLCCP Stapled Group remains unchanged from its fair value as at 1 October 2012 as the future market value cannot be reliably measured, resulting in no subsequent fair value gain or loss.

## Share of profit of associates

The share of profit of an associate, excluding the share of fair value gain, is expected to increase by 23% and 15% per annum for the Forecast Year 2013 and Forecast Year 2014 respectively mainly due to the expected lease renewal at more favourable terms in June 2013 .

## Tax Expense

The effective tax rate of KLCCP Stapled Group is expected to be 11% and 12% for the Forecast Year 2013 and Forecast Year 2014 respectively.

## Distribution to Stapled Security Holders

Total distribution to stapled security holders consist of distributions from KLCC REIT and dividend from the Company and are assumed to be as follows:

	Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
<b>Distribution from KLCC REIT</b>		
Distributable income	363	371
Distribution rate (%)	95%	95%
Distribution	345	352
Dividend from the Company	214	239
Profit attributable to equity holders of the Company in KLCCP Stapled Group	225	251
Distributable income of KLCC REIT	363	371
<b>Overall Distributable Income</b>	<b>588</b>	<b>622</b>

## General Assumptions

- (a) There will be no significant changes in the assets portfolio and structure of KLCCP Stapled Group.
- (b) There will be no significant changes in the principal activities of KLCCP Stapled Group.
- (c) There will be no significant changes to the prevailing Malaysian and global economic and political conditions which will adversely affect the activities or performance of KLCCP Stapled Group.

- (d) There will be no major changes in KLCCP Stapled Group's operations that will adversely affect the performance of KLCCP Stapled Group.
- (e) There will not be any significant changes in tax laws that will affect KLCCP Stapled Group. Goods and services tax will not be implemented during the forecast years.
- (f) There will be no material changes in the present legislation or government regulations, lending guidelines and other operating guidelines and regulations that will adversely affect the principal activities of the KLCCP Stapled Group.
- (g) There will be no major disruption in the operations and there will be no other events and abnormal factors including war, terrorism attacks, epidemic outbreak or natural disaster which will adversely affect the operation of the KLCCP Stapled Group.
- (h) There will be no major industrial disputes or any other abnormal factors or changes that will significantly affect KLCCP Stapled Group's operation or rental rate or disrupt its planned operations.
- (i) KLCCP Stapled Group will not be engaged in any material litigation and there will be no legal proceedings which will adversely affect its activities or performance or give rise to any additional contingent liabilities, which will materially affect its business.
- (j) There will be no significant changes in the Malaysian FRS issued by Malaysian Accounting Standards Board or other financial reporting requirements that may have a material effect on the profit forecasts.
- (k) There will be no significant changes in the terms and conditions of material contracts and agreements, including but not limited to, the SPAs, the Deed, the lease agreements, the tenancy agreements and the property management agreement.
- (l) There will be no change in the prevailing inflation rate, property expenses, the financing costs and trust expenses of KLCC REIT other than that forecast.

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## 4.2 FINANCIAL INFORMATION OF KLCC REIT

### 4.2.1 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR KLCC REIT

The following table presents the Pro Forma Consolidated Statement of Financial Position for KLCC REIT prepared for illustrative purposes only. It shows the effects on the consolidated statement of financial position of KLCC REIT on its Listing Date had the establishment of KLCC REIT and Acquisitions been effected on 31 December 2012, by application of bases consistent with the accounting policies to be adopted by KLCC REIT. However, the Pro Forma Consolidated Statement of Financial Position for KLCC REIT is not necessarily indicative of its respective future financial position.

The Pro Forma Consolidated Statement of Financial Position of KLCC REIT should be read in conjunction with the "Reporting Accountants' Letter on the Pro Forma Consolidated Statement of Financial Position of KLCC REIT as at the Listing Date" in Appendix F and the related notes in this Prospectus.

#### Pro Forma Consolidated Statement of Financial Position of KLCC REIT as at the Listing Date

	Unaudited (RM'mil)
<b>Non-current assets</b>	
Investment properties	8,742
<b>Current assets</b>	
Deferred rental income	47
Cash and bank balances	46
	93
Total Assets	8,835
<b>Equity:</b>	
Unitholders' capital	7,209
Accumulated losses	(32)
Unitholders' fund	7,177
<b>Non-current liabilities</b>	
Security deposits	16
Term financing	738
Islamic private debt securities	845
	1,599
<b>Current liabilities</b>	
Rental deposits	7
Long term financing	21
Islamic private debt securities	16
Provision for listing expenses	15
	59
Total equity and liabilities	8,835
NAV <sup>(1)</sup>	7,177
Units in issue ('mil)	1,805
NAV per Unit (RM)	3.98

**Note:**

(1) Net asset value is the value of KLCC REIT's total assets less total liabilities.

The Pro Forma Consolidated Statement of Financial Position of KLCC REIT has been prepared for illustrative purposes, and in a manner consistent with the format of the financial statements, basis of preparation and the accounting policies to be adopted by KLCC REIT as set out in Section 4.2.4.4 of this Prospectus entitled "Significant accounting policies".

KLCC REIT's Pro Forma Consolidated Statement of Financial Position set out above was prepared based on the following listing scheme:

- (a) The REIT establishment.

KLCC REIT will be constituted by a deed of trust to be entered into between the Manager and the Trustee which will come into effect on a date to be determined, when it is registered with the SC.

The Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities will be injected into KLCC REIT for a total purchase consideration of RM8,823 million, which is based on the valuation of the investment properties, to be satisfied by an issuance of Consideration Units to the Vendors, and assumption of Vendors' certain debt obligation being rental deposits, and related assets being deferred rental income and the cash equivalent amount of rental deposits and profit payable, net of deferred rental income.

The Vendors will nominate the Company to receive the Consideration Units. This shall take place in the form of distribution of Consideration Units from the Vendors to the Company via dividend in specie up to the extent of available distributable reserves and the excess to be transferred via inter-company balances.

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Details on the acquisition of the Subject Properties by KLCC REIT are as follows:

Subject Properties	Vendors	Total consideration RM'000	Satisfied via	
			Number of Units <sup>(3)</sup> RM'000	Assumption of Vendors' debt obligations/liabilities <sup>(4)</sup> RM'000
PETRONAS Twin Towers* PETRONAS Twin Towers Related Assets and Liabilities <sup>(1)</sup>	Midciti	6,500,000 <sup>(2)</sup> 44,336		
<b>Subtotal</b>		<b>6,544,336</b>	<b>1,421,263</b>	<b>857,541</b>
Menara ExxonMobil* Menara ExxonMobil Related Assets and Liabilities <sup>(1)</sup>	AJSB	450,000 <sup>(2)</sup> 4,003		
<b>Subtotal</b>		<b>454,003</b>	<b>93,878</b>	<b>78,376</b>
Menara 3 PETRONAS* Menara 3 PETRONAS Related Assets and Liabilities <sup>(1)</sup>	AMSB	1,790,000 <sup>(2)</sup> 34,760		
<b>Subtotal</b>		<b>1,824,760</b>	<b>290,192</b>	<b>663,634</b>
<b>Total Consideration</b>		<b>8,823,099</b>	<b>1,805,333</b>	<b>1,599,551</b>

**Notes:**

- \* This includes the Associated Rights and Benefits in respect of the relevant Subject Property.
- (1) Based on the net book value computed up to 30 April 2013. For the avoidance of doubt, the Related Assets and Liabilities refers to the net amount to be borne by the Trustee arising from the acquisition of the Subject Properties subject to the respective lease which amount would include (a) the related assets including (i) Accrued Rental Income and/or any other sums of money to be received by the Trustee under the leases to be novated, and (ii) such cash amount as may be reserved by the Vendors and to be paid to the Trustee to settle any financing costs due on the debt obligations or liabilities of the respective Vendors, at the time of discharge of the Vendor's obligations/liabilities or, at or about the time of completion of the transfer of the Subject Properties into KLCC REIT, and net of, (b) the related liabilities to be borne by the Trustee arising from the acquisition of the Subject Properties subject to the respective lease which amount would include the liabilities of the Trustee to refund any deposits or other moneys paid by lessees under the respective lease.
- (2) The market values of the Subject Properties as appraised by the Independent Property Valuer for the Subject Properties as at 1 October 2012.
- The consideration for the Subject Properties, when added with the Accrued Rental Income (which forms part of the Related Assets and Liabilities acquired) amounting to RM41.5 million, RM3.6 million and RM30.9 million for the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS respectively, would result in the total consideration for the Acquisitions being at a premium to the market value of the Subject Properties. However, in view of the stapled nature of the Stapled Securities, there is no adverse impact at the KLCCP Stapled Group level.
- (3) At an issue price of approximately RM4.00 per Unit.
- (4) Based on the net book value computed up to 30 April 2013.

- (b) Bonus RPS Issue and subsequent redemption thereof.

The Company will undertake a bonus issuance of RPS distributing 1,805 million RPS to the Shareholders at an entitlement date to be determined, on the basis of one RPS for each Share held on the said entitlement date.

The RPS will be subsequently redeemed by the Company on a date to be determined, at the redemption price of approximately RM4.00 for each RPS. The par value of RM0.01 per RPS will be redeemed out of the Company's retained profits whereas the premium on redemption of approximately RM3.99 per RPS will be in the form of Units by capitalising out of the Company's share premium and distributable reserves. This will result in a distribution of 1,805 million Units to all ordinary shareholders of the Company and each entitled Shareholder will hold one Unit for every share the entitled Shareholder holds.

- (c) Stapling of one Unit to each Share.

Each Unit to be received by the entitled shareholder of the Company will be stapled to each share the Entitled Shareholder holds. The resultant stapled securities will be quoted and traded as one security on the Main Market and will be not be able to be traded separately. The stapling is effected through the Stapling Deed.

#### 4.2.2 CAPITALISATION AND INDEBTEDNESS FOR KLCC REIT

The following table sets forth the pro forma capitalisation of KLCC REIT as at the Listing Date. The information in the table below should be read in conjunction with Section 3.7 of this Prospectus entitled "Expenses for the Listing of the Stapled Securities", Section 4.2.1 of this Prospectus entitled "Pro Forma Consolidated Statement of Financial Position for KLCC REIT" and the "Reporting Accountants' Letter on the Pro Forma Consolidated Statement of Financial Position of KLCC REIT as at the Listing Date and the Pro Forma Consolidated Statements of Comprehensive Income of KLCC REIT for the Years Ended 31 March 2010 and 2011, Nine (9)-Month Period Ended 31 December 2011 and the Year Ended 31 December 2012" in Appendix F of this Prospectus and the related notes in this Prospectus.

As at the date of Stapling	RM'mil
Financing <sup>(1)</sup>	1,620
Unitholders' funds	7,177
<b>Total capitalisation</b>	<b>8,797</b>

**Note:**

(1) Consisting of Islamic private debt securities and term financing/loans.

Based on KLCC REIT's Pro Forma Consolidated Statement of Financial Position, KLCC REIT is expected to have an initial indebtedness of approximately RM1,620 million representing approximately 18.34% of its estimated Total Asset Value.



#### 4.2.3 PRO FORMA NET PROPERTY INCOME FOR KLCC REIT

The following table presents the pro forma net property income of KLCC REIT, for the FY2010, FY2011, FPE 2011 and FY2012. The pro forma net property income should be read in conjunction with Section 4.2.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for KLCC REIT".

The objective of the pro forma net property income of KLCC REIT is to show what the results of operations might have been had KLCC REIT been in existence at an earlier date. However, the pro forma net property income of KLCC REIT is not necessarily indicative of the results of the operation that would have been attained had KLCC REIT been in existence earlier.

##### Pro Forma Net Property Income for KLCC REIT

The revenue and expenses stated below are directly related to the operations of the Subject Properties and should be read together with Section 4.2.4 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for KLCC REIT".

RM'mil	FY2010	FY2011	FPE2011	FY2012
<b>Total Revenue</b>	<b>375</b>	<b>375</b>	<b>298</b>	<b>515</b>
Utilities expenses	(6)	(6)	(7)	(12)
Maintenance expenses	(2)	(1)	(1)	(2)
Quit rent and assessment	(2)	(2)	(3)	(2)
Other operating expenses	(4)	(7)	(9)	(10)
<b>Property Operating Expenses</b>	<b>(14)</b>	<b>(16)</b>	<b>(20)</b>	<b>(26)</b>
<b>NPI</b>	<b>361</b>	<b>359</b>	<b>278</b>	<b>489</b>

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## **4.2.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR KLCC REIT**

### **4.2.4.1 General background**

KLCC REIT is a REIT established in Malaysia and constituted by the Deed. As KLCC REIT is a newly established REIT, it has no historical operating results and financial information for which recipients of this Prospectus and prospective Holders of the Stapled Securities may evaluate KLCC REIT save for those on the Subject Properties to be acquired.

KLCC REIT was established with the principal investment policy to invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets subject always to the investments limits imposed by the REIT Guidelines and the Islamic REIT Guidelines, with the key objective to provide the Unitholders with regular and stable distributions which is supported by KLCC REIT's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure. KLCC REIT may invest in Malaysia and overseas. The Manager intends to continue with the following strategies currently adopted by the Company to increase the income and consequently, the value of the Subject Properties and for continued growth:

- (a) active asset management strategy; and
- (b) acquisition growth strategy.

Please refer to Section 1.7.4 of this Prospectus entitled "Strategies" for further details.

### **4.2.4.2 Presentation of financial information**

KLCC REIT is a newly established REIT, and except for the Subject Properties to be acquired, KLCC REIT has not had any portfolio of real estate since its establishment. No historical financial information has been prepared since KLCC REIT's establishment. The Manager's intention is for KLCC REIT's first audited financial period to be the period commencing on the date of establishment of KLCC REIT and ending on 31 December 2013. In order to assist Shareholders' evaluation of the factors which may affect KLCC REIT's future financial results, the Manager has prepared the profit forecasts together with the related assumptions and information contained in Section 4.2.5.3 of this Prospectus entitled "Bases and assumptions" below which should be read together with the "Reporting Accountants' Letter on the Profit Forecasts for KLCC REIT for the Years Ending 31 December 2013 and 2014" in Appendix D.

### **4.2.4.3 Factors affecting KLCC REIT's financial condition and results of operations**

The performance of KLCC REIT's portfolio is primarily dependent on the revenue generated from both the lease as well as tenancies of the Subject Properties, as well as the operating expenses related to the Subject Properties.

#### ***Rental Rates***

PETRONAS Twin Towers and the Office Tower in Menara 3 PETRONAS have been leased to a single lessee, being PETRONAS on 15-year triple net leases which has both commenced from 1 October 2012 and 15 December 2011 respectively. The rental rates of these leases are reviewed every three years based on the formula of 3% per annum compounded for a period of three years. Menara ExxonMobil is leased out to single lessee,

being ExxonMobil on 5-year lease which had commenced from 1 February 2012, with a step-up in rental of 14% after three years. The long term leases to high quality tenants, represented by the triple net leases at PETRONAS Twin Towers and the Office Tower at Menara 3 PETRONAS, provide a high degree of certainty in rental and expenses generated by these properties.

KLCC REIT's retail revenue is mainly from Retail Podium of Menara 3 PETRONAS. Rental rates for leases at Menara 3 PETRONAS are mainly affected by tenancy profiles (including tenancy mix, trade sector mix), tenure of tenancies, and size of tenanted area (including proportion of NLA rented by anchor tenants). Performance of the retail properties are also impacted by the overall sales performance and business conditions of tenants, and general shopper traffic, profile and spending patterns.

### ***Occupancy Rates***

Fluctuations in occupancy rates are not expected for PETRONAS Twin Towers and the Office Tower in Menara 3 PETRONAS, and Menara ExxonMobil, as these properties are on long term leases to high quality single lessees (i.e. leases with the same tenant covering a lease period in excess of 10 years, and with reputable financial standing and business track record as in the case of PETRONAS and ExxonMobil) and are at 100% occupancy.

For the Retail Podium of Menara 3 PETRONAS, occupancy rates will generally depend on supply/demand trends affecting the real estate markets, potential vacancy periods arising from tenancy expiries and/or early terminations, and rental rates and occupancy trends of other competing properties within the locality.

### ***Property Operating Expenses***

As the lease agreements for PETRONAS Twin Tower and the Office Tower for Menara 3 PETRONAS are on a triple net lease basis, the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessments.

For the properties not under the triple net lease, Property Operating Expenses may be affected by a number of factors including the age, upkeep and upgrading of the properties, and changes to the maintenance and service charges, utilities tariff, marketing and distribution expenses, quit rent and assessment levied by local government and relevant authorities, and takaful contributions/insurance premium.

### ***Valuation of the Subject Properties***

An independent professional valuation for the Subject Properties will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary. These valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. Any increase or decrease in valuation will be credited or charged directly to KLCC REIT as a fair value gain or loss on investment properties. The revaluation of the Subject Properties may therefore in the future result in significant fluctuations in the financial performance of KLCC REIT.

### ***General Economic and Property Market Conditions***

In general, KLCC REIT's business and financial condition may be affected by broader economic conditions of Malaysia and conditions of the Malaysian real estate sector.

#### 4.2.4.4 Significant accounting policies

The following accounting policies are to be adopted by KLCC REIT as at date of establishment.

**(a) Basis of Preparation**

The pro forma financial statements of KLCC REIT have been prepared based on AMSB, Midciti and AJSB's audited financial statements for the years/period FY2010, FY2011, FPE2011 and FY2012 with inclusion of certain expenses pertaining to the REIT structure, exclusion of certain tax expenses, and with certain numbers re-presented or reclassified to conform with the basis of presentation of KLCC REIT. The pro forma financial statements have been prepared in accordance with Malaysian FRS and in a manner consistent with the format and accounting policies to be adopted by KLCC REIT.

**(b) Investment Properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair value of investment properties are recognised in the profit or loss in the period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the KLCC REIT holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period in which they arise.

The land portion under the Investment Properties Under Construction (IPUC) is measured at fair value by a qualified independent valuer based on the comparison method. The construction work in progress is measured at cost based on the costs certified up to the end of the reporting period.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, and balances and deposits with banks. For the purpose of cash flow statements, cash and cash equivalents include cash on hand and deposits with banks.

**(d) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the KLCC REIT and the revenue can be reliably measured.

Rental income is recognised based on the accrual basis or on a straight line basis unless collection is in doubt, in which case it is recognised on the receipt basis.

Profit Income is recognised on an accrual basis using the effective profit rate method.

**4.2.4.5 Components of Total Revenue**

KLCC REIT's Total Revenue is the aggregate of Gross Rental Income and other income earned from the Subject Properties. KLCC REIT's Total Revenue is substantially derived from the Gross Rental Income from the Subject Properties. Other income earned from the Subject Properties includes mainly merchandising, advertising and promotional activities.

***Gross Rental Income***

Gross Rental Income is the total amount payable by tenants (net of rent rebates) pursuant to a tenancy under a tenancy agreement and that payable by the lessees pursuant to the lease agreements.

A substantial portion of the Gross Rental Income of KLCC REIT is derived from the long term triple net lease. A "triple net lease" is a lease where the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessments.

KLCC REIT's lease agreements for PETRONAS Twin Tower and the Office Tower for Menara 3 PETRONAS are for a period of 15 years on a triple net lease basis with PETRONAS. The rental rates of the leases are renewed based on 3% per annum compounded for the preceding three years. Menara ExxonMobil has been leased out to a single lessee, being ExxonMobil on 5-year lease which had commenced from 1 February 2012, with step-up in rental of 14% after three years.

KLCC REIT also derives rental income from the rental of retail space to tenants and other related activities at the Retail Podium of Menara 3 PETRONAS. Retail rental income comprise mainly of base rent with a component from percentage rent, as well as service charges.

Base rent is driven by rental rates committed by tenants as well as overall occupancy level, providing stable level of rental income for the tenure of the lease. Percentage rent is calculated based on a percentage of the gross sales of the tenant, which is pre-determined in the tenancy agreement, and provides for some degree of upside to rental income should the tenant be able to achieve significant growth in gross sales during the tenure of the lease.

Service charges are back-charges of service works for tenants, typically based on a charge rate per square foot.

Retail rental income is also affected by tenant profiles and tenant mix, size of tenanted area, including proportion of lettable area taken up by anchor tenants, overall sales performance and business condition of tenants and shopper traffic, profile and spending patterns.

#### ***Other Income***

Other income earned from the Subject Properties includes mainly merchandising, advertising and promotional activities. Advertising and promotional income mainly consists of income from the rental of promotion spaces and sponsorship income from strategic business partners.

#### **4.2.4.6 Components of Property Operating Expenses**

As the lease agreements for PETRONAS Twin Towers and the Office Tower for Menara 3 PETRONAS are on a triple net lease basis, the lessee bears, in addition to the rental and utilities bills, all real estate taxes, building takaful and maintenance for the subject property. This means that the lessee is responsible for all costs associated with the repair and maintenance of the property leased, including any common area and for taxes payable on the property such as quit rent and assessment. As a result of this, the portion of Property Operating Expenses as a percentage to Gross Rental Income would be relatively lower as compared to a similar property not under a triple net lease agreement.

#### ***Utilities***

Utilities expenses refer to electricity, chilled water, sewerage and water and currently contributes to the single largest operating expense of KLCC REIT.

#### ***Maintenance***

Maintenance expenses refer to cost of repair and maintenance of landscape, air-conditioned system, ventilation system, plumbing and elevator services.

#### ***Quit Rent and Assessment***

Quit rent and assessment is payable to the Federal government and local council in respect of Menara ExxonMobil and the Retail Podium of Menara 3 PETRONAS.

#### ***Other Operating Expenses***

Other operating expenses include property management fee.

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#### 4.2.4.7 Total Revenue and NPI trends for KLCC REIT

The Total Revenue, Gross Rental Income and NPI of each of the Subject Properties for each of FY2010, FY2011, FPE2011 and FY2012 are set out below.

	Subject Properties							Total
	PETRONAS Twin Towers	Menara ExxonMobil	Menara 3 PETRONAS			Sub-Total	Total	
			Retail Podium	Office Tower				
<b>Total Revenue (RM'000)</b>								
FY2010	335,838	38,759	-	-	-	-	-	374,597
FY2011	335,838	39,259	-	-	-	-	-	375,097
FPE2011	251,878	29,992	14,503	1,972	16,475	16,475	16,475	298,345
FY2012	356,974	41,847	31,182	84,939	116,121	116,121	116,121	514,942
FY2010	335,838	35,143	-	-	-	-	-	370,981
FY2011	335,838	35,143	-	-	-	-	-	370,981
FPE2011	251,878	26,365	14,503	1,972	16,475	16,475	16,475	294,718
FY2012	356,974	37,862	31,182	84,939	116,121	116,121	116,121	510,957
FY2010	334,777	26,947	-	-	(1,188) <sup>(3)</sup>	(1,188) <sup>(3)</sup>	(1,188) <sup>(3)</sup>	360,536
FY2011	334,554	26,198	-	-	(1,308) <sup>(3)</sup>	(1,308) <sup>(3)</sup>	(1,308) <sup>(3)</sup>	359,444
FPE2011	250,733	20,215	6,486	308	6,794	6,794	6,794	277,742
FY2012	355,419	28,757	21,079	83,902	104,981	104,981	104,981	489,157
<b>Gross Rental Income (RM'000)</b>								
FY2010	335,838	35,143	-	-	-	-	-	370,981
FY2011	335,838	35,143	-	-	-	-	-	370,981
FPE2011	251,878	26,365	14,503	1,972	16,475	16,475	16,475	294,718
FY2012	356,974	37,862	31,182	84,939	116,121	116,121	116,121	510,957
FY2010	334,777	26,947	-	-	(1,188) <sup>(3)</sup>	(1,188) <sup>(3)</sup>	(1,188) <sup>(3)</sup>	360,536
FY2011	334,554	26,198	-	-	(1,308) <sup>(3)</sup>	(1,308) <sup>(3)</sup>	(1,308) <sup>(3)</sup>	359,444
FPE2011	250,733	20,215	6,486	308	6,794	6,794	6,794	277,742
FY2012	355,419	28,757	21,079	83,902	104,981	104,981	104,981	489,157
<b>NPI (RM'000)</b>								
FY2010	335,838	38,759	-	-	-	-	-	374,597
FY2011	335,838	39,259	-	-	-	-	-	375,097
FPE2011	251,878	29,992	14,503	1,972	16,475	16,475	16,475	298,345
FY2012	356,974	41,847	31,182	84,939	116,121	116,121	116,121	514,942
FY2010	335,838	35,143	-	-	-	-	-	370,981
FY2011	335,838	35,143	-	-	-	-	-	370,981
FPE2011	251,878	26,365	14,503	1,972	16,475	16,475	16,475	294,718
FY2012	356,974	37,862	31,182	84,939	116,121	116,121	116,121	510,957
FY2010	334,777	26,947	-	-	(1,188) <sup>(3)</sup>	(1,188) <sup>(3)</sup>	(1,188) <sup>(3)</sup>	360,536
FY2011	334,554	26,198	-	-	(1,308) <sup>(3)</sup>	(1,308) <sup>(3)</sup>	(1,308) <sup>(3)</sup>	359,444
FPE2011	250,733	20,215	6,486	308	6,794	6,794	6,794	277,742
FY2012	355,419	28,757	21,079	83,902	104,981	104,981	104,981	489,157

**Notes:**

- (1) *As the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease are triple net leases, the Gross Rental Income would not be applicable and we have included the triple net lease rental received from the two said leases here.*
- (2) *As the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease are triple net leases, the NPI for the two said leases would be the triple net lease rental received.*
- (3) *The construction of Menara 3 PETRONAS was completed in 2011. These relate to operating costs, common estate cost, assessment fee and administrative expenses incurred in relation to Menara 3 PETRONAS in FY2010 and FY2011 prior to rental collections in FPE2011.*

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#### 4.2.4.8 Occupancy trends for KLCC REIT

The following table sets out Occupancy Rate of the Subject Properties as at 31 March 2010 and 2011, 31 December 2011 and 1 October 2012.

Subject Properties	As at			
	FY2010 (%)	FY2011 (%)	FPE2011 (%)	1 October 2012 (%)
PETRONAS Twin Towers	100.00	100.00	100.00	100.00
Menara ExxonMobil	100.00	100.00	100.00	100.00
Menara 3 PETRONAS	Not applicable	Not applicable	86.16 (Retail Podium)	93.89 (Retail Podium)
			62.42 (Office Tower)	100.00 (Office Tower)

The PETRONAS Twin Towers and the Office Tower in Menara 3 PETRONAS have been leased to a single lessee, being PETRONAS on 15-year triple net lease which had commenced on 1 October 2012 and 15 December 2011 respectively. Menara ExxonMobil is leased out to single lessee, being ExxonMobil on 5-year lease which had commenced on 1 February 2012, with step-up in rental of 14% after three years.

The Retail Podium of Menara 3 PETRONAS is tenanted to various tenants. As at 1 October 2012, the percentage of the NLA for the Retail Podium in Menara 3 PETRONAS which is occupied is 93.89%.

#### 4.2.4.9 Results of operations for FY2012 compared to results of operations for FPE2011

##### **Total Revenue**

KLCC REIT recorded a Total Revenue of RM515 million and RM298 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively. Total Revenue increased by RM118 million or 29.72% compared to FPE2011 on an annualised basis. This increase in Total Revenue was mainly due to full year revenue contribution from Menara 3 PETRONAS particularly following commencement of the lease for its Office Tower in December 2011.

For the year ended 31 December 2012, the Total Revenue contribution from PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS was RM357 million, RM42 million and RM116 million, or 69.32%, 8.16% and 22.52% of Total Revenue, respectively, as compared to RM336 million, RM40 million and RM21 million, or 84.63%, 10.08% and 5.29% of Total Revenue, respectively for FPE2011 on an annualised basis.

*Gross Rental Income* – KLCC REIT recorded a Gross Rental Income of RM511 million and RM295 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively. Gross Rental Income increased by RM118 million or 30.03% compared to FPE2011 on an annualised basis. This increase is mainly due to the higher contribution from Menara 3 PETRONAS.

### ***Property Operating Expenses***

KLCC REIT recorded Property Operating Expenses of RM26 million and RM20 million for the year ended 31 December 2012 and the 9-month period ended 31 December 2011 respectively.

The operating expenses for the year ended 2012 were comparable to the annualised operating expenses for FPE2011 of RM27 million.

### ***NPI***

As a result of the factors discussed above, NPI increased by RM118 million or 31.81% for the year ended 31 December 2012 compared to the annualised 9-month ended 31 December 2011.

## **4.2.4.10 Results of operations for FPE2011 compared to results of operations for FY2011**

### ***Total Revenue***

KLCC REIT recorded a Total Revenue of RM298 million and RM375 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. On an annualised basis, Total Revenue for the 9-month period ended 31 December 2011 increased by RM22 million or 5.87%. This increase in Total Revenue was mainly due to the increase in contribution from Menara 3 PETRONAS which was only tenanted in April 2011 for the Retail Podium and December 2011 for the Office Tower.

On an annualised basis, Total Revenue contribution from the PETRONAS Twin Towers and Menara ExxonMobil was RM336 million and RM40 million, or 84.63% and 10.08%, respectively, as compared to RM336 million and RM39 million, or 89.60% and 10.40%, respectively for FY2011. Menara 3 PETRONAS was only tenanted in April 2011 for the Retail Podium and December 2011 for the Office Tower. On an annualised basis, Total Revenue contribution from Menara 3 PETRONAS for the nine-month period ended 31 December 2011 was RM21 million or 5.29%.

*Gross Rental Income* – KLCC REIT recorded a Gross Rental Income of RM295 million and RM371 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. On an annualised basis of the results for the 9-month period ended 31 December 2011, the Gross Rental Income increased by RM22 million or 5.93%. This increase is mainly due to the increasing contribution from Menara 3 PETRONAS.

### ***Property Operating Expenses***

KLCC REIT recorded Property Operating Expenses of RM20 million and RM16 million for the 9-month period ended 31 December 2011 and the year ended 31 March 2011 respectively. On an annualised basis of the results of the 9-month period ended 31 December 2011, Property Operating Expenses increased by RM11 million or 68.75%. This can be attributed to higher utilities and operating expenses from the retail portion of Menara 3 PETRONAS which was only tenanted in April 2011 and recognition of pre-opening costs for Menara 3 PETRONAS which was previously capitalised during the construction stage.

### ***NPI***

As a result of the factors discussed above, NPI increased by RM12 million or 3.34% based on an annualised 9-month ending 31 December 2011 and the year ended 31 March 2011.

#### **4.2.4.11 Results of operations for FY2011 compared to results of operations for FY2010**

##### ***Total Revenue***

KLCC REIT's Total Revenue for FY2011 have increased marginally by RM0.5 million or 0.13% to RM375.1 million from RM374.6 million for FY2010. Total Revenue contribution from each of the PETRONAS Twin Towers and Menara ExxonMobil has remain fairly the same at approximately RM336 million and RM39 million, or 89.60% and 10.40% of Total Revenue, for both FY2011 and FY2010.

*Gross Rental Income* – Gross Rental Income remained at RM371 million in FY2010.

##### ***Property Operating Expenses***

Property Operating Expenses for FY2011 increased by RM2 million or 14.29% to RM16 million from RM14 million for FY2010. The increase was mainly attributed to higher operating expenses incurred at Menara ExxonMobil.

##### ***NPI***

As a result of the factors discussed above, NPI decreased by RM2 million or 0.55% to RM359 million for FY2011 from RM361 million for FY2010.

#### **4.2.4.12 Liquidity and capital resources for KLCC REIT**

The Manager is of the opinion that KLCC REIT's working capital would be sufficient for its present requirements as the Subject Properties have been enjoying healthy average collection efficiency of not less than 95.0% for the past three years, coupled with good sales performance from tenants which has contributed to the improvement of financial results of the Subject Properties. The Manager anticipates that KLCC REIT's primary use of cash would be to fund day-to-day operations, trust expenses, management fees, servicing of debt, distributions (to the extent there is Distributable Income), asset enhancement initiatives and future acquisitions.

Funding of the foregoing would come from a combination of cash from operations and financing. KLCC REIT's expected gearing level upon establishment will be approximately 18.34% while the regulated maximum under the REIT Guidelines is 50.0% of its Total Asset Value at the time of financing.

#### **4.2.4.13 Capital expenditure for KLCC REIT**

From time to time, the Manager will review the state of repair of the Subject Properties and where appropriate and feasible, consider any expansion and/or renovation which may be effected to the Subject Properties. The Manager does not expect any major capital expenditure during the Forecast Year 2013 and Forecast Year 2014.

#### 4.2.5 PROFIT FORECASTS FOR KLCC REIT

Statements contained in this "Profit Forecasts for KLCC REIT" section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser, the International Financial Adviser or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See the Section on "Forward-looking Statements" and Section 5 of this Prospectus entitled "Risk Factors" for further details. Shareholders of the Stapled Securities are cautioned not to place undue reliance on these forward-looking statements which are made only as at the date of this Prospectus.

***None of KLCC REIT, the Company, the KLCCP Stapled Group, the Manager, the Trustee, the Shariah Adviser, the Principal Adviser or the International Financial Adviser guarantees the performance of KLCC REIT and the KLCCP Stapled Group, the repayment of capital or the payment of any distribution, or any particular return of Units or the Stapled Securities.***

***Shareholders are cautioned that rental yield on the Subject Properties to be held by KLCC REIT is not equivalent to the yield of the Units or Stapled Securities. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.***

The following table shows the profit forecasts of KLCC REIT for the Forecast Year 2013 and Forecast Year 2014. The financial year end of KLCC REIT is 31 December. The Forecast Year 2013 has been prepared assuming that the first financial year is the 12 month period ending 31 December 2013 and assuming the date of establishment of KLCC REIT is 1 January 2013. The profit forecasts may be different to the extent that the establishment date of KLCC REIT is other than 1 January 2013. The profit forecasts are based on the assumptions set out below and have been examined by the Reporting Accountants and should be read together with the "Reporting Accountants' Letter on the Profit Forecasts for KLCC REIT for the Years Ending 31 December 2013 and 2014" set out in Appendix D, as well as the assumptions set out in this section of the Prospectus.

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## KLCC REIT Profit Forecasts

	Forecast Year 2013 (RM'mil)	Forecast Year 2014 (RM'mil)
<b>Total Revenue</b>	<b>589</b>	<b>592</b>
Utilities expenses	(12)	(12)
Maintenance expenses	(4)	(4)
Quit rent and assessment	(3)	(3)
Other operating expenses	(8)	(8)
<b>Property Operating Expenses</b>	<b>(27)</b>	<b>(27)</b>
<b>Net Property Income</b>	<b>562</b>	<b>565</b>
Profit Income	7	7
	<b>569</b>	<b>572</b>
Management Fees	(43)	(43)
Trustee's fee	(1)	(1)
Financing costs	(81)	(79)
<b>Profit Before Tax<sup>(1)</sup></b>	<b>444</b>	<b>449</b>
Taxation	-	-
<b>Profit After Tax</b>	<b>444</b>	<b>449</b>
Less: Non-cash items <sup>(2)</sup>	(81)	(78)
<b>Distributable Income</b>	<b>363</b>	<b>371</b>
Number of Units in issue (million)	1,805	1,805
Distribution rate (%)	95	95
<b>Distribution per Unit (sen)</b>	<b>19.11</b>	<b>19.53</b>

### Notes:

- (1) *The PBT is after deducting other REIT expenses (including auditor's fee, valuation fee, professional fees, Shariah Adviser's fee, annual listing fee, tax consultant's fees, general expenses that are directly related to and necessary for the administration of KLCC REIT and all other expenses related to KLCC REIT as provided for in the Deed). However, as the amount is less than RM500,000.00 in aggregate and thus deemed insignificant, the same has not been disclosed as a separate line entry in the profit forecasts.*
- (2) *Non-cash items mainly comprise the Accrued Rental Income, fair value adjustments (if any) and others, such as amortisation of transaction costs for financing and accrued financing cost.*

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#### 4.2.5.1 Projected income

The following sets out the forecast Total Revenue and NPI of each of the Subject Properties for the Forecast Year 2013 and the Forecast Year 2014.

	Forecast Year 2013 (RM'000)	Forecast Year 2014 (RM'000)
<b>Total Revenue</b>		
PETRONAS Twin Towers	423,060	423,060
Menara ExxonMobil	42,773	42,691
Menara 3 PETRONAS	123,593	126,685
<b>Total</b>	<b>589,426</b>	<b>592,436</b>
<b>Net Property Income</b>		
PETRONAS Twin Towers	421,685	421,646
Menara ExxonMobil	29,289	29,346
Menara 3 PETRONAS	111,141	114,014
<b>Total</b>	<b>562,115</b>	<b>565,006</b>

#### 4.2.5.2 Directors' analysis and commentary

The directors of the Manager confirm that the profit forecasts of KLCC REIT and the underlying bases and assumptions stated herein have been reviewed by the directors of the Manager. After due and careful inquiries, with the directors of the Manager taking into account the future prospects of the industry, the future direction of KLCC REIT and its level of gearing, liquidity and working capital requirements, the directors of the Manager are of the opinion that the profit forecasts of KLCC REIT are achievable and the assumptions made are reasonable at the time of issue of this Prospectus, barring unforeseen circumstances.

Nevertheless, the bases and assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the Manager's control. Therefore, future events may impact on the actual results of KLCC REIT during the Forecast Year 2013 and Forecast Year 2014.

#### 4.2.5.3 Bases and assumptions

The Manager has prepared the profit forecasts on the following bases and assumptions. The Manager considers these bases and assumptions to be appropriate and reasonable as at the date of this Prospectus. However, Shareholders should consider these bases and assumptions as well as the profit forecasts and make their own assessment of the future performance of KLCC REIT.

The financial year end of KLCC REIT is 31 December. The profit forecasts have been prepared on the assumption that KLCC REIT is established and had commenced operation on 1 January 2013.

## Total Revenue

Total revenue derived from PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS are expected to be as follows:

	Forecast Year 2013 (RM mil)	Forecast Year 2014 (RM mil)
Office	552	553
Retail	37	39
<b>Total Revenue</b>	<b>589</b>	<b>592</b>

The forecast office rental income from the Subject Properties is based on committed tenancies. As the leases are non-cancellable, the rental income is recognised on a straight-lined basis over the lease tenure.

Retail rental income comprises base rent, percentage rent and service charges. Base rent is forecast based on committed tenancies. The base rent is expected to increase by 19% and 9% for the Forecast Year 2013 and Forecast Year 2014 respectively due to the increase in base rent rates.

Percentage rent is calculated based on a percentage of the total gross sales of tenants, pre-determined in the tenancy agreement. The percentage rent is forecast at 1% of total retail revenue of Forecast Year 2013 and Forecast Year 2014 respectively.

Service charges are back-charges of service works for tenants which are based on charge rate per square foot. The service charges are projected to increase by 14% for the Forecast Year 2013 and are expected to remain consistent for the Forecast Year 2014. Included in office buildings are also car park income and utilities recoverable derived from Menara ExxonMobil of RM1 million and RM4 million respectively based on the historical income.

## Property Operating Expenses

### *Utilities Expenses*

Utilities expenses refer to electricity, chilled water, sewerage and water. Total utilities expenses for the Forecast Year 2013 and Forecast Year 2014 are expected to remain consistent based on historical utilities bill.

### *Maintenance Expenses*

Maintenance expenses refer to cost of repair and maintenance of landscape, air-conditioned system, ventilation system, plumbing and elevator services. The repair and maintenance expenses for the Forecast Year 2013 and Forecast Year 2014 are based on the contractual agreements with contractors.

### *Quit Rent and Assessment*

Quit rent and assessment is payable to the Federal government and local council in respect of Menara ExxonMobil and the retail podium of Menara 3 PETRONAS. Quit rent and assessment expenses are assumed to be consistent over the forecast financial years based on historical quit rent and assessment bill.