

# 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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## 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.

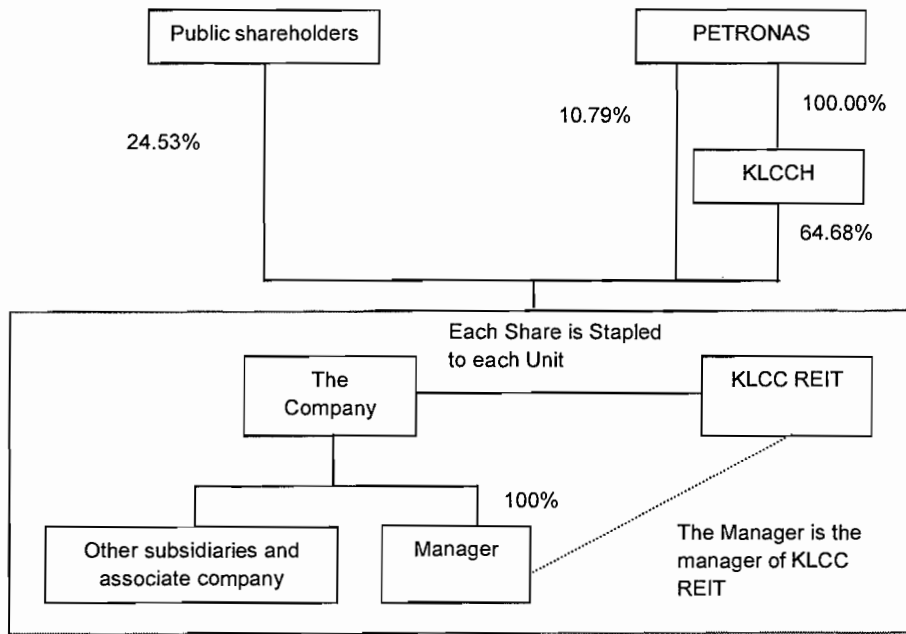
*Meaning of "Stapled"*

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.

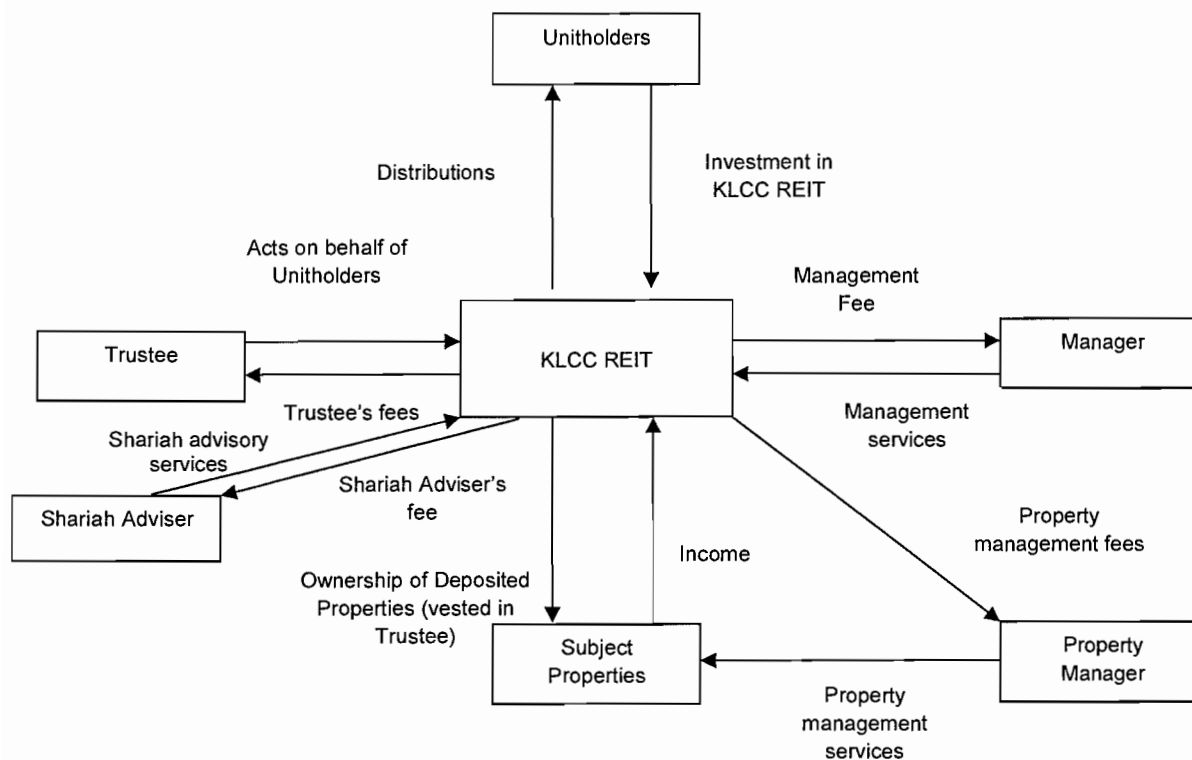
Apart from the activities listed above, the Shariah Adviser can apply Ijtihad for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for KLCC REIT

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>

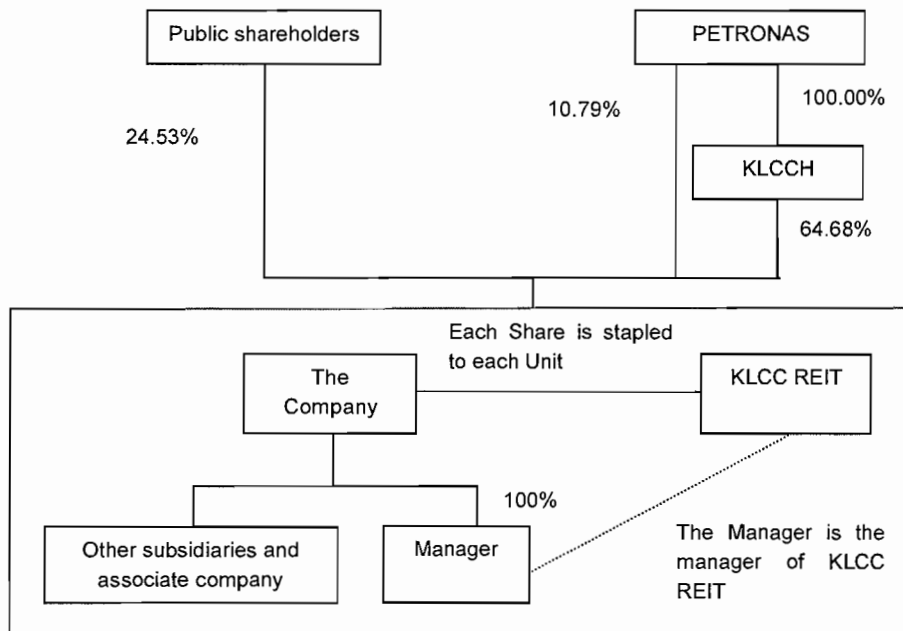
	Payable by KLCC REIT	Amount payable
		<p>(b) payable by KLCC REIT:</p> <p>(i) establishment fee of RM50,000.00 being a one-off fee, payable upon issuance of the Shariah pronouncement for the establishment of KLCC REIT;</p> <p>(ii) an annual retainer fee of RM15,000.00; and</p> <p>(iii) RM10,000.00 payable 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**

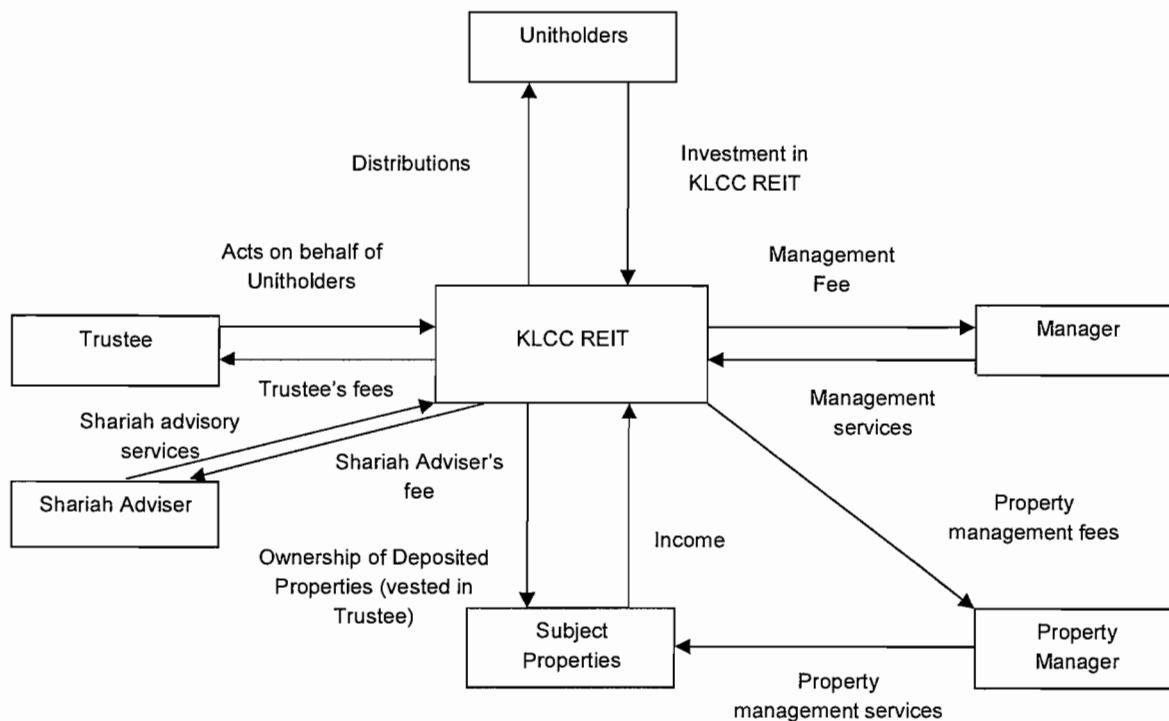
The Manager's principal investment strategy for KLCC REIT is to invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail as well as Real Estate-Related Assets subject always to the investment limits imposed by the REIT Guidelines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

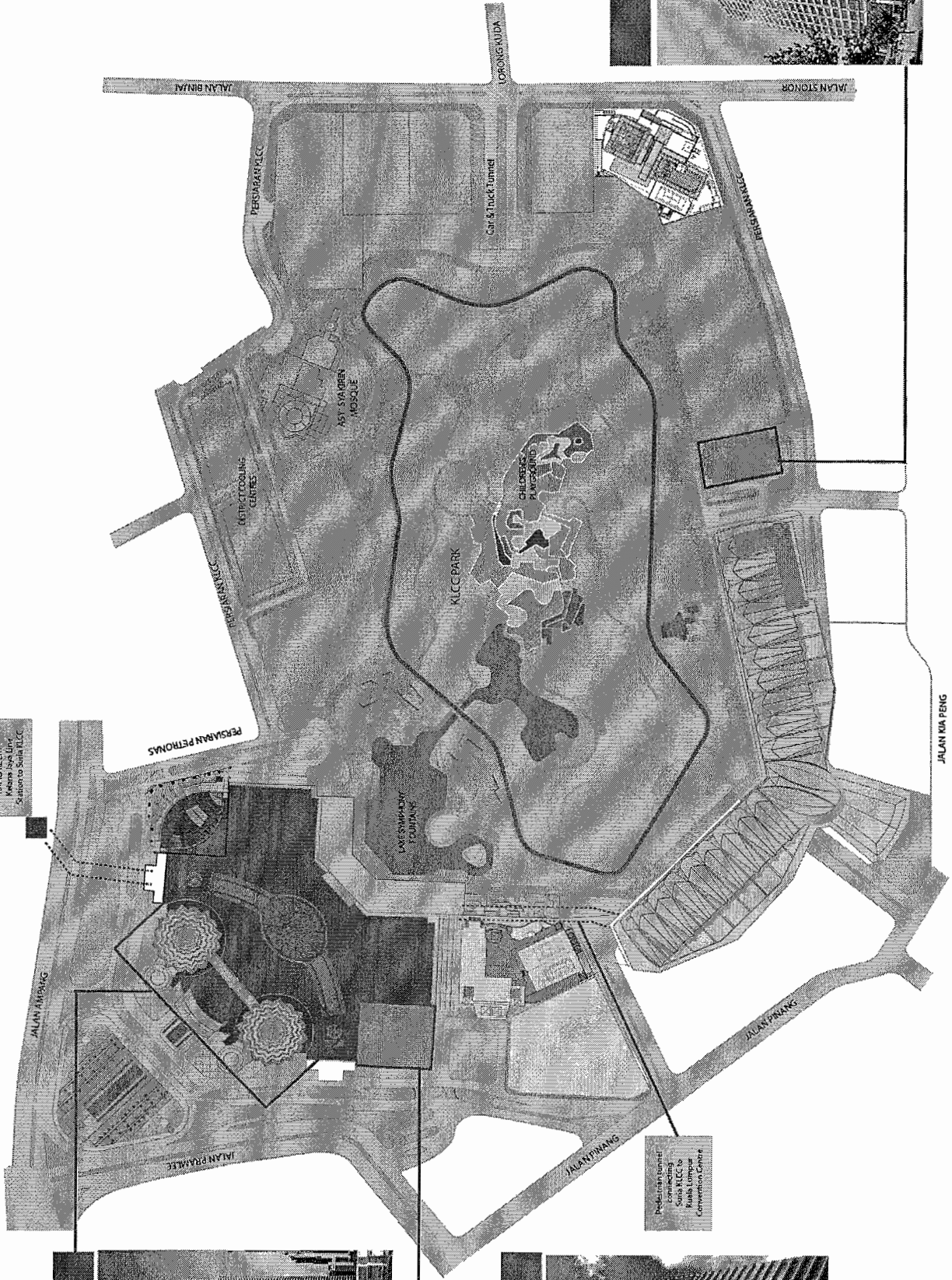
- (a) PETRONAS Twin Towers;
- (b) Menara ExxonMobil; and
- (c) Menara 3 PETRONAS.

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.

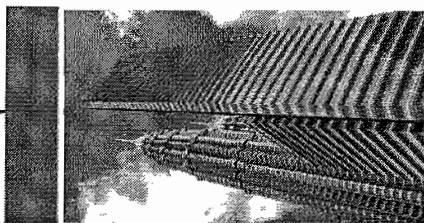
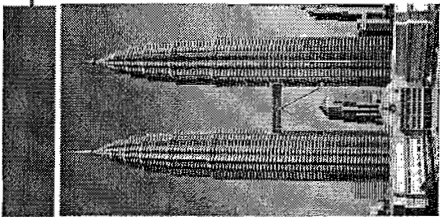
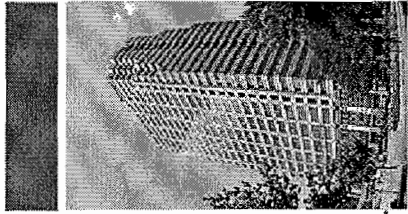
Accessibility is essential for the KLCC Development. A planned comprehensive set of traffic improvement measures have been implemented including improvements to the intersections, road widening and the introduction of better public transportation. These measures have improved the traffic flow from KLCC (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.

Project in tunnel  
Connecting KLCC to  
Raffles Hotel  
Kuala Lumpur  
Station to Kuala KLCC



Project in tunnel  
Connecting KLCC to  
Raffles Hotel  
Convention Centre



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.

<b>As at / Period</b>	<b>Retail Podium</b>	
	<b>Occupancy Rate (%)</b>	<b>Monthly Average Gross Rental Income (RM per sq ft)</b>
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>	<b>2,798</b>		<b>2,785</b>		<b>2,785</b>		<b>2,758</b>		<b>2,758</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,790</b>		<b>15,790</b>		<b>15,790</b>		<b>15,790</b>		<b>15,790</b>
<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><u>Distribution</u></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
		<u>345</u>	<u>339</u>

- (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		
			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

**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.

### **Other Operating Expenses**

Other operating expenses are assumed to be consistent for the Forecast Year 2013 and Forecast Year 2014 based on historical expenses. Other operating expenses, among others, include property management fee which is assumed to be RM0.1 million per annum for the Forecast Year 2013 and Forecast Year 2014.

### **Profit Income**

Profit Income relates to profit earned from the placement of excess cash in Islamic deposits. Profit Income on Islamic deposits is computed on monthly basis at a profit rate of 3% per annum.

### **Management Fee**

For the Forecast Year 2013 and the Forecast Year 2014, the Management Fee will be computed based on the following:

- (a) base fee: 0.3% per annum of the Total Asset Value of KLCC REIT (excluding cash and bank balances); and
- (b) performance fee of 3% per annum of the Net Property Income of KLCC REIT.

Total Asset Value of KLCC REIT assumed to be RM8.8 billion throughout the financial years ending 31 December 2013 and 2014.

### **Trustee's Fee**

The trustee fee is assumed to be RM0.6 million per annum throughout the Forecast Year 2013 and Forecast Year 2014.

### **Fair Value Adjustment**

For the Forecast Year 2013 and Forecast Year 2014, it is assumed that the fair value of investment properties of KLCC REIT remains unchanged from its fair value as at 1 October 2012 as the future market value cannot be reliably measured, resulting in no fair value gain or loss.

### **Financing Costs**

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

### **Taxation**

KLCC REIT is assumed to distribute 95% of its distributable income for the Forecast Year 2013 and Forecast Year 2014 respectively which is expected to be more than 90% of its total income as defined under the Income Tax Act, and therefore be tax exempted pursuant to Section 61A of the Income Tax Act.

### **Other REIT Expenses**

Other REIT expenses include auditor's fee, valuation fee, professional fees, Shariah Adviser's fee, annual listing fee, tax consultant's fees and 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.

### **General Assumptions**

- (a) There will be no significant changes in the assets portfolio and structure of KLCC REIT.
- (b) There will be no significant changes in the principal activities of KLCC REIT.
- (c) 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.
- (d) There will be no major changes in KLCC REIT's operations that will adversely affect the performance of KLCC REIT.
- (e) There will not be any significant changes in tax laws that will affect KLCC REIT. 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 KLCC REIT.
- (g) 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 KLCC REIT.
- (h) 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 KLCC REIT.
- (i) There will be no major industrial disputes or any other abnormal factors or changes that will significantly affect KLCC REIT's operation or rental rate or disrupt its planned operations.
- (j) KLCC REIT 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.
- (k) 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.
- (l) 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 and the property management agreement.

### **4.3 SENSITIVITY ANALYSIS**

The profit forecasts for KLCCP Stapled Group and KLCC REIT included in this Prospectus are based on a number of assumptions as outlined in Section 4.1.5.2 of this Prospectus entitled "Bases and assumptions" and Section 4.2.5.3 of this Prospectus entitled "Bases and assumptions".

Shareholders should be aware that the bases and assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the Company and the Manager's control.

However, as a significant portion of rental contribution are derived from long term triple net leases from high quality tenants with rental rates locked in for the duration of the forecast years, the Company and the Manager does not expect the profit forecasts to be sensitive to variations in occupancy rates, rental rates, operating expenses.

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## **5. RISK FACTORS**

An investment in the Stapled Securities involves risk. Shareholders should rely on their own evaluation and carefully consider the following risk factors in addition to other information contained elsewhere in this Prospectus.

This Prospectus contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results of the KLCCP Stapled Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus. If any of the risks described herein actually occur, the KLCCP Stapled Group's business, prospects, financial condition, results of operations and ability to make distributions could be negatively affected and the trading price of the Stapled Securities could decline.

Unless specified or quantified in the relevant risk factors set out herein, neither the Manager nor the Company is in a position to quantify the financial or other implication of any of the risks described in this section. In addition, the following risk factors may not be exhaustive and additional risks and uncertainties not presently known to the KLCCP Stapled Group, the Manager or the Company, or which are currently deemed to be immaterial may become material in the future, which would have a material adverse effect on the KLCCP Stapled Group or the trading price of the Stapled Securities.

Shareholders should be aware that the trading price of the Stapled Securities may fluctuate.

The risks disclosed in this Section 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.

### **5.1 RISKS RELATING TO THE INVESTMENT PORTFOLIO OF KLCC REIT AND THE SUBJECT PROPERTIES BEING HELD UNDER A REIT**

#### **5.1.1 Property investment risk**

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

of income during the period of renovation; casualty losses due to fire, floods and other natural and man-made disasters; the ability of an owner to provide adequate maintenance and insurance; and increased operating costs.

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

Nevertheless, PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS are currently leased to PETRONAS on a triple net lease basis whereby the lessee, PETRONAS, in addition to paying rent, also pays and is responsible for all expenses for fit-out costs, taxes, insurance and maintenance. Effectively, KLCC REIT, mainly incurs interest expense for loans taken in relation to the said Subject Properties. This helps mitigate several of the property investment risks as mentioned above.

### **5.1.2 Oversupply in the local office sector and cyclical property market conditions**

Upon Listing, KLCC REIT's investment portfolio will comprise mainly of office buildings. As such, the financial performance and value of KLCC REIT may be adversely affected by the local office sector market condition particularly in the KLCC area, such as oversupply of offices of similar grade, or demand for office space in the vicinity. The ability of KLCC REIT to maintain or increase rental revenue will also be dependent on market conditions at the time of lease/tenancy renewal or rent review and the availability of space and rental terms of comparable properties.

Nevertheless, the Subject Properties have an advantage over other comparable properties by virtue of its location within the KLCC Development which provides its lessees/tenants accessibility to entertainment, shopping, hotel and residential facilities, all designed within a park setting. The KLCC park, covering approximately 50.00% of KLCC, offers the entire KLCC Development a more balanced environment, which is not found elsewhere in Kuala Lumpur. As a result, the Subject Properties command rentals generally higher than other offices of similar grade within the vicinity.

Moreover, PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS are currently leased to PETRONAS on a triple net lease basis whereby the leases are for a 15 years period, while Menara Exxonmobil is leased for a five year period. With such long term leases in place, such risk is, to a large extent, mitigated.

### **5.1.3 Dependency on major lease renewals**

The two major lessees of the Subject Properties, namely, PETRONAS and ExxonMobil, accounted for approximately 93.70% of the total revenue from the Subject Properties for FY 31 December 2012. Hence, KLCC REIT's future revenue is dependent, to a certain extent, on the continuous renewals of the lease agreements with these major lessees, with favourable leases adjustments.

Leases in Malaysia are typically entered into for a period of three years or more for office space. However, the leases entered into in respect of the Subject Properties are long-term leases - 15 years each in respect of PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS and five years in respect of Menara ExxonMobil. With such long term leases in place, such risk is, to a large extent, mitigated.

**5.1.4 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**

KLCC REIT's financial condition and results of operations and ability to make distributions may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of one or more of the tenants/lessees of the Subject Properties, as well as the decision by one or more of these tenants/lessees not to renew its tenancy/lease. New tenants/lessees on the same terms (or no less favourable terms) may not be found in time or at all.

Further, in the event that any key tenants/lessees of the Subject Properties are unable to pay their rent or breach their obligations under the tenancy/lease agreements, KLCC REIT's financial condition and results of operations and ability to make distributions may be adversely affected. The performance of the key tenants'/lessees' other businesses could also have an impact on their ability to make rental payments to KLCC REIT. The departure of key tenants/lessees could also impact the interests of potential and existing tenants/lessees in the Subject Properties as well.

Factors that affect the ability of such key tenants/lessees to meet their obligations include, but are not limited to:

- (a) general economic conditions;
- (b) their operating results;
- (c) the local economies in which they have business operations; and
- (d) the ability of such key tenants/lessees to compete with their competitors.

**5.1.5 The Subject Properties may require significant capital expenditure beyond the Manager's current estimate and KLCC REIT may not be able to secure funding**

The Subject Properties may require significant capital expenditure beyond the Manager's current estimate. KLCC REIT may not be able to fund capital improvements solely from cash derived from its operating activities or obtain additional equity or debt financing on favourable terms or at all. If KLCC REIT is not able to procure such financing, the Manager may be unable to refurbish, renovate or improve the Subject Properties which may adversely affect rental negotiations and rental rates. KLCC REIT may also require additional debt and equity financing to fund future expansion, operational needs and debt service payments. Without the required funding, KLCC REIT may not be able to sufficiently fund capital improvements, carry out its operations effectively or respond to competitive pressures.

Nevertheless, PETRONAS Twin Towers and the Officer Tower of Menara 3 PETRONAS are currently leased to PETRONAS on a triple net lease basis whereby the lessee, PETRONAS, is responsible for, amongst others, expenses for fit-out costs and maintenance. This helps mitigate the abovementioned risk.

**5.1.6 Transportation infrastructure near the Subject Properties may be redirected, relocated and/or terminated**

There is no assurance that the existing transportation infrastructure and public transport services around the Subject Properties will not be redirected, relocated and/or terminated. If the current infrastructure is redirected, relocated and/or terminated, it may have an adverse effect on the accessibility of the Subject Properties. This may then have an adverse effect on the demand, appeal and the rental rates for the Subject Properties and have an adverse effect on the financial condition and results of operations of KLCC REIT.

**5.1.7 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**

Save for PETRONAS Twin Towers and the Office Tower of Menara 3 PETRONAS wherein the Property Manager's scope of services is reduced to a supervisory role over PETRONAS to ensure that PETRONAS carries out the relevant services satisfactorily and in accordance with the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease, should the Manager and the Property Manager fail to provide adequate management and maintenance, the value of the Subject Properties might be adversely affected and this may result in the loss of tenants/lessees or lower rental rates, which will adversely affect the financial condition of KLCC REIT and its ability to make distributions to Unitholders.

**5.1.8 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**

The Subject Properties may face the risk of suffering physical damage caused by fire, acts of God such as natural disasters or other causes, as well as potential public liability claims from shoppers, contractors and tenants/lessees.

In addition, certain types of risks (such as war risk and losses caused by the outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law) may be uninsurable or the cost of takaful/insurance may be prohibitive when compared to the risk.

Should an uninsured loss or a loss in excess of insured amounts occur, KLCC REIT could be required to pay compensation and/or lose capital invested in the affected Subject Property as well as anticipated future revenue from that Subject Property as it may not be able to rent out or sell the affected property. No assurance can be given that material losses in excess of takaful/insurance proceeds (if any) will not occur.

In addition, the takaful/insurance policies and terms of coverage will be subject to renewal and negotiations on a periodic basis in the future and there is no assurance as to the nature and extent of coverage that will be available on commercially reasonable terms in the future. Any material increase in takaful/insurance rates or decrease in available coverage in the future will adversely affect KLCC REIT's business, results of operations and financial condition.

**5.1.9 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**

There can be no assurance that the assumptions relied on to derive the appraised values of the Subject Properties are accurate measures of the market, and the said values of the Subject Properties may be evaluated inaccurately. Property valuation in general involves using assumptions, estimates, subjective parameters and/or close proxies. The Independent Property Valuer may have included a subjective determination of certain factors relating to the Subject Properties such as their relative market positions, financial and competitive strengths, and physical condition. The Independent Property Valuer may also have taken into account external factors such as demand and supply, general economic conditions and interest rates.

The valuation of any of the Subject Properties does not guarantee a sale price at that value at present or in the future as values might change and are subject to market conditions as well. The price at which KLCC REIT may sell any of the Subject Properties may be lower than the appraised value or its purchase consideration.

**5.1.10 KLCC REIT is dependent on third parties for certain services**

Certain services to the Subject Properties, for example, water, electricity, liquefied petroleum gas and sewerage treatment may be provided by third party service providers or may not be located within the Subject Properties. There is no assurance that the third parties or other parties contracted by the third parties will fulfil their obligations under any contracts of service. KLCC REIT is also dependent on the Property Manager for providing retail consultancy services, property management services, financial management services, letting and tenancy management services and property promotion services. Any interruption to such services to the Subject Properties may disrupt business operations and have a material adverse effect on KLCC REIT's business, financial condition, results of operations and prospects.

**5.1.11 The Subject Properties or any part of them may be acquired compulsorily**

Under Section 3 of the Land Acquisition Act 1960, the State Authority has the power to acquire any land, whether in whole or in part, which is needed:

- (a) for any public purpose;
- (b) by any person or corporation for any purpose which, in the opinion of the State Authority, is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or
- (c) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. The market value of the Subject Properties as determined by the State Authority may be lower than the market value as determined by any independent property valuer appointed by KLCC REIT. Or, if any of the Subject Properties were acquired compulsorily by the State Authority at a point in time when the market value of the Subject Properties has decreased, the level of compensation paid to KLCC REIT may be less than the price which KLCC REIT paid for the Subject Properties, which may have an adverse effect on the trading price of the Stapled

Securities and KLCC REIT's business, financial condition, results of operations and prospects. If the compulsory acquisition concerned a material section of the Subject Properties such as office and retail space, car park areas and/or access areas to the Subject Properties, the business and operation of the Subject Properties may be adversely affected thereby resulting in a reduction of Total Revenue and the market value of the Subject Properties.

**5.1.12 Unitholders may be unable to recover claims brought against the Manager as the Manager is not an entity with significant assets**

Unitholders may in future have claims against the Manager in connection with the carrying on of its duties as manager of KLCC REIT.

Under the terms of the Deed, the Manager is indemnified from the Deposited Property against any actions, costs, claims, damages, expenses or demands to which it may be put as manager of KLCC REIT unless occasioned by fraud, negligence, wilful default or breach of the Deed by the Manager. In the event of any such fraud, negligence, wilful default or breach, only the assets of the Manager itself and not the Deposited Property would be available to satisfy a claim.

**5.1.13 Performance of the Subject Properties may be adversely affected should the Trustee and Manager subsequently fail to co-operate with one another**

There is a risk that the performance of the Subject Properties may be adversely affected should the Trustee and Manager subsequently fail to co-operate with one another on the control and management of the Subject Properties. However, this may not occur if the Subject Properties were to remain under the KLCCP Group as the Subject Properties will be controlled and managed by a single person, i.e. management.

**5.1.14 KLCC REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations**

KLCC REIT's performance depends, in part, upon the continued service and performance of the executive officers of the Manager, which include the licenced personnel under the CMSA. These key personnel may leave the employment of the Manager. If the above were to occur, the Manager will need to spend time searching for a replacement and the duties which such executive officers are responsible for may be affected. The loss of any of these individuals could have a material adverse effect on KLCC REIT's financial condition and the results of operations. Any loss involving the Manager's licenced personnel may result in the Manager losing its Capital Market Services Licence ("CMSL"). One of the requirements of the CMSL is to have at least two licenced personnel, one of which must be a director of the Manager.

**5.1.15 The removal of the Manager could have an adverse effect on KLCC REIT's financial condition and results of operations**

There is no assurance that the Manager will remain the management company of KLCC REIT. In the event that the Manager ceases to be eligible to act as a REIT manager under the CMSA or is removed pursuant to the Deed or the Relevant Laws and Requirements, KLCC REIT may need to appoint another manager, which may materially and adversely affect KLCC REIT's financial condition and results of operations. The removal of the Manager will also lead to KLCC REIT losing the right of first refusal to be granted by KLCCCH to KLCC REIT over its property assets.

## **5.2 RISKS RELATING TO THE STAPLED SECURITIES**

- 5.2.1 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**

While considerable efforts have been made to afford Holders levels of investor protection equivalent to those applicable to shareholders of companies and 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. To mitigate this risk, the Stapled Securities (and thereby, the KLCCP Stapled Group, the Company, the Trustee and the KLCC REIT) will be governed by the highest common denomination currently provided to REIT unitholders and shareholders of companies listed on Bursa Securities under existing laws including the Act, the CMSA, the Listing Requirements, the REIT Guidelines and the Islamic REIT Guidelines.

- 5.2.2 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**

As the listing of the stapled structure involving KLCC REIT, the Company and the Stapled Securities is novel, there is no assurance that the introduction of any new legislation, regulations, guidelines or directives affecting the KLCCP Stapled Group, KLCC REIT and/or the Company will not adversely affect the financial condition and results of operations of the KLCCP Stapled Group, KLCC REIT, the Company, and/or an investment by Shareholders or the Holders.

- 5.2.3 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**

The stapled structure is unprecedented in Malaysia and prior to the Listing, there is no public market for the Stapled Securities and an active public market for the Stapled Securities may not develop or be sustained after the Listing. The approval from Bursa Securities for the listing of and quotation for the Stapled Securities on the Main Market of Bursa Securities has been received. However, the listing and quotation does not guarantee (a) that a trading market for the Stapled Securities will develop or (b) if a market does develop, the liquidity of that market for the Stapled Securities. As such, prospective Holders must be prepared to hold their Stapled Securities for an indefinite length of time.

Further it may be difficult to assess the KLCCP Stapled Group's performance against domestic benchmarks as there is no domestic benchmark for stapled securities as at the date of this Prospectus, the Stapled Securities being the first of its kind in the domestic market. The unprecedented stapled structure in Malaysia could lead to a lack of liquidity for the Stapled Securities and a general lack of investor demand for it. There can be no assurance that an active market for the stapled securities will develop in Malaysia.

#### **5.2.4 The market price of the Stapled Securities may decline after the Listing**

Post Listing, the Stapled Securities may trade at prices significantly below the price of the Stapled Securities at the time of Listing. The trading price of the Stapled Securities will depend on many factors, including:

- the perceived prospects of the business and investments of the KLCCP Stapled Group and the real estate market in Malaysia;
- changes in analysts' recommendations or projections, if any;
- changes in general economic or market conditions and specifically, in the real estate market;
- the market value of the KLCCP Stapled Group's assets;
- the perceived attractiveness of the Stapled Securities against those of other equity, units in other REIT, or debt securities, including those not in the real estate sector;
- the number of buyers and sellers of the Stapled Securities;
- the future size and liquidity of the market;
- any changes to the regulatory system, including the tax system, in relation to companies and REITs;
- the ability on the part of the KLCCP Stapled Group to implement successfully its investment and growth strategies; and
- broad market fluctuations, including increases in interest rates and weakness of the equity and debt markets.

For these reasons, amongst others, the Stapled Securities may trade at prices higher or lower than the NAV per Stapled Security. To the extent that the KLCCP Stapled Group retains operating cash flow for investment purposes, working capital requirements or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Stapled Securities. Any failure on the part of the KLCCP Stapled Group to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Stapled Securities.

In addition, the Stapled Securities are not capital-safe products. There is no guarantee that Holders can realise a higher amount or even the principal amount of their investment. If KLCC REIT, the Company or the KLCCP Stapled Group is terminated or liquidated, it is possible that Shareholders may lose all or a part of their investments in the Stapled Securities.

#### **5.2.5 The KLCCP Stapled Group may not be able to make distributions to Holders at all or the level of distributions may fall**

If the KLCCP Stapled Group's businesses do not generate sufficient profits, the KLCCP Stapled Group's cash flow and its ability to make distributions will be adversely affected.

Distributions to the Holders will comprise dividends from the Company and/or distributions from KLCC REIT. There can be no assurance that the Company and KLCC REIT will have sufficient distributable profits or other distributable reserves in any future period to make dividends, distributions or any other payments to the Holders. The ability of the KLCCP Stapled Group to make distributions may be affected by a number of factors including, amongst others:

- the KLCCP Stapled Group's businesses and respective financial positions;
- insufficient cash flows received from assets held by the KLCCP Stapled Group;

- applicable laws and regulations which may restrict the payment of dividends and other distributions by the Company and/or the KLCC REIT;
- losses incurred by the KLCCP Stapled Group in any financial year; and
- fund requirements with reference to the prevailing business environment and operations, expansion plans, other capital management considerations, the overall stability of distributions and prevailing industry practice.

No assurance can be given to the KLCCP Stapled Group's ability to pay or maintain distributions in respect of the Stapled Securities or that the level of distributions will increase over time.

**5.2.6 The performance of the Company and/or KLCC REIT may be affected if either or both over-distribute**

In determining the distribution policy of the KLCCP Stapled Group, considerations have been made in respect of the cash flow position and debt headroom of the Company and KLCC REIT. Notwithstanding this, distributions made by the Company and KLCC REIT may adversely affect the ability of the Company and/or KLCC REIT to fund unexpected capital expenditures which may result in having an adverse effect on the business development of the Company and/or KLCC REIT and may potentially constrain the ability of the Company and/or KLCC REIT to make interest and principal repayments on any of their financing outstanding at the time. As a result, the Company and/or KLCC REIT may be required to obtain new financing or raise capital by issuing equity securities on terms which may not be favourable to the Company and/or KLCC REIT or the Company and/or KLCC REIT may not be able to obtain any new financing or raise capital by issuing equity securities. In addition, such new financing may also impose covenants restricting the ability of the Company and/or KLCC REIT from making distributions.

**5.2.7 The actual performance of the Company, KLCC REIT and the KLCCP Stapled Group could differ materially from the forward-looking statements in this Prospectus**

This Prospectus contains forward-looking statements regarding, amongst others, forecast and projected distribution/yield levels for the Forecast Year 2013 and the Forecast Year 2014. These forward-looking statements are based on a number of assumptions which are deemed to be reasonable as at the date of this Prospectus and subject to uncertainties and contingencies which are outside of the control of the KLCCP Stapled Group. As the actual results may differ materially from the forecasts, Shareholders are advised to read and understand the assumptions underlying the profit forecasts as set out in Section 4.1.5.2 of this Prospectus entitled "Bases and assumptions" and Section 4.2.5.3 of this Prospectus entitled "Bases and assumptions". KLCCP Stapled Group's ability to achieve the forecast and projected distributions / yields is subject to events and circumstances assumed which may not occur as expected, or events and circumstances not anticipated which may arise.

No assurance is given that the assumptions will be realised and the actual distributions / yields will be as forecasted.

In addition, certain forward-looking statements with regards to the KLCCP Stapled Group are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. The inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the advisers or the KLCCP Stapled Group, that the plans and objectives of the KLCCP Stapled Group will be achieved.

### **5.2.8 The market price of the Stapled Securities may be adversely affected**

The Stapled Securities will be tradable on the Main Market of Bursa Securities. If any of the principal Holders sells or is perceived as intending to sell a substantial amount of their respective direct or effective interest in the Stapled Securities held as at the Listing Date, the market price of the Stapled Securities may be adversely affected. Nevertheless, this risk is no different from that applicable to a listed REIT or listed company.

### **5.2.9 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**

If the Holders of the Stapled Securities do not or are not able to participate in any future equity fund raising, such as rights issues or private placements by the Company and KLCC REIT, their proportionate interest in the KLCCP Stapled Group will be reduced accordingly. Any consideration received by such Holders in exchange for any rights under future equity fund raisings may not be sufficient to compensate for the dilution of their unitholdings as a result of the equity fund raising.

Furthermore, a notice to Holders in relation to an offer of Stapled Securities to existing Holders will only be issued by the KLCCP Stapled Group to Holders who have a registered address or a service address in Malaysia; or in the case of Holders whose registered address or service address is outside Malaysia ("**Foreign Holders**"), to those Foreign Holders who have provided the Manager or Bursa Depository with a registered address or service address in Malaysia unless the Manager and the Company have received legal advice confirming that such notice may be lawfully issued to that Foreign Holder without any registration or approval requirements of the foreign jurisdiction ("**Legal Advice**"), in which case the notice shall be issued to that Foreign Holder at the registered address or service address in that foreign jurisdiction. As such, there is a risk that Foreign Holders who do not have a registered address or service address in Malaysia or is not covered under the Legal Advice will not be able to participate in any future equity fund raising because notice for the same would not have been sent to them thus diluting their unitholdings as a result of the equity fund raising.

### **5.2.10 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**

Any cancellation of Units is by the Trustee upon written instruction from the Manager. The Unitholders have no right to request the Manager to redeem their Units. A reduction in the share capital of the Company requires a Special Resolution of the Shareholders and the additional sanction from the High Court of Malaya.

Notwithstanding that the Shareholders may have approved the proposed capital reduction by Special Resolution, the High Court of Malaya has the ultimate discretion as to whether to allow the proposed capital reduction and in arriving at its discretion, it will consider, amongst others, the compliance by the Company of the requirements of the Act, whether the proposed capital reduction is fair and equitable to the Shareholders and whether the rights and interest of the creditors of the Company are safeguarded and are not prejudiced. The High Court of Malaya could either require the Company to obtain the consent of its creditors or direct or order the Company to secure the debt or undertake to set aside an amount sufficient to satisfy the debts due to creditors (if any).

As such, if, amongst other reasons, there is objection from the creditors of the Company and they are able to prove that the proposed capital reduction is prejudicial to them, the High Court of Malaya may not sanction the capital reduction to return capital to the Shareholders. As such, there is no assurance that the proposed share capital reduction will be approved by the Shareholders and be sanctioned by the High Court of Malaya.

**5.2.11 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**

The Stapled Securities may only be Unstapled if (a) approved by the Holders via Special Resolutions and with prior approval, where applicable, from the relevant regulators for such Unstapling; (b) the Stapling becomes, in future, unlawful or prohibited by the Listing Requirements or the REIT Guidelines or any other relevant laws, regulations and guidelines and with notification provided to Bursa Securities prior to such Unstapling; or (c) either KLCC REIT or (as the case may be) the Company is terminated or (as the case may be) wound up. 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. The approval from Bursa Securities is for the listing of and quotation for the Stapled Securities on the Main Market of Bursa Securities and does not extend to the listing and quotation of the Units nor is it intended for the Shares to continue being listed and quoted. As such, upon Unstapling, the Stapled Securities will be de-listed from Bursa Securities. On the premise that neither the Company nor KLCC REIT subsequently applies for a re-listing of its respective securities (in the event of the Unstapling), the Shareholders' ability to liquidate their investments in the Units and/or the Shares may be adversely affected. Please refer to Section 10.2.7 of this Prospectus entitled "Unstapling" for further details on the consequences of Unstapling.

**5.2.12 There is no assurance that the Stapled Securities will remain listed on Bursa Securities and/or not be suspended from trading**

Although it is intended that the Stapled Securities will be and remain listed on Bursa Securities, there is no guarantee of the continued listing of the Stapled Securities. Amongst other factors, the KLCCP Stapled Group may not comply with the Listing Requirements. Accordingly, the Holders will not be able to sell their Stapled Securities through trading on Bursa Securities if the Stapled Securities are no longer listed on Bursa Securities and/or are suspended from trading for an indefinite period.

**5.2.13 Foreign investment in Malaysian assets may be subject to further controls**

Foreign investment in Malaysian assets is regulated and monitored by the Economic Planning Unit of the Prime Minister's Department. Currently there are no restrictions imposed on foreign investors who have invested in Malaysian assets. However, there can be no assurance that the Economic Planning Unit of the Prime Minister's Department and/or the Government will not impose any restrictive or other controls relating to foreign investment in Malaysian assets. Any imposition or variation of such controls may affect the ability of the Holders to sell the Stapled Securities to foreign parties and may affect the liquidity of the Stapled Securities. Such conditions may also limit the KLCCP Stapled Group's access to future foreign sources of equity capital.

**5.2.14 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**

To facilitate the stapling and towards the alignment of the interests between the Company and KLCC REIT, the Stapling Deed provides that, to the extent permitted by the Relevant Laws and Requirements, the Company and the Manager must cooperate with each other in respect of all matters relating to the Stapled Securities and must do all things necessary to give effect to the Stapling Deed including, amongst others, where appropriate, adopting consistent accounting policies and valuation policies, consulting before taking any action (or omitting any action) which may materially affect the value of the Stapled Securities, co-ordinating any dividend or distribution re-investment plan, co-ordinating announcement and payment of dividends and distributions. Matters such as major acquisitions or disposals by either the Company, its subsidiaries or the Manager would require prior consultation with one another and any issuance of Units or right or option to acquire Units must be accompanied by a corresponding issuance of Shares or right or option to acquire Shares and vice versa. Another example would be where the cancellation of Units by the Trustee requires a corresponding reduction in the Company's issued and paid-up share capital which cannot be carried out without the sanction by the High Court of Malaya and which exercise comes with its own inherent risks as highlighted under Section 5.2.10 of this Prospectus. These additional requirements accompanying the stapling may prove to be restrictive because were KLCC REIT a standalone REIT, each of the Company and KLCC REIT would be able to conduct its respective affairs without having to consult one another and/or to ensure that corresponding actions (or inactions) are undertaken by the other.

**5.2.15 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**

There is a risk that the currently Shariah-compliant KLCCP Stapled Group, may be subsequently reclassified to be non Shariah-compliant in the periodic review by the SAC of the SC or the Shariah Adviser. Although the Company and the Manager may take the necessary steps in accordance with the advice from the Shariah Adviser to maintain the Shariah status of the Stapled Securities, there is no assurance that the Stapled Securities will not be reclassified as non Shariah-compliant in the future. If this occurs, the price of the Stapled Securities may be adversely affected as certain Holders may be required to dispose off their holdings in the Stapled Securities.

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## **6. THE MANAGER**

### **6.1 CORPORATE INFORMATION**

The Manager, KLCC REIT Management Sdn Bhd, was incorporated in Malaysia on 5 December 2012. As at the date of this Prospectus, it has an authorised share capital of RM10,000,000.00 comprising 10,000,000 ordinary shares of par value RM1.00 each of which 1,000,000 ordinary shares of par value RM1.00 each have been issued and are fully paid-up. The principal activity of the Manager is to manage and administer the KLCC REIT. The Manager is a wholly-owned subsidiary of the Company.

As at the date of this Prospectus, the Manager only manages KLCC REIT.

### **6.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER**

The Manager shall, subject to the provisions of the Deed, the Stapling Deed and the Relevant Laws and Requirements and be guided by the Shariah Adviser, carry out all activities as it may deem necessary for the management of the KLCC REIT and its business. The Manager's main responsibility is to manage activities in relation to KLCC REIT.

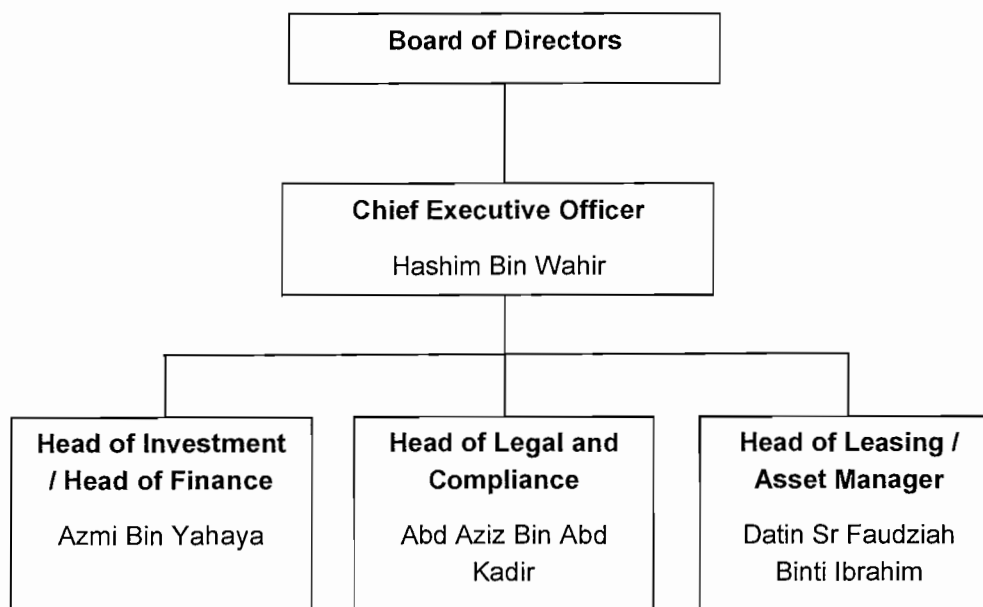
The Manager shall, in managing KLCC REIT, undertake primary management activities in relation to KLCC REIT, including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deed.

In addition, the Manager covenants, amongst others, the following:

- (a) to carry on and conduct its business in a proper, diligent and efficient manner and to ensure that KLCC REIT is managed and administered in a proper, diligent and efficient manner and in accordance with the Deed, the Relevant Laws and Requirements and acceptable and efficacious business practices in the real estate investment industry;
- (b) to act with due care, skill and diligence in managing KLCC REIT and effectively employ the resources and procedures necessary for the proper performance of KLCC REIT;
- (c) to observe high standards of integrity and fair dealing in managing KLCC REIT to the best and exclusive interest of the Unitholders;
- (d) not to take on, lease or otherwise acquire, any immovable property or any interest therein, except for the purposes of operating KLCC REIT and those entered into in the ordinary course of business;
- (e) not to make improper use of its position in, or information acquired through, managing KLCC REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders and to ensure that its officers and delegates comply with the same;

- (f) to the same extent as if the Trustee was a director of the Manager:
  - (i) to make available to the Trustee or an authorised officer or employee of the Trustee or the auditor appointed by the Trustee, for inspection the whole of the books and records of the Manager in relation to KLCC REIT wherever kept;
  - (ii) to make available to the Trustee or an authorised officer or employee of the Trustee or the auditor appointed by the Trustee, for inspection all financial and other records of KLCC REIT wherever kept; and
  - (iii) to give to the Trustee or an authorised officer or employee of the Trustee or the auditor appointed by the Trustee such oral or written information, explanation or other assistance that they may require with respect to all matters relating to KLCC REIT or any Deposited Property (whether acquired before or after the date of the Deed) or otherwise relating to the affairs of KLCC REIT;
- (g) to ensure that KLCC REIT has, at all times, an appointed Trustee, a Shariah Adviser and a person responsible for ensuring compliance with the Deed and the Relevant Laws and Requirements;
- (h) unless otherwise permitted by the SC and the provisions of the Valuer, Appraisers and Estate Agents Act 1981, to appoint a property management company which has been approved by the Trustee to manage the Real Estate held by KLCC REIT and which possesses adequate human resources with the necessary qualifications, expertise and experience in real estate management;
- (i) to insure and keep covered or insured in the name of the Trustee for their full replacement value or such amounts as may be recommended by a qualified valuer against fire, explosion, storm, tempest, flood, lightning and other usual risks including loss of rent where applicable on all Real Estate comprised in the Deposited Property and on request by the Trustee produce for the inspection of the Trustee all takaful certificates/insurance policies effected;
- (j) to take all necessary steps to ensure that the Deposited Property are adequately protected and properly segregated;
- (k) to take all reasonable steps and exercise due diligence to ensure that the Deposited Property and the Units are correctly valued in accordance with provisions of the Deed and the Relevant Laws and Requirements; and
- (l) to establish and maintain risk management systems and controls to enable it to identify, assess, mitigate, control and monitor risks in relation to KLCC REIT.

### 6.3 MANAGEMENT REPORTING STRUCTURE



### 6.4 DIRECTORS OF THE MANAGER

The Board of the Manager is entrusted with the responsibility for the overall management of the Manager. The Board of the Manager is the same as the Board of the Company and consists of eight directors. This ensures continuity in the management of the Subject Properties. Moreover, having the same Board and management team will ensure alignment in the interests and directions of the KLCCP Group and KLCC REIT within the KLCCP Staped Group. The following table sets out certain information regarding the directors of the Manager:

No.	Name	Nationality	Position
1.	Krishnan A/L C K Menon	Malaysian	Independent Non-Executive Director; Chairman
2.	Datuk Manharlal A/L Ratilal	Malaysian	Non-Independent Non-Executive Director
3.	Augustus Ralph Marshall	Malaysian	Independent Non-Executive Director
4.	Datuk Ishak Bin Imam Abas	Malaysian	Non-Independent Non-Executive Director
5.	Dato' Leong Ah Hin @ Leong Swee Kong	Malaysian	Independent Non-Executive Director

No.	Name	Nationality	Position
6.	Dato' Halipah Binti Esa	Malaysian	Independent Non-Executive Director
7.	Pragasam Moorthi A/L Krishnasamy	Malaysian	Independent Non-Executive Director
8.	Hashim Bin Wahir	Malaysian	Chief Executive Officer

#### 6.4.1 Experience and expertise of the Board of Directors

Information on the business and working experience of the directors of the Manager is set out below:

**Krishnan A/L C K Menon**, aged 63, was appointed to the Board and Chairman of the Manager on 5 December 2012. He was appointed to the Board and Chairman of the Company on 25 October 2010.

He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He spent 13 years in public practice with Hanafiah Raslan & Mohamad, seven years of which he served as a partner. He then joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President. After serving two public listed companies, he joined Putrajaya Holdings Sdn Bhd as Chief Operating Officer in 1997 for three years before leaving in 2000.

Mr. Menon is presently the Chairman of Scicom (MSC) Berhad and KLCCH. He is also a Non-Executive Director of PETRONAS and MISC Berhad.

**Datuk Manharlal A/L Ratilal**, aged 53, was appointed to the Board of the Manager on 5 December 2012. He was appointed to the Board of the Company on 16 June 2004 and as member of the Company's Audit Committee on 9 July 2004.

He obtained his degree in Bachelor of Arts (Honours) in Accountancy from the City of Birmingham Polytechnic, United Kingdom in 1982 and Master in Business Administration from the University of Aston in Birmingham, United Kingdom in 1984.

Datuk Manharlal is the Executive Vice President (Finance) of PETRONAS, a member of PETRONAS board of directors, Executive Committee and Management Committee.

Prior to joining PETRONAS in 2003, he was working in a local investment bank for 18 years, concentrating in corporate finance where he was involved in advisory work in mergers and acquisitions, equity and debt capital markets. From 1997 to 2002, he served as Managing Director of the investment bank.

He also sits on the board of directors of PETRONAS, Cagamas Holdings Berhad, MISC Berhad and other subsidiaries of PETRONAS.

**Augustus Ralph Marshall**, aged 61, was appointed to the Board of the Manager on 5 December 2012. He was appointed to the Board of the Company and as the Chairman of the Company's Audit Committee on 1 September 2005.

He has more than 30 years of experience in financial and general management. He is an Associate of the Institute of Chartered Accountants in England and Wales and a member of Malaysian Institute of Certified Public Accountants.

He started his career as an audit senior with Ernst & Young in 1976. In 1979, he joined Inchcape Malaysia Holdings Berhad, where his last position held was Group Finance Director. In 1988, he joined Usaha Tegas Sdn Bhd ("**UTSB**"), where he currently serves as an Executive Director.

In addition, he was the Chief Executive Officer of MEASAT Broadcast Network Systems Sdn Bhd (from 1995 to 2006), the Executive Deputy Chairman and Group Chief Executive Officer of ASTRO ALL ASIA NETWORKS plc (from 2003 to 2010). In June 2010, Mr. Marshall was appointed as the Group Chief Executive Officer of Astro Holdings Sdn Bhd, a position he continues to hold today.

Currently, Mr. Marshall holds directorships in several companies in which UTSB has significant interests, including that of Non-Executive Deputy Chairman of Astro Malaysia Holdings Berhad (listed on the Main Market), and Executive Director of Tanjong Public Limited Company, and Non-Executive Director of Maxis Berhad ("**Maxis**") (listed on the Main Market), Maxis Communications Berhad (the holding company of Maxis), and Johnston Press plc (listed on the London Stock Exchange plc) respectively.

**Datuk Ishak Bin Imam Abas**, aged 67, was appointed to the Board of the Manager on 5 December 2012. He was appointed to the Board of the Company on 7 February 2004 and designated as the Chief Executive Officer until his retirement on 1 April 2007 when he was redesignated as Non-Independent Non-Executive Director.

Datuk Ishak is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) and a member of the Malaysian Institute of Accountants (MIA).

Prior to joining PETRONAS in 1981, he worked as, amongst others, Finance Director of Pfizer (M) Sdn Bhd, Bursar of the National University of Malaysia, Finance Director of Western Digital (M) Sdn Bhd and as an accountant in PERNAS International Holding Bhd. He joined PETRONAS in April 1981 and held various senior positions including Deputy General Manager Commercial of PETRONAS Dagangan Berhad, Senior General Manager (Finance) of PETRONAS and Vice-President (Finance) of PETRONAS, and Senior Vice-President of PETRONAS. He was also a board member of PETRONAS and several of its subsidiaries.

Currently, Datuk Ishak is Non-Executive Director on the boards of Deleum Berhad, Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad and Integrated Petroleum Services Sdn Bhd.

He is a Non-Executive Chairman of Putrajaya Holding Sdn Bhd which is part of the PETRONAS group. He is also a Non-Executive Director of Kuala Lumpur City Park Berhad.

**Dato' Leong Ah Hin @ Leong Swee Kong**, aged 65, was appointed to the Board of the Manager on 5 December 2012. He was appointed to the Board of the Company on 5 July 2004 and as member of the Company's Audit Committee on 9 July 2004.

Dato' Leong obtained his Bachelor of Economics (Honours) degree and Diploma in Business Administration from the University of Malaya in 1971 and 1983 respectively. He also attended courses on taxation at the University of Bath, United Kingdom in 1986; Senior Management Programme at Mount Eliza, Melbourne, Australia in 1989; and on Public Sector Budgeting at Harvard University, Boston, United States of America in 1997.

Dato' Leong served the Malaysian civil service from 1971 to 2004, and had held a number of positions including Secretary General of the Ministry of Science, Technology and the Environment, State Financial Officer of Pulau Pinang and Deputy Director Budget of the Ministry of Finance.

Currently, he sits on the board of several private limited companies.

**Dato' Halipah Binti Esa**, aged 63, was appointed to the Board of the Manager on 5 December 2012. She was appointed to the Board of the Company and as member of the Company's Audit Committee on 1 March 2007.

Dato' Halipah received her Bachelor of Arts (Honours) degree in Economics and a Master of Economics from the University of Malaya. She also holds a Certificate in Economic Management from the IMF Institute, Washington and the Kiel Institute for World Economics, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London.

She started her career with the Administrative and Diplomatic Services in 1973 in the Economic Planning Unit ("EPU") of the Prime Minister's Department. During her tenure in EPU, she served in various capacities in the areas of infrastructure, water supply, energy, health, housing, telecommunications, urban services, human resource development, macro economy, international economy, environment, regional development and distribution. She held various senior positions in the EPU and retired as the Director General in 2006. She had also served in the Ministry of Finance as Deputy Secretary General.

Currently, she serves on the boards of MISC Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad, Northport (Malaysia) Bhd, Perbadanan Insuran Deposit Malaysia and Securities Industry Dispute Resolution Centre.

She was previously Chairman of Pengurusan Aset Air Berhad and had also served on the boards of PETRONAS, Employees Provident Fund (EPF), Inland Revenue Board (IRB), Bank Pertanian, Federal Land Development Authority and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme (UNDP) in advising the Royal Kingdom of Saudi Arabia on economic planning, and had also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

**Pragasa Moorthi A/L Krishnasamy**, aged 66, was appointed to the Board of the Manager on 5 December 2012. He was appointed to the Board of the Company on 9 September 2004.

He graduated as a Quantity Surveyor from Curtin University, West Australia.

He worked as a Project Quantity Surveyor for a number of projects in Perth, West Australia from 1971 to 1976. He was then appointed as General Manager/Director of Safuan Group Sdn Bhd from 1977 to 1981 and subsequently, as Project Director of Sepang Development Sdn Bhd from 1981 to 1983 before he was engaged as a Project Director with WTW Consultant Sdn Bhd.

He joined KLCC Projeks Sdn Bhd in March 1993 as General Manager, a position which he held for four years overseeing the management of design, construction and completion of the various building in KLCC such as the PETRONAS Twin Towers, Menara Maxis and Menara ExxonMobil. Subsequently he was appointed Managing Director of KLCC Projeks Sdn Bhd for another four years.

Presently, Mr. Pragasa sits on the board of United Contract Management Sdn Bhd, a private limited company incorporated in Malaysia.

**Hashim Bin Wahir**, aged 55, was appointed to the Board of the Manager on 5 December 2012. He was appointed to the Board of the Company on 1 November 2007 and designated as the Chief Executive Officer.

He graduated from Universiti Teknologi Malaysia with a Bachelor of Engineering (Hons) in Mechanical Engineering. He also attended Executive Development Programs at Ashridge Management College, United Kingdom and Johnson School of Management, Cornell University, USA in 1993 and 1998, respectively.

Encik Hashim joined PETRONAS on 16 June 1981 after graduation from Universiti Teknologi Malaysia. Whilst in PETRONAS, he undertook various assignments within the PETRONAS group including exploration and production ("**E&P**") operations, international E&P and gas asset acquisitions, group strategic planning and corporate development.

He also held various senior management positions in PETRONAS such as Senior Manager, Petroleum Engineering Department of Petronas Carigali Sdn Bhd ("**PCSB**") from 1995 until 1999, General Manager of Chad/Cameroon JV Project, PCSB from 1999 until 2000, and General Manager of Group Planning & Resource Allocation, PETRONAS from 2000 until 2004.

Encik Hashim was appointed as the Chairman for the PETRONAS group of companies in the Republic of Sudan until November 2007. He was then appointed as Group Chief Executive Officer of KLCCH and Chief Executive Officer of the Company.

His other directorships include KLCCH and its subsidiaries and associate companies, and subsidiaries of the Company.

The rationale for the Manager to have the same Board as the Company is as set out below:

(a) **Avoidance of conflict of interest**

In view of the stapling nature of the KLCCP Stapled Group, the Shareholders will eventually be holding the Stapled Securities which will be quoted and traded as one security. The KLCCP Stapled Group, albeit having two different vehicles under it, one being a limited company and the other being a REIT, would essentially operate as a single economic entity for the interest of the same group of persons who are the Shareholders and at the same time Unitholders.

Premised on the above, and unlike other standalone REITs, having a common Board for the Company and the Manager would enable the Board to evaluate the various aspects of a proposal from a stapled group's perspective and avoid situation of conflict of interest, since the Board will always act in the best interest of the KLCCP Stapled Group as a whole.

(b) **Alignment of interest/decision**

Having a common Board for both the Company and the Manager will also ensure that the interests of both the Company and KLCC REIT are aligned at all times.

Furthermore, due to the stapled nature of the Stapled Securities, any issuance of new Shares will also result in issuance of new Units, and vice versa. Therefore, operationally, it is critical that both entities make the same decision. If the decisions are not coordinated, the inefficiency of one party could affect the other and that could render the KLCCP Stapled Group as a whole to be less efficient.

(c) **Continuity in management and proven track record**

Prior to the Acquisitions, the Subject Properties were owned and operated by the Company (through its subsidiaries) which is under the stewardship of the Chief Executive Officer of the Company and its success is evidence of the Chief Executive Officer's ability to manage and realise the Subject Properties to its full potential.

Thus, having a common Chief Executive Officer for both the Company and the Manager will ensure continuity in the management of the Subject Properties and ensure the continued growth and success of the Subject Properties, despite them being held under a different property holding vehicle.

(d) **Potential future acquisitions for KLCC REIT**

In the event of acquisition of new asset(s) by either the Company or KLCC REIT in the future, the proposed arrangement of having the same Board for both the Company and the Manager would ensure that the type of assets to be invested will be in line with the overall strategy and growth of the KLCCP Stapled Group thus avoiding potential situations of conflicting decisions between the two entities.

Notwithstanding the above, in the unlikely event that the Stapled Securities are to be Unstapled for whatever reason, a new full-time Chief Executive Officer and Board for the Manager will be appointed.

#### **6.4.2 Directorship of Directors of the Manager in other management companies**

As at the LPD, none of the Directors of the Manager hold directorships in any other management companies managing REITs.

#### **6.4.3 Role of the Board of Directors**

The key roles of the Board are to:

- guide the corporate strategy and directors of the Manager (including acquisition and divestment of Deposited Property);
- oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- set guidelines for internal controls;
- ensure compliance with relevant laws and requirements; and
- determine and approve the distribution amounts to Holders of Stapled Security Units and payment of Management Fees.

The Board comprises eight members, five of whom are Independent Non-Executive Directors. The Audit Committee of the Board comprises of Augustus Ralph Marshall, Datuk Manharlal A/L Ratilal, Dato' Leong Ah Hin @ Leong Swee Kong and Dato' Halipah Binti Esa. Augustus Ralph Marshall will assume the position of Chairman of the Audit Committee.

The Board will have in place a set of internal controls which set out certain approval limits to facilitate operational efficiency as well as arrangements in relation to cheque signatories. In addition, sub-limits are also delegated to various management levels to facilitate operational efficiency.

Changes to regulations and accounting standards are monitored closely by the Audit Committee. To keep pace with regulatory changes, where these changes have an important bearing on the Manager's or its directors' disclosure obligations, the directors of the Manager will be briefed either during Board meetings or at specially convened sessions involving relevant professionals.

Management also provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

At least one-third of the directors of the Manager are non-executive and independent. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board is Krishnan A/L C K Menon while the Chief Executive Officer is Hashim Bin Wahir.

There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer of the Manager. This is to ensure an appropriate balance of power and authority to facilitate effective oversight and clear segregating of duties. The Chairman assumes responsibility for the management of the Board and ensures that members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategies, business operations, enterprise risk and other plans. The Chief Executive Officer reports to the Chairman. The Chief Executive Officer has overall responsibility for the day-to-day operational management of KLCC REIT, including execution of the agreed business policies and directions set by the Board and of all operational decisions in managing KLCC REIT and the KLCCP Stapled Group.

The Board has direct access to the advice and services of senior management and the company secretary in furtherance of their duties. The Board may seek independent professional advice on any matter connected with the discharge of its responsibilities as it may deem necessary and appropriate.

## **6.5 MANAGEMENT TEAM OF THE MANAGER**

The executive officers of the Manager are entrusted with the responsibility for the daily operations of the Manager. The following table sets forth information regarding the executive officers of the Manager:

<b>No.</b>	<b>Name</b>	<b>Nationality</b>	<b>Position</b>
1.	Hashim Bin Wahir	Malaysian	Chief Executive Officer
2.	Azmi Bin Yahaya	Malaysian	Head of Investment / Head of Finance
3.	Abd Aziz Bin Abd Kadir	Malaysian	Head of Legal and Compliance
4.	Datin Sr Faudziah Binti Ibrahim	Malaysian	Head of Leasing / Asset Manager

### **6.5.1 Expertise and experience of executive officers**

Information on the working experience of the executive officers of the Manager is set out below:

For Hashim Bin Wahir, the Chief Executive Officer of the Manager, appointed on 5 December 2012, please refer to Section 6.4.1 of this Prospectus entitled "Experience and expertise of the Board of Directors" for details.

**Azmi Bin Yahaya** is the Head of Investment / Head of Finance of the Manager, appointed on 5 December 2012.

He is presently the Head of Finance & Accounts Division, appointed on 4 January 2010.

He graduated from University of New South Wales (UNSW), Sydney, Australia with a Bachelor of Commerce (Accounting) and is a member of the Institute of Chartered Accountants in Australia.

Prior to joining the Company in 2010, he was attached with Arthur Andersen & Co, Melbourne Australia as an Audit Senior from 1994 until late 1997. He later joined PETRONAS upon his return to Malaysia in 1998. Since joining PETRONAS, he has been seconded to various companies such as BASF PETRONAS Chemicals Sdn Bhd from 1998 until 2004, PETRONAS Dagangan Berhad from 2004 to 2007 and East Coast Economic Region Development Council (ECERDC) from 2008 to 2009.

He also sits on the board of directors of several subsidiaries of the Company and several subsidiaries of KLCCH as a non-executive director.

**Abd Aziz Bin Abd Kadir** is the Head of Legal and Compliance of the Manager, appointed on 5 December 2012.

He is also the Company Secretary of the Company, appointed on 16 November 2009.

He obtained his LLB (Honours) degree from International Islamic University, Malaysia. He began his career with PETRONAS in July 1991 and had held various positions in Legal Services Division including corporate services, petrochemical business, exploration and production, and trading and marketing.

Prior to joining the Company on 1 October 2009 as the Head of Legal and Corporate Services Division, he was with MISC Berhad as General Manager, Legal and Corporate Secretarial Affairs Division.

Currently, he sits on the board of directors of several subsidiaries of KLCCP Group and several subsidiaries and associate companies of KLCCH in a non-executive capacity.

**Datin Sr Faudziah Binti Ibrahim** is the Head of Leasing / Asset Manager of the Manager, appointed on 5 December 2012.

She joined KLCCH on 13 November 1995 and held various positions with main responsibilities in the Development and Commercial Leasing of KLCC Development. Since 1 January 2012, Datin Sr Faudziah was appointed as the Head of Development Division of the Company.

She obtained her Diploma in Estate Management, Institute Teknologi MARA (now UiTM) in 1984, Bachelor of Science (Honours) in Estate Management, Heriot-Watt University, Edinburgh Scotland, United Kingdom in 1986, Masters of Science in Construction Management (majoring Project Management), Heriot-Watt University, Edinburgh, Scotland, United Kingdom in 1987 and Diploma in Public Venue Management, Institute of Public Venue Management Australia in 2003.

She is a Registered Valuer and Registered Estate Agent with the Board of Valuers, Estate Agents and Appraisers Malaysia since 1998, a member of the Royal Institute of Surveyors Malaysia (RISM) since 1998 and a member of Royal Institute of Chartered Surveyors (RICS) United Kingdom since 2010.

Prior to joining the Company, she worked as an Assistant Director, Project Coordination Unit of Dewan Bandaraya Kuala Lumpur from February until early August 1988, Senior Lecturer/Head of Department of Urban Estate Management, Northern Consortium United Kingdom/ITM from mid August 1988 until December 1994 and a Valuer of Rahim & Co Chartered Surveyors from January 1995 until October 1995.

#### **6.5.2 Roles of the executive officers of the Manager**

The **Chief Executive Officer** will work together with the Board of the Manager to determine the strategy for KLCC REIT. The Chief Executive Officer will also work with the other members of the Manager's management team to ensure that KLCC REIT operates in accordance with the Manager's stated investment strategy. In addition, the Chief Executive Officer will be responsible for planning the future strategic development of KLCC REIT, strategic planning, the overall day-to-day management and operations of KLCC REIT and working with the Manager's investment, asset management, financial and legal compliance personnel in meeting the strategic, investment and operational objectives of KLCC REIT.

The **Head of Investment / Head of Finance** is in charge of the investment team, which is responsible for identifying, researching and evaluating potential acquisitions and related investments with a view to enhancing KLCC REIT's portfolio, or divestments where a property is no longer strategic, fails to enhance the value of KLCC REIT's portfolio or fails to be yield accretive. In order to support these various initiatives, the investment team will undertake detailed analysis to test the financial impact of different courses of action. The Head of Investment / Head of Finance will also work with the Chief Executive Officer and will be responsible for applying the appropriate capital management strategy, including tax and treasury matters, as well as finance and accounting matters, overseeing implementation of KLCC REIT's short and medium-term business plans, cash and funding management activities and financial condition.

The **Head of Legal and Compliance** is responsible for ensuring that KLCC REIT complies with the Relevant Laws and Requirements. The Head of Legal and Compliance is also responsible for monitoring the internal corporate governance policies of KLCC REIT and will report directly to the Board of the Manager on specific compliance matters.

The **Head of Leasing / Asset Manager** is in charge of the asset management team which is responsible for formulating the business planning in relation to KLCC REIT's properties with short, medium and long-term objectives and with a view to maximising the rental income of KLCC REIT. The Head of Leasing / Asset Manager will ensure that the asset management team works closely with the appointed Property Manager to implement KLCC REIT's strategies to maximise the income generation potential and minimise the expense base of the properties without compromising their marketability. The asset management team led by the Head of Leasing / Asset Manager focuses on the operations of KLCC REIT's properties, the implementation of the short to medium-term objectives of KLCC REIT's portfolio and supervises the Property Manager in the implementation of KLCC REIT's property-related strategies including analysing and recommending asset enhancement initiatives.

## **6.6 MANAGEMENT FEES**

### **6.6.1 Details of the Management Fees**

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):

**(a) Base Fee**

Up to 1.00% per annum of the Total Asset Value of KLCC REIT (excluding cash and bank balances).

For the purposes of calculating the Base Fee only, where KLCC REIT holds its investments through one or more SPVs, the Total Asset Value shall include the value of all the assets of the relevant SPV, pro-rated, if applicable, to the proportion of KLCC REIT's interest in the said SPV.

The Manager intends to charge a Base Fee of 0.30% for the Forecast Year 2013 and the Forecast Year 2014.

**(b) Performance Fee**

Up to 5.00% per annum of KLCC REIT's NPI in the relevant financial year.

The Manager intends to charge a Performance Fee of 3.00% for the Forecast Year 2013 and the Forecast Year 2014.

The Management Fee should not be higher than that disclosed above in this Section 6.6 of this Prospectus entitled "Management Fees" unless:

- (i) the Manager has notified the Trustee in writing of the new higher rate and subject to the Trustee's consent;
- (ii) the Manager has notified Bursa Securities of the higher fee rate and its effective date; and
- (iii) 90 days have elapsed since the date of the announcement of this Prospectus.

The Management Fee as disclosed in this section may only be varied upwards from that stated in this Section 6.6 of this Prospectus entitled "Management Fees" with the prior approval of the Unitholders obtained by way of a majority resolution (or such other majority as may be required under the REIT Guidelines or the Stapling Deed from time to time) and shall be effected by way of a supplemental deed and in accordance with the requirements of the CMSA.

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.

The Management Fee is payable to the Manager in cash and must be paid within seven days of the announcement of the relevant quarterly financial reports.

## 6.6.2 Illustration of the Management Fee payable

To illustrate the Management Fee payable in any particular financial year (other than for FY2013 and FY2014), the following scenarios for KLCC REIT's financial position and performance as well as acquisition and divestment activities are assumed:

**Total Asset Value as at the end of the current FY** : RM8,800.00 million

**NPI for the current FY** : RM560.00 million

Based on the above, the Management Fees payable by KLCC REIT are illustrated on the two following scenarios as set out in the table below:

**Base Case** : Assuming Management Fee is charged at the rate in line with the assumptions for the Profit Forecasts (see Section 4.2.5.3 of this Prospectus entitled "Bases and assumptions" for further details)

**Maximum Case** : Assuming Management Fee is charged at the maximum rate provided for under the Deed

	Base Case	Maximum Case
<b>Base Fee</b>	0.30% of Total Asset Value = 0.30% of RM8,800.00 million = RM26.40 million	1.00% of Total Asset Value = 1.00% of RM8,800.00 million = RM88.00 million
<b>Performance Fee</b>	3.00% of NPI = 3.00% of RM560.00 million = RM16.80 million	5.00% of NPI = 5.00% of RM560.00 million = RM28.00 million
<b>Total</b>	RM43.20 million	RM116.00 million

The aggregate annual Management Fee and its proportion as a percentage of NPI based on the illustrations above are RM43.20 million (7.71% of NPI) and RM116.00 million (20.71% of NPI) for the Base Case and Maximum Case, respectively.

## 6.7 OUTSOURCING OF THE REGISTRAR FUNCTION

The SC has approved the outsourcing of the registrar function by the Manager to Tricor Investor Services Sdn Bhd on 12 March 2013.

The Manager has entered into an agreement with Tricor Investor Services Sdn Bhd to delegate the function of registrar to Tricor Investor Services Sdn Bhd.

Tricor Investor Services Sdn Bhd was incorporated in Malaysia under the Act on 21 April 1984. As at the LPD, the authorised share capital of Tricor Investor Services Sdn Bhd is RM25,000.00 comprising 25,000 ordinary shares of RM1.00 each, of which 20,000 are currently issued and credited as fully paid-up. Tricor Investor Services Sdn Bhd is principally involved in the provision of share registration services.

The principal services to be provided by the Registrar shall comprise, inter alia, the following:

- (a) setting up maintenance of the principal register and keeping the same updated in compliance with the CMSA, Securities Industry (Central Depositories) Act 1991 ("SICDA") and the Relevant Laws and Requirements and in accordance with the provisions in the Deed;
- (b) maintaining of records, books and documents for the time period in accordance to the provisions as stipulated in the Relevant Laws and Requirements;
- (c) attending to relevant correspondences and enquiries from the Unitholders and any other parties pertaining to the principal register which include changes of names and addresses, replacement of lost certificates (if applicable), distribution statements, registration of powers of attorneys, letters of administration, grant of probate, indemnities, court orders and any other matters ancillary thereto;
- (d) acting as advisor to the Manager on all matters in relation to Bursa Depository or SICDA and be the official link between Bursa Depository and the Manager;
- (e) performing registration formalities on consolidation and splitting of Unit certificate received from Bursa Depository;
- (f) dispatching annual reports, interim reports, circulars, notices and documents to Unitholders;
- (g) providing statistical reports or detailed Unitholders' information that may be required by the Manager or the relevant authorities on a regular basis or upon receipt of a written request, which shall include:
  - (i) analysis of Unitholders by size and type; and/or
  - (ii) top 30 Unitholders list;
- (h) preparing, verifying and despatching of distribution cheques and statements reconciling and submitting the distribution accounts to the Registrar of Unclaimed Moneys in accordance with the Unclaimed Moneys Act, 1965;
- (i) processing issue of new Units including computation and allotment, verification of data for crediting into the respective CDS account and the subsequent despatching of new certificates, notices of allotment and relevant confirmation letter(s) to the Unitholders;
- (j) providing where applicable, information to Bursa Depository on relevant dates for book closure and payment; and
- (k) preparing for and handling the registration for Unitholders' meeting using the Registrar's e-meeting system which includes the following:
  - (i) handling registration of Unitholders for meeting purpose; and
  - (ii) handling lodgment and processing of proxy forms received up to providing the analysis of voting instruction based on proxy forms received.

Notwithstanding the above, the services of the Registrar are not intended, in anyway, to diminish the responsibilities of the Manager. The registrar function is the responsibility of the Manager.

## 6.8 OUTSOURCING OF THE INTERNAL AUDIT FUNCTION

The SC has approved the outsourcing of the internal audit function by the Manager to the Group Internal Audit Division of KLCCH on 12 March 2013.

The Manager has entered into an agreement with KLCCH to delegate the function of internal auditor to the Group Internal Audit Division of KLCCH.

The Group Internal Audit Division of KLCCH was established in 2010 for purposes of providing internal audit services for KLCCH and the KLCCP Group.

The principal services to be provided by Internal Auditor shall comprise, inter alia, the following:

- (a) to develop an annual internal audit plan;
- (b) to conduct an internal control review ("ICR") annually or as and when advised by the Manager. The ICR shall cover the following key business processes:
  - (i) to procure payment of property operating expenses and property enhancement services;
  - (ii) tenancy management to collection of rentals;
  - (iii) acquisition and divestment of investment properties and fund management activities;
  - (iv) operational units, i.e. marketing, leasing, finance, building services, housekeeping, fit-out, business development and safety and health; and
  - (v) risk management;
- (c) to present the findings on ICR to the audit committee and/or Board of the Manager at its meeting as and when required;
- (d) conducting a follow-up review to report on the status of implementation of management action plans arising from the ICR conducted (as necessary);
- (e) reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and reporting such information;
- (f) reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, regulations and contracts which could have a significant impact on operations and reports, and determine whether KLCC REIT is in compliance;
- (g) reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- (h) appraising the economy and efficiency with which resources are employed;
- (i) reviewing operations or programs to ascertain whether the results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- (j) co-ordinating with the external auditors; and
- (k) as and when advised by the Manager, undertake ICR for each tenant in respect of the tenant sales verification audits, special reviews and/or investigations.

Notwithstanding the above, the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

The Manager shall ensure that the internal audit function implemented is an audit approach for KLCC REIT which is guided by the International Professional Practice Framework of the Institute of Internal Audits Malaysia.

#### 6.9 HOLDINGS OF SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE MANAGER IN KLCC REIT

As KLCC REIT was only established on 9 April 2013, save for the two subscriber Units held by the Company (all of which shall be redeemed prior to the Stapling taking place), the substantial shareholders, directors and key management personnel of the Manager will not hold any Units, direct and/or indirect, in KLCC REIT prior to the Acquisitions and Listing. Based on shareholdings in the Company available as at LPD, the expected Unitholding of the substantial shareholders, directors and key management personnel of the Manager (as at LPD) after completion of the RCULS Conversion, the Midciti Acquisition and the Acquisitions and upon Listing are set out in the table below:

	Direct		Indirect	
	No. of Units '000	(%)	No. of Units '000	(%)
<b>Substantial Shareholders</b>				
PETRONAS <sup>(1)</sup>	194,817	10.79	1,167,639 <sup>(2)</sup>	64.68
KLCC <sup>(1)</sup>	1,167,639	64.68	-	-
Company <sup>(3)</sup>	-	-	-	-
<b>Directors</b>				
Krishnan A/L C K Menon	-	-	-	-
Datuk Manharlal A/L Ratilal	5	0.00054	-	-
Augustus Ralph Marshall	50	0.0054	-	-
Datuk Ishak Bin Imam Abas	-	-	-	-
Dato' Leong Ah Hin @ Leong Swee Kong	50	0.0054	-	-
Dato' Halipah Binti Esa	-	-	-	-
Pragasa Moorthi A/L Krishnasamy	-	-	-	-

	Direct		Indirect	
	No. of Units '000	(%)	No. of Units '000	(%)
Hashim Bin Wahir	-	-	-	-
<b>Key Management Personnel</b>				
Hashim Bin Wahir	-	-	-	-
Azmi Bin Yahaya	-	-	-	-
Abd Aziz Bin Abd Kadir	-	-	-	-
Datin Sr Faudziah Binti Ibrahim	17	0.0018	-	-

**Notes:**

- (1) *The company is an indirect substantial shareholder of the Manager, deemed to have an interest in the Company's 100% equity interest in the Manager pursuant to Section 6A of the Act.*
- (2) *Deemed to have an interest in the Units pursuant to Section 4 of the CMSA by virtue of KLCCH being its wholly-owned subsidiary.*
- (3) *The Manager is a wholly-owned subsidiary of the Company.*

## **6.10 SUMMARY OF THE MANAGER'S FINANCIAL POSITION SINCE THE DATE OF INCORPORATION**

The Manager was incorporated in Malaysia under the Act on 5 December 2012 as a private limited company and it has not commenced operations. As at the date of this Prospectus, the Manager has an issued and paid up share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

## **6.11 RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER**

### **6.11.1 Retirement**

The Manager may retire upon giving six month's written notice to the Trustee (or such shorter period as may be agreed upon with the Trustee) and then the Trustee shall appoint in writing any other corporation as the management company in its stead subject to the approval of the SC.

### **6.11.2 Removal and replacement**

The Trustee shall take all reasonable steps to remove the Manager from its appointment under the following circumstances:

- (a) the Manager has ceased to exist;
- (b) the Manager was not validly appointed;
- (c) the Manager ceases to be eligible to act as a management company pursuant to the CMSA or its appointment to act as the management company of KLCC REIT is revoked by the SC;
- (d) the Manager fails or refuses to act as Manager in accordance with the material provisions or covenants of the Deed or the provisions of the CMSA;
- (e) the Manager has a receiver appointed over the whole or a substantial part of its assets or undertaking and the Manager has not ceased to act under the appointment, or a petition is presented for the winding up of the Manager (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Manager becomes or is declared to be insolvent);
- (f) the Manager is under investigation for conduct amounting to fraud or of similar serious nature being a contravention of the Act or any securities law and is found guilty by the Courts of Malaysia of such offence as charged;
- (g) the Manager is required to be removed by the SC or is required to be removed pursuant to the provisions of the REIT Guidelines; or
- (h) the Manager is required to be removed by the Unitholders by way of a Special Resolution (or otherwise in accordance with the requirements of the REIT Guidelines), passed at a meeting of Unitholders convened for that purpose on the grounds that the Manager is in breach of its obligations under the Deed and the Manager has failed to remedy the breach despite the request from the Trustee to remedy the breach.

The Trustee may then appoint a replacement management company which is eligible to be appointed to act as a management company under the CMSA and which has been approved by the SC. Without prejudice to the Trustee's right to appoint a replacement management company, the Manager shall have the right to nominate a new management company (which is eligible to be appointed to act as management company under the CMSA) which shall not be a related corporation or an associated person of the Manager, within 14 days of its removal for consideration by the Trustee.

### **6.12 RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising, or if conflicts arise, shall ensure that KLCC REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in, or information acquired through, managing KLCC REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders and to ensure that its officers and delegates comply with the same.

The directors of the Manager who are also the directors of the Company are under a fiduciary duty towards KLCC REIT and the Company to act in the best interest of the KLCCP Stapled Group on a whole. In addition, the Executive and Non-Executive Directors (including the Chief Executive Officer) and the executive officers of the Manager are expected to act with honesty and integrity at all times.

Under the Deed, a Related Party of the Manager (as defined in the Deed) may hold Units. Unless otherwise permitted by the SC, the Relevant Laws and Requirements and the Stapling Deed, Related Parties of the Manager shall not exercise the voting rights with respect to the Units held and shall not be counted in a quorum at any Unitholders' meeting, if they have interest in the outcome of the transaction tabled for approval at the meeting which is different from the interest of other Unitholders.

Please refer to Section 11 of this Prospectus entitled "Corporate Governance, Related Party Transactions and Conflicts of Interest" for further details on conflicts of interest and related party transactions.

### **6.13 CORPORATE GOVERNANCE**

Please refer to Section 11 of this Prospectus entitled "Corporate Governance, Related Party Transactions and Conflicts of Interest".

### **6.14 MATERIAL LITIGATION AND ARBITRATION**

As at the LPD, the Manager is not engaged in any material litigation and arbitration, either as plaintiff or defendant which has a material effect on its financial position and its directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect its financial position or business.

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## 7. THE TRUSTEE

*The following information in this section (save where it relates to the Deed) has been prepared and provided by the Trustee. None of the Manager, the Company, the Principal Adviser, the International Financial Adviser and any other person has independently verified this information and, therefore none of the Manager, the Company, the Principal Adviser and the International Financial Adviser make any representation as to the correctness, accuracy or completeness of such information. Accordingly, Shareholders should not place undue reliance on such information.*

### 7.1 CORPORATE INFORMATION

The Trustee, Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad) (Company Number: 5004-P), was incorporated in Malaysia on 12 April 1963 and registered as a trust company under the Trust Companies Act, 1949 on 11 November 1963. The Trustee was one of the first local trust companies to provide trustee services with the objective of meeting the financial needs of both individual and corporate clients. As at the LPD, the authorised share capital of the Trustee is RM2,000,000.00 comprising 200,000 ordinary shares of RM10.00 each whilst the paid-up capital is RM500,000.00.

The principal activity of the Trustee is the provision of trustee services. The Trustee has been in the trustee business for more than 20 years. As at the LPD, the Trustee has a total of 36 staff, comprising 27 executives and nine non-executives.

The Trustee undertakes all types of trustee business allowed under the Trust Companies Act 1949, specialising in corporate trustee services which include acting as trustee for unit trust funds or schemes and REITs. As of the LPD, the Trustee is trustee for 52 unit trust funds and three listed REITs or property trust funds.

### 7.2 BOARD OF DIRECTORS OF THE TRUSTEE

The following table sets out information regarding the Board of Directors and Chief Executive Officer of the Trustee:

Name	Directorship
Zainal Abidin Jamal	Non Independent Non-Executive Director (Chairman)
Mohd. Hanif bin Suadi	Non Independent Executive Director
Dato' Dr Tan Tat Wai	Independent Non-Executive Director
Ong Sau Yin	Independent Non-Executive Director

### **Chief Executive Officer of the Trustee: Ms Eunice Chan**

Ms Eunice Chan was appointed as the Director of Securities Services of Malayan Banking Berhad and Chief Executive Officer of Maybank Trustee Berhad with effect from 1 November 2012. Prior to her appointment, Eunice was the Director of Custodial Services. She joined Malayan Banking Berhad group of companies in 1997 as Head of Business Operations in Mayban Unit Trust Berhad.

She has extensive experience in business operations of the Unit Trust and she oversees the fund distribution, network management and operational activities of the company. In 2007, she was appointed as the Head of Business Process Management in Service Level Management and Quality cum Strategic Planning and Performance Management in the Chief Operating Officer's office. In 2009, she was seconded to the Transformation Office to spearhead the PMO of restructuring initiatives of the bank. Prior to joining Malayan Banking Berhad, she was with the New Zealand Stock Exchange and she holds a Bachelor of Commerce and Administration from the Victoria University of Wellington, New Zealand.

### **7.3 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE**

The Trustee's function, duties and responsibilities are set out in the Deed. The general function, duties and responsibility of the Trustee include, but are not limited to the following:

- (a) at all times, through proper and adequate supervision, to safeguard the interests of the Unitholders and will actively monitor the administration of KLCC REIT by the Manager to ensure that the interests of Unitholders are upheld at all times;
- (b) to act continuously as Trustee under the trust created by the Deed until KLCC REIT is terminated as provided in the Deed or until the Trustee has retired from KLCC REIT in the manner provided in the Deed;
- (c) to ensure that KLCC REIT has, at all times, an appointed Manager and a Shariah Adviser;
- (d) to ensure that the Manager does not make improper use of its position in managing KLCC REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of the Unitholders of KLCC REIT;
- (e) to exercise all due care, skill, diligence and vigilance in carrying out its functions and duties and in safeguarding the rights and interests of the Unitholders in accordance with the Deed and the Relevant Laws and Requirements;
- (f) at all times, through proper and adequate supervision, to ensure that KLCC REIT is managed and administered by the Manager in accordance with KLCC REIT's objectives as set out in this Prospectus, the Deed and the Relevant Laws and Requirements and acceptable and efficacious business practices within the real estate investment industry. In ensuring compliance with the requirements and safeguarding the interests of the Unitholders, the Trustee covenants to conduct independent reviews and not only depend on the submission of information by the Manager. It covenants to exercise reasonable diligence in monitoring the function of the Manager in accordance with the provisions of the Deed and to do everything in its power to ensure that the Manager remedies any breach known to the Trustee

of the provisions or covenants of the Deed, unless the Trustee is satisfied that the breach will not materially prejudice the Unitholders' interests;

- (g) to immediately notify the SC of any irregularity, breach of the Deed, the Relevant Laws and Requirements or any other matter properly regarded by the Trustee as not being in the interests of Unitholders; and
- (h) to take all reasonable steps and exercise due diligence to ensure that the Deposited Property are correctly valued and valued by the qualified valuer in accordance with the provisions of the Deed and the Relevant Laws and Requirements.

#### 7.4 FINANCIAL INFORMATION OF THE TRUSTEE

The following is a summary of the Trustee's past audited financial performance for the past three financial years:

	Year Ended (Audited)			
	30 June 2010	30 June 2011	31 December 2011 <sup>(1)</sup>	31 December 2012
	(RM)	(RM)	(RM)	(RM)
Paid-up share capital	500,000	500,000	500,000	500,000
Shareholders' funds	3,901,376	6,239,462	8,678,875	12,107,452
Revenue	9,114,792	9,784,269	6,506,087	14,047,931
Profit before tax	3,052,910	3,168,312	3,242,278	4,571,241
Profit after tax	2,278,125	2,338,086	2,439,413	3,428,577

**Note:**

- (1) Change of FY to 31 December by Malayan Banking Berhad group of companies of which the Trustee is a group member.

#### 7.5 TRUSTEE'S FEE

In accordance with the Deed, KLCC REIT will pay the Trustee an annual trusteeship fee of up to 0.025% per annum of the NAV of KLCC REIT, subject to a maximum cap of RM600,000.00 per annum. Any upward variation exceeding the maximum cap will only be made with the prior approval of the Unitholders obtained by way of a majority resolution (or such other majority as may be required under the REIT Guidelines from time to time) and shall be effected by way of a supplemental deed in accordance with the requirements of the CMSA.

## **7.6 RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE**

### **7.6.1 Retirement**

The Trustee may retire upon giving six months' written notice to the Manager (or such shorter period as may be agreed upon with the Manager) whereupon the Manager shall within one month after becoming aware of the intention of the Trustee to retire, appoint by way of a deed, a replacement trustee who is eligible to be appointed to act as trustee under the CMSA and who has been approved by the SC.

### **7.6.2 Removal and replacement**

If the Trustee:

- (a) has ceased to exist;
- (b) is not validly appointed;
- (c) ceases to be eligible to act as trustee pursuant to the CMSA or its appointment as trustee for KLCC REIT is revoked by the SC;
- (d) fails or refuses to act as trustee in accordance with the provisions or covenants of the Deed or the provisions of the CMSA;
- (e) has a receiver appointed over the whole or a substantial part of its assets or undertaking and the Trustee has not ceased to act under the appointment, or a petition is presented for the winding up of the Trustee (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Trustee becomes or is declared to be insolvent); or
- (f) is under investigation for conduct that contravenes the Trust Companies Act 1949, the Trustees Act 1949, the Act or any securities law and an adverse finding is found,

the Manager shall as soon as practicable after becoming aware of any of the above events take all reasonable steps to remove the Trustee from its appointment under the Deed and appoint by way of deed a replacement trustee which is eligible to be appointed to act as trustee under the CMSA and which has been approved by the SC.

The Trustee may be removed on grounds that the Trustee is in breach of its obligations under the Deed and the Trustee has failed to remedy the breach despite the request from the Manager to remedy the breach and another trustee (which is eligible to be appointed to act as trustee under the CMSA and duly approved by the SC) has been appointed if the Unitholders decide on such removal and replacement by a Special Resolution (or otherwise in accordance with the requirements of the REIT Guidelines), passed at a duly convened meeting which is requisitioned by the Unitholders in the manner provided in the Deed.

Nothing in the Deed limits the right of the SC under Section 292(2) of the CMSA to remove the Trustee and appoint a replacement on the SC's own accord, or on the application of the Manager or of a Unitholder, on any of the grounds stated in sub-paragraphs (a) to (f) above.

## 7.7 TRUSTEE'S RESPONSIBILITY STATEMENT

The Trustee has given its willingness to assume the position as trustee of KLCC REIT and all the obligations in accordance with the Deed and all the Relevant Laws and Requirements.

## 7.8 MATERIAL LITIGATION AND ARBITRATION

Save as disclosed below, as at the LPD, the Trustee is not engaged in any material litigation and arbitration as plaintiff or defendant, and the Trustee is not aware of any proceedings, pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect its financial position or business:

(a) Kuala Lumpur High Court Civil Suit No. D5(D6)-22-1810-2005

The Bondholders of the Al-Bai Bithaman Ajil ("**ABBA**") Bonds ("**bondholders**") issued by Pesaka Astana (M) Sdn Bhd ("**PASB**") have sued PASB for its failure to meet its bonds payment obligations under Kuala Lumpur High Court Civil Suit No. D5 (D6)-22-1810-2005 (the "**ABBA Suit**") and cited the Trustee as one of 12 co-defendants in the ABBA Suit. The claim in the ABBA Suit is for RM149,315,000.00 or any other sum that the Court deems fit. The other defendants in the ABBA Suit include among others the Facility Agent, PASB's Chief Executive Officer, one of PASB's directors and associate companies of the Chief Executive Officer and the said director. The Trustee has defended the ABBA Suit and its trial has concluded.

The Trustee had appealed against the decision made by the High Court on 30 June 2010 in respect of the ABBA Suit in awarding judgement against it and another Defendant. The appeals proceeded on 22, 23, 26, 27, 28, 29 and 30 September 2011 and 3 October 2011. The Court of Appeal had on 8 November 2011 awarded the Trustee and the Facility Agent a limited indemnity against PASB, PASB's Chief Executive Officer, one of PASB's directors and associate companies of the Chief Executive Officer and the said director but found the Trustee and the Facility Agent equally liable to the bondholders. The Federal Court has on 5 April 2012 granted the Trustee leave to appeal to the Federal Court against certain parts of the decision of the Court of Appeal ("**Federal Court Appeal**"). The Federal Court Appeal was heard on 6, 7, 8, 20, 21 and 23 November 2012 and on 2, 3 and 4 January 2013. The hearing dates of 17 to 19 October 2012 and 19 November 2012 were vacated. Decision is reserved to a date to be notified by the Federal Court.

(b) Kuala Lumpur High Court Civil Suit No. D2-22-1085-2006

Connected to the ABBA Suit, Amanah Short Deposits Berhad (now MIDF Amanah Investment Bank Berhad ("**MIDF**")), a Noteholder of the Combined Commercial Papers and/or Medium Term Notes/Letters of Credit/Financial Guarantee Facilities ("**CP/MTN**") totalling RM13 million and issued by PASB, have also sued PASB for full payment under the CP/MTN arising from a cross-default by PASB under its ABBA Bonds, under Kuala Lumpur High Court Civil Suit No. D2-22-1085-2006 (the "**CP/MTN Suit**"). The Trustee was cited as one of 5 co-defendants in the CP/MTN Suit. The claim in the CP/MTN Suit is for RM13 million or any other sum that the

Court deems fit and damages. The other defendants in the CP/MTN Suit are the Facility Agent, PASB's Chief Executive Officer and one of PASB's directors. The Trustee is defending the CP/MTN Suit. The trial of the CP/MTN Suit is stayed until the disposal of the Federal Court Appeal.

The Trustee has obtained leave of the court to proceed with the actions against PASB given that further to an unrelated suit a provisional liquidator had been appointed against PASB.

Following the winding-up of PASB, the Trustee will seek leave of the court to proceed with the actions against PASB.

In any event, any successful claim that may be established against the Trustee will be covered by the Trustee's insurer and/or Malayan Banking Berhad as the ultimate holding company of the Trustee.

As such, the ABBA Suit and the CP/MTN Suit will not materially affect the business or financial position of the Trustee.

(c) Kuala Lumpur High Court Originating Summons No. 24A-30-2011

Connected to the CP/MTN Suit, MIDF has under Kuala Lumpur High Court Originating Summons No. 24A-30-2011 against the Trustee and another Defendant sought a declaration that the Trustee hold in trust for MIDF the sum of RM3,453,000.00, which said sum is in the possession of the Trustee, and that the said sum be paid to MIDF upon the order of the Court (the "OS"). The OS was fixed for hearing on 22 June 2011 wherein the Court granted order in terms. The Trustee has complied with the order of the Court on 28 July 2011. The OS will not materially affect the business or financial position of the Trustee.

(d) Kuala Lumpur High Court Suit No : D-22NCC-2339-2010

The sole Junior Noteholder of the Junior Notes ("**Junior Noteholder**") issued by Aldwich Berhad ("**Aldwich**") has sued the Trustee and the Security Agent of the Junior Notes for the sum of RM556,500,000.00 together with interest and costs under Kuala Lumpur High Court Suit No : D-22NCC-2339-2010 (the "**JN Suit**"). The JN Suit arises in the Trustee's ordinary course of business and in the performance of its duties and responsibilities to the Senior Bondholders in respect of the Senior Bonds also issued by Aldwich and in acting responsibly further to the instructions of the Senior Bondholders via special resolution in declaring an Event Of Default for the Senior Bonds ("**EOD For Bonds**"). Subsequently, the EOD For Bonds had caused a cross default on the Junior Notes resulting in the Trustee acting responsibly in declaring an Event Of Default for the Junior Notes in order to avoid the interests of the Junior Noteholder being jeopardized. The Trustee does not admit any liability to and has defended the JN Suit. The JN Suit will not materially affect the business or financial position of the Trustee. The Trustee's lawyers are of the view that the JN Suit is devoid of merit.

The JN Suit trial proceeded on 15, 19, 20 and 28 July 2011 and 15 August 2011. The High Court had on 30 September 2011 dismissed the JN Suit against both the Trustee and the Security Agent. The Junior Noteholder had filed an appeal to the Court of Appeal against the decision of the High Court ("**Appeal**"). The Court of Appeal had on 7 March 2012 dismissed the Appeal. The Junior Noteholder has filed an application at the Federal Court to seek leave to appeal against the decision of the Court of Appeal in favour of the Trustee ("**Application**"). The Application is fixed for hearing on 29 April 2013.

(e) Kuala Lumpur High Court Suit No : D-22NCC-1622-11/2012

Several holders of the bonds ("**bondholders**") issued by Aldwich Berhad (In Receivership) ("**Aldwich**") have sued Aldwich for its failure to settle its indebtedness to the bondholders following the default of the Aldwich Bonds in 2010 and cited the Trustee as one of six co-defendants under Kuala Lumpur High Court Suit No. D-22NCC-1622-11/2012 (the "**Bondholders' Suit**"). The claim against the Trustee is for the sum of RM156,251,210.67 or any other sum that the Court deems fit. The other defendants are Maybank Investment Bank Berhad, Aldwich Enviro-Management Sdn Bhd, Kamalul Arifin Yusof and Ernst & Young. The Trustee does not admit liability to the Bondholders' Suit and shall defend it. The Bondholders' Suit is not set for trial yet. The Bondholders' Suit will not materially affect the business or financial position of the Trustee.

The Trustee reiterates that it has in place a strong team of professionals with priority chiefly on protecting the interest of all stakeholders and upholding best standards of service and management practice.

## 7.9 DELEGATION OF THE TRUSTEE'S FUNCTION

As at the LPD, none of the Trustee's function in relation to KLCC REIT has been delegated.

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## **8. THE PROPERTY MANAGER**

*The following information in this section (save where it relates to the Property Management Agreement) has been prepared and provided by the Property Manager. None of the Manager, the Company, the Principal Adviser, the International Financial Adviser and any other person has independently verified this information and, therefore none of the Manager, the Company, the Principal Adviser and the International Financial Adviser makes any representation as to the correctness, accuracy or completeness of such information. Accordingly, Shareholders should not place undue reliance on such information.*

### **8.1 CORPORATE INFORMATION**

The Property Manager, Rahim & Co Chartered Surveyors Sdn Bhd (Company Number: 69437-W), is a firm of international property consultant. The Property Manager has been providing professional valuation, research, property management and estate agency services since 1976. The Property Manager is registered with the Board of Valuers, Appraisers and Estate Agents Malaysia under Section 19 of the Valuers, Appraisers and Estate Agents Act 1981 to undertake property management functions under the registration number VE(1)0065 and is therefore qualified to act as the property manager of KLCC REIT.

The Property Manager was incorporated in Malaysia on 9 April 1981. As at the LPD, it has an authorised share capital of RM1,000,000.00 comprising 1,000,000 ordinary shares of par value RM1.00 each of which 600,001 ordinary shares have been issued and are fully paid-up.

The Property Manager has 36 years of experience in property management and is currently managing a total of ten property sites and with a current total of 302 employees.

### **8.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE PROPERTY MANAGER**

The Trustee, the Manager and the Property Manager entered into the Property Management Agreement on 10 April 2013 for the appointment of the Property Manager to provide property management services to manage, operate, maintain and market the Subject Properties upon the terms and conditions therein.

The services provided by the Property Manager for each property under its management include, amongst others, the following:

- (a) retail consultancy services, including carrying out regular reviews, analysis and surveys relating to property management practices adopted by other existing and new centres, trends in consumer buying behaviour, changes in demographic and psychographic characteristics of target consumers, expenditure patterns and trends in the industry, trends in tenant-mix, and tenant requirements and expectations and design, layout and building trends for retail centres or office buildings;

- (b) facilities management services, including operation and maintenance of the centre, property security of the centre, ensuring compliance with building and safety regulations, advising on building improvement and upgrading and recommending and advising on appointment of service contractors and terms, monitoring and supervision of appointed contractors and frequent objective evaluation of performance;
- (c) financial management services by assisting the Manager in respect of the financial, cost and budgetary coordination, administration and measurement including preparation of budgets for management operation, procedures for monitoring budgetary performance and compliance, and providing annual reports and analysis of operation performance;
- (d) letting and tenancy management services, including formulating appropriate leasing and tenancy strategies, securing potential tenants, preparing leasing and tenancy documentation, organising regular meetings with tenants and implementing effective rental collection policies and practices;
- (e) property promotion services, including advising the Manager on marketing and public relations, planning, preparation of and contracting for advertising and promotional programs for the property; and
- (f) professional service management to seek advice and consult with other expertise within the Property Manager on capital value and assessment value and with other professionals in legal, technical, financial and accounting matters.

Notwithstanding anything stating to the contrary in the Property Management Agreement, the Property Manager's scope of services in respect of PETRONAS Twin Towers and Menara 3 PETRONAS, is reduced to a supervisory role over PETRONAS to ensure that PETRONAS carries out the services (as outlined in paragraphs (b) to (d) above) satisfactorily, and in accordance with the respective PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease.

In accordance with the terms of the Property Management Agreement, the Property Manager shall at all times during the duration of the Property Management Agreement, employ, by itself or through third party service providers, personnel required to properly operate, maintain, manage and market all the Subject Properties on such terms and conditions as are commercially reasonable or appropriate having regard to the qualification, skill and experience of the persons employed for the relevant positions, responsibilities and duties. Please refer to Section 8.6 of this Prospectus entitled "Salient Terms of the Property Management Agreement" for further details of the Property Management Agreement.

### 8.3 EXPERIENCE IN PROPERTY MANAGEMENT AND PROPERTIES MANAGED

The Property Manager has provided management services for numerous properties including the following:

- Putra World Trade Centre;
- Bursa Malaysia Exchange Square Bukit Kewangan;
- Wisma Bernama;
- Menara AmBank;
- Yayasan Tun Razak;
- Menara MBPJ; and
- Wisma Amanah Raya.

As at the LPD, the Property Manager has NLA of office space of approximately 2,145,000 sq. ft under its management.

The Property Manager's portfolio includes a total of nine units of commercial buildings, retail buildings, etc. located in Klang Valley.

### 8.4 INFORMATION ON KEY PERSONNEL AND STAFF STRENGTH

The profiles of the key personnel of the Property Manager who are involved in the management of the Subject Properties are as follows:

**Senator Dato' Abdul Rahim Rahman** is the Executive Chairman of Rahim & Co group of companies and has more than 44 years of experience in the real estate industry.

Senator Dato' Rahim established Rahim & Co in 1976. Prior to that, he served as a Valuation Officer with London Borough of Hounslow, a Valuation Officer with the Valuation Division of the Ministry of Finance, the Properties Manager with Malayan Railways and the Properties with Bank Bumiputra Malaysia Berhad.

In his professional capacity, he has served as a member of the Board of Valuers, Appraisers & Estate Agents, Malaysia. He is the past President of the Institution of Surveyors, Malaysia (1986-1987), the International Real Estate Federation ("FIABCI") Malaysian Chapter (1984-1986), the Asia Pacific Real Estate Federation (1985-1988) and the Association of Valuers, Property Managers, Estate Agents and Property Consultants in Sector Malaysia (1990-1994). He was elected the Deputy World President of the FIABCI in 1990 for a two-year term.

He was awarded the Darjah Indera Mahkota Pahang (DIMP) by HRH The Sultan of Pahang in 1980, the Darjah Mulia Seri Melaka (DMSM) by TYT The Governor of Malacca in 2002 and the Darjah Dato' Paduka Tuanku Ja'afar (DPTJ) by the late HRH The Yang DiPertuan Besar of Negeri Sembilan. All these awards carry the title Dato's.

He was appointed as a Senator by Seri Paduka Baginda Yang di-Pertuan Agong on 3 May 2010.

**Alisa M. Rahim** is the Executive Director of Rahim & Co Engineering Sdn Bhd, Executive Director of Rahim & Co Research Sdn Bhd and the Head of Corporate Development Strategy for Rahim & Co group of companies. She was trained in the United Kingdom with a Degree in Land Management from the University of Reading and a Master's Degree in Property Investment from the City University.

Prior to joining the firm in 1998, she practiced in London with Savills, an international property consultant. Her professional experience includes valuation, property management, real estate agency, research and consultancy. She is also on the management board of the company and is actively involved in the day to day operations of the company.

**Muhammad Kamal Bin Abdullah** is the General Manager of Rahim & Co's Facilities & Maintenance Department. Generally, he is responsible for overseeing the department on the day to day operations to ensure all request and requirement by any one of the clients are met accordingly which also includes his involvement in tactical and operational-level management of properties. Besides his direct involvement in operation, he is also involved in strategising, marketing and pitching for new projects. Hotelier by qualification, he joined Rahim & Co in 2008. In 2009, he relocated to the headquarters to further assist the departments' operations and have successfully maintained several accounts.

## **8.5 PROPERTY MANAGEMENT FEE**

The Property Manager is entitled to receive RM7,500.00 per month for the Subject Properties. In addition, the Property Manager is also entitled to reimbursement of all costs and expenses properly 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 service provider(s).

## **8.6 SALIENT TERMS OF THE PROPERTY MANAGEMENT AGREEMENT**

- (a) Subject to the right of termination under the Property Management Agreement, the appointment of the Property Manager shall commence from the Listing Date and shall unless terminated in accordance with the Property Management Agreement, continue for an initial period of two years and may be extended for a further term on such terms and conditions as may be mutually agreed between the parties ("**Management Period**").
- (b) The functions, duties and responsibilities of the Property Manager under the Property Management Agreement is summarised in Section 8.2 of this Prospectus entitled "Functions, Duties and Responsibilities of the Property Manager".
- (c) The Property Management Agreement may be terminated in accordance to the terms and conditions therein under any one of the following circumstances:
  - (i) upon expiry of the Management Period;
  - (ii) upon termination by the Trustee of the appointment of the Manager as the management company of KLCC REIT;

- (iii) upon exercise by the parties therein of the right of termination by giving not less than three months' notice in writing to the other parties;
- (iv) upon occurrence of any force majeure event which results in the failure of the Property Manager to deliver a substantial majority of the services contemplated under the Property Management Agreement for at least 14 days;
- (v) upon the sale or disposal of all or any of the Subject Properties; and
- (vi) at the option of the Manager and/or the Trustee, upon occurrence of any one or more of the events:
  - (1) the Property Manager is in breach of its obligations and/or any of the terms or conditions of the Property Management Agreement and such breach continues for a period of 30 business days after its receipt from the Manager and/or the Trustee a notice specifying such breach and requesting that the same be remedied;
  - (2) there is a revocation, withholding or modification of licence, authorisation or approval that impairs or prejudices the Property Manager's ability to comply with the material terms and conditions of the Property Management Agreement;
  - (3) any of the material provisions in the Property Management Agreement becomes ineffective, invalid or unenforceable;
  - (4) the Property Manager changes the nature or scope of its core business, suspends or ceases or threatens to suspend or cease a substantial part of its business operations;
  - (5) an order is made or a resolution is passed for winding up or dissolution of the Property Manager; and/or
  - (6) the Property Manager becomes insolvent or a receiver has been appointed over the whole or a substantial part of the assets of the Property Manager.

For the purposes of this Section 8.6, "**force majeure event**" means all events which are beyond the reasonable control of the parties to the Property Management Agreement and which are unforeseen or if foreseen are unavoidable and which render impossible the performance of any material obligation or the exercise of any material right under the Property Management Agreement by any of the parties and shall include but is not limited to (i) war, invasion, rebellion, revolution, insurrection or civil war; (ii) act of government in its sovereign capacity; (iii) earthquakes, fire, lightning, storms, floods or any other occurrence caused by the operation of the forces of nature; (iv) strikes, lockouts, boycotts or labour disputes affecting the operation of a Subject Property; (v) terrorism, sabotage or arson; and (vi) change in law.

**8.7 UNITHOLDING OF THE PROPERTY MANAGER IN KLCC REIT AND THE KLCCP STAPLED GROUP**

The Property Manager will not hold any Units upon Listing.

**8.8 SERVICE PROVIDERS TO PROVIDE PERSONNEL TO THE PROPERTY MANAGER**

Pursuant to the Property Management Agreement, the Property Manager may appoint any third party service provider to, amongst others, provide personnel in order for the Property Manager to carry out its services under the Property Management Agreement to the best of its abilities provided that the appointment of such third party service providers have been approved by the Manager. The amount of such third party service providers' fees will be determined under the approved annual business plan and budget for the Subject Properties. The service providers' fees, costs, expenses and reimbursement properly incurred by the service providers for the provision of the services will form part of the property expenses to be paid by the Trustee on the advice and/or recommendation of the Manager under the Property Management Agreement.

There are Service Provider Agreements between the Property Manager and each of Suria and KLCC Urusharta, wherein Suria and KLCC Urusharta will provide the Property Manager with, amongst others, a team of personnel with the necessary qualifications, expertise, experience and internal working and operation knowledge of the Retail Podium of Menara 3 PETRONAS and Menara ExxonMobil to facilitate the Property Manager in carrying out its obligations under the Property Management Agreement, in accordance with the terms and conditions of the Service Provider Agreements.

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## **9. THE SHARIAH ADVISER**

### **9.1 CORPORATE INFORMATION**

The Company and the Manager have jointly appointed CIMB Islamic as the Shariah Adviser for the KLCCP Stapled Group to advise on all Shariah matters and to ensure full compliance with the REIT Guidelines, the Islamic REIT Guidelines and such other guidelines related to Shariah matters.

CIMB Islamic is a licensed Islamic bank and is an approved institution to act as a Shariah Adviser pursuant to the Islamic REIT Guidelines. CIMB Islamic was incorporated in Malaysia on 2 November 2004.

CIMB Islamic is the global Islamic banking and finance franchise of CIMB group of companies as a result of the merger with Commerce Tijari Bank Berhad on 6 June 2006. Currently, CIMB Islamic provides comprehensive and innovative Shariah-compliant financial products and services to satisfy the needs of individual, small and medium scale enterprises and large institutional customers in investment banking, consumer banking, asset management, private banking and takaful. Its retail banking is co-located at CIMB Bank Berhad's 312 branches nationwide.

CIMB Islamic provides services on various Islamic banking and finance products to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah advisory councils of the regulatory bodies and CIMB Islamic's in-house Shariah committee ("**Shariah Committee**").

As at the LPD, the Shariah Committee acts as Shariah adviser for a total of 45 funds. The Shariah Adviser will meet every two months (six times a year) to address Shariah advisory matters pertaining to the KLCCP Stapled Group, if any, and review the KLCCP Stapled Group's investment to ensure compliance with Shariah principles. Semi-annual review is conducted to ensure the KLCCP Stapled Group's investment is in compliance with the Shariah principles.

### **9.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE SHARIAH ADVISER**

The role of the Shariah Adviser is to ensure that the operations and investments made on behalf of the KLCCP Stapled Group are in compliance with Shariah requirements. In line with the Islamic REIT Guidelines, the Shariah Adviser shall provide the following Shariah advisory services:

- (a) providing expertise and guidance on all matters relating to the Stapled Securities' Shariah requirements, including its structure, investment process, documentations and other operational matters;
- (b) advising on the Islamic modes of ancillary activities relating to the Stapled Securities such as investment in liquid and short terms funds or assets, marketing materials and SC's Shariah methodology;

- (c) performing Shariah compliance assessment to ensure that all activities of the stapled structure and/or the composition/contribution of Non-Permissible Activities of the stapled structure is within the tolerable benchmark as per relevant Shariah guidelines;
- (d) reviewing necessary documentations and information submitted by the Company, not limited to the Deed and other relevant information in relation to the stapled structure including this Prospectus, Stapling Deed, tenancy agreement, financing agreement, takaful/insurance policy and financial statements;
- (e) reviewing and endorsing proposed investment of the KLCCP Stapled Group from time to time provided always that the Company has provided all relevant information in relation to the proposed investments;
- (f) reviewing the investment of the KLCCP Stapled Group on a semi-annual basis reflecting transactions to ensure compliance with the prescribed investment policies and guidelines approved by the Shariah Adviser;
- (g) preparing periodic report certifying whether the Stapled Securities has been managed in accordance with applicable guidelines, rulings or decision issued by the SC pertaining to Shariah matters;
- (h) consulting with the SC who may consult the SAC of the SC where there is any ambiguity or uncertainty as to an investment, instrument, system, procedure and/or process; and
- (i) ensuring the Company is committed to, and regularly engage in, fiscal purification in a manner that is in line with Shariah. The process of purification involves cleansing the impure earning or tainted income (if any) to be distributed to suitable and deserving charitable bodies endorsed by the Shariah Adviser.

### **9.3 DESIGNATED PERSON RESPONSIBLE FOR THE KLCCP STAPLED GROUP**

The designated person responsible for Shariah matters relating to the KLCCP Stapled Group is Head of Shariah Department of CIMB Islamic, Abdul Ghani Endut. In addition, CIMB Islamic is backed by its own respective Shariah Committee comprising the following members:

- (a) Prof. Dr. Mohammad Hashim Kamali;
- (b) Dr. Haji Mohd Nai'm bin Haji Mokhtar;
- (c) Assc. Prof. Dr. Shafaai Bin Musa;
- (d) Sheikh Nedham Yaqoobi;
- (e) Dr. Yousef Abdullah Al Shubaily; and
- (f) Prof. Dr. Noor Inayah Yaakub.

<b>Name</b>	Prof. Dr. Mohammad Hashim Kamali
<b>Experience</b>	He is the Chairman and CEO of the International Institute of Advanced Islamic Studies and the member of the SAC of the SC for the period from July 2010 to June 2012. He has been teaching Islamic law and jurisprudence since 1985 and a former Professor of International Institute of Islamic Thought and Civilisation (ISTAC), and Ahmad Ibrahim Kulliyah of Laws, International Islamic University, Malaysia (IIUM). He is also a renowned writer in the area of Islamic law and jurisprudence and has written many books and articles on the subject.
<b>Qualifications</b>	He holds a first Class, BA Honours degree in Law and Political Science from Kabul University, Afghanistan, LLM degree from the London School of Economics, England and a PhD in Islamic Law from the School of Oriental & African Studies, University of London, England.

<b>Name</b>	Dr. Haji Mohd Nai'm bin Haji Mokhtar
<b>Experience</b>	Currently, serving as Director in Family Support Division, Malaysian Shariah Judiciary Department of the Prime Minister's Department. Previously, he served as a lecturer at Ahmad Ibrahim Kulliyah of Laws, International Islamic University, Malaysia from 1990 to 1997. He then joined Messrs Zulkifli Yong, Azmi & Co as a Shariah lawyer before being appointed as a Shariah Judge in 1998. He was also assigned as a research officer at Malaysian Shariah Judiciary Department, Prime Minister's Department from 2003 to 2004 as well as a Shariah Subordinate Court Judge for Federal Territory from 2007 to 2008 and a Shariah Prosecutor, Federal Territory in 2008.
<b>Qualifications</b>	He received his LLB degree from International Islamic University, Malaysia (IIUM), LLM from University of London, UK and PhD in Shariah from National University of Malaysia. He also holds a Diploma in Shariah Law & Practice and Diploma in Administration & Islamic Judiciary both from Islamic International University, Malaysia (IIUM).

<b>Name</b>	Assc Prof Dr. Shafaai bin Musa
<b>Experience</b>	He is currently serving as Associate Professor of Ahmad Ibrahim Kulliyah Of Laws, IIUM. He is also the Chairman of CIMB Aviva Takaful Shariah Committee. He has more than 10 years of experience in teaching Islamic law and jurisprudence and wrote several researches and articles. He served as Shariah adviser for Department of Islamic Development Malaysia in 2005.

<b>Qualifications</b>	He received his Degree in Shariah from University of Al-Azhar, Egypt, Master in Comparative Laws from IIUM and Ph.D. from Glasgow Caledonian University, UK.
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<b>Name</b>	Sheikh Nedham Yaqoobi
<b>Experience</b>	A Bahrain national and is a renowned Shariah scholar. He sits on various Shariah boards of Islamic banking and financial institutions globally including the Dow Jones Islamic Market Indexes (DJIM), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Islamic Financial Market (IIFM). He is the author of several articles and publications on Islamic finance and other sciences, in English and Arabic.
<b>Qualifications</b>	He was educated in the classical Shariah in his native Bahrain and in Makkah under the guidance of eminent scholars, including Sheikh Abdulla al-Farisi, Sheikh Yusuf al-Siddiqi, Sheikh Muhammed Saleh al-Abbasi, Sheikh Muhhamed Yasin al Fadani (Makkah), Shaikh Habib-ur-Rahman A. Zaini (India), Sheikh Abdulla bin Al-Siddiq Al-Ghumar (Morocco), and others. He has a BA in Economics and Comparative Religion and M.SC. in Finance from McGill University, Montreal, Canada.

<b>Name</b>	Dr. Yousef Abdullah Al Shubaily
<b>Experience</b>	<p>A citizen of the Kingdom of Saudi Arabia, Dr. Yousef is currently attached as a Lecturer at the Comparative Jurisprudence Department, High Institute of Judiciary, Imam Muhammad Bin Saud Islamic University in the Kingdom. He also serves as a Co-operating professor for the American Open University.</p> <p>Beyond his academic career, Dr. Yousef has an extensive experience in serving various Shariah boards of a number of banks and financial institutions in the Kingdom of Saudi Arabia, Bahrain, Kuwait, UAE, Qatar, USA and Britain. He also holds advisory functions in numerous religious and charitable organisations within and outside the Kingdom.</p> <p>Dr. Yousef has written many books, academic papers and articles on Islamic jurisprudence and commercial law and has actively participated in numerous seminars and conventions in related areas. He also participates in religious and economic programs on television and radio broadcasts in the Kingdom and abroad. He is a permanent guest for various television programs including the programs aired by Al Majd, MBC and CNBC channels.</p>

<b>Qualifications</b>	He received his Bachelor Degree from the Faculty of Shariah and Fundamentals of Islam and a Masters Degree from the Department of Comparative Jurisprudence at Muhammad bin Saud Islamic University and Ph.D in Islamic Jurisprudence from Muhammad bin Saud Islamic University.
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<b>Name</b>	Prof. Dr. Noor Inayah Yaakub
<b>Experience</b>	<p>Prof. Dr. Noor Inayah is a Malaysian, currently attached as a Professor at Faculty of Economics and Management, Universiti Kebangsaan Malaysia (UKM) and Principal Fellow of Institute of West Asian Studies, UKM. She is also a Director of Centre for Corporate Planning &amp; Leadership, University Kebangsaan Malaysia.</p> <p>She received her Bachelor of Shariah Law (Hons) and Bachelor of Law (Hons) from International Islamic University, Malaysia, LLM (Master of Comparative Civil &amp; Banking Law) from University of Bristol, UK and Ph.D (Comparative Civil &amp; Islamic Banking Law of Guarantee) from the University of Manchester, UK. She holds a certificate of Product Management from ISIS Centre, University of Oxford, UK.</p> <p>She was admitted to the Malaysian Bar as an Advocate &amp; Solicitor of the High Court of Malaya in 1996 and in the same year she was a qualified Shariah Lawyer. She practised law with Messrs. Abraham &amp; Ooi and Co. from 1996 to 1997 before joining UKM as a lecturer in 1998.</p> <p>She has more than 15 years of experience in teaching Islamic Law, Islamic and Conventional Banking Law, Takaful and Insurance Law, Equity &amp; Trust Law and Business Law and Ethics. She has produced several academic research papers and articles mainly on the subject of Islamic and conventional banking law and takaful and insurance law of which some were presented in Islamic banking and finance proceedings and conferences and published in Malaysian and International high refereed/impact journals.</p>
<b>Qualifications</b>	She received her Bachelor of Shariah Law (Hons) and Bachelor of Law (Hons) from International Islamic University, Malaysia, LLM (Master of Comparative Civil & Banking Law) from University of Bristol, UK and Ph.D (Comparative Civil & Islamic Banking Law of Guarantee) from the University of Manchester, UK.

<b>Name</b>	Abdul Ghani Endut
<b>Experience</b>	<p>Abdul Ghani joined CIMB in January 2005 as Manager, Shariah Advisory Unit and the Secretary of CIMB Islamic Shariah Committee. Previously, he was attached to the Shariah Department of the first Islamic bank in Malaysia for more than 10 years. There, he was the Head of the Shariah Department and the Secretary of the Shariah Supervisory Council. He was actively involved in Shariah advisory activities of the bank and other external parties, in Retail, Commercial, Corporate Banking and Debt Capital Market. He was also involved in the structuring of Islamic Venture Capital and Shariah advisor to Islamic Unit Trusts.</p> <p>He now leads the overall function of Shariah Department which is responsible to provide the Shariah advisory for all type of Islamic products both to the CIMB group of companies and external parties in asset &amp; fund management, investment &amp; corporate banking, retail &amp; commercial banking, treasury &amp; structured products, takaful, private equity and etc. He is also involved in developing curriculum for industry owned institutes dedicated for human capital development in the Islamic finance industry such as IBFIM, AIF etc.</p> <p>He is currently a member of the Shariah Governance Working Group for the Islamic Financial Services Board (IFSB), an international standard-setting organisation that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets, takaful and insurance sectors.</p>
<b>Qualifications</b>	He holds a Bachelor of Art (Hons) in Business Studies from the University of East London, UK and a Bachelor of Art (Hons) in Islamic Jurisprudence and Legislation from the University of Jordan.

#### 9.4 SHARIAH ADVISER'S FEE

The Shariah Adviser will be paid the following:

- (a) by the Company:
  - (i) an annual retainer fee of RM5,000.00; and
- (b) by KLCC REIT:
  - (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;
  - (ii) an annual retainer fee of RM15,000.00; and
  - (iii) RM10,000.00 payable upon issuance of the Shariah pronouncement for each new investment.

## **10. SALIENT TERMS OF THE DEED AND THE STAPLING DEED**

*The Deed and the Stapling Deed are complex documents and the following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Deed and the Stapling Deed. Certain salient terms of the Deed and Stapling Deed are summarised in other sections of this Prospectus. Recipients of this Prospectus should refer to the Deed and Stapling Deed respectively to confirm specific information or for a detailed understanding of the KLCC REIT and the KLCCP Stapled Group. The Deed and Stapling Deed are available for inspection at the registered office of the Manager.*

### **10.1 THE DEED**

The KLCC REIT is a REIT constituted by the Deed, as entered into between the Trustee and the Manager on 2 April 2013. The Deed came into effect on 9 April 2013 when it was registered with the SC.

Each Unitholder and all persons claiming through it shall be entitled to the benefit of and shall be bound by the terms and conditions of the Deed and any supplementary deed as if it had been a party thereto and as if the Deed contained covenants on the part of each Unitholder to observe and be bound by all the provisions thereof and an authorisation by each Unitholder to do all such acts and things as the Deed may require the Trustee or the Manager (as the case may be) to do. The Deed does not establish either the Trustee or the Manager as the agent of the Unitholders and does not create any other relationship other than that which is established by the provisions of the Deed.

Pursuant to the Deed, the Trustee shall hold the Deposited Property upon trust for the Unitholders and the Deposited Property so held shall be segregated from the general assets of the Trustee. The rights of the Unitholders under the Deed are divided into Units.

The Manager and the Trustee shall in the performance of their respective duties under the Deed, at all times comply with applicable provisions of the relevant laws and requirements, subject to compliance with any applicable waiver or exemption given by any relevant regulatory authority (including the SC or Bursa Securities, as the case may be) in respect of the relevant laws and requirements. Please refer to "Information Summary – Fees and Charges" for a summary of fees payable to the Manager and the Trustee, Section 6.6 of this Prospectus entitled "Management Fees" for further details of the Management Fee payable to the Manager and Section 7.5 of this Prospectus entitled "Trustee's Fee" for further details of the Trustee's fee payable to the Trustee, pursuant to the terms of the Deed.

The Deed is governed by, and shall be construed in accordance with, the laws of Malaysia.

#### **10.1.1 Nature of Units**

Each Unit is of equal value and represents an undivided interest in KLCC REIT. There is only one class of Units in KLCC REIT, and all issued Units rank *pari passu* provided the issue price is fully paid and to the extent that Units are Stapled to Shares, the Manager shall not, without the prior written consent of the Company, issue any other class of unit in KLCC REIT. A Unit shall not confer any interest in any particular asset of KLCC REIT held by the Trustee on the trust of the Deed but only such interest in KLCC REIT as a whole as is conferred on a Unit under the provisions of the Deed, subject to the liabilities of KLCC REIT.

### **10.1.2 Rights of Unitholders**

Units shall confer on the Unitholder the rights (amongst others) to receive any distribution entitlements and such other rights, benefits, entitlements and privileges as are conferred on the Units or attached to the Units by the provisions of the Deed, subject to the Stapling Deed.

### **10.1.3 Limitation of liability and rights of Unitholders**

The liability of each Unitholder shall be limited to the Unitholder's investment in KLCC REIT. Provided that the issue price is paid in full, no Unitholder shall be under any obligation personally to indemnify the Trustee or the Manager or any of their creditors against any liability of the Trustee or the Manager in respect of KLCC REIT.

Subject to the Stapling Deed and subject further to the rights of Unitholders created by the Deed and by law:

- (a) a Unitholder has no equitable or proprietary interest in the Deposited Property and is not entitled to the transfer to it, any Deposited Property or any part of the Deposited Property or of any estate or interest in the Deposited Property or in any part of the Deposited Property;
- (b) the right of a Unitholder in the Deposited Property and under the Deed is limited to the right to require the due administration of KLCC REIT in accordance with the Deed including, without limitation, by suit against the Trustee or the Manager; and
- (c) without limiting the generality of the foregoing, each Unitholder acknowledges and agrees that:
  - (i) he will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the Deposited Property or any part of the Deposited Property and hereby waives any rights it may otherwise have to such relief;
  - (ii) if the Trustee or the Manager breaches or threatens to breach its duties or obligations to a Unitholder under the Deed, that Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction; and
  - (iii) damages or compensation is an adequate remedy for such breach or threatened breach;
- (d) subject to the Stapling Deed, a Unitholder may not (at a meeting of Unitholders):
  - (i) interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee or restrict the exercise of any discretion expressly conferred on the Manager or Trustee under the Deed or the determination of any matter which, under the Deed, requires the agreement of either or both of the Manager and the Trustee;
  - (ii) exercise any right in respect of the Deposited Property or any part of the Deposited Property or lodge any caveat or other notice affecting the Deposited Property or any part of the Deposited Property;

- (iii) require that any Deposited Property or any part of the Deposited Property be transferred to the Unitholder; or
  - (iv) give any directions to the Manager or Trustee which would require the Manager or Trustee to do or omit doing anything which may result in KLCC REIT ceasing to comply with the Relevant Laws and Requirements or which may result in the Manager or the Trustee being required to do anything which is inconsistent with their duties at law or under the Deed; and
- (e) other than in accordance with the provisions of the Stapling Deed, no Unitholder shall have any right solely by reason of his being a Unitholder to attend any meetings of shareholders, stockholders or debenture holders of the Manager, the Trustee or a company whose shares form part of the Deposited Property, or to vote or take part in or consent to any such company or shareholders', stockholders' or debenture holders' action.

#### **10.1.4 Creation of Units**

There shall be no offering of Units to the general public pursuant to the Listing as the Units will be distributed to the Shareholders on the basis of one Unit for every one Share held by a Shareholder pursuant to the Bonus RPS Issue and subsequent redemption thereof. No applications for Units in relation to the Listing shall be made and the Manager shall ensure that the Units are allotted and issued to the Shareholders on the basis of one Unit for one Share held pursuant to the Bonus RPS Issue and subsequent redemption thereof. For the avoidance of doubt, no Unitholder is required to pay any application monies or any other monies for Units issued and received at the time of the Listing. Subject to the Relevant Laws and Requirements and the Stapling Deed, the Manager shall determine the issue price, on market-based principles, taking into account the best interests of KLCC REIT and Unitholders.

#### **10.1.5 Suspension of, dealing in and issue of Units**

Subject to the Stapling Deed, the Manager or the Trustee may, with the prior written approval of the other and subject to the Listing Requirements, suspend the issue of Units during exceptional circumstance which in the opinion of the Trustee and the Manager provides good and sufficient reason to do so, having taken into consideration the interests of the Unitholders. Such suspension will take effect forthwith upon the written approval by the Manager or the Trustee pursuant to any the declaration in writing of the same by the other and shall terminate upon the written approval by the Manager or the Trustee pursuant to any declaration in writing of the same by the other which will be made after the condition or any other conditions giving rise to the suspension ceases to exist subject always to the Relevant Laws and Requirements.

The Trustee shall, in consultation with the Manager and where it deems appropriate and subject to the REIT Guidelines and the Stapling Deed, suspend dealing in the Units due to exceptional circumstances, where there is a good and sufficient reason to do so, considering the interests of the Unitholders or potential investors. Such suspension must cease as soon as practicable after the exceptional circumstances have ceased, and in any event within 21 days of the commencement of the suspension. The Trustee should immediately notify the SC in writing of such suspension, stating the reason for suspension and the proposed resumption of dealings in Units and the date of the proposed resumption.

#### **10.1.6 Vendor Units**

In the case of the issue of Units to vendors of Authorised Investments and subject to the Relevant Laws and Requirements and the Stapling Deed, the Manager may only offer Units to vendors as consideration (in whole or in part) for Authorised Investments proposed to be acquired by KLCC REIT at a price determined by the Manager and approved by the Trustee if the following conditions are met so long as KLCC REIT is listed:

- (a) the terms and conditions of the acquisition are approved by the Unitholders pursuant to the REIT Guidelines;
- (b) neither the Manager nor the person to whom the Units are to be issued nor any associated person of that person votes in relation to the above approval of the Unitholders pursuant to the REIT Guidelines; and
- (c) if and to the extent required, the acquisition is approved by the SC and any other relevant regulatory authority.

#### **10.1.7 Distributable Income**

The Distributable Income for each Distribution Period shall be the realised income for the Distribution Period being the Net Income for the Distributable Period adjusted (in whole or in part) as deemed necessary by the Manager in the interest of KLCC REIT and the Unitholders for the following effects which may or may not have been recorded in the profit or loss for the relevant Distribution Period:

- (a) the portion of the Manager's management fees paid or payable in Units;
- (b) amortisation and other non-cash expenses or gains;
- (c) valuation gain/ loss on investment properties and financial instruments;
- (d) depreciation or impairment of assets;
- (e) any other entries, provisions, write-offs or adjustments required by the approved accounting standards;
- (f) expenses/ loss which is charged to the profit or loss relating to issuance of new units or expenses that is capital in nature; and
- (g) unamortised costs which had been paid and incurred but had not been expensed off to the profit or loss other than those incurred for issuance of units or raising of funds.

The Distributable Income which the Manager may distribute for any Distribution Period shall take into consideration the following and the Stapling Deed:

- (i) total returns for the period;
- (ii) income for the period;
- (iii) cash flow for distribution;
- (iv) stability and sustainability of distribution of income and/or capital; and
- (v) the investment objective and distribution policy of KLCC REIT.

All (or such lower percentage as determined by the Manager in its absolute discretion) of the Distributable Income will be distributed among the persons who on the relevant Book Closing Date for a Distribution Period are Unitholders, in proportion to their Units. Each Unitholder's entitlement to the percentage of Distributable Income (before deductions as provided for in Clause 17.6) is to be determined in accordance with the following formula:

**Distribution Entitlement** = % of DI x UH / UI

where:

DI = Distributable Income

UH = the number of Units held by the Unitholder at the close of business on the Books Closing Date for the relevant Distribution Period adjusted to the extent it is entitled to participate in the Distributable Income.

UI = the total number of Units in issue in KLCC REIT at the close of business on the Book Closing Date for the relevant Distribution Period adjusted to the extent it is entitled to participate in the Distributable Income.

#### **10.1.8 Investment policies of KLCC REIT**

(a) Authorised Investments

- (i) Subject to Paragraph 10.1.8(b), the REIT Guidelines and the Islamic REIT Guidelines, KLCC REIT may invest in any Authorised Investments which shall at all times comply with Shariah principles.
- (ii) The Trustee must act as custodian and take into its custody, or under its control (in the event of delegation of custody), the Deposited Property and hold the Deposited Property in trust for the Unitholders in accordance with the Deed and the Relevant Laws and Requirements and the Stapling Deed. The Deposited Property shall be registered in the name of the Trustee for and on behalf of the Unitholders, or assigned to the Trustee for and on behalf of the Unitholders, or to the order of KLCC REIT.

For the avoidance of doubt, the Manager may use financial derivatives including but not limited to entering into futures, forwards, options and swaps contracts for the purpose of achieving the investment objective of KLCC REIT if in compliance with the Relevant Laws and Regulations subject to the Stapling Deed.

(b) Investment limits

The Manager shall observe and the Trustee shall ensure that the Manager observes the investment limits or such other limits as may be established by the SC and the Stapling Deed.

In exercising its powers to make investment on behalf of KLCC REIT, and subject to limits as may be prescribed by the SC or the REIT Guidelines from time to time and subject always to the Stapling Deed, the Manager must ensure that:

- (i) at least 50.00% of the Total Asset Value of KLCC REIT must be invested in Real Estate Assets at all times; and

- (ii) not more than 25.00% of the Total Asset Value of KLCCP REIT is invested in Non-Real Estate Related Assets and/or Cash, Shariah-compliant deposits and Islamic money market instruments; or
- (iii) such other investment or limits as may be permitted by the SC or the REIT Guidelines

provided that arising from the disposal of Deposited Property or pending acquisition of any Authorised Investments or following capital raising of KLCCP REIT, the actual investment ratio of KLCCP REIT may be at a variance from the provisions stipulated above, the REIT Guidelines and the Islamic REIT Guidelines. However, the Manager may, in consultation with the Trustee and subject to the Stapling Deed, vary the investments forming part of the Deposited Property in the best interests of the Unitholders provided that such variance is in compliance with the REIT Guidelines and the Islamic REIT Guidelines. Any breach must be rectified within 12 months from the date of the breach (or any other period as may be permitted by the SC).

(c) Restriction on investment / activities

Without limiting the generality of the following, and subject always to the provision of the REIT Guidelines, the Islamic REIT Guidelines and the Stapling Deed, KLCC REIT shall not at any time be involved in the following activities:

- (i) the extension of financing or other credit facilities by KLCC REIT;
- (ii) property development, except in circumstances permitted by the REIT Guidelines and the Islamic REIT Guidelines; and
- (iii) acquisition of vacant land; or
- (iv) any other activity which does not comply with the REIT Guidelines and the Islamic REIT Guidelines and where no waiver from the SC is obtained to exempt compliance with the relevant guidelines.

(d) Investment objective / policy

- (i) 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 investment limits imposed by the REIT Guidelines and the Islamic REIT Guidelines. KLCC REIT may invest in Malaysia and overseas.
- (ii) The Manager may, in consultation with the Trustee and subject to all Relevant Laws and Requirements and the Stapling Deed, from time to time change the investment objective/policy of KLCC REIT.

- (iii) The Trustee shall ensure that it is fully informed at all times by the Manager of the investment objectives/policies and of changes made by the Manager to the investment objectives/policies of KLCC REIT. Unless otherwise provided by the Relevant Laws and Requirements and the Stapling Deed, any modification to the Deed involving any material change to the investment objective set out for KLCC REIT, must be approved by the Unitholders by way of a resolution of not less than two-thirds of all Unitholders at a Unitholders' meeting duly convened and held in accordance with the Deed.

#### **10.1.9 Concerning the Trustee**

The Trustee is responsible for the safe custody of the Deposited Property. Any Authorised Investment forming part of the Deposited Property, whether in bearer or registered form, is to be paid, assigned or transferred to or to the order of the Trustee forthwith on receipt by the Manager and is to be dealt with as the Trustee may think proper for the purpose of providing for the safe custody of the same.

The Trustee may act as custodian of the Deposited Property itself or the Trustee may delegate this role to another person as custodian or joint custodians (with the Trustee if acting as custodian or with any other custodian appointed by the Trustee) of the whole or any part of the Deposited Property and (where the Trustee is custodian) may appoint or (where the Trustee appoints a custodian) may empower such custodian or joint custodian (as the case may be) to appoint with the prior consent in writing of the Trustee, sub-custodians. Any such delegation can only be carried out by the Trustee in compliance with the REIT Guidelines and the Trustee shall remain responsible for the actions and omissions of any delegate as though they were its own actions and omissions. Where this role is delegated, the Trustee should ensure that:

- (a) it retains control of KLCC REIT's property at all times; and
- (b) there are adequate arrangements to prevent the delegate from releasing the custody or control of KLCC REIT's property without its prior consent.

The Trustee shall not be under any obligation to institute, acknowledge service of, appear in, prosecute or defend any action, suit, proceedings or claim in respect of the provisions of the Deed or in respect of the Deposited Property or any part thereof or any corporate or Unitholders' action which in its opinion would or might involve it in expense or liability, unless the Manager shall so request in writing, and shall so often as required by the Trustee furnished it with an indemnity satisfactory to it against any such expense and liability in full.

Unless otherwise expressly provided in the Deed or the Stapling Deed, the Trustee as regards all the trusts, powers, authorities and discretions vested in it, has absolute and uncontrolled discretion as to the exercise of the same, whether in relation to the manner or as to the mode of and time for such exercise, and in the absence of fraud, negligence, wilful default, breach of the Deed or breach of trust, the Trustee shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise of the same.

Please refer to Section 7.3 of this Prospectus entitled “Functions, Duties and Responsibilities of the Trustee” for other salient terms of the duties, responsibilities and covenants of the Trustee as provided in the Deed.

#### **10.1.10 Functions, duties and responsibilities of the Trustee**

Please refer to Section 7.3 of this Prospectus entitled “Functions, Duties and Responsibilities of the Trustee” for details of the functions, duties and responsibilities of the Trustee as provided in the Deed.

#### **10.1.11 Retirement, removal and replacement of the Trustee**

Please refer to Section 7.6 of this Prospectus entitled “Retirement, Removal and Replacement of the Trustee” for details of the retirement, removal and replacement of the Trustee.

#### **10.1.12 Limitation of liability and indemnity of the Trustee**

It is expressly agreed that the Trustee enters into the Deed and any documents in relation thereto only in its capacity as trustee of KLCC REIT. A liability arising under the Deed and any such document shall be limited to and can be enforced against the Trustee only to the extent to which the Trustee can satisfy such liability out of the Deposited Property. Subject as herein expressly provided and the Relevant Laws and Requirements and without prejudice to any right of indemnity at law given to the Trustee, the Trustee shall be entitled for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Trustee to have recourse to the Deposited Property or any part thereof:

- (a) if the same are not caused by any fraud, negligence, recklessness, wilful act or omission, breach of trust or breach of contractual duty on the part of the Trustee or by its failure to show the degree of care, due diligence and vigilance required of a trustee in the execution or performance of its obligations under the Deed and/or any other documents in relation thereto; or
- (b) where a majority of not less than three-fourths ( $\frac{3}{4}$ ) of all Unitholders for the time being, voting at a meeting summoned for the purposes releases the Trustee with respect to specific acts or omission.

#### **10.1.13 Manager’s activities**

The Manager shall, subject to the provisions of the Deed, the Stapling Deed and Relevant Laws and Requirements and be guided by the Shariah Adviser, carry out all activities as it may deem necessary for the management of KLCC REIT and its business, including but not limited to undertaking the following activities:

- (a) develop a business plan for the Deposited Property in the short, medium and long term with a view to maximising income of KLCC REIT;
- (b) to recommend to the Trustee in writing to purchase, transfer, acquire, hire, let, lease, license, exchange, dispose of, convey, surrender or otherwise deal with any Authorised Investment in furtherance of the investment policy and prevailing investment strategy of KLCCP REIT including negotiating the commercial terms in relation thereto; and

- (c) supervise and oversee the management of Deposited Property (including but not limited to lease audit, systems control, data management and business plan implementation) in accordance with the provisions of the Deed;

Unless otherwise expressly provided in the Deed, the Manager shall as regards all the powers, authorities and discretions vested in it have absolute and uncontrolled discretion as to the exercise thereof whether in relation to the manner or as to the mode of and time for the exercise thereof and in the absence of fraud, negligence, wilful default or breach of the Deed, the Manager shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof. Notwithstanding the above, the Manager shall be responsible at all times for the exercise or non-exercise of its powers, authorities and discretions in respect of the management of KLCC REIT and the investment of the Deposited Property.

#### **10.1.14 Functions, duties and responsibilities of the Manager**

Please refer to Section 6.2 of this Prospectus entitled "Functions, Duties and Responsibilities of the Manager" for other salient terms of the functions, duties and responsibilities of the Manager as provided in the Deed.

#### **10.1.15 Retirement removal and replacement of the Manager**

Please refer to Section 6.11 of this Prospectus entitled "Retirement, Removal and Replacement of the Manager" for details of the retirement, removal and replacement of the Manager.

#### **10.1.16 Limitation of liability and indemnity of the Manager**

The Manager shall not be under any liability except such liability as may be assumed by it under the Deed nor shall the Manager (save as herein otherwise appears) be liable for any act or omission of the Trustee.

Subject as expressly provided under the Deed and without prejudice to any right of indemnity at law given to the Manager, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager, to have recourse to the Deposited Property, save where such action, cost, claim, damage, expense or demand is occasioned by fraud, negligence, wilful default or breach of the Deed by the Manager.

#### **10.1.17 Manager's fees and Trustee's fees**

The provisions on the Manager's fees and the Trustee's fees are set out in the Deed. Please refer to Section 6.6 of this Prospectus entitled "Management Fees" and Section 7.5 "Trustee's Fees" for details of the Manager's fees and the Trustee's fees respectively.

#### **10.1.18 Permitted charges of KLCC REIT**

The Trustee and/or the Manager shall in addition to their remuneration and rights to indemnification or reimbursement conferred under any other provision of the Deed or by law, respectively be indemnified and shall be reimbursed out of either the income of KLCC REIT or the capital of KLCC REIT (subject always to the provisions of the Stapling Deed) for all fees, costs, charges, expenses and outgoings reasonably and properly incurred by or on behalf of the Trustee or the Manager as the case may, that are directly related and necessary to the business of KLCC REIT.

#### **10.1.19 Modification of the Deed**

All modifications to the Deed must be made through a deed supplementary to the Deed and will take effect only upon registration of the supplementary deed with the SC. The Manager must submit any such supplementary deed to the SC for such registration pursuant to the CMSA. In addition to the foregoing, any material change to the investment objectives of KLCC REIT must be approved by resolution passed by not less than two-thirds of the Unitholders voting thereat upon a show of hands and if a poll is demanded, then by a majority consisting of not less than two-thirds of the votes given on such poll, for the time being (or such other majority as may be required under the REIT Guidelines from time to time), given at a meeting of Unitholders duly convened and held.

#### **10.1.20 Termination and winding-up of KLCC REIT**

Subject to the Stapling Deed, the Trustee shall terminate KLCC REIT:

- (a) if at a duly convened meeting of Unitholders a Special Resolution (or otherwise in accordance with the requirements of the REIT Guidelines), is passed that KLCC REIT be terminated; or
- (b) if the Manager is in liquidation or where the Trustee is of the opinion that the Manager has ceased to carry on business or has, to the prejudice of the Unitholders, failed to comply with any provision or covenant of the Deed or contravened any provisions of any relevant laws, guidelines or regulatory requirements, and at a meeting duly summoned in accordance with Section 301 of the CMSA, a Special Resolution is passed that KLCC REIT be terminated; or
- (c) if at any time during the life of KLCC REIT, the Manager, after consultation with the Trustee, is of the opinion that changes in the economic climate or taxation law have caused or are likely to cause Unitholders to be detrimentally affected, the Manager requests the Trustee to summon a meeting of Unitholders and place a Special Resolution (or otherwise in accordance with the requirements of the REIT Guidelines), before such a meeting, setting out the action they recommend the meeting to endorse to meet such changes, and the meeting decides to terminate KLCC REIT; or
- (d) if the Listing does not take place within three months from the date of the Prospectus for the Listing and a Special Resolution (or otherwise in accordance with the requirements of the REIT Guidelines), is passed at a duly convened meeting of Unitholders (if any) to terminate KLCC REIT; or
- (e) if at any time after the date of Listing, the Units are suspended from Listing and not readmitted for Listing within a continuous period of 90 Market Days after such suspension and the Unitholders shall thereafter, by a Special Resolution passed at a meeting of the Unitholders duly convened, resolve in favour of a winding up of KLCC REIT, in which case, the winding up of KLCC REIT in accordance with Clause 28 of the Deed will commence immediately upon obtaining the approval of the Unitholders; or
- (f) if the SC's approval is revoked under Section 214(A)(2) of the CMSA; or

- (g) if an approved transfer scheme (referred to in the Deed) has been effected and resulted in KLCC REIT being left with no assets or properties.

If a determination event in Paragraph (b) above occur, the Trustee must apply to the Court for an order confirming the Unitholders' resolution. The Court may confirm the resolution if the Court is satisfied that it is in the interests of the Unitholders to do and may make orders for the winding-up of KLCC REIT (including but not limited to procedures for a voluntary winding-up of KLCC REIT), which orders must be carried out by the Trustee.

Upon termination of KLCC REIT (other than due to the events in paragraph (b) above), the following provisions shall have effect:

- (a) the Trustee and the Manager shall ensure that the provisions of the Stapling Deed governing the event of an Unstapling are strictly complied with;
- (b) the Trustee shall as soon as practicable sell, call in and convert into money the Deposited Property, and divide the proceeds of such sale, calling in and conversion less all proper costs and disbursement, commissions, brokerage fees, fees payable to the Manager and the Trustee on termination of KLCC REIT and other outgoings including costs of final distribution of capital and income and all proper provisions for Liabilities of KLCC REIT, among the Unitholders in proportion to the number of Units which they hold respectively at the date of the decision to terminate KLCC REIT provided that the Trustee may at its discretion make a partial distribution of capital from time to time and the Trustee and Manager shall on termination of KLCC REIT be deemed as preferential creditors;
- (c) the Trustee shall as soon as practicable after the date of the notice in Clause 26.3 of the Deed, give to each Unitholder notice of impending distribution;
- (d) the Trustee may postpone the sale, calling in and conversion of any part of the investment and property comprised in KLCC REIT for such time as it thinks it desirable so to do in the interest of the Unitholders and shall not be responsible for any loss attributable to such postponement except to the extent that such loss may be attributable to the Trustee's own neglect or default;
- (e) the Trustee may retain in its hands or under its control for such time as it thinks desirable to do so in the interest of the Unitholders such part of KLCC REIT's monies as in its opinion may be required to meet any outgoings of KLCC REIT or any of the investments thereof provided that any investments or monies so retained to the extent that they are ultimately found not to be so required shall remain subject to KLCC REIT for conversion and distribution in accordance with the Deed;
- (f) the Trustee and the Manager are entitled to:
  - (i) be paid from the proceeds of realisation of KLCC REIT before any payment is made to the Unitholders, all costs incurred:
    - (1) by the Trustee and the Manager before the winding up of KLCC REIT which has not been recouped;
    - (2) by the Trustee and the Manager in connection with the winding up of KLCC REIT and the realisation of the Deposited Property;

- (3) by or on behalf of any creditor of the Trustee or the Manager in relation to KLCC REIT;
  - (4) by or on behalf of any agent, solicitor, banker, accountant or other person employed by the Trustee or the Manager in connection with the winding up of KLCC REIT; and
- (ii) following the termination of KLCC REIT and until the winding up is completed, their remuneration provided for in the Deed.

#### **10.1.21 Meetings of Unitholders**

Either the Trustee or the Manager may convene a meeting of Unitholders by giving notice in accordance with the Deed, which notice shall specify the general nature of the business to be transacted. The Manager shall within 21 days after a requisition has been delivered to the Manager at its registered office, being a requisition by not fewer than 50, or one-tenth in number, whichever is less, of all Unitholders, convene a meeting of Unitholders in accordance with the Deed for the purposes of laying before the meeting the most recent financial statements of KLCC REIT or for the purpose of giving to the Trustee such directions as the meeting thinks proper or to consider any other matter in relation to the Deed.

The Manager is entitled to receive notice of and to attend and speak at any meeting of the Unitholders but the Manager shall not be entitled to exercise its voting rights in respect of Units which it or its nominee hold or is deemed to hold in such meeting, regardless of the party who requested for and called the meeting and the matter or matters that are laid before the Unitholders, unless otherwise permitted by the SC or the Relevant Laws and Requirements.

#### **10.1.22 Undertaking as to the PETRONAS Twin Towers and Menara 3 PETRONAS**

- (a) Notwithstanding any provision in the Deed, the Manager and the Trustee acknowledge the Right of First Refusal (as defined below) granted to PETRONAS in relation to the following properties:
- (i) the piece of land held under Geran 43697 Lot 169, Section 58 in the Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with two 88 storey office towers with a podium erected thereon and otherwise known as the PETRONAS Twin Towers; and
  - (ii) the piece of land held under Geran 43699 Lot 171, Section 58 in the Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with the office building erected thereon and otherwise known as the Menara 3 PETRONAS,

under the (a) PETRONAS Twin Towers Lease, and the (b) Menara 3 PETRONAS (Office Tower) Lease, which have been or are to be novated to KLCC REIT respectively.

The "Right of First Refusal" means the right of PETRONAS or its nominee to purchase the PETRONAS Twin Towers and/or Menara 3 PETRONAS from the Trustee at (1) the same price offered to a third party by KLCC REIT or by a third party to KLCC REIT or (2) market rate as determined by an independent valuation if KLCC REIT proposes to sell the PETRONAS Twin Towers and/or Menara 3 PETRONAS absent any offer from or to a third party.

- (b) Notwithstanding any provision in the Deed and regardless of whether the PETRONAS Twin Towers Lease or Menara 3 PETRONAS (Office Tower) Lease is still subsisting, the Manager and the Trustee acknowledge that they have undertaken to grant the Right of First Refusal to PETRONAS or its nominee; and the Manager and the Trustee shall execute or procure the execution of the letters of undertaking respectively and all relevant documents and perform their obligations provided under the terms and conditions therein, to give full effect to the Right of First Refusal conferred upon PETRONAS whether pursuant to the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease or otherwise.

## **10.2 STAPLING DEED**

### **10.2.1 Co-operation and consultation**

The Manager and the Company agree to make available to each other all information in their possession as may be necessary or desirable to fulfil their respective obligations under the Stapling Deed or any other document, deed or arrangement relating to the Stapled Securities or the affairs of any of KLCC REIT, the Company and each of their respective subsidiaries and sub trusts.

To the extent permitted by the Relevant Laws and Requirements, the Manager and the Company must cooperate with each other in respect of all matters relating to the Stapled Securities and must do all things necessary to give effect to the Stapling Deed, including:

- (a) complying with their respective obligations under the REIT Guidelines, the Islamic REIT Guidelines, the Listing Requirements and the other Relevant Laws and Requirements;
- (b) co-ordinating their disclosure to the, depositors, Holders, Bursa Securities, the SC, the Shariah Adviser, other regulatory authorities and to the general public;
- (c) to the extent possible, facilitating the composition of the board of directors and senior management of each other to be identical;
- (d) appointing and maintaining the same auditor from time to time and agreeing on any change of auditor so that any change of auditor is implemented for KLCC REIT and the Company at the same time;
- (e) where appropriate, adopting consistent accounting policies;
- (f) where appropriate, adopting consistent valuation policies;
- (g) taking a consistent approach on proposed investments, and keep each other properly informed of their investment policies and any changes to those policies;

- (h) where necessary, holding depositors' meeting or Holders' meetings concurrently or, where appropriate, consecutively;
- (i) permitting the directors or other representatives of the Manager, the Company and, where applicable, the Trustee to attend and speak, or invite any other person to attend and speak, at meetings of the Unitholders and meetings of the Shareholders;
- (j) agreeing on the terms and timing of all new issues, bonus and rights issues, placements and redemptions and buy-backs;
- (k) consulting before taking any action (or omitting any action) which may materially affect the value of the Stapled Securities;
- (l) co-ordinating the announcement and payment of dividends and distributions;
- (m) co-ordinating any dividend or distribution re-investment plan; and
- (n) performing their obligations under the Stapling Deed and carry out their duties under their respective constitutions with a view to enhance the market value of the Stapled Securities.

Each of the Trustee, the Manager and the Company agree to do all that is necessary to assist each other to enable each party to give effect to the Stapling Deed and their respective obligations under the Stapling Deed from time to time.

#### **10.2.2 Major acquisitions or disposals**

The Manager and the Company must:

- (a) give ten market days' written notice to the other, or such shorter period as agreed between the parties, of its intention to acquire or dispose of an asset the value of which amounts to five percent or more of the aggregate current Stapled Security value at the time of giving the notice; and
- (b) not make an acquisition or disposal, or allow any of their respective subsidiaries to acquire or dispose, of an asset as contemplated by Section 10.2.2(a) without having first consulted with the other party.

#### **10.2.3 Borrowings/Financing**

Neither the Company nor the Manager as the management company of KLCC REIT may borrow or raise money, or allow any of their respective subsidiaries or sub-trusts to borrow or raise money) amounting to five percent or more of the aggregate current Stapled Security value except on the following terms:

- (a) if the Trustee or the Company intends to borrow, obtain financial accommodation or raise money, then it must consult with all the other parties to the Stapling Deed about this prior to the event and must continue to comply with all Relevant Laws and Requirements. For the avoidance of doubt, the other party shall not object if such borrowing, financial accommodation or raising of money complies with the Deed and/or the Company's Memorandum and Articles of Association;

- (b) if any financing or other financial accommodation is undertaken or any guarantee or security is given by the Trustee or any entity in the KLCCP Stapled Group, then whichever entity receives the proceeds of the borrowing or other financial accommodation must:
  - (i) repay the financing or financial accommodation;
  - (ii) pay all fees, profits, expenses and other amounts in respect of the financing or financial accommodation; and
  - (iii) indemnify the other joint borrower, guarantor or provider of security for any loss suffered if the entity that receives the proceeds of the borrowing or other financial accommodation fails to pay or repay any amount referred to in paragraphs (i) and (ii).
- (c) The indemnity referred to in Section 10.2.3(b)(iii) survives the termination of the Stapling Deed.

#### **10.2.4 Dealings in Stapled Securities**

On and from the commencement date of the Stapling:

- (a) each Unit must be Stapled to a Share (and vice versa);
- (b) the Manager must not issue a Unit unless a Share is issued at the same time and to the same person;
- (c) the Company must not issue a Share unless a Unit is issued at the same time and to the same person;
- (d) the Company must not issue any right or option to acquire any Share unless the Manager issues a corresponding right or option to acquire a Unit (and vice versa);
- (e) the Company may not without the prior written consent of the Manager issue any other class of share in the Company other than an ordinary share or any right or option to acquire any such share; and
- (f) the Manager may not without the prior written consent of the Company issue any other class of unit in KLCC REIT other than an ordinary unit or any right or option to acquire any such unit.

#### **10.2.5 Issue price**

Subject to any Relevant Laws and Requirements, the Manager and the Company must agree from time to time what part of the amount payable for the issue, redemption or buy-back of a Stapled Security is to represent the issue, redemption or buy-back price of the Unit and the Share comprising the Stapled Security, which may (but need not) be determined by reference to the current Stapled Security value on the date of the issue of the Stapled Securities.

Unless otherwise agreed between the Company and the Manager, the allocation of this amount is to be in the ratio that the net assets of each of KLCC REIT and the Company at the end of the relevant period immediately prior to the issue, redemption or buy-back of the Stapled Security bears to the amount of the aggregate net assets of both KLCC REIT and the Company at the end of the relevant period immediately prior to the issue, redemption or buy-back of the Stapled Security or based on such other method of valuation as may be appropriate to establish the value of both the Units and the Shares and as may be mutually agreed from time to time prior to the relevant issue.

#### **10.2.6 Duties in relation to Stapling**

While Stapling applies, notwithstanding any other provision of the Stapling Deed, or any rule of law or equity to the contrary, in exercising any power or discretion:

- (a) the Manager, the Trustee and the Company may have regard to the interests of the Holders as a whole and not only to the interests of the Unitholders and the Shareholders considered separately;
- (b) the Manager shall exercise all due diligence and vigilance to safeguard the rights and interests of the Holders, whose rights and interests shall prevail in the event of a conflict of interests between the Manager and the shareholders of the Manager collectively, and the Holders; and
- (c) the Company shall exercise all due diligence and vigilance to safeguard the rights and interests of the Holders, whose rights and interests shall prevail in the event of a conflict of interests between the Company and the Shareholders collectively, and the Holders.

#### **10.2.7 Unstapling**

From the commencement date of the Stapling, all Units will remain Stapled to Shares (and vice versa) for so long as the Stapled Securities remain in issue, until:

- (a) otherwise determined by Special Resolutions of both the Shareholders and the Unitholders (but subject always to all regulatory approvals, where required, having been obtained); or
- (b) Stapling becomes unlawful or prohibited by the Listing Requirements or the REIT Guidelines or the Islamic REIT Guidelines or other Relevant Laws and Requirements; or
- (c) the date on which KLCC REIT is terminated; or
- (d) the date on which the Company is wound up.

If, as a consequence of Unstapling, the Units and Shares are no longer Stapled to each other:

- (a) the Company must promptly:
  - (i) repay any outstanding amount under any financial accommodation given to the Company by the Manager or the Trustee prior to Unstapling, unless the Manager and the Trustee otherwise agrees to waive the outstanding amount;
  - (ii) pay any outstanding amounts which the relevant parties have agreed in accordance with Section 10.2.3 is the responsibility of the Company to repay unless such parties otherwise agree; and
  - (iii) obtain a release of the Manager and the Trustee from any guarantee given by the Manager and the Trustee to any person in respect of any liability of the Company; and
- (b) the Manager and the Trustee must promptly:
  - (i) repay any outstanding amount under any financial accommodation given to the Manager and the Trustee by the Company prior to Unstapling, unless the Company otherwise agrees to waive the outstanding amount;
  - (ii) pay any outstanding amounts which the relevant parties have agreed in accordance with Section 10.2.3 is the responsibility of the Manager and the Trustee to repay unless such parties otherwise agree; and
  - (iii) obtain a release of the Company from any guarantee given by the Company to any person in respect of any liability of the Manager and the Trustee on behalf of KLCC REIT.

#### **10.2.8 Administration**

The Manager and the Company shall jointly perform the administrative functions of the Stapled Securities such as developing and maintaining investor relations, including but not limited to customer service to investors, register of Holders analysis, information co-ordination and distribution, co-ordination of investor and analyst briefing and marketing, coordination of media releases and the announcements to Bursa Securities (if applicable); corporate branding; and liaising with and responding to queries from the public in relation to the Stapled Securities. Where necessary or appropriate, the Company shall be the responsible entity appointed by the Manager for the purpose of this paragraph.

#### **10.2.9 Undertaking as to the PETRONAS Twin Towers and Menara 3 PETRONAS**

- (a) Notwithstanding any provision in the Stapling Deed, the Manager, the Trustee and the Company acknowledge the Right of First Refusal (as defined below) granted to PETRONAS in relation to the following properties:
  - (i) the piece of land held under Geran 43697 Lot 169, Section 58 in the Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with two 88 storey office towers with a podium erected thereon and otherwise known as the PETRONAS Twin Towers; and

- (ii) the piece of land held under Geran 43699 Lot 171, Section 58 in the Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with the office building erected thereon and otherwise known as the Menara 3 PETRONAS,

under the (a) PETRONAS Twin Towers Lease, and the (b) Menara 3 PETRONAS (Office Tower) Lease, which have been or are to be novated to KLCC REIT respectively.

The "Right of First Refusal" means the right of PETRONAS or its nominee, to purchase the PETRONAS Twin Towers and/or the Menara 3 PETRONAS from the Trustee at (1) the same price offered to a third party by KLCC REIT or by a third party to KLCC REIT vis-à-vis a third party or (2) market rate as determined by an independent valuation if KLCC REIT proposes to sell the PETRONAS Twin Towers and/or the Menara 3 PETRONAS absent any offer from or to a third party.

- (b) Notwithstanding any provision in the Stapling Deed and regardless of whether the PETRONAS Twin Towers Lease or Menara 3 PETRONAS (Office Tower) Lease are still subsisting, the Manager, the Trustee and the Company acknowledge that the Manager and the Trustee have undertaken to grant the Right of First Refusal to PETRONAS or its nominee; and the Manager and the Trustee shall execute or procure the execution of the letters of undertaking respectively and all relevant documents and perform their obligations provided under the terms and conditions therein, to give full effect to the Right of First Refusal conferred upon PETRONAS whether pursuant to the PETRONAS Twin Towers Lease and Menara 3 PETRONAS (Office Tower) Lease or otherwise.

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## **11. CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

### **11.1 CORPORATE GOVERNANCE**

As the Company is already listed on the Main Market, its corporate governance, related party transactions and conflicts of interest have already been disclosed to its shareholders in its prospectus issued in respect of the KLCCP IPO and from time to time in its annual reports and announcements made to Bursa Securities, where necessary.

As for KLCC REIT, the Manager intends to adopt a corporate governance framework that meets best practices of good governance on structures and internal processes by adopting the requirements and guidelines set out in the REIT Guidelines, the Listing Requirements, the Malaysian Code on Corporate Governance 2012 issued by the SC and the Corporate Governance Guide issued by Bursa Securities, in the performance of its obligations and duties as described in the Deed.

### **11.2 EXISTING AND ON-GOING RELATED PARTY TRANSACTIONS**

A related party transaction pursuant to the REIT Guidelines is any transaction between the REIT and its related parties, and a "related party" includes:

- (a) the management company, the trustee or a major unitholder of the REIT;
- (b) a director, chief executive officer or major shareholder of the management company; or
- (c) persons connected with any director, chief executive officer, or major shareholder of the management company, or a person connected with the management company, trustee or a major unitholder of the REIT.

Once the KLCC Stapled Group is in place, transactions between:

- (a) the Company or its wholly-owned subsidiaries; and
- (b) KLCC REIT or its wholly-owned subsidiaries or wholly-owned sub-funds,

provided the components of the Stapled Securities remain stapled to each other, should not be regarded as related party transactions.

#### **11.2.1 Related party transactions**

Set out below are the details of the existing and on-going and potential transactions between the Vendors and/or persons connected with the Company and/or the Manager relating to the Subject Properties. Upon completion of the SPAs, all rights and obligations of the Vendors pursuant to these transactions will be transferred and/or assumed by the KLCC REIT.

(a) Existing and on-going related party transactions:

No.	Nature of transactions relating to the Subject Properties that will be assumed by KLCC REIT	Transacting / Related Parties	Relationship
1.	Grant of a 15 years lease for PETRONAS Twin Towers	<ul style="list-style-type: none"> <li>PETRONAS</li> </ul>	<ul style="list-style-type: none"> <li>PETRONAS is a substantial Holder</li> </ul>
2.	Grant of a 15 years lease for the Office Tower of Menara 3 PETRONAS	<ul style="list-style-type: none"> <li>PETRONAS</li> </ul>	<ul style="list-style-type: none"> <li>PETRONAS is a substantial Holder</li> </ul>
3.	Supply of chilled water to Menara ExxonMobil	<ul style="list-style-type: none"> <li>Gas District Cooling (M) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>Gas District Cooling (M) Sdn Bhd is a wholly-owned subsidiary of KLCCH who in turn is a substantial Holder</li> </ul>
4.	Supply of chilled water to the Retail Podium of Menara 3 PETRONAS	<ul style="list-style-type: none"> <li>Gas District Cooling (M) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>Gas District Cooling (M) Sdn Bhd is a wholly-owned subsidiary of KLCCH who in turn is a substantial Holder</li> </ul>

### 11.2.2 Potential related party transactions

(a) ROFR granted to the KLCCP Stapled Group

By a letter dated 10 April 2013 ("**ROFR Letter**"), KLCCH has undertaken to both the Company and the Trustee that with effect from the Listing Date and for so long as:

- (i) the Manager or any of its related corporations remains the management company of KLCC REIT;
- (ii) PETRONAS and/or any of its related corporations, alone or in aggregate, remains as:
  - (1) an Absolute Controlling Shareholder of the Company; and
  - (2) an Absolute Controlling Unitholder of KLCC REIT;
- (iii) KLCC REIT remains listed on Bursa Securities; and
- (iv) the Shares remain Stapled to the Units,

neither KLCCH nor any KLCCH Entity will dispose of any Relevant Asset without giving the right of first refusal to the Company and the Trustee to purchase such Relevant Asset for and on behalf of the Company or KLCC REIT, on the terms set out in the ROFR Letter ("**Right of First Refusal**").

For purposes of this section:

- an "**Absolute Controlling Shareholder**" means a person who holds directly or indirectly more than 50 per cent of the nominal amount of all voting shares of the Company;
- an "**Absolute Controlling Unitholder**" means a person who holds directly or indirectly more than 50 per cent of all issued Units;
- a "**KLCCH Entity**" means any of KLCCH's existing or future wholly-owned subsidiaries and where such subsidiaries are not wholly-owned by KLCCH, and whose other shareholder(s) is/are third parties, such subsidiaries will be subject to the Right of First Refusal only upon obtaining the consent of such third parties. At as the LPD, no consent of such third parties relating to the Right of First Refusal has been obtained; and
- a "**Relevant Asset**" refers to real estate used solely or predominantly for office or retail purposes (including mixed-use developments with a retail component) in Malaysia. Where such real estate is held through a single purpose company, vehicle or entity (a "**SPV**") established solely to own such real estate, the term "**Relevant Asset**" shall refer to the shares or equity interests, as the case may be, in that SPV.

## **11.3 POTENTIAL CONFLICTS OF INTEREST**

### **11.3.1 KLCCH**

KLCCH and its related corporations are engaged in, and/or may engage in amongst others, investment in, and the development, management and operation of mixed development which may compete with the Subject Properties. Further, KLCCH and its related corporations may also sponsor, manage or invest in other REITs or other vehicles which may compete with KLCC REIT and the KLCCP Stapled Group.

Certain directors of the Manager sit on the board of KLCCH. As a result, the strategies and activities of KLCC REIT to some extent may be influenced by the overall interests of KLCCH. There can be no assurance that conflicts of interest may not arise amongst KLCC REIT, the Manager and KLCCH in the future.

### **11.3.2 The Trustee**

The Trustee is part of Malayan Banking Berhad group of companies (“**Maybank Group**”), a diversified financial group engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management, insurance and credit transaction services businesses. Potential conflict of interest may arise if any member of Maybank Group engages in transactions with and perform services for KLCC REIT, the Manager and/or its affiliates in the future. Such transactions may also be deemed as related party transactions under the REIT Guidelines depending on the circumstances at the material time.

### **11.3.3 Manager’s policy on related party transactions and dealing with conflict of interest situations**

Upon Listing, KLCC REIT will be subjected to the REIT Guidelines and/or the Listing Requirements (where applicable) on related party transactions. Compliance of KLCC REIT with the Listing Requirements and the REIT Guidelines will ensure that related party transactions will not prejudice the interests of the Unitholders as a whole.

The Trustee’s consent is required for all related party transactions which involves real estate, and where the transaction value is equal or greater than 5.00% of the percentage ratio of the KLCCP Stapled Group under the Listing Requirements, the prior approval of Unitholders by way of an ordinary resolution is required. In addition, the related parties of the Manager should not vote or be counted as quorum at a meeting if they have interest in the outcome of a transaction tabled for approval which is different from the interests of other Unitholders.

In respect of tenancies to be entered into with related parties, the REIT Guidelines require the Trustee to ensure that the terms and conditions of the tenancy agreements are reasonable under the prevailing market conditions. In determining the rental rates for related tenants, the Trustee should be guided by the recommendation of at least one independent valuer appointed by the Trustee.

The Listing Requirements oblige the Manager to make prompt announcements and disclosures in KLCC REIT’s annual reports in relation to any related party transactions.

In order to mitigate any potential conflict of interests, the Manager has also instituted the following procedure:

- (a) in respect of matters or transactions which a director or a person connected to him or her has an interest (directly or indirectly), such director shall not participate in any proceedings of the Board and shall abstain from voting in respect of such matter or transaction;
- (b) the Board shall maintain a minimum ratio of at least one third independent directors at all times;
- (c) the directors of the Manager owe fiduciary duties to the Manager and KLCC REIT including the duty to act in good faith and in the best interest of KLCC REIT; and

- (d) any transactions in which a conflict of interest will arise should be executed on terms which are the best available for KLCC REIT and which are no less favourable to KLCC REIT than arms length transactions between independent parties and be adequately disclosed in the prospectus and fund reports of KLCC REIT.

All related party transactions are subject to regular periodic review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in the transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.

#### **11.4 INTERESTS OF DIRECTORS AND OTHER SUBSTANTIAL SHAREHOLDERS OF THE MANAGER IN OTHER CORPORATIONS CARRYING ON SIMILAR BUSINESSES**

As at the LPD, none of the directors of the Manager and substantial shareholders of the Manager hold any interests in other corporations carrying on similar businesses.

For the purpose of this Section, “**similar business**” means the management of a REIT with an investment policy of investing in Real Estate used primarily for retail and office purposes. Real Estate used primarily for retail and office purposes will include retail properties and mixed-use developments with a retail or office component.

#### **11.5 OTHER PERTINENT INFORMATION**

##### **11.5.1 Related party transactions**

The Manager will comply with all requirements as laid out in the Listing Requirements and the REIT Guidelines on related party transactions including provisions contained in the Deed.

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance with the REIT Guidelines and are carried out on an arm's length basis and under normal commercial terms and in the best interest of the Unitholders. The Manager would have to demonstrate to the Audit Committee that transactions (whether purchase of services or property) would be taken on normal commercial terms, which may include in the case of the purchase of services, the obtaining of quotations from parties unrelated to the Manager where appropriate, or in the case of purchase of property, the obtaining of valuation from an independent valuer.

Related party transactions will require the Trustee to ensure that such transactions are at arm's length, based on normal commercial terms and not prejudicial to the interest of the Unitholders.

##### **11.5.2 Information pertaining to a Director of the Company and the Manager**

Certain media reports have alleged that summonses have been issued by the Indonesian authorities to Mr Augustus Ralph Marshall (“**Mr Marshall**”), an Independent Non-Executive Director of the Company and the Manager. Both Mr Marshall and his counsel in Indonesia do not have any knowledge of these summonses, nor have they been provided with any details of the arrest warrant that had purportedly been issued against Mr Marshall, other than what has been reported in the media. Moreover, Mr Marshall has not been approached by the Indonesian authorities referred to in such media reports, nor the Malaysian authorities, to assist in any investigation.

Further, a First Information Report has been registered in October 2011 by the Central Bureau of Investigations of India against, among others, Mr Marshall, commencing formal investigations relating to allegations of criminal conspiracy and corruption in relation to the acquisition of Aircel Limited ("**Aircel**") by Maxis Communications Berhad ("**MCB**") and the subscription of shares in Sun Direct TV Private Limited ("**Sun Direct**") by a subsidiary of ASTRO Overseas Limited ("**AOL**"). Media reports suggest that the allegation under investigation is that the subscription of shares in Sun Direct by AOL's subsidiary, which was completed in December 2007, was an illegal gratification made for facilitating the acquisition of Aircel by MCB, which was completed in March 2006. To the best of Mr Marshall's knowledge, as at the LPD, no charge or any criminal proceeding has been instituted against him in any court of law.

## **11.6 DECLARATIONS BY ADVISERS**

### **11.6.1 CIMB**

CIMB confirms that there is no conflict of interest in its capacity as Principal Adviser in relation to the Listing.

CIMB also acted as the Principal Adviser for the disposal of the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities by the Vendors to KLCC REIT and the Bonus RPS Issue.

CIMB, its subsidiaries and associated companies, as well as its holding company CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company (the "**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for KLCCCH, the KLCCP Stapled Group, the Manager and/or its affiliates, in addition to the roles set out above. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with an member of the KLCCP Stapled Group, the Manager and/or its affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of the KLCCP Stapled Group, the Manager and/or its affiliates. This is a result of the businesses of the CIMB Group generally acting independently of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers in the future, may have interest or take actions that may conflict with the interests of the KLCCP Stapled Group.

### **11.6.2 CIMB Islamic**

CIMB Islamic confirms that there is no conflict of interest in its capacity as the Shariah Adviser of the KLCCP Stapled Group.

CIMB Islamic and the CIMB Group form a diversified financial group and are engaged in a wide range of investment and commercial transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for KLCCCH, the KLCCP Stapled Group, the Manager and/or its affiliates, in addition to the roles set out above. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with a member of the KLCCP Stapled Group, the Manager and/or its affiliates, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity

securities or senior loans of the KLCCP Stapled Group, the Manager and/or its affiliates. This is a result of the businesses of the CIMB Group generally acting independently of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers in the future, may have interest or take actions that may conflict with the interests of the KLCCP Stapled Group.

#### **11.6.3 Citi**

Citi confirms that there is no conflict of interest in its capacity as International Financial Adviser in relation to the Listing.

Citi and its affiliates are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research). Members of Citi and its affiliates, and businesses within each of Citi and its affiliates generally act independently of each other, both for their own account and for the account of clients. Accordingly, there may be situations where parts of Citi and its affiliates and/or their clients may in the future have interests, or take actions, that may conflict with the interests of the KLCCP Stapled Group.

#### **11.6.4 Ernst & Young**

Ernst & Young confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants of KLCC REIT.

#### **11.6.5 Tax Consultant**

Ernst & Young Tax Consultants Sdn Bhd confirms that there is no conflict of interest in its capacity as the Tax Consultant of KLCC REIT.

#### **11.6.6 Cheston**

Cheston confirms that there is no conflict of interest in its capacity as Independent Property Valuer in relation to the Listing.

In its capacity as Independent Property Valuer, Cheston was responsible for preparing the Valuation Certificates found in Appendix A of this Prospectus entitled "Valuation Certificates".

#### **11.6.7 ASL**

ASL acted as legal counsel and legal due diligence solicitors to the Company in connection with the issuance of the circular and notice of the extraordinary general meeting to the Shareholders, seeking their approval for, amongst others, the Midciti Acquisition, the Acquisitions and the Listing. Mr. Sundra Moorthi A/L V.M. Krishnasamy, a partner of ASL is the brother of Mr. Pragasa Moorthi A/L Krishnasamy, a director of the Manager. However, Mr. Sundra Moorthi A/L V.M. Krishnasamy is not involved in this matter and ASL confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Manager as to Malaysian Law in relation to the Listing.

## 12. APPROVALS, CONDITIONS, WAIVERS AND VARIATIONS

### 12.1 APPROVALS AND CONDITIONS

- (a) The SC has, through its letter dated 7 March 2013, approved the establishment of the KLCCP Stapled Group (including KLCC REIT and the appointment of the Manager and the Trustee), the Acquisitions, the Stapling and the Listing. The conditions imposed by the SC and the status of compliance are as follows:

Details of conditions imposed	Status of compliance
The Manager is to obtain the relevant fund management license prior to the establishment of KLCC REIT.	Complied. The relevant fund management license was obtained on 9 April 2013.
The Manager or its advisers is to provide evidence of compliance with Paragraph 3.28 of the REIT Guidelines prior to the registration of the Prospectus.	Complied as informed via a letter dated 10 April 2013 to the SC.
The Manager or its adviser is to obtain a "no comments letter" from the SC on the draft Stapling Deed.	Complied. The "no comments letter" on the Stapling Deed was obtained on 2 April 2013.
The Manager or its advisers is to submit an operational audit report of KLCC REIT's operations to the SC within six months after the Stapled Securities are listed. The appointment of the auditor and scope of work shall be subject to the clearance of the SC.	Noted and to be complied.
The Manager or its adviser is to inform the SC of the Listing Date prior to the Listing.	Noted and to be complied.
The Listing must be completed within six months from the date of SC's decision letter. SC's approval is deemed to lapse if the Manager fails to do so within the stipulated timeframe.	Noted and to be complied.

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- (b) The SC has further granted its approval, through its letter dated 12 March 2013, for the outsourcing of the registrar and internal audit functions by the Manager to Tricor Investor Services Sdn Bhd and the Group Internal Audit Division of KLCCH respectively. The conditions imposed by the SC and the status of compliance are as follows:

Details of conditions imposed	Status of compliance
KLCC REIT is to perform an assessment of share registrar services rendered by Tricor Investor Services Sdn Bhd on the 12 <sup>th</sup> month from commencement of the outsourcing arrangement. A report of this assessment must be submitted immediately to the SC.	Noted and to be complied.
KLCC REIT is to submit a copy of the duly executed service level agreements with Tricor Investor Services Sdn Bhd and the Group Internal Audit Division of KLCCH within one month of SC's approval.	Complied as informed via a letter dated 10 April 2013 to the SC.

- (c) the SC (Authorisation and Licensing Department) has, through its letter dated 9 April 2013, approved the following:
- (i) a Capital Markets Services License to the Manager; and
  - (ii) a Capital Markets Services Representative's License to each of the two proposed representatives of the Manager.

The approval of the SC for the above is subject to the following conditions:

Details of conditions imposed	Status of compliance
The components of the Stapled Securities, namely the Units and the Shares remain stapled to each other.	Noted.
The Manager manages only KLCC REIT.	Noted.
There are no adverse records on the Manager's shareholders, directors, company secretary and representatives from the external security vetting conducted.	Noted.

- (d) The SAC of the SC has, through its letter dated 4 February 2013, classified the Stapled Securities as Shariah-compliant subject to the conditions that the components of the Stapled Securities, namely the Units and the Shares are Shariah-compliant and the conditions set out in items 17 and 18 of Section 12.2(a) below;
- (e) The SC (Equity Compliance Unit) has, through its letter dated 19 February 2013, approved that no equity condition will be imposed pursuant to the Listing;

- (f) Bank Negara Malaysia has, through its letter dated 28 December 2012, granted its approval for the issuance of the RPS to the Company's non-resident Shareholders pursuant to the Bonus RPS Issue. The conditions imposed by Bank Negara Malaysia and the status of compliance are as follows:

Details of conditions imposed	Status of compliance
The Company is to obtain the approval and comply with the conditions prescribed by the relevant authorities in Malaysia for the issuance of the RPS.	Complied.
The Company is to apply for the prior approval from the Foreign Exchange Control Officer for any amendments to the terms and the purpose of the RPS.	Noted.

- (g) Bursa Securities has, through its letter dated 10 April 2013, approved the following:
- (i) the listing and quotation of 510,596,968 new Shares pursuant to the Midciti Acquisition; and
  - (ii) admission to the Official List and the listing of and quotation for 1,805,333,083 Stapled Securities on the Main Market of Bursa Securities.

## 12.2 WAIVERS AND VARIATIONS

### Waivers and variations from the REIT Guidelines, the Islamic REIT Guidelines and CIS Prospectus Guidelines issued by the SC

- (a) The SC has, through its letter dated 7 March 2013, granted the following waivers and variations in respect of compliance with the REIT Guidelines, the Islamic REIT Guidelines and the CIS Prospectus Guidelines (collectively, the "**Guidelines**"):

No.	Relevant section of the Guidelines	Details of the waiver or variation granted	Details of conditions imposed	Status of compliance
1	Paragraph 3.12 of the REIT Guidelines	Variation to allow the Manager to have a non full-time chief executive officer.	The variation is subject to the condition that: <ul style="list-style-type: none"> <li>(a) the components of the Stapled Securities, namely the Units and the Shares, remain stapled to each other; and</li> <li>(b) the Manager only manages KLCC REIT.</li> </ul>	Noted.

No.	Relevant section of the Guidelines	Details of the waiver or variation granted	Details of conditions imposed	Status of compliance
2	Paragraphs 8.07 and 8.08 of the REIT Guidelines	KLCC REIT has been granted an extension of time to comply with Paragraphs 8.07 and 8.08 of the REIT Guidelines whereby at least 50.00% of a fund's total asset value must be invested in real estate and/or single purpose companies at all times, and a fund's investment in non-real estate-related assets and/or cash, deposits and money market instruments must not exceed 25.00% of a fund's total asset value.	The extension of time is granted until the Listing.	Noted and to be complied prior to the Listing.
3	Paragraph 9.01 of the REIT Guidelines	Transactions between the following parties will not be regarded as related-party transactions:  (a) the Company or its wholly-owned subsidiaries; and  (b) KLCC REIT or its wholly-owned subsidiaries or wholly-owned sub-funds.	The components of the Stapled Securities remain stapled to each other.	Noted.
4	Paragraphs 8.35 and 8.44(a) of the REIT Guidelines	Variation to allow KLCC REIT to borrow from the Company and its subsidiaries (excluding KLCC REIT), or to extend a loan/credit facility to the Company (collectively " <b>Inter-Entity Debt</b> ").	The variation is subject to the following:  (a) the components of the Stapled Securities remaining stapled to each other; and  (b) the source of funding for any Inter-Entity Debt must not emanate from any borrowings,  and that all Inter-Entity Debt are to be taken into account towards determining KLCC REIT's gearing ratio.	Noted.

No.	Relevant section of the Guidelines	Details of the waiver or variation granted	Details of conditions imposed	Status of compliance
5	Paragraph 8.35 of the REIT Guidelines	Variation to allow KLCC REIT to borrow from Great Eastern Life Assurance (Malaysia) Berhad.	<p>The variation is subject to the condition that:</p> <p>(a) such variation is only applicable for the proposed transfer of Menara ExxonMobil to KLCC REIT; and</p> <p>(b) the terms and conditions of the financing agreement are the same or more favourable to KLCC REIT compared to the terms and conditions of the existing financing agreement applicable to AJSB.</p>	Noted.
6	Paragraphs 6(a)(v) and 11(g) of Schedule B of the REIT Guideline	Variation to allow disclosure of the Stapled Security price or price per Stapled Security of the KLCCP Stapled Group, instead of price per unit or price of KLCC REIT.	The variation is subject to the components of the Stapled Securities remain stapled to each other.	Noted.
7	Paragraph 6(a)(viii) of Schedule B of the REIT Guidelines	Variation to allow disclosure of the distribution yield of the KLCCP Stapled Group calculated on the basis of total distribution of the KLCCP Stapled Group over the reference price of the Stapled Security, instead of distribution yield of KLCC REIT.	The variation is subject to the components of the Stapled Securities remain stapled to each other. Such disclosure must be accompanied by a qualification that the yield is not directly comparable with that of other standalone REITs.	Noted.
8	Paragraph 1.10 of Part II: Listed Funds of the CIS Prospectus Guidelines	Variation to dispense with the requirement to publish the summary advertisement of this Prospectus in a widely-circulated Bahasa Malaysia newspaper.	None.	Not applicable.

No.	Relevant section of the Guidelines	Details of the waiver or variation granted	Details of conditions imposed	Status of compliance
9	Paragraph 17.01 of Part II: Listed Funds of the CIS Prospectus Guidelines	Variation for this Prospectus to contain information on how investors can track "Stapled Security price" of the Stapled Securities instead of "unit price" of KLCC REIT.	None.	Not applicable.
10	Paragraph 20.09 of Part II: Listed Funds of the CIS Prospectus Guidelines	Exemption from the inclusion of an overview of the real estate/property market and the outlook for the types of real estate that are or to be acquired by the fund in this Prospectus.	None.	Not applicable.
11	Paragraph 20.32(e) of Part II: Listed Funds of the CIS Prospectus Guidelines	Variation for distribution estimate/forecast disclosed in this Prospectus to include the distribution yield of the KLCCP Stapled Group calculated on the basis of total distribution of the KLCCP Stapled Group over the reference price of the Stapled Security, instead of the distribution yield of KLCC REIT.	None.	Not applicable.
12	Paragraph 3.05 of Part IV: Registration and Lodgement of a Prospectus of the CIS Prospectus Guidelines	Exemption from the need for public exposure of this Prospectus.	None.	Not applicable.
13	Paragraph 3.10(b) of Part IV: Registration and Lodgement of a Prospectus of the CIS Prospectus Guidelines	Variation to dispense with the requirement to submit two copies of this Prospectus in Bahasa Malaysia.	None.	Not applicable.

No.	Relevant section of the Guidelines	Details of the waiver or variation granted	Details of conditions imposed	Status of compliance
14	Paragraph 3.10(k) of Part IV: Registration and Lodgement of a Prospectus of the CIS Prospectus Guidelines	Variation to dispense with the requirement to submit original or certified copies in Bahasa Malaysia of reports or letters from experts disclosed in this Prospectus.	None.	Not applicable.
15	Paragraph 3.10(q) of Part IV: Registration and Lodgement of a Prospectus of the CIS Prospectus Guidelines	Variation to dispense with the requirement to publish the summary advertisement of this Prospectus in a widely-distributed Bahasa Malaysia newspaper.	None.	Not applicable.
16	Paragraph 4.04(b) of Part IV: Registration and Lodgement of a Prospectus of the CIS Prospectus Guidelines	Variation to dispense with the requirement to submit two copies of this Prospectus and its application form in Bahasa Malaysia.	None.	Not applicable.
17	Paragraph 2.1 of the Islamic REIT Guidelines	Variation to allow KLCC REIT to maintain the cash or deposits holdings in conventional current accounts.	The SC has requested for all cash/deposit holdings in conventional current accounts must be transferred to Islamic accounts prior to the Listing.	Noted and to be complied prior to the Listing.
		Variation to allow KLCC REIT to maintain the existing conventional term loan which will expire in March 2014.	None.	Not applicable.
18	Paragraph 3.1 of the Islamic REIT Guidelines	Variation to allow the existing conventional insurance policies which will expire in December 2013 to be maintained.	None.	Not applicable.

- (b) 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% subject to the following:
- (i) the Company is to use its best endeavours to increase the percentage of public holding spread to at least 25.00%; and
  - (ii) the Company is to notify Bursa Securities immediately, if in conjunction with the preparation of the Company's semi-annual returns and/or the Company otherwise becomes aware of the following:
    - (1) any decrease to the Company's issued and paid-up capital; and
    - (2) any decrease in the percentage of public holding spread below 24.50%; and
- (c) SC has, through its letter dated 11 January 2013, granted its approval for the exemption from the obligation to undertake a mandatory offer for the remaining Shares pursuant to the RCULS Conversion.

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### **13. OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING THE KLCCP STAPLED GROUP**

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. As such, the application of the relevant investor protection legislation to the Stapled Securities structure is subject to the interpretation of the courts. To address this, the Stapled Securities (and thereby, the KLCCP Stapled Group, the Company, the Trustee and KLCC REIT) will be governed by the highest common denomination currently provided to REIT unitholders and shareholders of companies listed on Bursa Securities under existing laws including the Act, the CMSA, the Listing Requirements, the REIT Guidelines and the Islamic REIT Guidelines.

#### **13.1 OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING COMPANIES LISTED ON THE MAIN MARKET OF BURSA SECURITIES**

The Company is governed and regulated by CCM under the Act and being a listed issuer, it is also subject to the purview of Bursa Securities.

#### **13.2 OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING REITS LISTED ON THE MAIN MARKET OF BURSA SECURITIES**

In Malaysia, REITs are governed and regulated by the SC and in addition, a listed REIT would also be subject to the purview of Bursa Securities. The SC is empowered to ensure compliance with the CMSA, the REIT Guidelines, the Islamic REIT Guidelines and the Take-over Code while Bursa Securities is empowered to ensure the compliance of the listed REIT with the relevant sections of the Listing Requirements. The appointments of the management company and the trustee are subject to the approval of the SC. The CMSA, the REIT Guidelines, the Islamic REIT Guidelines, the Listing Requirements serve to govern the operation and administration of Islamic REITs and together with the Take-over Code serve to protect the interest of unitholders and to facilitate an orderly development of REITs. The trustee and the management company of an Islamic REIT, including their officers and directors, must comply with the CMSA, the REIT Guidelines, the Islamic REIT Guidelines, the Listing Requirements, the Take-over Code and all other Relevant Laws and Requirements.

##### **13.2.1 Under the CMSA, the REIT Guidelines and/or the Islamic REIT Guidelines**

- (a) **The management company** – A management company must, amongst others, be an entity incorporated in Malaysia; have a minimum shareholders fund of RM1 million at all times and approved by the SC. The REIT Guidelines contain provisions on reconstruction, amalgamation and change in shareholding of the management company (which will require the prior approval of the SC), composition of the board of directors (including independent members), appointment of a chief executive officer, designated person responsible for the REIT, compliance person and property manager.

- (b) **The trustee** – The appointment of a trustee must be approved by the SC. The minimum requirements of a trustee include, amongst other things, that it must be a trust company registered under the Trust Companies Act 1949 or incorporated under the Public Trust Corporation Act 1995; be registered with the SC; have a minimum issued and paid-up capital of not less than RM500,000.00; have the adequate human resources, expertise, and experience and have adequate and appropriate systems, procedures and processes, to carry out its duties and responsibilities. A trustee is also obliged by the CMSA to notify the SC as soon as practicable of any irregularity, any breach of the provisions or covenants of the Deed or any contravention of securities laws.
- (c) **Delegation and outsourcing** – A management company or a trustee may delegate and outsource its functions to third parties. Nonetheless, this does not relieve a management company or a trustee from its responsibilities. When delegation takes place, it is the duty of the management company and the trustee to ensure that adequate procedures are in place and that the deed of trust, prospectus, guidelines and securities laws are complied with. Note also that the delegation of a management company's function requires the SC's prior approval.
- (d) **Investment of the REIT** – The REIT Guidelines set out the investment perimeters of REITs in Malaysia including amongst other things, concentration limits, etc, Real Estate-Related Assets, Non-Real-Estate Assets, investments in deposits, investments in foreign real estate/markets and the level of borrowings (which shall not exceed 50.00% of the Total Asset Value of the REIT at any time), acquisition of real estate (i.e., at a price more than 110.00% of the value assessed in a valuation report (unless varied by the SC) and likewise a REIT should not dispose of a real estate asset at a price lower than 90.00% of the value assessed in a valuation report; and the disposal of any real estate (e.g, any disposal of real estate at a value exceeding 50.00% of the REITs' Total Asset Value must be sanctioned by the unitholders by way of an ordinary resolution).

For Islamic REITs, in addition to the REIT Guidelines, the Islamic REITs need to adhere to the investment perimeters of Islamic REITs set out in the Islamic REIT Guidelines, details of which are set out in Section 1.7.3 of this Prospectus entitled "Shariah Investment Guidelines".

- (e) **Valuation** – Valuations of real estate are required to be undertaken at least once every three years. The REIT Guidelines also govern the valuation of Real Estate-Related Assets and Non-Real Estate-Related Assets, appointment of the valuer, preparation of the valuation report and regulatory parameters on valuation of real estate.
- (f) **Fees** – The REIT Guidelines contain provisions for the remuneration of the management company, remuneration of the trustee and other expenses of the REIT. The management company and the trustee may only be remunerated by way of an annual fee charged to REIT, which must be permitted by the deed of trust and disclosed in the prospectus and only expenses directly related to the operation and administration of the REIT may be paid out of the REIT including, among other things, the maintenance of real estate belonging to the REIT, fees for the valuation of any investment of the REIT and listing expenses for listing on the stock exchange.

- (g) **Issue of securities by a REIT** – Unless contemplated in the deed of trust constituting the REIT and approved by the SC, any issuance of new units by a REIT is subject to approval by the unitholders and, where relevant, the prior approval of the SC.
- (h) **Operational matters** – The chapter on operational matters in the REIT Guidelines covers issues such as the registration of unitholders, the branch register of unitholders outside Malaysia, distribution of income, rebates and commission, transfer scheme (which is an arrangement to transfer REIT property from a REIT to another REIT), unitholders' meetings, notice, voting rights, chairperson of meetings, quorum, corporate governance principles and best industry standards for all activities conducted in relation to the REIT.

### 13.2.2 Under the Listing Requirements

In addition to prescribing the admission procedures and requirements for the admission and listing of a REIT on the Main Market, the Listing Requirements also prescribe the following:

- (a) **Board of directors of the management company** – The board of directors of the management company must have at least two independent directors while maintaining a minimum ratio of at least 1/3 independent directors at all times.
- (b) **General meetings** – The deed of a listed REIT is required to be in compliance with the Listing Requirements in relation to notice, proxies and voting rights of the unitholders.
- (c) **Continuing listing obligation** – The chapter on continuing listing obligation covers the unitholding spread requirement of a listed REIT of at least 25.00% of the total number of listed units to be held by a minimum number of 1,000 public unitholders holding not less than 100 units each.
- (d) **Continuing disclosure** – The chapter on continuing disclosure requirements sets out the disclosure policy of Bursa Securities which a listed REIT is required to adhere to, immediate disclosure of any material information, preparation of announcements, financial statements and reports, and consequences for failure to comply.

### 13.2.3 Under the Take-over Code

The Take-over Code applies to REITs that are listed on Bursa Securities. Under the Take-over Code, any person acquiring an interest, either individually or with parties acting in concert, in more than 33.00% of the units (being voting units in KLCC REIT) is required to extend a mandatory offer for the remaining Units in accordance with the Take-over Code, unless otherwise exempted. A take-over offer is also required to be made if a person holding more than 33.00% but not more than 50.00% of the Units, either individually or in concert, acquires more than 2.00% of the Units in any six-month period under the Take-over Code, unless otherwise exempted.

On the basis that KLCC REIT is a “listed issuer” for purposes of the Listing Requirements, acquisitions of Units which may result in a change in control of KLCC REIT will be subject to the provisions of the Take-over Code, such as a requirement to make a mandatory offer for Units.

### **13.3 OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN MALAYSIA GOVERNING THE KLCCP STAPLED GROUP**

Notwithstanding the Stapling, both the Company and KLCC REIT will remain as separate legal entities, albeit operating as a single economic entity essentially. Where a transaction affects both the Company and KLCC REIT, approval and meeting of both Shareholders and Unitholders are required and the governing constitutions of the Company and KLCC REIT must be met, namely, the Memorandum and Articles of Association of the Company and the Deed for KLCC REIT. For the avoidance of doubt, where a transaction affects only one entity, only that entity’s requirements must be met. However, due to the nature of Stapling, both entities must mutually consult each other on the transaction.

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## 14. ADDITIONAL INFORMATION

### 14.1 GENERAL

- (a) The Stapled Securities will rank pari passu in all respects and will be entitled to all distributions that may be declared subsequent to the date of this Prospectus.
- (b) In accordance with the Deed and REIT Guidelines, the Manager is required, on a quarterly basis, to carry out a valuation of KLCC REIT's investments in Real Estate-Related Assets and announce the NAV of KLCC REIT to Bursa Securities. Holders of the Stapled Securities are able to keep track of the market price per Stapled Security and the NAV per Stapled Security as announced by the Manager through Bursa Securities' website [www.bursamalaysia.com](http://www.bursamalaysia.com).
- (c) Both the Company and KLCC REIT will be providing the Holders with an annual report on their respective performance which will also include information on the NAV per Stapled Security. In addition, the Manager must also give the SC the annual report of the KLCC REIT no later than two months after the end of the financial period the report relates to.

Holders can obtain information on the current developments and annual reports of the KLCCP Stapled Group from the Bursa Securities' website [www.bursamalaysia.com](http://www.bursamalaysia.com) after the Listing.

- (d) If you require further information on KLCC REIT, the Manager may be contacted at:

Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur

Telephone Number: +603 2382 800

E-mail: [info@klcc.com.my](mailto:info@klcc.com.my)

Website: [www.klcc.com.my](http://www.klcc.com.my)

- (e) Save as disclosed in this Prospectus, as at the LPD, the directors of the Company and the Manager confirm that the KLCCP Stapled Group's financial conditions and operations are not affected by any of the following factors:
  - (i) known trends, demands, commitments, events or uncertainties that have had or that the Manager reasonably expect to have, a material favourable or unfavourable impact on the KLCCP Stapled Group's financial performance, liquidity, position and operations;
  - (ii) material commitments for capital expenditure; and
  - (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the KLCCP Stapled Group's financial performance, position and operation.

- (f) The Manager has not established any policies or procedures to counter the risk involving money-laundering activities. It is not pertinent for the Manager to adopt such policies and procedures as unlike other unit trust funds, KLCC REIT will not be sourcing for investment funds on a regular basis nor does KLCC REIT allow for redemption of its Units. Further KLCC REIT does not receive monies from Shareholders on cash terms.

## 14.2 MATERIAL CONTRACTS

The dates of, parties to, and general nature of every material contract which the KLCC REIT (via the Trustee) has entered into since its establishment up to the date of this Prospectus (not being contracts entered into in the ordinary course of business of the KLCC REIT) are as follows:

- (a) the Deed dated 2 April 2013 entered into between the Manager and the Trustee for the benefit of the Unitholders, constituting the KLCC REIT and registered with the SC on 9 April 2013;
- (b) the Stapling Deed dated 2 April 2013 entered into amongst the Manager, the Trustee and the Company pursuant to which each Unit is stapled to each Share;
- (c) the PETRONAS Twin Towers SPA dated 10 April 2013 entered into between Midciti and the Trustee pursuant to which the Trustee agreed to purchase PETRONAS Twin Towers together with the Associated Rights and Benefits and the PETRONAS Twin Towers Related Assets and Liabilities for a purchase consideration of RM6,544,336,393.00 to be satisfied by way of (i) issuance of 1,421,262,749 new Units and (ii) 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 Midciti pursuant to the terms and conditions of the PETRONAS Twin Towers SPA;
- (d) the Menara 3 PETRONAS SPA dated 10 April 2013 entered into between AMSB and the Trustee pursuant to which the Trustee agreed to purchase Menara 3 PETRONAS together with the Associated Rights and Benefits and the Menara 3 PETRONAS Related Assets and Liabilities for a purchase consideration of RM1,824,759,754.00 to be satisfied by way of (i) issuance of 290,192,416 new Units and (ii) 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 AMSB pursuant to the terms and conditions of the Menara 3 PETRONAS SPA;
- (e) the Menara ExxonMobil SPA dated 10 April 2013 entered into between AJSB and the Trustee pursuant to which the Trustee agreed to purchase Menara ExxonMobil together with the Associated Rights and Benefits and the Menara ExxonMobil Related Assets and Liabilities for a purchase consideration of RM454,002,978.00 to be satisfied by way of (i) issuance of 93,877,918 new Units and (ii) 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 AJSB pursuant to the terms and conditions of the

Menara ExxonMobil SPA; and

- (f) the property management agreement dated 10 April 2013 entered into amongst the Property Manager, the Trustee and the Manager pursuant to which the Property Manager will provide certain management services for the Subject Properties.

As the Company is already listed on the Main Market, the material contracts entered into by the KLCCP Group have already been disclosed via announcements to Bursa Securities from time to time.

### **14.3 SALIENT TERMS OF THE SPAs**

The principal terms of the SPAs are summarised below:

#### **14.3.1 Overview of the SPAs**

Pursuant to the SPAs, the Trustee will acquire the Subject Properties from the Vendors free from encumbrances but subject to amongst others, the following:

- (a) all conditions of title and all restrictions-in-interest whether express or implied in the master titles to the lands where the Subject Properties have been constructed upon; and
- (b) all the leases, tenancies, loans (conventional and Islamic) and charges in respect of any part or parts of the Subject Properties together with all the rights, benefits and obligations thereunder.

The SPAs are interdependent and the Trustee is not obliged to complete the purchase of either Subject Property unless the purchases of the Subject Properties are completed in the manner set out under the SPAs.

#### **14.3.2 Purchase consideration**

The total purchase consideration for the Subject Properties together with the Associated Rights and Benefits and the Related Assets and Liabilities amount to RM8,823,099,125.00 to be satisfied by the Trustee by:

- (a) the issuance and allotment of the Consideration Units to be credited into the CDS Account of the Holders, on the Completion Date of the SPAs or such other date as the parties thereto may agree in writing; 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.

### 14.3.3 Conditions precedent

The sale, purchase and transfer of the Subject Properties were conditional upon, amongst others:

(a) PETRONAS Twin Towers:

- (i) the holder(s) of the Sukuk having given their consent in writing to the PETRONAS Twin Towers Lease (if not given earlier) and the sale of PETRONAS Twin Towers together with the Associated Rights and Benefits and the PETRONAS Twin Towers Related Assets and Liabilities and the holder(s) of the Sukuk having executed and delivered the novation agreements in relation to the applicable agreements, documents and instruments entered into or issued by Midciti in relation to the Sukuk;
- (ii) the consent in writing of the lessee to the sale and transfer of the land and the lessee having executed and delivered the novation of the PETRONAS Twin Towers Lease;
- (iii) all applicable third parties (other than the holder(s) of the Sukuk and the lessee) having executed the novation of the applicable existing contracts pertaining to PETRONAS Twin Towers;
- (iv) the Shareholders having approved and passed all necessary resolutions for the purpose of the PETRONAS Twin Towers SPA and the Stapling; and
- (v) the issue and delivery of the Manager Undertaking to KLCCH (or at its written request, to PETRONAS);

(b) Menara ExxonMobil:

- (i) the relevant State Authority having given its consent in writing to the lessee accepting the Menara ExxonMobil Lease from AJSB pursuant to the provisions of Section 433B of the National Land Code 1965;
- (ii) the lessee having given its consent in writing to the transfer of the land and having executed and delivered all necessary lease documents to be given by it and the novation of the Menara ExxonMobil Lease;
- (iii) the lender having given its consent in writing to the Menara ExxonMobil Lease (if not given earlier) and to the sale of Menara ExxonMobil together with the Associated Rights and Benefits and the Menara ExxonMobil Related Assets and Liabilities and transfer of the land subject to the charge and having executed and delivered the novation of the loan documents;
- (iv) all applicable third parties (other than the lessee and the lender) having executed and delivered the novation of the applicable existing contracts pertaining to Menara ExxonMobil; and
- (v) the Shareholders having approved and passed all necessary resolutions for the purpose of the Menara ExxonMobil SPA and the Stapling; and

- (c) Menara 3 PETRONAS:
- (i) the financier having given its consent in writing to the Menara 3 PETRONAS (Office Tower) Lease (if not given earlier) and the sale of Menara 3 PETRONAS together with the Associated Rights and Benefits and the Menara 3 PETRONAS Related Assets and Liabilities and the transfer of the land subject to the charge and the financier having executed and delivered the novation of the Islamic financing documents;
  - (ii) the lessee having given its consent in writing to the sale and transfer of the land and having executed and delivered the novation of the Menara 3 PETRONAS (Office Tower) Lease;
  - (iii) all applicable third parties (other than the financier and the lessee) having executed and delivered the novation of the applicable existing contracts pertaining to Menara 3 PETRONAS;
  - (iv) the Shareholders having approved and passed all necessary resolutions for the purpose of the Menara 3 PETRONAS SPA and the Stapling; and
  - (v) the issue and delivery of the Manager Undertaking to KLCCH (or at its written request, to PETRONAS);

#### **14.3.4 Completion**

Subject to the fulfilment of the conditions precedent set out in Section 14.3.3 of this Prospectus entitled "Conditions precedent" and in respect of the sale, purchase and transfer of PETRONAS Twin Towers and Menara ExxonMobil, the completion of the sale, purchase and transfer of Menara 3 PETRONAS, on the Completion Date of the SPAs, amongst others:

- (a) all the rights, title, interest, benefits or claims, charges and liabilities in and to the Subject Properties shall pass from the Vendors to the Trustee;
- (b) all the rights, benefits, interest and liabilities in all the leases and tenancies in respect of the Subject Properties which are subsisting on the Completion Date of the SPAs will be novated and/or assigned by the Vendors to the Trustee;
- (c) all existing contracts pertaining to the Subject Properties will be novated to the Trustee (and to the extent there are no obligations to be transferred to the Trustee under an existing contract, then on the basis that all remaining benefits, rights, titles, entitlements and interest of the Vendors under such existing contract is assigned to the Trustee and due notice there is given to the applicable third party);
- (d) in respect of PETRONAS Twin Towers, there will not be any apportionment of all outgoings such as quit rent, assessment and any other rates, taxes, duties or charges by whatever name called that may be chargeable in respect of PETRONAS Twin Towers. Under the PETRONAS Twin Tower Lease between Midciti and the lessee of PETRONAS Twin Towers, all the outgoings shall be borne by the lessee;

- (e) in respect of Menara 3 PETRONAS, there will not be any apportionment of outgoings such as quit rent, assessment and any other rates, taxes, duties or charges by whatever name called that may be chargeable in respect of all that part of Menara 3 PETRONAS leased to the lessee of Menara 3 PETRONAS under the Menara 3 PETRONAS (Office Tower) Lease. Under the Menara 3 PETRONAS (Office Tower) Lease between AMSB and the lessee, such outgoings shall be borne by the lessee. In relation to outgoings which is payable for all that part of Menara 3 PETRONAS that is not covered by the Menara 3 PETRONAS (Office Tower) Lease, AMSB and the Trustee agree as follows:
- (i) AMSB shall settle all such outgoings up to the Completion Date and shall forward all relevant receipts to the Trustee's Solicitors for apportionment between the parties as from the Completion Date so that all such outgoings incurred prior to the Completion Date shall be borne by AMSB and all such outgoings incurred on and after the Completion Date shall be borne by the Trustee;
  - (ii) as from the Completion Date, in relation to the accounts of AMSB with the applicable utility or other service provider for facilities made available for Menara 3 PETRONAS, AMSB shall be entitled at its election to either (aa) transfer its accounts for utility or other like facilities (together with the deposits paid thereunder) to the Trustee; or (bb) recover all deposits paid by AMSB to the relevant utility or service providers, whereupon the Trustee shall pay fresh deposits to the relevant utility or service provider to ensure that the continued supply or availability of utilities or applicable service to Menara 3 PETRONAS. Where any deposit paid by AMSB to the relevant utility or service provider is in the form of a bank guarantee, the Trustee will furnish a fresh bank guarantee in replacement thereof;
  - (iii) AMSB shall indemnify and keep the Trustee indemnified in full against all claims, action, proceedings, suits, demands, losses, damages, expenses and costs which may be taken against, sustained or incurred by the Trustee by reason of or arising from the failure of AMSB to pay any and all outgoings before (and excluding) the Completion Date; and
  - (iv) subject to AMSB having made available all applicable invoices, bills and statements to show the amounts that is required to be paid towards any outstanding outgoings as at the Completion Date, the Trustee shall indemnify and keep AMSB indemnified in full against all claims, action, proceedings, suits, demands, losses, damages, expenses and costs which may be taken against, sustained or incurred by AMSB by reason of or arising from the failure of the Trustee to pay any and all such outgoings as from (and including) the Completion Date;
- (f) in respect of Menara ExxonMobil, all outgoings shall be apportioned as from the Completion Date and AJSB shall bear and settle the outgoings prior to the Completion Date and the Trustee shall bear and settle the outgoings due and payable on and after the Completion Date. As from the Completion Date, in relation to the accounts of AJSB with the applicable utility or other service provider for facilities made available for Menara ExxonMobil, AJSB shall be entitled at its

election to either (i) transfer its accounts for utility or other like facilities (together with the deposits paid thereunder) to the Trustee; or (ii) recover all deposits paid by AJSB to the relevant utility or service providers, whereupon the Trustee shall pay fresh deposits to the relevant utility or service provider to ensure that the continued supply or availability of utilities or applicable service to Menara ExxonMobil. Where any deposit paid by AJSB to the relevant utility or service provider is in the form of a bank guarantee, the Trustee shall furnish a fresh bank guarantee in replacement thereof;

- (g) the Trustee shall be entitled to receive all amounts payable by the lessee and tenants under the respective lease agreement and tenancy agreements; and
- (h) in respect of PETRONAS Twin Towers and Menara 3 PETRONAS, the Trustee shall sign and deliver to the respective Vendor (or at its written request, to PETRONAS) the Trustee Undertaking and, if not signed and delivered earlier, procure the Manager to sign and deliver the Manager Undertaking.

#### **14.3.5 Representations and warranties**

The Vendors have given specific warranties and undertakings relating to, amongst others, the Subject Properties to the Trustee. In the event of the breach of the said warranties and undertakings, the Trustee shall only be entitled to terminate the respective SPAs by giving notice in writing to the Vendors.

#### **14.4 CONSENTS**

- (a) The written consents of the Trustee, the Shariah Adviser, the Principal Adviser and the International Financial Adviser, the principal bankers, the Issuing House, the legal advisers, the Property Manager, the company secretary of the Manager, the Registrar and the Internal Auditor to the inclusion in this Prospectus of their names in the manner and form in which such names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (b) The written consent of the Auditors/Reporting Accountants to the inclusion in this Prospectus of their letters on Profit Forecasts as well as the letters relating to the Pro Forma Consolidated Statements of Financial Position, Pro Forma Consolidated Statements of Comprehensive Income, and their names in the manner, form and context in which they appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (c) The written consent of the Tax Consultant to the inclusion in this Prospectus of their letters on taxation of KLCC REIT and Unitholders, and the Company and Shareholders, and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

- (d) The written consent of the Independent Property Valuer to the inclusion in this Prospectus of their Valuation Certificates and their names in the manner, form and context in which it appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

#### **14.5 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Manager, for a period of 12 months from the date of this Prospectus:

- (a) the material contracts referred to in Section 14.2 of this Prospectus entitled “Material Contracts”;
- (b) the Valuation Certificates dated 1 October 2012 as set out in Appendix A of this Prospectus as well as the full valuation reports dated 1 October 2012 for the Subject Properties;
- (c) the Tax Consultant’s Letters on Taxation of KLCC REIT and Unitholders, and Taxation of the Company and Shareholders as set out in Appendix B of this Prospectus;
- (d) the Reporting Accountants’ Letter on the Profit Forecasts for the KLCCP Stapled Group for the Years Ending 31 December 2013 and 2014 as set out in Appendix C of this Prospectus;
- (e) the Reporting Accountants’ Letter on the Profit Forecasts for KLCC REIT for the Years Ending 31 December 2013 and 2014 as set out in Appendix D of this Prospectus;
- (f) the 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 as set out in Appendix E of this Prospectus;
- (g) the 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 as set out in Appendix F of this Prospectus;
- (h) the letters of consent referred to in Section 14.4 of this Prospectus entitled “Consents”; and
- (i) the writ and cause papers in respect of the material litigation of the Trustee as referred to in Section 7.8 of this Prospectus entitled “Material Litigation and Arbitration”, which shall only be made available at the Trustee’s registered office.

#### **14.6 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 the Prospectus false or misleading. Each of the Directors accepts full responsibility for the Profit Forecasts included in this Prospectus and confirm that the Profit Forecasts have been prepared based on the assumptions made.

The information pertaining to the Trustee and the Property Manager were provided by the management and/or directors of the Trustee and the Property Manager, respectively. The responsibility of the Directors is therefore restricted to the accurate reproduction of such relevant information as included in this Prospectus.

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## VALUATION CERTIFICATES



Chartered Surveyors  
International Property Consultants  
Registered Valuers, Real Estate Agents  
Property Managers, Plant & Machinery Valuers

**CHESTON INTERNATIONAL (KL) SDN. BHD.**  
(Company Regn No: 647245 W) VE(1) 0199/1  
Suite 2A, 2nd Floor, Plaza Flamingo,  
No. 2, Tasik Ampang, Jalan Hulu Kelang,  
68000 Ampang, Selangor, MALAYSIA.  
Tel : +6 03-4251 2599 (Hunting Line)  
Fax : +6 03-4251 6599, 03-4253 1393  
E-mail : ciki@chestonint.com  
Website: www.chestonint.com

Our Ref: V/KLCC REIT/PTT/12

1 0 APR 2013

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")**

Level 54, Tower 2  
PETRONAS Twin Towers  
Kuala Lumpur City Centre  
**50088 KUALA LUMPUR**

Dear Sir,

**VALUATION CERTIFICATE OF 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.**

We were instructed by KLCC Property Holdings Berhad ("KLCCP") to conduct a valuation of PETRONAS Twin Towers and the details of the valuation are in our formal Valuation Report bearing Reference No. V/KLCC REIT/PTT/12 dated 27 November 2012.

This Valuation Certificate is prepared for inclusion in the Prospectus of the KLCCP Stapled Group where the units in an Islamic real estate investment trust to be established will be stapled together with the existing ordinary shares of KLCCP in forming the stapled securities to be listed on the Main Market of Bursa Malaysia Securities Berhad.

PETRONAS Twin Towers was inspected on 1st October 2012. The relevant date of valuation of the above legal interest is 1st October 2012.

The valuation was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

**CHESTON INTERNATIONAL (JOHOR) SDN. BHD.**

43-A, Jalan Kuning Dua, Taman Pelangi,  
80400 Johor Bahru, Malaysia.  
Tel: +6 07-334 3363 Fax +6 07-334 3361  
E-mail : cheston@myjaring.net



## 1.0 SALIENT DETAILS OF PETRONAS TWIN TOWERS

### Interest Valued / Type of Property

The interest in perpetuity in 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 ("NWD Car Park") sited on Lot 169, Section 58, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur, held under Title No. Grant 43697.

### Name and Address

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

### Location

PETRONAS Twin Towers is located within Kuala Lumpur City Centre ("KLCC") which is the nucleus of the 'Golden Triangle' in the heart of the bustling Kuala Lumpur city.

The KLCC Master Plan design concept by Klages, Carter, Vail & Partners (KCV) was selected after an international competition held in 1990. KLCC is one of the world's largest real estate developments with distinctive and international standard buildings along the perimeter of the KLCC Park which was tastefully designed by the famous Brazilian landscape artist, the late Roberto Burle Marx. KLCC Park, serves as a 'green lung' and a functional showpiece, to integrate and harmonise the office towers, retail complexes, hotels, residential buildings, entertainment and recreation amenities within KLCC. All buildings within this development are designed to maintain design integrity with the park and create a sense of unity. The buildings also designed to enjoy uninterrupted view of the park, which has separate areas for active, passive, formal and informal activities.

The expertly planned KLCC is a purpose-built, fully integrated inner city development featuring quality and intelligent buildings, state-of-the-art amenities and the finest communication facilities. It is also a main node of the country's well publicised Multimedia Super Corridor ("MSC").

Due to its prime location and excellent accessibility, KLCC is designed as an ideal place to live, work, visit, shop and relax in a convenient and pleasant environment. It is a self-contained city-within-a-city, with the infrastructure and amenities to satisfy the varied and demanding needs of people and companies doing business in this dynamic world.

KLCC, marks a milestone in the growth of Kuala Lumpur, setting the bench-mark for urban spatial planning and development in Malaysia.

PETRONAS Twin Towers enjoys dual frontages onto the major business thoroughfares of the Kuala Lumpur city, Jalan Ampang and Jalan P. Ramlee and is strategically located at the north-western corner of KLCC Development representing a prominent gateway to this world renowned development.

<b>Title Particulars</b>	Lot No:	Lot 169, Section 58, Title No. Grant 43697, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur.
	Land area:	21,740.0 square metres (234,007.2 square feet).
	Tenure:	Interest in perpetuity.
	Category of Land Use:	Building.
	Registered Proprietor:	Midciti Resources Sdn. Bhd.

**Property Description**

PETRONAS Twin Towers is part of Phase One of the KLCC Development. Located at the north-western corner of the 42-hectare (104-arce) development, the towers stand majestically at 452 metres (1,483 feet) above street level with the pinnacles reaching a height of about 73.575 metres (241 feet). The towers are visible from 30-kilometre radius outside the city.

The site on which the PETRONAS Twin Towers constructed is a regular shaped parcel of corner land having a title land area of about 21,740.0 square metres (234,007.2 square feet). The north-eastern site boundary enjoys frontage of about 88.56 metres (290.55 feet) onto Jalan Ampang, the south-western site boundary which measures about 94.25 metres (309.2 feet) has a return frontage onto Jalan P. Ramlee. The southern, south-eastern and eastern site boundaries share common boundaries with Suria KLCC.

The design, by the renowned architect, Cesar Pelli & Associates, was selected through an international competition in 1991. The floor plates of the towers are designed based on geometric patterns common in Islamic heritage architecture. It is composed of two rotated and super-imposed squares with small circular infills. The interior design, patterns and material were specifically selected to reflect the Malaysian identity.

Attached to each main tower is the 44-storey side tower of 'bustles' which provides an architectural balance to the slender profile of the main towers. This coreless bustle also provides additional office space and enhances the space efficiency of the buildings.

PETRONAS Twin Towers is constructed of reinforced concrete core walls and columns with composite steel beam. The floor slabs are of metal deck with cast in-situ concrete. The beams are supported by concrete ring-beams at the exterior and act compositely with reinforced concrete floor slabs utilising sheer studs.

The composite metal slab deck system support raised floor where applicable above the structural slab, the space of which is used for the distribution of electrical power and communication system.

The external elevations are generally of horizontal ribbons of tinted, laminated and reflective curtain glass wall shaded by tear-drop stainless steel louvers and fully unitised stainless steel claddings framed with bull nose moldings of stainless steel.

PETRONAS Twin Towers is an Intelligent Building ("IB") which features advanced Building Management System ("BMS"). The Building Control System ("BCS") which forms part of BMS provides central management and monitoring of the air conditioning system within the building which is an automatic temperature control system via the latest technology of Variable Air Volume ("VAV") and intelligent Direct Digital Control ("DDC").

The Building Security System ("BSS") within PETRONAS Twin Towers is an Integrated and Computerised system comprising of: -

- Card Access and Alarm Monitoring System
- Closed Circuit Television System ("CCTV")
- Voice Intercom System
- Audio Alarm Surveillance System
- Photo Identification System and
- Security Guards

A 58.4-metre (192-feet) sky bridge at Levels 41 and 42 links the Twin Towers. The unique double-deck sky bridge which stands at 170 metres (558 feet) above street level is the highest 2-storey bridge in the world and its arch support forms a symbolical gateway to the KLCC.

PETRONAS Twin Towers was completed in 1997 and is in good state of decorative repair.

At the podium levels, the PETRONAS Twin Towers features the following: -

- A 864-seat Concert Hall known as Dewan Filharmonik PETRONAS;
- PETROSAINS – an interactive petroleum discovery centre
- A reference library on energy, petroleum, petro-chemical and related industries;
- The well-known PETRONAS Art Gallery;
- PETRONAS in-house sports and cultural centre;
- The PETRONAS gift shop;
- Twin Towers Fitness Centre;
- Box Office for Dewan Filharmonik PETRONAS;
- Sky Bridge Visitor Ticket Counter;
- PETRONAS Card Centre;
- Kedai Mesra Shoppe;
- Sincere Fine Watches and Canali;
- RHB Forex and CIMB Forex; and
- Management offices, stores, cleaner's office, house keeping, maintenance office, in-house utility areas, security office, etc.

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.

PETRONAS Twin Towers, the national icon, is the most prestigious office address in the country. Since completion in 1997, there has not been any office building in Malaysia with similar quality and standard as PETRONAS Twin Towers.

PETRONAS Twin Towers is the symbol of Malaysia's success. The National Landmark development was developed during the leadership of our former Prime Minister, Tun Dr. Mahathir Mohamad's Vision 2020 Malaysia, with an objective to move the country into achieving the goal of becoming a developed industrialised nation. Today, PETRONAS Twin Towers has highlighted Malaysia on the world map. The twin skyscrapers were the tallest buildings in the world from 1998 until surpassed by Taipei 101 in 2004. However, PETRONAS Twin Towers has been acknowledged by the Council on Tall Buildings and Urban Habitat as the tallest twin buildings in the world ever built.

Since inception, PETRONAS Twin Towers, symbolising Malaysia's strength and growth, has become the nucleus of the city with developments in the city have been designed and orientated to have a view of the Towers.

**Gross Floor Area** 510,917.8 square metres (5,499,468.0 square feet).

**Net Lettable Area** 296,876.0 square metres (3,195,544.0 square feet).

**Common Facilities Agreement**

In accordance with the Common Facilities Agreement, we note that Midciti Resources Sdn. Bhd., Suria KLCC Sdn. Bhd. and Impian Klasik Sdn. Bhd., the owners of PETRONAS Twin Towers, Suria KLCC and Menara Maxis (known as the North-West Development), respectively, entered into an agreement to design, develop, construct, complete, maintain and manage the North-West Development Common Facilities including the NWD Car Park as an integrated development.

The owners of North-West Development, prior to the construction of the respective buildings, acknowledged that the development would have facilities that lie on or under their respective lots, straddle the boundary of each lot that would be common between them. Thus, the design development and construction of the North-West Development Common Facilities including the NWD Car Park was carried out as an integrated development and the cost allocation of the common facilities was on the basis of mutual trust, co-operation and for their mutual benefit.

The owners are liable for the costs and liabilities in respect of the North-West Development Common Facilities in accordance with the Final Cost Allocation Formula ("FCAF").

The owners have jointly appointed KLCC Urusharta Sdn. Bhd. as the Manager to manage the common facilities excluding the NWD Car Park.

### **North-West Development Car Park**

Beneath the entire three sites which accommodate the PETRONAS Twin Towers, Menara Maxis and Suria KLCC is the NWD Car Park. The underground car park is constructed over 4 levels (P1, P2, P3 and P4) and according to the latest audit, accommodates 5,053 car parking bays. However, only 4,889 car parking 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. As recommended by the fire services department and after consultation with the owners, KLCC Parking Management Sdn. Bhd. has not been utilising the 164 car park bays. In order to avoid anyone from parking on these bays, stand bollards are affixed on the bays.

In accordance with the Common Facilities Agreement, we note that the share of car park ownership among Midciti Resources Sdn. Bhd., Suria KLCC Sdn. Bhd. and Impian Klasik Sdn. Bhd. of NWD Car Park is according to the FCAF. The allocation of FCAF in respect of Midciti Resources Sdn. Bhd. is 67.75%.

Thus, the number of car parking bays Midciti Resources Sdn. Bhd. has the right to use according to the above formula is 3,312 bays.

### **Planning Details**

PETRONAS Twin Towers is located within an area designated for commercial use and a Certificate of Fitness for Occupation bearing Reference No. 24936 (BP E 930037) was issued on 14th July 2001.

### **Lease / Tenancy Profile And Details**

PETRONAS Twin Towers has been leased to a single Lessee, Petroliam Nasional Berhad ("PETRONAS").

PETRONAS occupies Tower 1, a majority of Tower 2 and the entire podium block whilst part of Tower 2 is sub-tenanted/sub-leased to various third party tenants/lettings.

PETRONAS is the national oil and gas company of Malaysia and is wholly-owned by the Government of Malaysia.

As per the initial Triple Net Lease Agreement dated 8th May 1998, we note that PETRONAS Twin Towers was leased on a triple net basis with rights to use such number of bays in the basement car park in the North-West Development of KLCC as accrued to them pursuant to the terms of the Common Facilities Agreement and the rights of ingress and egress to and from the car park.

The initial Lease was for a term of fifteen (15) years commencing from 1st October 1997 and had expired on 30th September 2012.

Vide a recently executed Triple Net Lease Agreement dated 27th November 2012 made between Midciti Resources Sdn. Bhd. ("Lessor") and Petroliam Nasional Berhad ("PETRONAS") ("Lessee"), we note that the Lessor has granted to the Lessee an option to extend the initial Lease for a further period of 15 years commencing from 1st October 2012 and expiring on 30th September 2027.

The agreement also stipulates that the Lessee shall not determine the Lease hereby granted before the expiry of the term and in the event of unilateral determination on part of the Lessee, the Lessee shall remain liable to pay to the Lessor the rent in full for the remaining unexpired period of the term which amounts shall together with any arrears to be recovered as a debt due to the Lessor.

### Property Performance

The historical operating performance of PETRONAS Twin Towers as provided by Midciti Resources Sdn. Bhd. is as per Table 1.0.

**Table 1.0: Historical Operating Performance Of PETRONAS Twin Towers**

Period	Occupancy Rate	Triple Net Rental Receivable *
As At 31st March 2009 (RM)	100%	335,837,796
As At 31st March 2010 (RM)	100%	335,837,790
As At 31st March 2011 (RM)	100%	335,837,784
From 1st April - 31st December 2011 (9 months) (RM)	100%	251,878,338
From 1st January - 31st August 2012 (8 months) (RM)	100%	223,891,856

Source: Midciti Resources Sdn. Bhd.

\* As the 15-year Lease is irrevocable, in accordance with FRS 117, the rental income is straight-lined over the period of the Lease.

## 1.1 MARKET VALUE

### Date of Valuation

1 October 2012

### Valuation Methodology

In arriving at our opinion of the Market Value of PETRONAS Twin Towers, we have adopted the Investment Method as the valuation methodology.

### Investment Method

This method is premised on the principle that the value of an income-producing property is represented by "the present worth of future rights to income, or utility". The value estimated under this method is derived by ascertaining the market rent of the property (i.e. that income which is ascribable to the property under its highest and best use); deducting all reasonable operating expenses (as would be experienced under typical management) and then capitalising the resultant net income by an appropriate rate of capitalisation to obtain the present value of the income stream.

### Term

#### Triple Net Rental

In undertaking our assessment of market value under the capitalisation approach, we have adopted the triple net rental as per the renewed Lease Agreement for the term. Upon expiry of the Lease (reversion), the rent is reverted to Market Rent.

In accordance to the renewed Lease Agreement, the current term is identified as Term 1, commencing from 1st October 2012 and expiring on 30th September 2015 and the triple net rent is RM29,109,285 per month (inclusive of the rights to use such number of bays in the NWD Car Park) which is analysed to RM9.11 per sq. ft. per month. The Rent shall be reviewed every three (3) years commencing on the third anniversary of the Lease commencement date based on the formula of three percent (3%) per annum compounded for the preceding three (3) years. The triple net rentals of the remaining lease terms are summarised in Table 2.0.

**Table 2.0: The Current 15-Year Triple Net Rent**

Term	Monthly Rental (RM)	Yearly Rental (RM) *
1st Term (01/10/2012 – 30/09/2015)	29,109,285	349,311,420
2nd Term (01/10/2015 – 30/09/2018)	31,808,502	381,702,024
3rd Term (01/10/2018 – 30/09/2021)	34,758,009	417,096,108
4th Term (01/10/2021 – 30/09/2024)	37,981,015	455,772,180
5th Term (01/10/2024 – 30/09/2027)	41,502,881	498,034,572

\* Rent Review: Formula of 3% per annum compounded for the preceding 3 years.

Capitalisation Rate: **5.5%** adopted for the term

**Reversionary**

Gross Rental: **RM11.523** per sq. ft. per month  
 Car Park Income: **RM793,423** per month  
 Other Revenue: **RM5,000** per month  
 Outgoings: **RM2.20** per sq. ft. per month  
 Capitalisation Rate: **6.0%** adopted for the reversion

Gross Rental

Upon expiry of the Lease (reversion), the rent is reverted to Market Rent. Our assessment of the market rent of PETRONAS Twin Towers is based on the historical and passing rental of sub-tenanted/sub-let tenants of Tower 2 as well as analysis of the past and current contractual rents.

The past contractual rent in respect of the initial 15-year term which was commenced from 1st October 1997 and expired on 30th September 2012 is as per Table 3.0.

**Table 3.0: The Initial 15-Year Triple Net Rent**

Term	Monthly Rental (RM)	Yearly Rental (RM) *
First Reset Period (01/10/1997 – 30/09/2000)	20,416,667	245,000,000
Second Reset Period (01/10/2000 – 30/09/2003)	22,309,843	267,718,115
Third Reset Period (01/10/2003 – 30/09/2006)	24,378,568	292,542,813
Fourth Reset Period (01/10/2006 – 30/09/2009)	26,639,119	319,669,430
Fifth Reset Period (01/10/2009 – 30/09/2012)	29,109,285	349,311,420

\* Rent Review: Formula of 3% per annum compounded for the preceding 3 years.

We note from the tenancy schedule of Tower 2 that the average gross rental of office space occupied by the sub-tenants/sub-lettings is about RM12.74 per sq. ft. per month.

In arriving at our opinion of the Market Rental of PETRONAS Twin Towers upon reversion, we also have taken into consideration the rental evidences of sale transactions of office buildings summarised in Table 7.0.

In addition, we also have taken into account the current asking rental of office space of Prime Office Buildings in Kuala Lumpur city as per Table 4.0.

**Table 4.0: Asking Rental Of Prime Office Space**

Building	(RM Per Sq. Ft. Per Month)
Menara Maxis	10.50
Vista Tower, The Intermark	9.00 – 9.50
Integra Tower, The Intermark	9.00 – 10.50
Menara Prestige	8.50
G-Tower	8.50
Menara IMC	8.50
Menara Dion	9.00

Source: Cheston Research

In undertaking our assessment of the Market Rental Value upon reversion, we have considered various factors including, current market condition, location and accessibility, building characteristics, grade, quality, facilities, age, condition and size as well as allowance for negotiation on the asking rentals.

Based on the analysis of past and current contractual rentals of PETRONAS Twin Towers under the Lease Agreement, analysis of historical and passing rentals of sub-tenanted/sub-let rentals of Tower 2, analysis of the rental evidences and analysis of current asking rentals of office buildings, we have adopted RM11.523 per sq. ft. per month as the average fair market rental, upon reversion.

#### Income And Expenditures Of Car Park

The NWD Car Park is an integrated underground development which linked with the Ampang-Hulu Kelang Elevated Highway and Jalan Tun Razak via the Binjai Tunnel. It is also constructed with ingress and egress from other business thoroughfares in the city comprising Jalan Ampang, Jalan P. Ramlee, Persiaran KLCC and Jalan Pinang. It is designed to have easy and convenient accessibility for vehicles entering KLCC development from various directions of Kuala Lumpur city. The NWD Car Park also caters for the large number of visitors entering KLCC development, mainly to the office towers and the shopping complex. The shopping complex requires higher number of car parks especially after office hours, weekends and public holidays. The three owners of the NWD Car Park, instead of separately operating the car park bays according to the FCAF, have come up with a system to optimise the utilisation of the usable car park bays within the NWD Car Park.

In order to have an orderly and co-ordinated operation of the NWD car park, Midciti Resources Sdn. Bhd., Suria KLCC Sdn. Bhd. and Impian Klasik Sdn. Bhd. entered into Car Park Operation Agreement with KLCC Parking Management Sdn. Bhd. where KLCC Parking Management Sdn. Bhd. ("KPM") ("the Operator") has been appointed as the car park operator.

The distribution of the car park income and contribution towards the operation and maintenance cost are as per the Common Facilities Agreement.

The analysis of past three (3) years annual gross revenue and annual operating expenditure of NWD Car Park is as per Table 5.0.

**Table 5.0: Annual Gross Revenue And Operating Expenditure Of NWD Car Park**

Period	Annual Gross Revenue	Annual Operating Expenditure	Annual Operating Revenue
As At 31st March 2009 (RM)	26,682,708	7,437,767	19,244,941
As At 31st March 2010 (RM)	29,730,988	7,025,128	22,705,860
As At 31st March 2011 (RM)	30,258,123	7,624,694	22,633,429
From 1st April - 31st December 2011 (9 mths) (RM)	24,457,174	5,927,567	18,529,607
From 1st January - 31st August 2012 (8 mths) (RM)	22,712,869	5,371,443	17,341,426
Adopted in Valuation Upon Reversion as at 1st October 2012	32,000,000	7,800,000	24,200,000

Source: *Midciti Resources Sdn. Bhd.*

In accordance with the Car Park Operation Agreement, the percentage share of Midciti Resources Sdn. Bhd. of the total annual gross revenue and annual operating expenditure are 47.5% and 50.50%, respectively.

We also have investigated the current commanding monthly car park rate of other office buildings in the vicinity.

Based on the analysis of past three (3) years income and expenditure of NWD Car Park and analysis of commanding car park rates of other commercial developments in Kuala Lumpur city, we have adopted RM9,521,080 per annum as the fair net car park revenue, upon reversion.

**Other Revenue**

The other revenue comprises the contribution from the income of telecommunication utility rooms. Based on the past three years income of telecommunication utility rooms, we note that the monthly rental receivable is RM5,000.

We have adopted the above amount as other revenue.

**Outgoings**

The net rent is the residue of gross annual market rent less annual expenses (outgoings) required to sustain the rent with allowance for void and property management fees.

The annual outgoings of PETRONAS Twin Towers for the years ended 31st March 2009, 2010, 2011, from 1st April 2011 up to 31st December 2011 (9 months) and 1st January 2012 up to 31st August 2012 (8 months) as provided by Midciti Resources Sdn. Bhd. are as per Table 6.0.

**Table 6.0: Outgoings**

Period	Annual Outgoings (RM)	Analysis of Outgoings (RM Per Sq. Ft. Per Month)
As At 31st March 2009	77,085,317.52	2.01
As At 31st March 2010	79,101,060.97	2.06
As At 31st March 2011	80,624,714.33	2.10
From 1st April 2011 – 31st December 2011 (9 mths)	61,495,921.30	2.14
From 1st January 2012 – 31st August 2012 (8 mths)	54,915,121.71	2.15
Adopted in the Valuation as at 1st October 2012	84,417,893.80	2.20

Source: *Midciti Resources Sdn. Bhd.*

We have analysed past years annual outgoings of PETRONAS Twin Towers and made diligent adjustments to arrive at the fair outgoings.

Investigation also made on outgoings of other office buildings and necessary adjustments were made before arriving at the fair outgoings of PETRONAS Twin Towers.

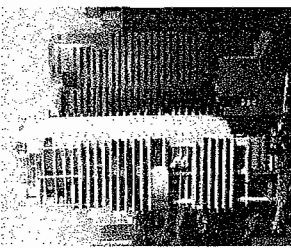
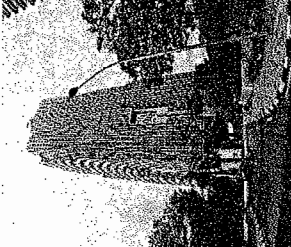
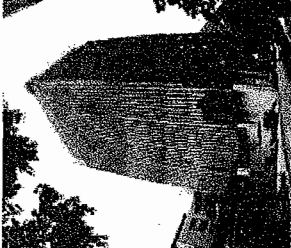
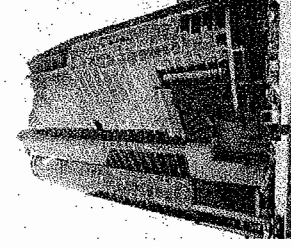
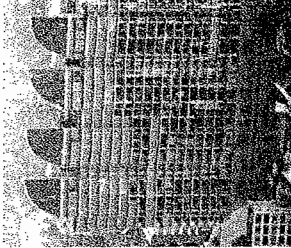
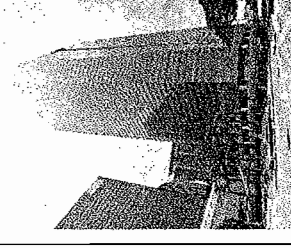
Based on the above analysis, we have adopted outgoings of RM2.20 per sq. ft. per month, upon reversion which is considered fair representation of the outgoings of PETRONAS Twin Towers.

Rent Loss Adjustment /  
Vacancy Allowance

Taking into consideration the general trend of office vacancy for similar type of properties and the duration of the rent free allowance based on prevailing market practise, we have allocated 5% of the gross annual rental for vacancy period; vacancy between rent reviews and rent free & fitting out periods as fair representation for the reversion.

The followings are the rental comparison and yield analysis of sale transactions of office buildings in Kuala Lumpur city.

**Table 7.0: Average Gross Monthly Rental And Analysis Of Yield Of Sale Transactions**

						
Property	<b>Menara Prudential</b>	<b>Menara Multi-Purpose</b>	<b>Pavilion Tower</b>	<b>Sunway Tower 2</b>	<b>The Icon (East Wing)</b>	<b>Menara Citibank</b>
Location	Jalan Sultan Ismail	Jalan Munshi Abdullah	Jalan Bukit Bintang	Jalan Ampang	Jalan Tun Razak	Jalan Ampang
Net Lettable Area ("NLA")	147,812	541,424	167,407	268,412	278,183	733,634
Average Gross Rental (Per Sq. Ft.)	5.50 - 6.00	4.00 - 4.50	5.50 - 6.00	4.75 - 5.00	6.00 - 6.50	6.00 - 6.50
Consideration	RM142,226,000	RM375,000,000	RM123,500,000	RM171,489,000	RM226,514,800	RM607,448,952
Net Income (includes car park & other income)	RM9,250,000	RM24,300,000	RM8,035,536	RM11,595,400	RM15,355,700	RM40,496,600
Outgoings	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.50 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)
Year of Transaction	21-December-11	26-September-11	1-June-11	15-June-10	24-December-09	8-July-09
Analysed Yield	6.50%	6.48%	6.51%	6.70%	6.80%	6.67%

Source: Bursa Malaysia Securities Berhad / Cheston Research

#### Yield / Capitalisation Rate

We have adopted a market corroborated capitalisation rate to arrive at the capital value of PETRONAS Twin Towers. In arriving at our opinion of the appropriate capitalisation rate using the above methodology, thorough examination and analysis of several recent sales of office buildings were carried out. Exercising judgment based on our experience in the industry, we have compared the relative investment characteristics of PETRONAS Twin Towers and the sales. We made all the necessary and diligent adjustments to arrive at the fair capitalisation rate. We have given emphasis on the time, location, quality and characteristics of PETRONAS Twin Towers being the world class office towers. We also have taken into account the current economic condition, the existing and future demand and supply of office buildings in arriving at the fair capitalisation rate.

The above yield analysis reveals that, the yield trend of office buildings in Kuala Lumpur city have been declining from 2009 to 2012. Our research on the yield trend revealed that yields of prime office buildings are under further compression due to the uncertain global economic environment, moderate Malaysian economy and impending supply of office space to come on stream in the short term.

PETRONAS Twin Towers is currently being leased for a second term of 15 years upon expiry of the initial term, which was expired on 30th September 2012. The revenue for PETRONAS Twin Towers is fully secured during the current economic and office market condition and for the next 15 years.

We also note from the new Lease Agreement that the Lessor has granted the Lessee an option to extend the existing Lease for a further term of 15 years upon expiry of the Lease on 30th September 2027 subject to terms and conditions to be agreed by both parties.

We further note that the Lease Agreement stipulates that the Lessee shall not determine the Lease hereby granted before the expiry of the term and in the event of unilateral determination on part of the Lessee, the Lessee shall remain liable to pay to the Lessor the rent in full for the remaining unexpired period of the term which amounts shall together with any arrears to be recovered as a debt due to the Lessor.

Having considered the above and other relevant factors including current market condition, location and accessibility, building characteristics, grade, quality, facilities, age, condition and size, lease terms, occupancy and quality of the tenant/lessee, and carefully going through the past and current rental profile, we have adopted a reversionary yield of 6.0% whilst the adopted term yield is 5.5% which reflects the security of the existing lease, certain, fixed, staggered and increasing rental income and quality of the Lessee.

The upward adjustment of 50 basis points (bps) on the reversionary yield is to reflect a higher risk on the future lease/tenancy, the Malaysian economy and the future revenue. The above rates adopted are in line with our analysis of prevailing market yields of office buildings in Kuala Lumpur city.

**Valuation Rational**

We note that PETRONAS Twin Towers is a superior quality world class office building subject to a long term lease based on specific terms and conditions. The Comparison Method is an appropriate method to be adopted for homogeneous properties with minimal dissimilarities which require less complicated adjustments. However, for income generating investment properties which are physically, functionally and economically complex and where the adjustments are numerous and more difficult to quantify, it will be arduous to make adjustments using the Comparison Method. The market value of an investment property is a function of the future income stream. The cash flows of an investment property are subject to the specific nature of the particular investment property and the terms and conditions of the lease/tenancy. It will be strenuous to make all the relevant qualitative and quantitative adjustments accurately for investment properties using Comparison Method in the absence of similar type of comparables having similar lease details.

We also note that the recent sale comparables are inferior compared to the superior quality national icon, PETRONAS Twin Towers. In view of the above, the Comparison Method would not be a suitable valuation methodology to ascertain the market value of PETRONAS Twin Towers.

Hence, we have considered the market value derived from the Investment Method as a fair representation of the market value of PETRONAS Twin Towers and accordingly have advised as our fair opinion of value.


**Market Value Derived  
From The Investment  
Method**

**RM6,500,959,348**

**Opinion of Value**

Having regard to the foregoing, taking into consideration all pertinent factors and based upon our analysis of relevant market data, we are of the opinion that the market value of the interest in perpetuity in 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, identified as Lot 169, Section 58, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur held under Title No. Grant 43697, subject to the existing Triple Net Lease to PETRONAS and the title being free of all encumbrances, good, marketable and registrable is **RM6,500,000,000 (Ringgit Malaysia Six Billion and Five Hundred Million Only)**.

For And On Behalf Of  
**CHESTON INTERNATIONAL (KL) SDN. BHD.**



**G PAREMES SIVAM, FRISM, MRICS, MPEPS, MIPPM  
CHARTERED SURVEYOR  
REGISTERED VALUER, V-480  
DATE OF VALUATION: 1ST OCTOBER 2012**



Chartered Surveyors  
International Property Consultants  
Registered Valuers, Real Estate Agents  
Property Managers, Plant & Machinery Valuers

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Website: www.chestonint.com

Our Ref: V/KLCC REIT/EXXON/12

1 0 APR 2013

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")**  
Level 54, Tower 2  
PETRONAS Twin Towers  
Kuala Lumpur City Centre  
**50088 KUALA LUMPUR**

Dear Sir,

**VALUATION CERTIFICATE OF A 29-STOREY OFFICE BUILDING INCLUDING 4 LEVELS OF ELEVATED CAR PARK TOGETHER WITH 3 LEVELS OF BASEMENT CAR PARK KNOWN AS MENARA EXXONMOBIL.**

We were instructed by KLCC Property Holdings Berhad ("KLCCP") to conduct valuation of Menara ExxonMobil for the purposes of submission to the Securities Commission for approval in conjunction with the proposed establishment of KLCC REIT.

This Valuation Certificate is prepared for inclusion in the Prospectus of the KLCCP Stapled Group where the units in an Islamic real estate investment trust to be established will be stapled together with the existing ordinary shares of KLCCP in forming the stapled securities to be listed on the Main Market of Bursa Malaysia Securities Berhad.

Menara ExxonMobil was inspected on 1st October 2012. The relevant date of valuation of the above legal interest is 1st October 2012.

The valuation was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

**CHESTON INTERNATIONAL (JOHOR) SDN. BHD.**

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80400 Johor Bahru, Malaysia.  
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E-mail : cheston@myjaring.net



## 1.0 SALIENT DETAILS OF MENARA EXXONMOBIL

<b>Interest Valued/ Type of Property</b>	The interest in perpetuity in a 29-storey purpose built office building comprising a ground floor lobby cum office area, 4 levels of elevated car park cum mechanical & electrical ("M & E") areas, 24 levels of office space and 3 levels of basement car park cum M & E areas and roof top M & E area known as Menara ExxonMobil.										
<b>Name and Address</b>	Menara ExxonMobil, Kuala Lumpur City Centre, 50088 Kuala Lumpur.										
<b>Location</b>	<p>Menara ExxonMobil is located within Kuala Lumpur City Centre ("KLCC") which is the nucleus of the 'Golden Triangle' in the heart of the bustling Kuala Lumpur city.</p> <p>The KLCC Master Plan design concept by Klages, Carter, Vail &amp; Partners (KCV) was selected after an international competition held in 1990. KLCC is one of the world's largest real estate developments with distinctive and international standard buildings along the perimeter of the KLCC Park which was tastefully designed by the famous Brazilian landscape artist, the late Roberto Burle Marx. KLCC Park, serves as a 'green lung' and a functional showpiece, to integrate and harmonise the office towers, retail complexes, hotels, residential buildings, entertainment and recreation amenities within KLCC. All buildings within this development are designed to maintain design integrity with the park and create a sense of unity. The buildings also designed to enjoy uninterrupted view of the park, which has separate areas for active, passive, formal and informal activities.</p> <p>The expertly planned KLCC is a purpose-built, fully integrated inner city development featuring quality and intelligent buildings, state-of-the-art amenities and the finest communication facilities. It is also a main node of the country's well publicised Multimedia Super Corridor ("MSC").</p> <p>Due to its prime location and excellent accessibility, KLCC is designed as an ideal place to live, work, visit, shop and relax in a convenient and pleasant environment. It is a self-contained city-within-a-city, with the infrastructure and amenities to satisfy the varied and demanding needs of people and companies doing business in this dynamic world.</p> <p>KLCC, marks a milestone in the growth of Kuala Lumpur, setting the bench-mark for urban spatial planning and development in Malaysia.</p> <p>Menara ExxonMobil fronts onto Persiaran KLCC and is strategically located at the south-eastern portion of the KLCC Development. The building enjoys uninterrupted view of PETRONAS Twin Towers and the KLCC Park.</p>										
<b>Title Particulars</b>	<table border="0"> <tr> <td style="vertical-align: top;">Lot No:</td> <td>Lot 157, Section 58, Title No. Grant 43685, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur.</td> </tr> <tr> <td style="vertical-align: top;">Land area:</td> <td>3,999.0 square metres (43,044.8 square feet).</td> </tr> <tr> <td style="vertical-align: top;">Tenure:</td> <td>Interest in perpetuity.</td> </tr> <tr> <td style="vertical-align: top;">Category of Land Use:</td> <td>Building.</td> </tr> <tr> <td style="vertical-align: top;">Registered Proprietor:</td> <td>Arena Johan Sdn. Bhd.</td> </tr> </table>	Lot No:	Lot 157, Section 58, Title No. Grant 43685, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur.	Land area:	3,999.0 square metres (43,044.8 square feet).	Tenure:	Interest in perpetuity.	Category of Land Use:	Building.	Registered Proprietor:	Arena Johan Sdn. Bhd.
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Tenure:	Interest in perpetuity.										
Category of Land Use:	Building.										
Registered Proprietor:	Arena Johan Sdn. Bhd.										

**Property Description**

The site on which Menara ExxonMobil constructed is an almost rectangular shaped parcel of land having a title land area of 3,999.0 square metres (43,044.8 square feet).

Menara ExxonMobil is a near rectangular-shaped 29-storey purpose built office building constructed of reinforced concrete frame with brick infills rendered externally and plastered internally supporting a reinforced concrete flat roof concealed behind parapet walls.

The building is designed as a modern office tower with a central service core accommodating lift lobbies, lifts, staircases, toilets as well as mechanical and electrical areas. The external elevations are generally lined with structurally glazed and fully unitised curtain walling with tinted, laminated and reflective laminated glass panels.

Menara ExxonMobil is equipped with Building Control System ("BCS") which interfaces, controls and monitors most of the Mechanical and Electrical services and facilitated with modern information and communication technology features.

Menara ExxonMobil was completed in April 1996 and is in good state of decorative repair.

**Gross Floor Area**

74,369.0 square metres (800,501.0 square feet).

**Net Lettable Area**

36,775.8 square metres (395,851.2 square feet).

**Number of Car Park**

524 car parking bays.

**Planning Details**

Menara ExxonMobil is located within an area designated for commercial use and a Certificate of Fitness for Occupation bearing Reference No. 25208 (BP E 940075) (T3) was issued on 19th April 2002.

**Lease / Tenancy Profile And Details**

Menara ExxonMobil has been leased to a single Lessee, ExxonMobil Exploration And Production Malaysia Inc. ("EMEPMI") since 1st February 1997.

Vide a Lease Agreement dated 19th June 2000 made between Arena Johan Sdn. Bhd. (the Lessor) and Esso Production Malaysia Inc. (the Lessee), we note that Menara ExxonMobil had been leased for a 12-year Primary Term from 1st February 1997 until 31st January 2009.

The Lease is subject to the Lessor providing the Lessee with two (2) successive options for renewal. The first option is for a period of three (3) years commencing from the expiry of the Primary Term (the First Option) whilst the second option is for a period of five (5) years commencing from the expiry of the First Option (the Second Option). The First Option Term was exercised by the Lessee which commenced on 1st February 2009 and had expired on 31st January 2012.

We note that the Second Option Term has been exercised which commenced on 1st February 2012 and will be expiring on 31st January 2017.

We note from the Lease Agreement that the Recreational Floor on Level 6 of the building is excluded as part of the Net Lettable Area subject to the followings: -

- i) the Recreational Floor should be used for recreational purposes and/or part thereof for a surau;
- ii) the Recreational Floor shall not be subleased or sublet to any other party; and
- iii) the recreational facilities are provided to its users free of charge.

The Lease Area excluding the Recreational Floor area is 35,376 square metres (380,797 square feet).

The Lease Agreement also stipulated that as long as the Lessee either occupies or remains the primary or Head Lessee for more than fifty per cent (50%) of the Net Lettable Area in the Building, the Lessor shall accord the right to establishing exclusive interior and exterior signages identifying the Lessee's presence, including naming rights of the building.

### Property Performance

The historical operating performance of Menara ExxonMobil as provided by Arena Johan Sdn. Bhd. is tabulated as below.

**Table 1.0: Historical Operating Performance Of Menara ExxonMobil**

	As At 31st March 2009 (RM)	As At 31st March 2010 (RM)	As At 31st March 2011 (RM)	From 1st April - 31st December 2011 (9 months) (RM)	From 1st January - 31st August 2012 (8 months) (RM)
Occupancy Rate	100%	100%	100%	100%	100%
Gross Rental Receivable					
Rental Income	25,665,718	34,043,252	34,043,252	25,532,439	22,695,501
Car Park Income	827,920	1,037,520	1,037,520	778,140	744,960
Other Income *	62,400	62,400	62,400	46,800	41,600
Total Gross Income	26,556,038	35,143,172	35,143,172	26,357,379	23,512,061
Outgoings	6,595,090	7,158,074	7,266,402	5,293,409	4,635,013
Net Income	19,960,948	27,985,098	27,876,770	21,063,970	18,877,048
* Other Income comprises rental from telecommunication rooms	* RM5,200/month	* RM5,200/month	* RM5,200/month	* RM5,200/month	* RM5,200/month

Source: Arena Johan Sdn. Bhd.

## 1.1 MARKET VALUE

**Date of Valuation** 1 October 2012

**Valuation Methodology** In arriving at our opinion of the Market Value of Menara ExxonMobil, we have adopted the Investment and Comparison Methods of Valuation.

### Investment Method

This method is premised on the principle that the value of an income-producing property is represented by "the present worth of future rights to income, or utility". The value estimated under this method is derived by ascertaining the market rent of the property (i.e. that income which is ascribable to the property under its highest and best use); deducting all reasonable operating expenses (as would be experienced under typical management) and then capitalising the resultant net income by an appropriate rate of capitalisation to obtain the present value of the income stream.

### Term

Rental: In undertaking our assessment of value under the capitalisation approach, we have adopted the contractual passing rental as per the abovementioned Lease Agreement for the current and future terms as follow:-

- (i) From 1st February 2012 until 31st January 2014 – **RM7.45** per sq. ft. per month; and
- (ii) From 1st February 2014 until 31st January 2017 – **RM8.50** per sq. ft. per month.

Car Park Income: RM93,272 per month  
 Other Revenue: RM5,200 per month  
 Outgoings: **RM1.55** per sq. ft. per month for the term, 1st February 2012 until 31st January 2014  
**RM1.60** per sq. ft. per month for the term, 1st February 2014 until 31st January 2017  
 Capitalisation Rate: **6.25%** adopted for the term

### Reversionary

Gross Rental: **RM8.20** per sq. ft. per month  
 Car Park Income: RM115,280 per month  
 Other Revenue: RM5,200 per month  
 Outgoings: **RM1.75** per sq. ft. per month  
 Capitalisation Rate: **6.75%** adopted for the reversion

Gross Rental Upon expiry of the Lease (reversion), the rent is reverted to Market Rent. Our assessment of the market rent is based on the historical and contractual passing rental of Menara ExxonMobil.

The contractual passing rental of Menara ExxonMobil is tabulated below:-

**Table 2.0: Summary Of The Contractual Passing Rental**

	Term	Date Of Commencement	Date Of Expiry	Rental (RM Per Sq. Ft. Per Month)
First Option Term	3	1st February 2009	31st January 2012	7.45
Second Option Term	5	1st February 2012	31st January 2014	7.45
		1st February 2014	31st January 2017	8.50

In arriving at our opinion of the Market Rental of Menara ExxonMobil upon reversion, we also have taken into consideration the rental evidences of sale transactions of office buildings summarised in Table 5.0.

In addition, we have taken into account the current asking rental of office space of Prime Office Buildings in Kuala Lumpur city as tabulated below: -

**Table 3.0: Asking Rental Of Prime Office Space**

Building	(RM Per Sq. Ft. Per Month)
Menara Maxis	10.50
Vista Tower, The Intermark	9.00 – 9.50
Integra Tower, The Intermark	9.00 – 10.50
Menara Prestige	8.50
G-Tower	8.50
Menara IMC	8.50
Menara Dion	9.00

Source: Cheston Research

In undertaking our assessment of the Market Rental upon reversion, we have considered various factors including, current market condition, location and accessibility, building characteristics, grade, quality, facilities, age, condition and size as well as allowance for negotiation on the asking rentals.

Based on the analysis of the contractual passing rental of Menara ExxonMobil under the Lease Agreement, analysis of the rental evidences and analysis of current asking rental of similar type of office buildings, we have adopted RM8.20 per sq. ft. as the fair market rental of Menara ExxonMobil upon reversion.

#### Car Park Revenue

In arriving at the car park revenue for the term, we have adopted the contractual rental as per the Lease Agreement for the current and future terms. The car park rental as per the Lease Agreement is RM178.00 per bay, for the entire duration of the Second Option Term.

Upon expiry of the Lease, the car park revenue is reverted to prevailing market rate.

We have investigated the current commanding monthly car park rate of other office buildings in the vicinity of Menara ExxonMobil. Based on the prevailing car park rate of selected office buildings within Kuala Lumpur city, we have adopted RM220 per bay per month as fair gross car park revenue upon reversion.

#### Other Revenue

The other revenue is the contribution from the income of telecommunication utility rooms. Based on the License Agreement made between Arena Johan Sdn. Bhd. (Licensor) and Maxis Broadband Sdn. Bhd (Licensee), we note that the telecommunication utility rooms have been licensed for a period of 3 years and the monthly rental payable is RM5,200. The abovementioned license to operate is subject to an option for renewal for a further term of 3 years.

We have adopted the above existing rates as other revenue in our computation.

#### Outgoings

The net rent is arrived which is the residue of gross annual market rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The annual outgoings of Menara ExxonMobil for the years ended 31st March 2009, 2010, 2011, from 1st April 2011 up to 31st December 2011 (9 months) and 1st January 2012 up to 31st August 2012 (8 months) (as provided by Arena Johan Sdn. Bhd. are tabulated below: -

**Table 4.0: Outgoings**

Period	Annual Outgoings (RM)	Analysis of Outgoings (RM Per Sq. Ft. Per Month)
As At 31st March 2009	6,595,090	1.39
As At 31st March 2010	7,158,074	1.51
As At 31st March 2011	7,266,402	1.53
From 1st April - 31st December 2011 (9 months)	5,293,409	1.49
From 1st January - 31st August 2012 (8 months)	4,635,013	1.46
Adopted in Valuation as at 1st October 2012 (Current Term)	7,358,261	1.55

Source: Arena Johan Sdn. Bhd.

We have analysed the past annual outgoings of Menara ExxonMobil and made diligent adjustments to arrive at the fair outgoings.

Investigation also made on outgoings of other office buildings and necessary adjustments were made before arriving at the fair outgoings of Menara ExxonMobil.

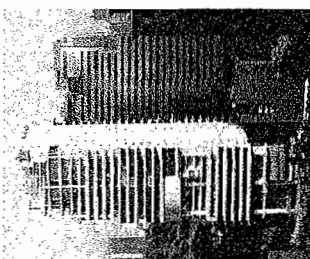
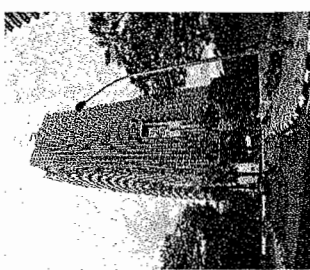
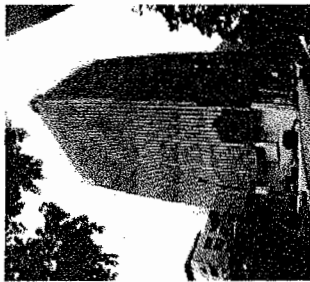
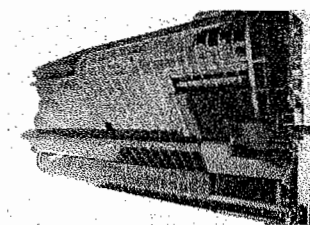
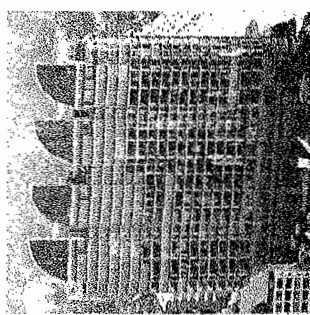
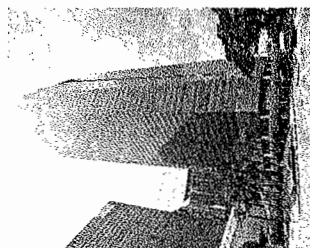
Based on the above analysis, we have adopted outgoings of RM1.55 per sq. ft. per month for the current term, RM1.60 per sq. ft. per month for the future term and RM1.75 per sq. ft. per month for the reversion which is considered fair representation of the outgoings of Menara ExxonMobil. We note that, during the tenure of the Lease, the Lessee provides security to the building and responsible for cleaning of the part of the common areas. Thus, upon reversion, we have reflected the above expenses as the responsibility of the Landlord and reflected in the Outgoings.

#### Rent Loss Adjustment /Vacancy Allowance

Taking into consideration the general trend of office vacancy for similar type of properties and the duration of the rent free allowance based on prevailing market practise, we have allocated 5% of the gross annual rental for vacancy period, vacancy between rent reviews and rent free & fitting out periods as fair representation for the reversion.

The followings are the rental comparison and yield analysis of sales transactions of office buildings in Kuala Lumpur city.

**Table 5.0: Average Gross Monthly Rental And Analysis Of Yield Of Sale Transactions**

						
Property	Menara Prudential	Menara Multi-Purpose	Pavilion Tower	Sunway Tower 2	The Icon (East Wing)	Menara Citibank
Location	Jalan Sultan Ismail	Jalan Munshi Abdullah	Jalan Bukit Bintang	Jalan Ampang	Jalan Tun Razak	Jalan Ampang
Net Lettable Area ("NLA")	147,812	541,424	167,407	268,412	278,183	733,634
Average Gross Rental (Per Sq. Ft.)	RM5.50 - RM6.00	RM4.00 - RM4.50	RM5.50 - RM6.00	RM4.75 - RM5.00	RM6.00 - RM6.50	RM6.00 - RM6.50
Consideration	RM142,226,000	RM375,000,000	RM123,500,000	RM171,489,000	RM226,514,800	RM607,448,952
Net Income (includes car park & other income)	RM9,250,000	RM24,300,000	RM8,035,536	RM11,595,400	RM15,355,700	RM40,496,600
Outgoings	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.50 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)
Date of Transaction	21-December-2011	26-September-2011	1-June-2011	15-June-2010	24-December-2009	8-July-2009
Analysed Yield	6.50%	6.48%	6.51%	6.70%	6.80%	6.67%

Source: Bursa Malaysia Securities Berhad / Cheston Research

#### Yield / Capitalisation Rate

We have adopted a market corroborated capitalisation rate to arrive at the capital value of Menara ExxonMobil. In arriving at our opinion of the appropriate capitalisation rate using the above methodology, thorough examination and analysis of several recent sales of office buildings were carried out. Exercising judgment based on our experience in the industry, we have compared the relative investment characteristics of Menara ExxonMobil and the sales. We made all the necessary and diligent adjustments to arrive at the capitalisation rate. We have given emphasis on the current market condition, location, quality and characteristics of Menara ExxonMobil which is located within the world class development. We have also taken into account the current economic condition, the existing and future demand and supply of office space in arriving at the fair capitalisation rate.

The above yield analysis reveals that, the yield trend of office buildings in Kuala Lumpur city have been declining from 2009 to 2012. At present, our research on the yield trend revealed that yields of prime office buildings are under further compression due to the uncertain global economic environment, moderate Malaysian economy and impending supply of office space to come on stream in the short term.

Menara ExxonMobil is currently being leased under the Second Option Term for a further term of 5 years upon the expiry of the primary term (which had expired on 31st January 2009) and the First Option Term (which had expired on 31st January 2012).

EMEPMI and KLCCP (for and on behalf of Arena Johan Sdn. Bhd.) will discuss EMEPMI's future office space requirements, and opportunities for KLCCP or Arena Johan Sdn. Bhd. to meet these requirements beyond year 2016 ("Requirements") on a best endeavour basis.

We note that the revenue for Menara ExxonMobil is fully secured for the current economic and office market condition until the expiry of the Lease on 31st January 2017. Thereafter, the downtrend in the economy and office market is expected to reverse in tandem with the recovery in the global economy.

Having considered the above and other relevant factors including time, location and accessibility, building characteristics, grade, quality, facilities, age, condition and size, lease terms, occupancy and quality of the tenant/lessee, and carefully going through the past and current lease/tenancy profile, we have adopted reversionary yield of 6.75% whilst the adopted term yield is 6.25% which reflects the security of the existing lease, certain, fixed, staggered and increasing rental income and quality of the Lessee.

The upward adjustment of 50 basis points (bps) on the reversionary yield is to reflect a higher risk on the future tenancy, Malaysian economy and the future revenue. The above rates adopted are in line with our analysis of prevailing market yields of office buildings in Kuala Lumpur city.

### **Comparison Method**

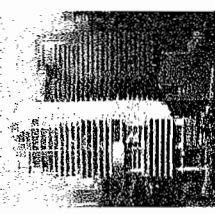
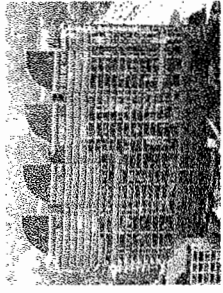
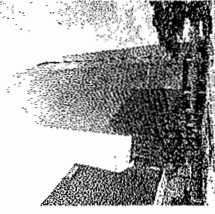
The Comparison Method is premised on the principle that comparison is made for the property under valuation with sales of other similar properties where dissimilarities exist, adjustment are made.

Under this method, an estimate of the market value is derived by comparing the property under valuation with other similar properties that had been sold in the recent past.

In determining the value by this method, a survey was made for property sales which had occurred in this or similar areas within the recent past. These comparable sale prices are then adjusted for comparability to reflect differences in time, location and accessibility, building characteristics, grade, quality, facilities, age, condition, and size to render the sold properties as similar as possible with Menara ExxonMobil.

We have compiled and analysed sale evidences of office buildings in Kuala Lumpur. In arriving at our opinion of the market value of Menara ExxonMobil using the Comparison Method, the following sale evidences, amongst others, are considered suitable comparables and adopted.

**Table 6.0: Details Of The Sale Transactions And Comparison Method**

	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
a	 <b>Menara Prudential</b> , No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur	 <b>The Icon (East Wing)</b> , Jalan Tun Razak, Kuala Lumpur	 <b>Menara Citibank</b> , No. 165, Jalan Ampang, 50450 Kuala Lumpur
b	A 24-storey purpose built office building with 7 basement levels car park	A 20-level purpose built office building with 4 levels of basement car park shared with West Wing	A 50-level purpose built office building with 5 levels of basement car park shared with InterContinental KL
c	Interest In Perpetuity	Interest In Perpetuity	Interest In Perpetuity
d	Year Of Completion 2000	2009	1997
e	Net Lettable Area ("NLA") 147,812 Square Feet	278,182 Square Feet	733,634 Square Feet
f	No. of Car Parks 201 Bays	301 Bays	1,505 car park bays located within 5 basement levels is common property to be shared by Menara Citibank and InterContinental KL. Menara Citibank is entitled for 63.59% of the share of 950 Bays
g	NLA/Car Park Ratio 735 Square Feet Per Bay	924 Square Feet Per Bay	772 Square Feet Per Bay
h	Consideration RM142,226,000	RM226,514,800	RM607,448,952
i	Date Of Transaction 21-December-2011	24-December-09	8-July-09
j	Vendor P.B Pacific Sdn. Bhd.	Mah Sing Group Berhad	Inverfin Sdn. Bhd.
k	Purchaser OCBC Capital (Malaysia) Sdn. Bhd.	T. S. Law Realty Sdn. Bhd.	Hap Seng Consolidated Bhd.
l	Source Bursa Malaysia Securities Bhd.	Bursa Malaysia Securities Bhd.	Bursa Malaysia Securities Bhd.
<b>Analysis (Per Sq. Ft.)</b>	<b>RM962</b>	<b>RM814</b>	<b>RM828</b>
<b>Adjustment</b>	Upward adjustments are made for market condition, location & accessibility and building.	Upward adjustments are made for market condition, location & accessibility and building.	Upward adjustments are made for market condition, location & accessibility and size.
<b>Effective Adjusted Value (Per Sq. Ft.)</b>	<b>RM1,154.65</b>	<b>RM1,139.98</b>	<b>RM1,117.80</b>

In arriving at the market value using the Comparison Method, we have emphasized upon Comparable 1 which has the least dissimilarities against Menara ExxonMobil and also being the latest transaction. We have adopted the adjusted value of RM1,154.65 per sq. ft. from the adjustments of Comparable 1 as fair representation which translate into a market value of RM457,069,787.

**Reconciliation Of Values** The Comparison Method is an appropriate method to be adopted for homogeneous properties with minimal dissimilarities which require less complicated adjustments. However, for income generating investment properties which are physically, functionally and economically complex where adjustments are numerous and more difficult to quantify, it will be difficult to make adjustments using the Comparison Method. The Market Value of an investment property is a function of the future income stream. The cash flows of an investment property are subject to the specific nature of the particular investment property and the lease/tenancy terms. It will be strenuous to make all the relevant qualitative and quantitative adjustments accurately for investment properties using Comparison Method.

Method of Valuation	Market Value
Investment Method	RM450,593,524
Comparison Method	RM457,069,787
<b>Market Value Adopted</b>	<b>RM450,000,000</b>


Nevertheless, the comparative analysis provides a range of values and guide to the Market Value as details of sale comparables are easily available. In light of the above, in arriving at our opinion of the Market Value of Menara ExxonMobil, the Comparison Method is adopted as a guide and supportive method to the Investment Method.

Hence, we have considered the Market Value derived from the Investment Method as fair and accurate representation of Market Value of Menara ExxonMobil supported by the Comparison Method.

**Opinion of Value**

Having regard to the foregoing, taking into consideration all pertinent factors and based upon our analysis of relevant market data, we are of the opinion that the Market Value of the interest in perpetuity in a 29-storey office building including 4 levels of elevated car park together with 3 levels of basement car park known as Menara ExxonMobil identified as Lot 157, Section 58, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur, held under Title No. Grant 43685, subject to the existing Lease to ExxonMobil Exploration And Production Malaysia Inc. (the Lessee) and the title being free of all encumbrances, good, marketable and registrable is **RM450,000,000 (Ringgit Malaysia Four Hundred And Fifty Million Only)**.

For And On Behalf Of  
**CHESTON INTERNATIONAL (KL) SDN. BHD.**

  
**G PAREMES SIVAM, FRISM, MRICS, MPEPS, MIPPM**  
**CHARTERED SURVEYOR**  
**REGISTERED VALUER, V-480**  
**DATE OF VALUATION: 1ST OCTOBER 2012**



Our Ref: V/KLCC REIT/PT3/12

1 0 APR 2013

Chartered Surveyors  
International Property Consultants  
Registered Valuers, Real Estate Agents  
Property Managers, Plant & Machinery Valuers

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**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")**  
Level 54, Tower 2  
PETRONAS Twin Towers  
Kuala Lumpur City Centre  
**50088 KUALA LUMPUR**

Dear Sir,

**VALUATION CERTIFICATE OF A 58-STOREY COMMERCIAL TOWER COMPRISING 52 LEVELS OF OFFICE SPACE AND 6 LEVELS OF RETAIL PODIUM TOGETHER WITH 4 LEVELS OF BASEMENT CAR PARK KNOWN AS MENARA 3 PETRONAS.**

We were instructed by KLCC Property Holdings Berhad ("KLCCP") to conduct valuation of Menara 3 PETRONAS for the purposes of submission to the Securities Commission for approval in conjunction with the proposed establishment of KLCC REIT.

This Valuation Certificate is prepared for inclusion in the Prospectus of the KLCCP Stapled Group where the units in an Islamic real estate investment trust to be established will be stapled together with the existing ordinary shares of KLCCP in forming the stapled securities to be listed on the Main Market of Bursa Malaysia Securities Berhad.

Menara 3 PETRONAS was inspected on 1st October 2012. The relevant date of valuation of the above legal interest is 1st October 2012.

The valuation was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

**CHESTON INTERNATIONAL (JOHOR) SDN. BHD.**  
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## 1.0 SALIENT DETAILS OF MENARA 3 PETRONAS

<b>Interest Valued/ Type of Property</b>	The interest in perpetuity in a 58-storey commercial tower comprising 52 levels of office space inclusive of a sky lobby level, 4 levels of M & E services, a lift motor room at roof level, 6 levels of retail podium inclusive of a level of M & E services, a level of retail concourse and 4 levels of basement car park known as Menara 3 PETRONAS.
<b>Name and Address</b>	Menara 3 PETRONAS, Kuala Lumpur City Centre, 50088 Kuala Lumpur.
<b>Location</b>	<p>Menara 3 PETRONAS is located within Kuala Lumpur City Centre ("KLCC") which is the nucleus of the 'Golden Triangle' in the heart of the bustling Kuala Lumpur city.</p> <p>The KLCC Master Plan design concept by Klages, Carter, Vail &amp; Partners (KCV) was selected after an international competition held in 1990. KLCC is one of the world's largest real estate developments with distinctive and international standard buildings along the perimeter of the KLCC Park which was tastefully designed by the famous Brazilian landscape artist, the late Roberto Burle Marx. KLCC Park serves, as a 'green lung' and a functional showpiece, to integrate and harmonise the office towers, retail complexes, hotels, residential buildings, entertainment and recreation amenities within KLCC. All buildings within this development are designed to maintain design integrity with the park and create a sense of unity. The buildings also designed to enjoy uninterrupted panoramic view of the park, which has separate areas for active, passive, formal and informal activities.</p> <p>The expertly planned KLCC is a purpose-built, fully integrated inner city development featuring quality and intelligent buildings, state-of-the-art amenities and the finest communication facilities. It is also a main node of the country's well publicised Multimedia Super Corridor ("MSC").</p> <p>Due to its prime location and excellent accessibility, KLCC is designed as an ideal place to live, work, visit, shop and relax in a convenient and pleasant environment. It is a self-contained city-within-a-city, with the infrastructure and amenities to satisfy the varied and demanding needs of people and companies doing business in this dynamic world. KLCC, marks a milestone in the growth of Kuala Lumpur, setting the bench-mark for urban spatial planning and development in Malaysia.</p> <p>Menara 3 PETRONAS fronts onto Jalan P. Ramlee and is strategically located at the north-western portion of the KLCC Development. It is a prestigious 58-storey commercial tower and the latest addition to the world class KLCC development.</p>
<b>Title Particulars</b>	<p>Lot No: Lot 171, Section 58, Title No. Grant 43699, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur.</p> <p>Land area: 4,302.0 square metres (46,306.3 square feet).</p> <p>Tenure: Interest in perpetuity.</p> <p>Category of Land Use: Building.</p> <p>Registered Proprietor: Arena Merdu Sdn. Bhd.</p>

**Property Description**

Menara 3 PETRONAS, stands majestically at 267 metres (876 feet) above the street level complimenting the 452-metre (1,483-foot) high 88-storey PETRONAS Twin Towers.

The site on which Menara 3 PETRONAS constructed is a near square shaped parcel of land having a title land area of 4,302.0 square metres (46,306.3 square feet).

The design, by Pelli Clarke, Pelli Architects is designed with a combination of geometric square and triangular shaped tower with a central service core comprising lifts, staircases and toilets. At the podium, the Tower features exclusive retail space which has a seamless link with Suria KLCC.

The building is constructed of reinforced concrete frame and core walls supporting a waterproofed reinforced concrete flat roof. The external columns, beams and other reinforced concrete areas are lined with protective perforated aluminium cladding panels. The floor is of 125 mm raised floor and the floor to ceiling height is about 2.65 metres.

Menara 3 PETRONAS is equipped with the intelligent building system comprising Building Control System, Fire Alarm System & Building Security System, state-of-the-art facilities and amenities, modern information and communication technology features as well as integrated security system with advanced features.

An application has been submitted to the Multimedia Development Corporation Sdn. Bhd. for (a) the expansion of the site of Menara 3 PETRONAS as the boundary of MSC Malaysia Cybercity and (b) the inclusion of Menara 3 PETRONAS as a "designated premise" in the MSC Malaysia Cybercity, and the application is in progress.

**Gross Floor Area**

155,296.5 square metres (1,671,596.0 square feet).

**Net Lettable Areas**

Menara 3 PETRONAS	Square Metres	Square Feet
Office Tower	75,512.2	812,806.0
Retail Podium	12,272.6	132,101.0
<b>Total</b>	<b>87,784.8</b>	<b>944,907.0</b>

**Car Park**

Menara 3 PETRONAS has 195 car parking bays within its footprint. However, only 193 car parking bays are suitable to be used as car park. All the four (4) levels of the car park of Menara 3 PETRONAS have seamless connection with the North-West Development Car Park.

**Planning Details**

Menara 3 PETRONAS is located within an area designated for commercial use and a Certificate of Completion and Compliance bearing Reference No. LAM/WP/No.2361 was issued on 30th December 2011.

**Lease / Tenancy Profile And Details**

Office Tower, Menara 3 PETRONAS

Office Tower, Menara 3 PETRONAS has been leased to a single Lessee, Petroliam Nasional Berhad ("PETRONAS"), for a term of fifteen (15) years commencing on 15th December 2011 and expiring on 14th December 2026.

PETRONAS is the national oil and gas company of Malaysia and is wholly-owned by the Government of Malaysia.

Vide a Triple Net Lease Agreement dated 27th November 2012, we note that the office tower, Menara 3 PETRONAS, excluding the Retail Podium has been leased on a triple net basis with rights to use 195 car park bays to be provided or procured by the Lessor for the Lessee within the Premises or in the vicinity of the Premises, subject to any further available allocation from time to time.

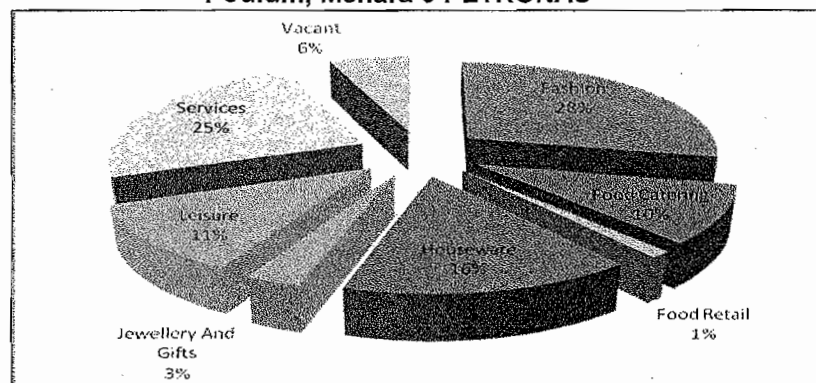
The Lease shall be for a term of fifteen (15) years commencing on 15th December 2011 and expiring on 14th December 2026.

The agreement also stipulates that the Lessee shall not determine the Lease hereby granted before the expiry of the Term and in the event of unilateral determination on part of the Lessee, the Lessee shall remain liable to pay to the Lessor the rent in full for the remaining unexpired period of the term which amount shall together with any arrears to be recovered as a debt due to the Lessor.

Retail Podium, Menara 3 PETRONAS

The retail podium, Menara 3 PETRONAS is positioned as an upper middle to upper income level boutique retail mall targeting affluent families and tourist. The mall is also an extension to Suria KLCC and has a seamless connection with Suria KLCC. At the date of the valuation, the retail podium enjoys an occupancy rate of about 93.9%. The retailers comprise fashion, services, leisure, houseware, food catering, jewellery & gifts and food retail. Fashion and services represent the major tenant mix of the mall at 28% and 25% of total net lettable area respectively, followed by houseware and food catering with a share of 16% and 10% of total net lettable area, respectively. Jewellery & gifts and food retail represent 3% and 1% of total net lettable area, respectively.

**Chart 1.0: Tenancy Profile By Net Lettable Area Of Retail Podium, Menara 3 PETRONAS**



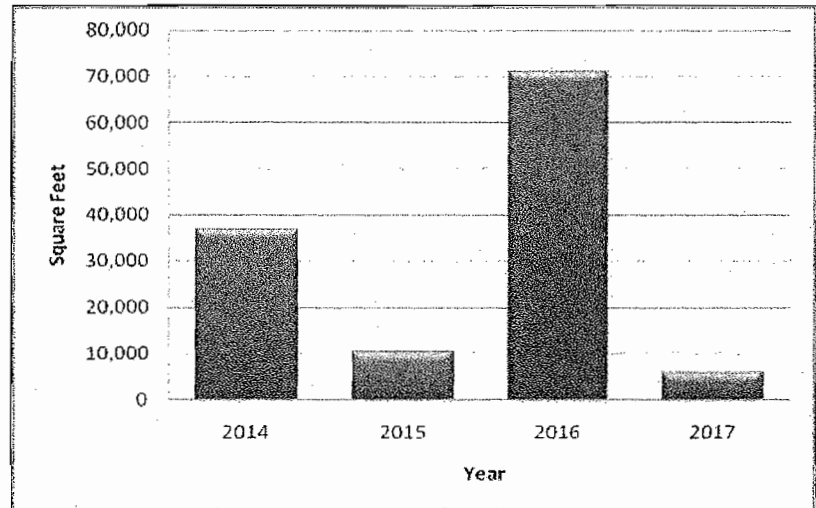
Prominent fashion retailers within the mall comprise Ermenegildo Zegna, Versace, Giorgio Armani, Chanel, Etienne Aigner, Ted Baker, French Sole, Anya Hindmarch and Moschino.

We note that about 24.32% of the tenancies have been let for a 3-year term with step up rental of 5% annually and about 67.57% of the tenancies have been let for a 5-year term with an increase of 5% for the second, fourth and fifth year minor reviews whilst the third year major review is with an increase from 10% to 15%. Upon rent renewal for the both 3-year and 5-year tenancies, the rent is adjusted with major rent review ranging from 10% to 15%.

The retail podium is being managed by Suria KLCC Sdn. Bhd. and the current service charge is RM4.89 per sq. ft. which is in line with the service charge of Suria KLCC.

The tenancy expiring profile of the retail podium, Menara 3 PETRONAS is as follow:-

**Chart 2.0: Tenancy Expiring Profile Of The Retail Podium, Menara 3 PETRONAS**



### Property Performance

The operating performance of the office tower and retail podium, Menara 3 PETRONAS for the period of 1st January 2012 to 31st August 2012 (8 months) as provided by Arena Merdu Sdn. Bhd. is tabulated as below.

**Table 1.0 Operating Performance Of Office Tower, Menara 3 PETRONAS**

	From 1st January - 31st August 2012 (8 months) (RM)
Occupancy Rate	100%
Triple Net Rental Receivable	59,978,263

Source: Arena Merdu Sdn. Bhd.

**Table 2.0: Operating Performance Of Retail Podium, Menara 3 PETRONAS**

	From 1st January - 31st August 2012 (8 months) (RM)
Occupancy Rate	93.89%
Gross Rental Receivable	15,307,076
Total Gross Income	15,307,076
Total Outgoings	5,586,237
Net Income	9,720,839

Source: Arena Merdu Sdn. Bhd.

## 1.1 MARKET VALUE

**Date of Valuation** 1 October 2012

**Valuation Methodology** In arriving at our opinion of the Market Value of the office tower and retail podium of Menara 3 PETRONAS, we have adopted the Investment and Comparison Methods of Valuation.

**Investment Method** This method is premised on the principle that the value of an income-producing property is represented by “the present worth of future rights to income, or utility”. The value estimated under this method is derived by ascertaining the market rent of the property (i.e. that income which is ascribable to the property under its highest and best use); deducting all reasonable operating expenses (as would be experienced under typical management) and then capitalising the resultant net income by an appropriate rate of capitalisation to obtain the present value of the income stream.

**Office Tower,  
Menara 3 PETRONAS**

### Term

**Rental:** In undertaking our assessment of value under the capitalisation approach, we have adopted the triple net rental as per the abovementioned Lease Agreement for the term. Upon expiry of the Lease (reversion), the rent is reverted to Market Rent.

In accordance with the abovementioned Lease Agreement, the current term is identified as Term 1, commencing from 15th December 2011 and expiring on 14th December 2014 and the triple net rent is RM7.35 per sq. ft. per month payable quarterly in advance on or before the first day of every quarter. The rent shall be reviewed every three (3) years commencing on the third anniversary of the Lease Commencement Date based on the formula of three percent (3%) per annum compounded for the preceding three (3) years. The triple net rental for the remaining lease terms are summarised as follows:-

**Table 3.0: The Current 15-Year Triple Net Rent**

Term	Monthly Rental (Per Sq. Ft.) *
Term 1 (15/12/2011 – 14/12/2014)	RM7.350
Term 2 (15/12/2014 – 14/12/2017)	RM8.032
Term 3 (15/12/2017 – 14/12/2020)	RM8.776
Term 4 (15/12/2020 – 14/12/2023)	RM9.590
Term 5 (15/12/2023 – 14/12/2026)	RM10.479

\* Rent review: Formula of 3% per annum compounded for the preceding 3 years.

\*\* Rent Free: 15/12/2011 to 14/2/2012

**Capitalisation Rate: 6.00%** adopted for the term

### Reversionary

Gross Rental:	<b>RM9.93</b> per sq. ft. per month
Car Park Income:	RM48,250 per month
Other Revenue:	RM4,600 per month.
Outgoings:	<b>RM1.90</b> per sq. ft. per month
Capitalisation Rate:	<b>6.50%</b> adopted for the reversion

#### Gross Rental

Upon expiry of the Lease (reversion), the rent is reverted to Market Rent. Our assessment of the Market Rent upon reversion is based on the analysis of passing rental of sub-tenanted/sub-lettings of the office tower, Menara 3 PETRONAS.

Our analysis of the existing sub-tenancies/sub-lettings of the office tower, Menara 3 PETRONAS revealed that about 45% of the office space has been sub-tenanted/sub-let to third party tenants and the average gross rental per month over the occupied area is RM4,002,883 which is analysed to RM10.93 per sq. ft.

In arriving at our opinion of the Market Rental of office tower, Menara 3 PETRONAS upon reversion, we also have taken into consideration the rental evidences of sale transactions of office buildings summarised as Table 4.0.

Based on the analysis of passing rental of sub-tenanted/sub-let tenancy of office tower, Menara 3 PETRONAS, analysis of the rental evidences and analysis of current asking rental of office buildings, also taking into consideration inadequacy of car parking bays, we have adopted RM9.93 per sq. ft. as the fair market rental of office tower, Menara 3 PETRONAS, upon reversion.

#### Car Park Revenue

The office tower, Menara 3 PETRONAS is leased on a triple net basis to PETRONAS (Lessee) and PETRONAS is entitled to the car park revenue during the Lease. As such, we did not reflect the car park revenue during the tenure of the Lease.

However, we have reflected the car park revenue upon reversion. There are 195 car park bays within Menara 3 PETRONAS and out of that 193 are usable bays.

We have investigated the current commanding monthly car park rate of other office buildings in the vicinity of Menara 3 PETRONAS. Based on the prevailing car park rate of selected office buildings within Kuala Lumpur city, we have adopted RM250 per bay per month as fair car park revenue upon reversion.

#### Other Revenue

The other revenue is the contribution from the income of telecommunication utility rooms. Vide a License Agreement made between PETRONAS (Licensor) and Maxis Broadband Sdn. Bhd. (Licensee), we note that the telecommunication utility rooms have been licensed for a period of 3 years commencing on 1st June 2012. The monthly rental payable is RM2,600. The abovementioned license to operate is subject to an option for renewal for a further term of 3 years.

Vide another License Agreement made between PETRONAS (Licensor) and TT dotcom Sdn. Bhd. (Licensee), we note that another telecommunication utility room has been licensed for a period of 3 years commencing on 1st January 2012. The monthly rental payable is RM2,000. The abovementioned license to operate is subject to an option for renewal for a further term of 3 years.

We have adopted the above existing rates as other revenue in our computation.

#### Outgoings

The net rent is arrived which is the residue of gross annual market rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The office tower, Menara 3 PETRONAS was completed on 30th December 2011 and we were informed that the full operating expenses have not been finalised as yet. The outgoings of office tower, Menara 3 PETRONAS for the period of 1st January 2012 up to 31st August 2012 (8 months) (as provided by Arena Merdu Sdn. Bhd.) is RM8,973,638 which is analysed to RM1.38 per sq. ft.

We have analysed the outgoings of office tower, Menara 3 PETRONAS for the past 8 months and made diligent adjustments to arrive at the fair outgoings.

Investigation also made on outgoings of other office buildings and necessary adjustments were made before arriving at the fair outgoings of the office tower, Menara 3 PETRONAS.

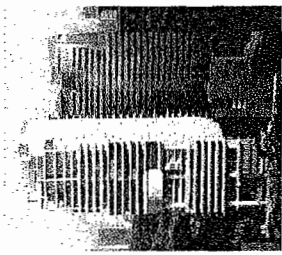
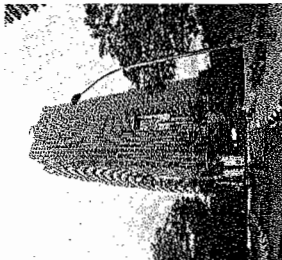
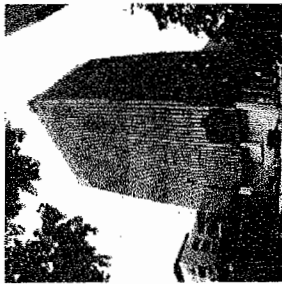
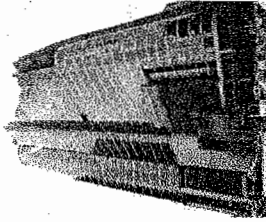
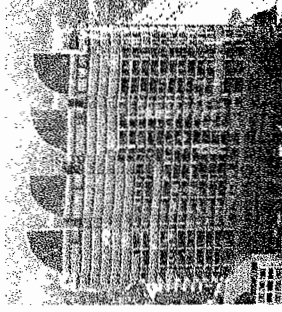
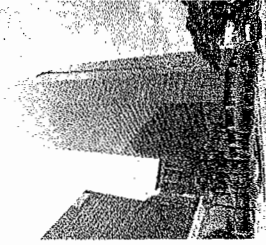
Based on the above analysis, we have adopted outgoings of RM1.90 per sq. ft. per month upon reversion which is considered fair representation of the outgoings of office tower, Menara 3 PETRONAS.

#### Rent Loss Adjustment / Vacancy Allowance

Taking into consideration the general trend of office vacancy for similar type of properties and the duration of the rent free allowance based on prevailing market practise, we have allocated 5% of the gross annual rental for vacancy period, vacancy between rent reviews and rent free & fitting out periods as fair representation for the reversion.

The followings are the rental comparison and yield analysis of sales transactions of office buildings in Kuala Lumpur city.

**Table 4.0: Average Gross Monthly Rental And Analysis Of Yield Of Sale Transactions**

						
Property	Menara Prudential	Menara Multi-Purpose	Pavilion Tower	Sunway Tower 2	The Icon (East Wing)	Menara Citibank
Location	Jalan Sultan Ismail	Jalan Munshi Abdullah	Jalan Bukit Bintang	Jalan Ampang	Jalan Tun Razak	Jalan Ampang
Net Lettable Area ("NLA")	147,812	541,424	167,407	268,412	278,183	733,634
Average Gross Rental (Per Sq. Ft.)	RM5.50 - RM6.00	RM4.00 - RM4.50	RM5.50 - RM6.00	RM4.75 - RM5.00	RM6.00 - RM6.50	RM6.00 - RM6.50
Consideration	RM142,226,000	RM375,000,000	RM123,500,000	RM171,489,000	RM226,514,800	RM607,448,952
Net Income (includes car park & other income)	RM9,250,000	RM24,300,000	RM8,035,536	RM11,595,400	RM15,355,700	RM40,496,600
Outgoings	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.50 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)	(Estimated based on outgoings of about RM1.40 per sq. ft. per month over NLA)
Date Of Transaction	21-December-2011	26-September-2011	1-June-2011	15-June-2010	24-December-2009	8-July-2009
Analysed Yield	6.50%	6.48%	6.51%	6.70%	6.80%	6.67%

Source: Bursa Malaysia Securities Berhad / Cheston Research

**Yield / Capitalisation Rate** We have adopted a market corroborated capitalisation rate to arrive at the capital value of office tower, Menara 3 PETRONAS. In arriving at our opinion of the appropriate capitalisation rate using the above methodology, thorough examination and analysis of several recent sales of office buildings were carried out. Exercising judgment based on our experience in the industry, we have compared the relative investment characteristics of office tower, Menara 3 PETRONAS and the sales. We have made necessary diligent adjustments to arrive at the capitalisation rate. We have given emphasis on the current market condition, location, quality and characteristics of office tower, Menara 3 PETRONAS. We also have taken into account the current economic condition, the existing and future demand and supply of office space in arriving at the capitalisation rate.

The above yield analysis reveals that the yield trend of office buildings in Kuala Lumpur city have been declining from 2009 to 2012. At present, our research on the yield trend revealed that yields of prime office buildings are under further compression due to the uncertain global economic environment, moderate Malaysian economy and impending supply of office space to come on stream in the short term.

The office tower of Menara 3 PETRONAS is currently being leased for a term of 15 years commencing on 15th December 2011 and expiring on 14th December 2026.

The revenue for Menara 3 PETRONAS is fully secured for the current economic and office market condition until the expiry of the Lease on 14th December 2026.

We also note from the new Lease Agreement that the Lessor has granted the Lessee an option to extend the existing Lease for a further term of 15 years upon expiry of the existing Lease on 14th September 2026 subject to the terms and conditions to be agreed by both parties.

Having considered the above and other relevant factors including current market condition, location and accessibility, building characteristics, grade, quality, facilities, age, condition and size, lease terms, occupancy and quality of the tenant/lessee, and carefully going through the past and current lease/tenancy profile, we have adopted reversionary yield of 6.5% whilst the adopted term yield is 6.0% which reflects the security of the existing lease, certain, fixed, staggered and increasing rental income and quality of the lessee/tenant.

The upward adjustment of 50 basis points (bps) on the reversionary yield is to reflect a higher risk on the future tenancy, Malaysian economy and the future revenue. The above rates adopted are in line with our analysis of prevailing market yields of office buildings in Kuala Lumpur city.

### **Comparison Method**

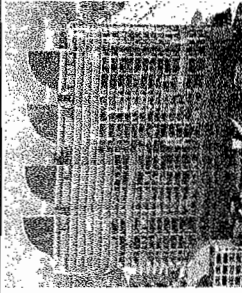
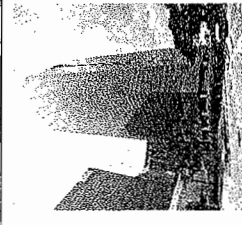
The Comparison Method is premised on the principle that comparison is made for the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustments are made.

Under this method, an estimate of the market value is derived by comparing the property under valuation with other similar properties that had been sold in the recent past.

In determining the value by this method, a survey was made for property sales which had occurred in this or similar areas within the recent past. These comparable sale prices are then adjusted for comparability to reflect differences in time, location and accessibility, building characteristics, grade, quality, facilities, age, condition, and size to render the sold properties as similar as possible with office tower, Menara 3 PETRONAS.

We have compiled and analysed sale evidences of office buildings in Kuala Lumpur. In arriving at our opinion of the market value of Menara 3 PETRONAS using the Comparison Method, the following sale evidences, amongst others, are considered suitable comparables and adopted.

**Table 5.0: Details Of The Sale Transactions And Comparison Method**

	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
a	<b>Property</b> <b>Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur</b>	 <b>The Icon (East Wing), Jalan Tun Razak, Kuala Lumpur</b>	 <b>Menara Citibank, No. 165, Jalan Ampang, 50450 Kuala Lumpur</b>
b	<b>Description of the Building</b> A 24-storey purpose built office building with 7 basement levels car park	A 20-level purpose built office building with 4 levels of basement car park shared with West Wing	A 50-level purpose built office building with 5 levels of basement car park shared with InterContinental KL
c	<b>Tenure</b> Interest In Perpetuity	Interest In Perpetuity	Interest In Perpetuity
d	<b>Year Of Completion</b> 2000	2009	1997
e	<b>Net Lettable Area ("NLA")</b> 147,812 Square Feet	278,182 Square Feet	733,634 Square Feet
f	<b>No. of Car Parks</b> 201 Bays	301 Bays	1,505 car park bays located within 5 basement levels is common property to be shared by Menara Citibank and InterContinental KL. Menara Citibank is entitled for 63.59% of the share of 950 Bays
g	<b>Consideration</b> RM142,226,000	RM226,514,800	RM607,448,952
h	<b>Date Of Transaction</b> 21-December-11	24-December-09	8-July-09
i	<b>Vendor</b> P.B. Pacific Sdn. Bhd.	Mah Sing Group Berhad	Inverfin Sdn. Bhd.
j	<b>Purchaser</b> OCBC Capital (Malaysia) Sdn. Bhd.	T.S.Law Realty Sdn. Bhd.	Hap Seng Consolidated Bhd.
k	<b>Source</b> Bursa Malaysia Securities Bhd.	Bursa Malaysia Securities Bhd.	Bursa Malaysia Securities Bhd.
	<b>Analysis (Per Sq. Ft.)</b> RM1962	RM814	RM828
	<b>Adjustment</b> Upward adjustments are made for market condition, location & accessibility, building and long term triple net lease/security of income. Downward adjustments are made for size, inadequate car park & contribution for easement/right of way.	Upward adjustments are made for market condition, location & accessibility, building and long term triple net lease/security of income. Downward adjustments are made for size, inadequate car park & contribution for easement/right of way.	Upward adjustments are made for market condition, location & accessibility, building and long term triple net lease/security of income. Downward adjustment is made in inadequate car park & contribution for easement/right of way.
	<b>Effective Adjusted Value (Per Sq. Ft.)</b> RM1,587.64	RM1,587.82	RM1,573.20

In arriving at the market value using the Comparison Method, we have emphasized upon Comparable 1 which has the least dissimilarities against office tower, Menara 3 PETRONAS and also being the latest transaction. We have adopted the adjusted value of RM1,587.64 per sq. ft. from the adjustments of Comparable 1 as fair representation which translate into a market value of RM1,290,446,927.

**Retail Podium,  
Menara 3 PETRONAS**

**Term**

Average Gross Rental:	<b>RM23.61</b> per sq. ft. per month over prevailing occupied net lettable area.
Outgoings:	<b>RM5.50</b> per sq. ft. per month
Other Income:	<b>RM50,000</b> per month
Capitalisation Rate:	<b>6.50%</b> adopted for the term

**Reversionary**

Average Gross Rental:	<b>RM28.89</b> per sq. ft. per month on fully tenanted basis.
Void Allowance:	<b>3%</b>
Outgoings:	<b>RM6.38</b> per sq. ft. per month over total net lettable area
Capitalisation Rate	<b>6.75%</b> adopted for the reversion

**Gross Rental** Upon expiry of the tenancies (reversion), the rent is reverted to Market Rent. Our assessment of the Market Rent of retail podium, Menara 3 PETRONAS upon reversion is based on the trend of the passing rental of the Retail Podium. We have adopted 10% increase upon reversion as fair representation of the Market Rent.

In arriving at our opinion of the Market Rental of retail podium, Menara 3 PETRONAS upon reversion, we also have taken into consideration the rental evidences of shopping/retail centre transactions summarised as Table 8.0.

In undertaking our assessment of the Market Rental upon reversion, we have considered various factors comprising current market condition, location, accessibility, tenant mix & positioning, building design, integrated development, size and tenure, occupancy and quality of the tenant/lessee and carefully going through the current lease/tenancy profile.

**Car Park Revenue** The Retail Podium is not allocated with any car park and thus does not entitle for any car park revenue. As such, we have not reflected any car park revenue for the term and reversion.

**Outgoings** The net rent is arrived which is the residue of gross annual market rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The outgoings of the Retail Podium for the period of 1st January 2012 up to 31st August 2012 (8 months) (as provided by Arena Merdu Sdn. Bhd.) is RM5,586,237 which is analysed to RM5.29 per sq. ft.

We have analysed the past 8 months outgoings of retail podium, Menara 3 PETRONAS and made diligent adjustments to arrive at the fair outgoings.

Investigation also made on outgoings of other shopping/retail centres and necessary adjustments were made before arriving at the fair outgoings of retail podium, Menara 3 PETRONAS.

Outgoings of other shopping/retail centres are tabulated below.

**Table 6.0: Outgoings Of Shopping/Retail Centres**

No.	Shopping/Retail Centres	Net Lettable Area (Sq. Ft.)	Outgoings (Per Sq. Ft. Per Month)
1	Pavillion Kuala Lumpur Mall	1,335,119	RM4.20 – RM4.25
2	Mid Valley Megamall	1,718,951	RM2.65 – RM2.70
3	The Gardens Mall, Mid Valley City	817,053	RM3.50 – RM3.55
4	Sunway Pyramid	1,685,568	RM2.75 – RM2.80
5	Lot 10 Shopping Centre	256,811	RM3.15 – RM3.20
6	Starhill Gallery	297,354	RM3.00 – RM3.05

Source: Bursa Malaysia Securities Berhad/Cheston Research

Based on the above analysis, we have adopted outgoings of RM5.50 per sq. ft. per month for the current term, escalated 3% per annum for the future term and RM6.38 per sq. ft. per month for the reversion which are considered fair representation of the outgoings of the Retail Podium.

**Table 7.0: Outgoing Rates Adopted**

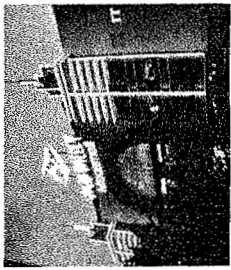
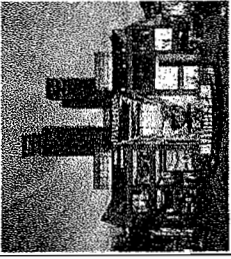
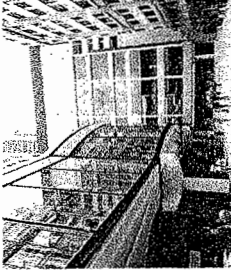
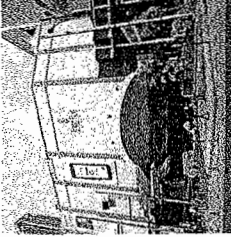
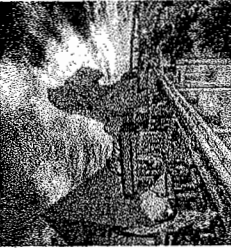
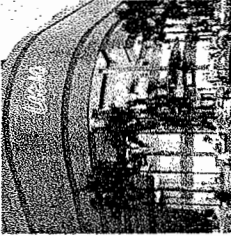
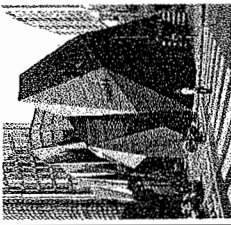
Year	RM Per Sq. Ft. Per Month
2012	5.50
2013	5.67
2014	5.83
2015	6.01
Reversion	6.38

#### Rent Loss Adjustment / Vacancy Allowance

Taking into consideration the general trend of retail vacancy for similar type of properties and the duration of the rent free allowance based on prevailing market practise, we have allocated 3% of the gross annual rental for vacancy period, vacancy between rent reviews and rent free & fitting out periods as fair representation upon reversion.

The followings are the rental comparison and yield analysis of sale transactions of shopping/retail centres.

**Table 8.0: Average Gross Monthly Rental And Analysis Of Yield Of Sale Transactions**

Property							
Location	Mid Valley Megamall Lorong Syed Putra	Pavilion Kuala Lumpur Mall Jalan Bukit Bintang	The Gardens Mall, Mid Valley City Lorong Syed Putra	Sungei Wang Plaza Golden Triangle, Kuala Lumpur	Sunway Pyramid Bandar Sunway	Lot 10 Shopping Centre Golden Triangle, Kuala Lumpur	Starhill Gallery Golden Triangle, Kuala Lumpur
Net Lettable Area ("NLA")	1,718,951	1,335,119	817,053	450,470	1,685,568	256,811	297,354
Average Gross Rental (Per Sq. Ft.)	RM11.57	RM17.36	RM10.77	RM10.90	RM10.00	RM12.00	RM15.00
Consideration	RM3,440,000,000	RM3,190,300,000	RM1,160,000,000	RM724,000,000	RM2,132,025,000	RM401,000,000	RM629,000,000
Annual Net Income (Including Car Park & Other Income)	RM183,008,000	RM210,000,000	RM70,876,000	RM49,956,000	RM146,000,000	RM27,250,000	RM42,800,000
Monthly Net Rental (Per Sq. Ft.)	RM8.87	RM13.11	RM7.23	RM9.24	RM7.22	RM8.84	RM11.99
Monthly Outgoings (Per Sq. Ft.)	RM2.70	RM4.25	RM3.54	RM1.66	RM2.78	RM3.16	RM3.01
Date of Transaction	1-May-12	1-June-11	1-May-12	28-June-10	15-June-10	16-April-10	16-April-10
Analysed Yield	5.32%	6.58%	6.11%	6.90%	6.85%	6.80%	6.80%

Source: Bursa Malaysia Securities Berhad / Cheston Research

**Yield / Capitalisation Rate** We have adopted a market corroborated capitalisation rate to arrive at the capital value of retail podium, Menara 3 PETRONAS. In arriving at our opinion of the appropriate capitalisation rate using the above methodology, thorough examination and analysis of several recent sales of shopping/retail centres were carried out. Exercising judgment based on our experience in the industry, we have compared the relative investment characteristics of retail podium, Menara 3 PETRONAS and the sales. We made all the necessary and diligent adjustments to arrive at the capitalisation rate. We have given emphasis on the location, quality and characteristic of retail podium, Menara 3 PETRONAS. We have also taken into account the current economic condition, the existing and future demand and supply of shopping/retail centres in arriving at the capitalisation rate.

The above yield analysis reveals that, yields of shopping/retail centres in Kuala Lumpur city ranges from 5.32% to 6.9% depending on the time, location, accessibility, tenant mix & positioning, building design, integrated development, size and tenure.

Having considered the above and other relevant factors including time, location, accessibility, tenant mix & positioning, building design, integrated development, size and tenure, occupancy and quality of the tenant/lessee and carefully going through the current lease/tenancy profile, we have adopted reversionary yield of 6.75% whilst the adopted term yield is 6.5% which reflects the security of the existing lease, certain, fixed, staggered and increasing rental income and quality of the tenants.

The additional spread of 25 basis points (bps) on the reversionary yield is to reflect a higher risk on the future tenancy, Malaysian economy and the future revenue. The above rates adopted are in line with our analysis of prevailing market yields of shopping/retail centres.

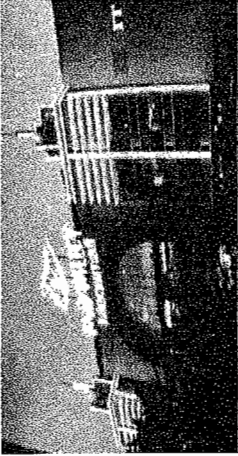
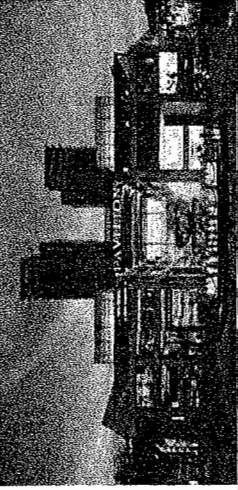

**Comparison Method** The Comparison Method is premised on the principle that comparison is made for the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustments are made.

Under this method, an estimate of the market value is derived by comparing the property under valuation with other similar properties that had been sold in the recent past.

In determining the value by this method, a survey was made for which had property sales that have occurred in this or similar areas within the recent past. These comparable sale prices are then adjusted for comparability to reflect differences in time, location and accessibility, building characteristics, grade, quality, facilities, age, condition and size to render the sold properties as similar as possible with retail podium, Menara 3 PETRONAS.

We have analysed and made diligent adjustments for differences of the comparable sale transactions against retail podium, Menara 3 PETRONAS. After making the necessary adjustments for time, location, accessibility, tenant mix & positioning, building design, integrated development, size and tenure, occupancy and quality of the tenant/lessee, the adjusted values range from RM3,703.76 per sq. ft. to RM3,913.35 per sq. ft.

**Table 9.0: Details Of The Sale Transactions And Comparison Method**

	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3
a) Building	 Mid Valley MegaMall, Lorong Syed Putra, Kuala Lumpur	 Pavilion Kuala Lumpur Mall, Jalan Bukit Bintang, Kuala Lumpur	 Starhill Gallery, Jalan Bukit Bintang, Kuala Lumpur
b) Description	A 5 storey retail mall ( from Level LG to 3) with 1 mezzanine floor, 2 levels of basement car and 4 levels of elevated car park	A 7 storey shopping mall together with 3 storey retail office block sited atop and annexed with a 4 storey retail/entertainment connection block and 3 levels of basement car park	Part of a 7-storey shopping centre with 5 basement and a 12-level annexed building with 3 basement
c) Building Size (Net Lettable Area)	1,729,108 Square Feet	1,335,119 Square Feet	297,354 Square Feet
d) Building Size (Gross Floor Area)	6,107,103 Square Feet	2,202,557 Square Feet	504,571 Square Feet
e) Year Of Completion	1999	2007	1997
f) Property Component	Integrated mixed development on 9.7 acres land within Mid Valley City including two 31-storey office towers (Office), Garden Hotel & Residences (Hospitality), and the Gardens Mall (Retail)	Integrated mixed development on 12.6 acres land located along Jalan Bukit Bintang consisting Pavilion Kuala Lumpur Mall (Retail), Pavilion Tower (Office) and Pavilion Residences (Residential)	
g) Positioning	Middle Income Level	Upper Middle To Upper Income Level	Upper Income Level
h) Target Market	Families And Teenagers	Affluent Families And Tourist	High Net Worth Shoppers & Tourist
i) Sale Price	RM3,440,000,000	RM3,190,300,000	RM629,000,000
j) Date Of Transaction	1-May-12	1-June-11	16-April-10
k) Tenure	99- year leasehold expiring on 6/6/2103	99- year leasehold expiring on 26/10/2109	Interest In Perpetuity
l) Vendor	Mid Valley City Sdn Bhd	Urusharta Cemerlang Sdn Bhd	Mayban Trustee Berhad
m) Purchaser	AmTrustee Berhad, the trustee of IGB REIT	AmTrustee Berhad, the trustee of Pavilion REIT	HSBC Institutional Trust Services (Singapore) Limited, the trustee of Stallhill Global REIT
n) Source	Bursa Malaysia Securities Bhd.	Bursa Malaysia Securities Bhd.	Bursa Malaysia Securities Bhd.
Analysis (Per Sq. Ft.)	RM1,989	RM2,390	RM2,115
Adjusted Sales Price (Per Sq. Ft.)	RM3,779.98	RM3,703.76	RM3,913.35
	Upward adjustments are made for location, accessibility, tenant mix & positioning, size and tenure.	Upward adjustments are made for market condition, location, accessibility, size and tenure	Upward adjustments are made for market condition, location, accessibility, tenant mix & positioning, building design/integrated development, and size

In arriving at the market value using the Comparison Method, we have emphasized upon Comparable 2 which has the least dissimilarities against retail podium, Menara 3 PETRONAS.

We have adopted the adjusted value of RM3,703.76 per sq. ft. from the adjustments of Comparable 2 as a fair representation which translate into a market value of RM489,270,860.

**Reconciliation Of Values** The Comparison Method is an appropriate method to be adopted for homogeneous properties with minimal dissimilarities which require less complicated adjustments. However, for income generating investment properties which are physically, functionally and economically complex where adjustments are numerous and more difficult to quantify, it will be difficult to make adjustments using the Comparison Method. The Market Value of an investment property is a function of the future income stream. The cash flows of an investment property are subject to the specific nature of the particular investment property and the lease/tenancy terms. It will be strenuous to make all the relevant qualitative and quantitative adjustments accurately for investment properties using the Comparison Method.

Method of Valuation	Office Tower, Menara 3 PETRONAS	Retail Podium, Menara 3 PETRONAS
Investment Method	RM1,306,977,100	RM492,015,620
Comparison Method	RM1,290,446,927	RM489,270,860
<b>Market Value Adopted</b>	<b>RM1,300,000,000</b>	<b>RM490,000,000</b>

Nevertheless, the comparative analysis provides a range of values and guide to the Market Value as details of sale comparables are easily available. In light of the above, in arriving at our opinion of Market Value of Menara 3 PETRONAS, the Comparison Method is adopted as a guide and supportive method to the Investment Method.


Hence, we have considered the Market Value derived from the Investment Method as fair and accurate representation of Market Value of Menara 3 PETRONAS supported by the Comparison Method.

**Opinion of Value**

Having regard to the foregoing, taking into consideration all pertinent factors and based upon our analysis of relevant market data, we are of the opinion that the market value of the interest in perpetuity in a 58-storey commercial tower comprising 52 levels of office space and 6 levels of retail podium together with 4 levels of basement car park known as Menara 3 PETRONAS, identified as Lot 171, Section 58, Town and District of Kuala Lumpur, Federal Territory Kuala Lumpur, held under Title No. Grant 43699, subject to the existing Lease to PETRONAS in respect of the office tower and the title being free of all encumbrances, good, marketable and registrable is as tabulated below.

Menara 3 PETRONAS	Market Value
Office Tower	RM1,300,000,000
Retail Podium	RM490,000,000
<b>Total</b>	<b>RM1,790,000,000</b>

For And On Behalf Of  
CHESTON INTERNATIONAL (KL) SDN. BHD.



G PAREMES SIVAM, FRISM, MRICS, MPEPS, MIPPM  
CHARTERED SURVEYOR  
REGISTERED VALUER, V-480  
DATE OF VALUATION: 1ST OCTOBER 2012

**TAX CONSULTANT'S LETTERS ON TAXATION OF KLCC REIT AND UNITHOLDERS, AND  
TAXATION OF THE COMPANY AND SHAREHOLDERS**

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Taxation adviser's letter in respect of the taxation  
of the unit trust and the unit holders  
(prepared for inclusion in this prospectus)

Ernst & Young Tax Consultants Sdn Bhd  
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50490 Kuala Lumpur

9 April 2013

The Board of Directors  
KLCC REIT Management Sdn Bhd  
Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur

Maybank Trustees Berhad  
34<sup>th</sup> Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur

Dear Sirs

**Taxation of KLCC Real Estate Investment Trust ("KLCC REIT) and unit holders**

This letter has been prepared for inclusion in the Prospectus in connection with the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCC Property Holdings Berhad ("KLCCP") and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad.

The purpose of this letter is to provide unit holders with an overview of the impact of taxation on KLCC REIT and the unit holders.



The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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## **A. Taxation of KLCC REIT**

Notwithstanding that the KLCCP shares are “stapled<sup>1</sup>” with the units in REIT, the tax profile and tax status of KLCC REIT should continue to remain the same. KLCC REIT will be subject to the provisions of Sections 61, 61A and 63C of the Malaysian Income Tax Act, 1967.

There should not be any different treatment for the REIT as compared to any other stand alone REIT in Malaysia. The tax treatment of KLCC REIT is discussed in more detail in the following paragraphs.

KLCC REIT will be regarded as Malaysian resident for Malaysian income tax purposes as the Trustee of KLCC REIT is resident in Malaysia.

KLCC REIT is treated as a unit trust for Malaysian tax purposes. The taxation of KLCC REIT is subject to the provisions of the Malaysian Income Tax Act, 1967 (“MITA”), particularly Sections 61, 61A and 63C.

Income of KLCC REIT will be exempted from income tax for a year of assessment (“YA”) pursuant to Section 61A of the MITA where 90% or more of its total income<sup>2</sup> (as defined in the MITA) is distributed to the unit holders for that YA.

Pursuant to the Public Ruling No. 9/2012 - Taxation of REIT/ Property Trust Funds (“PTF”) issued by the Inland Revenue Board of Malaysia (“IRB”), the distribution must be made within 2 months from the close of the financial year which forms the basis period for a YA of the REIT.

Where the REIT does not distribute at least 90% of its total income or the 90% distribution is not made within 2 months from the close of its financial year end, the REIT would be subject to income tax of 25% on its total income.

### **1. Dividend income**

Taxable Malaysian dividend income which is paid out on or before 31 December 2013 of the 108 balance [under the saving and transitional provisions of the Finance Act 2007 (Act 683)] of the payer would have been taxed at source at the prevailing corporate tax rate.

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<sup>1</sup> The existing ordinary shares in KLCC will be stapled with the units in KLCC REIT. Thereafter, the KLCCP shares together with units in KLCC REIT will be quoted and dealt with as one (1) security on the Main Market of Bursa Malaysia Securities Berhad.

<sup>2</sup> Total income would generally be gross income reduced by tax deductible expenses and capital allowances.



The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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Tax deducted at source from Malaysian dividends received by KLCC REIT will be available as a credit against the tax liability of KLCC REIT. Should the tax deducted at source exceed the tax liability of KLCC REIT, the excess is refundable to KLCC REIT<sup>3</sup>.

## **2. Exempt income**

The following income/ gains of KLCC REIT are exempt from income tax and will not be included in computing the total income of KLCC REIT:

### **a) Single tier dividends**

Pursuant to paragraph 12B of Schedule 6 of the MITA, single tier dividends paid by a company are exempt from tax.

### **b) Interest**

Unit trusts, including REITS would be exempt from tax on the following interest income:

- (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
- (ii) interest from debentures or Islamic securities, (other than convertible loan stock) approved by the Securities Commission;
- (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- (iv) interest derived from Malaysia and paid or credited by banks or financial institutions licensed under the Banking and Financial Institutions Act, 1989 or the Islamic Banking Act, 1983;
- (v) interest from Islamic securities originating from Malaysia, other than convertible loan stock issued in any currency in Malaysia and approved by Securities Commission or Labuan Financial Services Authority (LFSA)
- (vi) interest received from bonds or securities issued by Pengurusan Danaharta Nasional Berhad; and

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<sup>3</sup> Pursuant to Section 51 of the Finance Act 2007, a person is not entitled for a set-off if the shares are held for less than 90 days or the dividend is not derived from ordinary shares. This prohibition is not applicable for shares in a company listed on the Bursa Malaysia. Further, Section 50 of Finance Act 2009 indicates that a person is not entitled to a set-off if the dividend paid to that person is not in cash.

The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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(vii) interest derived from bonds (other than convertible loan stock) paid or credited by any company listed on the Malaysian Exchange of Securities Dealing and Automated Quotation Berhad (MESDAQ)<sup>4</sup>.

**c) Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

**d) Foreign income**

Dividends, interest and other income derived from sources outside Malaysia and received in Malaysia by KLCC REIT is exempt from Malaysian income tax. However, such income may be subject to tax in the country from which it is derived.

**e) Gains from the realisation of investments**

Pursuant to Section 61(1) (b) of the MITA, gains from the realisation of investments will not be treated as income of KLCC REIT and hence, are not subject to income tax.

Such gains may be subject to real property gains tax ("RPGT") under the Real Property Gains Tax Act, 1976 ("RPGT Act"), if the gains are derived from the sale of chargeable assets<sup>5</sup>, as defined in the RPGT Act.

With effect from 1 January 2013, pursuant to Real Property Gains Tax (Exemption) Order 2012 [P.U. (A) 415], any chargeable gain on the disposal of chargeable assets by KLCC REIT would be subject to RPGT at the applicable tax rate depending on the holding period as follows:

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<sup>4</sup> MESDAQ was replaced by FTSE Bursa Malaysia ACE with effect from 3 August 2009, therefore any interest derived from bonds (other than convertible loan stock) paid or credited by any company listed on the MESDAQ should still qualify for an exemption up to 2 August 2009. However, from 3 August 2009 and up to the date of this letter, there is no new gazette order issued to exempt interest derived from bonds paid or credited by a company listed in the new FTSE Bursa Malaysia ACE.

<sup>5</sup> Chargeable assets would include real property (i.e. land situated in Malaysia and any interest, option or other right in or over such land) and shares in real property companies ("RPC"). A RPC is a controlled company which acquires real property or shares in a real property company or both, whereby the market value of the real property or shares or both, owned at that date is not less than 75% of the value of its total tangible assets. "Controlled company" means a company having not more than 50 members and controlled by not more than 5 persons.

The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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	Disposal period	RPGT rates
(i)	Disposal made within 2 years	15%
(ii)	Disposal made in the 3 <sup>rd</sup> to 5 <sup>th</sup> year	10%
(iii)	Disposal made in the 6 <sup>th</sup> year onwards	0%

### 3. Rental income

Rental income received by KLCC REIT from investments in real properties will be treated as business income pursuant to Section 63C of the MITA.

Expenses incurred in the production of rental income will be claimed against gross rental income. Any excess of the expenses due to insufficient rental income will be disregarded and are not allowed to be carried forward to be utilised in following years.

In arriving at the statutory income from rental, capital allowance (including industrial building allowance<sup>6</sup>) on qualifying assets employed for the rental business is allowed to be claimed against the adjusted income (i.e. net rental income after allowing for tax deductible expenses) from the rental source. Any excess capital allowance due to insufficient adjusted income will not be allowed to be carried forward to be utilised in following years.

### 4. Deduction of withholding tax

Where KLCC REIT's total income is exempted from tax pursuant to Section 61A of the MITA KLCC REIT is required to withhold and remit tax to the MIRB within one month after distributing the total income to the unit holder, at the following rates:

Unit holders	Malaysian income tax rates
<b>Malaysian tax resident:</b> <ul style="list-style-type: none"> <li>• Individuals and institutional investors</li> <li>• Resident companies</li> </ul>	<ul style="list-style-type: none"> <li>• 10%^</li> <li>• Nil</li> </ul>
<b>Non-resident:</b> <ul style="list-style-type: none"> <li>• Individuals and institutional investors</li> <li>• Non-resident companies</li> <li>• Foreign institutional investors<sup>7</sup></li> <li>• Others (including individuals)</li> </ul>	<ul style="list-style-type: none"> <li>• 10%^</li> <li>• 25%</li> <li>• 10%^</li> <li>• 10%^</li> </ul>

<sup>6</sup> Industrial building allowance is allowed only where the tenant uses the building as an industrial building (i.e. factory, warehouse, hotel).

<sup>7</sup> "Institutional investor" means a pension fund, collective investment scheme or such other person approved by the Minister.

The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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*^Rates applicable until 31 December 2016.*

## **B. Taxation of unit holders**

### **a) Where KLCC REIT distributes at least 90% of total income (and is exempt from tax under Section 61A of the MITA)**

As the tax withheld [as discussed in (4) above] is a final tax, resident individuals and non-corporate investors unit holders will not be required to declare the income received from KLCC REIT in their respective Malaysian income tax returns.

No withholding tax would apply on distributions to resident corporate investors. Resident corporate investors are required to report income from REIT distributions in their own corporate tax return, in which the REIT distributions would be subject to the prevailing corporate tax rate which is generally 25%.

### **b) Where KLCC REIT distributes less than 90% of total income**

Where in a year of assessment KLCC REIT does not qualify for the tax exemption as it does not distribute at least 90% of total income, KLCC REIT would have paid taxes on its taxable income in that year of assessment. The distributions made by KLCC REIT will have tax credits attached to it. The tax treatment for the unit holders will be as follows:

- Both resident and non-resident unitholders will be entitled to utilise the tax credit as a set-off against the Malaysian tax payable by them, if any. No other withholding tax will be imposed on the income distribution of KLCC REIT which has been subjected to income tax at KLCC REIT.
- Resident corporate investors are required to report the REIT distribution in their own corporate tax returns and will be entitled to tax credits based on the taxes paid by the REIT.

### **c) Tax exempt income and capital gains**

Distribution of tax exempt income (i.e. exempt dividends and interest and foreign sourced income) and capital gains earned by KLCC REIT will not be taxable in the hands of the unitholders.

Malaysia does not impose tax on capital gains. As the units in KLCC REIT and KLCCP shares are stapled together, gains on the disposal of the stapled securities by unitholders which are considered to be capital in nature will not be subject to income tax.



The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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Where a unitholder has held the units for long term investment purposes, any gains arising from the disposal of the stapled securities should be regarded as capital gains and thus, should not be subject to income tax.

Where the stapled securities are held as trading assets of a trade or business carried on in Malaysia, gains arising from the sale of stapled securities will be viewed as part of business income and subject to income tax. Dealers in securities (including any person actively buying and selling securities/ units on a regular basis) and financial institutions in Malaysia (i.e. insurance companies and banks) will be subject to income tax since the gains are viewed as business income. Foreign dealers and financial institutions with no business presence or permanent establishment presence in Malaysia will not be subject to income tax in Malaysia on the gains. However, such gains may be subject to tax in the investors' respective jurisdictions.

Upon winding up of KLCC REIT, the tax treatment on the gains received in the form of cash or residual distribution will again depend on whether the gains are capital gains or trading income.

Unitholders who elect to receive their income distribution by way of investment in the form of new units will be regarded as having purchased the new units out of their income distribution.

Unit splits issued by KLCC REIT are not taxable in the hands of unit holders.

## **7. Stamp duty**

Pursuant to the Stamp Duty (Exemption) (No. 4) Order 2004, all instruments of transfer of real property to a REIT or PTF approved by the Securities Commission are exempted from stamp duty. All instruments of deed of assignment executed between a REIT or a PTF approved by the Securities Commission and the disposer relating to the purchase of real property are exempted from stamp duty.

Any transfer of units in KLCC REIT by the unitholders will be exempted from stamp duty pursuant to Item 32, Exemption Paragraph (c), First Schedule of the Stamp Act 1949.

The units are stapled and sold together with the shares in KLCCP (i.e. the stapled securities). The sale of stapled securities would be subject to stamp duty at the rate of 0.1% on the stapled security value, up to RM 200 and payable by the transferee.

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The Board of Directors  
KLCC REIT Management Sdn Bhd  
9 April 2013

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We hereby confirm that, as at the date of this letter, the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in KLCC REIT. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in KLCC REIT.

Yours faithfully  
**Ernst & Young Tax Consultants Sdn Bhd**



Bernard Yap  
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Prospectus and has not withdrawn such consent before the date of issue of this Prospectus.

Taxation adviser's letter in respect of the taxation  
of KLCC Property Holdings Berhad and its shareholders  
(prepared for inclusion in this prospectus)

Ernst & Young Tax Consultants Sdn Bhd  
Level 23A Menara Milenium  
Pusat Bandar Damansara  
50490 Kuala Lumpur

9 April 2013

The Board of Directors  
KLCC Property Holdings Bhd  
Levels 4 & 5, City Point  
Kompleks Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur

Dear Sirs

## Taxation of KLCC Property Holdings Berhad ("KLCCP") and its shareholders

This letter has been prepared for inclusion in the Prospectus in connection with the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC Real Estate Investment Trust ("KLCC REIT") on the Main Market of Bursa Malaysia Securities Berhad.

The purpose of this letter is to provide KLCCP's shareholders with an overview on the impact of taxation on KLCCP.

### 1. Taxation of KLCCP

Notwithstanding that the KLCCP shares are "stapled<sup>1</sup>" with the units in REIT, the tax profile and tax status of KLCCP should continue to remain the same. There should not be any different tax treatment for KLCCP as compared to any other investment holding company listed on the Bursa Malaysia. The tax treatment of KLCCP is discussed in more detail in the following paragraphs.

<sup>1</sup> The existing ordinary shares in KLCCP will be stapled with the units in KLCC REIT. Thereafter, the KLCCP shares together with units in KLCC REIT will be quoted and dealt with as one (1) security on the Main Market of Bursa Malaysia Securities Berhad.

The Board of Directors  
KLCC Property Holdings Berhad  
9 April 2013

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KLCCP is treated as an investment holding company for Malaysian income tax purposes as its activities consist mainly in the holding of investments. It will be treated as a separate entity from KLCC REIT and will be taxed as an investment holding company.

The tax treatment for investment holding companies listed on the Bursa Malaysia is prescribed in Section 60FA of the Income Tax Act, 1967 ("MITA").

KLCCP's investment income will be treated as business income and expenses incurred in the production of its income would be deductible against that income. Any expenditure in excess of income will be disregarded and cannot be set-off against income from other businesses nor carried forward to be utilised in the following year.

Capital allowances (where relevant) can be claimed against the adjusted income (i.e. net taxable income after allowing for tax deductible expenses) from the relevant business source. Any capital allowances in excess of adjusted income will be disregarded and cannot be carried forward to be utilised in following years.

## 2. Distribution of dividends to shareholders

Dividend distribution would depend on the availability of profits of KLCCP and subject to the relevant provisions of the Companies Act, 1965.

As KLCCP no longer has Section 108 balance, KLCCP can only issue single tier dividend which is exempted in the hand of the shareholders.

## 3. Tax implications on the disposal of properties by KLCCP

Malaysia does not impose tax on capital gains. Therefore gains on the disposal of properties by KLCCP will not be subject to income tax where the gains are considered to be capital gains.

Where KLCCP has held the properties for long term investment purposes, any gains arising from the disposal of properties should be regarded as capital gains and thus, should not be subject to income tax.

Where the properties are held as trading assets, gains arising from the sale of properties will be viewed as part of business income and subject to income tax.

On the basis that KLCCP is not in the business of trading in properties/ investments, gains arising from the disposal of properties by KLCCP would be viewed as capital gains and not subject to income tax.

The Board of Directors  
KLCC Property Holdings Berhad  
9 April 2013

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Such gains may be subject to real property gains tax ("RPGT") under the Real Property Gains Tax Act, 1976 ("RPGT Act").

With effect from 1 January 2013, pursuant to Real Property Gains Tax (Exemption) Order 2012 [P.U. (A) 415], any chargeable gain on the disposal of chargeable assets<sup>2</sup> would be subject to RPGT at the applicable tax rate depending on the holding period as follows:

	<b>Disposal period</b>	<b>RPGT rates</b>
(i)	Disposal made within 2 years	15%
(ii)	Disposal made in the 3 <sup>rd</sup> to 5 <sup>th</sup> year	10%
(iii)	Disposal made in the 6 <sup>th</sup> year onwards	0%

Any chargeable gains accruing on the disposal of chargeable assets to a REIT or PTF which is approved by the Securities Commission are exempt from RPGT pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003.

#### 4. Disposal of shares in KLCCP by shareholders

- **Stamp duty**

The shares in KLCCP are stapled and sold together with the units in KLCC REIT (i.e. the stapled securities). The stapled securities will be subject to stamp duty at the rate of 0.1% on the stapled security value, up to RM 200 and payable by the transferee.

- **Income tax**

Malaysia does not impose tax on capital gains. Therefore gains on the disposal of the stapled securities by investors which are considered to be capital in nature will not be subject to income tax.

Where a shareholder has held the stapled securities for long term investment purposes, any gains arising from the disposal of stapled securities should be regarded as capital gains and thus, should not be subject to income tax.

<sup>2</sup> Chargeable assets would include real property (i.e. land situated in Malaysia and any interest, option or other right in or over such land) and shares in real property companies ("RPC"). A RPC is a controlled company which acquires real property or shares in a real property company or both, whereby the market value of the real property or shares or both, owned at that date is not less than 75% of the value of its total tangible assets. "Controlled company" means a company having not more than 50 members and controlled by not more than 5 persons.



The Board of Directors  
KLCC Property Holdings Berhad  
9 April 2013

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Where the stapled securities are held as trading assets of a trade or business carried on in Malaysia, gains arising from the sale of stapled securities will be viewed as part of business income and subject to income tax.

Dealers in securities (including any person actively buying and selling securities on a regular basis) and financial institutions in Malaysia (i.e. insurance companies and banks) will be subject to income tax since the gains are viewed as business income. Foreign dealers and financial institutions with no business presence or permanent establishment presence in Malaysia will not be subject to income tax in Malaysia on the gains. However, such gains may be subject to tax in the investors' respective jurisdictions.

- **RPGT**

As KLCCP is not regarded as a controlled company (i.e. company having not more than 50 members and controlled by not more than 5 persons) and hence does not meet the definition of a RPC, gains on the disposal of the stapled securities would not be subject to RPGT.

\*\*\*\*\*

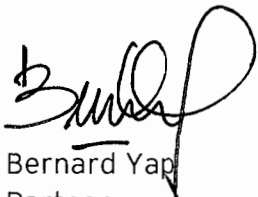
The Board of Directors  
KLCC Property Holdings Berhad  
9 April 2013

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We hereby confirm that, as at the date of this letter, the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in KLCCP. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in KLCCP.

Yours faithfully  
Ernst & Young Tax Consultants Sdn Bhd

  
Bernard Yap  
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Prospectus and has not withdrawn such consent before the date of issue of this Prospectus.

**REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECASTS FOR THE KLCCP  
STAPLED GROUP FOR THE YEARS ENDING 31 DECEMBER 2013 AND 2014**

---



**Ernst & Young**

AF : 0039

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**REPORTING ACCOUNTANTS' LETTER ON PROFIT FORECASTS FOR KLCC PROPERTY  
HOLDINGS BERHAD**

(Prepared for inclusion in the Prospectus)

3 April 2013

The Board of Directors  
KLCC Property Holdings Berhad  
Levels 4 & 5 City Point  
Kompleks Dayabumi  
Jalan Hishamuddin  
50050 Kuala Lumpur

Dear Sirs

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY"), ITS SUBSIDIARIES  
AND CONTROLLED ENTITY, KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")  
(COLLECTIVELY KNOWN AS "KLCCP STAPLED GROUP")  
PROFIT FORECASTS FOR THE TWO FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND  
2014**

We have examined the profit forecasts of KLCCP Stapled Group for the two financial years ending 31 December 2013 and 2014 ("Profit Forecasts"). The Profit Forecasts, and the basis of assumptions upon which they are based, for which the Board of Directors ("the Board") of KLCCP are solely responsible, are as set out in the accompanying Appendix of which we have stamped for the purpose of identification.

This letter is prepared for the inclusion in the prospectus in connection with the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal").

**Responsibilities**

The Board of KLCCP is solely responsible for the preparation and presentation of the Profit Forecasts, including the assumptions on which the Profit Forecasts are based.



Our examination has been undertaken to enable us to form an opinion, as required by the Prospectus Guidelines and Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia (“the Guidelines”), as to whether the Profit Forecasts, in all material aspects, are properly prepared on the basis of the calculations and assumptions made by the Board of KLCCP, and are consistent with the accounting policies adopted by the KLCCP Stapled Group.

### **Basis of Opinion**

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3400, “The Examination of Prospective Financial Information”.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material. Consequently, we do not express any opinion as to the possibility of achievement of the Profit Forecasts.

### **Opinion**

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions made by the Board of KLCCP do not provide a reasonable basis for the Profit Forecasts. Further, in our opinion, the Profit Forecasts are properly prepared, in all material aspects, on the basis of the calculations and assumptions made by the Board of KLCCP as set out in the accompanying statement, and are consistent with the accounting policies adopted by the KLCCP Stapled Group.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(f) of the assumptions as set out in the accompanying Appendix, which states that the Board of KLCCP assumes that the fair value of investment properties of the KLCCP Stapled Group remains unchanged from its fair value as at 1 October 2012, resulting in no fair value gain or loss for the financial years ending 31 December 2013 and 2014.



### Other Matters

This report is issued for the sole purpose of complying with the Guidelines in connection with the Proposal. Our work has been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this report is not appropriate in other jurisdictions and should not be relied upon for any purposes other than the Proposal described above. We accept no duty or responsibility and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the Proposal.

Yours faithfully,

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur

Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/14(J)  
Chartered Accountant

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")**  
**PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING**  
**31 DECEMBER 2013 AND 2014**

The Directors of KLCCP have prepared the profit forecasts based on assumptions as disclosed in the notes to these forecasts, that in the absence of unforeseen circumstances, the income available for distribution to stapled security holders for the financial years ending 31 December 2013 and 2014 will be as follows:-

	Note	← Forecasts →	
		2013 RM'million	2014 RM'million
Total revenue	2(b)	1,295	1,333
Total operating expenses	2(c)	(345)	(339)
Operating profit		950	994
Interest/Profit income	2(d)	21	18
Finance costs	2(e)	(127)	(124)
Fair value adjustments on investment properties	2(f)	-	-
Share of profit of an associate	2(g)	13	15
Profit before tax		857	903
Taxation	2(h)	(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 ("NCI") relating to KLCC Real Estate Investment Trust ("KLCC REIT")		444	449
Other NCI		92	99
		<b>761</b>	<b>799</b>
<b>Distribution</b>			
<b>Distribution from KLCC REIT</b>			
Distributable income (RM'million)		363	371
Distribution rate (%)		95%	95%
Distribution (RM'million)		345	352
<b>Distribution to stapled security holders</b>			
Overall distributable income* (RM'million)	2(i)	588	622
Distribution rate (%)		95%	95%
Distribution (RM'million)		559	591
Number of stapled securities in issue (million)		1,805	1,805
Distribution covers (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%

\* Overall distributable income to the stapled security holders as disclosed in Note 2(j) consist of:

- (i) profit attributable to the equity holders of the Company, excluding any fair value adjustments on investment properties, if any; and
- (ii) distributable income of KLCC REIT

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
31 DECEMBER 2013 AND 2014**

**Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014**

**1. Basis of preparation**

The profit forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 have been prepared for the inclusion in the prospectus in connection with the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal"), and should not be relied upon for any other purposes. Further details of the Proposal are set out in Section 3 of the prospectus.

**2. Bases and Assumptions**

The Directors of KLCCP ("Directors"), have prepared the profit forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 based on the following assumptions, for which the Directors are solely responsible.

**Specific assumptions**

(a) The financial year end of 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 KLCCP, was established and had commenced operations on 1 January 2013.

**(b) Total Revenue**

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

		← Forecasts →	
		2013	2014
		RM'million	RM'million
Office buildings	(i)	597	600
Hotel	(ii)	165	165
Retail	(iii)	423	452
Management services	(iv)	110	116
		1,295	1,333

**(i) Office buildings**

Revenue from rental of office buildings is derived from:

		← Forecasts →	
		2013	2014
		RM'million	RM'million
KLCC REIT		552	553
Kompleks Dayabumi		45	47
		597	600

**ERNST & YOUNG** (AF: 0039)

Chartered Accountants, Kuala Lumpur  
For identification purposes only

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
31 DECEMBER 2013 AND 2014**

Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 (cont'd.)

**2. Bases and Assumptions (cont'd.)**

**Specific assumptions (cont'd.)**

**(b) Total Revenue (cont'd.)**

**(i) Office buildings (cont'd.)**

**KLCC REIT**

The forecast office rental income from KLCC REIT, comprising PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS, is 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 forecast rental of Kompleks Dayabumi is based on committed tenancies. The forecast growth rates of the office rental income for the forecast years of 2013 and 2014 are 7% and 4% per annum respectively.

**(ii) Hotel**

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

	← Forecasts →	
	2013	2014
	RM'million	RM'million
Room	88	81
Food and beverage	62	70
Others	15	14
	<u>165</u>	<u>165</u>

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

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

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
31 DECEMBER 2013 AND 2014**

Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 (cont'd.)

**2. Bases and Assumptions (cont'd.)**

**Specific assumptions (cont'd.)**

**(b) Total Revenue (cont'd.)**

**(iii) Retail**

Retail rental income comprise of base rent, percentage rent and service charges of Suria KLCC and KLCC REIT (i.e. Menara 3 PETRONAS):

	← Forecasts →	
	2013	2014
	RM'million	RM'million
Suria KLCC	386	413
KLCC REIT	37	39
	<u>423</u>	<u>452</u>

Base rent is forecast based on committed tenancies. Percentage rent is calculated 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 respectively for the forecast years 2013 and 2014.

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

- (iv) Management services income is expected to increase at 16% and 5% per annum respectively for the forecast years 2013 and 2014.

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
31 DECEMBER 2013 AND 2014**

**Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 (cont'd.)**

**2. Bases and Assumptions (cont'd.)**

**Specific assumptions (cont'd.)**

**(c) Total operating expenses**

Total operating expenses comprise of:		← Forecasts →	
		2013	2014
		RM'million	RM'million
Utilities	(i)	55	56
Rent and assessment	(ii)	12	12
Selling, marketing and distribution	(iii)	12	12
Repair and maintenance	(iv)	26	27
Depreciation	(v)	36	34
Other operating expenses	(vi)	204	198
		<u>345</u>	<u>339</u>

- (i) Utilities expenses refer to electricity, chilled water, sewerage and water. Total utilities expenses are expected to increase at 2% per annum for the forecast years 2013 and 2014.
- (ii) Rent and assessment is expected to remain consistent for the forecast years 2013 and 2014.
- (iii) Selling, marketing and distribution costs are mainly derived from Suria KLCC and AKSB. The costs are expected to be at 2% of the combined total income of Suria KLCC and AKSB for forecast years 2013 and 2014.
- (iv) Repair and maintenance is expected to increase at 18% and 4% per annum respectively for the forecast years 2013 and 2014.
- (v) 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

**ERNST & YOUNG** (AF: 0039)  
Chartered Accountants, Kuala Lumpur  
For identification purposes only

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KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
31 DECEMBER 2013 AND 2014

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Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 (cont'd.)

2. Bases and Assumptions (cont'd.)

Specific assumptions (cont'd.)

(c) Total operating expenses (cont'd.)

(vi) 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 forecast years 2013 and 2014 respectively.

(d) Interest/Profit income on fixed deposit is computed on monthly basis at an interest/profit rate of 3% per annum for forecast years 2013 and 2014.

(e) Finance costs

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

(f) Fair value adjustments on investment properties

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.

(g) The share of an associate's profit excluding the share of fair value gain, is expected to increase by 23% and 15% per annum respectively for the forecast years 2013 and 2014.

(h) The effective tax rate of the KLCCP Stapled Group is expected to be 11% and 12% per annum respectively for the forecast years 2013 and 2014.

KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
 PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
 31 DECEMBER 2013 AND 2014

Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31 December 2013 and 2014 (cont'd.)

2. Bases and Assumptions (cont'd.)

Specific assumptions (cont'd.)

(i) **Distribution to stapled security holders**

Total distribution to stapled security holders consist of distribution from KLCC REIT and dividend from KLCCP are assumed to be as follows for forecast years 2013 and 2014:

	← Forecasts →	
	2013	2014
	RM'million	RM'million
<b>Distribution from KLCC REIT</b>		
Distributable income (RM'million)	363	371
Distribution rate (%)	95%	95%
Distribution (RM'million)	345	352
<b>Dividend from KLCCP</b>	214	239

(j) Overall distributable income is derived as follows:

	← Forecasts →	
	2013	2014
	RM'million	RM'million
Profit attributable to the equity holders of the Company in the KLCCP Stapled Group	225	251
Distributable income of KLCC REIT	363	371
Overall distributable income	588	622

General assumptions:

- (k) There will be no significant changes in the asset portfolio and structure of the KLCCP Stapled Group.
- (l) There will be no significant changes in the principal activities of the KLCCP Stapled Group.
- (m) 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 the KLCCP Stapled Group.
- (n) There will be no major changes in the KLCCP Stapled Group's operations that will adversely affect the performance of the KLCCP Stapled Group.

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KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY")  
PROFIT FORECASTS OF THE KLCCP STAPLED GROUP FOR THE FINANCIAL YEARS ENDING  
31 DECEMBER 2013 AND 2014

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Notes to the Profit Forecasts of the KLCCP Stapled Group for the financial years ending 31  
December 2013 and 2014 (cont'd.)

2. Bases and Assumptions (cont'd.)

General assumptions (cont'd.)

- (o) There will not be any significant changes in tax laws that will affect the KLCCP Stapled Group. Goods and services tax will not be implemented during the forecast years.
- (p) 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.
- (q) 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.
- (r) There will be no major industrial disputes or any other abnormal factors or changes that will significantly affect the KLCCP Stapled Group's operation or rental rate or disrupt its planned operations.
- (s) The 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.
- (t) There will be no significant changes in the Malaysian Financial Reporting Standards issued by Malaysian Accounting Standards Board or other financial reporting requirements that may have a material effect on the Profit Forecasts.
- (u) There will be no significant changes in the terms and conditions of material contracts and agreements, including but not limited to, the sale and purchase agreements for the sale of the Subject Properties to KLCC REIT as defined in the prospectus, the deed of KLCC REIT, the tenancy agreements and the property management agreement.
- (v) 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.

**REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECASTS FOR KLCC REIT FOR THE YEARS ENDING 31 DECEMBER 2013 AND 2014**



**Ernst & Young**

AF : 0039

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**REPORTING ACCOUNTANTS' LETTER ON PROFIT FORECASTS FOR KLCC REAL ESTATE INVESTMENT TRUST**

(Prepared for inclusion in the Prospectus)

3 April 2013

The Board of Directors  
KLCC REIT Management Sdn Bhd  
Levels 4 & 5 City Point  
Kompleks Dayabumi  
Jalan Hishamuddin  
50050 Kuala Lumpur

Dear Sirs

**KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") AND ITS SUBSIDIARY (THE "GROUP")  
PROFIT FORECASTS FOR THE TWO FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND 2014**

We have examined the profit forecasts of KLCC REIT for the two financial years ending 31 December 2013 and 2014 ("Profit Forecasts"). The Profit Forecasts, and the basis of assumptions upon which they are based, for which the Board of Directors (the "Board") of KLCC REIT Management Sdn Bhd (the "Manager") are solely responsible, are as set out in the accompanying Appendix of which we have stamped for the purpose of identification.

This letter is prepared for the inclusion in the prospectus in connection with the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCC Property Holdings Berhad and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal"), and should not be relied upon for any other purposes.

**Responsibilities**

The Board of the Manager, in its capacity as the management company of KLCC REIT, is solely responsible for the preparation and presentation of the Profit Forecasts, including the assumptions on which the Profit Forecasts are based.



Our examination has been undertaken to enable us to form an opinion, as required by the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia (“Prospectus Guidelines”), as to whether the Profit Forecasts, in all material aspects, are properly prepared on the basis of the calculations and assumptions made by the Board of the Manager, and are consistent with the accounting policies to be adopted by KLCC REIT.

### **Basis of Opinion**

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3400, “The Examination of Prospective Financial Information”.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material. Consequently, we do not express any opinion as to the possibility of achievement of the Profit Forecasts.

### **Opinion**

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions made by the Board of the Manager do not provide a reasonable basis for the Profit Forecasts. Further, in our opinion, the Profit Forecasts are properly prepared, in all material aspects, on the basis of the calculations and assumptions made by the Board of the Manager as set out in the accompanying statement, and are consistent with the accounting policies to be adopted by KLCC REIT.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(j) of the assumptions as set out in the accompanying Appendix, which states that the Board of the Manager assumes that the fair value of investment properties of KLCC REIT remains unchanged from its fair value as at 1 October 2012, resulting in no fair value gain or loss for the financial years ending 31 December 2013 and 2014.



### Other Matters

This report is issued for the sole purpose of complying with the Prospectus Guidelines in connection with the Proposal. Our work has been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this report is not appropriate in other jurisdictions and should not be relied upon for any purposes other than the Proposal described above. We accept no duty or responsibility and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the Proposal.

Yours faithfully,

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia

Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/14(J)  
Chartered Accountant

**PROFIT FORECASTS OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND 2014**

The Directors of KLCC REIT Management Sdn Bhd ("KLCC REIT Management"), have prepared the profit forecasts based on assumptions as disclosed in the notes to these forecasts, that in absence of unforeseen circumstances, the income available for distribution to holders of KLCC REIT units for the financial years ending 31 December 2013 and 2014 will be as follows:-

	Note	← Forecasts →	
		2013 RM'million	2014 RM'million
<b>Total Revenue</b>	2(b)	589	592
Utilities Expenses	2(c)	(12)	(12)
Maintenance Expenses	2(d)	(4)	(4)
Quit Rent and Assesment	2(e)	(3)	(3)
Other Operating Expenses	2(f)	(8)	(8)
<b>Property Operating Expenses</b>		(27)	(27)
<b>Net Property Income</b>		562	565
Profit Income	2(g)	7	7
		569	572
Management Fees	2(h)	(43)	(43)
Trustee's Fees	2(i)	(1)	(1)
Finance Costs	2(k)	(81)	(79)
<b>Profit Before Tax</b>		444	449
Taxation	2(l)	-	-
<b>Profit After Tax</b>		444	449
Less: Non-Cash Items	[i]	(81)	(78)
<b>Distributable Income</b>		363	371
Number of units in issue (million)		1,805	1,805
Distribution rate (%)		95	95
Distribution cover (times)		0.95	0.95
Distribution per unit (sen)		19.11	19.53

**Note**

[i] Non-Cash Items mainly comprise of accrued rental and others, such as amortisation of transaction costs for financing and accrued profit.

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**PROFIT FORECASTS OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND 2014**


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**Notes to Profit Forecasts for the financial years ending 31 December 2013 and 2014**
**1. Basis of Preparation**

The profit forecasts of KLCC REIT for the financial years ending 31 December 2013 and 2014 have been prepared for the inclusion in the prospectus in connection with the listing and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCC Property Holdings Berhad and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal"), and should not be relied upon for any other purposes. Further details of the Proposal are set out in Section 3 of the prospectus.

**2. Bases and Assumptions**

The Directors of KLCC REIT Management (the "Directors"), have prepared the profit forecasts of KLCC REIT based on the following assumptions, for which the Directors are solely responsible.

**Specific assumptions**


(a) The financial year end of KLCC REIT is 31 December. For illustrative purpose, the profit forecasts have been prepared on the assumption that KLCC REIT was established and had commenced operations on 1 January 2013.

**(b) Total Revenue**

Total revenue derived from PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS, (collectively known as "Subject Properties") are expected to be as follows:

		← Forecast →	
		2013	2014
		RM'million	RM'million
Office buildings	(i)	552	553
Retail	(ii)	37	39
		589	592

(i) 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-line basis over the lease tenure. 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.

 <b>ERNST &amp; YOUNG</b> (AF: 0039) Chartered Accountants, Kuala Lumpur For identification purposes only
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PROFIT FORECASTS OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND 2014 ("PROFIT FORECASTS") (CONT'D.)

Notes to Profit Forecasts for the financial years ending 31 December 2013 and 2014 (Cont'd.)

2. Bases and Assumptions (cont'd.)

Specific assumptions (cont'd.)

(b) Total Revenue (cont'd.)

(ii) Retail rental income comprise of 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 forecast years 2013 and 2014 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 years 2013 and 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 forecast year 2014.

(c) Utilities Expenses

Utilities expenses refer to electricity, chilled water, sewerage and water. Total utilities expenses expected to be incurred in the forecast years 2013 and 2014 will remain consistent based on historical utilities bill.

(d) Maintenance Expenses

Maintenance expenses refer to cost of repair and maintenance of landscape, air-conditioned, ventilation system, plumbing and elevator services. The repair and maintenance expenses for the forecast years 2013 and 2014 are based on the contractual agreements with contractors.

(e) Quit Rent and Assessment

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

(f) Other Operating Expenses

Other operating expenses are assumed to be consistent for the forecast years 2013 and 2014 based on historical expenses.

Other operating expenses, among others, include property management fee which is assumed to be RMO.1 million per annum for the forecast years 2013 and 2014.

PROFIT FORECASTS OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND 2014 ("PROFIT FORECASTS") (CONT'D.)

Notes to Profit Forecasts for the financial years ending 31 December 2013 and 2014 (Cont'd.)

2. Bases and Assumptions (cont'd.)

Specific assumptions (cont'd.)

(g) **Profit Income**

Profit income relates to profit earned from the placement of excess cash in fixed deposits. Profit income on fixed deposits is computed on monthly basis at a profit rate of 3% per annum.

(h) **Management Fees**

Management fee is computed based on the following:

- base fee: 0.3% per annum of the Total Asset Value ("TAV")\* (excluding cash and bank balances) of KLCC REIT and
- performance fee: 3% per annum of the Net Property Income of KLCC REIT.

\* TAV of KLCC REIT is assumed to be RM8.8 billion throughout the financial years ending 31 December 2013 and 2014.

(i) **Trustee's Fees**

The trustee's fees are assumed to be RM0.6 million per annum throughout the forecast years.

(j) **Fair value adjustment**

For forecast years 2013 and 2014, it is assumed that the fair value of investment properties of KLCC REIT remains unchanged from its fair value as at 1 October 2012 as the future market value cannot be reliably measured, resulting in no fair value gain or loss.

(k) **Finance Costs**

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

(l) **Taxation**

KLCC REIT is assumed to distribute 95% of its distributable income for the financial years 2013 and 2014 which is expected to be more than 90% of its total income as defined under the Malaysia Income Tax Act 1967 ("ITA"), and therefore be tax exempted pursuant to Section 61A of the ITA.

General assumptions

(m) There will be no significant changes in the assets portfolio and structure of KLCC REIT.

(n) There will be no significant changes in the principal activities of KLCC REIT.

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PROFIT FORECASTS OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2013 AND 2014 ("PROFIT FORECASTS") (CONT'D.)

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Notes to Profit Forecasts for the financial years ending 31 December 2013 and 2014 (Cont'd.)

2. Bases and Assumptions (cont'd.)

General assumptions (cont'd.)

- (o) There will be no change in the prevailing inflation rate, property expenses, the financing costs and trust expenses of KLCC REIT other than that forecasted.
- (p) There will be no major changes in KLCC REIT's operations that will adversely affect the performance of KLCC REIT.
- (q) There will not be any significant changes in tax laws that will affect KLCC REIT. Goods and services tax will not be implemented during the forecast years.
- (r) 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 KLCC REIT.
- (s) 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 KLCC REIT.
- (t) 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 KLCC REIT.
- (u) There will be no major industrial disputes or any other abnormal factors or changes that will significantly affect KLCC REIT's operation or rental rate or disrupt its planned operations.
- (v) KLCC REIT 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.
- (w) There will be no significant changes in the Malaysian Financial Reporting Standards issued by Malaysian Accounting Standards Board or other financial reporting requirements that may have a material effect on the profit forecasts.
- (x) There will be no significant changes in the terms and conditions of material contracts and agreements, including but not limited to, the sale and purchase agreements of the Subject Properties, the deed of KLCC REIT, the tenancy agreements and the property management agreement.

**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**

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**Ernst & Young**

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**REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC PROPERTY HOLDINGS BERHAD**  
(Prepared for inclusion in the Prospectus)

3 April 2013

The Board of Directors  
KLCC Property Holdings Berhad  
Levels 4 & 5 City Point  
Kompleks Dayabumi  
Jalan Hishamuddin  
50050 Kuala Lumpur

Dear Sirs

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY"), ITS SUBSIDIARIES AND CONTROLLED ENTITY, KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") (COLLECTIVELY KNOWN AS "KLCCP STAPLED GROUP")  
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

We have completed our assurance engagement to report on the compilation of pro forma financial information of KLCCP Stapled Group prepared by the Directors of KLCCP. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2012 and the accompanying notes to the proforma consolidated statement of financial position ("Proforma Consolidated Statement of Financial Position").

The Proforma Consolidated Statement of Financial Position is compiled by the Directors of KLCCP based on the applicable criteria as specified in the Prospectus Guidelines and Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia (collectively known as the "Guidelines") and the accompanying notes to the Proforma Consolidated Statement of Financial Position ("Applicable Criteria").

The Proforma Consolidated Statement of Financial Position has been compiled by the Directors of KLCCP on the assumption that the KLCCP Stapled Group was in existence on 31 December 2012, for inclusion in the Prospectus, to illustrate the impact of the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal") on the KLCCP Stapled Group's financial position as at 31 December 2012.

As part of this process, information about the financial position has been extracted by the Directors from the financial statements of KLCCP for the year ended 31 December 2012, on which audit report have been published.

### **The Directors' Responsibility for the Proforma Consolidated Statement of Financial Position**

The Directors are responsible for compiling the Proforma Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

#### **Our responsibilities**

Our responsibility is to express an opinion as required by the Securities Commission Malaysia, about whether the Proforma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the KLCCP Stapled Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

### **Opinion**


In our opinion, as required by the Guidelines:

- (a) the Proforma Consolidated Statement of Financial Position of the KLCCP Stapled Group, which has been prepared by the Directors of KLCCP, has been properly prepared on the basis of the accompanying notes to the Proforma Consolidated Statement of Financial Position using financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the existing KLCCP Group; and
- (b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statement of Financial Position is appropriate for the purposes of preparing the Proforma Consolidated Statement of Financial Position.

### Other matters

This letter is issued for inclusion in the Prospectus, for the sole purpose of complying with the Guidelines in connection with the Proposal. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposal described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposal.

Yours faithfully



Ernst & Young  
AF : 0039  
Chartered Accountants

Kuala Lumpur



Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/14(J)  
Chartered Accountant



PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KLCCP STAPLED GROUP AS AT 31 DECEMBER 2012  
 KLCC PROPERTY HOLDINGS BERHAD

Proforma Consolidated Statement of Financial Position of the KLCCP Stapled Group as at 31 December 2012

	Audited as at 31 Dec 2012		Proforma I		Proforma II		Proforma III		Proforma IV	
	RM'million	Adjustments RM'million	RM'million	Adjustments RM'million	RM'million	Adjustments RM'million	RM'million	Adjustments RM'million	RM'million	Adjustments RM'million
<b>Non-Current Liabilities</b>										
RCULS	13	(13)	-	-	-	-	-	-	-	-
Other long term liabilities	76		76		76		76		76	
Long term borrowings/financing	2,299		2,299		2,299		2,299		2,299	
Deferred tax liabilities	36		36		36	(27)	9		9	
	<u>2,424</u>		<u>2,411</u>		<u>2,411</u>		<u>2,384</u>		<u>2,384</u>	
<b>Current Liabilities</b>										
Trade and other payables	247		247		247		247		247	
Borrowings/financing	48		48		48		48		48	
Taxation	79		79		79		79		79	
	<u>374</u>		<u>374</u>		<u>374</u>		<u>374</u>		<u>374</u>	
<b>Total Liabilities</b>	<u>2,798</u>		<u>2,785</u>		<u>2,785</u>		<u>2,758</u>		<u>2,758</u>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>15,790</u>		<u>15,790</u>		<u>15,790</u>		<u>15,790</u>		<u>15,790</u>	
<b>Before dilution</b>										
Net assets per stapled security*	8.29		6.52		6.28		6.29		6.29	
<b>After dilution</b>										
Net assets per stapled security*	6.52		6.52		6.28		6.29		6.29	

\* Net assets per stapled security is net assets attributable to equity holders of KLCCP and NCI of KLCC REIT divided by number of stapled securities

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**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KLCCP STAPLED GROUP AS AT 31 DECEMBER 2012**

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**Notes to the Proforma Consolidated Statement of Financial Position****1. Basis of Preparation**

The proforma consolidated statement of financial position as at 31 December 2012 as illustrated in pages 1 and 2 for which the directors of KLCC Property Holdings Berhad ("the Company" or "KLCCP") 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 (as defined herein) on its assumed date of listing had the pre-listing restructuring as described in Section 3.2 in the prospectus ("Pre-Listing Restructuring") been effected on 31 December 2012, for the purpose of inclusion in the prospectus.

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

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

**2. Basis of Consolidation**

The consolidated statement of financial position of the Company comprise the statements of financial position of the Company, its subsidiaries and KLCC Real Estate Investment Trust ("KLCC REIT"), a controlled entity as defined below (together referred to as the "KLCCP Stapled Group").

The consolidated financial statement is prepared on the basis that the Company and KLCC REIT agree to combine their business by contract, i.e. Stapling Deed between KLCCP and KLCC REIT even though KLCCP owns no units in KLCC REIT and vice versa.

KLCCP 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 KLCCP holds no equity interest in KLCC REIT, it will reflect 100% non-controlling interests ("NCI") relating to KLCC REIT in the consolidated financial statements of KLCCP.

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**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KLCCP STAPLED GROUP AS AT 31 DECEMBER 2012**

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**Notes to the Proforma Consolidated Statement of Financial Position (cont'd.)****3. Proforma adjustments****3.1 Proforma I**

Proforma I incorporates the effects of the conversion of RCULS as described in Section 3.2 of the prospectus.

The RCULS conversion results in an increase in KLCCP'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.

**3.2 Proforma II**

Proforma II incorporates the effects of Proforma I and the effects of Midciti Acquisition with a total purchase consideration of RM2,859 million as described in Section 3.2.1 of the prospectus, which results in:

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

**3.3 Proforma III**

Proforma III incorporates the effects of Proforma II and the effects of disposal of PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS ("Subject Properties") to KLCC REIT as described in Section 3.2.3 of the prospectus and bonus issue of Redeemable Preference Shares ("RPS") as described in Section 3.2.4 of the prospectus.

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 Malaysia Income Tax Act, 1967 ("ITA") 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 ITA.

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PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE KLCCP  
STAPLED GROUP AS AT 31 DECEMBER 2012

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Notes to the Proforma Consolidated Statement of Financial Position (cont'd.)

3. Proforma adjustments (cont'd.)

3.3 Proforma III (cont'd.)

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

3.4 Proforma IV

Proforma IV incorporates the effect of Proforma III and the effects of redemption of RPS as described in Section 3.2.4 of the prospectus.

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 NCI relating to KLCC REIT of RM7,177 million, net of transaction cost of RM15 million, as the holders of units in KLCC REIT are presented as NCI in the consolidated statement of financial position of the KLCCP Stapled Group.

**REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME OF KLCC PROPERTY HOLDINGS BERHAD**  
(Prepared for inclusion in the Prospectus)

3 April 2013

The Board of Directors  
KLCC Property Holdings Berhad  
Levels 4 & 5 City Point  
Kompleks Dayabumi  
Jalan Hishamuddin  
50050 Kuala Lumpur

Dear Sirs

**KLCC PROPERTY HOLDINGS BERHAD ("KLCCP" OR "THE COMPANY"), ITS SUBSIDIARIES  
AND CONTROLLED ENTITY, KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")  
(COLLECTIVELY KNOWN AS "KLCCP STAPLED GROUP")  
PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FOUR  
YEARS/PERIOD THEN ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011  
AND 31 DECEMBER 2012**

We have completed our assurance engagement to report on the compilation of pro forma financial information of KLCCP Stapled Group prepared by the Directors of KLCCP. The pro forma financial information consists of the pro forma consolidated statements of comprehensive income of KLCCP Stapled Group for the four years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 and the accompanying notes to the proforma consolidated statements of comprehensive income ("Proforma Consolidated Statements of Comprehensive Income").

The Proforma Consolidated Statements of Comprehensive Income is compiled by the Directors of KLCCP based on the applicable criteria as specified in the Prospectus Guidelines and Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia (collectively known as the "Guidelines") and the accompanying notes to the Proforma Consolidated Statements of Comprehensive Income ("Applicable Criteria").

The Proforma Consolidated Statements of Comprehensive Income has been compiled by the Directors of KLCCP, for inclusion in the prospectus, to illustrate the impact of the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal") on the Group's financial performance for the years/period under review.

For the purposes of the Proforma Consolidated Statements of Comprehensive Income, the group structure is assumed to have been in existence throughout the years/period under review.

### **The Directors' Responsibility for the Proforma Consolidated Statements of Comprehensive Income**

The Directors are responsible for compiling the Proforma Consolidated Statements of Comprehensive Income on the basis of the Applicable Criteria.

#### **Our responsibilities**

Our responsibility is to express an opinion as required by the Securities Commission Malaysia, about whether the Proforma Consolidated Statements of Comprehensive Income has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the KLCCP Stapled Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

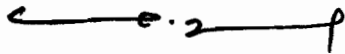
### **Opinion**

- (a) the Proforma Consolidated Statements of Comprehensive Income of the KLCCP Stapled Group for the years then ended 31 March 2010 and 31 March 2011, which have been prepared by the Directors of KLCCP, have been properly prepared on the basis of the accompanying notes to the Proforma Consolidated Statements of Comprehensive Income using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of the existing KLCCP Group;
- (b) the Proforma Consolidated Statements of Comprehensive Income of the KLCCP Stapled Group for the period/year then ended 31 December 2011 and 31 December 2012, which have been prepared by the Directors of KLCCP, have been prepared on the basis of the accompanying notes to the Proforma Consolidated Statements of Comprehensive Income using financial statements prepared in accordance with Malaysian Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the existing KLCCP Group; and
- (c) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statements of Comprehensive Income is appropriate for the purposes of preparing the Proforma Consolidated Statements of Comprehensive Income.

## Other matters

This letter is issued for inclusion in the Prospectus, for the sole purpose of complying with the Guidelines in connection with the Proposal. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposal described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposal.

Yours faithfully

A stylized signature or mark, possibly representing the company name or a specific identifier.

Ernst & Young  
AF : 0039  
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, appearing to be 'Ahmad Zahirudin bin Abdul Rahim'.

Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/14(J)  
Chartered Accountant



PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012  
 KLCC PROPERTY HOLDINGS BERHAD

Proforma Consolidated Statement of Comprehensive Income of the KLCCP Stapled Group for the year ended 31 March 2011

	Audited as							
	at 31 March 2011	As at 31 March 2011	Adjust-ments	Adjust-ments	Adjust-ments	Adjust-ments	Adjust-ments	Adjust-ments
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Revenue	926	926	926	926	926	926	926	926
<b>Operating profit</b>	<b>675</b>	<b>675</b>	<b>675</b>	<b>675</b>	<b>675</b>	<b>675</b>	<b>675</b>	<b>675</b>
Fair value adjustments on investment properties	547	547	547	547	547	547	547	547
Profit income	17	17	17	17	17	17	17	17
Financing costs	(129)	(129)	2	(127)	(127)	(127)	(127)	(127)
Share of profit of an associate	10	10		10	10	10	10	10
<b>Profit before tax</b>	<b>1,120</b>	<b>1,120</b>		<b>1,122</b>	<b>1,122</b>	<b>1,122</b>	<b>1,122</b>	<b>1,122</b>
Tax expense	(201)	(149)	52	(149)	(149)	(149)	(149)	(85)
<b>PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME</b>	<b>919</b>	<b>971</b>		<b>973</b>	<b>973</b>	<b>973</b>	<b>973</b>	<b>1,037</b>
<b>Profit attributable to:</b>								
Equity holders of the Company	706	741	35	743	840	427	427	427
Non-controlling interests ("NCI") relating to KLCC REIT	-	-	2	-	-	(413)	413	64
Other NCI	213	230	17	230	133	133	133	477
Total NCI	213	230		230	133	546	610	1,037
	919	971		973	973	973	973	1,037
<b>Earnings per stapled security (sen):</b>								
Basic	75.58	79.33		57.37	46.54	46.54	46.54	50.06
Basic excluding fair value adjustments on investment properties	28.03	28.05		20.39	20.00	20.00	20.00	23.53
Diluted	54.67	57.37		57.37	46.54	46.54	46.54	50.06
Diluted excluding fair value adjustments on investment properties	20.37	20.39		20.39	20.00	20.00	20.00	23.53

PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010,  
31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012

KLCC PROPERTY HOLDINGS BERHAD

Proforma Consolidated Statement of Comprehensive Income of the KLCCP Stapled Group for the period ended 31 December 2011

	Audited as at 31 Dec 2011	Adjust- ments RM'million	Proforma I RM'million	Adjust- ments RM'million	Proforma II RM'million	Adjust- ments RM'million	Proforma III RM'million	Adjust- ments RM'million	Proforma IV RM'million
Revenue	746		746		746		746		746
Operating profit	522		522		522		522		522
Fair value adjustments on investment properties	1,140		1,140		1,140		1,140		1,140
Profit income	16		16		16		16		16
Financing costs	(87)	1	(86)		(86)		(86)		(86)
Share of profit of an associate	8		8		8		8		8
Profit before tax	1,599		1,600		1,600		1,600		1,600
Tax expense	(119)		(119)		(119)		(119)		(61)
<b>PROFIT FOR THE PERIOD</b>	<b>1,480</b>		<b>1,481</b>		<b>1,481</b>		<b>1,481</b>		<b>1,539</b>
<b>REPRESENTING TOTAL</b>									
<b>COMPREHENSIVE INCOME</b>									
Profit attributable to:									
Equity holders of the Company	807		808	523	1,331	(1,044)	287		287
Non-controlling interests ("NCI") relating to KLCC REIT	-		-	(523)	-	1,044	1,044	58	1,102
Other NCI	673		673		150		150		150
Total NCI	673		673		150		1,194		1,252
	1,480		1,481		1,481		1,481		1,539
<b>Earnings per stapled security (sen):</b>									
Basic	86.40		62.39		73.74		73.74		76.95
Basic excluding fair value adjustments on investment properties	22.40		16.25		15.94		15.94		19.16
Diluted	62.39		62.39		73.74		73.74		76.95
Diluted excluding fair value adjustments on investment properties	16.25		16.25		15.94		15.94		19.16

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**  
**KLCC PROPERTY HOLDINGS BERHAD**

Proforma Consolidated Statement of Comprehensive Income of the KLCCP Stapled Group for the year ended 31 December 2012

	Audited as at 31 Dec 2012	Adjust- ments RM'million	Proforma I RM'million	Adjust- ments RM'million	Proforma II RM'million	Adjust- ments RM'million	Proforma III RM'million	Adjust- ments RM'million	Proforma IV RM'million
Revenue	1,178		1,178		1,178		1,178		1,178
<b>Operating profit</b>	<b>878</b>		<b>878</b>		<b>878</b>		<b>878</b>		<b>878</b>
Fair value adjustments on investment properties	1,379		1,379		1,379		1,379		1,379
Other income	36		36		36		36		36
Financing costs	(124)	2	(122)		(122)		(122)		(122)
Share of profit of an associate	24		24		24		24		24
<b>Profit before tax</b>	<b>2,193</b>		<b>2,195</b>		<b>2,195</b>		<b>2,195</b>		<b>2,195</b>
Tax expense	(209)		(209)		(209)		(209)	111	(98)
<b>PROFIT FOR THE YEAR</b>	<b>1,984</b>		<b>1,986</b>		<b>1,986</b>		<b>1,986</b>		<b>2,097</b>
<b>REPRESENTING TOTAL COMPREHENSIVE INCOME</b>	<b>1,984</b>		<b>1,986</b>		<b>1,986</b>		<b>1,986</b>		<b>2,097</b>
<b>Profit attributable to:</b>									
Equity holders of the Company	1,464	2	1,466	167	1,633	(983)	650		650
Non-controlling interests ("NCI") relating to KLCC REIT	-		-	(167)	-	983	983		1,094
Other NCI	520		520		353		353		353
Total NCI	520		520		353		1,336		1,447
	1,984		1,986		1,986		1,986		2,097
<b>Earnings per stapled security (sen):</b>									
Basic	156.74		113.20		90.47		90.47		96.62
Basic excluding fair value adjustments on investment properties	40.95		29.70		27.81		27.81		33.96
Diluted	113.20		113.20		90.47		90.47		96.62
Diluted excluding fair value adjustments on investment properties	29.54		29.70		27.81		27.81		33.96

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PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012

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Notes to the Proforma Consolidated Statements of Comprehensive Income

**1. Basis of Preparation**

The proforma consolidated statements of comprehensive income for the years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 as illustrated in pages 1 to 4 for which the Directors of KLCC Property Holdings Berhad ("the Company" or "KLCCP") are solely responsible, have been prepared for illustrative purposes to show the effects on the consolidated statements of comprehensive income of the KLCCP Stapled Group (as defined herein) from its assumed date of listing had the pre-listing restructuring as described in Section 3.2 of the prospectus (collectively, "Pre-Listing Restructuring") been effected on 1 April 2009, for the purpose of inclusion in the prospectus.

The proforma consolidated statements of comprehensive income of the KLCCP Stapled Group have been properly prepared using the consolidated financial statements of KLCCP for the years ended 31 March 2010 and 31 March 2011 which were prepared in accordance with Financial Reporting Standards in Malaysia ("FRS"), and consolidated financial statements of KLCCP for the period/year ended 31 December 2011 and 31 December 2012, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and in a manner consistent with both the format of the financial statements and the accounting policies of KLCCP after taking into consideration of Pre-Listing Restructuring.

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

**2. Basis of Consolidation**

The consolidated statements of comprehensive income of the Company comprise the statements of comprehensive income of the Company, its subsidiaries and KLCC Real Estate Investment Trust ("KLCC REIT"), a controlled entity as defined below (together referred to as the "KLCCP Stapled Group").

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

KLCCP 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 KLCCP holds no equity interest in KLCC REIT, it will reflect 100% non-controlling interest ("NCI") relating to KLCC REIT in the consolidated financial statements of KLCCP.

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**3. Proforma adjustments**

**3.1 Adoption of MFRS**

The date of transition of KLCCP Group 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 MFRS.

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 comparison purpose, the consolidated statements of comprehensive income reported in accordance with FRS have been adjusted to comply with MFRS, reflecting the reversal of deferred tax expense recognised on fair valuation of investment properties of:

- (i) RM27 million in financial year ended 31 March 2010; and
- (ii) RM52 million in financial year ended 31 March 2011.

**3.2 Proforma I**

Proforma I incorporates the effects of the conversion of redeemable convertible unsecured loan stocks ("RCULS") as described in Section 3.2 of the prospectus.

This results in decrease in financing costs of:

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

**3.3 Proforma II**

Proforma II incorporates the effects of Proforma I and the effects of the Midciti Acquisition as described in Section 3.2.1 of the prospectus.

As KLCCP will own 100% of Midciti's stake after the acquisition, there is a reduction in profit attributable to other 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.

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PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP  
STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH  
2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012

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Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)

3. Proforma adjustments (cont'd.)

3.4 Proforma III

Proforma III incorporates the effects of Proforma II and the effects of the establishment of KLCC REIT, disposal of PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS to KLCC REIT, bonus issue of Redeemable Preference Shares ("RPS") and redemption of RPS as described in Notes 3.2.2, 3.2.3 and 3.2.4 of the prospectus.

This results in increase in profit attributable to NCI relating to KLCC REIT, 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.

3.5 Proforma IV

Proforma IV incorporates the effects of Proforma III and the effects for KLCC REIT's exemption to income tax pursuant to Section 61A of Malaysia Income Tax Act, 1967 ("ITA") 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 ITA. 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.

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security**

Earnings per stapled security is the aggregate of earnings attributable to equity holders of KLCCP and unit holders of KLCC REIT divided by the number of stapled securities.

Basic earnings per stapled security are calculated by dividing profit for the period/year attributable to ordinary equity holders of the KLCCP Stapled Group and NCI relating to KLCC REIT by the weighted average number of ordinary shares/units in issue during the financial years/period.

(i) Earnings per stapled security for the year ended 31 Mar 2010:

	MFRS	Proforma	Proforma	Proforma	Proforma
		I	II	III	IV
<b>Basic</b>					
Profit attributable to ordinary equity holders (RM'million)	660	663	953	369	369
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	-	584	652
	<u>660</u>	<u>663</u>	<u>953</u>	<u>953</u>	<u>1,021</u>
Weighted average number of stapled securities in issue (million)	934	1,295	1,805	1,805	1,805
Basic earnings per stapled security (sen)	<u>70.66</u>	<u>51.20</u>	<u>52.80</u>	<u>52.80</u>	<u>56.57</u>
<b>Basic excluding fair value adjustments on investment properties</b>					
Profit attributable to stapled security holders (RM'million)	660	663	953	953	1,021
Less: Fair value adjustments on investment properties	(420)	(420)	(618)	(618)	(618)
	<u>240</u>	<u>243</u>	<u>335</u>	<u>335</u>	<u>403</u>
Weighted average number of stapled securities in issue (million)	934	1,295	1,805	1,805	1,805
Basic earnings per stapled security excluding fair value adjustments on investment properties (sen)	<u>25.69</u>	<u>18.76</u>	<u>18.56</u>	<u>18.56</u>	<u>22.33</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(ii) Earnings per stapled security for the year ended 31 Mar 2011:

	MFRS	Proforma I	Proforma II	Proforma III	Proforma IV
<b>Basic</b>					
Profit attributable to ordinary equity holders (RM'million)	741	743	840	427	427
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	-	413	477
	<u>741</u>	<u>743</u>	<u>840</u>	<u>840</u>	<u>904</u>
Weighted average number of stapled securities in issue (million)	934	1,295	1,805	1,805	1,805
Basic earnings per stapled security (sen)	<u>79.33</u>	<u>57.37</u>	<u>46.54</u>	<u>46.54</u>	<u>50.06</u>
<b>Basic excluding fair value adjustments on investment properties</b>					
Profit attributable to stapled security holders (RM'million)	741	743	840	840	904
Less: Fair value adjustments on investment properties	(479)	(479)	(479)	(479)	(479)
	<u>262</u>	<u>264</u>	<u>361</u>	<u>361</u>	<u>425</u>
Weighted average number of stapled securities in issue (million)	934	1,295	1,805	1,805	1,805
Basic earnings per stapled security excluding fair value adjustments on investment properties (sen)	<u>28.05</u>	<u>20.39</u>	<u>20.00</u>	<u>20.00</u>	<u>23.53</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(iii) Earnings per stapled security for the period ended 31 Dec 2011:

Basic	Proforma I	Proforma II	Proforma III	Proforma IV
Profit attributable to ordinary equity holders (RM'million)	808	1,331	287	287
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	1,044	1,102
	<u>808</u>	<u>1,331</u>	<u>1,331</u>	<u>1,389</u>
Weighted average number of stapled securities in issue (million)	1,295	1,805	1,805	1,805
Basic earnings per stapled security (sen)	<u>62.39</u>	<u>73.74</u>	<u>73.74</u>	<u>76.95</u>
<b>Basic excluding fair value adjustments on investment properties</b>				
Profit attributable to stapled security holders (RM'million)	808	1,331	1,331	1,389
Less: Fair value adjustments on investment properties	(598)	(1,043)	(1,043)	(1,043)
	<u>210</u>	<u>288</u>	<u>288</u>	<u>346</u>
Weighted average number of stapled securities in issue (million)	1,295	1,805	1,805	1,805
Basic earnings per stapled security excluding fair value adjustments on investment properties (sen)	<u>16.25</u>	<u>15.94</u>	<u>15.94</u>	<u>19.16</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(iv) Earnings per stapled security for the year ended 31 Dec 2012:

	Proforma I	Proforma II	Proforma III	Proforma IV
<b>Basic</b>				
Profit attributable to ordinary equity holders (RM'million)	1,466	1,633	650	650
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	983	1,094
	<u>1,466</u>	<u>1,633</u>	<u>1,633</u>	<u>1,744</u>
Weighted average number of stapled securities in issue (million)	1,295	1,805	1,805	1,805
Basic earnings per stapled security (sen)	<u>113.20</u>	<u>90.47</u>	<u>90.47</u>	<u>96.62</u>
<b>Basic excluding fair value adjustments on investment properties</b>				
Profit attributable to stapled security holders (RM'million)	1,466	1,633	1,633	1,744
Less: Fair value adjustments on investment properties	(1,082)	(1,131)	(1,131)	(1,131)
	<u>385</u>	<u>502</u>	<u>502</u>	<u>613</u>
Weighted average number of stapled securities in issue (million)	1,295	1,805	1,805	1,805
Basic earnings per stapled security excluding fair value adjustments on investment properties (sen)	<u>29.70</u>	<u>27.81</u>	<u>27.81</u>	<u>33.96</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

For the purpose of calculating diluted earnings per stapled security, the profit for the period/year attributable to ordinary equity holders of the KLCCP Stapled Group and NCI relating to KLCC REIT by the weighted average number of ordinary shares/units in issue during the financial period have been adjusted for the dilutive effects of the RCULS.

(i) Diluted earnings per stapled security for the year ended 31 Mar 2010:

Diluted	MFRS	Proforma I	Proforma II	Proforma III	Proforma IV
Profit attributable to ordinary equity holders (RM'million)	660	663	953	369	369
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	-	584	652
	660	663	953	953	1,021
After tax effect of interest on RCULS (RM'million)	3	-	-	-	-
Profit attributable to stapled security holders of the KLCCP Stapled Group including assumed conversion (RM'million)	663	663	953	953	1,021
Weighted number of stapled securities in issue (million)	934	1,295	1,805	1,805	1,805
Adjustment for assumed conversion of RCULS	361	-	-	-	-
Weighted average number of stapled securities in issue and issuable (million)	1,295	1,295	1,805	1,805	1,805
Diluted earnings per stapled security (sen)	51.20	51.20	52.80	52.80	56.57

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(i) Diluted earnings per unit of stapled security for the period ended 31 Mar 2010 (cont'd.):

	MFRS	Proforma	Proforma	Proforma	Proforma
		I	II	III	IV
<b>Diluted excluding fair value adjustments</b>					
Profit attributable to stapled security holders (RM'million)	663	663	953	953	1,021
Less: Fair value adjustments	(420)	(420)	(618)	(618)	(618)
	<u>243</u>	<u>243</u>	<u>335</u>	<u>335</u>	<u>403</u>
Weighted number of stapled securities in issue (million)	<u>1,295</u>	<u>1,295</u>	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>
Diluted earnings per stapled security excluding fair value adjustments (sen)	<u>18.76</u>	<u>18.76</u>	<u>18.56</u>	<u>18.56</u>	<u>22.33</u>

(ii) Diluted earnings per stapled security for the year ended 31 Mar 2011:

	MFRS	Proforma	Proforma	Proforma	Proforma
		I	II	III	IV
<b>Diluted</b>					
Profit attributable to ordinary equity holders (RM'million)	741	743	840	427	427
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	-	413	477
	<u>741</u>	<u>743</u>	<u>840</u>	<u>840</u>	<u>904</u>
After-tax effect of interest on RCULS (RM'million)	2	-	-	-	-
Profit attributable to stapled security holders of the KLCCP Stapled Group including assumed conversion (RM'million)	<u>743</u>	<u>743</u>	<u>840</u>	<u>840</u>	<u>904</u>
Weighted number of stapled securities in issue (million)	934	1,295	1,805	1,805	1,805
Adjustment for assumed conversion of RCULS (RM'million)	361	-	-	-	-
Weighted average number of stapled securities in issue and issuable (million)	<u>1,295</u>	<u>1,295</u>	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>
Diluted earnings per stapled security (sen)	<u>57.37</u>	<u>57.37</u>	<u>46.54</u>	<u>46.54</u>	<u>50.06</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(ii) Diluted earnings per stapled security for the year ended 31 Mar 2011 (cont'd.):

	MFRS	Proforma I	Proforma II	Proforma III	Proforma IV
<b>Diluted excluding fair value adjustments</b>					
Profit attributable to stapled security holders (RM'million)	743	743	840	840	904
Less: Fair value adjustments	(479)	(479)	(479)	(479)	(479)
	<u>264</u>	<u>264</u>	<u>361</u>	<u>361</u>	<u>425</u>
Weighted number of stapled securities in issue (million)	1,295	1,295	1,805	1,805	1,805
Diluted earnings per stapled security excluding fair value adjustments (sen)	<u>20.39</u>	<u>20.39</u>	<u>20.00</u>	<u>20.00</u>	<u>23.53</u>

(iii) Diluted earnings per stapled security for the period ended 31 Dec 2011:

<b>Diluted</b>	Proforma I	Proforma II	Proforma III	Proforma IV
Profit attributable to ordinary equity holders (RM'million)	808	1,331	287	287
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	1,044	1,102
Profit attributable to stapled security holders of the KLCCP Stapled Group including assumed conversion (RM'million)	<u>808</u>	<u>1,331</u>	<u>1,331</u>	<u>1,389</u>
Weighted average number of stapled securities in issue and issuable (million)	<u>1,295</u>	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>
Diluted earnings per stapled security (sen)	<u>62.39</u>	<u>73.74</u>	<u>73.74</u>	<u>76.95</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(iii) Diluted earnings per stapled security for the period ended 31 Dec 2011 (cont'd.):

	Proforma I	Proforma II	Proforma III	Proforma IV
<b>Diluted excluding fair value adjustments</b>				
Profit attributable to stapled security holders (RM'million)	808	1,331	1,331	1,389
Less: Fair value adjustments	(598)	(1,043)	(1,043)	(1,043)
	<u>210</u>	<u>288</u>	<u>288</u>	<u>346</u>
Weighted average number of stapled securities in issue and issuable (million)	<u>1,295</u>	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>
Diluted earnings per stapled security excluding fair value adjustments (sen)	<u>16.25</u>	<u>15.94</u>	<u>15.94</u>	<u>19.16</u>

(iv) Diluted earnings per stapled security for the year ended 31 Dec 2012:

	Proforma I	Proforma II	Proforma III	Proforma IV
<b>Diluted</b>				
Profit attributable to ordinary equity holders (RM'million)	1,466	1,633	650	650
Profit attributable to NCI relating to KLCC REIT (RM'million)	-	-	983	1,094
Profit attributable to stapled security holders of the KLCCP Stapled Group including assumed conversion (RM'million)	<u>1,466</u>	<u>1,633</u>	<u>1,633</u>	<u>1,744</u>
Weighted average number of stapled securities in issue and issuable (million)	<u>1,295</u>	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>
Diluted earnings per stapled security (sen)	<u>113.20</u>	<u>90.47</u>	<u>90.47</u>	<u>96.62</u>

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE KLCCP STAPLED GROUP FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

**Notes to the Proforma Consolidated Statements of Comprehensive Income (cont'd.)**

**4. Earnings per stapled security (cont'd.)**

(iv) Diluted earnings per stapled security for the year ended 31 Dec 2012 (cont'd.):

	Proforma I	Proforma II	Proforma III	Proforma IV
<b>Diluted excluding fair value adjustments</b>				
Profit attributable to stapled security holders (RM'million)	1,466	1,633	1,633	1,744
Less: Fair value adjustments	(1,081)	(1,131)	(1,131)	(1,131)
	<u>385</u>	<u>502</u>	<u>502</u>	<u>613</u>
Weighted average number of stapled securities in issue and issuable (million)	<u>1,295</u>	<u>1,805</u>	<u>1,805</u>	<u>1,805</u>
Diluted earnings per stapled security excluding fair value adjustments (sen)	<u>29.70</u>	<u>27.81</u>	<u>27.81</u>	<u>33.96</u>

**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**

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**Ernst & Young**  
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**REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC REAL ESTATE INVESTMENT TRUST**  
(Prepared for inclusion in the Prospectus)

3 April 2013

The Board of Directors  
KLCC REIT Management Sdn Bhd  
Levels 4 & 5 City Point  
Kompleks Dayabumi  
Jalan Hishamuddin  
50050 Kuala Lumpur

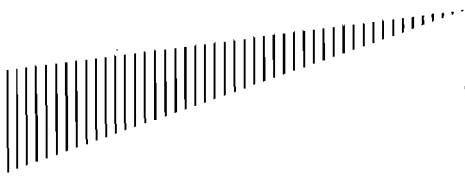
Dear Sirs

**KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") AND ITS SUBSIDIARY (THE "GROUP")**  
**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC REIT AS AT 31 DECEMBER 2012**

We have completed our assurance engagement to report on the compilation of pro forma financial information of KLCC REIT (the "Entity") prepared by the Directors of KLCC REIT Management Sdn Bhd (the "Manager"). The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2012 and the accompanying notes to the proforma consolidated statement of financial position ("Proforma Consolidated Statement of Financial Position").

The Proforma Consolidated Statement of Financial Position is compiled by the Directors of the Manager based on the applicable criteria as specified in the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the accompanying notes to the Proforma Consolidated Statement of Financial Position ("Applicable Criteria").

The Proforma Consolidated Statement of Financial Position has been compiled by the Directors of the Manager on the assumption that the Group was in existence on 31 December 2012, for inclusion in the prospectus, to illustrate the impact of the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal") on the Group's financial position as at 31 December 2012.



## The Directors' Responsibility for the Proforma Consolidated Statement of Financial Position

The Directors are responsible for compiling the Proforma Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

### Our responsibilities

Our responsibility is to express an opinion as required by the Securities Commission Malaysia, about whether the Proforma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors of the Manager on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of the Manager have compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Manager in the compilation of pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

### Opinion

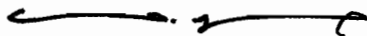
In our opinion, as required by the Prospectus Guidelines:

- (a) the Proforma Consolidated Statement of Financial Position of KLCC REIT, which has been prepared by the Directors of the Manager, has been prepared on the basis of the accompanying notes to the Proforma Consolidated Statement of Financial Position, and in a manner consistent with both the format of the statement of financial position and the accounting policies to be adopted by KLCC REIT; and
- (b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statement of Financial Position is appropriate for the purposes of preparing the Proforma Consolidated Statement of Financial Position.

### Other matters

This letter is issued for inclusion in the Prospectus, for the sole purpose of complying with the Prospectus Guidelines in connection with the Proposal. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposal described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposal.

Yours faithfully



Ernst & Young  
AF : 0039  
Chartered Accountants

Kuala Lumpur



Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/14(J)  
Chartered Accountant

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**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") AS AT 31 DECEMBER 2012**


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The proforma consolidated statement of financial position of KLCC REIT, set out below is provided for illustrative purpose to show the effects on the statement of financial position of KLCC REIT on its assumed date of listing had the establishment of KLCC REIT as described in Section 3.2.2 in the prospectus and acquisitions by KLCC REIT as described in Section 3.3 in the prospectus, had these been effected on 31 December 2012, and should be read in conjunction with the accompanying notes thereon. As at 31 December 2012, KLCC REIT does not have any assets and liabilities.

	Note	RM'million
<b>Non-current assets</b>		
Investment properties	3	<u>8,742</u>
<b>Current assets</b>		
Deferred rental income		47
Cash and bank balances		<u>46</u>
		<u>93</u>
<b>Total assets</b>		<u><b>8,835</b></u>
<b>Equity</b>		
Unitholders' capital	4	7,209
Accumulated losses	5	<u>(32)</u>
Unitholders' fund		<u>7,177</u>
<b>Non-current liabilities</b>		
Security deposits		16
Long term financing		738
Private debt securities		<u>845</u>
		<u>1,599</u>
<b>Current liabilities</b>		
Rental deposits		7
Term financing		21
Private debt securities		16
Provision for listing expenses		<u>15</u>
		<u>59</u>
<b>Total equity and liabilities</b>		<u><b>8,835</b></u>
Net asset value* ("NAV") (RM'million)		7,177
Number of units in issue (million)		1,805
NAV per unit (RM)		3.98

\* NAV is the value of KLCC REIT's total assets less total liabilities.

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**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") AS AT 31 DECEMBER 2012**


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**Notes to Proforma Consolidated Statement of Financial Position as at 31 December 2012**
**1. Basis of Preparation**

The proforma consolidated statement of financial position has been prepared by the Board of Directors ("BOD") of KLCC REIT Management Sdn Bhd for illustrative purposes only to show the effects on the consolidated statement of financial position of KLCC REIT as at the date of the establishment of KLCC REIT as described in Section 3.2.2 of the prospectus and acquisitions by KLCC REIT as described in Section 3.3 in the prospectus, had these been implemented and completed on 31 December 2012, by application of bases consistent with the accounting policies to be adopted by KLCC REIT.

**2. Effects on proforma consolidated statement of financial position**

The Acquisitions by KLCC REIT as detailed in Section 3.3 of the prospectus are accounted as business combination of the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS ("Subject Properties") together with the related assets and liabilities.

The purchase consideration of RM7,224 million (net of financing in respect of the investment properties of the Vendors as defined herein, to be assumed by KLCC REIT) for the Subject Properties together with the related assets and liabilities acquired from Arena Merdu Sdn Bhd ("AMSB"), Midciti Resources Sdn Bhd ("Midciti") and Arena Johan Sdn Bhd ("AJSB") (collectively, "Vendors") is based on willing-buyer willing-seller basis.

For illustrative purposes, listing and stapling expenses are estimated to be RM15 million and are recognised in equity.

**3. Investment properties**

Investment properties comprising the Subject Properties are recorded at the carrying value of the investment properties as at 31 December 2012.

**4. Unitholders' capital**

	Units ('million)
Units issued as Considerations Units (as detailed in Section 3.3 of the prospectus)	1,805
	<hr/>
	RM'million
Units issued as Considerations Units	7,224
Estimated listing and stapling expenses	(15)
Unitholders' capital	<hr/> 7,209 <hr/>

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PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") AS AT 31 DECEMBER 2012

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Notes to Proforma Consolidated Statement of Financial Position as at 31 December 2012  
(Cont'd.)

5. Accumulated losses

The difference between the fair value of the units issued as consideration and the aggregate carrying amount of the assets and liabilities acquired as of the date of the business combination is included in equity (accumulated losses) as the business combination is under common control.

**REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME OF KLCC REAL ESTATE INVESTMENT TRUST**

(Prepared for inclusion in the Prospectus)

3 April 2013

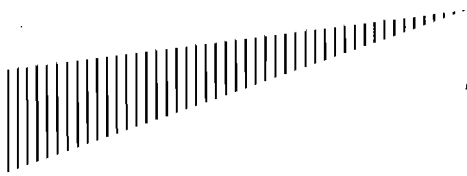
The Board of Directors  
KLCC REIT Management Sdn Bhd  
Levels 4 & 5 City Point  
Kompleks Dayabumi  
Jalan Hishamuddin  
50050 Kuala Lumpur

Dear Sirs

**KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") AND ITS SUBSIDIARY (THE  
"GROUP")  
PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCC REIT  
FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER  
2011 AND 31 DECEMBER 2012**

We have completed our assurance engagement to report on the compilation of pro forma financial information of KLCC REIT (the "Entity") prepared by the Directors of KLCC REIT Management Sdn Bhd (the "Manager"). The pro forma financial information consists of the pro forma consolidated statements of comprehensive income of KLCC REIT for the four years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 and the accompanying notes to the proforma consolidated statements of comprehensive income ("Proforma Consolidated Statements of Comprehensive Income").

The Proforma Consolidated Statements of Comprehensive Income is compiled by the Directors of the Manager based on the applicable criteria as specified in the Prospectus Guidelines for Collective Investment Schemes issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the accompanying notes to the Proforma Consolidated Statements of Comprehensive Income ("Applicable Criteria").



The Proforma Consolidated Statements of Comprehensive Income has been compiled by the Directors of the Manager, for inclusion in the prospectus, to illustrate the impact of the listing of and quotation for 1,805,333,083 stapled securities comprising the stapling of 1,805,333,083 ordinary shares of RM1.00 each in KLCCP and 1,805,333,083 units in KLCC REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Proposal") on the Group's financial performance for the years/period under review.

For the purposes of the Proforma Consolidated Statements of Comprehensive Income, the Group is assumed to have been in existence throughout the period under review.

### **The Directors' Responsibility for the Proforma Consolidated Statements of Comprehensive Income**

The Directors are responsible for compiling the Proforma Consolidated Statements of Comprehensive Income on the basis of the Applicable Criteria.

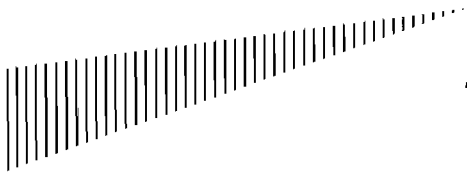
#### **Our responsibilities**

Our responsibility is to express an opinion as required by the Securities Commission Malaysia, about whether the Proforma Consolidated Statements of Comprehensive Income has been compiled, in all material respects, by the Directors of the Manager on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of the Manager have compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Manager in the compilation of pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:



- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

### Opinion

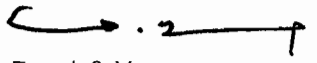
In our opinion:

- (a) the Proforma Consolidated Statements of Comprehensive Income of KLCC REIT which has been prepared by the Directors of the Manager, has been prepared on the basis of the accompanying notes to the Proforma Consolidated Statements of Comprehensive Income, in a manner consistent with both the format of the financial statements and the accounting policies to be adopted by KLCC REIT; and
- (b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statement of Comprehensive Income is appropriate for the purposes of preparing the Proforma Consolidated Statement of Comprehensive Income.

### Other matters

This letter is issued for inclusion in the prospectus, for the sole purpose of complying with the Prospectus Guidelines in connection with the Proposal. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposal described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposal.

Yours faithfully



Ernst & Young  
AF : 0039  
Chartered Accountants

Kuala Lumpur



Ahmad Zahirudin bin Abdul Rahim  
No. 2607/12/14(J)  
Chartered Accountant

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

The proforma consolidated statements of comprehensive income set out below have been prepared for illustrative purposes only to show the effects of the establishment of KLCC REIT on the financial performance of KLCC REIT for the years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 respectively had the establishment of KLCC REIT as described in Section 3.2.2 of the prospectus and acquisitions by KLCC REIT as described in Section 3.3 in the prospectus, had these been completed on 1 April 2009. However, the proforma consolidated statements of comprehensive income of KLCC REIT is not necessarily indicative of the financial performance that would have been attained had KLCC REIT actually existed earlier. As at the date of establishment, KLCC REIT does not have any assets and liabilities.

		12 months year ended 31 Mar 2010	12 months year ended 31 Mar 2011	9 months period ended 31 Dec 2011	12 months year ended 31 Dec 2012
	Note	RM'million	RM'million	RM'million	RM'million
<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 Assesment		(2)	(2)	(3)	(2)
Other Operating Expenses	2(a)	(4)	(7)	(9)	(10)
<b>Property Operating Expenses</b>		<b>(14)</b>	<b>(16)</b>	<b>(20)</b>	<b>(26)</b>
<b>Net Property Income</b>		<b>361</b>	<b>359</b>	<b>278</b>	<b>489</b>
Profit Income		14	15	11	12
		<b>375</b>	<b>374</b>	<b>289</b>	<b>501</b>
Management Fee	2(b)	(29)	(31)	(32)	(41)
Trustee's Fee	2(c)	(1)	(1)	(1)	(1)
Other Income		408	221	900	713
Finance Costs		(101)	(86)	(54)	(78)
<b>Profit Before Tax</b>		<b>652</b>	<b>477</b>	<b>1,102</b>	<b>1,094</b>
Taxation	2(d)	-	-	-	-
<b>Profit After Tax</b>		<b>652</b>	<b>477</b>	<b>1,102</b>	<b>1,094</b>

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PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012

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**Note**

[ i ] Reconciliation of profit before tax to distributable income:

		12 months year ended 31 Mar 2010 RM'million	12 months year ended 31 Mar 2011 RM'million	9 months period ended 31 Dec 2011 RM'million	12 months year ended 31 Dec 2012 RM'million
Profit before tax		652	477	1,102	1,094
Less: Non-cash items	[ii]	(391)	(215)	(897)	(741)
<b>Distributable income</b>		<b>261</b>	<b>262</b>	<b>205</b>	<b>353</b>

[ ii ] Non-cash items comprised of:

- fair value adjustment based on the valuation of PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS ("Subject Properties") as appraised by independent valuer at each respective financial years/period end as disclosed in the audited financial statements of Midciti Resources Sdn. Bhd. ("Midciti"), Arena Johan Sdn. Bhd. ("AJSB") and Arena Merdu Sdn. Bhd. ("AMSB") for the years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012;
- fair value adjustment on financial liabilities for the year ended 31 December 2012;
- accrued interest;
- amortisation of transaction costs for financing;
- accrued rental; and
- depreciation.

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PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012

---

Notes to Proforma Statement of Comprehensive Income for the four years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012

**1. Basis of Preparation**

The proforma consolidated statements of comprehensive income have been prepared by the Board of Directors of KLCC REIT Management Sdn Bhd ("KLCC REIT Management") for illustrative purposes only to show what the results of operations might have been had KLCC REIT existed on 1 April 2009. However, the proforma consolidated statements of comprehensive income of KLCC REIT is not necessarily indicative of the results of operation that would have been attained had KLCC REIT actually existed earlier.

The proforma consolidated statements of comprehensive income of KLCC REIT for the years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 have been prepared based on Midciti, AJSB and AMSB audited financial statements for the years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 with the inclusion of expenses pertaining to the real estate investment trust ("REIT") structure, i.e. provision of management fees and trustee's fees as disclosed in Note 2(b) and (c). In addition, tax expenses are excluded on the assumption as disclosed in Note 2(d). Certain numbers have been re-presented or reclassified in the proforma to conform with the basis of presentation of the proforma consolidated statements of comprehensive income and may not be consistent with the basis of presentation in the audited financial statements of Midciti, AJSB and AMSB. The proforma consolidated statements of comprehensive income have been prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with the format and accounting policies to be adopted by KLCC REIT.

**2. Bases and Assumptions**

The Directors of KLCC REIT Management have prepared the proforma consolidated statements of comprehensive income of KLCC REIT based on the following assumptions, for which the Directors of KLCC REIT Management are solely responsible:

**Assumptions for KLCC REIT**

(a) **Other operating expenses**

Included in other operating expenses, among others, is property management fee of RM0.3 million per annum.

**PROFORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT") FOR THE FOUR YEARS/PERIOD ENDED 31 MARCH 2010, 31 MARCH 2011, 31 DECEMBER 2011 AND 31 DECEMBER 2012**

Notes to Proforma Statement of Comprehensive Income for the four years/period ended 31 March 2010, 31 March 2011, 31 December 2011 and 31 December 2012 (cont'd.)

**2. Bases and Assumptions (cont'd.)**

**Assumptions for KLCC REIT (cont'd.)**

**(b) Management Fee**

The management fee payable to KLCC REIT Management is assumed and computed as follows:

- (i) Base fee : 0.3% per annum of the total asset value (excluding cash and bank balances) of KLCC REIT; and
- (ii) Performance fee : 3% per annum of the net property income at each financial period/year end.

**(c) Trustee's Fee**

The trustee's fee is RM0.6 million per annum.

**(d) Taxation**

KLCC REIT is assumed to distribute 95% of its distributable income for the four financial years/period ended 31 March 2010, 31 March 2011, 31 December 2011, and 31 December 2012, which is expected to be more than 90% of its total income as defined under the Malaysia Income Tax Act 1967 ("ITA"), and therefore be tax exempted pursuant to Section 61A of the ITA.

Reconciliation of tax expenses to tax exemption:

	12 months year ended 31 Mar 2010 RM'million	12 months year ended 31 Mar 2011 RM'million	9 months period ended 31 Dec 2011 RM'million	12 months year ended 31 Dec 2012 RM'million
Total tax expenses as disclosed in audited financial statements of Midciti, AJSB and AMSB	57	69	283	111
Less: Income tax exemption for REIT	(57)	(69)	(283)	(111)
<b>Tax expenses for KLCC REIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**QUESTIONS AND ANSWERS PERTAINING TO STAPLED SECURITIES**

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**This section is only to provide an overview of stapled securities. If you are in any doubt as to the course of action to take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

**1. WHAT IS MEANT BY “STAPLING”?**

Stapling is a legal concept which involves two or more securities being contractually bound together, usually via a stapling deed. The two or more securities must be attached or “stapled” together, so that one cannot be traded without the other.

In this case, the Stapled Security shall comprise the stapling of a Share in the Company with a Unit in KLCC REIT.

**2. WHEN IS “STAPLING” EFFECTIVE?**

A “stapling” is effective on a stapling commencement date as may be determined by the parties under the stapling deed entered into between the parties, to contractually bind the two or more securities that will be stapled together.

The Stapling is deemed effective on 7 May 2013.

**3. WHAT IS MEANT BY “UNSTAPLING”?**

“Unstapling” occurs when two or more securities which were previously stapled together are no longer stapled to each other under certain circumstances as stipulated in the stapling deed. Such circumstances may refer to instances where the approval of the holders of the stapled securities for the unstapling has been obtained, the stapling becomes unlawful or prohibited by relevant laws and requirements governing the respective securities, or either one or both of the issuers of the securities are terminated/wound up.

In this case, the Stapled Securities may only be Unstapled if (a) approved by the Holders via Special Resolutions and with prior approval, where applicable, from the relevant regulators for such Unstapling; (b) the stapling becomes, in future, unlawful or prohibited by the Listing Requirements or the REIT Guidelines or any other relevant laws, regulations and guidelines and with notification provided to Bursa Securities prior to such Unstapling; or (c) either KLCC REIT or (as the case may be) the Company is terminated or (as the case may be) wound up.

**4. WHAT ARE THE GOVERNING CONSTITUTIONS OF A STAPLED SECURITY?**

The governing constitutions of a stapled security will be the respective governing constitutions of the issuers of the securities for which their respective securities shall be stapled together to form the stapled security.

In the case of the Stapled Securities, in addition to current laws and regulations that apply to the Company and the Company's Memorandum and Articles of Association, the Deed for the constitution of KLCC REIT, the CMSA, the REIT Guidelines and Islamic REIT Guidelines will also apply.

**5. WHAT ARE THE FINANCIAL REPORTING REQUIREMENTS IN RELATION TO STAPLED SECURITIES?**

The respective issuers of the securities will issue separate sets of financial reports as separate legal entities.

In the case of the KLCCP Stapled Group, two separate sets of quarterly reports will be prepared, namely: (a) quarterly consolidated results of the Company, and (b) quarterly results of KLCC REIT.

The KLCCP Stapled Group will issue two separate sets of annual reports, namely: (a) annual report of the Company, which shall include the audited financial results of the Company, at company level as well as consolidated basis for the financial year; and (b) annual report of KLCC REIT, which shall include the audited financial results of KLCC REIT for the financial year.

Meanwhile, in view that paragraph 16.07 of the REIT Guidelines states that the annual report of a REIT will have to be issued within two months from the close of the financial year, both the annual reports/annual audited financial accounts of the Company and KLCC REIT will be issued within two months from the close of the financial year.

**6. WHEN IS A GENERAL MEETING OF HOLDERS OF STAPLED SECURITIES REQUIRED TO BE CONVENED?**

Matters requiring the approval by resolution that affect the issuers of the securities which form the stapled securities, in this instance, the Company and KLCC REIT, must be approved at a general meeting of Holders. A general meeting of Holders refers to a general meeting of Shareholders and a general meeting of Unitholders to be convened, i.e., no Unitholders' meeting can be convened without a corresponding Shareholders' meeting.

Matters requiring the approval by resolution that affect only, say, the Company, need only be approved at a general meeting of Shareholders to be convened. However, both the Company and KLCC REIT must mutually consult each other on the matters in question.

**7. WHAT IS THE EQUITY FUND RAISING FRAMEWORK FOR STAPLED SECURITIES?**

Where there is an equity fund raising exercise undertaken via a new issue of Stapled Securities, the number of Shares and Units that is to be issued must adhere to the ratio of one Unit for every one Share, as set out in the Stapling Deed. The funds raised will be apportioned between the Company and KLCC REIT based on their respective net assets at the end of the relevant period or based on such other method of valuation as may be mutually agreed between the Company and KLCC REIT.

**8. HOW IS THE TRADING PRICE OF STAPLED SECURITIES QUOTED ON BURSA SECURITIES?**

The Stapled Securities will be listed and quoted on the Main Market as one security. 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 a Stapled Security.

Trading on the Main Market shall only take place in the form of Stapled Securities. Accordingly, Holders will only be able to deal in the Stapled Securities on the Main Market and will not be permitted to deal in the individual components of the Stapled Securities. The Stapled Securities will be subject to normal transaction costs that apply to typical equity trades on the Main Market such as brokerage and stamp duty.

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