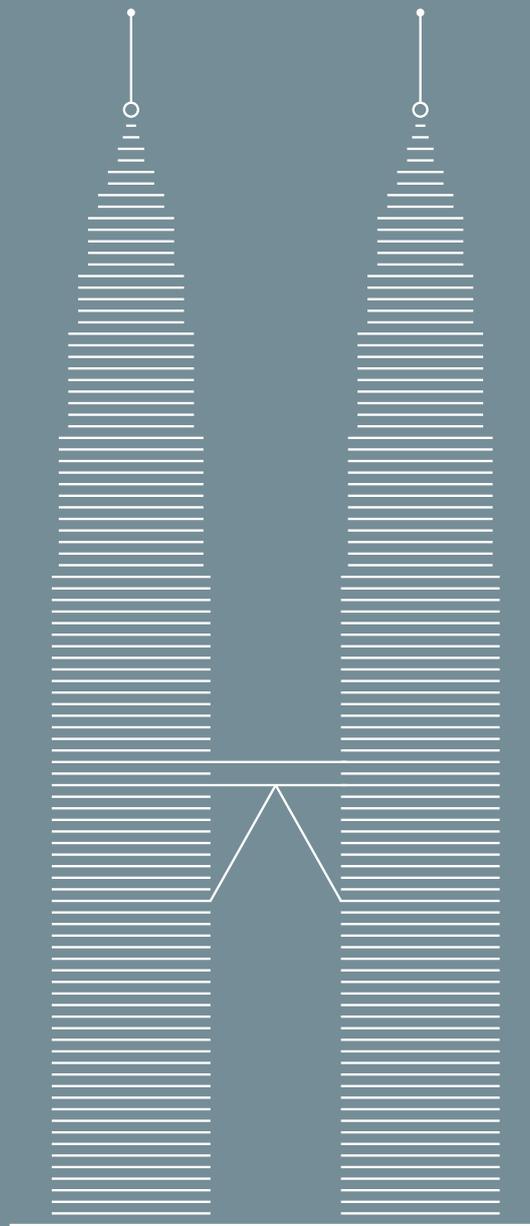




KLCC REAL ESTATE INVESTMENT TRUST



ANNUAL REPORT 2013



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KLCC REIT Growth Strategies

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KLCC REIT Growth Strategies

KLCC REIT seeks to pursue growth by leveraging on its ownership of premier assets, developments that have low-risk-high-potential value and choiced landbanks in strategic locations.

The growth trajectory shall be underpinned by the following core strategies:

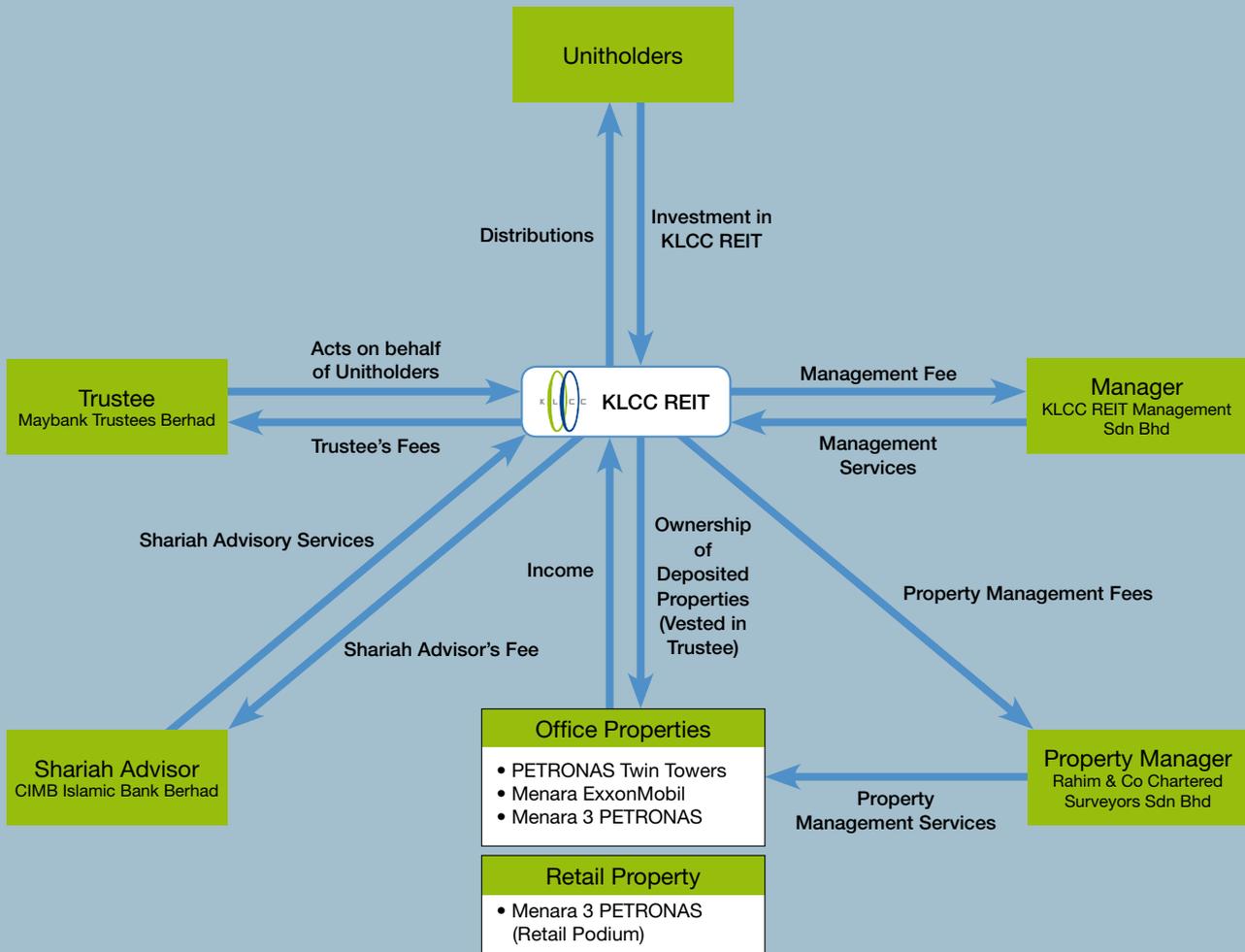
1. **Inherent Organic Growth Strategy for REIT-embedded Assets** through portfolio management, asset enhancement, cost-efficiency improvements and optimization of tenant mix initiatives.
2. **Growth from In-Built Pipeline Strategy for Injection/Acquisition of Properties** partially owned by KLCC Property Holdings Berhad (KLCCPH) into KLCC REIT which further realizes benefits to the REIT. KLCC REIT continues to pursue low-risk, non-speculative developments and redevelopment opportunities that can be potentially considered for REITs as a growth platform.
3. **Inorganic Growth from Right of First Refusal granted by KLCC (Holdings) Sdn Bhd and its subsidiaries and Third Party Acquisitions** of strategic real estate assets which will be value accretive and add growth to income distribution for the stapled securityholders.



Salient Features of KLCC REIT

Name of Fund	KLCC Real Estate Investment Trust (KLCC REIT)
Fund Type	Income and growth
Fund Category	Islamic Real Estate Investment Trust
Duration of Fund / Termination Date	The earlier of: <ul style="list-style-type: none"> • 999 years falling on 8 April 3012 • The date on which KLCC REIT is terminated by the Trustee or the Manager, in circumstances as set out under provisions of the Trust Deed dated 2 April 2013
Approved Fund Size	1,805,333,085 units
Market Capitalisation	RM10,561,198,535 (as at 31 December 2013)
Investment Objective	To provide the unitholders with regular and stable distributions, improving returns from property portfolio and capital growth, while maintaining an appropriate capital structure
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 in Malaysia and overseas
Distribution Policy	Distributions can be on a quarterly basis or such other intervals. 95.00% of KLCC REIT distributable income for FY2013 and FY2014 and thereafter at least 90.00% of KLCC REIT distributable income
Gearing Policy	Up to 50% of total asset value of the Fund
Listing Date	9 May 2013
Stock Name	KLCC
Stock Code	5235SS

STRUCTURE OF KLCC REIT



AT A GLANCE

PROPERTY VALUE

RM **8.8**
billion

MARKET CAPITALISATION

RM **10.6**
billion

REVENUE

RM **393.5**
million

NET PROPERTY INCOME

RM **376.6**
million

ANNUALISED DPU

19.34 sen

DISTRIBUTION YIELD (KLCCP Stapled Group)¹

4.95 %

¹ Based on DPU of KLCCP Stapled Group of 28.94 sen (including DPU of KLCCP of 16.05 sen) for the financial year ended 31 December 2013 and the closing price of the Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

Corporate

MANAGER

KLCC REIT Management Sdn. Bhd.

BOARD OF DIRECTORS OF THE MANAGER

Mr. Krishnan C K Menon
(Independent Non-Executive Director / Chairman)

Datuk Hashim Bin Wahir
(Chief Executive Officer)

Datuk Manharlal A/L Ratilal
(Non-Independent Non-Executive Director)

Datuk Ishak Bin Imam Abas
(Non-Independent Non-Executive Director)

Dato' Halipah Binti Esa
(Independent Non-Executive Director)

Datuk Pragasa Moorthi A/L Krishnasamy
(Independent Non-Executive Director)

Mr. Augustus Ralph Marshall
(Independent Non-Executive Director)

Cik Habibah binti Abdul
(Independent Non-Executive Director)

Information

BOARD AUDIT COMMITTEE OF THE MANAGER

Mr. Augustus Ralph Marshall (Chairman)
Datuk Manharlal A/L Ratilal
Dato' Halipah Binti Esa
Cik Habibah binti Abdul

NOMINATION AND REMUNERATION COMMITTEE OF THE MANAGER

Dato' Halipah Binti Esa (Chairman)
Datuk Manharlal A/L Ratilal
Cik Habibah binti Abdul

COMPANY SECRETARIES OF THE MANAGER

En. Abd Aziz Bin Abd Kadir (LS0001718)
Levels 33 & 34
Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7810

Mr. Yeap Kok Leong (MAICSA 0862549)
C/O Tricor Corporate Services Sdn. Bhd.
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone No. : 03-2264 8888
Facsimile No. : 03-2282 2733

REGISTERED OFFICE OF THE MANAGER

Level 54, Tower 2
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7231

CORPORATE OFFICE OF THE MANAGER

Levels 33 & 34
Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7810

REGISTRAR

Tricor Investor Services Sdn. Bhd.
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone No. : 03-2264 3883
Facsimile No. : 03-2282 1886

TRUSTEE

Maybank Trustees Berhad
8th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Telephone No. : 03-2070 8833/ 2070 8363
Facsimile No. : 03-2070 9387

PROPERTY MANAGER

Rahim & Co Chartered Surveyors Sdn Bhd
Level 17, Menara Uni.Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone No. : 03-2691 9922
Facsimile No. : 03-2691 9992

SHARIAH ADVISER

CIMB Islamic Bank Berhad
Level 34, Menara Bumiputra Commerce
11, Jalan Raja Laut
50350 Kuala Lumpur
Telephone No. : 03-2619 1188
Facsimile No. : 03-2691 3245

AUDITORS

Ernst & Young (Firm No. AF 0039)
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Telephone No. : 03-7495 8000
Facsimile No. : 03-2095 9076 / 78

INTERNAL AUDITOR

KLCC (Holdings) Sdn Bhd
(Group Internal Audit Division)
Levels 33 & 34
Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7810

PRINCIPAL BANKERS

CIMB Islamic Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia
Securities Berhad on 9 May 2013
Stock Code : 5235SS
Stock Name : KLCC



Board of Directors

From Left:

Mr. Krishnan C K Menon (Chairman)
(Independent Non-Executive Director)

Datuk Hashim Bin Wahir
(Chief Executive Officer)

Datuk Manharlal A/L Ratilal
(Non-Independent Non-Executive Director)

Datuk Ishak Bin Imam Abas
(Non-Independent Non-Executive Director)

Mr. Augustus Ralph Marshall
(Independent Non-Executive Director)

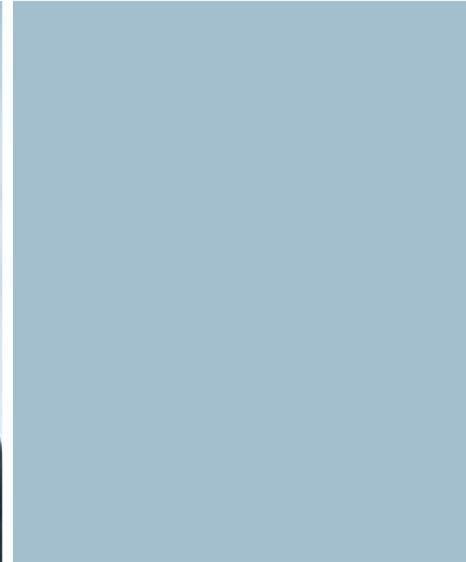
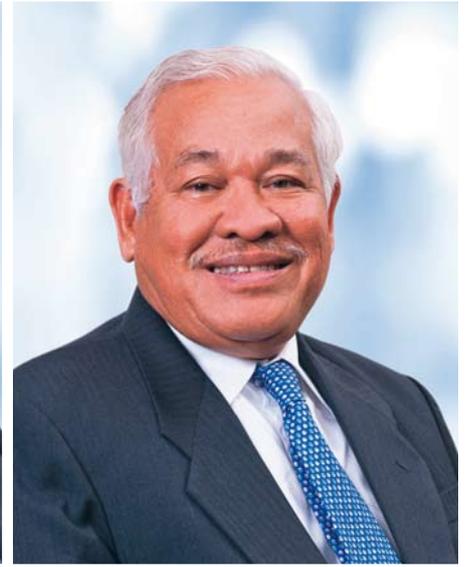
Dato' Halipah Binti Esa
(Independent Non-Executive Director)

Datuk Pragasa Moorthi A/L Krishnasamy
(Independent Non-Executive Director)

Cik Habibah binti Abdul
(Independent Non-Executive Director)

En. Abd Aziz Bin Abd Kadir (Company Secretary)

Mr. Yeap Kok Leong (Company Secretary)



Board of Directors' Profile

KRISHNAN C K MENON

(Independent Non-Executive Director / Chairman)

Krishnan C K Menon, aged 64, was appointed to the Board and Chairman of the Manager on 5 December 2012.

He is also an Independent Non-Executive Director and Chairman of KLCC Property Holdings Berhad.

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, 7 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 2 public listed companies, he joined Putrajaya Holdings Sdn Bhd as Chief Operating Officer in 1997 for 3 years before leaving the company in 2000.

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

DATUK HASHIM BIN WAHIR

(Chief Executive Officer)

Datuk Hashim bin Wahir, aged 56, was appointed to the Board and Chief Executive Officer of the Manager on 5 December 2012.

He is also an Executive Director and Chief Executive Officer of KLCC Property Holdings Berhad ("KLCCP") and a Director of Midciti Sukuk Berhad.

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.

Datuk 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. He was appointed as the Chairman for the PETRONAS group of companies in the Republic of Sudan until November 2007.

Datuk Hashim is also presently a Director and the Group Chief Executive Officer of KLCC (Holdings) Sdn Bhd ("KLCCH").

His other directorships include KLCCH's subsidiaries and associate companies, and subsidiaries of KLCCP.

BOARD OF DIRECTORS' PROFILE

DATUK MANHARLAL A/L RATILAL
(also known as DATUK GEORGE RATILAL)
(Non-Independent Non-Executive Director)

Datuk George, aged 54, was appointed to the Board of the Manager on 5 December 2012 and as a member of the Audit Committee on 12 December 2012. The Board had on 21 August 2013 appointed him as a member of the Nomination and Remuneration Committee of the Manager.

He is a Non-Independent Non-Executive Director of KLCC Property Holdings Berhad ("KLCCP"). He is also a member of the Audit Committee, and Nomination and Remuneration Committee of KLCCP.

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 George is the Executive Vice President (Finance) of PETRONAS, a member of the PETRONAS Board of Directors, Executive Committee and Management Committee.

Prior to joining PETRONAS in 2003, he worked 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 boards of Cagamas Holdings Berhad, MISC Berhad, and other subsidiaries of PETRONAS.

DATUK ISHAK BIN IMAM ABAS
(Non-Independent Non-Executive Director)

Datuk Ishak bin Imam Abas, aged 68, was appointed to the Board of the Manager on 5 December 2012.

He is also a Non-Independent Non-Executive Director of KLCC Property Holdings Berhad.

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 a 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 and a Non-Executive Director of Kuala Lumpur City Park Berhad, both of which are members of the PETRONAS group.

BOARD OF DIRECTORS' PROFILE

AUGUSTUS RALPH MARSHALL

(Independent Non-Executive Director)

Augustus Ralph Marshall, aged 62, was appointed to the Board of the Manager on 5 December 2012. He was also appointed as the Chairman of the Audit Committee of the Manager on 12 December 2012.

He is also an Independent Non-Executive Director and the Chairman of the Audit Committee of KLCC Property Holdings Berhad.

He has more than 30 years of experience in financial and general management. He is an Executive Director of Usaha Tegas Sdn Bhd ("UTSB"), the Executive Deputy Chairman and Group Chief Executive Officer of Astro Holdings Sdn Bhd group (including his position as Non-Executive Deputy Chairman of Astro Malaysia Holdings Berhad (listed on the Bursa Malaysia Securities Berhad)) and an Executive Director of Tanjong Public Limited Company, in which UTSB has significant interests. He also serves as a Non-Executive Director on the boards of several other companies in which UTSB also has significant interests such as Maxis Berhad ("Maxis") (listed on the Bursa Malaysia Securities Berhad), Maxis Communications Berhad (holding company of Maxis) and Johnston Press plc (listed on the London Stock Exchange plc). In addition, he is a Non-Executive Director of MEASAT Global Berhad and a member of the Remuneration and Employee Share Option Scheme Committees of Maxis.

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

DATO' HALIPAH BINTI ESA

(Independent Non-Executive Director)

Dato' Halipah Binti Esa, aged 64, was appointed to the Board of the Manager on 5 December 2012. She was also appointed as a member of the Audit Committee on 12 December 2012. The Board had on 21 August 2013 appointed her as the Chairman of Nomination and Remuneration Committee of the Manager.

She is an Independent Non-Executive Director and a member of the Audit Committee of KLCC Property Holdings Berhad ("KLCCP"). She is also the Chairman of the Nomination and Remuneration Committee of KLCCP.

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.

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.

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

BOARD OF DIRECTORS' PROFILE

DATUK PRAGASA MOORTHY A/L KRISHNASAMY

(Independent Non-Executive Director)

Datuk Pragasa Moorthi A/L Krishnasamy, aged 67, was appointed to the Board of the Manager on 5 December 2012.

He is also an Independent Non-Executive Director of KLCC Property Holdings Berhad.

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 a 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 4 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 4 years.

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

HABIBAH BINTI ABDUL

(Independent Non-Executive Director)

Habibah binti Abdul, aged 58, was appointed to the Board of the Manager on 26 June 2013. She was also appointed as a member of the Audit Committee on 26 June 2013. The Board had on 21 August 2013 appointed her as a member of the Nomination and Remuneration Committee of the Manager.

She is also an Independent Non-Executive Director, a member of the Audit Committee and a member of the Nomination and Remuneration Committee of KLCC Property Holdings Berhad.

She graduated from University of Malaya with a Bachelor of Economics (Accounting). She is a Member of the Institute of Chartered Accountants of England and Wales and a Member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

She has about 34 years of experience in providing audit and business advisory services to large public listed, multinational and local corporations. She was a former member of the Securities Commission from 1999 to 2002.

Presently, Cik Habibah sits on the boards of PETRONAS Gas Berhad, Wing Tai Malaysia Berhad, CIMB Islamic Bank Berhad and CIMB Investment Bank Berhad.

None of the Directors have:

- Any family relationship with any director of the Manager and/or major unitholders of KLCC REIT.
- Any conflict of interest with the Manager and KLCC REIT.
- Any conviction for offences within the past 10 years other than traffic offences, if any.

All of the Directors are Malaysians.



Chairman's Statement

It has indeed been a momentous year with the listing of KLCC Stapled Securities as the first ever Shariah stapled REIT structure on Bursa Malaysia and we are proud to be the country's largest Stapled REIT with market capitalization of RM10.6 billion as at 31 December 2013.

On behalf of the Board of Directors and Management of KLCC REIT Management Sdn Bhd, it gives me great pleasure to present the inaugural annual report of KLCC REIT for 2013.

It has indeed been a momentous year with the listing of KLCC Stapled Securities on 9 May 2013 as the first ever Shariah compliant stapled REIT structure on Bursa Malaysia and we are proud to be the country's largest Stapled REIT with property value in

excess of RM13 billion on listing date, of which RM8.7 billion were properties within the REIT. The Malaysian Real Estate Investment Trusts (M-REITs) saw a tremendous growth in market capitalization to RM38.4 billion as at 30 June 2013 from RM17.8 billion a year before. This has definitely created visibility of M-REITs in our domestic capital markets as well as regionally. The KLCC Stapled Securities market capitalization as at 31 December 2013 was RM10.6 billion.

KLCC REIT forms part of the unique stapled structure of KLCCP Stapled Group which bundles existing shares of KLCC Property Holdings Berhad (KLCCP) and units of KLCC REIT, and is quoted and traded as one security on Bursa Malaysia Securities Berhad. This structure allowed the shareholders to retain full value and ownership of the KLCCP assets and simultaneously unlock the underlying value of the assets. At the same time, the REIT

structure provided shareholders with access to stable REIT distributions and capital growth whilst benefiting from the significant development potential of the assets and substantial organic growth from within the Group.

The REIT portfolio consists of three unique prime commercial assets with strong stable asset performance – the iconic pride of the country, PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil, valued at RM8.8 billion as at 31 December 2013 and all of which have 100% committed occupancy in respect of the office segment.

KLCC Stapled Securities rose to a high of RM7.75 on its debut on Bursa Malaysia on 9 May 2013 and closed at RM7.68, a staggering increase of 99% from its pre-announcement price of RM3.86 as at 27 June 2012. We are confident that the strategies planned will translate to strong performance for the year ahead.

STAMPING ITS MARK UPON DEBUT

For the period under review, all three properties under KLCC REIT have performed well, generating revenue of RM393.5 million and net property income of RM376.6 million. The portfolio recorded a fair value gain of RM70.8 million for the financial period 2013.

In line with our commitment to pay out 95% of our distributable income for financial year 2013, we are pleased to report that for the financial period ended 31 December 2013, the Board of Directors of the Manager had declared a total income available for distribution of RM232.7 million which saw distributions of 12.89 sen from KLCC REIT. This translates to an annualized distributable income per unit of 19.34 sen from KLCC REIT, higher than the forecast distribution per unit of 19.11 sen per unit.

STABLE DISTRIBUTION AND GROWTH

KLCC REIT is poised to deliver strong and sustainable returns to the unitholders given the current stable of properties which have superior earnings visibility and stable rental yield, strong tenant profile with long term leases, and prime asset location.

In addition, KLCC REIT together with KLCCP, forming the Stapled Group has a clear growth path through the following avenues:

- embedded organic growth in the current property portfolio such as built-in step up rents and property enhancements,
- growth from an in-built pipeline through KLCCP, for example potential injection of assets within KLCCP into the REIT and
- inorganic growth from Right of First Refusal (ROFR) granted by KLCC (Holdings) Sdn Bhd and its subsidiaries and potential acquisitions from third parties.

The REIT also currently has sufficient debt headroom to fund any future acquisitions. KLCC REIT will seek to grow its investment portfolio with yield accretive assets to further create value.

RECOGNITION FOR EXCELLENCE

I am happy to announce that during the financial period under review, KLCC REIT's property, Menara 3 PETRONAS was awarded the FIABCI Malaysia Property Award 2013 under the Office category. This is testament of the superior assets and strengths of the KLCC REIT assets.

LOOKING AHEAD

The performance of the REIT assets are expected to remain stable given that the offices are on long term leases and commanding top quartile positions. This will put KLCC REIT in good stead to face the challenges of the market supply and volatility.

As we progress into 2014, KLCC REIT will remain steadfast in its objective to deliver consistently attractive value to our unitholders. We are confident that with a full year performance for 2014, KLCC REIT would be in a position to deliver a steady performance in realizing the forecast distribution per unit for our unitholders, upholding the commitment of a 95% payout ratio.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our sincere appreciation to all the unitholders and lessees of properties in the KLCC REIT for their confidence and support in our maiden year's performance. Our appreciation to the Securities Commission, Bursa Malaysia Securities Berhad and our business partners for their valuable advice and guidance during the listing of the KLCC Stapled Securities.

I would like to put on record my appreciation to Dato' Leong Ah Hin @ Leong Swee Kong who left the Board during the period, for his invaluable contributions to KLCC REIT. On the same note, I would like to welcome Cik Habibah Abdul as a new Director and given her knowledge and experience, I am confident she will be able to provide meaningful contribution to KLCC REIT.

I would also like to thank my fellow Board members and the management team for their insights, contribution and commitment in the establishment of KLCC REIT.



Krishnan C K Menon

Chairman



Management Team

From Left:

Annuar Marzuki bin Abdul Aziz

*Head of Investment / Head of Finance,
KLCC REIT Management Sdn Bhd*

Datuk Hashim Bin Wahir

*Chief Executive Officer,
KLCC REIT Management Sdn Bhd*

Datin Faudziah Binti Ibrahim

*Head of Leasing/Asset Manager,
KLCC REIT Management Sdn Bhd*

Abd Aziz Bin Abd Kadir

*Head of Legal & Compliance,
KLCC REIT Management Sdn Bhd*



CEO's Review

For the period in review, KLCC REIT achieved an annualized distribution per unit of 19.34 sen, surpassing its annualized forecast DPU of 19.11 sen per unit, at a distribution rate of 95%.

This has been a milestone year for the KLCC Stapled Group with the listing of the Stapled Securities under the "REITs" sector of the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013.

The period in review saw the Stapled Group's accomplishment in establishing the stapled REIT structure as the single largest owner

of stabilized assets in the country. KLCC REIT forms part of the Stapled Securities comprising the stapling of a Shariah-compliant share of KLCCP with a unit in the Shariah-compliant KLCC REIT, known as KLCCP Stapled Group. This unique structure improves distribution to unitholders, whilst capitalizing the advantages of the REIT structure. The Stapled Securities are traded as a single price quotation under "KLCCSS".

The quality assets of PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS form the property portfolio of KLCC REIT. These properties are long-term investments of the REIT which are expected to provide stable rental yield and sustainable returns to the unitholders.

This report covers the performance of KLCC REIT since its establishment on 9 April 2013 till 31 December 2013.



This maiden report highlights the successful performance of KLCC REIT in delivering its commitment on the distributions to its unitholders.

FINANCIAL PERFORMANCE

For the financial period ended 31 December 2013, the three portfolio of assets generated consistent, stable revenue of RM393.5 million and net property income of RM376.6 million. Net asset value also improved from RM4.00 per unit as at listing date to RM4.12 per unit as at the end of December 2013, after taking into account fair value adjustments of RM70.8 million.

For the period from April to December 2013, KLCC REIT achieved a distribution per unit (DPU) of 12.89 sen. KLCC REIT achieved an annualized distribution per unit of 19.34 sen, surpassing its annualized forecast DPU of 19.11 sen per unit, at a distribution rate of 95%. This is despite the listing only taking place on 9 May 2013 compared to the profit forecast basis that of KLCC

REIT establishment on 1 January 2013 as disclosed in the Prospectus. A total of RM145.3 million of the distributions have been paid to date since listing and the third interim distribution will be payable to the unitholders on 28 February 2014.

UNIT PERFORMANCE

In light of the volatility in the market and despite the downward movement of the KLCI, the Stapled Securities strengthened and ended the year at RM5.85, an appreciation of 52% from the pre-announcement as at June 2012. The market capitalization of RM10.6 billion as at 31 December 2013, retains KLCC REIT as the largest Stapled REIT in Malaysia in terms of market capitalization.

COMMERCIAL/OFFICE PROPERTIES

Our commercial properties performed commendably with PETRONAS Twin Towers, Menara 3 PETRONAS and

Menara ExxonMobil as the revenue contributors. The strong performance of these properties will remain steady and enjoy top quartile position in the foreseeable future owing to its locked-in long term tenancies with high quality tenants, ensuring long term stable income. The triple net lease arrangement for the PETRONAS Twin Towers and the office tower of Menara 3 PETRONAS will insulate KLCC REIT from any significant future increases in costs as all outgoings including property assessment and electricity charges will be borne by the lessee.

For the period under review, revenue recorded was RM369.1 million whilst Profit Before Tax was RM403.9 million. For the financial period ended 31 December 2013, office properties were the major contributors of revenue and total comprehensive income (excluding fair value adjustment) with contribution of 93.8% and 94.4% respectively.



1



2



3



4

- 1 Contemporary theme cafe at the sky lobby of Menara 3 PETRONAS
- 2 Mr Krishnan C K Menon, Chairman of KLCC REIT Management hitting the 'Gong' at the listing ceremony of the KLCC REIT on 9 May 2013
- 3 The retail area at the podium block of Menara 3 PETRONAS is connected to Suria KLCC
- 4 Menara 3 PETRONAS won the FIABCI Malaysia Property Award 2013 in Office Category. YBhg Datuk Hashim Wahir, CEO of KLCC REIT Management receiving the Award for Menara 3 PETRONAS from YAM Tunku Besar Seri Menanti, Tunku Ali Redhaudin ibni Tuanku Muhriz at the award ceremony

RETAIL PROPERTY

The retail podium of Menara 3 PETRONAS which forms the extension to Suria KLCC achieved outstanding performance in 2013 and is being considered as the premier shopping destination in Malaysia. During the period under review, revenue was recorded at RM24.4 million whilst total comprehensive income (excluding fair value adjustment) was RM16.5 million. Future increases in costs in respect of property assessment and electricity charges to a large extent will form part of the service charges payable by the tenants.

GOING FORWARD

As we look forward, KLCC REIT will continue to meet its commitment on its active asset management and planned growth strategies for the purpose of creating value in improving returns

from its property portfolio and capital growth, throughout the tenure of the REIT. KLCC REIT will continue to engage with investors in communicating its clear growth strategies. With sizeable debt headroom for further acquisitions, KLCC REIT will be able to meet its investment objectives in providing regular and stable distributions to the unitholders.

APPRECIATION

I would like to take this opportunity to extend my sincere and humble appreciation to the KLCC REIT Board members for their support, guidance and wisdom.

To all our unitholders, a special thank you for your support as well as the trust you have placed in us. My appreciation also goes to the advisers and authorities for their support to KLCC REIT.

I would also like to express my deepest gratitude to the staff for their tireless work in ensuring the successful listing of KLCC REIT and for their passion and commitment in delivering good financial results.

Datuk Hashim Bin Wahir

Chief Executive Officer

Fund Performance

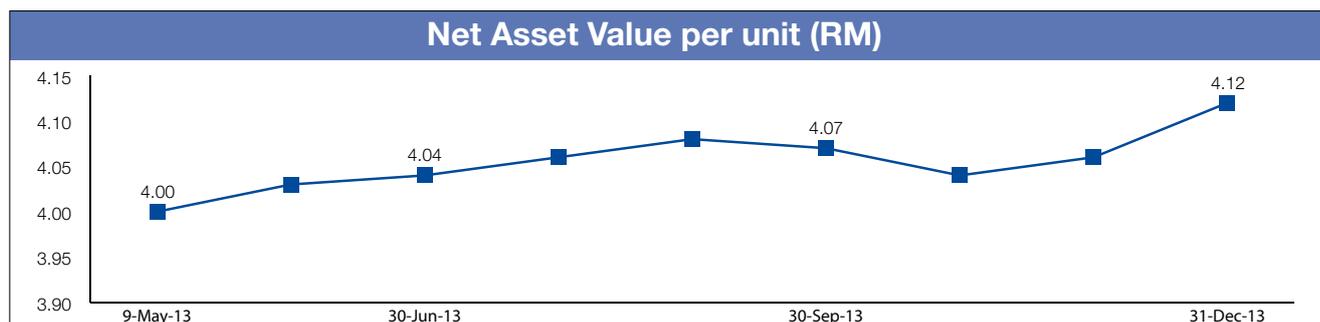
FUND PERFORMANCE¹

Statement of Comprehensive Income – Key Data & Financial Ratios	Financial Period 2013 RM'000
Revenue	393,473
Net Property Income	376,620
Income available for distribution (realized)	244,613
Distribution per unit (DPU) (sen)	12.89
Annualised DPU (sen)	19.34
Distribution Yield (KLCCP Stapled Group) (%) ²	4.95
Management expense ratio (%) ³	1.35
<hr/>	
Statement of Financial Position – Key Data & Financial Ratios	As at 31 Dec 2013 RM'000
Investment properties	8,817,000
Current assets	427,209
Other non-current assets	86
Total assets	9,244,295
<hr/>	
Current liabilities	447,812
Non-current liabilities	1,356,504
Total liabilities	1,804,316
Net Asset Value (NAV)	7,439,979
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Total Unitholders' Funds	7,439,979
<hr/>	
NAV per unit (before distribution) (RM)	4.12
NAV per unit (after distribution) (RM)	4.07
Highest NAV per unit (RM)	4.12
Lowest NAV per unit (RM)	4.00
Gearing Ratio (%)	17
Average cost of debt (%)	4.26
Debt Service Cover Ratio (times)	9.9

¹ No comparative figures are available as KLCC REIT was only established on 9 April 2013.

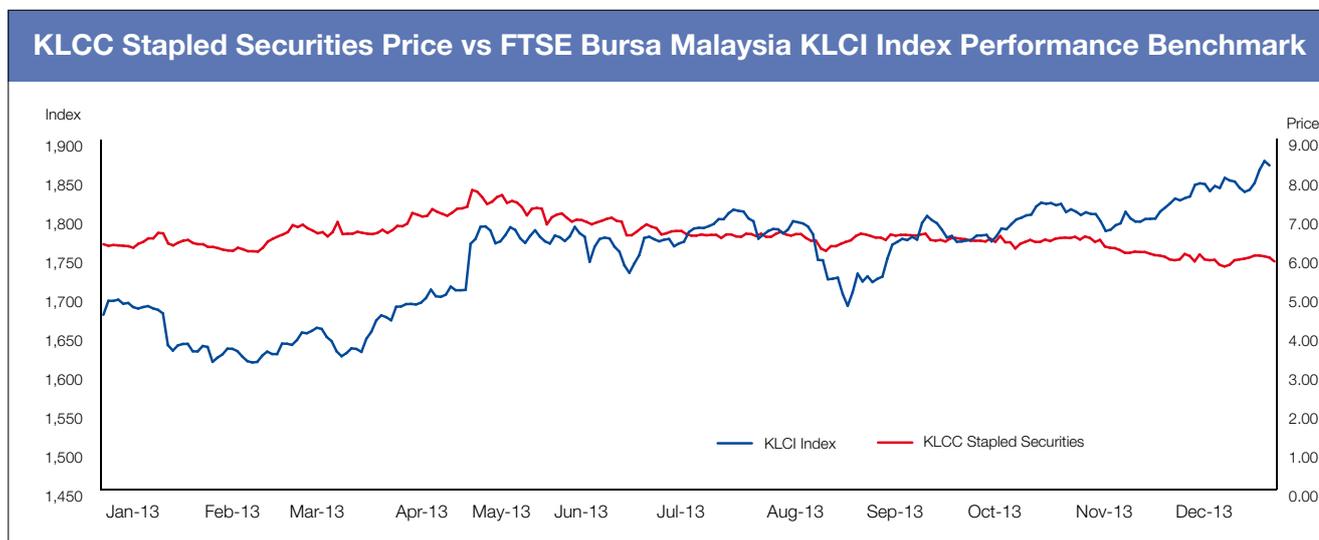
² Based on DPU of KLCCP Stapled Group of 28.94 sen (including DPU of KLCCP of 16.05 sen) for the financial year ended 31 December 2013 and the closing price of the Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

³ Ratio of expenses incurred in operating KLCC REIT including Manager's fee, Trustee's fee to the NAV of KLCC REIT.



Past performance is not necessarily an indication of future performance as market conditions may change over time

FUND PERFORMANCE

**TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES¹**

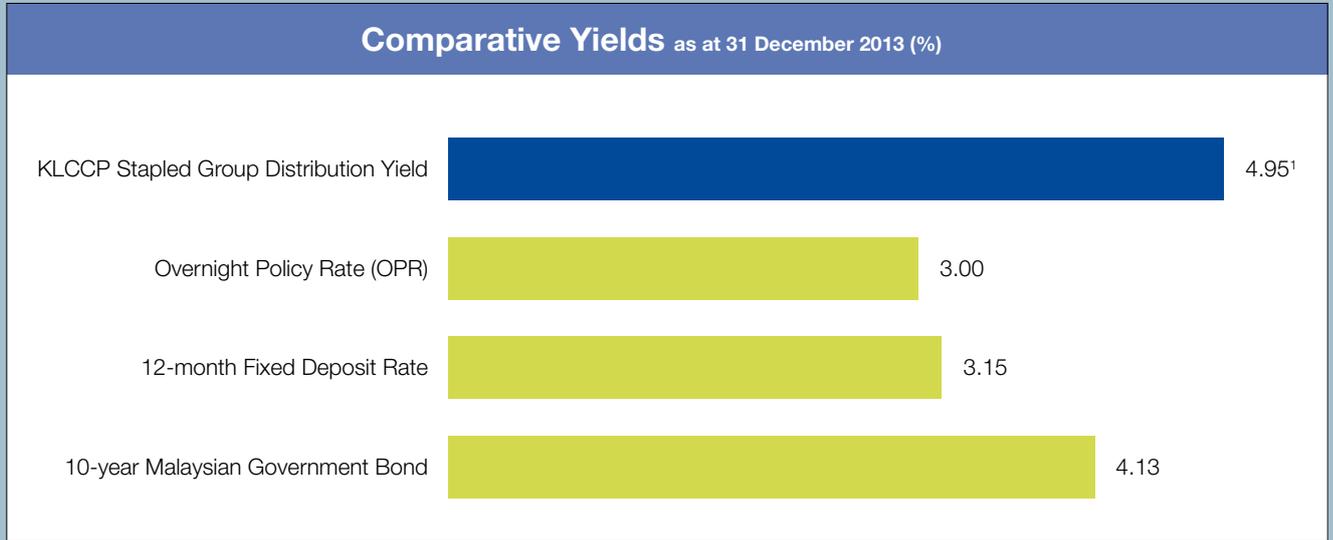
Trading Summary	Financial Period 2013
Stapled Securities Closing Price (RM)	
- 9 May 2013 (listing date)	7.68
- 31 December 2013	5.85
Highest traded price (RM)	7.68
Lowest traded price (RM)	5.72
Capital Appreciation (%)	
- based on prior to listing of KLCC Stapled REIT (12 months) ²	(7.00)
- based on post-listing of KLCC Stapled REIT ²	(23.8)
Average Total Return (%)³	(2.05)
Number of Stapled Securities ('000)	1,805,333
Market Capitalisation (RM'000)	10,561,198

¹ The trading price performance of KLCC REIT is based on the price performance of KLCC Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

² The capital appreciation prior to listing of the KLCC Stapled REIT is calculated based on Stapled Securities price from date of 1 January 2013 to 31 December 2013. The post-listing capital appreciation is calculated based on the Stapled Securities price from the date of listing on 9 May 2013 to 31 December 2013.

³ Average total return comprises negative capital appreciation from 1 January 2013 to 31 December 2013 of 7.00% and distribution yield of KLCCP Stapled Group of 4.95%.

Past performance is not necessarily an indication of future performance as market conditions may change over time



Source: Bloomberg, Bank Negara Malaysia

¹ Based on DPU of KLCCP Stapled Group of 28.94 sen (including DPU of KLCCP of 16.05 sen) for the financial year ended 31 December 2013 and the closing price of the Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

Past performance is not necessarily an indication of future performance as market conditions may change over time

Manager's Financial and Operational Review

The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn Bhd ("the Manager"), has pleasure in submitting their financial and operational review for the period ended 31 December 2013.

PRINCIPAL ACTIVITY AND INVESTMENT OBJECTIVES

KLCC REIT is an Islamic Real Estate Investment Trust established to own and invest primarily in Shariah compliant real estate for office and retail purposes. The Fund was constituted by the Deed dated 2 April 2013 entered into between the Manager and Maybank Trustees Berhad ("the Trustee"). The Deed was registered and lodged with the Securities Commission (SC) on 9 April 2013. It was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013.

The key objective of the Fund is to provide unitholders with stable distributions of income supported by KLCC REIT's strategy of improving returns from its property portfolio and capital growth.

INVESTMENT STRATEGIES

The Manager intends to achieve the investment objective of KLCC REIT through the following strategies:

i. Active asset management strategy

Continue to optimize the rental and occupancy rates and the Net Lettable Area ("NLA") of the properties in order to improve the returns from KLCC REIT's property portfolio.

ii. Acquisition growth strategy

Acquire real estate that fit with KLCC REIT's investment policy and strategy to enhance the returns to the unitholders and capitalize on opportunities for future income and Net Asset Value ("NAV") growth.

PERFORMANCE REVIEW¹

		2013
Total Assets	RM'000	9,244,295
Total Financing	RM'000	1,608,591
Total Unitholders' Fund	RM'000	7,439,979
Total Financing to Total Assets (Gearing) Ratio	%	17
Management Expense Ratio ("MER")	%	1.35
Total Net Asset Value	RM'000	7,439,979
Net Asset Value per unit – 31 December		
- Before income distribution	RM	4.12
- After income distribution	RM	4.07
Market Capitalisation ²	RM'000	10,561,198
Total units in circulation	'000	1,805,333
Market Value per unit – 31 December ²	RM	5.85
Highest Traded Price ²	RM	7.68
Lowest Traded Price ²	RM	5.72

¹ No comparative figures are available as KLCC REIT was only established on 9 April 2013.

² The trading price of KLCC REIT is based on the price performance of KLCC Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

FINANCIAL HIGHLIGHTS

		Actual Financial Period 2013 (8 months)	Actual Financial Period 2013 (Annualised)	Forecast FY2013	Performance Variance ¹ (%)
Revenue	RM'million	393	590	589	+0.2
Net Property Income	RM'million	377	566	562	+0.7
Income available for distribution	RM'million	245	368	363	+1.4
Income Distribution	RM'million	233	350	345	+1.4
Distribution per unit ("DPU")	sen	12.89	19.34	19.11	+1.2

¹ The performance variance is calculated by comparing the annualized actual results with the forecast figures

Financial Period 2013						
	Revenue		Net Property Income		Total Comprehensive Income (excluding Fair Value adjustment)	
	RM'million	%	RM'million	%	RM'million	%
PETRONAS Twin Towers	281.8	71.6	280.9	74.6	230.3	77.9
Menara ExxonMobil	28.6	7.3	20.4	5.4	16.1	5.4
Menara 3 PETRONAS	58.7	14.9	58.4	15.5	32.7	11.1
Total for Office Segment	369.1	93.8	359.7	95.5	279.1	94.4
Menara 3 PETRONAS (Retail Podium)	24.4	6.2	16.9	4.5	16.5	5.6
Total for Retail Segment	24.4	6.2	16.9	4.5	16.5	5.6
Total	393.5	100.0	376.6	100.0	295.6	100.0

For the financial period ended 31 December 2013, the portfolio of three investment properties generated revenue of RM393.5 million and net property income of RM376.6 million. The realised total comprehensive income (excluding fair value adjustment) for the financial period ended 31 December 2013 was RM295.6 million.

PETRONAS Twin Towers being the jewel in the crown of KLCC's REITs property portfolio was the highest revenue contributor at 71.6% or RM281.8 million, and represented 74.6% or RM280.9 million of total net property income. All three properties in the office segment boast occupancy of 100% with long term leases to high quality single lessees.

PETRONAS Twin Towers, and Menara 3 PETRONAS are on a 15-year Triple Net Lease basis in which Petroliam Nasional Berhad ("PETRONAS") is the lessee for both properties. A Triple Net Lease is a long term lease arrangement in which the lessor receives net rental from the lessee and the building's maintenance and operational responsibility is handed-over to the lessee. Thus the tenants meet all outgoings including property assessment and electricity charges. Menara ExxonMobil is also leased to a single lessee, ExxonMobil Exploration and Production Malaysia Inc since 1997. The long term leases to high quality tenants provide a high degree of certainty in rental and net income generated by these properties.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

The Fund's retail segment represents revenue from the retail podium of Menara 3 PETRONAS which is leased out to various tenants. With total occupancy rate at 94% as at 31 December 2013, the retail segment registered a total revenue of 6.2% or RM24.4 million and net property income of 4.5% or RM16.9 million respectively.

INVESTMENTS OF KLCC REIT

On 10 April 2013, the Trustee on behalf of KLCC REIT had entered into the Sale and Purchase Agreement with Midciti Resources Sdn Bhd, Arena Johan Sdn Bhd and Arena Merdu Sdn Bhd for the acquisition of the three properties with related assets and liabilities under the Fund for a total purchase consideration of RM7.2 billion.

Property	Acquisition Price RM'000	Market Value @31 Dec 2013 RM'000	Fair Value Adjustments RM'000
PETRONAS Twin Towers	6,500,000	6,560,000	60,000
Menara ExxonMobil	450,000	457,000	788
Menara 3 PETRONAS	1,790,000	1,800,000	10,000
	8,740,000	8,817,000	70,788

The properties were revalued at RM8.8 billion as at 31 December 2013 which translates into an improvement on net asset value from RM4.07 per unit (total NAV excluding fair value adjustment) to RM4.12 per unit as at 31 December 2013.

ASSET MANAGEMENT

During the financial period, the Manager had supported the triple net lessee initiatives, namely PETRONAS to embark on green initiatives to preserve the pristine condition of PETRONAS Twin Towers and Menara 3 PETRONAS for continued future longer tenancy prospects. The Manager will continue to ensure asset enhancement initiatives are undertaken to preserve the competitiveness of the properties, improve operational efficiency and retain long term tenancy at competitive market rates to yield rental growth.

CAPITAL MANAGEMENT

As at 31 December 2013, KLCC REIT had approximately RM1.6 billion financing facilities comprising Term Loans, Islamic debt facility and private debts securities (Sukuk Musharakah), representing 17.4% of its Total Asset Value. KLCC REIT will continue to actively manage its capital structure to optimize the cost of capital and maintain an appropriate gearing level.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

INCOME DISTRIBUTION

For the period under review, total comprehensive income available for distribution stood at RM244.6 million. Pursuant to the Distribution Policy as disclosed in the Trust's Prospectus dated 7 May 2013, the Manager had recommended and the Trustee had approved a total income distribution of 12.89 sen per unit totaling RM232.7 million for the period ended 31 December 2013.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'000)	Remarks
First Interim Distribution	3.19	57,590	Paid on 3 October 2013
Second Interim Distribution	4.86	87,739	Paid on 9 December 2013
Third Interim Distribution	4.84	87,378	To be paid on 28 February 2014
Total	12.89	232,707	

The annualized distribution per unit ("DPU") of 19.34 sen per unit, was higher as compared to the 19.11 sen per unit as forecast in the Prospectus, despite the listing only taking place on 9 May 2013. The striving for growth in DPU to provide its unitholders with the forecast distributions is in line with the Manager's investment strategies.

For the financial year 2014, the Manager remains committed to a high distribution payout ratio of 95% of KLCC REIT's distributable income and to distribute at least 90% of its distributable income in subsequent years.

MARKET REVIEW

In the year 2013, the global economy grew at a modest pace and continued to improve amid gradual recovery in major economies, affected by policy challenges and volatility in financial markets. On the domestic front, the Malaysian economy recorded stronger growth quarter-on-quarter expanding between 4.1 – 5.1% with domestic demand being the key driver. Inflationary pressures are generally on the rise with minimum wage implementation in January 2014 and planned GST in April 2015. The headline inflation increased by 2.1% for the period from January to December 2013, registering a Consumer Price Index of 107.10 compared to 104.9 in 2012. This is reflected in the upward adjustment to prices of petroleum products, food, non-alcoholic beverages, non-food items such as housing, energy, transport and increase in excise duty on tobacco. (Source: Economic and Financial Developments in Malaysia, Bank Negara Malaysia; Malaysian Institute of Economic Research)

The overall office market demand remained stable throughout 2013 with average rental rates and capital values remaining unchanged despite substantial supply. Decentralisation of office spaces is on the rise with more office spaces being built in the fringes of the city. However, occupancy remained stable at 85%. Medium term outlook remains uncertain and dependent on ability of the market to absorb new completions in the coming years.

Driven by domestic demand, the retail sector remained resilient with strong occupancy at 93%. The average rental rates of prime and popular shopping centres generally remained stable with higher rates achieved from new and renewed leases of most notable shopping centres. The retail stock in Kuala Lumpur stood at 22.9 million sqft and pipeline of new retail spaces are estimated at over 6 million sqft, predominantly suburban, between 2014 and 2017. The retail sector remains directly exposed to the volatility of the market, with inflation and various government subsidy rationalization measures affecting the retail growth. The Retail Group Malaysia had revised downward its growth estimate from 6.4% to 6.2% for 2013 (Source: DTZ Research 2013; Knight Frank Research 2013).

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

FUTURE PROSPECTS

The performance of KLCC REIT is expected to remain stable with the properties enjoying top quartile position owing to its long term locked-in tenancies by credible and quality tenants and prime asset location. As majority of the leases are on triple net lease which requires tenants to meet all outgoings including property assessment and electricity charges, the performance of the REIT would not be significantly affected by future increases in cost. Retail at Menara 3 PETRONAS is expected to improve in occupancy and contribute further to the segment, leveraging on Suria KLCC's reputation as the premier landmark centre.

The REIT Manager will actively seek for yield accretive acquisitions to improve returns from the property portfolio and capital growth in line with the investment objective of enhancing value to the unitholders and providing regular and stable distributions.

MATERIAL LITIGATION

The Manager is not aware of any material litigation since the balance sheet date as at 31 December 2013 up to the date of this report.

CIRCUMSTANCES WHICH MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

The Manager is not aware of any circumstances which materially affect the interests of unitholders.

DIRECTORS' OF THE MANAGER'S BENEFITS

During and at the end of the financial period, no Director of the Manager has received or become entitled to receive any benefit, by reason of a contract made by the Fund or a related corporate with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

There were no arrangements during and at the end of the financial period, which had the object of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

MANAGER'S FEE

For the financial period ended 31 December 2013, the Manager's fee comprised the following :

1. Base fee of RM17.7 million which is calculated at 0.3% per annum of Total Asset Value
2. Performance fee of RM11.3 million, calculated at 3.0% per annum of Net Property Income

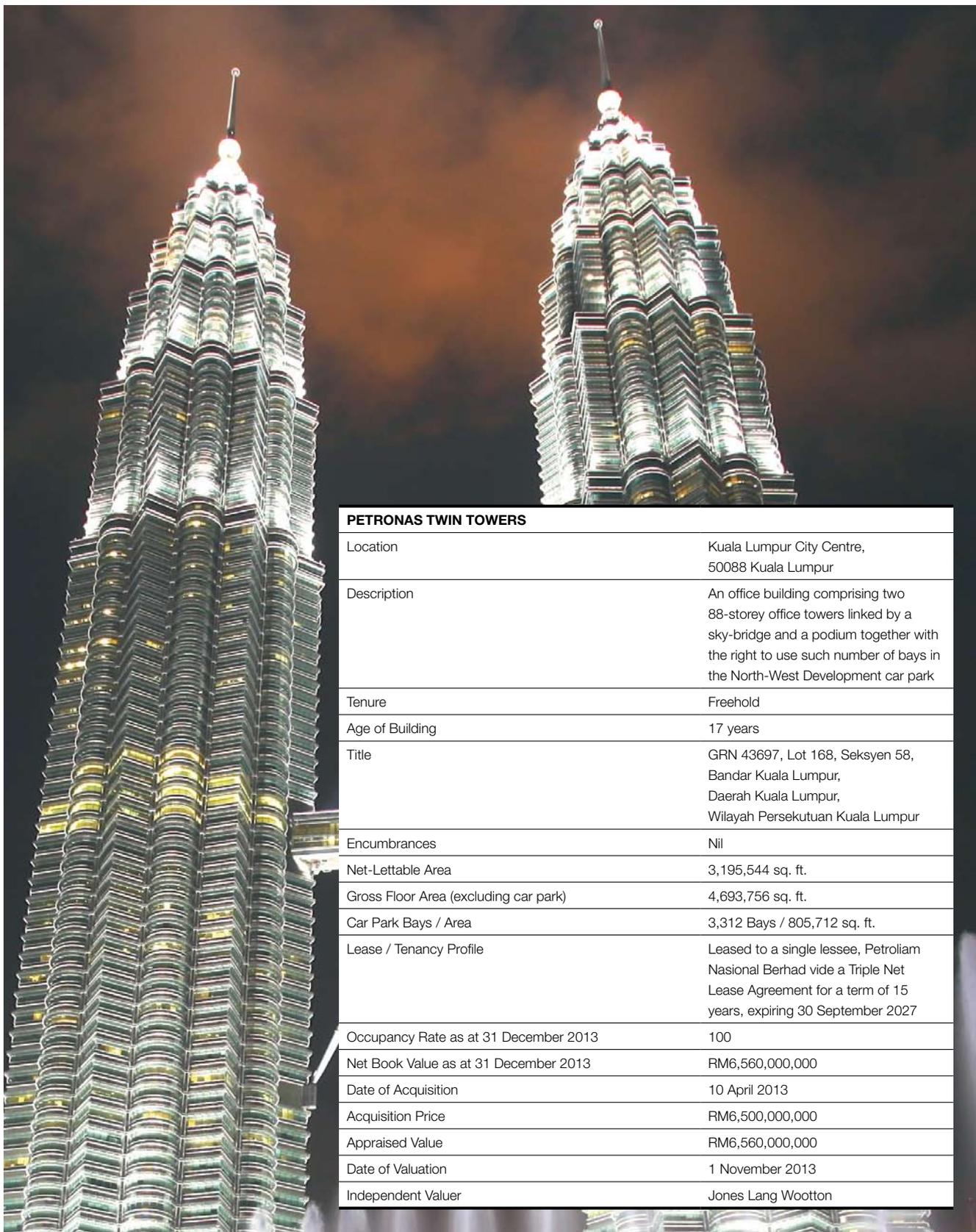
The Manager's total management fee of RM29.0 million represents 0.39% of NAV of KLCC REIT.

Save for expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of KLCC REIT.

SOFT COMMISSION

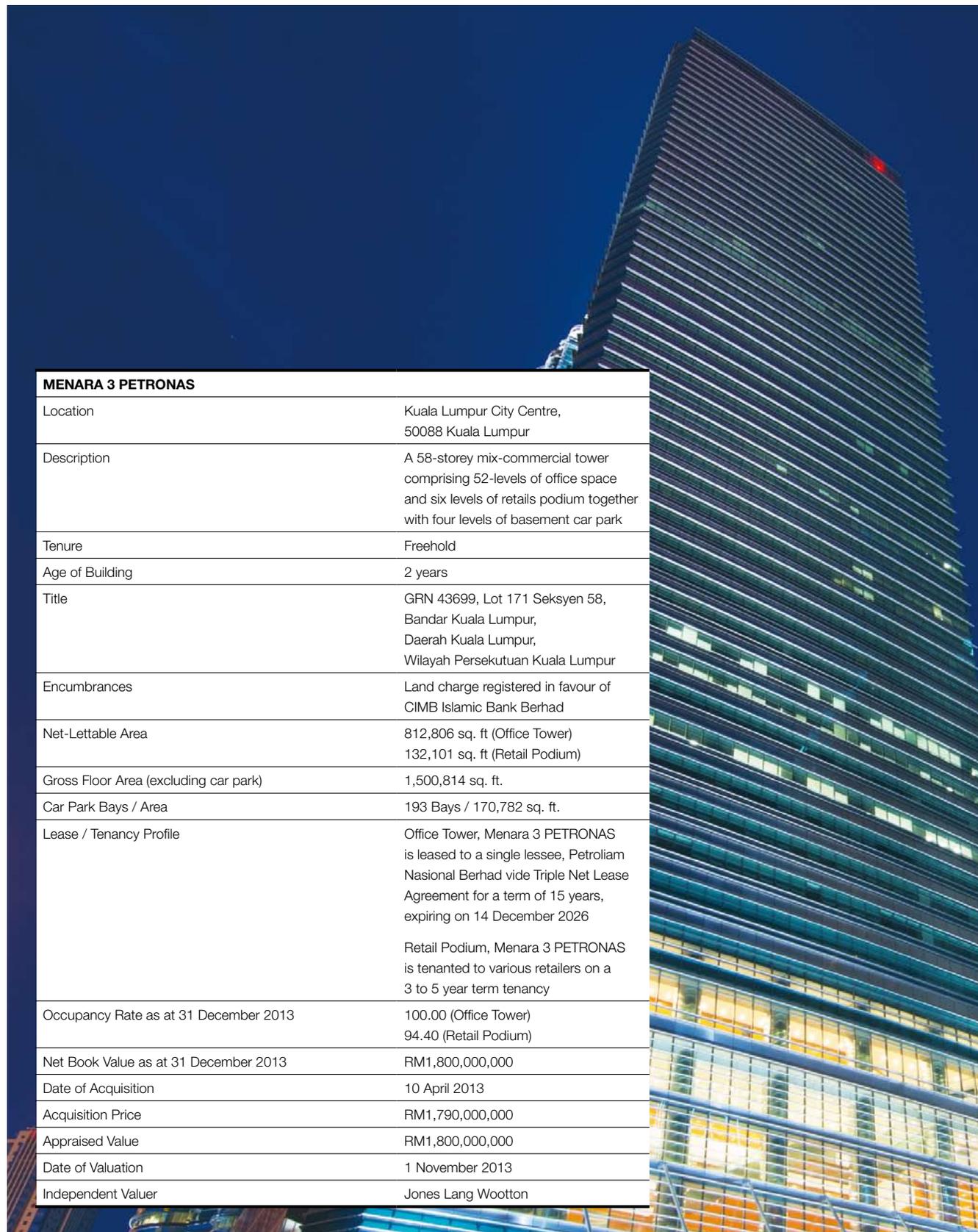
During the financial period, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by the Fund.

Property Portfolio Summary



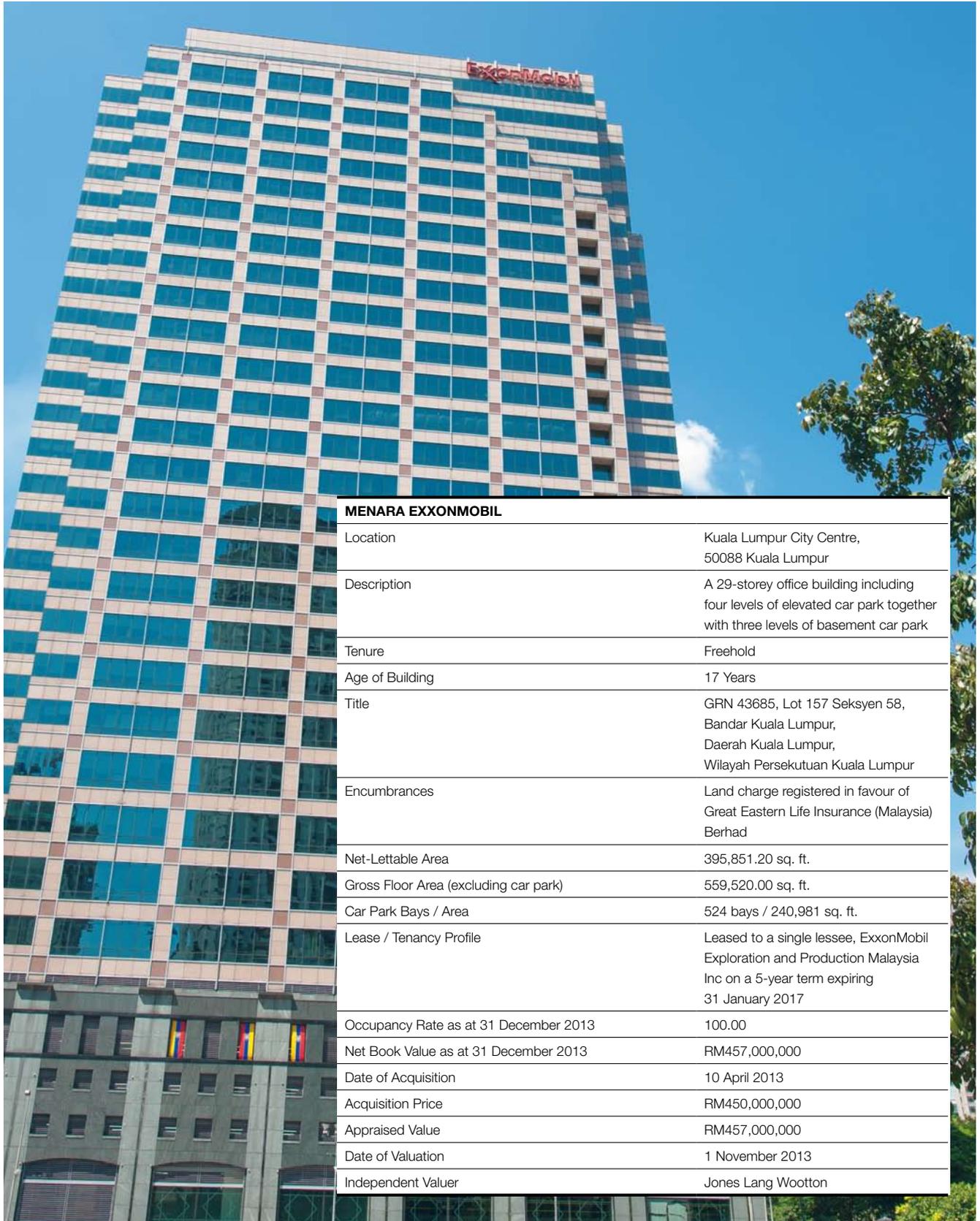
PETRONAS TWIN TOWERS	
Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Description	An office building comprising two 88-storey office towers linked by a sky-bridge and a podium together with the right to use such number of bays in the North-West Development car park
Tenure	Freehold
Age of Building	17 years
Title	GRN 43697, Lot 168, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Nil
Net-Lettable Area	3,195,544 sq. ft.
Gross Floor Area (excluding car park)	4,693,756 sq. ft.
Car Park Bays / Area	3,312 Bays / 805,712 sq. ft.
Lease / Tenancy Profile	Leased to a single lessee, Petroliam Nasional Berhad vide a Triple Net Lease Agreement for a term of 15 years, expiring 30 September 2027
Occupancy Rate as at 31 December 2013	100
Net Book Value as at 31 December 2013	RM6,560,000,000
Date of Acquisition	10 April 2013
Acquisition Price	RM6,500,000,000
Appraised Value	RM6,560,000,000
Date of Valuation	1 November 2013
Independent Valuer	Jones Lang Wootton

PROPERTY PORTFOLIO SUMMARY



MENARA 3 PETRONAS	
Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Description	A 58-storey mix-commercial tower comprising 52-levels of office space and six levels of retails podium together with four levels of basement car park
Tenure	Freehold
Age of Building	2 years
Title	GRN 43699, Lot 171 Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Land charge registered in favour of CIMB Islamic Bank Berhad
Net-Lettable Area	812,806 sq. ft (Office Tower) 132,101 sq. ft (Retail Podium)
Gross Floor Area (excluding car park)	1,500,814 sq. ft.
Car Park Bays / Area	193 Bays / 170,782 sq. ft.
Lease / Tenancy Profile	Office Tower, Menara 3 PETRONAS is leased to a single lessee, Petroliam Nasional Berhad vide Triple Net Lease Agreement for a term of 15 years, expiring on 14 December 2026 Retail Podium, Menara 3 PETRONAS is tenanted to various retailers on a 3 to 5 year term tenancy
Occupancy Rate as at 31 December 2013	100.00 (Office Tower) 94.40 (Retail Podium)
Net Book Value as at 31 December 2013	RM1,800,000,000
Date of Acquisition	10 April 2013
Acquisition Price	RM1,790,000,000
Appraised Value	RM1,800,000,000
Date of Valuation	1 November 2013
Independent Valuer	Jones Lang Wootton

PROPERTY PORTFOLIO SUMMARY



MENARA EXXONMOBIL	
Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Description	A 29-storey office building including four levels of elevated car park together with three levels of basement car park
Tenure	Freehold
Age of Building	17 Years
Title	GRN 43685, Lot 157 Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Land charge registered in favour of Great Eastern Life Insurance (Malaysia) Berhad
Net-Lettable Area	395,851.20 sq. ft.
Gross Floor Area (excluding car park)	559,520.00 sq. ft.
Car Park Bays / Area	524 bays / 240,981 sq. ft.
Lease / Tenancy Profile	Leased to a single lessee, ExxonMobil Exploration and Production Malaysia Inc on a 5-year term expiring 31 January 2017
Occupancy Rate as at 31 December 2013	100.00
Net Book Value as at 31 December 2013	RM457,000,000
Date of Acquisition	10 April 2013
Acquisition Price	RM450,000,000
Appraised Value	RM457,000,000
Date of Valuation	1 November 2013
Independent Valuer	Jones Lang Wootton

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Corporate Governance

Corporate Governance Statement **32** Statement on Risk Management & Internal Control **40**

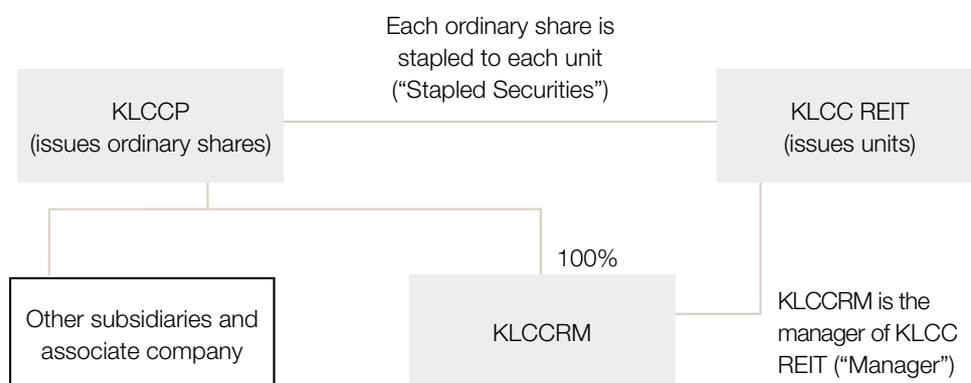
Audit Committee Report **42** Additional Information **48**

Corporate Governance Statement

KLCC Real Estate Investment Trust (“KLCC REIT”) is an Islamic REIT established in Malaysia and constituted by a trust deed dated 2 April 2013 (“Deed”) entered into between KLCC REIT Management Sdn Bhd (“KLCCRM”) and Maybank Trustees Berhad (“Trustee”) and registered with the Securities Commission Malaysia (“SC”) on 9 April 2013.

On 2 April 2013, KLCCRM, the Trustee and KLCC Property Holdings Berhad (“KLCCP”) had entered into a Stapling Deed to characterize the relationship as each unit in KLCC REIT being “stapled” to a share issued by KLCCP.

The Stapled Securities have been listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) since 9 May 2013 and KLCCP Stapled Group comprises the following:



In this Statement, the Board of KLCCRM (“the Board”) reports on the manner in which KLCCRM has adopted and applied the principles and best practices as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and the governance standards prescribed in the Main Market Listing Requirements of Bursa Securities (“MMLR”) and the Guidelines on Real Estate Investment Trusts issued by the SC (“REIT Guidelines”) in connection with all activities conducted for KLCC REIT throughout the period under review.

A. BOARD OF DIRECTORS

(1) Roles and Responsibilities of the Board

The Board is responsible for overseeing the overall management of KLCC REIT. It is led by experienced and knowledgeable Board members whose wide range of expertise ensures the business direction and continued performance of KLCC REIT.

The Board is responsible for directing and supervising KLCC REIT’s business and affairs, and its principal responsibilities are consistent with the best practices as prescribed under the MCCG 2012 and the REIT Guidelines. These include:

- (i) reviewing and adopting the strategic plans for KLCC REIT;
- (ii) overseeing the proper conduct of KLCC REIT’s business;

- (iii) ensuring that sound policies, procedures and practices are implemented;
- (iv) overseeing the development and implementation of a communications policy for KLCC REIT;
- (v) ensuring KLCC REIT’s principal risks are identified and mitigated, and appropriate measures are implemented to manage these risks;
- (vi) formulating and ensuring the implementation of an appropriate succession policy for senior management positions;
- (vii) overseeing its business operations and evaluating whether these are being properly managed;
- (viii) reviewing the adequacy and integrity of KLCC REIT’s internal control system;
- (ix) guiding the corporate strategies and directions of the Manager (including acquisition and divestment of the total assets of KLCC REIT);
- (x) overseeing the proper conduct of KLCCRM (including budgetary approval and all other financial matters);

CORPORATE GOVERNANCE STATEMENT

- (xi) ensuring compliance with relevant laws and requirements; and
- (xii) determining and approving the distribution amounts to holders of Stapled Security units and payments of management fees to the Manager.

KLCCRM is wholly-owned by KLCCP. By virtue of the stapling deed entered into amongst KLCCP, KLCCRM and Maybank Trustees Berhad, the Boards of KLCCRM and KLCCP have the same number and common Directors.

The Board has a formal schedule of matters reserved for its decisions, including the overall strategies and direction, acquisition and disposal of assets, approval of major capital expenditure projects and significant financial matters of KLCC REIT.

There is a clear division of roles and responsibilities between the Chairman, Chief Executive Officer (CEO) and Non-Executive Directors of the Board. The Chairman, an Independent Director of the Company, is primarily responsible for the orderly conduct and function of the Board. The CEO is responsible for the day-to-day running of the KLCC REIT's businesses, implementation of the Board's policies and making decisions related to operational matters. In managing the business affairs, he is assisted by the Management staff of KLCCRM.

The Non-Executive Directors ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interests of the stakeholders and the overall KLCC REIT's strategies and direction. They also contribute to the formulation of policies and procedures based on their expertise and experience. Being independent of the Management, it is ensured that no single individual or group dominates the Board's decision-making process.

As KLCCRM is wholly owned by KLCCP, the Board and Board Committees of KLCCRM are also guided by the Board Charter of KLCCP.

The Board acknowledges its role in establishing a corporate culture comprising ethical conduct within KLCCRM. The Board is guided by the PETRONAS Code of Conduct and Business Ethics ("CoBE") which sets out the standard of behaviour and ethical conduct that must be complied with by KLCCRM. At the same time, KLCCRM has also adopted the PETRONAS' Whistle-blowing Policy and the Anti Bribery & Corruption Manual which provide and facilitate appropriate communication and feedback channels between KLCCRM and its employees. The link to the CoBE which includes the Whistle-blowing Policy and the Anti Bribery & Corruption Manual is available on KLCCP's corporate website.

(2) Board Composition and Balance

The Board currently consists of 8 members, one of whom is an Executive Director while the other 7 are Non-Executive Directors. Five of the Non-Executive Directors fulfill the criteria of independence including the Chairman as defined in the MMLR, while the remaining 2 Non-Executive Directors are Non-Independent Directors.

The majority of the Independent Non-Executive Directors including the Chairman provides the necessary check and balance in the Board's exercise of its functions by facilitating an independent evaluation of the Board's decisions and decision-making process.

KLCCRM does not practice any form of gender bias as the Board believes that both genders are to be given fair and equal treatment and any new appointments to the Board shall be based solely on merit. Harnessing strength from a variety of backgrounds, experiences and perspectives allows the Board to bring a more diverse perspective to its deliberations. Currently, there are 2 female Directors on the Board.

CORPORATE GOVERNANCE STATEMENT

(3) Independence

The Board is satisfied with the level of independence demonstrated by the Directors throughout the period under review and their ability to act in the best interest of KLCC REIT.

Recommendations of the MCCG 2012 state that the tenure of an Independent Director should not exceed a cumulative term of 9 years. In adhering to recommended corporate governance practices, the Board has adopted a policy to limit the tenure of Independent Directors to a maximum of 9 years. The implementation of this policy will be undertaken gradually so as to ensure the continued effective functioning of the Board. Currently, none of the Independent Directors of KLCCRM has served the Board for more than 9 years as KLCCRM was only incorporated on 5 December 2012.

(4) Board Meetings

All Directors are encouraged to declare their time commitment to the Board and to notify the Chairman before accepting any new directorships in other public listed companies that the new directorships would not unduly affect their time commitments and responsibilities to the Board. The Board believes that all members must be equally responsible for their overall core responsibilities.

The Board meets at least quarterly to, inter alia, approve the strategic plans and direction for KLCC REIT, the annual business plans and budgets, operational and financial performance reports, investment and capital expenditures, quarterly reports and to review the performance of KLCC REIT. Additional meetings are convened on an ad hoc basis to deliberate on urgent and important matters. Sufficient notices are duly given for all scheduled and additional meetings of the Board.

During the period under review, a total of 4 Board meetings were held. The proceedings of all meetings of the Board and the Audit Committee including all issues raised, enquiries made and responses thereto were also presented and were recorded in the minutes of the Board and the Audit Committee meetings respectively. Where necessary, decisions have been taken by way of circular resolutions.

The attendance of the Board members of KLCCRM is as follows:

Directors	Attendance at Board Meetings Number
Executive	
Datuk Hashim Bin Wahir (CEO)	4/4
Non-Executive	
Krishnan C K Menon (Chairman)	4/4
Datuk Manharlal A/L Ratilal	2/4
Datuk Ishak Bin Imam Abas	4/4
Augustus Ralph Marshall	2/4
Dato' Halipah Binti Esa	4/4
Habibah Binti Abdul (appointed on 26 June 2013)	3/3
Datuk Pragasa Moorthi A/L Krishnasamy	3/4
Dato' Leong Ah Hin @ Leong Swee Kong (resigned on 26 June 2013)	1/1

(5) Supply of Information

To facilitate the proper discharge of their duties, complete and unimpeded access to information relating to KLCC REIT is made available to the Board at all times. Further details or clarifications regarding Board meetings' agenda items are timely furnished to the Board as they may require.

The agenda and Board meetings' papers including progress reports on business operations, details of business propositions, quarterly reports and new guidelines issued by Bursa Securities are circulated to the Board well before a Board meeting is convened so as to allow ample time for perusal. Minutes of every Board meeting are also circulated to the Board prior to their confirmation at the following Board meetings.

The Board may obtain all information pertaining to KLCC REIT from the Management of KLCCRM. The Board may also seek advice from the Management concerned as they may require, and are able to interact directly with them regarding any aspect of KLCC REIT's operations or businesses under its purview.

CORPORATE GOVERNANCE STATEMENT

The Management is also invited to attend Board meetings to give an update of their respective functions and to discuss on issues that may be raised by the Directors.

Additionally, the Directors may obtain independent professional advice at KLCC REIT's expense through an agreed procedure on specific issues that would aid in their deliberations and arrival at a decision that would benefit KLCC REIT.

In order to ensure effective functioning of the Board, the Company Secretaries regularly update and advise the Board on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities. The Company Secretaries also play an advisory role to the Board in relation to KLCCRM constitution, policies and procedures, and compliance with the relevant legislations and regulatory requirements. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretaries. The Company Secretaries attend all Board meetings and ensure that the deliberations and decisions made by the Board are accurately minuted, and the records of the proceedings of the Board meetings are properly kept.

(6) Board Committees

The Board has established committees ("Board Committees") that are entrusted with specific responsibilities to oversee KLCC REIT's affairs. The Board Committees are granted with the authority to act on the Board's behalf in accordance with their respective Terms of Reference ("TOR").

(a) Audit Committee ("AC")

The Chairman of the AC reports to the Board at Board meetings on pertinent issues that have been raised at AC meetings, and highlights to Directors the integral areas as expressed by the AC. The details of the activities of the AC for the period under review are set out from pages 42 to 43 of the Annual Report.

(b) Nomination and Remuneration Committee ("NRC")

The Board had established NRC on 21 August 2013. The NRC comprises exclusively Non-Executive Directors, the majority of whom is Independent Non-Executive Directors. The NRC is chaired by Dato' Halipah Binti Esa who is designated as the Senior Independent Non-Executive Director.

The NRC's roles and responsibilities are governed by its TOR which can be obtained from the corporate website of KLCCP.

During the period under review, the Directors are assessed and evaluated by the Board as the TOR of the NRC has just been formalised.

(7) Re-Appointment and Re-Election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, any Director who is over the age of 70 shall retire at every Annual General Meeting ("AGM") and may offer himself/herself for re-appointment to hold office until the conclusion of the next AGM.

The Articles of Association of KLCCRM provide that at every AGM, at least one-third of all Directors for the time being and those appointed during the financial year shall retire from office but shall be eligible for re-election in line with the MMLR. The Articles of Association further provide that all Directors are subject to retirement by rotation once every 3 years but shall be eligible for re-election.

(8) Training and Development of Directors

The Board recognizes the importance of attending and participating in training and development activities in order to broaden their perspectives and to keep abreast of developments in the market place and new statutory and regulatory requirements which would enable them to fulfill their responsibilities.

CORPORATE GOVERNANCE STATEMENT

During the period under review, the Directors have attended relevant development and training programmes according to their individual needs to enhance their ability to discharge their duties and responsibilities more effectively.

The training programmes attended by the Directors are as follows:

- Corporate Governance Compliance & Practice
- Tax Seminar 2013
- Audit Committee Conference 2013 by Malaysian Institute of Accountants and Institute of Internal Audit Malaysia
- Training by Bank Negara Malaysia's Financial Directors' Education
- Perdana Leadership Foundation CEO Forum 2013
- Five Quality Principles
- Youtube Opens Up Opportunities And Possibilities
- Leadership Practices For Building An Agile And Sustainable Talent Pool
- Entertainment & Media Outlook 2013/2014
- Bursa Malaysia: Mandatory Accreditation Programme for Directors of Public Listed Companies
- Capital Adequacy Assessment briefing
- Briefing on Financial Services Act and Islamic Financial Services Act
- Shariah Governance Framework Briefing 2013
- Risk Posture Workshop
- Annual Management Summit
- PETRONAS Corporate Integrity Advocacy Programme: Designing Corruption out of the Business Eco-System

B. DIRECTORS' REMUNERATION

None of the Directors received remuneration from KLCCRM during the period.

C. RELATIONSHIP WITH HOLDERS OF STAPLED SECURITIES AND INVESTORS

(1) Communication between KLCCRM and Investors

The Board recognizes the importance of maintaining transparency and accountability to its stakeholders. As such, the Board ensures the supply of clear, comprehensive and timely information to its stakeholders via KLCC REIT Annual Report as well as various disclosures including quarterly financial results of KLCCP Stapled Group which provide investors with up-to-date financial information of KLCCP Stapled Group.

All corporate disclosures take into account the prevailing legislative restrictions and requirements as well as investors' need for timely release of price-sensitive information such as the financial performance results, material disposals/acquisitions, and significant corporate proposals.

In all circumstances, KLCCRM is conscious of the timeliness in providing material information about KLCC REIT and continually stress the importance of timely and equal dissemination of information to its stakeholders.

KLCCRM has conducted financial performance briefing for the investor community and issued press statements in conjunction with the announcements of the quarterly results of KLCCP Stapled Group. Announcements for public release by KLCCRM on KLCC REIT are not only intended to promote dissemination of financial and non-financial information of KLCCP Stapled Group to the holders of Stapled Securities and investors, but also to keep them updated on the progress and development of the business and affairs as well as strategic developments of KLCC REIT.

In addition to the mandatory disclosure requirements by Bursa Securities as well as other required corporate disclosures, information on KLCC REIT can be accessed through KLCCP's corporate website.

CORPORATE GOVERNANCE STATEMENT

(2) Annual General Meeting (“AGM”)

KLCCRM regards AGM of KLCC REIT as the important forum for effective communication and proactive engagement with the holders of Stapled Securities. Holders of Stapled Securities will be informed of their right to demand for a poll vote at the commencement of the AGM and accorded ample opportunity and time to raise questions and concerns, and the Directors and Management of KLCCRM will provide appropriate answers and clarifications. A detailed presentation of KLCCP Stapled Group which includes KLCC REIT’s operations and financial results will be undertaken by the CEO prior to the commencement of the proceedings of the AGM. The external auditors of KLCC REIT will also be present during the AGM to provide their professional and independent advice.

The notice of KLCC REIT AGM together with the Form of Proxy are given to the holders of Stapled Securities at least 21 days before the AGM, giving them sufficient time to prepare themselves to attend the KLCC REIT AGM or to appoint a proxy to attend and vote on their behalf. Any item of special business included in the notice of the KLCC REIT AGM will be accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are tabled for different transactions and the Chairman declares the outcome of the resolutions voted upon.

(3) Corporate Disclosure Policy

KLCCRM has adopted the Corporate Disclosure Policy for KLCC REIT on 21 January 2014.

D. ACCOUNTABILITY AND AUDIT**(1) Financial Reporting**

In order to provide timely, transparent and up-to-date disclosure of KLCC REIT’s overall performance, the Board has to ensure that a balanced, clear and meaningful assessment of the financial position and prospects of KLCC REIT are presented in all the disclosures made to the holders of Stapled Securities, investors and the regulatory authorities through various announcements on quarterly financial results, annual reports and press releases.

The Board is assisted by the AC to oversee KLCC REIT’s financial reporting process and the quality of the same. The AC reviews and monitors the integrity of the interim and annual financial statements of KLCC REIT. The AC also reviews the aptness of KLCC REIT’s accounting policies and the changes thereto as well as the implementation of these policies.

The Chairman of the AC as well as its members are professional individuals. Together, they have vast experience and skills in accounting and finance and on other fields of expertise, and are highly-qualified to formulate and review the integrity and reliability of KLCC REIT’s financial statements prior to recommending the same to the Board for approval.

The Board is responsible to ensure that KLCC REIT’s audited financial statements comply with the Malaysian Financial Reporting Standards, the Companies Act, 1965 and the MMLR and any other applicable legislations and regulations.

The Manager’s Report and the Statement by the Manager in relation to the preparation of the financial statements are set out from pages 50 to 54 of the Annual Report of KLCC REIT.

(2) Related Party Transactions

All related party transactions will be subject to regular periodic review by the AC prior to recommendation to the Board to ensure compliance of the MMLR and/or the REIT Guidelines.

(3) Internal Control

The Board has overall responsibility for maintaining a sound system of internal controls of KLCC REIT that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

During its quarterly meetings, the AC reviews the effectiveness of the system of internal controls of KLCC REIT. The review covers financial, operational and compliance controls as well as risk management functions.

CORPORATE GOVERNANCE STATEMENT

The Statement on Risk Management and Internal Control, which provides an overview of the state of the internal control within KLCC REIT, is set out from pages 40 to 41 of this Annual Report.

(4) Relationship with External Auditors

KLCCRM has established transparent and appropriate relationship with the external auditors through the AC. From time to time, the external auditors will highlight matters that require further attention of the AC and the Board. The Board has obtained assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

The AC meets with the external auditors to discuss their audit plans, audit findings and their reviews of KLCC REIT's financial statements. The meetings are held in the presence of the CEO and the Management.

The AC also meets with the external auditors once annually or whenever necessary without the presence of the CEO and the Management. In addition, the external auditors are present at the AGM to provide their professional and independent clarification on issues and concerns raised by the holders of Stapled Securities.

A summary of the activities of the AC during the period under review, including the evaluation of the independent audit process, is set out in the AC Report from pages 42 to 43 of this Annual Report.

The details of fees paid/payable to the external auditors for the period under review for statutory audit and other services rendered to KLCCRM and KLCC REIT are set out below:

	KLCCRM RM'000	KLCC REIT RM'000	Total RM'000
Fees paid/payable to Messrs. Ernst & Young			
• Statutory Audit	8	74	82
• Other Services	–	–	–
Total	8	74*	82

* inclusive of fees paid by Midciti Sukuk Berhad

The Board believes that the provision of these services by the external auditors to KLCCRM and KLCC REIT was cost effective and efficient due to their knowledge and understanding of the operations of KLCCRM and KLCC REIT, and they did not compromise their independence and objectivity.

KLCCRM has incorporated policies and procedures governing the circumstances in which contracts for non-audit services are to be entered with external auditors.

E. INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Internal Audit Division ("GIAD") of KLCC (Holdings) Sdn Bhd ("KLCCH") which provides assurance on the efficiency and effectiveness of the internal control systems implemented by KLCCRM and KLCC REIT. To support the AC in discharging its responsibilities, the Head of GIAD of KLCCH reports directly to the AC.

Further details of the internal audit activities are set out in the Audit Committee Report and Statement on Risk Management and Internal Control of this Annual Report.

F. RISK MANAGEMENT

The risk management function was undertaken by the Group Enterprise Risk Management of KLCCH prior to 28 October 2013. Subsequently, the function was transferred to KLCCP.

Further details of KLCCP's risk management activities are set out in the Statement on Risk Management and Internal Control of this Annual Report at page 40.

G. CORPORATE SUSTAINABILITY

The Board continues to ensure KLCC REIT's commitment to conduct business activities is in accordance with KLCCP Policy Statement on Health, Safety and Environment and as guided by Bursa Securities' Framework Towards Corporate Sustainability.

This Statement is made in accordance with the resolution of the Board of Directors on 18 February 2014.

Statement on Risk Management & Internal Control

The Board of KLCCRM (whereby KLCCRM is the Manager of KLCC REIT) is responsible and committed to maintain a sound and effective risk management and internal control system of KLCC REIT.

The system encompasses risk management, organization policies and processes, corporate governance, financial information integrity, operational and regulatory controls. The system is designed to manage and not to eliminate all inherent risks associated with the business as well as any weaknesses in the processes and policies of KLCC REIT. An effective and sound risk management and internal control system is important for KLCC REIT to achieve its business strategies and objectives.

RISK MANAGEMENT

The Board has established sound risk management practices to safeguard KLCC REIT's business interest from risk events that may impede the achievement of its business strategies and growth opportunities besides providing assurances to all stakeholders.

In supporting the risk governance structure and effective implementation of risk management, KLCC REIT has established appropriate risk operations mechanism covering the areas of systems, processes, reporting of risks, knowledge management and assurance activities.

The Board in discharging its risk management function is assisted by the Group Enterprise Risk Management of KLCCP in managing the principal risks and providing assurances on effectiveness of the risk management framework for KLCC REIT.

KLCC REIT has identified the following principal risks which are critical to the success of KLCC REIT's business strategies and objectives:

- Human Capital
- Security
- Credit
- Market
- Asset Management
- Supplier
- Health, Safety & Environment

The risk level of the abovementioned principal risks has been clearly identified and demonstrated in the risk matrix indicating the likelihood and impact of the identified risk arising. The likelihood and impact of these risks have been assessed and evaluated against KLCC REIT's risk appetite and tolerance level. In managing the risk, mitigation plans incorporating appropriate risk mitigation strategies and controls are assessed and reviewed for their effectiveness for each of the principal risks.

During the period under review, a risk assessment exercise in respect of leasing and development activities were carried out to identify risk exposures and to recommend appropriate measures to mitigate the risk exposures.

Concerns on all principal risks are shared with the GIAD of KLCCCH which form part of their risk based audit activities. Risk awareness sharing sessions are regularly conducted for all levels of staff as part of the ongoing initiative to sustain risk awareness and risk management capabilities to inculcate risk management culture within KLCC REIT.

INTERNAL CONTROL PROCESSES

The Board continues to uphold and implement strong control structure and environment with the following key control processes to identify, evaluate and manage weaknesses of KLCC REIT's internal control system:

- 1) The Board meets at least quarterly and has set a schedule of matters, which is required to be deliberated and approved by the Board, thus ensuring that it maintains full and effective supervision over the control processes.
- 2) The CEO leads the presentation of board papers and provides comprehensive information and explanation for each discussion paper. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite.
- 3) Updates on KLCC REIT's operations and performance are provided to the Board at every meeting and the CEO also reports on any significant changes in the business operations and risk profiles of KLCC REIT. In addition, the Head of Investment/Head of Finance ("HI/HF") of KLCCRM, assures the Board that adequate processes and controls are in place for the preparation of quarterly and annual financial statements.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

4) KLCCRM has a management reporting structure with defined lines of responsibilities, delegation of authority and accountability. A hierarchical reporting structure has been established to provide documentary and auditable trail of accountability. In this respect, a Limits of Authority Manual is in place to define the lines of accountability and responsibility in relation to KLCC REIT's operations and functions.

5) KLCCRM adopts the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") to ensure that Directors, management and employees, and third parties, when performing any work or services for KLCC REIT, will act ethically and remain above board at all times and their individual behaviour is in line with the PETRONAS Shared Values, i.e. Loyalty, Professionalism, Integrity and Cohesiveness.

The detailed policy statements on the standards of behavior and ethical conduct of the PETRONAS CoBE can be accessed at KLCCP's corporate website.

6) KLCC REIT undertakes annual planning and budgeting exercise including development of business strategies for forthcoming years and establishes key performance indicators for each business segment to achieve. Variances against budgets are analysed and reported on a quarterly basis to the Board.

7) KLCC REIT's strategic directions will be reviewed annually taking into consideration changes in market conditions and significant business risks.

8) The HI/HF reports to the AC that the accounting policies and procedures as set out in the Accounting Procedures manual are in place and applied consistently to ensure that the financial statements are in compliance with the Malaysian Financial Reporting Standards and the relevant regulatory disclosure requirements.

INTERNAL AUDIT

The review of the risk management and internal control system of KLCC REIT is undertaken by GIAD of KLCCCH, which provides assurance on the efficiency and effectiveness of the internal control systems as implemented by KLCC REIT to support the AC in discharging its governance responsibilities. The GIAD of KLCCCH is independent of the activities they audit and perform their duties with impartiality, proficiency and due professional care.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the internal control system to manage risks faced by KLCC REIT. The AC also had full access to the services and advice of the internal auditors and received reports on all audits that were performed.

Adequacy and effectiveness of the internal control is assessed by adopting a systematic and risk based approach in reviewing KLCC REIT's businesses and operational controls, risk management and governance processes.

As required by the SC, an operational audit on the following areas was also conducted on KLCC REIT by an external party during the financial period, the report of which has been presented to the AC and the Board of KLCCRM, and subsequently submitted to the SC:

- Organisation structure and key personnel
- Compliance issues and procedures
- Internal audit function
- Key operational areas
- Information technology
- Risk management
- Dealing with Trustee
- Periodic disclosure and financial reporting

On the above matter, the Board of KLCCRM wishes to highlight that the operational audit has reaffirmed the above areas to be substantially in place and where weaknesses are noted, efforts have been taken to address the weaknesses identified to ensure that the risk management and the internal control system is sound and effective.

The Statement on Risk Management and Internal Control ("Statement") has been reviewed by the external auditors and reported to the Board of KLCCRM that nothing has come to their attention that cause them to believe that the Statement is inconsistent with the processes as approved and adopted by KLCC REIT.

The Board is of the view that KLCC REIT's internal control system is sound and effective to safeguard the stapled securities holders' investment, the interests of customers, employees and other stakeholders, and KLCC REIT's assets.

As recommended by the *Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers*, the Board has received assurances from the CEO and HI/HF that KLCC REIT's risk management and internal control system is operating effectively in all material aspects based on the processes as approved by the Board.

This Statement is made in accordance with the resolution of the Board of Directors on 18 February 2014.

Audit Committee Report

(A) FORMATION

The Audit Committee (“AC”) of KLCC REIT Management Sdn Bhd (“KLCCRM” or “Manager”) was established on 12 December 2012 by the Board of Directors of KLCCRM.

(B) COMPOSITION

The AC of KLCCRM comprises 4 Independent Non-Executive Directors. The composition of the AC is as follows:

- (i) Augustus Ralph Marshall
Chairman/Non-Executive and Independent Director
- (ii) Datuk Manharlal a/l Ratilal
Member/Non-Executive and Non-Independent Director
- (iii) Dato’ Halipah binti Esa
Member/Non-Executive and Independent Director
- (iv) Habibah binti Abdul
Member/Non-Executive and Independent Director (appointed on 26 June 2013)

Note: Dato’ Leong Ah Hin @ Leong Swee Kong ceased as a member of the AC on 26 June 2013 following his resignation as a Board member on the even date.

(C) MEETINGS AND ATTENDANCE

The AC of KLCCRM met only once during the period as the Stapled Securities were only listed on 9 May 2013.

The attendance of the AC members of KLCCRM is as follows:

Committee Members	No. of Meeting Attended
Augustus Ralph Marshall (Chairman)	1/1
Datuk Manharlal a/l Ratilal	0/1
Dato’ Halipah Binti Esa	1/1
Habibah Binti Abdul	1/1
Dato’ Leong Ah Hin @ Leong Swee Kong *	–

*Note: * Dato’ Leong Ah Hin @ Leong Swee Kong ceased as a member of the AC on 26 June 2013 following his resignation as a Board member on the even date.*

The AC meeting was held with the presence of the CEO, HI/HF, GIAD of KLCC, and external auditors as and when required.

(D) SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE OF KLCCRM

The AC is responsible to assist the Board of Directors of KLCCRM (“the Board”) in corporate governance and compliance of KLCC REIT. The activities of the AC for the period ended 31 December 2013 are as follows:

- (1) Reviewed the external auditors’ scope of work and audit plans for the period under review. Prior to the audit, representatives from the external auditors presented their audit strategies and plans.
- (2) Reviewed the independence and objectivity of the external auditors and their services rendered, including non-audit services.
- (3) Reviewed the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by KLCCRM.
- (4) Reviewed the annual audit plan prepared by GIAD of KLCC for KLCC REIT.
- (5) Reviewed the quarterly financial results of KLCCP Stapled Group (which includes KLCC REIT’s quarterly financial results) with the Management and recommended for the Board’s consideration and approval before releasing to Bursa Securities. The review was to ensure compliance with MMLR, Malaysian Financial Reporting Standards, and the REIT Guidelines, the Companies Act, 1965 and any other applicable legislations and regulations.
- (6) Reviewed and recommended the audited financial statements for the Board’s consideration and approval with the presence of the external auditors.
- (7) Recommended to the Board, as approved by the Trustee, on the appointment and remuneration of external auditors of KLCC REIT.

- (8) Recommended to the Board, as approved by the Trustee, on the income distribution amounts to the unitholders of KLCC REIT.
- (9) Reviewed the operational audit report of KLCC REIT required by the SC which was conducted by an external party.

(E) TERMS OF REFERENCE

The primary function of the AC is to assist the Board in corporate governance and management oversight of the management of KLCC REIT.

1.0 COMPOSITION

- 1.1 The members of the AC shall be appointed by the Directors who fulfill the following requirements:
 - (a) the AC must be composed of no fewer than 4 members with a majority of them being independent Directors;
 - (b) the AC must be made up entirely of non-executive Directors who should be financially literate; and
 - (c) at least one member of the AC:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Securities.

- 1.2 The members of the AC shall elect a Chairman from amongst themselves who shall be an Independent Director.
- 1.3 No alternate Director shall be appointed as a member of the AC.
- 1.4 In the event of any vacancy in the AC resulting in the non-compliance of the MMLR pertaining to the composition of the AC, the Board shall within 3 months of that event fill the aforesaid vacancy.
- 1.5 The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every 3 years to determine whether the AC and its members have carried out their duties in accordance with the terms set out in the TOR.

2.0 MEETINGS

- 2.1 Frequency
 - (a) Meetings shall be held not less than 4 times a year.
 - (b) Upon the request of the external auditors, the Chairman of the AC shall convene a meeting of the AC to consider any matter the external auditors believe should be brought to the attention of the Directors or the unit holders.
 - (c) The AC shall, when necessary, meet with the external auditors in separate sessions to discuss any matters without the presence of any Executive Directors and Management of the Manager.
- 2.2 Quorum

To form a quorum for all meetings of the AC, majority of the AC members present must be Independent Directors.

AUDIT COMMITTEE REPORT

2.3 Secretary

The Company Secretary of the Manager or, in his absence, another person authorised by the Chairman of the AC, shall be the secretary of the AC. He shall draw up the agenda of the meetings of the AC in consultation with the Chairman of the AC and prepare the minutes of the meetings of the AC, and circulate the agenda papers well in advance of the meetings and the draft minutes after the meetings.

2.4 Attendance

- (a) HI/HF of the Manager, Head of GIAD of KLCCH or such other person to whom the internal audit function of the Manager is outsourced, Group Risk Management of KLCCP or such other person to whom risk management systems and control functions of the Manager is outsourced to and a representative of the external auditors of the Manager shall normally attend meetings.
- (b) Other Directors, Management, adviser(s) and service provider(s) may attend any particular meeting only at the AC's invitation, specific to the relevant meeting.

2.5 Reporting Procedure

The minutes of each meeting of the AC shall be circulated to all members of the Board.

2.6 Meeting Procedures

The AC shall regulate its own procedure, including but not limited to the following:

- (a) The calling of meetings;
- (b) The notice to be given of such meetings;
- (c) The voting and proceedings of such meetings;
- (d) The keeping of minutes; and
- (e) The custody, production and inspection of such minutes.

3.0 RIGHTS

In performing its duties the AC shall, in accordance with a procedure to be determined by the Board:

- (a) Have the authority to investigate any matter within its TOR;
- (b) Have the resources required to perform its duties;
- (c) Have full and unrestricted access to any information pertaining to KLCC REIT and the Manager and authority to seek any information it may require from the designated functional head in-charge and the relevant appointed service providers;
- (d) Have direct communication channels with the external auditors, person(s) carrying out the internal audit functions, risk management systems and control functions or such other activities and functions of the Manager which may be outsourced to third parties, the CEO of the Manager and such other persons whom the AC may reasonably deem necessary;
- (e) Be able to obtain independent advice, whether professional or otherwise, pertaining to any matter within its TOR which the AC considers necessary at the expense of the Manager; and
- (f) Be able to convene meetings with the external auditors, the internal auditors or both, while excluding the attendance of other Directors and employees of the Manager and/or any of the appointed service providers, whenever deemed necessary.

AUDIT COMMITTEE REPORT

4.0 FUNCTIONS

The AC shall, amongst others, perform the following functions:

4.1 To review:

- (a) And recommend the quarterly results and annual financial statements, for the Board's approval, focusing particularly on:
 - (i) the going concern assumption;
 - (ii) new updates or changes in accounting principles/policies or its implementation;
 - (iii) new updates or changes to regulatory requirements on the financial statements;
 - (iv) significant and unusual events; and
 - (v) compliance with accounting standards and other legal requirements;
- (b) Any related party transaction and conflict of interest including any transaction, procedure or course of conduct that raises questions on management integrity, transparency and professionalism;
- (c) With the external auditors:
 - (i) the audit plans;
 - (ii) and evaluate the effectiveness of the internal control systems;
 - (iii) the external audit report to ensure that appropriate and prompt remedial action on major deficiencies and procedures that are identified is taken by the Management and appointed service providers of the Manager;
 - (iv) Management Letter and the Management's response; and
 - (v) the level of cooperation given by the employees of the Manager and the employees of the appointed service providers to the external auditors;

- (d) The independence and objectivity of the external auditors and their services rendered, including non-audit services and professional fees, so as to ensure a proper balance between objectivity and value for money; and
- (e) The procedures in place to ensure compliance with the relevant laws and requirements.

4.2 To establish policies and procedures in governing circumstances for contracts of non-audit services to be entered into with the external auditors.

4.3 To consider and recommend the distribution amounts to unit holders of KLCC REIT (and payment of fees to the Manager) for approval by the Board.

4.4 To monitor the risk management practices and procedures and review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems of the Manager.

4.5 In respect of the appointment and resignation of external auditors:

- (a) To review whether there is reason (supported by grounds) to believe that the current external auditors is not suitable for reappointment;
- (b) To consider and recommend the nomination of a person or persons as external auditors and the audit fee;
- (c) To direct any questions relating to resignation, dismissal or re-appointment of the external auditors for the Board's approval; and
- (d) To review any letter of resignation from the external auditors.

AUDIT COMMITTEE REPORT

- 4.6 In respect of the outsourced internal audit function of the Manager:
- (a) To review the adequacy of the scope, functions, competency and resources of the internal auditors and whether it has the necessary authority to carry out its work;
 - (b) To review the effectiveness of the internal control system;
 - (c) To review the internal audit programmes, processes, audit plans, the results of the internal audit programmes, processes or investigations undertaken, and whether or not appropriate actions have been taken based on the recommendations of the internal auditors;
 - (d) To review the findings and recommendation arising from the internal control review conducted by the internal auditors which will be set out in a report to be tabled to the AC at its meeting;
 - (e) To review any appraisal or assessment of the performance of members of the internal audit function;
 - (f) To approve any appointment or termination of senior staff members of the internal audit function; and
 - (g) To inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 4.7 To direct and where appropriate supervise any specific projects or investigation considered necessary and review investigation reports on any major defalcations, frauds and thefts.
- 4.8 To review the procedures in place to ensure that KLCC REIT is in compliance with the laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to real estate investment trust from time to time including securities laws, the Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008 (and updated on 28 December 2012), the Guidelines on Islamic Real Estate Investment Trusts issued by the SC on 21 November 2005, the Guidelines on Sukuk issued by the SC on 28 December 2012, the Asset Valuation Guidelines issued by the SC on 8 May 2009 (and updated on 3 August 2009) the MMLR, the Rules of Bursa Malaysia Depository Sdn Bhd and taxation laws, rulings and guidelines.
- 4.9 If the AC is of the view that any matter which it had reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the AC must promptly report such matters to Bursa Securities.
- 4.10 To carry out such other functions as may be agreed to by the AC and the Board.

(F) INTERNAL AUDIT FUNCTION

The AC is supported by GIAD of KLCCH in discharging of the internal audit function of KLCCRM. They maintained their independence, impartiality, and proficiency and due professional care by having their plans and reports directly under the purview of the AC.

The internal audit was undertaken to provide independent assessment on the adequacy, efficiency and effectiveness of the internal control systems to manage risk exposure of KLCC REIT. The AC also had full access to the services and advice of the internal auditors and received reports on all audits that were performed.

A summary of the internal audit activities undertaken during the period ended 31 December 2013 is as follows:

- (1) Prepared annual audit plan to ensure that all high risk areas are identified and audited for the AC's deliberation and approval.
- (2) Conducted regular reviews and assessments based on the approved annual audit plan by adopting the risk based approach.
- (3) Performed ad-hoc assignments as requested by the Management and the AC.
- (4) Monitored and followed-up corrective actions taken on outstanding audit issues to ensure key risks and weaknesses are addressed effectively and timely.

The resulting reports from GIAD of KLCCH were presented to the AC and subsequently forwarded to the Management for its attention and corrective actions, where required.

The Management is responsible to ensure that necessary agreed corrective actions are taken and resolved within the required timeframe.

Further details of the activities of GIAD of KLCCH are set out in the Statement on Risk Management and Internal Control of the Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors on 18 February 2014.

Additional Information

The information set out below is disclosed in compliance with the Guidelines on Real Estate Investment Trust of Securities Commission Malaysia.

(I) NON-AUDIT FEES

KLCC REIT did not incur any non-audit fees for the financial period ended 31 December 2013.

(II) MATERIAL CONTRACTS

Save as disclosed in the Prospectus of KLCCP Stapled Securities dated 7 May 2013, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by KLCC REIT involving the Manager and major unitholders' interest during the financial period ended 31 December 2013.

(III) SANCTIONS AND/OR PENALTIES

During the period, there were no sanctions and/or penalties imposed on KLCC REIT, the Manager or the Directors' of the Manager by the relevant regulatory bodies.

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Manager's Report

FOR THE PERIOD ENDED 31 DECEMBER 2013

The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn Bhd ("the Manager"), has pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial period ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Fund during the financial period are 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.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

There have been no significant changes in the principal activities during the financial period.

CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 April 2013 between the Manager and Maybank Trustees Berhad ("the Trustee") and was registered with the Securities Commission Malaysia on 9 April 2013. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Fund is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

RESULTS

	Group	Fund
	RM'000	RM'000
Profit for the period	366,412	366,384

DISTRIBUTION OF INCOME

The amount of income distributions paid by the Fund were as follows:

	RM'000
In respect of the financial period ended 31 December 2013:	
First interim income distribution of 3.19% on 1,805,033,083 units, declared on 21 August 2013 and paid on 3 October 2013.	57,590
Second interim income distribution of 4.86% on 1,805,033,083 units, declared on 29 October 2013 and paid on 9 December 2013.	87,739
	145,329

A third interim income distribution in respect of the financial period ended 31 December 2013, of 4.84%, on 1,805,333,083 units amounting to an income distribution payable of RM87,378,000 will be payable on 28 February 2014.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the period, other than as disclosed in the Statements of Changes in Net Asset Value.

MANAGER'S REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2013

DIRECTORS

The Directors who have served on the Board of the Manager, since the date of establishment of KLCC REIT are as follows:

Krishnan C K Menon	(First Director)
Datuk Ishak Bin Imam Abas	(First Director)
Datuk Manharlal A/L Ratilal	(First Director)
Augustus Ralph Marshall	(First Director)
Pragasa Moorthi A/L Krishnasamy	(First Director)
Dato' Halipah Binti Esa	(First Director)
Datuk Hashim Bin Wahir	(First Director)
Habibah Binti Abdul	(appointed on 26 June 2013)
Dato' Leong Ah Hin @ Leong Swee Kong	(First Director, resigned on 26 June 2013)

DIRECTORS' OF MANAGER'S INTERESTS

The Directors in office at the end of the period who have interests in the units of the Fund and its related corporations as recorded in the Register of Directors' Shareholdings are as follows:

	← Number of Stapled Securities in KLCC Property Holdings Berhad →			
	Balance as at 9.4.2013 (date of establishment)	Number of Stapled Securities		Balance as at 31.12.2013
		Bought	Sold	
Direct				
Datuk Manharlal A/L Ratilal	5,000	–	–	5,000
Augustus Ralph Marshall	50,000	–	–	50,000

	← Number of Shares in PETRONAS Chemicals Group Berhad →			
	Balance as at 9.4.2013 (date of establishment)	Number of Shares		Balance as at 31.12.2013
		Bought	Sold	
Direct				
Krishnan C K Menon	20,000	–	–	20,000
Datuk Manharlal A/L Ratilal	20,000	–	–	20,000
Dato' Halipah Binti Esa	10,000	–	–	10,000
Datuk Hashim Bin Wahir	16,000	–	–	16,000
Indirect				
Dato' Halipah Binti Esa #	13,100	–	–	13,100

MANAGER'S REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2013

	← Number of Shares in MISC Berhad →			
	Balance as at 9.4.2013 (date of establishment)	Number of Shares Bought Sold		Balance as at 31.12.2013
Indirect				
Dato' Halipah Binti Esa #	10,000	–	–	10,000
	← Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad →			
	Balance as at 9.4.2013 (date of establishment)	Number of Shares Bought Sold		Balance as at 31.12.2013
Direct				
Dato' Halipah Binti Esa	10,000	–	–	10,000
Indirect				
Dato' Halipah Binti Esa #	10,000	–	–	10,000

Deemed interest by virtue of director's family member's shareholding.

None of the other Directors holding office as at 31 December 2013 had any interest in the units of the Fund and of its related companies during the financial period.

DIRECTORS' OF MANAGER'S BENEFITS

During and at the end of the financial period, no Director of the Manager has received or become entitled to receive any benefit, by reason of a contract made by the Fund or a related corporate with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

There were no arrangements during and at the end of the financial period, which had the object of enabling Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of the Fund or any other body corporate.

ULTIMATE HOLDING COMPANY

The Directors regard Petroliaam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia, as the ultimate holding company.

ISSUE OF UNITS

There were no changes in the issued and paid up units of the Fund during the financial period.

OPTIONS GRANTED OVER UNISSUED UNITS

No options were granted to any person to take up unissued units of the Fund during the period.

MANAGER'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2013

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Fund were made out, the Manager took reasonable steps to ascertain that:

- (i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
- (ii) any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- (i) that would render if necessary to write off any bad debts or to provide any doubtful debts in the financial statements of the Group and of the Fund; and
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Fund misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Fund misleading.

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

- (i) any charge on the assets of the Group or of the Fund that has arisen since the end of the financial period and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Fund that has arisen since the end of the financial period.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Manager, will or may substantially affect the ability of the Group and of the Fund to meet their obligations as and when they fall due.

In the opinion of the Manager, the results of the operations of the Group and of the Fund for the financial period ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 21 January 2014.

Krishnan C K Menon

Datuk Hashim Bin Wahir

Statement by the Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 57 to 99 are drawn up in accordance with the provision of the trust deed dated 2 April 2013, the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2013 and of the results of their financial performance and cash flows for the period from date of establishment on 9 April 2013 to 31 December 2013.

In the opinion of the Directors, the supplementary information set out in Note 36 on page 99 is prepared in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and directive of Bursa Malaysia Securities Berhad.

For and on behalf of the Manager,

KLCC REIT MANAGEMENT SDN BHD

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 21 January 2014.

Krishnan C K Menon

Datuk Hashim Bin Wahir

Kuala Lumpur, Malaysia

Statutory Declaration

I, Azmi Bin Yahaya, the Officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 57 to 99 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
 the abovenamed at Kuala Lumpur)
 in Wilayah Persekutuan)
 on 21 January 2014)

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
 Commissioner for Oaths

Trustee's Report

To the Unitholders of KLCC REIT

We have acted as Trustee of KLCC Real Estate Investment Trust ("KLCC REIT") for the financial period ended 31 December 2013. To the best of our knowledge, KLCC REIT Management Sdn. Bhd. ("the Manager") has managed KLCC REIT in the financial period under review in accordance to the following:

- (a) the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets & Services Act 2007 and other applicable laws;
- (b) the valuation of KLCC REIT is carried out in accordance with the Deed and other regulatory requirements; and
- (c) the creation of units is carried out in accordance with the Deed and other regulatory requirements.

First interim income distribution of 3.19 sen per unit has been distributed to the unitholders of KLCC REIT on 3 October 2013, second interim income distribution of 4.86 sen per unit has been distributed to the unitholders of KLCC REIT on 9 December 2013 and third interim income distribution of 4.84 sen per unit being income distribution for the period ended 31 December 2013 will be payable on 28 February 2014.

We are of the view that the distributions are consistent with the objectives of KLCC REIT.

For and on behalf of the Trustee,
MAYBANK TRUSTEES BERHAD

BERNICE K M LAU

Head, Operations

Kuala Lumpur, Malaysia
21 January 2014

Shariah Adviser's Report

To the unitholders of KLCC REIT

We have acted as the Shariah Adviser of KLCC REIT. Our responsibility is to ensure that the procedures and processes employed by KLCC REIT Management Sdn Bhd and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, KLCC REIT Management Sdn Bhd has managed and administered KLCC REIT in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the period ended 31 December 2013.

In addition, we also confirm that the investment portfolio of KLCC REIT is Shariah-compliant, which comprises:

- (a) Investment properties and rental income derived from them which complied with the Securities Commission Guidelines for Islamic Real Estate Investment Trust;
- (b) Equity securities listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission; and
- (c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.
- (d) Shariah-compliant financings with the exception of one conventional term loan. However, both the Shariah Adviser and Shariah Advisory Council of Securities Commission have given exemption from the refinancing of this loan to Islamic financing as it will expire in March 2014.

For CIMB Islamic Bank Berhad

ABDUL GHANI ENDUT

Head Shariah Department/Designated Person Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

21 January 2014

Statements of Financial Position

AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Fund 2013 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	86	86
Investment properties	6	8,817,000	8,817,000
Investment in a subsidiary	7	-	-
		8,817,086	8,817,086
Current Assets			
Trade and other receivables	8	140,133	140,133
Cash and bank balances	9	287,076	287,035
		427,209	427,168
TOTAL ASSETS		9,244,295	9,244,254
TOTAL UNITHOLDERS' FUND AND LIABILITIES			
Unitholders' Fund			
Unitholders' capital	10	7,212,684	7,212,684
Merger reserve	10	6,212	6,212
Capital reserve	2.18	67,249	67,249
Retained profits		153,834	153,806
Total Unitholders' Fund		7,439,979	7,439,951
Non-Current Liabilities			
Other long term liabilities	11	60,565	60,565
Amount due to a subsidiary	12	-	868,192
Long term financings	13	1,239,449	660,000
Deferred tax liability	15	3,539	3,539
Deferred revenue	16	52,951	52,951
		1,356,504	1,645,247
Current Liabilities			
Other payables	16	78,661	78,407
Provision for taxation		9	-
Financings	13	369,142	80,649
		447,812	159,056
Total Liabilities		1,804,316	1,804,303
TOTAL UNITHOLDERS' FUND AND LIABILITIES		9,244,295	9,244,254
Number of units in circulation ('000 units)		1,805,333	1,805,333
Net asset value ("NAV") per unit (RM)			
- before income distribution		4.12	4.12
- after income distribution		4.07	4.07

The accompanying accounting policies and explanatory notes form an integral part of, and, should be read in conjunction with, these financial statements.

Statements of Comprehensive Income

FOR THE FINANCIAL PERIOD FROM DATE OF ESTABLISHMENT ON 9 APRIL 2013 TO 31 DECEMBER 2013

	Note	Group As at 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund As at 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Revenue	17	393,473	393,473
Property operating expenses	18	(16,853)	(16,849)
Net property income		376,620	376,624
Fair value adjustment of investment properties	6	70,788	70,788
Profit income		5,107	5,066
		452,515	452,478
Management fees	19	(29,055)	(29,055)
Trustee's fees	20	(400)	(400)
Financing costs	21	(53,100)	(53,100)
Profit before tax	22	369,960	369,923
Tax expense	23	(3,548)	(3,539)
PROFIT FOR THE PERIOD, REPRESENTING TOTAL COMPREHENSIVE INCOME		366,412	366,384
Total comprehensive income for the period comprises the following:			
- Realised		299,163	299,135
- Unrealised		67,249	67,249
		366,412	366,384
Basic earnings per unit (sen)	24		
- Realised		16.57	16.57
- Unrealised		3.73	3.73
		20.30	20.30

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM DATE OF ESTABLISHMENT ON 9 APRIL 2013 TO 31 DECEMBER 2013

	Group As at 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund As at 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Income Distribution		
Total comprehensive income for the financial period	366,412	366,384
Add/(less) Non cash items:		
Accrued rental income	(58,718)	(58,718)
Amortisation of deferred rental income	(2,227)	(2,227)
Amortisation of transaction cost for Private Debts Securities	4,785	4,785
Deferred tax liabilities	3,539	3,539
Depreciation	4	4
Accretion of financial instruments	1,606	1,606
Fair value adjustment of investment properties	(70,788)	(70,788)
	(121,799)	(121,799)
Total available for income distribution	244,613	244,585
Distribution to unitholders during the period:		
1st interim income distribution of 3.19% on 1,805,033,083 units for period from 9 April 2013 to 30 June 2013	(57,590)	(57,590)
2nd interim income distribution of 4.86% on 1,805,033,083 units for period from 1 July 2013 to 30 September 2013	(87,739)	(87,739)
3rd interim income distribution of 4.84% on 1,805,033,083 units for period from 1 October 2013 to 31 December 2013	(87,378)	(87,378)
Balance undistributed	11,906	11,878

The accompanying accounting policies and explanatory notes form an integral part of, and, should be read in conjunction with, these financial statements.

Consolidated Statement of Changes in Net Asset Value

FOR THE FINANCIAL PERIOD FROM DATE OF ESTABLISHMENT ON 9 APRIL 2013 TO 31 DECEMBER 2013

	Non-Distributable		← Distributable →		Total Funds RM'000
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
As at 9 April 2013 (date of establishment)	-	-	-	-	-
Total comprehensive income for the period	-	-	-	366,412	366,412
Transfer of fair value surplus, net of tax	-	-	67,249	(67,249)	-
Income distribution	-	-	-	(145,329)	(145,329)
Net total comprehensive income for the period attributable to unitholders	-	-	67,249	153,834	221,083
Unitholders' transactions					
Units issued as satisfaction of part of the purchase consideration for properties acquired with related assets and liabilities	7,223,548	-	-	-	7,223,548
Effect of fair value adjustment for acquisition of investment properties*	-	6,212	-	-	6,212
Stapled securities associated costs	(10,864)	-	-	-	(10,864)
Increase in net assets resulting from unitholders' transactions	7,212,684	6,212	-	-	7,218,896
As at 31 December 2013	7,212,684	6,212	67,249	153,834	7,439,979

* KLCC REIT adopts merger accounting as its accounting policy to account for business combinations under common control. In accordance with its policy, the difference between the fair value of the investment properties and the aggregate carrying amounts of the net assets and liabilities acquired as of the date of the business combination is included in merger reserve.

The accompanying accounting policies and explanatory notes form an integral part of, and, should be read in conjunction with, these financial statements.

Statement of Changes in Net Asset Value

FOR THE FINANCIAL PERIOD FROM DATE OF ESTABLISHMENT ON 9 APRIL 2013 TO 31 DECEMBER 2013

	Non-Distributable		← Distributable →		Total Funds RM'000
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
As at 9 April 2013 (date of establishment)	-	-	-	-	-
Total comprehensive income for the period	-	-	-	366,384	366,384
Transfer of fair value surplus, net of tax	-	-	67,249	(67,249)	-
Income distribution	-	-	-	(145,329)	(145,329)
Net total comprehensive income for the period attributable to unitholders	-	-	67,249	153,806	221,055
Unitholders' transactions					
Units issued as satisfaction of part of the purchase consideration for properties acquired with related assets and liabilities	7,223,548	-	-	-	7,223,548
Effect of fair value adjustment for acquisition of investment properties*	-	6,212	-	-	6,212
Stapled securities associated costs	(10,864)	-	-	-	(10,864)
Increase in net assets resulting from unitholders' transactions	7,212,684	6,212	-	-	7,218,896
As at 31 December 2013	7,212,684	6,212	67,249	153,806	7,439,951

* KLCC REIT adopts merger accounting as its accounting policy to account for business combinations under common control. In accordance with its policy, the difference between the fair value of the investment properties and the aggregate carrying amounts of the net assets and liabilities acquired as of the date of the business combination is included in merger reserve.

The accompanying accounting policies and explanatory notes form an integral part of, and, should be read in conjunction with, these financial statements.

Statements of Cash Flows

FOR THE FINANCIAL PERIOD FROM DATE OF ESTABLISHMENT ON 9 APRIL 2013 TO 31 DECEMBER 2013

	Group 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	425,761	425,761
Cash payments to suppliers	(24,368)	(24,368)
	401,393	401,393
Profit income received	4,560	4,519
Net cash generated from operating activities	405,953	405,912
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on acquisition (Note 10)	79,234	79,234
Purchase of property, plant and equipment (Note 5)	(90)	(90)
Net cash generated from investing activities	79,144	79,144
CASH FLOWS FROM FINANCING ACTIVITIES		
Income distribution paid	(145,329)	(145,329)
Financing cost paid	(41,828)	(41,828)
Increase in deposits restricted	(3,919)	(3,919)
Stapled securities associated cost	(10,864)	(10,864)
Net cash used in financing activities	(201,940)	(201,940)
NET INCREASE IN CASH AND CASH EQUIVALENTS	283,157	283,116
CASH AND CASH EQUIVALENTS AT THE DATE OF ESTABLISHMENT	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 9)	283,157	283,116

The accompanying accounting policies and explanatory notes form an integral part of, and, should be read in conjunction with, these financial statements.

Notes to the Financial Statements

31 DECEMBER 2013

1. CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 April 2013 (“the Deed”) entered into between the Manager and Maybank Trustees Berhad (“the Trustee”) and was registered with the Securities Commission Malaysia on 9 April 2013. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Manager is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The immediate, penultimate and ultimate holding companies are KLCC Property Holdings Berhad (“KLCCP”), KLCC (Holdings) Sdn Bhd (“KLCCH”) and Petroliam Nasional Berhad (“PETRONAS”) respectively, all of which are incorporated and domiciled in Malaysia.

The principal activities of the Fund are 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. There have been no significant changes in the nature of principal activities during the financial period.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 January 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”), applicable provisions of the Trust Deed and Securities Commission’s Guidelines on Real Estate Investment Trusts in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Fund have also been prepared on a historical cost basis, except for investment properties and applicable financial instruments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Basis of consolidation

Subsidiary

Subsidiary is entity controlled by the Fund. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Business combination

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured at the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquirer's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition as defined above and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Fund. Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Business combination under common control

KLCC REIT applies merger accounting to account for business combinations under common control. Under the merger accounting, assets and liabilities acquired are not restated to their respective fair values but at their carrying amounts in the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as merger reserve. No additional goodwill is recognised. The acquired business' results and the related assets and liabilities are recognised prospectively from the date on which the business combination between entities under common control occurred.

2.4 Property, plant and equipment

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 are 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 Fund 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-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

The estimated useful life for the current year is as follows:

Building improvements	5-6 years
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The residual values, useful life and depreciation method are reviewed at each financial year end to ensure 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 the property, plant and equipment.

An item of the 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 profit or loss.

2.5 Investment

Investment in subsidiary is stated at cost less impairment loss, if any, in the Fund's financial statements. The cost of investment includes transaction cost.

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.6 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 year 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 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 year in which they arise.

2.7 Impairment of non-financial assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Fund makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such a reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and balances and short term deposits with an original maturity of 3 months or less.

2.9 Financial assets

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

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

The Group and the Fund determine the classification of their financial assets at initial recognition. The Group's and the Fund's financial assets are classified as financings and receivables.

(i) Financings and receivables

The Group's and the Fund's financings and receivables include trade receivables, other receivables and deposits with licensed banks.

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

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

Financings 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.

2.10 Impairment of financial assets

The Group and the Fund assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Fund consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Fund's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.10 Impairment of financial assets (contd.)

(i) Trade and other receivables and other financial assets carried at amortised cost (contd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.11 Provisions

A provision is recognised when the Group and the Fund has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.12 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 *Financial Instrument: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. The Group's and the Fund's financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

The Group's and the Fund's other financial liabilities include trade payables, other payables and financings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Financings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.12 Financial liabilities (contd.)**

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are amortised over the remaining term of the modified liability.

2.13 Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

2.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.15 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 year in which they are incurred.

2.16 Taxation

Tax on the profit or loss for the year 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 other comprehensive income, in which case it is recognised in other comprehensive income.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.16 Taxation (contd.)

(ii) 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.

Deferred tax provided for the investment properties is at 5% which reflects the expected manner of recovery of the investment properties.

2.17 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Fund after deducting all of its liabilities. Units are classified as equity. Dividends on units are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2.18 Capital reserve

Fair value adjustments on investment property are transferred from retained profits to capital reserve and such surplus will be considered distributable upon the sale of investment property.

2.19 Merger reserve

KLCC REIT adopts merger accounting as its accounting policy to account for business combination under common control. In accordance with its policy, the difference between the fair value of the units issued as consideration and the aggregate carrying amount of assets and liabilities acquired as of the date of business combination is included in equity as merger reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rental income

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.

(ii) Profit income

Profit income is recognised on an accrual basis using the effective interest method.

2.21 Leases

Operating leases - the Fund 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.

2.22 Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.23 Fair value measurement

The Group and the Fund adopt MFRS 13 *Fair Value Measurement* which prescribed that the fair value of an asset or a liability, except for lease transactions, MFRS 13 is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices within the bid-ask spread at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

(ii) Non-financial assets

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. CRITICAL JUDGEMENT MADE IN APPLYING ACCOUNTING POLICIES

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Classification between investment properties and property, plant and equipment

The Fund has developed certain criteria based on MFRS 140 *Investment Properties* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Fund would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair valuation of investment properties

The Group and the Fund carrying its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Fund engaged an independent professional valuer to determine the fair value as at 1 November 2013. There are no material events that affect the valuation between the valuation date and financial year end.

The determined fair value of the investment properties by the independent professional valuer is most sensitive to the estimated yield rate and the void rate. The range of the term yield rate and the void rate used in the valuation is described in Note 6 to the financial statements.

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate and void rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease) RM'000
Yield rate	
- 0.25%	379,000
+ 0.25%	(348,000)
Void rate	
- 2.5%	119,000
+ 2.5%	(109,000)

The other key assumptions used to determine the fair value of the investment properties, are further explained in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

5. PROPERTY, PLANT AND EQUIPMENT**Group/Fund****At 31 December 2013****Building
Improvement
RM'000****Cost**

At 9 April 2013 (date of establishment)	–
Additions	90
At 31 December 2013	90

Accumulated Depreciation

At 9 April 2013 (date of establishment)	–
Charge for the year (Note 22)	4
At 31 December 2013	4

Net Carrying Amount**86****6. INVESTMENT PROPERTIES****Group/Fund****Total
RM'000****At 31 December 2013**

At 9 April 2013 (date of establishment)	–
Acquisition of investment properties (Note 10)	8,746,212
Fair value adjustments	70,788
At 31 December 2013	8,817,000

The investment properties are stated at fair value, which have been determined based on valuations as at 1 November 2013 performed by an independent professional valuer. There are no material events that affect the valuation between the valuation date and financial year end. The valuation method used in determining the valuations is the investment method.

Investment properties of the Group and the Fund with a carrying value of RM2,257,000,000 have been pledged as securities for financing facilities disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

6. INVESTMENT PROPERTIES (CONTD.)

The following are recognised in profit and loss in respect of the investment properties:

	Group 2013 RM'000	Fund 2013 RM'000
Rental and parking income	393,473	393,473
Direct operating expenses:		
- Income generating investment properties	(16,853)	(16,849)
	376,620	376,624

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can assess at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial period.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

6. INVESTMENT PROPERTIES (CONTD.)**Fair value information**

Fair value of investment properties are categorised as follows:

	2013 Level 3 RM'000
Group/Fund	
- Office properties	8,375,000
- Retail property	442,000
	8,817,000

The following table shows a reconciliation of Level 3 fair values:

	2013 RM'000
At 9 April 2013 (date of establishment)	-
Acquisition of investment properties	8,746,212
Re-measurement recognised in profit or loss	70,788
At 31 December 2013	8,817,000

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Range	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer below)	Office:		The estimated fair value would increase/(decrease) if: - expected market rental growth were higher/(lower) - expected inflation rate were (higher)/lower - void rate were (higher)/lower - Term yield rate were (higher)/lower - Reversionary yield were (higher)/lower
	- Market rental rate (RM/psf/month)	7.7 - 11.5	
	- Outgoings (RM/psf/month)	1.4 - 2.8	
	- Void rate (%)	5.0 - 10.0	
	- Term yield (%)	5.5 - 5.7	
	- Reversionary yield (%)	5.0 - 7.0	
	Retail:		- expected market rental growth were higher/(lower) - expected inflation rate were (higher)/lower - void periods were shorter/(longer) - Term yield rate was (higher)/lower - Reversionary yield were (higher)/lower
	- Market rental rate (RM/psf/month)	19.4 - 65.0	
	- Outgoings (RM/psf/month)	5.1	
	- Void rate (%)	5.0	
- Term yield (%)	6.5		
- Reversionary yield (%)	7.0		

Investment Method entails the capitalization of the net return from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

Valuation processes applied by the Group and the Fund for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuer provides the fair value of the Group's and of the Fund's investment properties portfolio annually. Changes in Level 3 fair values are analysed by the Management annually based on the valuation report from the independent professional valuer.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

7. INVESTMENT IN A SUBSIDIARY

	Fund 2013 RM
Unquoted shares at cost	2

During the financial period, KLCC REIT subscribed 100% equity interest in Midciti Sukuk Berhad for a cash consideration of RM2. The subscription of this subsidiary did not have any material effects on the financial results and financial position of the Fund.

Details the of subsidiary which is incorporated in Malaysia is as follows:

Name of Subsidiaries	Proportion of ownership interest 2013 %	Principal Activity
Midciti Sukuk Berhad ("MSB")	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

8. TRADE AND OTHER RECEIVABLES

	Group 2013 RM'000	Fund 2013 RM'000
Current		
Trade receivables	1,283	1,283
Other receivables		
Other receivables and deposits	2,015	2,015
Amount due from a fellow subsidiary	2,087	2,087
Total other receivables	4,102	4,102
Other current assets		
Accrued rental income	134,748	134,748
Total	140,133	140,133
Trade receivables	1,283	1,283
Other receivables	4,102	4,102
Add: Cash and cash equivalents (Note 9)	287,076	287,035
Total financings and receivables	292,461	292,420

Amount due from a fellow subsidiary which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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9. CASH AND BANK BALANCES

	Group 2013 RM'000	Fund 2013 RM'000
Cash and bank balances	514	473
Deposits with licensed banks	286,562	286,562
	287,076	287,035
Less: Deposits restricted	(3,919)	(3,919)
Cash and cash equivalents	283,157	283,116

Deposits with licensed banks of the Group amounting to RM3,919,000 is pledged for credit facilities granted to the Group as set out in Note 13 to the financial statements.

10. UNITHOLDERS' CAPITAL

	Group/Fund	
	Number of Units 2013 '000	Amount 2013 RM'000
Issued and fully paid:		
Creation of units	1,805,333	7,223,548
Less: Stapled securities associated cost	-	(10,864)
Unitholder's capital	1,805,333	7,212,684

Stapled Security:

Stapled security means one unit in KLCC REIT stapled to one ordinary share in KLCCP. Holders of KLCCP Group stapled securities are entitled to receive distributions and dividends as declared from time to time and are entitled to one vote per stapled security at Unitholders' and Shareholders' meetings.

Accordingly, the Trust does not have authorised unitholders' capital, or par value in respect of its issued units.

NOTES TO THE FINANCIAL STATEMENTS

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10. UNITHOLDERS' CAPITAL (CONTD.)**Business combination**

On 10 April 2013, the Trustee had, on behalf of the Fund, entered into the Sales and Purchase Agreement ("SPAs") with Midciti Resources Sdn Bhd, Arena Johan Sdn Bhd and Arena Merdu Sdn Bhd (the "Vendors"), for the acquisition of PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS, together with the associated rights and benefits and the related assets and liabilities ("Acquisition") for a total purchase consideration of RM7,223,547,639. The Acquisition of the investment properties by the Fund are accounted as a business combination under common control using merger accounting.

The carrying amount of the identifiable assets and liabilities acquired from the Vendors as at the date of acquisition were as follows:

	Note	Carrying amount RM'000
Assets		
Investment properties	6	8,746,212
Accrued rental income		75,988
Cash and bank balances		79,234
		8,901,434
Liabilities		
Deposit payable		(23,590)
Deferred rental income		(48,533)
Financings		(1,599,551)
		(1,671,674)
Net identifiable assets		7,229,760
Total cost of business combination		RM'000
1,805,333,083 units issued at RM4.00		7,212,684
Stapled securities associated cost		10,864
Total cost of business combination		7,223,548

As part of the cost of business combination, the Fund had issued 1,805,333,083 units at RM4.00 each.

NOTES TO THE FINANCIAL STATEMENTS

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10. UNITHOLDERS' CAPITAL (CONTD.)

The effect of the acquisition on cashflow is as follows:

	RM'000
Total cost of business combination	7,223,548
Less: non-cash consideration	(7,223,548)
Consideration settled in cash	-
Less: Cash and cash equivalents acquired	(79,234)
Net cash inflow on acquisition	(79,234)

Merger reserve arising on acquisition

Fair value of KLCC REIT units	7,223,548
Less: Carrying amount of net assets acquired	(7,229,760)
Merger reserve	(6,212)

11. OTHER LONG TERM LIABILITIES

	Group/Fund 2013 RM'000
Security deposit payables	60,565

Security deposit payables are interest free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on interest rates between 4.00% - 5.20% per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

12. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary relates to Sukuk undertaken by the subsidiary but utilised by the Fund. The profit expenses incurred on the financing is charged to the Fund. The amount due is unsecured and is not repayable within next 12 months.

13. FINANCINGS

	Note	Group 2013 RM'000	Fund 2013 RM'000
Short term financings			
Secured:			
Private debt securities	14	288,493	-
Islamic debt facility			
- Ijarah Muntahiyah Bit Tamleek		1,568	1,568
Term loan		79,081	79,081
		369,142	80,649
Long term financings			
Secured:			
Private debt securities	14	579,449	-
Islamic debt facility			
- Ijarah Muntahiyah Bit Tamleek		660,000	660,000
		1,239,449	660,000
Total financings			
Secured:			
Private debt securities	14	867,942	-
Islamic debt facility			
- Ijarah Muntahiyah Bit Tamleek		661,568	661,568
Term loan		79,081	79,081
		1,608,591	740,649

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

13. FINANCINGS (CONTD.)**Terms and debt repayment schedule as at 31 December 2013**

Group	Total	Under	1 - 2	3 - 5	Over 5
	RM'000	1 year	years	years	years
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Private debt securities	867,942	288,493	–	497,732	81,717
Islamic debt facility	661,568	1,568	–	660,000	–
Term loan	79,081	79,081	–	–	–
	1,608,591	369,142	–	1,157,732	81,717
Fund					
	Total	Under	1 - 2	3 - 5	Over 5
	RM'000	1 year	years	years	years
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Islamic debt facility	661,568	1,568	–	660,000	–
Term loan	79,081	79,081	–	–	–
	740,649	80,649	–	660,000	–

(i) Term loan

Interest on this loan is charged at a fixed rate of 5.50% per annum and is secured by way of a secured charge over certain investment property of the Fund as disclosed in Note 6.

(ii) Islamic debt facility (Ijarah Muntahiyah Bit Tamleek)

This Islamic financing consists of fixed and floating rate term financing and revolving credit facilities.

The credit facilities are for a tenure of 7 years with a bullet payment at the end of the tenure. The profit rate for Tranche 1 is fixed which ranges from 5.06% to 5.32%. The profit rate for Tranche 2 is calculated on 0.75% per annum above the financier's cost of funds for the first 3 years and 0.6% per annum above the financier's cost of funds for the remaining 4 years. The profit rate for Tranche 2 calculated in current period is between the range of 4.17% to 4.18%. The profit rate calculated for the revolving credit in current period is between the range of 4.05% to 4.27%. Security is by way of a charge over certain investment properties of the Fund as disclosed in Note 6 and assignment of rental and insurance/ Takaful proceeds from the investment properties.

Other information on financial risks of financings are disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

14. PRIVATE DEBT SECURITIES

The Private Debt Securities ("PDS") issued by the Group comprise:

	Group 2013 RM'000
Secured:	
Sukuk Musharakah	867,942
<hr/>	
Facilities as at 31 December	
Due within 1 year	288,493
Due more than 1 year	579,449
	867,942
<hr/>	

The PDS issued by the Group is a Sukuk Musharakah that carries a profit rate of between 3.53% and 4.25% per annum and is payable semi-annually. It is primarily secured against the Assignment of a Designated Account, Assignment of Insurance/Takaful and rental receivable on its investment property of a subsidiary in accordance with Head Lease Agreement ("the Agreement") between a subsidiary and PETRONAS.

15. DEFERRED TAX LIABILITY

	Group/Fund 2013 RM'000
At 9 April 2013 (date of establishment)	-
Recognised in profit or loss	3,539
At 31 December 2013	3,539
<hr/>	

The deferred tax liability relates to fair value adjustments of investment properties which are expected to be recovered through sale after 5 years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

16. OTHER PAYABLES

	Group 2013 RM'000	Fund 2013 RM'000
Non-Current		
Deferred revenue	52,951	52,951
<hr/>		
Current		
Other payables		
Other payables	50,615	50,411
Security deposit payables	8,411	8,411
Amount due to:		
Holding company	139	89
Other related companies	19,496	19,496
	78,661	78,407
<hr/>		
Total other payables	78,661	78,407
Add: Financings (Note 13)	1,608,591	740,649
Other long term liabilities (Note 11)	60,565	60,565
Total financial liabilities carried at amortised cost	1,747,817	879,621

Deferred revenue relates to the excess of the principal amount of long term security deposit over the fair value which is accounted for as prepaid lease income and amortised over the lease term on a straightline basis.

Security deposits of RM8,411,000 held are in respect of tenancies of retail and office building. The deposits are short term in nature and refundable upon termination of the respective lease agreements.

Amount due to holding company and other related companies which arose in the normal course of business are unsecured, interest free and repayable on demand.

17. REVENUE

	Group/Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Investment properties	
- Office	369,062
- Retail	24,411
	393,473

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

18. PROPERTY OPERATING EXPENSES

	Group 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Utilities expenses	8,084	8,084
Maintenance expenses	1,876	1,876
Quit rent and assessment	1,838	1,838
Other operating expenses	5,055	5,051
	16,853	16,849

19. MANAGEMENT FEES

	Group/Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Base fee	17,744
Performance fee	11,311
	29,055

The Manager is entitled to receive the following fees from KLCC REIT:

- i) a base fee of up to 0.3% per annum of the total asset value of KLCC REIT (excluding cash and bank balances) at each financial year end.
- ii) a performance fee of up to 3.00% per annum of KLCC REIT's net property income in the relevant financial period.

20. TRUSTEE'S FEE

In accordance with the Deed, an annual trusteeship fee of up to 0.025% per annum of the net asset value of KLCC REIT at each financial year end, subject to a maximum cap of RM600,000 per annum is to be paid to Trustee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

21. FINANCING COSTS

	Group/Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Interest/Profit expense:	
Term loan and Islamic financing	23,427
Profit expense on private debt securities	28,067
Accretion of financial instruments	1,606
	<hr/> 53,100

22. PROFIT BEFORE TAXATION

The following amounts have been included in arriving at profit before taxation:

	Group 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Audit fees	74	70
Valuation fees	1,150	1,150
Property management fee	60	60
Depreciation	4	4
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

23. TAX EXPENSE

	Group 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Current period income tax	9	-
Deferred tax:		
Relating to origination of temporary difference	3,539	3,539
	3,548	3,539

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of KLCC REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the unitholders' in the basis period of KLCC REIT for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of KLCC REIT financial year which forms the basis period for a year of assessment, KLCC REIT will be subject to income tax at the prevailing statutory rate on its total taxable income. Income which has been taxed at the KLCC REIT level will have tax credits attached when subsequently distributed to unitholders.

As KLCC REIT has declared 95% of its distributable income to unitholders for financial period ended 31 December 2013, no provision for income tax expense has been made for the current period.

Reconciliation of the tax expense is as follows:

	Group 9.4.2013 (date of establishment) to 31.12.2013 RM'000	Fund 9.4.2013 (date of establishment) to 31.12.2013 RM'000
Profit before taxation	369,960	369,923
Taxation at Malaysian statutory tax rate of 25%	92,490	92,481
Deferred tax recognised at different tax rate	(14,158)	(14,158)
Expenses not deductible for tax purposes	895	895
Income not subject to tax	(75,679)	(75,679)
Tax expense	3,548	3,539

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

24. BASIC EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing profit for the period attributable to unitholders of the Fund by the weighted average number of units in issue during the financial period.

	As at 9.4.2013 (date of establishment) to 31.12.2013
Profit attributable to unitholders of the Fund (RM'000)	366,384
Weighted average number of units in issue ('000)	1,805,333
Basic earnings per unit (sen)	20.30

25. INCOME DISTRIBUTION

	Income distribution recognised in year 2013 RM'000	Net income distribution per unit 2013 Sen
Recognised during the year:		
A first interim income distribution of 3.19% on 1,805,033,083 units	57,590	3.19
A second interim income distribution of 4.86% on 1,805,033,083 units	87,739	4.86
	145,329	8.05

The third interim income distribution in respect of the financial period ended 31 December 2013, of 4.84% on 1,805,333,083 units amounting to an income distribution payable of RM87.4 million will be payable on 28 February 2014.

The financial statements for the current year do not reflect this third interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

26. PORTFOLIO TURNOVER RATIO**Group
2013**

Portfolio Turnover Ratio ("PTR") (times)

–

The calculation of PTR is based on the average of the total acquisitions of investments by the Group for the period to the average net asset value during the financial period.

PTR is nil for KLCC REIT as there were no new acquisitions and disposals of investments in the portfolio of KLCC REIT since the date of establishment of 9 April 2013 to 31 December 2013 except for the initial acquisition of the investment properties together with the related assets and liabilities which was completed on 3 May 2013.

Since the basis of calculating PTR can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of KLCC REIT's PTR against other REITs.

27. MANAGEMENT EXPENSE RATIO**Group
9.4.2013
(date of
establishment)
to 31.12.2013
RM'000**

Total trust expenses

99,408

Net asset value at end of financial period

7,439,979

Less: Third interim income distribution

(87,378)

Net asset value at end of financial period, after third interim income distribution

7,352,601

Management Expense Ratio ("MER")

1.35

The calculation of MER is based on the total fees and expenses incurred by the Group and the Fund in the period, including Manager's fee and Trustee's fee to the net asset value (after third interim income distribution) at end of the financial period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

28. COMMITMENTS**(a) Capital commitments**

	Fund 2013 RM'000
Approved but not contracted for	
Property, plant and equipment	520
Investment property	2,375
	<hr/> 2,895

(b) Operating lease commitments - as lessor

The Group has entered into a commercial property lease on its investment properties. This non-cancellable lease has been renewed in current year. The future minimum rental receivable under this non-cancellable operating lease at the reporting date is as follows:

	Group/Fund 2013 RM'000
Not later than 1 year	462,127
Later than 1 year but not later than 5 years	1,923,935
More than 5 years	4,788,578
	<hr/> 7,174,640

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

29. RELATED PARTY DISCLOSURES**(a) Controlling related party relationships are as follows:**

- (i) PETRONAS, the ultimate holding company, and its subsidiaries
- (ii) KLCCH, the penultimate holding company, and its subsidiaries
- (iii) KLCCP, the immediate holding company, and its subsidiaries
- (iv) Subsidiary of the Fund as disclosed in Note 7.

(b) Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows:

	Group 2013 RM'000	Fund 2013 RM'000
Federal Government of Malaysia		
Property licenses and taxes	(1,883)	(1,883)
Government of Malaysia's related entities		
Purchase of utilities	(4,012)	(4,012)
Ultimate Holding Company		
Rental income	281,705	281,705
Fellow Subsidiary		
Management fees	(29,055)	(29,055)
Other Related Company		
Chilled water supply	(3,965)	(3,965)
Subsidiary		
Financing cost	-	(28,067)

The Directors of the Manager are of the opinion that the above transactions and transactions detailed elsewhere were undertaken at mutually agreed terms between the parties in the normal course of business and the terms and conditions are established under negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 are disclosed in Notes 8 and 16.

30. FINANCIAL INSTRUMENTS

Financial Risk Management

The Group has a Risk Management Framework and Guidelines that set the foundation for the establishment of effective risk management across the Group.

The Group's and the Fund's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Fund. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

The Group and the Fund have exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments in the normal course of the Group's and the Fund's business.

Credit Risk

Credit risk is the potential exposure of the Group and the Fund to losses in the event of non-performance by counterparties. Credit risk arises from its operating activities, primarily for trade receivables and long term receivables. The credit risk arising from the Group's and the Fund's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guidelines.

Receivables

The Group and the Fund minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Fund may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Fund are represented by the carrying amount of each financial asset.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Fund, a significant portion of these receivables are related companies.

The Group and Fund use ageing analysis and credit limit review to monitor the credit quality of the receivables. The Fund monitors the results of subsidiaries regularly. Any customers exceeding their credit limit are monitored closely. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

30. FINANCIAL INSTRUMENTS (CONTD.)**Credit Risk (Contd.)**Receivables (contd.)

The exposure of credit risk for receivables at the reporting date by business segment was:

	Group/Fund 2013 RM'000
Property investment	
- Office	944
- Retail	339
	1,283

The ageing of trade receivables as at the reporting date was:

Not past due	1,105
Past due 1 to 30 days	1
Past due 31 to 60 days	-
Past due 61 to 90 days	176
Past due more than 90 days	1
	1,283

The Group and the Fund does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2013.

The Group and the Fund has not made any allowance for impairment due to the good credit standing of the debtors.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's and the Fund's businesses on an ongoing basis as a result of the existing and future commitments which are not funded from internal resources. As part of its overall liquidity management, the Group and the Fund maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. As far as possible, the Group and the Fund raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

30. FINANCIAL INSTRUMENTS (CONTD.)**Liquidity Risk (Contd.)****Maturity analysis**

The table below summarises the maturity profile of the Group and Fund's financial liabilities as at the reporting date based on undiscounted contractual payments:

31 December 2013	Carrying amount RM'000	Effective profit rate %	Contractual cash flow RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Financial Liabilities							
Fixed rate secured term loan	79,081	5.50	80,104	80,104	-	-	-
Private debt securities	867,942	3.87	992,885	311,627	24,174	556,520	100,564
Fixed rate Islamic debt facility	300,513	5.14	401,377	18,082	383,295	-	-
Floating rate Islamic debt facility	361,055	4.17	415,552	14,973	14,983	385,596	-
Other payables	78,661	-	78,661	78,661	-	-	-
Fund							
Financial Liabilities							
Fixed rate secured term loan	79,081	5.50	80,104	80,104	-	-	-
Fixed rate Islamic debt facility	300,513	5.14	401,377	18,082	-	383,295	-
Floating rate Islamic debt facility	361,055	4.17	415,552	14,973	14,983	385,596	-
Other payables	78,407	-	78,407	78,407	-	-	-

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include financings and deposits.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Fund's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's and the Fund's interest rate risk arises primarily from interest-bearing financings. Financings at floating rates expose the Group to cash flow interest rate risk. Financings obtained at fixed rates expose the Group and the Fund to fair value interest rate risk. The Group and the Fund manages its profit expense rate exposure through a balanced portfolio of fixed and floating rate financings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

30. FINANCIAL INSTRUMENTS (CONTD.)**Interest Rate Risk (Contd.)**

The interest rate profile of the Group's and the Fund's interest-bearing financial instruments based on carrying amount as at reporting date was:

	Group 2013 RM'000	Fund 2013 RM'000
Fixed rate instruments		
Financial assets	286,562	286,562
Financial liabilities	(1,247,536)	(379,594)
Floating rate instruments		
Financial liabilities	(361,055)	(361,055)

Sensitivity analysis for floating rate instruments

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following interbank offered rates:

	Change in interest rate b.p.s.	Group Profit or loss RM'000
31.12.2013		
KLIBOR	+ 60	(1,800)
KLIBOR	- 60	1,800

This analysis assumes that all other variables remain constant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Fund operates predominantly in Malaysia and transacts mainly in Malaysian Ringgit. As such, it is not exposed to any significant foreign currency risk.

Fair Value Information

The Group's and the Fund's financial instruments consist of cash and cash equivalents, investments and loans, trade and other receivables, financings, other payables and various debt.

The carrying amounts of cash and cash equivalents, trade and other receivables, other payables and short term financings approximate their fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (CONTD.)**Fair Value Information (Contd.)**

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input)

Group 2013	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	
	RM'000	RM'000	RM'000	RM'000	
Financial liabilities					
Term loan	–	74,903	–	74,903	79,081
Islamic debt facility	–	637,577	–	637,577	661,568
Private debt securities	–	870,805	–	870,805	867,942
<hr/>					
Fund 2013	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	
	RM'000	RM'000	RM'000	RM'000	
Financial liabilities					
Term loan	–	74,903	–	74,903	79,081
Islamic debt facility	–	637,577	–	637,577	661,568

For other financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental lending rate for similar types of financings at the reporting date.

There has been no transfers between Level 1 and Level 2 fair values during the financial period.

NOTES TO THE FINANCIAL STATEMENTS

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31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to provide unitholders with regular and stable distributions which is supported by the Group's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure. The Manager intends to continue with the strategies currently adopted by the Group to increase the income and consequently, the value of its property portfolio for continued growth through (i) active asset management strategy and (ii) acquisition growth strategy.

The Group's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on the Group is to ensure it maintains a healthy gearing ratio of maximum 50% of the total asset value at the time the financing is incurred, in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing ratio that will provide an ideal financings to total assets ratio that also complies with regulatory requirements.

The financings to total assets ratio as at 31 December 2013 is as follows:

	Group 2013
Total financings (RM'000)	1,608,591
Total assets (RM'000)	9,244,295
Financings to total assets ratio	17%

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 the Group's distributable income. It is the intention of the Manager to distribute at least 90% of the Group's distributable income on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

For the period from the establishment date, 9 April 2013 to 31 December 2013, the Group will distribute at least 95% of its distributable income within two months from the end of the financial period ending 31 December 2013. Based on the prospectus in respect of the listing of and quotation for 1,805,333,083 stapled securities on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013, the Manager intends to distribute at least 95% of the Group's distributable income for the period from date of establishment to 31 December 2014.

The actual proportion of distributable income distributed to unitholders beyond 31 December 2014, which shall be at the absolute discretion of the Manager, may be greater than 90% of the Group's distributable income to the extent that the Manager believes it is appropriate, having regard to the Group's funding requirements, other capital management considerations and the availability of funds.

32. SEGMENT INFORMATION**(a) Reporting format**

Segment information is presented in respect of the Group's and the Fund's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financings, financings and expenses, and corporate assets and expenses.

The Group and the Fund comprises the following main business segments:

Property investment - Office Rental of office space and other related activities.

Property investment - Retail Rental of retail space and other related activities.

Details on geographical segments are not applicable as the Group operates predominantly in Malaysia.

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financings, financings and expenses, and corporate assets and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

32. SEGMENT INFORMATION (CONTD.)**(b) Allocation basis and transfer pricing (contd.)****Business Segments****31 December 2013**

	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	28,533	24,411	-	52,944
Results				
Net property income	359,699	16,921	-	376,620
Profit income				5,107
Fair value adjustment on investment properties				70,788
Management fees				(29,055)
Trustee's fees				(400)
Financing costs				(53,100)
Tax expense				(3,548)
Profit after tax				366,412
Total assets				9,244,295
Total liabilities				1,804,316
Depreciation				4
Non-cash items other than depreciation				(121,803)

33. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

The following new and revised MFRSs, amendments and IC interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group and/or the Fund:

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10	Investment Entities
Amendments to MFRS 127	Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

Effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and of the Fund in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

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34. NEW PRONOUNCEMENT(S) NOT APPLICABLE TO THE GROUP AND THE FUND

The MASB has issued an IC interpretation which is not yet effective, but for which is not relevant to the operations of the Group and the Fund and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2014

IC Interpretation 21 Levies

35. COMPARATIVE FIGURES

No comparative figures are presented as this is the first set of financial statements of KLCC REIT prepared by the Manager since KLCC REIT was established on 9 April 2013.

36. DISCLOSURE OF REALISED AND UNREALISED PROFIT

The breakdown of the retained profits of the Group and the Fund into realised and unrealised profits is presented as follows:

	Group 2013 RM'000	Fund 2013 RM'000
Total retained profits		
- Realised	153,834	153,806
- Unrealised	-	-
	153,834	153,806

The fair value gain of RM67,249,000 on the remeasurement of investment properties, net of tax, is regarded as an unrealised gain and has been classified under capital reserve in the financial statements.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Independent Auditors' Report

TO THE UNIT HOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), which comprise the statements of financial position as at 31 December 2013 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the period from 9 April 2013 (date of establishment) to 31 December 2013, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 99.

Manager's and Trustee's responsibility for the financial statements

The Manager of the Group and of the Fund is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The trustee is responsible for ensuring that the Manager maintains proper accounting and other records that are necessary to enable true and fair presentation of these financial statements.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2013 and of their financial performance and cash flows for the financial period from 9 April 2013 (date of establishment) to 31 December 2013, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

INDEPENDENT AUDITORS' REPORT
TO THE UNIT HOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Manager is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039

Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim

No. 2607 / 12 / 14 (J)

Chartered Accountant

Kuala Lumpur, Malaysia

21 January 2014

Analysis of Unitholdings

AS AT 20 JANUARY 2014

Listed Issuer	: KLCC Real Estate Investment Trust
Approved Fund Size	: 1,805,333,085 Units
Total Issued and Fully Paid Units	: 1,805,333,083 Units
No. of Unitholders	: 5,794
Voting Rights	: One vote for each Unit

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Units Held	(%)	No. of Unitholders	(%)
Less than 100	5,479	0.000	647	11.166
100 to 1,000	1,655,887	0.091	2,320	40.041
1,001 to 10,000	9,160,542	0.507	2,250	38.833
10,001 to 100,000	13,141,701	0.727	376	6.489
100,001 to less than 5% of issued units	418,913,691	23.204	198	3.417
5% and above of issued units	1,362,455,783	75.468	3	0.051
Total	1,805,333,083	100.00	5,794	100.00

DIRECTORS' INTERESTS

Name	Direct		Indirect	
	No. of Units Held	(%)	No. of Units Held	(%)
Datuk Manharlal A/L Ratilal	5,000	0.000	–	–
Augustus Ralph Marshall	50,000	0.003	–	–

SUBSTANTIAL UNITHOLDERS

Name	Direct		Indirect	
	No. of Units Held	(%)	No. of Units Held	(%)
1. KLCC (Holdings) Sdn Bhd	1,167,638,804	64.677	–	–
2. CIMB Group Nominees (Tempatan) Sdn Bhd [Exempt AN for Petroliam Nasional Berhad]	194,816,979	10.791	1,167,638,804 #	64.677

Deemed interest in 1,167,638,804 units held by KLCC (Holdings) Sdn Bhd by virtue of PETRONAS 100% direct interest in KLCC (Holdings) Sdn Bhd.

ANALYSIS OF UNITHOLDINGS

AS AT 20 JANUARY 2014

THIRTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1.	KLCC (Holdings) Sdn Bhd	617,700,294	34.215
2.	KLCC (Holdings) Sdn Bhd	549,938,510	30.461
3.	CIMB Group Nominees (Tempatan) Sdn Bhd [Exempt AN for Petroliam Nasional Berhad]	194,816,979	10.791
4.	Amanahraya Trustees Berhad [Skim Amanah Saham Bumiputera]	73,646,000	4.079
5.	Citigroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board]	56,630,200	3.136
6.	Amanahraya Trustees Berhad [Amanah Saham Wawasan 2020]	29,556,600	1.637
7.	Maybank Nominees (Tempatan) Sdn Bhd [Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)]	17,000,000	0.941
8.	Amanahraya Trustees Berhad [Amanah Saham Malaysia]	15,379,100	0.851
9.	Amanahraya Trustees Berhad [AS 1Malaysia]	14,955,500	0.828
10.	HSBC Nominees (Asing) Sdn Bhd [TNTC for The Highclere International Investors SMID Fund]	12,726,300	0.704
11.	Pertubuhan Keselamatan Sosial	12,404,900	0.687
12.	Valuecap Sdn Bhd	11,640,000	0.644
13.	Cartaban Nominees (Tempatan) Sdn Bhd [Exempt AN for Eastspring Investments Berhad]	11,577,900	0.641
14.	Amanahraya Trustees Berhad [Public Islamic Dividend Fund]	10,558,400	0.584
15.	Citigroup Nominees (Tempatan) Sdn Bhd [Exempt AN for AIA Bhd]	9,276,300	0.513

ANALYSIS OF UNITHOLDINGS

AS AT 20 JANUARY 2014

THIRTY LARGEST UNITHOLDERS (CONT'D.)

No.	Name	No. of Units	%
16.	Amanahraya Trustees Berhad [Public Islamic Select Enterprises Fund]	8,743,100	0.484
17.	Citigroup Nominees (Asing) Sdn Bhd [CBNY for Dimensional Emerging Markets Value Fund]	6,257,800	0.346
18.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for JPMorgan Chase Bank, National Association (Taiwan)]	5,183,500	0.287
19.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for JPMorgan Chase Bank, National Association (Saudi Arabia)]	4,794,700	0.265
20.	Citigroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (Nomura)]	4,458,100	0.246
21.	Amanahraya Trustees Berhad [Amanah Saham Didik]	4,039,500	0.223
22.	Amanahraya Trustees Berhad [Public Islamic Equity Fund]	3,981,500	0.220
23.	Permodalan Nasional Berhad	3,489,800	0.193
24.	DB (Malaysia) Nominee (Asing) Sdn Bhd [SSBT Fund RKB7 for Evergreen Emerging Markets Growth Fund]	3,437,900	0.190
25.	Citigroup Nominees (Tempatan) Sdn Bhd [Employees Provident Fund Board (Mayban Inv)]	2,725,000	0.150
26.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)]	2,513,500	0.139
27.	Cartaban Nominees (Asing) Sdn Bhd [GIC Private Limited for Government of Singapore (C)]	2,368,300	0.131
28.	CIMB Commerce Trustee Berhad [Public Focus Select Fund]	2,294,300	0.127
29.	Amanahraya Trustees Berhad [Public Islamic Optimal Growth Fund]	2,173,600	0.120
30.	Lembaga Tabung Angkatan Tentera	2,113,200	0.117

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