

THE PLACE

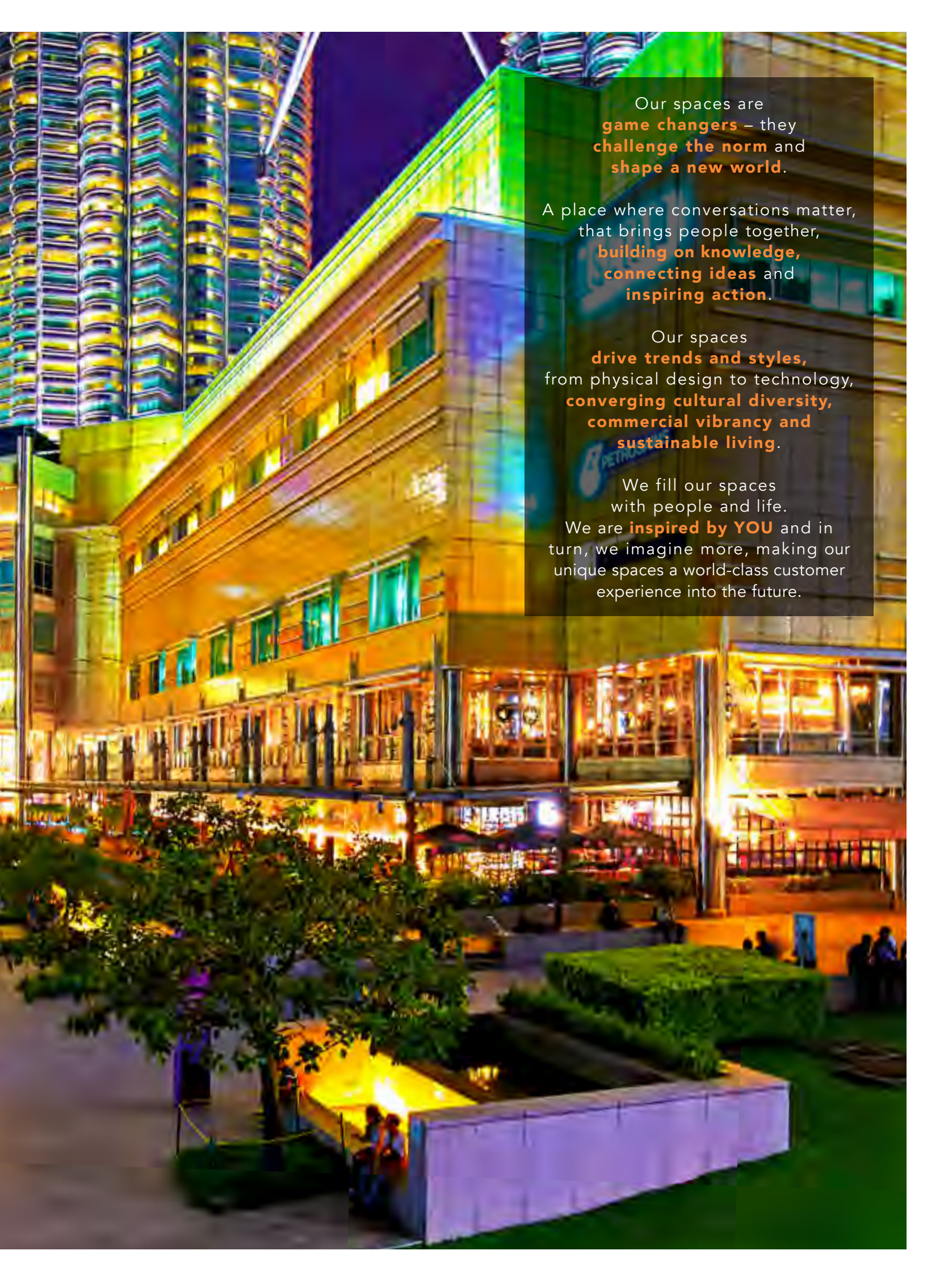
SPACES INSPIRED FOR THE PEOPLE



KLCCP Stapled Group

SPACES INSPIRED FOR THE PEOPLE





Our spaces are **game changers** – they **challenge the norm** and **shape a new world**.

A place where conversations matter, that brings people together, **building on knowledge, connecting ideas** and **inspiring action**.

Our spaces **drive trends and styles**, from physical design to technology, **converging cultural diversity, commercial vibrancy and sustainable living**.

We fill our spaces with people and life.

We are **inspired by YOU** and in turn, we imagine more, making our unique spaces a world-class customer experience into the future.

ABOUT THIS REPORT

THE KLCCP
STAPLED
GROUP'S
INTEGRATED
ANNUAL
REPORT AIMS
TO PROVIDE
STAKEHOLDERS
WITH A
BALANCED
ASSESSMENT OF
THE GROUP'S
ABILITY TO
CREATE AND
SUSTAIN VALUE
TO ENSURE
SHORT, MEDIUM
AND LONG-TERM
VIABILITY

OUR INTEGRATED JOURNEY

As part of our on-going efforts to improve corporate reporting standards and adoption of best practices, KLCCP Stapled Group embarked on a journey to integrated corporate reporting, explaining how the organisation's strategy, governance, performance and prospects, in the context of economy, social as well as environment, lead to the creation of stakeholder value over the short, medium and long-term.

This annual report enhances our disclosure of the relationship between our resources, actions and the value we create as well as draws closer links between our financial and non-financial risks and opportunities.

REPORTING PRINCIPLES AND FRAMEWORKS

The Integrated Annual Report has been prepared in accordance with the concepts and guiding principles of the International Integrated Reporting (<IR>) Framework issued by the International Integrated Reporting Council (IIRC), including disclosures based on the six identified capitals. KLCCP Stapled Group has also applied the principles of Malaysian Code on Corporate Governance (MCCG), Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), Guidelines on Listed Real Estate Investment Trusts (Listed REITs Guidelines) of Securities Commission Malaysia, Bursa Malaysia's Management Discussion and Analysis Disclosure Guide (MD&A), as well as Companies Act 2016 (CA 2016). In preparing the Sustainability Report, KLCCP Stapled Group is guided by Bursa Malaysia's Sustainability Reporting Guide.

Disclosures are guided by the material economic, environmental and social issues which the directors believe have the potential to substantially impact the Group's ability to create and sustain value for its stakeholders. Due consideration is given to appropriate internal and external factors, including the operating environment, stakeholder expectations, the Group's strategies, risks and opportunities.

Additionally, the financial statements of KLCC Property Holdings Berhad (KLCCP) and KLCC Real Estate Investment Trust (KLCC REIT) are prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of CA 2016.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements characterised by the use of words and phrases such as "might", "forecast", "anticipate", "project", "may", "believe", "predict", "expect", "continue", "will", "estimate", "target", and other similar expressions. As our business operates in a changing environment, it is subject to uncertainties that could cause actual results to differ from those reflected in any forward-looking statements.

ABOUT THIS REPORT

REPORTING STRUCTURE AND NAVIGATION ICONS

The Integrated Annual Report 2019 is a key document in the suite, and should be read in conjunction with the Sustainability Report. The suite comprises:

		
REPORTING SUITE	INTEGRATED ANNUAL REPORT 2019	SUSTAINABILITY REPORT 2019
REPORTING FRAMEWORK	• MCGG • Bursa Malaysia's MD&A • MMLR • MFRS • <IR> Framework • CA 2016 • Listed REITs Guidelines	• Bursa Malaysia's Sustainability Reporting Guide • FTSE4Good Themes and Indicators for Real Estate Holdings and Development Sector • <IR> Framework <i>Our full fledged Sustainability Report 2019 is available at www.klcc.com.my/sustainability.php</i>

NAVIGATION ICONS

The following navigation icons are used throughout this Integrated Annual Report to link our strategies, material matters, risks and key performance indicators:



This icon tells you where you can find related information in this report.

SIX CAPITALS



Strong Financial Position



Portfolio of Diverse, Iconic Assets and Management Services



Deep Knowledge and Strong Capabilities



Engaged and Inspired Employees



Natural Resources



Trusted Relationships with Stakeholders

STRATEGIC PILLARS



Maximising Value of Investments



Resilience in Soft Market Conditions



Creating Value Through Sustainability



Embracing Digital For Business Enhancement

STRATEGIC PRIORITIES



S1 Leverage industry-leading capabilities and relationships to drive growth and opportunities



S2 Customer-led provision of vibrant spaces which inspire



S3 Active management of capital and risks



S4 Pursue organic and inorganic growth



For a more bitesized version of our report, please scan the QR code or log on to www.klcc.com.my/investor-relations/annual_report.html



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**KLCCP STAPLED
GROUP**



**KLCC PROPERTY
HOLDINGS BERHAD**



**KLCC REAL ESTATE
INVESTMENT TRUST
(KLCC REIT)**



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AT A GLANCE

7

Properties

11.9

million Gross Floor
Area (sq. ft.)

RM15.9

billion Portfolio Value

Diversified
office-focused REIT

6

MENARA MAXIS

4

SURIA KLCC

1

PETRONAS TWIN TOWERS



OFFICE AND RETAIL



OFFICE



RETAIL



HOTEL

1

**PETRONAS
TWIN TOWERS**

An iconic
landmark, the
world's tallest twin
towers

2

**MENARA 3
PETRONAS**

Premium office
and retail space
seamlessly
connected to
Suria KLCC

3

**MENARA
EXXONMOBIL**

Office tower
currently tenanted
by major oil and
gas corporations

4

SURIA KLCC

The premier
shopping
destination in the
heart of Kuala
Lumpur



NATION BUILDING

A progressive symbol
of Malaysia – Malaysia's
iconic belt, point of
business as the oil and
gas hub and centre of
MICE activities



SOCIAL DEVELOPMENT

An inclusive space that
bridges people together
and builds a stronger
sense of community –
Place to Work, Shop, Stay,
Dine and Play



CATALYST FOR SURROUNDING DEVELOPMENT

A game-changer spurring
the growth of millions of
sq. ft. of commercial build-
up, creating significant
value enhancements



CUSTOMER EXPERIENCE

A must-visit destination
where there is a perfect
experience for everyone
– Malaysia's Iconic
Experience in Kuala
Lumpur (MIEKL)



3 MENARA EXXONMOBIL

5 MANDARIN ORIENTAL, KUALA LUMPUR

2 MENARA 3 PETRONAS

5 MANDARIN ORIENTAL, KUALA LUMPUR
A 5-star award winning luxury hotel

6 MENARA MAXIS
Home to one of the leading communications service provider in Malaysia

7 KOMPLEKS DAYABUMI
An integrated office and retail development
(located outside the KLCC Precinct)



CONNECTIVITY

Excellent urban connectivity within and surrounding the KLCC Precinct – connected with various city centre roads, integrated with LRT station and pedestrian walkways



SUSTAINABLE DEVELOPMENT

A balanced ecosystem between commercial, public space and natural greenery

OUR PURPOSE

WE CREATE PLACES PEOPLE LOOK FORWARD TO, PROGRESSING LIFESTYLE FOR A SUSTAINABLE FUTURE

WHO WE ARE

Malaysia's largest REIT and only Stapled Security in the country, comprising KLCCP and KLCC REIT. KLCC REIT focuses on active asset management and acquisition growth strategies, whilst KLCCP is the development arm of the Stapled Group. At the forefront of Malaysia's real estate industry, our unique structure allows us to maximise the value we create for all our stakeholders.



To read more, refer to KLCCP Stapled Group and KLCC REIT Structure on pages 18 to 19

WHAT WE DO

We own, manage, develop and invest in a portfolio of premium assets comprising office, retail and hotel properties in the heart of Kuala Lumpur. This is complemented by our award winning asset management services provided by KLCC Urusharta Sdn Bhd and KLCC Parking Management Sdn Bhd. This synergy of property investment and asset management strengthens the earning potential of our stable of iconic properties.



To read more, refer to Management Discussion and Analysis on pages 92 to 107

HOW WE DO IT

We are committed to creating a progressive lifestyle experience within the KLCC Precinct while enhancing the value of our property portfolio. We are focused on optimising sustainable value creation through a strategic approach that capitalises on our unique Stapled Group structure and our competitive differentiators, well positioned for the future.

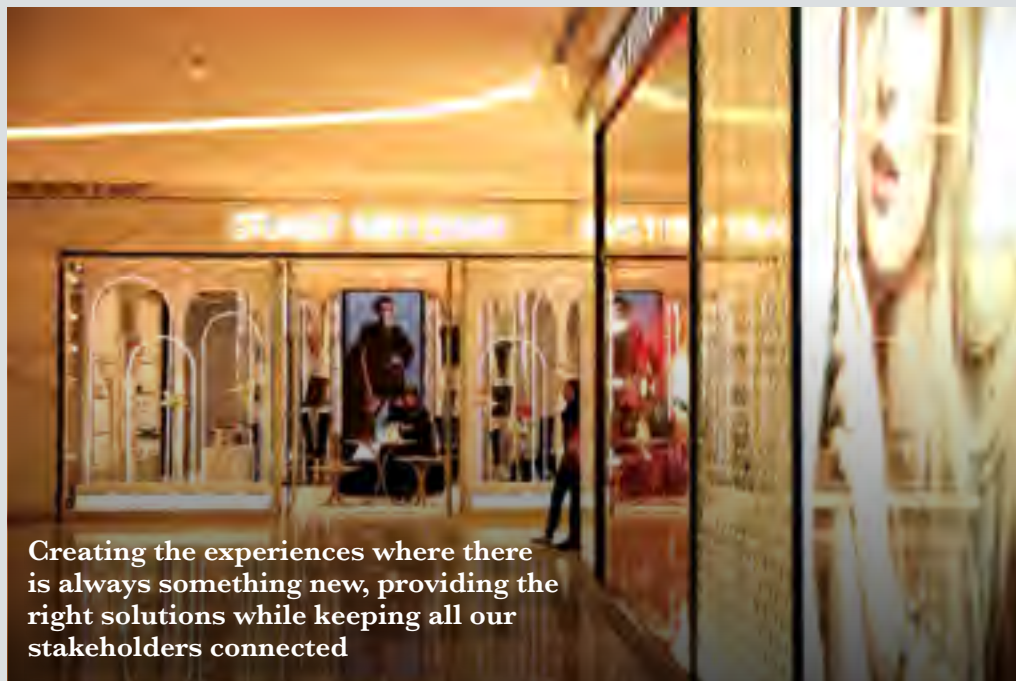


To read more, refer to Value Creating Business Model on pages 74 to 77

2019 KEY H

KLCCP STAPLED GROUP

KLCC



Creating the experiences where there is always something new, providing the right solutions while keeping all our stakeholders connected

RM **591.4** mil
Revenue

(2018: RM588.5 mil)

25.00 sen
Distribution Per Unit

(2018: 23.35 sen)

RM **1.4** bil
Revenue

(2018: RM1.4 bil)

RM **0.9** bil
Profit for
the year

(2018: RM0.8 bil)



Through developing places people look forward to, we continue to drive enduring demand for our spaces, ultimately delivering both financial and societal value to all stakeholders

38.00 sen
Distribution Per
Stapled Security

(2018: 37.00 sen)

RM **15.9** bil
Property
Value

(2018: RM15.7 bil)

RM **7.32**
Net Asset Value per
Stapled Security

(2018: RM7.25)

HIGHLIGHTS

REIT

RM **561.6** mil

Net Property Income

(2018: RM558.4 mil)

RM **9.2** bil

Property Value

(2018: RM9.2 bil)

RM **4.47**

Net Asset Value per Unit

(2018: RM4.48)

SUSTAINABILITY

15.8 %

Reduction in GHG Emission

(2018: 5.0%)

4.6 %

Reduction in Water Use

(2018: 6.7%)



Harnessing key strengths to keep employees inspired through our corporate culture

18.9 %

Reduction in Energy Consumption

(2018: Increase by 3.6%)



Endeavour to drive sustainability in broader perspectives for a future-proof sustainable business

RM **1.8** mil

Staff Learning and Development

(2018: 1.4 mil)

RM **2.0** mil

Community Investment

(2018: RM2.0 mil)

PROPERTY PORTFOLIO



TENURE
FREEHOLD

AGE OF BUILDING
22 YEARS

LOCATION
KUALA LUMPUR CITY CENTRE,
50088 KUALA LUMPUR

DATE OF ACQUISITION
10 APRIL 2013

ACQUISITION PRICE
RM6,500,000,000



Exterior



Floor Plate



Bridge & Skybridge

An iconic
landmark and the
world's tallest twin
towers. The corporate
headquarters of
PETRONAS, the
national petroleum
company

Title

GRN 43697, Lot 169, Seksyen 58,
Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances

Nil

Lease/Tenancy Profile

Leased to a single lessee, Petroliaam
Nasional Berhad vide a Triple Net
Lease Agreement for a term of
15 years, expiring 30 September 2027

Net Book Value as at 31 December 2019

RM6,680,631,826

Appraised Value

RM7,014,000,000

Date of Valuation

22 November 2019

Independent Valuer

Cheston International (KL) Sdn Bhd

234,007

Land Area (sq. ft.)

5,499,468

Gross Floor Area
– office and car park (sq. ft.)

3,195,544

Net Lettable Area (sq. ft.)

5,053¹

Car Park bays

100

Occupancy as at
31 December 2019 (%)

¹ North West Development (NWD)
Car Park, shared by PETRONAS
Twin Towers, Suria KLCC and
Menara Maxis

PROPERTY PORTFOLIO

**A Premium Grade-A
59-storey office tower
with exclusive retail
and sky dining**

Title

GRN 43699, Lot 171 Seksyen 58,
Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances

Nil

Lease/Tenancy Profile

Leased to a single lessee, Petrolia
Nasional Berhad vide a Triple Net
Lease Agreement for a term of 15
years, expiring 14 December 2026.
Retail Podium, Menara 3
PETRONAS is tenanted to various
retailers on a 3 to 5-year term
tenancy

Net Book Value as at 31 December 2019

RM1,976,558,785

Appraised Value

RM2,053,100,000

Date of Valuation

12 November 2019

Independent Valuer

Cheston International (KL) Sdn Bhd

46,306

Land Area (sq. ft.)

1,500,814

Gross Floor Area (sq. ft.)

170,782

Gross Floor Area
– car park (sq. ft.)

812,806 (Office)

133,312 (Retail)

Net Lettable Area (sq. ft.)

193

Car Park bays

100 (Office) **95** (Retail)

Occupancy as at
31 December 2019 (%)

TENURE

FREEHOLD

AGE OF BUILDING

8 YEARS

LOCATION

KUALA LUMPUR CITY CENTRE,
50088 KUALA LUMPUR

DATE OF ACQUISITION

10 APRIL 2013

ACQUISITION PRICE

RM1,790,000,000



Petronas Tower



Petronas Retail Podium



Petronas Sky Dining

**MENARA 3
PETRONAS**

PROPERTY PORTFOLIO



MENARA EXXONMOBIL

TENURE
FREEHOLD

AGE OF BUILDING
23 YEARS

LOCATION
KUALA LUMPUR CITY CENTRE,
50088 KUALA LUMPUR

DATE OF ACQUISITION
10 APRIL 2013

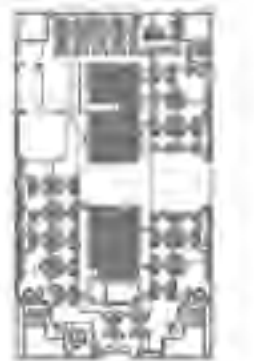
ACQUISITION PRICE
RM450,000,000



Facade



Lobby



Upper Level

29-storey office
building strategically
located at the south-
eastern portion of the
KLCC Development
and home to major oil
and gas corporations

Title
GRN 43685, Lot 157 Seksyen 58,
Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances
Nil

Lease/Tenancy Profile
Leased to two lessees, ExxonMobil
Exploration and Production
Malaysia Inc for an initial period
of 9 years with an option to renew
for 3 successive terms of 3 years
each; and another with PETRONAS
for initial period of 3 years with an
option to renew for 5 successive
terms of 3 years each

**Net Book Value as at
31 December 2019**
RM536,799,267

Appraised Value
RM536,800,000

Date of Valuation
16 October 2019

Independent Valuer
Cheston International (KL) Sdn Bhd

43,045
Land Area (sq. ft.)

559,520
Gross Floor Area (sq. ft.)

240,981
Gross Floor Area
– car park (sq. ft.)

408,105
Net Lettable Area (sq. ft.)

528
Car Park bays

100
Occupancy as at
31 December 2019 (%)

PROPERTY PORTFOLIO

An integrated office
development with
retail podium located
within the former
city centre of
Kuala Lumpur

Title

PN 2395, PN 4073, PN 33471,
PN 32233, Lot 38, 39, 45 & 51
Seksyen 70, Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances

Nil

Lease/Tenancy Profile

Leased to a single lessee, Petrolim Nasional Berhad vide a Triple Net Lease Agreement for a term of 6 years, expiring 31 December 2031, with option to extend the lease for further 2 successive terms of 6 years each

Net Book Value as at 31 December 2019

RM790,000,000

Appraised Value

RM790,000,000

Date of Valuation

11 November 2019

Independent Valuer

Cheston International (KL) Sdn Bhd

315,802

Land Area (sq. ft.)

1,059,783

Gross Floor Area (sq. ft.)

316,018

Gross Floor Area
– car park (sq. ft.)

650,297

Net Lettable Area (sq. ft.)

677

Car Park bays

100

Occupancy as at
31 December 2019 (%)

TENURE

99 YEARS LEASEHOLD INTEREST
EXPIRING ON 27 JAN 2079
(LOT 38 & LOT 45), 9 NOV 2081
(LOT 39) AND 98 YEARS
LEASEHOLD INTEREST EXPIRING
ON 21 JAN 2079 (LOT 51)

AGE OF BUILDING

37 YEARS

LOCATION

KUALA LUMPUR CITY CENTRE,
50050 KUALA LUMPUR

DATE OF ACQUISITION

31 MAY 2004



**KOMPLEKS
DAYABUMI**

PROPERTY PORTFOLIO



**SURIA
KLCC**

TENURE
FREEHOLD

AGE OF BUILDING
21 YEARS

LOCATION
KUALA LUMPUR CITY CENTRE,
50088 KUALA LUMPUR

DATE OF ACQUISITION
31 MAY 2004



Figure 1



Figure 2



Figure 3

Premier shopping
destination in Malaysia
with over 400 specialty
stores making it the best
place for shopping, dining
and entertainment

Title
GRN 43698 Lot 170, Seksyen 58,
Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances
Nil

Lease/Tenancy Profile
Tenanted to various retailers on a
3 to 5-year term tenancy

**Net Book Value as at
31 December 2019**
RM5,598,422,383

Appraised Value
RM5,615,000,000

Date of Valuation
15 November 2019

Independent Valuer
Cheston International (KL) Sdn Bhd

303,112
Land Area (sq. ft.)

1,545,361
Gross Floor Area (sq. ft.)

948,908
Net Lettable Area (sq. ft.)

99
Occupancy as at
31 December 2019 (%)

PROPERTY PORTFOLIO

A five-star
luxury hotel in the heart
of Kuala Lumpur offering
impressive views with
elegant interiors, spacious
rooms, fabulous facilities
and a wealth of dining
options

Title

GRN 43700 Lot 172, Seksyen 58,
Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances

Charged by Asas Klasik Sdn Bhd to
Public Bank Berhad registered on
12 June 2008

Net Book Value as at

31 December 2019

RM623,865,249

Appraised Value

RM865,000,000

Date of Valuation

14 November 2019

Independent Valuer

Cheston International (KL) Sdn Bhd

87,123

Land Area (sq. ft.)

998,706

Gross Floor Area (sq. ft.)

170,317

Gross Floor Area
– car park (sq. ft.)

629

No. of rooms

544

Car Park bays

64

Occupancy as at
31 December 2019 (%)

TENURE
FREEHOLD

AGE OF BUILDING
21 YEARS

LOCATION
KUALA LUMPUR CITY CENTRE,
50088 KUALA LUMPUR

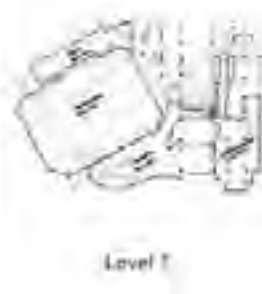
DATE OF ACQUISITION
31 MAY 2004



Level 0



Level 2



Level 7

**MANDARIN
ORIENTAL,
KUALA LUMPUR**

PROPERTY PORTFOLIO



TENURE
FREEHOLD

AGE OF BUILDING
21 YEARS

LOCATION
KUALA LUMPUR CITY CENTRE,
50088 KUALA LUMPUR

DATE OF ACQUISITION
31 MAY 2004



49-storey office
tower with unique and
distinctive architecture.
Houses one of the leading
communications service
provider in Malaysia
and its associate
companies

Title
GRN 43696 Lot 168, Seksyen 58,
Bandar Kuala Lumpur,
Daerah Kuala Lumpur,
Wilayah Persekutuan Kuala Lumpur

Encumbrances
Nil

Lease/Tenancy Profile
Leased between Impian Klasik
Sdn Bhd and Tanjung City Centre
Property Management Sdn Bhd vide
a Triple Net Lease Agreement for a
term of 15 years, expiring
31 May 2028

46,597
Land Area (sq. ft.)

814,741
Gross Floor Area (sq. ft.)

537,085
Net Lettable Area (sq. ft.)

100
Occupancy as at
31 December 2019 (%)

Note: KLCCP owns a 33% stake in
Menara Maxis

CORPORATE INFORMATION

KLCC PROPERTY HOLDINGS BERHAD ("KLCCP") 200401003073 (641576-U)

KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")

MANAGER FOR KLCC REIT ("THE MANAGER")

KLCC REIT MANAGEMENT SDN BHD ("KLCCRM") 201201042293 (1026769-H)

BOARDS OF DIRECTORS OF KLCCP AND THE MANAGER

Datuk Ahmad Nizam bin Salleh
(Chairman/Non-Independent
Non-Executive Director)

Datuk Hashim bin Wahir
(Chief Executive Officer)

Tengku Muhammad Taufik
(Non-Independent Non-Executive
Director)

**Datuk Pragasa Moorthi a/l
Krishnasamy**
(Non-Independent Non-Executive
Director)

Cik Habibah binti Abdul
(Senior Independent Non-Executive
Director)

Pn. Farina binti Farikhullah Khan
(Independent Non-Executive
Director)

Dato' Jamaludin bin Osman
(Independent Non-Executive
Director)
Appointed w.e.f. 1 January 2020

BOARD AUDIT COMMITTEES OF KLCCP AND THE MANAGER

Pn. Farina binti Farikhullah Khan
(Chairperson)
Tengku Muhammad Taufik
Cik Habibah binti Abdul

NOMINATION AND REMUNERATION COMMITTEES OF KLCCP AND THE MANAGER

Cik Habibah binti Abdul
(Chairperson)
Tengku Muhammad Taufik
Pn. Farina binti Farikhullah Khan

COMPANY SECRETARIES OF KLCCP AND 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
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : 03-2783 9191
Facsimile No. : 03-2783 9111

REGISTERED OFFICE OF KLCCP AND 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 KLCCP AND THE MANAGER

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

SHARE REGISTRAR FOR KLCCP AND KLCC REIT

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : 03-2783 9299
Facsimile No. : 03-2783 9222

TRUSTEE FOR KLCC REIT

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

PROPERTY MANAGER FOR KLCC REIT

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

SHARIAH ADVISER FOR KLCC REIT

CIMB Islamic Bank Berhad
13th Floor, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Telephone No. : 03-2261 8888
Facsimile No. : Nil

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

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

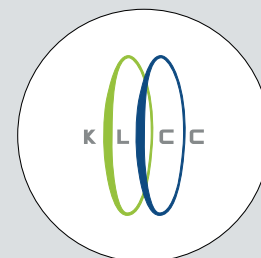
PRINCIPAL BANKERS FOR KLCCP AND KLCC REIT

CIMB Islamic Bank Berhad
CIMB Bank Berhad
Maybank Islamic Berhad

STOCK EXCHANGE LISTING

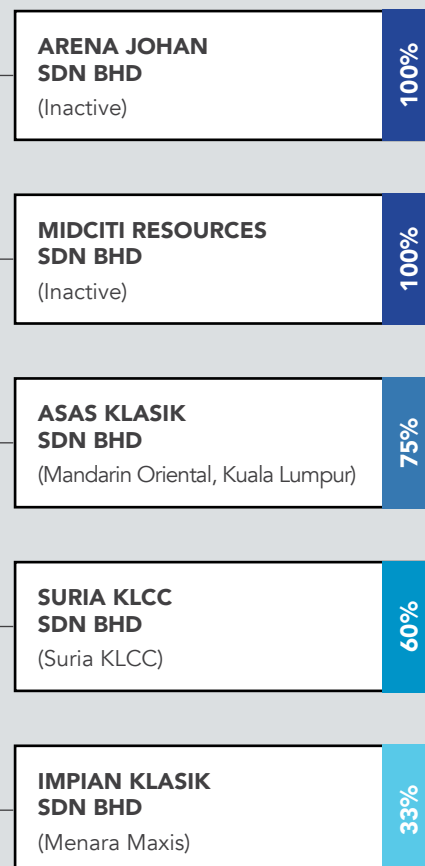
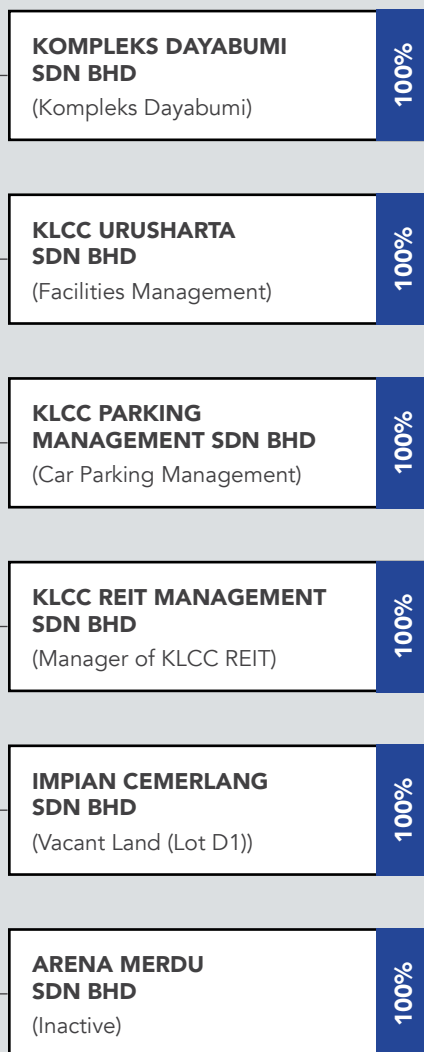
Listed on Main Market of Bursa Malaysia
Securities Berhad on 9 May 2013
Stock Code : 5235SS
Stock Name : KLCC

KLCCP STAPLED GROUP AND KLCC REIT STRUCTURE

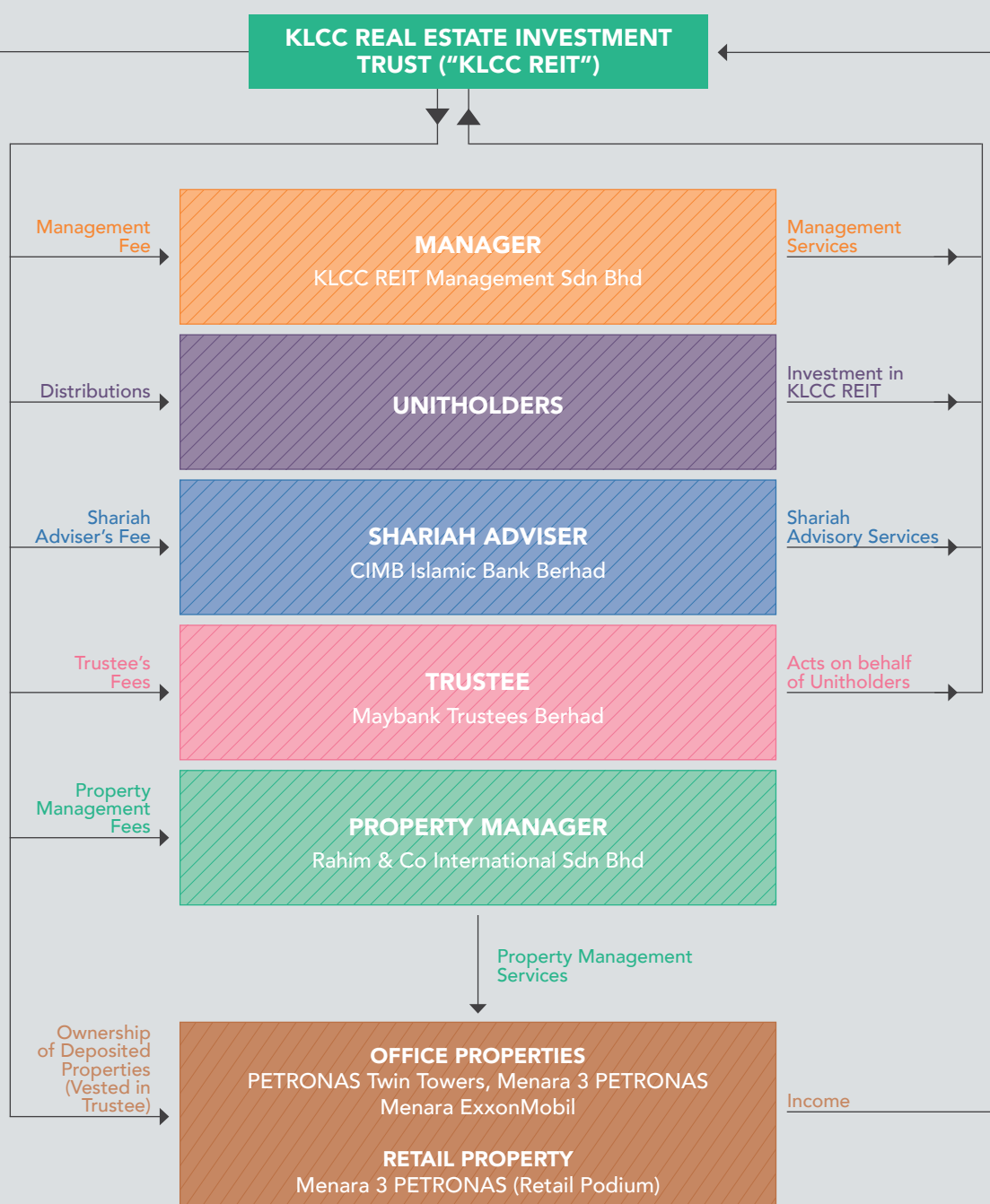


KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")

Each ordinary share is stapled to
each unit ("Stapled Securities")



KLCCP STAPLED GROUP AND KLCC REIT STRUCTURE





**ALWAYS
SOMETHING
NEW**



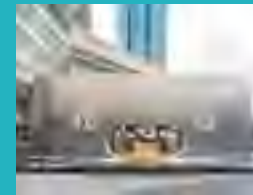
With a focus on creating the definitive lifestyle in Malaysia, Suria KLCC has continued to reinvent and reimagine the shopping experience.

Our retail space sets the bar for on-trend fashion with a wide mix of brands and collaborations, cementing Suria KLCC as the lifestyle trendsetter in Kuala Lumpur.

- Unlocking value through the anchor-to-specialty space reconfiguration of approximately 120,000 sq. ft. to broaden the retail offer and introduce a diverse mix of brands
- Infusion of approximately 80 exclusive sought-after brands to satisfy the most fashion-savvy and style-conscious shoppers
- Empowering our retailers' omnichannel marketing strategies through interactive digital signages for a holistic experience across the customer touchpoints

EXPERIENCING SOMETHING NEW THROUGH STRATEGIC BRAND COLLABORATIONS

We constantly create fresh and unique experiences. Through uniquely curated collaborations with renowned brands, customers experience something new with every visit



Exclusive Louis Vuitton Time Capsule Exhibition in partnership with Suria KLCC



Malaysia's first Men's Fashion Gallery



Le Labo - A luxury perfume brand based in New York, makes its first foray into the Malaysian market



Babel - Ultra-luxurious gym with state-of-the art gym equipment



Gucci Beauty - First standalone boutique in Malaysia



THE **PREMIUM** SHOPPING EXPERIENCE



THE LEADER IN **MODERN** AND ORIGINAL RETAIL CONCEPTS



THE LIFESTYLE **TRENDSETTER** IN KUALA LUMPUR

THIS IS THE PLACE WHERE THERE IS ALWAYS SOMETHING NEW



THE RIGHT SOLUTIONS



In today's fast paced world, businesses need to be agile, connected and efficient. We are hard at work creating a conducive and flexible environment to help our tenants work smarter through an ecosystem that facilitates collaboration, promotes productivity and drives efficiency.

- Supporting our tenant initiative of the "Workplace for Tomorrow", realising the improved tenant experience
- Collaborating with our tenants and meeting their needs with our award-winning facilities and asset management services to optimise the performance of our property portfolio
- Maintaining the GBI accreditation status of the office buildings leading to long-term cost savings for our tenants

OFFERING RELIABLE PROFESSIONAL SERVICES AS A SOLUTIONS PARTNER

We add value to our tenants by providing them with the right services and solutions that help create a better office experience



Collaborative workspaces as a strategic lever for innovation and idea generation



Award-winning facilities management services which keep our buildings in pristine condition

AWARDS

The EdgeProp Malaysia's Best Managed Property Awards

2019:	Menara Dayabumi	BRONZE
	Menara ExxonMobil	BRONZE
2018:	Menara 3 PETRONAS	GOLD
2017:	PETRONAS Twin Towers	GOLD

2019 Green Building Index (GBI) Certification

PETRONAS Twin Towers	GOLD
Menara 3 PETRONAS	SILVER

2019 Malaysia Green Building Council

PETRONAS Twin Towers
TOP 10 Green Buildings of the Decade

SUPPORTING THE
EVOLVING
NEEDS OF OUR TENANTS

CREATING THE
RIGHT SPACE
FOR OUR TENANTS TO
THRIVE

REDEFINING
THE WORKPLACE
EXPERIENCE

THIS IS THE PLACE THAT PROVIDES THE RIGHT SOLUTIONS

A high-angle, top-down photograph of a person with dark hair, wearing a light blue button-down shirt, sitting at a dark wooden table. The person's hands are positioned over a tablet computer lying flat on the table. The tablet screen displays a cityscape with the text "THE PLACE" overlaid. To the right of the tablet, a white saucer holds a cup of coffee with a golden-brown beverage. The person's arms and hands are visible, reaching towards the tablet. The text "KEEPING YOU CONNECTED" is superimposed in large, white, bold, sans-serif capital letters across the center of the image, partially obscuring the person's arms and the tablet.

**KEEPING
YOU
CONNECTED**



In a world connected by modern technology with the customer at its heart, we are embracing the digital transformation in line with national efforts to develop Kuala Lumpur into a smart city.

We are committed to initiatives that are aligned with our core tenets of safety, security, connectivity, convenience, and seamlessness. We are taking a fresh and innovative approach to enhancing the physical and digital space across our portfolio.

- Development and enhancement of digital capabilities to improve customers' digital lifestyle
- Digital infrastructure through provision of Wi-Fi networks to complement the physical connectivity within the KLCC Precinct
- A seamless digital experience across all devices and channels, keeping customers engaged and connected at all times

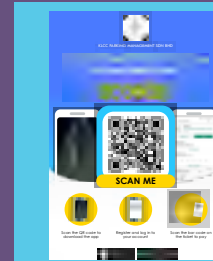
ENHANCING PHYSICAL AND DIGITAL SPACES

We understand the importance of designing experiences that cross the physical and digital space and have embarked on innovative solutions to keep our customers engaged



MALAYSIA'S
**ICONIC
EXPERIENCE**
IN KUALA LUMPUR

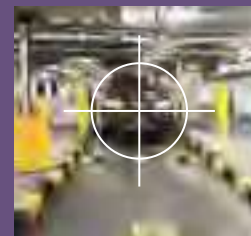
Brand new digital hub that enables tourists to explore, discover and seek their own adventure within the KLCC Precinct



The Iconik parking app provides customers the cashless payment experience at the North West Development car park



World's largest rotating LED screen providing an all-encompassing digital advertising in Suria KLCC



License Plate Recognition – using cameras powered by AI, to ensure safety and a frictionless parking experience



THIS IS THE PLACE WHERE WE KEEP YOU CONNECTED ALWAYS

LETTER FROM THE CHAIRMAN

**THIS REPORT
IS KLCCP STAPLED
GROUP'S FIRST
INTEGRATED REPORT,
PREPARED IN
ACCORDANCE WITH
THE INTERNATIONAL
INTEGRATED
REPORTING
FRAMEWORK**

comprehensive overview of KLCCP Stapled Group's performance in 2019, in both financial and non-financial dimensions.

DRIVING SUSTAINABLE VALUE

The year 2019 saw the weakening of global economic growth with the continued external headwinds of the US-China trade war weighing down Malaysia's export sector. As a result, the Malaysian economy grew moderately at 4.3%, the slowest pace of growth since 2009.

DEAR SHAREHOLDERS,

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), it is my pleasure to present the Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2019.

This report is KLCCP Stapled Group's first Integrated Report, prepared in accordance with the International Integrated Reporting Framework. It provides a

SUSTAINING CREDIBLE PERFORMANCE

PROFIT FOR THE YEAR (RM'mil)

2019	945.7
2018	838.9
2017	1,013.6
2016	1,011.0
2015	1,403.2

TOTAL ASSETS (RM'mil)

2019	18,211.3
2018	17,860.3
2017	17,792.6
2016	17,782.1
2015	17,537.1

SUSTAINING OPERATIONAL EXCELLENCE

We have progressed to enhance the physical and digital spaces, aligned to our core tenets of safety, security, connectivity and convenience towards a seamless experience

CULTURE OF INTEGRITY AND TRUST

We have committed to undertake anti-corruption measures and have given our full support in the Group's journey to implement the Anti-Bribery Management Systems towards ISO37001:2016 certification

LETTER FROM THE CHAIRMAN



DATUK AHMAD NIZAM BIN SALLEH
Chairman

BOARD CHANGES

In accordance with the Malaysian Code on Corporate Governance, we are planning to increase the number of independent directors and will endeavour to have a more balanced gender representation in the Board membership by 2021

LOOKING AHEAD - 2020

We will continue to embark on realising our digital journey across our operations and capture value from new opportunities in the market

LETTER FROM THE CHAIRMAN

Amidst the challenging environment, KLCCP Stapled Group delivered a commendable performance for the financial year ended 31 December 2019. I am pleased to report that KLCCP Stapled Group achieved profit attributable to the holders of Stapled Securities of RM732.8 million (excluding fair value gain), representing a RM6.1 million increase from the previous year.

In upholding our continued commitment to a stable dividend payout to the holders of Stapled Securities, the Boards of KLCCP and KLCCRM have approved four interim dividends totaling 38.00 sen per Stapled Security, amounting to a declared dividend payment of RM686.0 million for financial year 2019. This represents an increase of RM18.0 million from the preceding year, a testimony of the Group's commitment to creating value for our holders of Stapled Securities.

SUSTAINING OPERATIONAL EXCELLENCE

Living up to its tagline of "Always Something New", Suria KLCC undertook an "anchor-to-specialty" space reconfiguration to further enhance Suria KLCC's value proposition. The reconfiguration exercise spanning a space of approximately 120,000 sq. ft., will house approximately 80 specialty stores, offering a diverse mix of fashion, food and beverage and cosmetics outlets, further strengthening Suria KLCC's position as the premier retail spot in Kuala Lumpur.

In the office segment, we added value to our tenants by providing them with the right solutions to create a renewed office experience through the PETRONAS'



"Workplace for Tomorrow" effort. This exercise which covered 151 floors across our four office buildings, was fully completed by the end of 2019. The Group has also made further strides in the sustainability space when PETRONAS Twin Towers was named one of the winners at the Top 10 Green Buildings of the

Decade Awards organised by the Malaysia Green Building Council in June 2019. Later in October, the PETRONAS Twin Towers was also ranked among the Top 50 Most Influential Tall Buildings for the past 50 Years by the Council of Tall Building and Urban Habitat (CTBUH) based in Chicago. This esteemed accolade is testament to the PETRONAS Twin Towers' great influence and impact to the society and skyscrapers industry at large, creating social and economic values to the people and the nation.



We delivered a credible performance for the financial year ended 31 December 2019, achieving profit attributable to the holders of Stapled Securities (excluding fair value gain) of RM732.8 million, representing a RM6.1 million increase from 2018.

LETTER FROM THE CHAIRMAN



**INSTITUTIONALISING
INTEGRITY AND PROMOTING
HIGH STANDARDS OF
LEADERSHIP GOVERNANCE
CONTINUE TO BE OUR
PRIORITY. AT THE SAME TIME,
WE BELIEVE THAT BUILDING
TRUST IS PARAMOUNT TO
GROWING A SUSTAINABLE
BUSINESS**

As we embrace the digital wave and keep our customers connected, we have progressed to enhance the physical and digital spaces, aligned to our core tenets of safety, security, connectivity and convenience towards a seamless experience. This has seen an increase in customer satisfaction to 76% from 73% in 2018, based on the Group's internal survey. With a four-year Digital Transformation Roadmap in place, we aim to be a digitally competent organisation by 2023.

TALENT DEVELOPMENT

I would also like to take this opportunity to commend our dedicated employees who share our passion in creating vibrant and inspiring spaces for customers to look forward to. The skills and experience they bring, together with a unifying KLCC culture enabled us to preserve and continue to create value for the Group. In recognition of KLCC's people-centric approach, KLCCP Stapled Group won the Top Workplace in Asia at the Asia Corporate Excellence and Sustainability (ACES) 2019 awards. The Group was also awarded the Best Workforce at the Sustainable Business Awards Malaysia 2019 for the second consecutive year.

During the year, the Nomination and Remuneration Committee enhanced the criteria of succession management to develop a pool of quality and competent employees for leadership roles and responsibilities. The Group has also realigned the salary structure of employees to retain and attract the best talents as well as to enhance the Group's competitive advantage.

CULTURE OF INTEGRITY AND TRUST

At KLCCP Stapled Group, we strongly believe that the right culture must encourage sound decision-making by managing risks and upholding

business ethics. Institutionalising integrity and promoting high standards of leadership governance continue to be our priority. The Board of KLCCP executed the Corporate Integrity Pledge in November 2019 in collaboration with the Malaysian Anti-Corruption Commission (MACC). In the pledge, our Boards of Directors have committed to undertake anti-corruption measures in all aspects of business operations. The Boards have also given their full support in the Group's journey to implement the Anti-Bribery Management Systems, towards attaining the Malaysian Standard ISO37001:2016 certification.

During the year, the Malaysian Institute of Corporate Governance (MICG) assessed top 100 Public Listed Companies on their anti-corruption programmes and the state of readiness for corporate liability when the law becomes effective in June 2020. In the assessment, KLCCP Stapled Group was ranked second in the overall ranking of corporate reporting and transparency category.

At the same time, we believe that building trust is paramount to growing a sustainable business. In a climate of diminishing trust, the Group is also focusing on efforts to make trust building a priority across every aspect of the business. KLCCP Stapled Group was a Top 20 finalist in PwC's Building Trust Awards 2019 upon appraisal of its significant efforts to build trust through communications and interactions with stakeholders.



Our people are our greatest asset. To read more on our people, refer to our Sustainability Statement on pages 140 to 143

LETTER FROM THE CHAIRMAN

BOARD CHANGES

The year 2019 is also a year we say thank you and bid farewell to our directors namely Dato' Halipah Esa and Datuk Ishak Imam Abas, both of whom retired from the Boards. Both directors have been our long serving members and have contributed immensely to the Board and the business growth of the Group. On behalf of the Board, I would like to express my sincere appreciation for their contributions, and I would like to wish them all the very best in their future endeavors.

While we bid farewell to Dato' Halipah Esa and Datuk Ishak Imam Abas, I am also delighted to welcome Dato' Jamaludin Osman, who was appointed to the Boards of KLCCP and KLCCRM, effective from 1 January 2020.

Dato' Jamaludin has wide experience in the real estate industry, including township development and infrastructure management. I am confident that he would make an excellent addition to our team and we look forward to his valuable contribution to the Board.

In accordance with the Malaysian Code on Corporate Governance, we are planning to increase the number of independent directors and will endeavour to have a more balanced gender representation in the Board membership by 2021.

LOOKING AHEAD - 2020

As we look ahead to 2020, we remain focused on providing solutions to our customers and stakeholders. We will continue to embark on realising our digital journey across our operations and capture value from new opportunities in the market.



We hold good governance very close to our hearts. To read more, refer to Corporate Governance Overview Statement on pages 169 to 176

LETTER FROM THE CHAIRMAN

**I TRUST THAT
THE STRONG
FUNDAMENTALS WE
HAVE ESTABLISHED
WILL ENABLE US TO
FACE THE CHALLENGES
AND SUSTAIN OUR
GROWTH IN 2020**

It is expected that the macroeconomic environment will remain challenging as global growth across most regions remain relatively subdued amidst slowing global trade. The recent COVID-19 outbreak will add another level of uncertainty especially in the tourism, retail and hospitality sectors. Nonetheless, the potential economic stimulus package and the eventual discovery of antidote would help to cushion the negative impact arising from the outbreak.

In view of the challenging business environment, KLCCP Stapled Group remains steadfast in leveraging on its core competencies in key market segments to ensure its business remains agile amid volatile business conditions.

We expect our office segment to remain stable on the back of the long-term profile of office leases and high-quality tenants. The full opening of the reconfigured space by mid-2020 at Suria KLCC is expected to sustain the retail segment's performance, while the hotel segment will focus on intensifying its digital marketing to broaden its network and personalise its guest service to capture market share.

With the clear and ongoing focus to deliver long-term value for our holders of Stapled Securities, I trust that the strong fundamentals we have established will enable us to face the challenges and sustain our growth in 2020.

APPRECIATION

2019 has been a year of many milestones. The passion and commitment of our employees and the Leadership Management Team have supported our many achievements over the past years. Accordingly, I would like to thank the entire KLCC family for their hard work, perseverance, commitment and dedication in delivering creditable performance amid the challenging market dynamic.

I would also like to express my heartfelt appreciation to all our stakeholders, including our holders of Stapled Securities, business partners, associates, customers and tenants who have jointly contributed to our accomplishments.

Finally, I would like to thank my fellow Board members for their continuing counsel, commitment and efforts to guide KLCCP Stapled Group realise its long-term strategy for success.



**DATUK AHMAD NIZAM BIN
SALLEH**
Chairman



CEO'S YEAR IN REVIEW

Q WITH THE CHIEF EXECUTIVE OFFICER

A

Datuk Hashim Wahir
answers questions on
KLCCP Stapled Group's
performance for the year,
the initiatives during the
year, the realignment of
the business and longer-
term challenges and focus

HOW DID KLCCP STAPLED GROUP PERFORM THIS YEAR GIVEN THE CONTEXT OF THE OPERATING ENVIRONMENT AND MARKET LANDSCAPE? WHAT WERE THE KEY DRIVERS?

2019 was a year marked by uncertainties, volatility and challenges in the market – market volatility muting overall sector growth, incoming supply of office, retail and hotels outstripping demand, rapidly evolving consumer preferences coupled with the wave of the digital revolution reshaping markets and societies. The silver lining was the easing interest rate environment which came as a reprieve for the REIT sector, amplifying its attractiveness as a defensive play.

Our performance was anchored by the stable office segment and improved performance in the retail and hotel segments, which contributed to the overall top-line growth of 1.2% whilst Profit Before Tax (PBT) excluding fair value gain saw a RM8.3 million increase. KLCCP Stapled Group delivered sustained value despite the headwinds in the market. Testament to our commitment in delivering value to our holders of Stapled Securities, we distributed a distribution per Stapled Security of 38.00 sen, an increase of 2.7% from the prior year. This achievement demonstrates our track record of delivering consistent distribution growth, resulting in a 4.6% compounded annual growth rate since FY2013.



We strongly believe our numbers are due to the efforts and trust of the KLCC team and our customers. To read more about the results of the Group, refer to Financial Review in the Management Discussion and Analysis on pages 88 to 91

**DURING THE YEAR,
WE SOLIDIFIED OUR
STRATEGIES AND
CONTINUED TO FOCUS
ON OUR EXISTING
ASSETS AND IN FUTURE-
PROOFING OUR
POSITION TO BECOME
THE SOLUTIONS
PARTNER TO ALL OUR
STAKEHOLDERS**

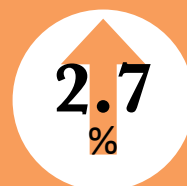
CEO'S YEAR IN REVIEW

TODAY'S MARKET IS EVER MORE CHALLENGING TO NAVIGATE. HOW DO YOU ENSURE THE APPEAL OF KLCC AS "THE PLACE" EVOLVES TO MEET CUSTOMERS CHANGING BEHAVIOUR PATTERNS AND HOW IS KLCC RESPONDING TO THESE CHALLENGES?

Aligned with this year's theme, it is our customers who continue to inspire us to create a progressive lifestyle experience within the KLCC Precinct. Thus, "Spaces Inspired for the People". During the year, we solidified our strategies and continued to focus on our existing assets

DELIVERING VALUE AND GROWTH

Testament to our commitment in delivering value to our holders of Stapled Securities, we distributed a distribution per Stapled Security of 38.00 sen, an increase of 2.7% from the prior year. This achievement demonstrates our track record of delivering consistent distribution growth, resulting in a 4.6% compounded annual growth rate since FY2013.



DATUK HASHIM BIN WAHIR
Chief Executive Officer

and in future-proofing our position to become the solutions partner to all our stakeholders. This involved us strategising and collaborating with our strategic brand retailers and business alliance partners on solutions to embed resilience for the longer-term and create sustainable value, leveraging opportunities and technology.

At our offices, we progressed in supporting the evolving needs of our tenants in providing the right solution to create a renewed office experience through the PETRONAS' "Workplace for Tomorrow" – collaborative workspaces designed to encourage a new way of

CEO'S YEAR IN REVIEW

THE RECONFIGURATION EXERCISE SPANNING A SPACE OF APPROXIMATELY 120,000 SQ. FT. OF NLA HAS BEEN EXCLUSIVELY FITTED OUT WITH APPROXIMATELY 80 SPECIALTY STORES INCLUDING FASHION, FOOD AND BEVERAGE AND COSMETICS.

working, shifting from a linear mode to a more dynamic, digital one. Our facility management team worked together with our tenant to transform 151 floors across 2.5 mil sq. ft. of net lettable area (NLA) within our four office buildings into the office of tomorrow, which saw full completion as at 31 December 2019.

Our retail, Suria KLCC, following the lease expiration of one of its anchor tenant in March 2019, embarked on a strategic anchor-to-specialty reconfiguration exercise to broaden the retail offer and introduce a diverse mix of prominent local and international brands. The reconfiguration exercise spanning a space of approximately 120,000 sq. ft. of NLA has been exclusively fitted out with approximately 80 specialty stores including fashion, food and beverage and cosmetics. The first phase of the reconfigured space saw its opening on 24 January 2020 with the second phase expected to open in mid-2020.

The luxury men's precinct was successfully launched in April 2019, following the entry of the final two major brands during the year to fully complete the men's precinct. This men's precinct is touted to be the first of its kind in a shopping mall in the country and has seen increased foot traffic and double-digit sales growth in its tenant sales compared to the prior year since the launch. During the

year, the retail podium of Menara 3 PETRONAS also saw renewed vibrancy with 16,000 sq. ft. over two floors being taken up by an ultra-luxurious gym with state-of-the-art equipment, making it one of Malaysia's iconic wellness club.

Living up to its tagline of "Always Something New", Suria KLCC has continued to differentiate itself providing its customers quality and convenience alongside a diverse blend of experiences with 33 new tenants during the year. To-date the mall has a total of nine first-to-market stores in Malaysia, exclusive to Suria KLCC. Despite the cautious consumer sentiment during the year, Suria KLCC together with the retail podium of Menara 3 PETRONAS sustained and surpassed its Moving Annual Turnover – tenant sales, hitting the RM2.67 billion mark with customer footfall in excess of 48 million, retaining its position as the highest grossing sales per sq. ft. mall in the country.

With the full completion of the guestroom renovation in June 2018, Mandarin Oriental, Kuala Lumpur (MOKL Hotel) enthralled its guests with a refreshed product and together with the hotel's luxury spa, swimming pool and recreational facilities continued to receive a high satisfaction score of 92% from its guests. The robust growth in 'Fans of MO', MOKL Hotel's global guest recognition program, continued to boost



CEO'S YEAR IN REVIEW

the hotel's loyal guests following. In June 2019, the hotel completed the refurbishment of its Mandarin Grill restaurant. The newly renovated restaurant boasts a contemporary modern Italian grill concept, offering guests the best in dining experience.

Thus, by understanding our customers' needs, and the people and community who use our spaces every day, we can then be responsive to the trends that impact them by providing real estate services and solutions at each customer touchpoint. In doing so, we create a myriad of experiences to tantalise, engage and connect with our customers and community seamlessly. This enables our spaces to meet the evolving needs and aspirations and keep our customers coming back to the KLCC Precinct for more. As a forward-thinking organisation, we keep challenging ourselves to drive incremental value for the Group and our stakeholders and continue to evolve to stay relevant.



We understand that trends are ever changing. To see how we respond to them, refer to Operations Review in the Management Discussion and Analysis on pages 92 to 107

ALWAYS SOMETHING NEW

Suria KLCC has continued to differentiate itself providing its customers quality and convenience alongside a diverse blend of experiences with 33 new tenants during the year. To-date the mall has a total of nine first-to-market stores in Malaysia, exclusive to Suria KLCC.

33
New
Tenants

CEO'S YEAR IN REVIEW

CULTURE COMMITMENT SETS THE TONE FOR DESIRED VALUES AND TRANSFORMATION OF AN ORGANISATION. HOW HAS THE GROUP EMBEDDED CULTURE AND ASSESSED THE ORGANISATIONAL CULTURE IN RESPONSE TO THE CHANGING BUSINESS NEEDS AND MARKET ENVIRONMENT?

At KLCCP Stapled Group, we have a culture that values our people, offers mutual support, promotes trust, rewards employees' efforts, contributing to a unique social environment that gives meaning to employees' work. Our business culture transformation started way back in 2010 with the 1KLCC Agenda, which streamlined our objectives and aligned all business units through initiatives - inculcating the right mindset and behaviour, providing access to one common platform and institutionalising core business capabilities through structured capability development plans.

Making quality our pride, 5QPs, was another initiative in elevating the level of quality adoption within respective business units and divisions which ultimately heightened the quality spirit throughout the Group. This fortified KLCC's employees with the highest standard of quality practice and with the right quality mindset in propelling the Group in achieving its vision. We have also over the years, strengthened our HSE culture and capabilities through the strict adherence of our ZeTo Rules, achieving a "Proactive" culture in our aim towards a HSSE "Generative" culture.

In our focus to sustain competitive edge and elevate performance to the next level, the Group rolled out a cultural development programme for management and all employees in 2016, adopting the PETRONAS Cultural Beliefs (PCB) to instill a high performance culture in delivering results. We developed the KLCC Group desired culture and embraced the principles in inculcating a culture of accountability to drive result-oriented performance through focused execution, aimed at encouraging synergistic collaboration and shared success within the KLCC Group.



**AT KLCCP
STAPLED GROUP, WE
HAVE A CULTURE THAT
VALUES OUR PEOPLE,
OFFERS MUTUAL SUPPORT,
PROMOTES TRUST,
REWARDS EMPLOYEES'
EFFORTS, CONTRIBUTING
TO A UNIQUE SOCIAL
ENVIRONMENT THAT
GIVES MEANING TO
EMPLOYEES'
WORK**

We measure the progress on culture clarity and alignment across the KLCC Group via the PETRONAS Organisational Culture Survey which was rolled out to the KLCC Group in 2011. This survey is conducted every 2 years and is measured in respect to mission, consistency, involvement and adaptability. The Employee Engagement score has seen a huge improvement, from 70% in 2014 to 85% in 2018 reflecting employees' adoption and alignment to our Cultural Beliefs.

CEO'S YEAR IN REVIEW



This year, the Strategy team revamped our organisational survey, adopting the PETRONAS survey methodology (using a 4-point Likert scale) and also made improvements on the survey questions and simplified the layout after taking into consideration employee feedback from the roadshows conducted. This led to a high survey participation of 85% with a 62% satisfaction score.

In assessing the PCB values in our leaders, the Peer Review Survey demonstrated that our leaders walk the talk with a satisfaction score of 70%.

To-date, through the building blocks we have put in place, we are proud to have a culture that embodies high performance, integrity, HSE, innovation, rewards and recognition. It is this that shapes our people towards achieving performance excellence. Our people are the heart of our business, and we continue to invest in them, broadening and developing their skills and capabilities with the right skillsets to future-proof our talents in facing the ever-changing global landscape. We aim to always provide an ecosystem where personal growth and professional development thrives.

HOW HAS KLCCP STAPLED GROUP CREATED VALUE THROUGH ITS SUSTAINABILITY INITIATIVES?

I believe that to create, capture and deliver value, we need to be future ready and be part of a sustainable society. Year-on-year, we have built upon our strength to demonstrate growth and how our responsible approach to business creates a powerful business model for the long-term. This year, with our journey towards Integrated Reporting, we reviewed our business model, re-identified our key resources and through our clear operational activities and business practices, we have delivered value across our business - through nation building, spurring social development, enhancing customer experiences, providing building-to building connectivity, being the catalyst for surrounding development and providing the balance between commercial, public space and greenery through sustainable development.

We are also proud that our sustainability efforts have been clearly recognised by the industry, with the numerous awards and recognition received during the year including, improving our ranking to within the top 11 percentile among our supersector peers in the FTSE4Good Index series.

With the conclusion of our 3-Year (2016-2018) Sustainability Roadmap, during the year, we established a 5-Year (2019-2023) Sustainability Roadmap going forward covering three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; Combating Climate Change and Reducing Environmental Impact. Aligned to our 5 chosen UNSDGs, we aim to monitor our progress year-on-year across the organisation against the targets we have set.



We are always endeavouring to do more, delivering value beyond numbers. To know more on our initiatives, refer to Sustainability Statement on pages 114 to 149

COULD YOU SHARE WITH US THE GROUP'S DIGITALISATION JOURNEY THUS FAR AND THE SIGNIFICANT INITIATIVES EMBARKED UPON?

Digital transformation is forcing companies to change their business models to adapt to the new market reality. However, in actual fact, it is not the companies that are driving this change but it is being driven by the customers. Today, customers expect relevant content in relation to what they are doing anytime, anywhere and in the format and on the device of their choosing. It is their journey that is dictating our strategies.

CEO'S YEAR IN REVIEW

This year, we set up a new department – Digital Strategy & Collaboration to spearhead the digital transformation within the KLCC Group. With a four-year Digital Transformation Roadmap in place, we aim to be a digitally competent organisation by 2023. To us, the digital transformation embodies the integration of digital technology into all areas of a business, fundamentally changing how we operate and deliver value to our users and customers. It is actually a cultural change that requires us to continually challenge the status quo, experiment, and get comfortable with a new way of working.

Safety and security of our customers and community within the KLCC Precinct is of utmost importance to us and as such, this year, we invested in a smart security and surveillance system – CCTV, Automatic Number Plate Recognition and Network Video Recording with video analytics, alarm handling systems and virtual fencing. This enables an enhanced security monitoring with live video surveillance that leverages on high data speeds, allowing real-time monitoring and high definition picture quality, transforming The Place into a more secure destination for our people.

In delighting our customers to improve the efficiency and comfort of the car parking experience at our North West Development, (NWD) car park, KLCC Parking Management Sdn Bhd, (KPM) our car parking company actively pursued cashless initiatives whilst keeping pace with the advancement in technology. KPM implemented the License Plate Recognition which leverages on AI solution, installed the first in Malaysia integrated payment reader at the entries and exits of our car parks as well as launched the ICONIK mobile app which enables cashless parking payments. To-date, 45% of our customers are utilising the cashless payment mode.

At our retail mall, we have been reinventing the store experience for the connected customers. Our largest double-sided rotating LED screen in the world, together with the media advertising screens and panels allow our retail malls to engage with the broader community and simultaneously evolve to stay relevant. These digital exertions which provide great opportunity for branding and a highly effective advertising tool has resulted in a new revenue stream for Suria KLCC increasing their casual mall revenues from retailers' advertising by double-digit growth.

By expanding and enhancing the digital infrastructure and producing a seamless digital experience, we aim to keep our customers and community always connected, to deliver an unmatched customer experience.

IN AN ENVIRONMENT OF UNCERTAINTY AND DISRUPTIONS, WHAT IS KLCCP STAPLED GROUP DOING TO STAY ON TRACK OF ITS GROWTH TRAJECTORY? WHAT CAN INVESTORS EXPECT IN THE NEXT THREE TO FIVE YEARS?

The uncertainties surrounding the global and domestic economy will continue to pose challenges. We will continue to be responsive to mitigate disruptions in the market such as the Coronavirus (COVID-19) outbreak and normalise the situation, leveraging on our core competencies in key market segments, technology and taking advantage of opportunities. We will focus on creating value from KLCC as a destination brand and enhance the progressive lifestyle experience within the KLCC Precinct for our customers and community – personalising tenant experience that engage the "Connected Tenant" in our office properties; delivering

bespoke and engaging retail experiences that meet lifestyle needs of our customers; intensifying digital marketing in our hotel to broaden network and capture market share; elevating quality and convenience of our car parking services and operational efficiency of our assets.

BY EXPANDING AND ENHANCING THE DIGITAL INFRASTRUCTURE AND PRODUCING A SEAMLESS DIGITAL EXPERIENCE, WE AIM TO KEEP OUR CUSTOMERS AND COMMUNITY ALWAYS CONNECTED, TO DELIVER AN UNMATCHED CUSTOMER EXPERIENCE

With our aim of creating a KLCC Smart Precinct, we are working towards inculcating a digital-first mindset where our leaders will be equipped to maintain a forward focus and inspire ongoing innovation and improvement within the Group as it transitions into a digital future. Building upon our initiatives in 2019, we intend to focus on creating a delightful customer experience at our KLCC Smart Precinct by using the full potential of technology advancement as an enabler.

Our car parks will be transformed to fully cashless and with total digital surveillance, ensuring our customers feel secure through their handheld devices. Our facilities management will leverage on Industrial Revolution 4.0 technologies, namely Internet of Things (IoT), Cloud and Big Data and evolve to take the lead in real-time solutions for sustainable energy and facility management, needed for critical building and utility operations. The advanced analytics will provide insights on the facilities' performance enabling



Your safety is our priority. To read more, refer to Operations Review in the Management Discussion and Analysis on pages 106 to 107

CEO'S YEAR IN REVIEW



Datuk Hashim Wahir was awarded Property CEO of the Year at the Malaysia Property Award 2019 by FIABCI Malaysian Chapter

**WE WILL FOCUS ON
CREATING VALUE
FROM KLCC AS A
DESTINATION BRAND
AND ENHANCING
THE PROGRESSIVE
LIFESTYLE
EXPERIENCE WITHIN
THE KLCC PRECINCT
FOR OUR CUSTOMERS
AND COMMUNITY**

us to better manage energy consumption, reduce operating costs and make smarter intuitive decisions.

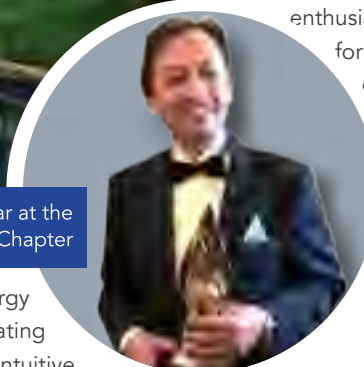
I am confident that KLCCP Stapled Group with its future potential will continue to deliver on its strategies and build on its capabilities to provide incremental value to the holders of Stapled Securities and make a real difference to the people in the community in which it operates.

IN APPRECIATION

I would like to express my appreciation to Dato' Halipah Esa and Datuk Ishak Imam Abas, who retired from both the KLCCP and KLCCRM Boards with effect from 3 April 2019 and 1 January 2020 respectively. They have been our long serving Board members and have contributed immensely to the stewardship of the Group. On behalf of the Management Leadership Team, we wish Dato' Halipah and Datuk Ishak the very best in their future endeavours.

I would like to express my deepest gratitude to the Boards for their ongoing guidance and invaluable contribution in steering the organisation to exceed excellence. My sincere appreciation to the holders of Stapled Securities for your continued trust and investment in KLCCP Stapled Group. We look forward to many more years of your valued support in us.

The success and achievements of the Group would not have been possible without our most treasured employees. Your hardwork, enthusiasm and passion in striving for greater heights keeps the organisation moving towards operational excellence, stretching its targets and delivering value to the stakeholders. My utmost appreciation to the whole KLCC team.



DATUK HASHIM BIN WAHIR
Chief Executive Officer



CAFÉ AURORA

THE PLACE TO WORK

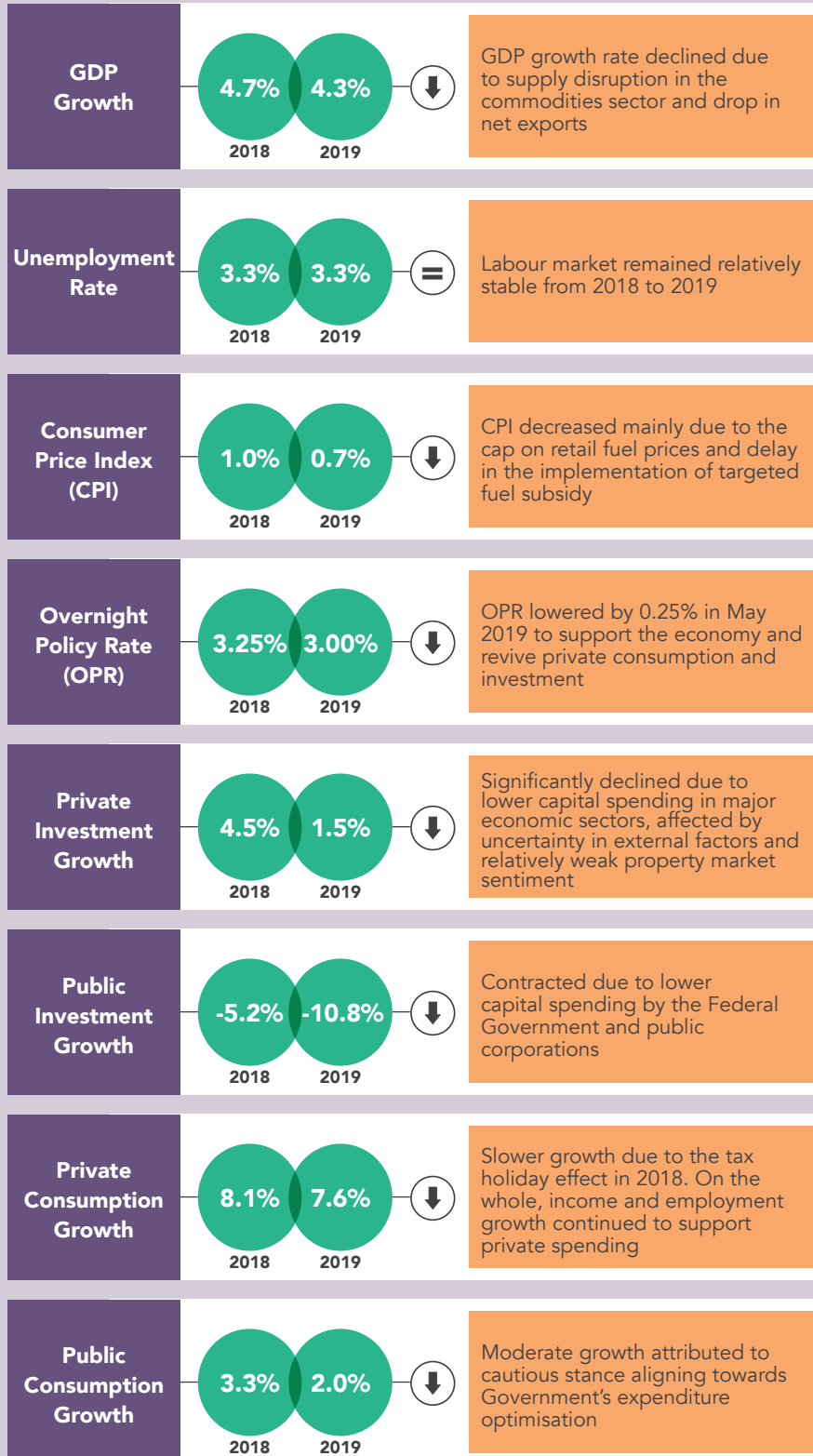
At KLCC, we create a workplace that connects and empowers every individual. We support tenants' needs and transform them into reality, thus the creation of "Workplace For Tomorrow", which promotes greater collaboration, interaction and enhances productivity

**THIS IS THE PLACE THAT INSPIRES
CREATIVITY AND PASSION**



MARKET REPORT

ECONOMIC OVERVIEW



(Source: Central Bank of Malaysia, Department of Statistics Malaysia & Ministry of Finance Malaysia)

EXECUTIVE SUMMARY



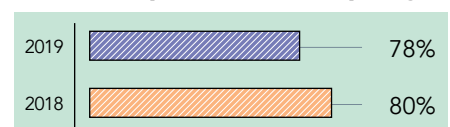
OFFICE MARKET OVERVIEW

Incoming supply of new office space continued to be a major concern in the market. The office sector will continue to be a tenant-led market which will see downward rental pressure and opportunistic tenant movements.



98.5 million sq. ft.
Total purpose-built office
supply in Kuala Lumpur

Kuala Lumpur Office Occupancy



(Source: Valuation and Property Services Department)

MARKET REPORT



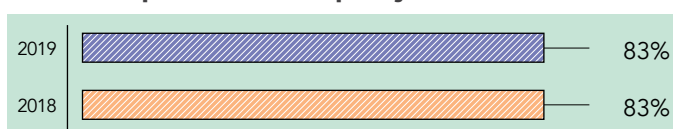
RETAIL MARKET OVERVIEW

Despite the ongoing concern of oversupply, overall occupancy rate held up above 80%. The high occupancy rates for prime retail malls compensated the lacklustre performance of other malls and retained their popularity amongst both local and international visitors.



33.7 million sq. ft.
Total retail space in Kuala Lumpur

Kuala Lumpur Retail Occupancy



(Source: Valuation and Property Services Department)

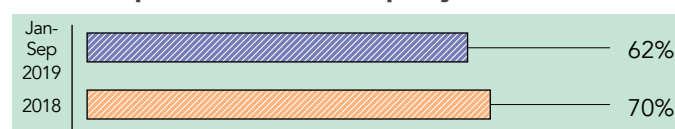
HOTEL MARKET OVERVIEW

Occupancy rate for 5-star hotels in Kuala Lumpur declined from 70% in 2018 to 62% in the first 9 months of 2019. This was attributed to the increase in room supply and continuing popularity of alternative accommodations like Airbnb and private homestays.



226 hotels
with 41,841 rooms in Kuala Lumpur

Kuala Lumpur 5-Star Hotel Occupancy



(Source: Malaysia Tourism Promotion Board)

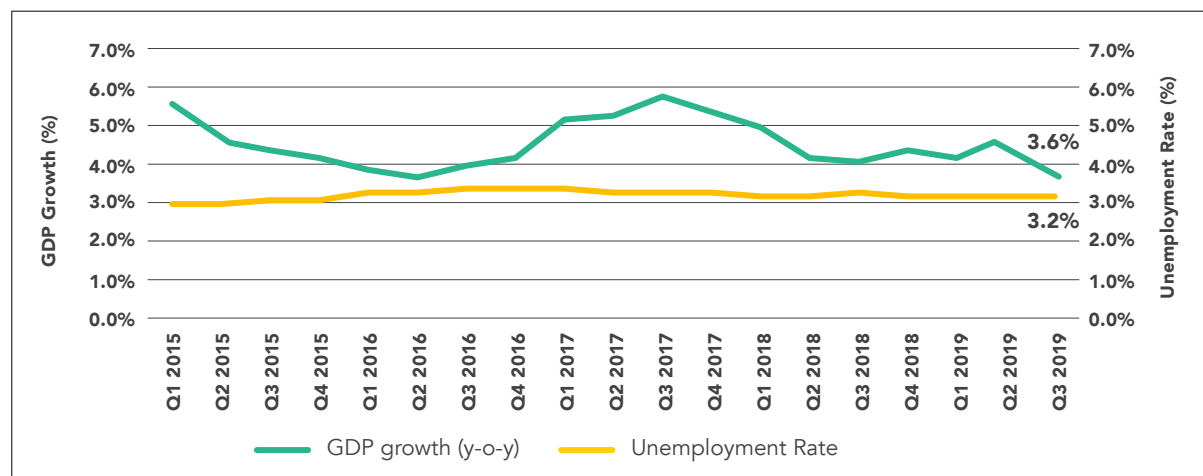
MARKET REPORT

ECONOMY

Malaysia's economic growth continued its modest momentum in line with the global economy which continued its moderate pace amidst geopolitical tensions, political uncertainty and the unresolved US-China trade war. Malaysia's GDP growth in 4Q 2019 slowed down to 3.6%, weighing down the overall growth for the year to 4.3% (Figure 1.1). Resilient private sector spending and sustained growth in services and manufacturing components underpinned the overall growth momentum in spite of the slow down seen in the last quarter that was due to supply disruption in the commodities sector and contraction in public investment activity.

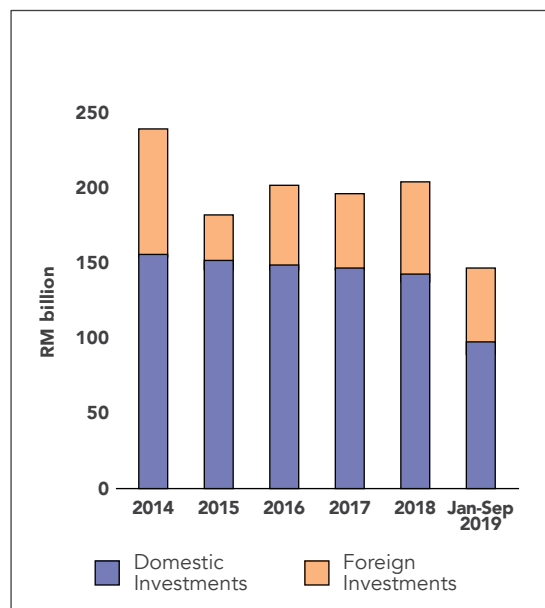
The labour market has remained relatively stable since 2018 with an unemployment rate of 3.3%. The employment market is expected to see an improvement in 2020 with the Government's effort of introducing Malaysians@Work or #MalaysiaKerja initiative which is aimed at creating more job opportunities for youths and women. The stable labour market is supportive of the general consumers' spending behaviour despite showing signs of increased cautiousness among consumers.

FIGURE 1.1
GDP GROWTH AND UNEMPLOYMENT RATE



(Source: Central Bank of Malaysia, Department of Statistics Malaysia)

FIGURE 1.2
APPROVED INVESTMENTS



(Source: Central Bank of Malaysia, Department of Statistics Malaysia)

Between January and September 2019, Malaysia recorded a total of RM149 billion approved investments in services, manufacturing and primary sectors (Figure 1.2). This translates to an increase of 4.4% compared to the corresponding period last year, out of which 56% or RM82.7 billion were from domestic sources and the remaining 44% or RM66.3 billion were foreign direct investments (FDI).

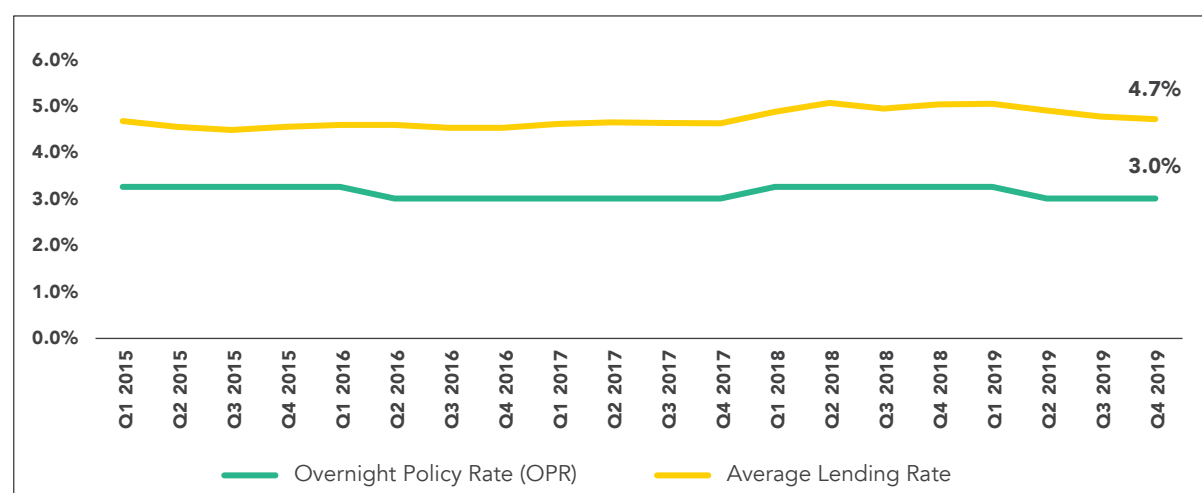
Acknowledging Malaysia's attractiveness on the global investors' radar, the World Economic Forum ranked Malaysia as the 27th most competitive economy in the world in its "Global Competitiveness Report 2019", placing Malaysia 2nd after Singapore amongst ASEAN countries. The World Bank has also ranked Malaysia 12th in its "Ease of Doing Business Ranking 2020 Report", showing an improvement from 15th place in the previous year.

Malaysia's headline inflation rate, as measured by the annual percentage change in Consumer Price Index (CPI), had increased by a marginal 0.7% in 2019 compared to 1.0% in 2018. This was mainly driven by the cap on retail fuel prices which moderated growth in general transportation costs, and the removal of consumption tax. Looking forward, the headline inflation rate is expected to increase in the range of 1.5% to 2.0%, lifted by weakening base factors, the implementation of the country's departure levy which started in September 2019 and the introduction of the country's targeted fuel subsidies.

MARKET REPORT

The Overnight Policy Rate (OPR) was lowered by 25 basis points to 3.00% in May 2019 by Central Bank of Malaysia with the aim of preserving the degree of monetary accommodativeness (Figure 1.3). This is to stimulate investment, private consumption and support the economy amid continued headwinds from global risks. In January 2020, Central Bank of Malaysia announced a further rate cut of 25 basis points as a pre-emptive measure to secure the nation's improving economic growth trajectory amid price stability.

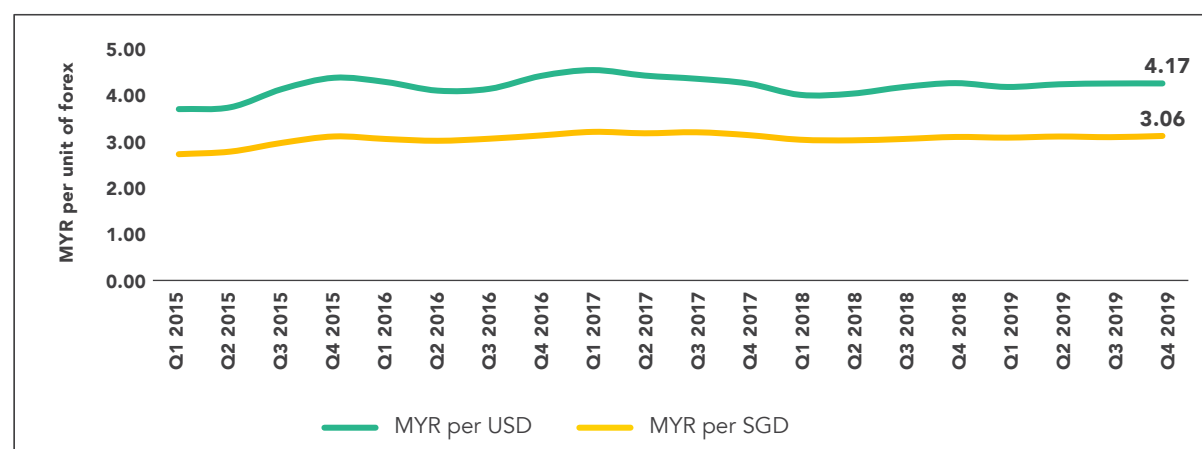
FIGURE 1.3
OVERNIGHT POLICY RATE (OPR)



(Source: Central Bank of Malaysia)

The Ringgit appreciated in Q1 2019 but weakened in the last two quarters against the US Dollar. This trend was in line with most of the regional currencies attributed by geopolitical instability, trade war tension, policy as well as political uncertainties and volatility in commodities' prices. Analysts are expecting the Ringgit to strengthen in 2020 between RM4.00 to RM4.10 against the greenback, but may be adversely affected by the recent Coronavirus (COVID-19) outbreak. The outbreak could potentially dampen Malaysia's growth trajectory by 0.1% to 0.3% though it could be alleviated with the Government's consideration to inject special economic stimulus packages.

FIGURE 1.4
EXCHANGE RATE



(Source: Central Bank of Malaysia)

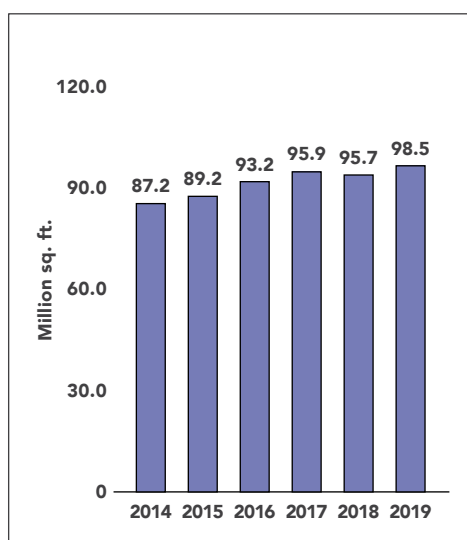
MARKET REPORT

OFFICE

The office market in Kuala Lumpur continued to be challenging with looming spaces and lacklustre leasing activities during the year. As at 2019, office space supply was at 98.5 million sq. ft. (Figure 2.1), out of which 76.5 million sq. ft. are located within the city centre. The occupancy rate stood at 78.4% recording a slight drop from 2018 (Figure 2.2). Notwithstanding the drop in occupancy rate, a better absorption rate of office space was observed in 2019 at 5.5% compared to a contraction of 2.2% in 2018.

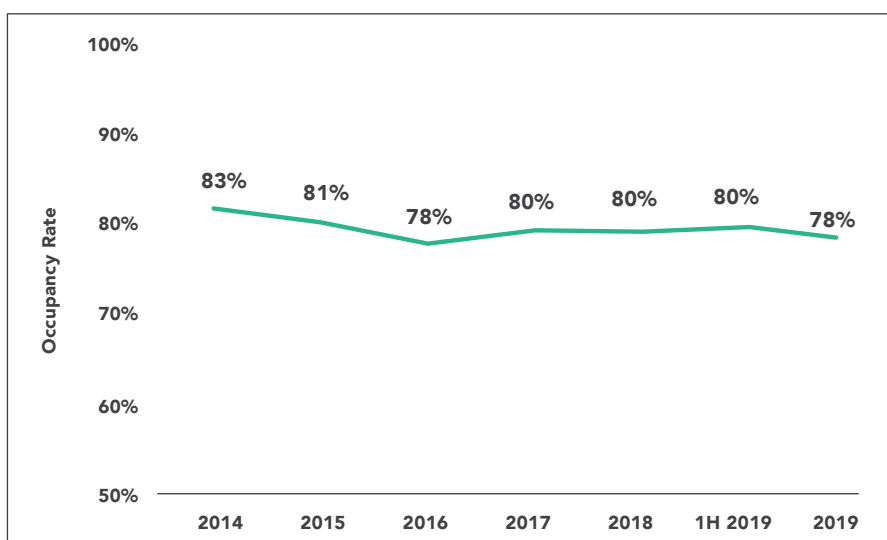
To date, there is a total of 21.3 million sq. ft. of vacant spaces in the market with another 8.6 million sq. ft. in the pipeline for completion over the next 3 years (Table 2.6). With this huge incoming supply, office sector occupancy is expected to remain under pressure.

FIGURE 2.1
OFFICE SUPPLY IN KUALA LUMPUR



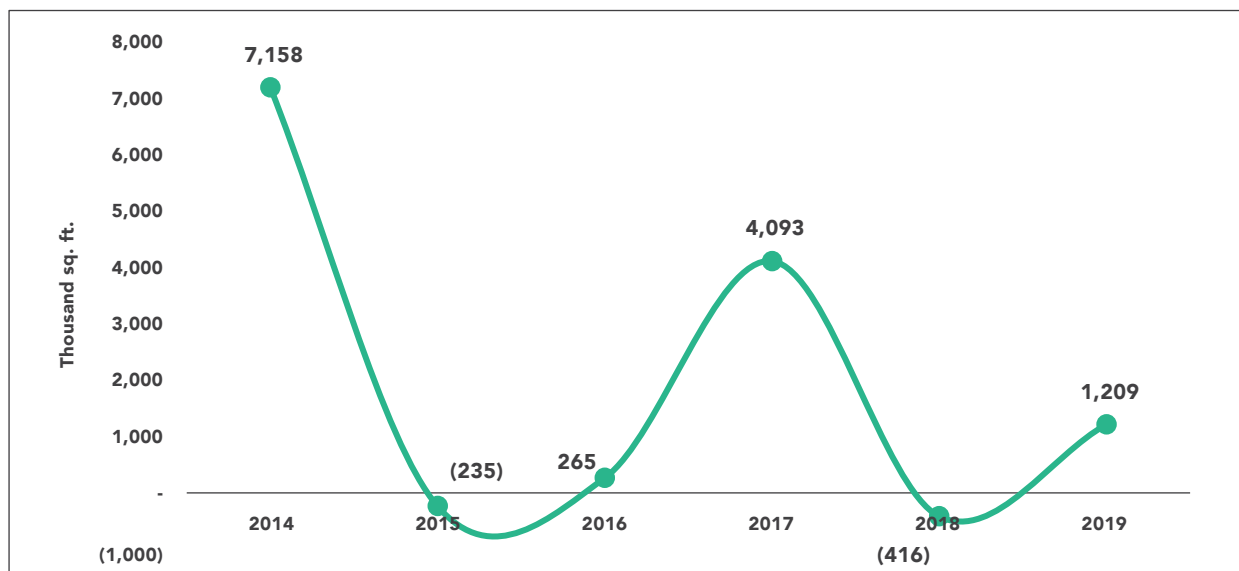
(Source: Valuation and Property Services Department)

FIGURE 2.2
OFFICE OCCUPANCY RATE IN KUALA LUMPUR



(Source: Valuation and Property Services Department)

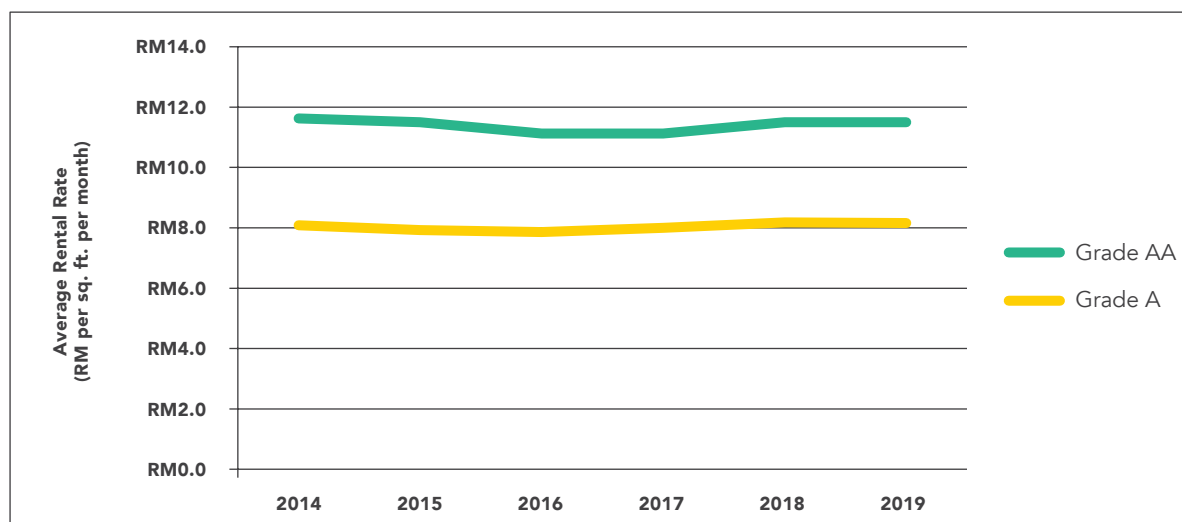
FIGURE 2.3
NET ABSORPTION OF OFFICE SPACE IN KUALA LUMPUR



(Source: Valuation and Property Services Department)

MARKET REPORT

FIGURE 2.4
AVERAGE RENTAL RATE FOR OFFICE SPACE IN KUALA LUMPUR



(Source: Rahim & Co Research)

In terms of rental trends, rates for Grade A office buildings in Kuala Lumpur range between RM7.00 and RM8.80 per sq. ft. per month whereas Grade AA buildings command higher rentals of between RM11.00 and RM12.00 per sq. ft. per month (Figure 2.4). Most of these Grade AA office buildings are located around the KLCC area which are favoured by the oil and gas sector's tenants. Although at first glance rental rates may look stable, the effective rental rates will remain under pressure as more incentive packages and longer rent free periods are offered by landlords to tenants.

TABLE 2.6
SELECTED NEW OFFICE DEVELOPMENTS IN KUALA LUMPUR

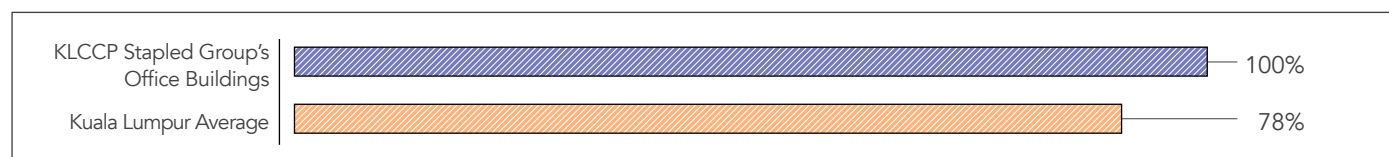
Development	Location	Expected Completion	Estimated Net Lettable Area (sq. ft.)
HSBC Malaysia @ TRX	Tun Razak Exchange	2020	3,155,000
Affin Bank HQ @ TRX	Tun Razak Exchange		
Lot 91 KLCC	KLCC area		
The Stride @ BBCC	Bukit Bintang		
TCM Tower	Jalan Tun Razak		
Merdeka 118 Tower	Jalan Hang Jebat	2021	4,210,000
UOB Tower 2	Jalan Raja Laut		
The Met Corporate Towers	Mont Kiara		
Pavilion Damansara Heights	Bukit Damansara		
PNB 1194	Jalan Sultan Ismail		
Aspire Tower KL Ecocity	Jalan Bangsar	2022	1,200,000
Pavilion Embassy	Jalan Ampang		
Bangsar 61	Jalan Bangsar	2023 onwards	2,925,000
CitiTower	KLCC area		
Oxley Tower	Jalan Ampang		

(Source: Rahim & Co Research)

MARKET REPORT

FIGURE 2.5

OFFICE OCCUPANCY RATES: KUALA LUMPUR AVERAGE VS KLCCP STAPLED GROUP'S OFFICE BUILDINGS (2019)



(Source: Valuation and Property Services Department, Rahim & Co Research)

Nevertheless, the office market did see some activities in 2019. Tun Razak Exchange (TRX) saw two of its office buildings completed, the Exchange 106 and Menara Prudential, contributing a total of 3.0 million sq. ft.. Menara Prudential is 80% occupied, while Exchange 106 is expecting its tenants to move in within the first quarter of 2020 to take up 20% of its space with a further expectation to increase the number to 50% by the end of the year.

Two significant office building transactions were also noted: Wisma MPL on Jalan Raja Chulan, purchased by Asia New Venture Capital Holdings Sdn Bhd at RM189 million, and Wisma KFC on Jalan Sultan Ismail, purchased by Singapore-based property developer and manager, Royal Group, for RM130 million. Other office buildings that had been put up for sale include Menara Weld by Great Eastern Life Assurance (M) Bhd and Menara MIDF by Permodalan Nasional Bhd (PNB). The KL33 office building will also be on the market for sale after the completion of its substantial upgrading works.

The demand for co-working and technology savvy spaces remains high with new providers such as Space@Platinum Sentral by IWG, Singapore-based Found8@KL Sentral and Australia-based Wotso@Mercu Summer Suites entering the market. As part of their strategy to keep up with current times, Tower REIT had also transformed its Menara HLA into a co-working and co-living space. As the contemporary concept of co-working spaces becoming highly in demand, older office buildings are at a threat of losing out, which forces them to undertake asset enhancement initiatives to ensure

their survivability. Some building owners have also converted their out-dated office towers into hotels to maximise income and yields such as WOLO Hotel in Bukit Bintang (formerly Menara KLH), Holiday Inn Express (formerly Menara ING) and Sky Express Hotel (formerly Magnum Plaza).

Looking ahead, Kuala Lumpur's office market will remain under pressure as the gap between supply and demand persists especially with the impending supply of new office spaces expected to enter the market. The market is seen to be in favour of tenants who have the advantage of choosing from an array of newer and better equipped offices with good connectivity at competitive rental rates. Notwithstanding such situation, strategic city centre locations with prestigious addresses remain a strong attraction to major tenants and multinational corporations (MNCs).

Notwithstanding the difficult market condition, KLCCP Stapled Group's office portfolio remains on a very strong footing, given the full occupancy and long-term leases with their high-quality tenants. The Triple Net Lease agreement for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi shield them from the soft market conditions, with minimal impact to earnings.



To read more on KLCCP Stapled Group's office segment, refer to Operations Review on pages 92 to 95

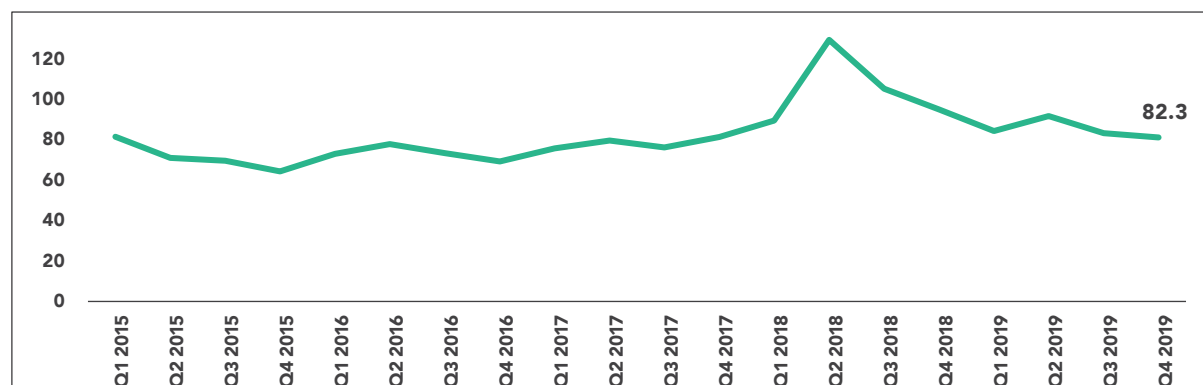
RETAIL

With the uncertain economic situation and growth of salaries lagging behind rising cost of living, the Consumer Sentiment Index (CSI) declined to 82.3 points in 4Q 2019, remaining below the 100-point threshold (Figure 3.1). The index is at its lowest point since 2Q 2017 and with the declining trend, Malaysian consumers are expected to remain prudent in their spending. Retail Group Malaysia (RGM) revised its sales growth projection for the third time in 2019 from an initial 4.4% to 3.7% pursuant to a lower-than-expected performance for 2019 (Figure 3.2).

Nevertheless, RGM forecasted an improved growth of 4.6% for 2020 representing RM112.4 billion in sales value. The forecast, made in December 2019 before the Coronavirus (COVID-19) outbreak early this year, was in light of the projected tourist arrivals in conjunction with Visit Malaysia Year 2020 (VM2020) campaign and the Government's initiative to encourage the use of e-wallet as announced in Budget 2020. However, with the virus outbreak causing a drop of Chinese tourists which is Malaysia's third largest source of international visitors, the projected growth in spending is expected to be more modest.

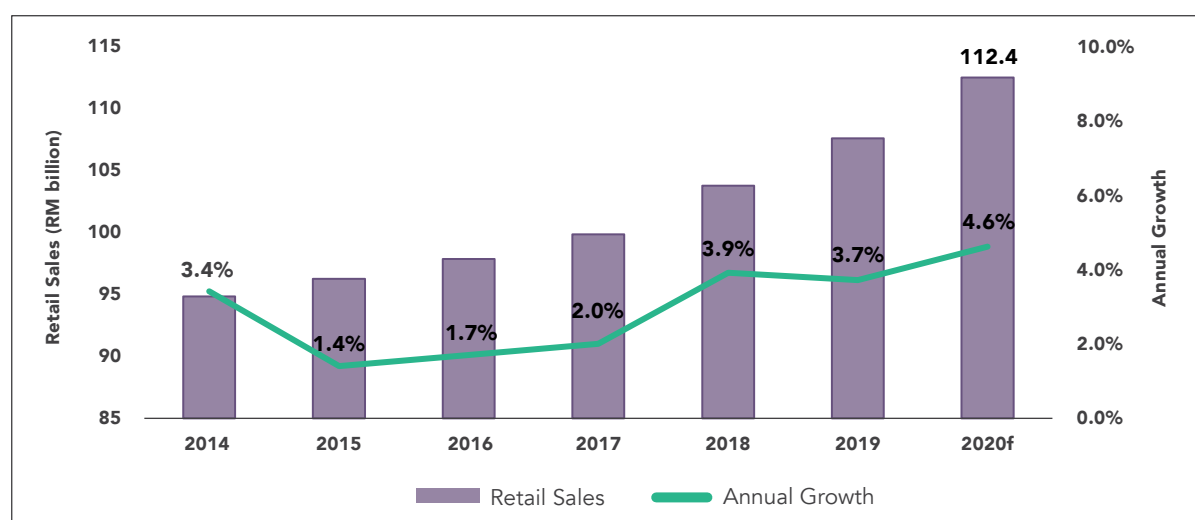
MARKET REPORT

FIGURE 3.1
CONSUMER SENTIMENT INDEX



(Source: Malaysian Institute of Economic Research)

FIGURE 3.2
MALAYSIA ANNUAL RETAIL SALES

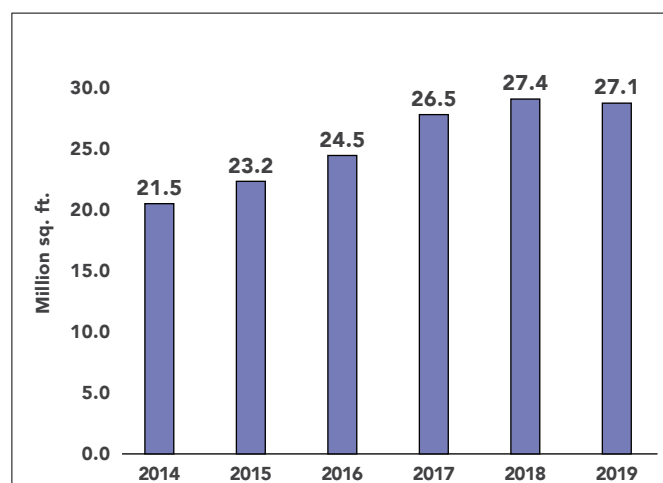


(Source: Retail Group Malaysia)

There are currently a total of 69 retail malls in Kuala Lumpur offering a total of 27.1 million sq. ft. retail space (Figure 3.3). This accounts for 80% of the total 33.7 million sq. ft. overall retail supply in Kuala Lumpur. Despite an increase of 200,000 sq. ft. from the previous year, the overall occupancy rate improved marginally to 83.3% in 2019 (Figure 3.4). Prime malls have maintained its high occupancy, while others have shown lacklustre performance in facing the growing competition. Over the next 3 years, there will be an additional 8.8 million sq. ft. retail space, namely Lalaport Mall@BBCC, Pavilion Bukit Jalil, Lifestyle Quarter Mall @ TRX and Pavilion Damansara Heights (Table 3.6).

Rental rates for prime retail malls remain stable in 2019 in contrast to the performance of other malls. The average monthly gross rentals for prime city centre malls hovered between RM29.00 to RM35.00 per sq. ft., whereas outside the city centre, rates range between RM13.00 and RM23.00 per sq. ft.. Looking forward, rents for prime malls are expected to hold due to sustained catchment in primary locations and continuous improvement initiatives to maintain market appeal.

FIGURE 3.3
RETAIL MALL SUPPLY IN KUALA LUMPUR



(Source: Valuation and Property Services Department)

MARKET REPORT

With tougher competitions ahead coupled with the evolving consumers' shopping behaviour, several existing malls went through refurbishment and expansion works to stay relevant in the market. The 42-year old Sungei Wang Plaza had opened to public its new annex block, JUMPA@Sungei Wang, in September 2019, whereas the iconic Starhill Gallery is currently being transformed into a new look called "The Starhill – Home of the Tastemakers" where completion is scheduled to be in 2021. New retail players are also strategically sourced in to enhance customers' traction. The Japanese retail company, Seibu Departmental Store, was announced as the tenant of The Exchange TRX retail component and is scheduled to open in the second half of 2021. In keeping up with their high-end brand reputation, Pavilion Kuala Lumpur saw the debut of several new luxury brand stores in their mall including the legendary shoe brand Christian Louboutin, the luxury watchmaker Officine Panerai and within Parkson Pavilion, MSGM, an Italian high-end street wear fashion brand.

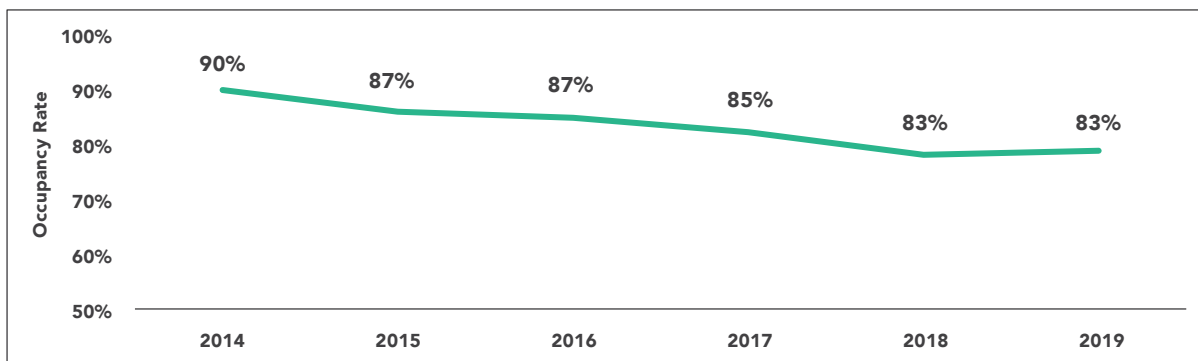
Alongside the high competition, rapid growth of e-commerce and online shopping trends in the past years had pushed retail malls to be innovative through the introduction of attractive promotional programmes and new concepts to remain resilient and relevant. Co-working services too have made their presence in shopping malls, creating an environment that fuses work and play together, i.e Co-Labs at the Starling Mall, Common Ground at Citta Mall and WORQ at KL Gateway Mall.

Suria KLCC Mall will remain resilient with the strong catchment fundamentals and location within the KLCC precinct in creating the definitive lifestyle experience for our shoppers, setting the pace and leading the retail industry in the country. Suria KLCC have reinvented the store experience for the connected customers by bringing in first-to-market brands and continuously embrace digitalisation to engage with broader community and simultaneously evolve to stay relevant.



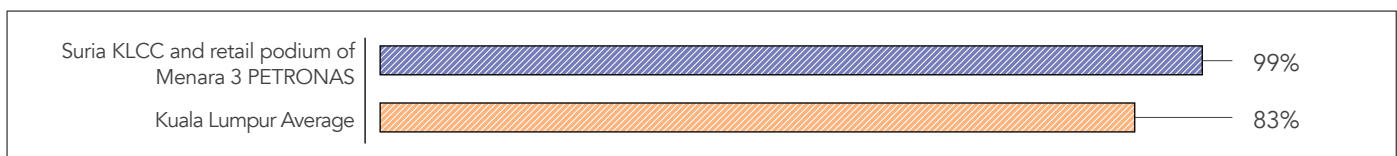
To read more on KLCCP Stapled Group's retail segment, refer to Operations Review on pages 96 to 99

FIGURE 3.4
RETAIL OCCUPANCY RATE IN KUALA LUMPUR



(Source: Valuation and Property Services Department)

FIGURE 3.5
RETAIL OCCUPANCY RATES: KUALA LUMPUR AVERAGE VS SURIA KLCC AND RETAIL PODIUM OF MENARA 3 PETRONAS (2019)



(Source: Valuation and Property Services Department, Rahim & Co Research)

MARKET REPORT

TABLE 3.6
SELECTED NEW RETAIL MALLS IN KUALA LUMPUR

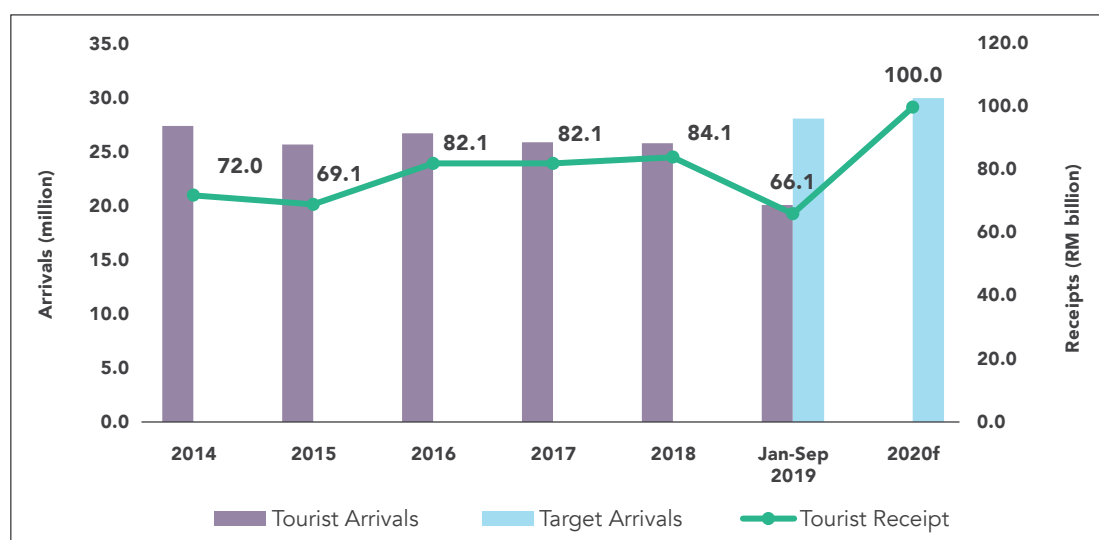
Development	Location	Expected Completion	Net Lettable Area (sq. ft.)
Datum Jelatek Mall	Keramat	2020	1,700,000
Fiesta Walk @ The Era Duta North	Segambut		
Lot 91 KLCC	KLCC area		
MET 1 (Lifestyle Mall)	KL Metropolis		
KL East Mall	Taman Melati		
Queensville Lifestyle Shopping Mall	Bandar Sri Permaisuri		
Retail Podium @ KL118	Jalan Hang Jebat	2021	6,100,000
SkyMall@M101 SkyWheel	Jalan Raja Muda Abd Aziz		
Lalaport Mall@BBCC	Bukit Bintang		
Bukit Bintang Plaza Redevelopment	Jalan Bukit Bintang		
8 Conlay	Kuala Lumpur City Centre		
Pavilion Bukit Jalil	Bukit Jalil		
Lifestyle Quarter Mall @ TRX	Tun Razak Exchange	2022	1,000,000
Pavilion Damansara Heights	Damansara Heights		
CitiTower	KLCC area		
Oxley Tower	Kuala Lumpur City Centre	2023 onwards	790,000

(Source: Rahim & Co Research)

HOTEL

Statistics by Tourism Malaysia revealed that in the first nine months of 2019, Malaysia had received more than 20 million tourist arrivals with total receipts of RM66.14 billion – a year-on-year increase of 3.7% and 6.9% respectively (Figure 4.1). Malaysia welcomed strong double-digit share of arrival from the top three markets, Singapore (39%), Indonesia (14%) and China (12%), accounting for 65% of total tourist arrivals.

FIGURE 4.1
TOURIST ARRIVALS, TARGET ARRIVALS AND RECEIPTS



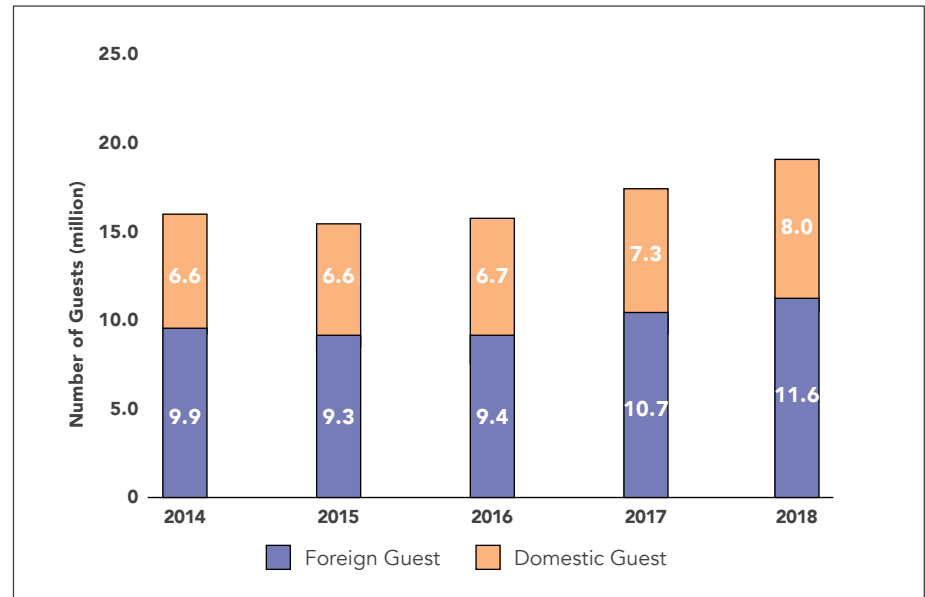
(Source: Malaysia Tourism Promotion Board)

MARKET REPORT

Foreign tourists account for 59% of the total 19.6 million hotel guests recorded in Kuala Lumpur for the year 2018, and is expected to remain as the key driver for hotel occupancy in the years to come (Figure 4.2).

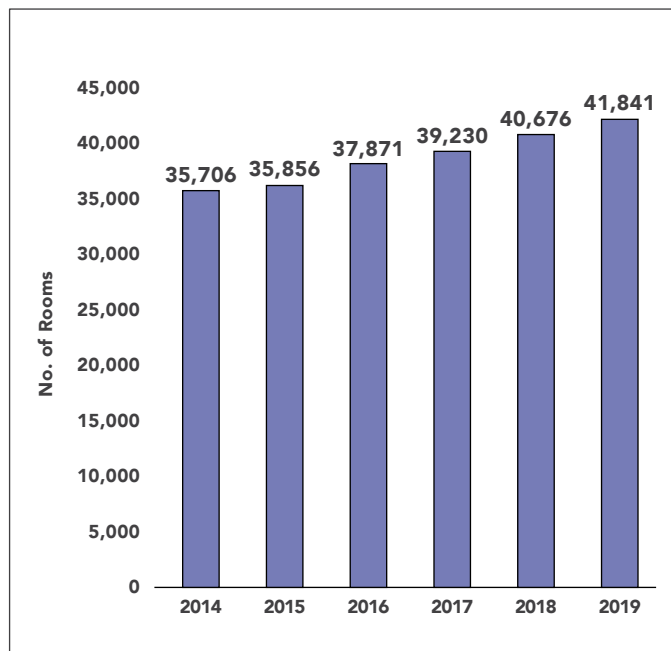
Though tourist arrivals showed an improvement in the first nine months of 2019, performance in occupancy rates for Kuala Lumpur's 5-star hotel sector declined from 70% to 62% (Figure 4.5). This is due to the increase in room supply and alternative accommodation options such as Airbnb and private homestays. As at 2019, 5-star rated hotels accounted for 12,972 rooms, a growth of 6.7% from 12,160 rooms in 2018 (Figure 4.4). This figure represents 31.0% of the total 41,841 hotel rooms in Kuala Lumpur (Figure 4.3).

FIGURE 4.2
HOTEL GUESTS IN KUALA LUMPUR



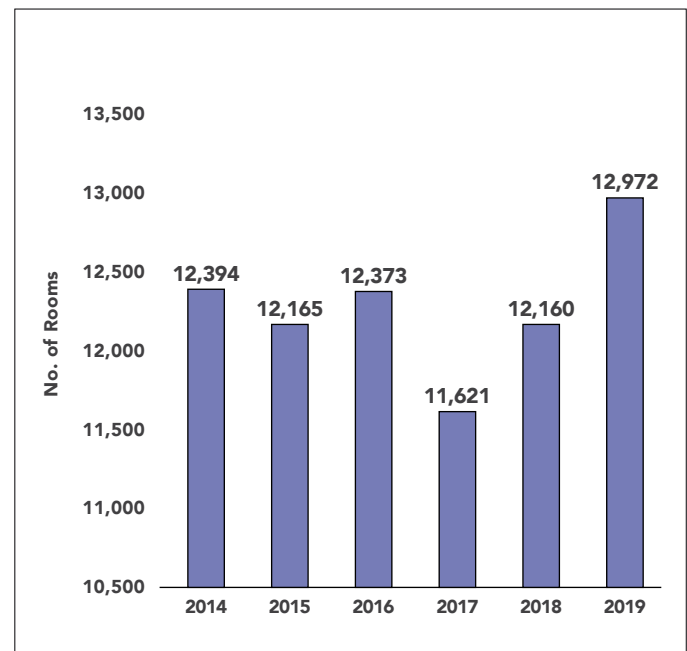
(Source: Malaysia Tourism Promotion Board)

FIGURE 4.3
TOTAL HOTEL ROOM SUPPLY IN KUALA LUMPUR



(Source: Valuation and Property Services Department)

FIGURE 4.4
5-STAR HOTEL ROOM SUPPLY IN KUALA LUMPUR

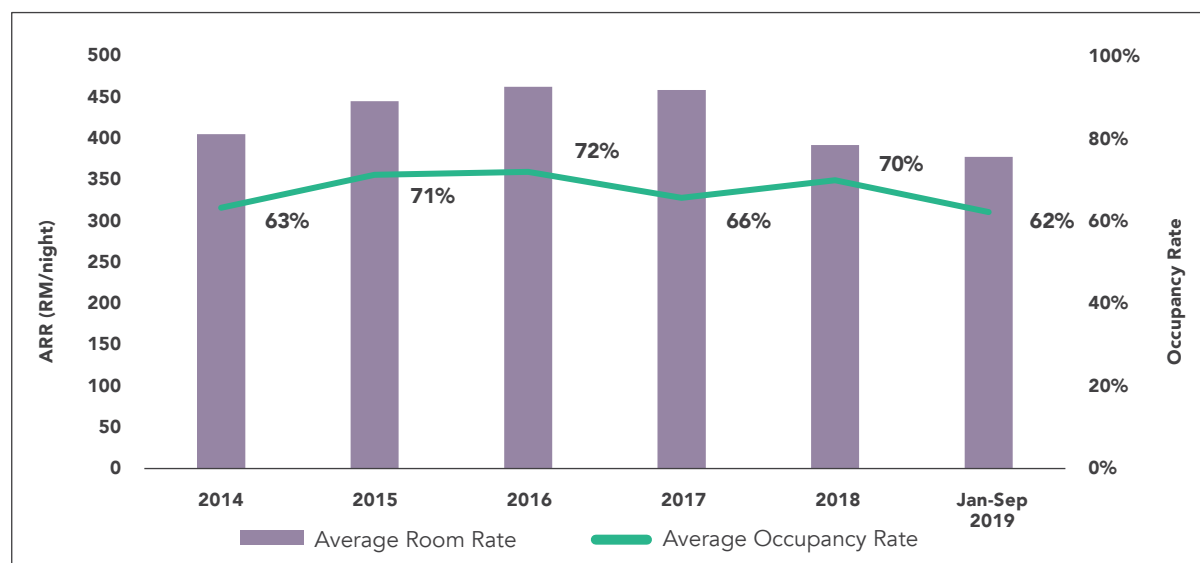


(Source: Valuation and Property Services Department)

MARKET
REPORT

The Average Room Rate (ARR) for 5-star hotels in Kuala Lumpur spreads a wide RM300 to RM900 per room per night where the much luxury hotel brands within the segment command higher rate between RM600 to RM900 per room per night. Across all 5-stars hotels in the city, the average room rate in 2019 declined to RM377 per room per night from RM391 the previous year (Figure 4.5) due to competition from alternative accommodation options amidst the increased hotel room supply.

FIGURE 4.5
AVERAGE ROOM RATE (ARR) AND OCCUPANCY RATE OF 5-STAR HOTELS IN KUALA LUMPUR



(Source: Malaysia Tourism Promotion Board, Rahim & Co Research)

In 2019, two notable hotels came into the market, namely EQ Kuala Lumpur and CitizenM. The latter is a business boutique hotel that opened in June 2019, whereas EQ Kuala Lumpur opened in Q4 2019, is a 52-storey building featuring 440 stylish contemporary rooms with rates starting from RM585 per room per night.

JW Marriott Kuala Lumpur, on the other hand, will be expanding by another 162 new rooms on the upper floors of proposed "The Starhill" complex in Bukit Bintang, as one of the components of Starhill Gallery's upgrading exercise. Facing Jalan Gading and Jalan Bukit Bintang, the 7-storey "The Starhill" complex is to be redesigned into four floors of retail space and three floors of hotel rooms and facilities. Offering new and stylish accommodations, the new additions are expected to be ready by 2021.

Besides the supply movement seen, several transactions were noted in 2019. Successful sales include the WOLO Hotel and Swiss-Garden Hotel, both in Bukit Bintang, sold at RM115 million and RM170 million respectively. Sheraton Imperial Kuala Lumpur together with the adjoining Faber Imperial Court offices are up for sale at an estimated RM450 to RM500 million, whereas The Royale Chulan Bukit Bintang Hotel is up for RM197 million with plans to be sold to Singapore-listed Hotel Royal Ltd.

Though still in progress, the upcoming Monopoly Mansion Hotel by M101 Holdings Sdn Bhd is scheduled to open its doors in 2020. Rated as a 5-star boutique hotel, the hotel will be housed within the M101 Bukit Bintang building on Jalan Baba, spanning across 14 floors. Other new incoming hotels within the city include

Fairmont Kuala Lumpur, Canopy by Hilton, So Sofitel Hotel and Jumeirah Hotel (Table 4.7).

Facing challenges from existing and upcoming supply, Mandarin Oriental, Kuala Lumpur will continue to focus on leveraging on its refurbished rooms, intensifying its digital marketing efforts to broaden network and personalising its guests, products and services to maintain competitiveness and grow market share.

In promoting Malaysia's tourism sector, Visit Malaysia Year 2020 (VM2020) campaign was launched by the Government with a target of 30 million international tourist arrivals and a total tourist receipt of RM100 billion. The Government had announced several incentives and tax breaks targeted at the arts and tourism sector, and as per Budget 2020, the Ministry of Tourism, Arts and Culture (MOTAC) will receive an allocation of RM1.1 billion for various programmes and marketing events. It was also announced that tourists from China and India will enjoy a visa-free entry in 2020 for up to 15 days which is a boon to the tourism sector. However, the recent Coronavirus (COVID-19) outbreak had caused some setback to the sector where significant hotel booking cancellations from Chinese tourists had been reported. Nevertheless, MOTAC maintains its VM2020 campaign targets and has stated their intention of restructuring the campaign to focus on new target countries.

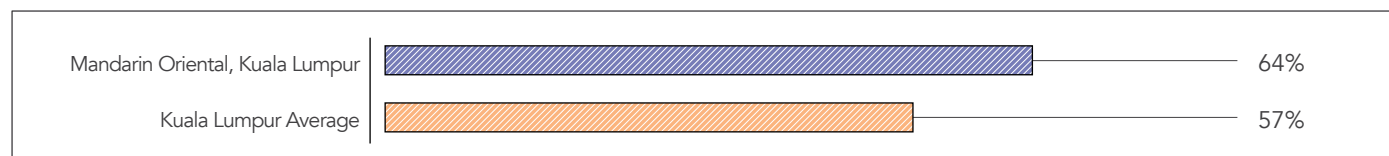


To read more on KLCCP Stapled Group's hotel segment, refer to Operations Review on pages 100 to 103

MARKET REPORT

FIGURE 4.6

HOTEL OCCUPANCY RATES: KUALA LUMPUR AVERAGE VS MANDARIN ORIENTAL, KUALA LUMPUR PERFORMANCE (2019)



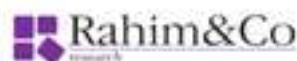
(Source: Tourism Malaysia, Rahim & Co Research)

TABLE 4.7

SELECTED NEW HOTELS IN KUALA LUMPUR

Development	Location	Star Rating	Completion	Estimated No. of Rooms
Monopoly Mansion by Sirocco, M101	Bukit Bintang	5	2020	225
The Amari	KL Eco City	5	2021	2,832
Fairmont Kuala Lumpur	Jalan Ampang	5		
Kempinski Hotel	Jalan Conlay	5		
Conrad Kuala Lumpur	Jalan Sultan Ismail	5		
Park Hyatt @ Merdeka 118 Tower	Jalan Hang Jebat	5		
Crowne Plaza Kuala Lumpur City Centre	Jalan Yap Kwan Seng	5		
Canopy by Hilton	Bukit Bintang	5		
Courtyard by Marriott	Jalan Klang Lama	4	2023 onwards	1,460
Mercure Kuala Lumpur Trion	Jalan Sungai Besi	4		
So Sofitel Hotel	Jalan Ampang	5		
Jumeirah Hotel	Jalan Ampang	5		
Hyatt Regency Hotel	KL Midtown	5		

(Source: Rahim & Co Research)



Disclaimer

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KEY TRENDS SHAPING OUR MARKET

Through our insights into our customers and the business we operate in, we identified five key trends that are expected to impact our business over the short, medium and long-term. This section outlines the key trends and how we are monitoring and responding to them.

Trend	Description	How We Are Monitoring And Responding To The Trend	Our Capitals That The Trends Relate To
Highly competitive commercial market	The mismatch between demand and supply which has led to a highly competitive market and potential dilution in market share for owners. This, in turn, has put pressure on occupancy rates and rental reversion growth Spurred by technology, there have been structural changes in the conventional ways of doing business – (flexible office space, co-working, online shopping, Airbnb)	We solidified our strategies and continued to focus on our existing assets and in future-proofing our position to become the Solutions Partner to all our stakeholders  To read more, refer to Market Report on pages 42 to 54 and Operations Review in Management Discussion and Analysis on pages 92 to 107	
Slowing economic growth momentum	Continued debate on interest rate expectations and ongoing concerns regarding the global trade war and the impact on emerging markets	Our deep understanding of our assets and customers underpin our sustainable growth which is reflected through our stable performance for the year We also enhanced our risk policy to equip the Group towards the next level of preparedness in facing the volatility, uncertainty and complexity of the industry  To read more, refer to CEO's Year In Review on page 32 and Understanding Our Principal Risks on pages 60 to 66	
Evolving customer behaviour	Customer needs, preferences and behaviour continue to evolve rapidly, with customers increasingly seeking more convenience and variety in the product and services offered	We constantly innovate our offerings to elevate the changing needs to create a progressive lifestyle experience for our customers across our business  To read more, refer to CEO's Year In Review on pages 33 to 35 and Operations Review in Management Discussion and Analysis on pages 92 to 107	  
The speed and effect of technological change	Integration of digital technology driving the pace of change, disrupting the traditional business model, underpinning the need to adapt to changing market dynamics Digital connectivity and social media are changing consumer behaviour, enabling more contemporary, digital-savvy consumers	We are enhancing our business model to adapt to the new market reality with the aim to be a digitally competent organisation by 2023  To read more, refer to CEO's Year In Review on page 32 and Operations Review in Management Discussion and Analysis on pages 92 to 107	  
Sustainability	Increasing awareness of ESG issues and understanding of the impact of ESG in corporate performance is driving companies to integrate sustainability data into decision making at all levels	Champion sustainability efforts premised on our strategies and initiatives to drive our sustainable goals economically, environmentally and socially, across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders  To read more, refer to Value Creating Business Model on pages 74 to 77 and Sustainability Statement on pages 144 to 149	    

OUR STRATEGY

Our strategy is to deliver sustainable long-term value to our holders of Stapled Securities and stakeholders across the economic, environment, social and governance spheres. With deep real estate experience, unique market understanding and insights and outstanding execution capabilities, we create synergy within our property portfolio, anticipate future tenant and customer needs to deliver financial and societal value to all stakeholders. We achieve this through our four strategic pillars.

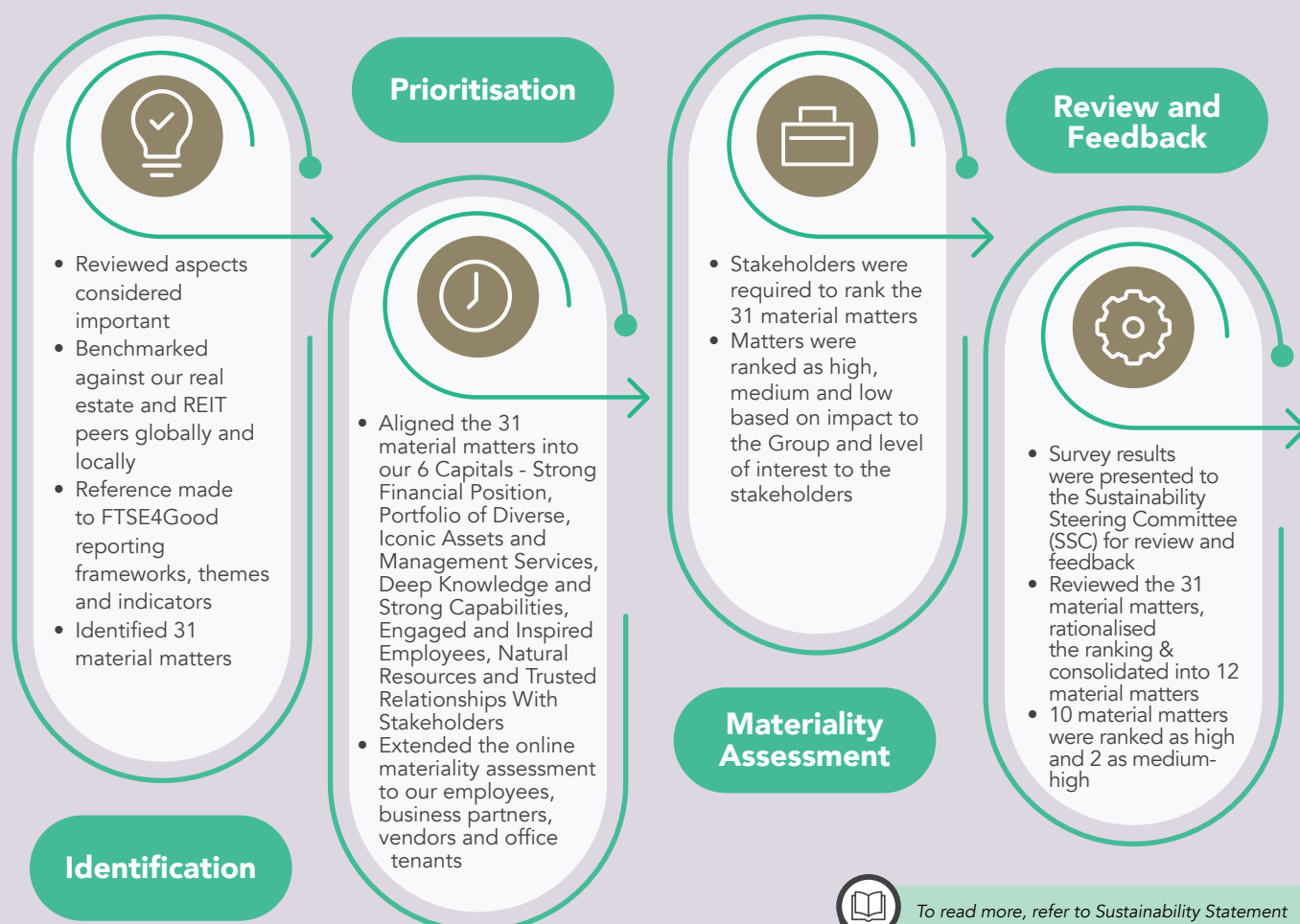
Our strategic pillars are underpinned by our four strategic priorities which drive financial and operational excellence, our provision of services as a reliable solutions partner to our stakeholders, partners and suppliers and vibrancy of our spaces – progressing lifestyle ensuring high levels of customer satisfaction.

In support of the strategic priorities, we conducted a materiality assessment to identify matters material to both stakeholders and the Group.

MATERIAL MATTERS 2019

In identifying the top material matters for KLCCP Stapled Group, we revisit our material matters annually, taking into consideration the emerging issues impacting our organisation, the external environment and sustainable matters being championed by the country. 2019 marked our second year of conducting an online materiality assessment where we incorporated additional material matters which were relevant to our business context. In 2018, the assessment was confined to our stakeholder group of employees. However in 2019, we extended our assessment to a larger group of stakeholders to include business partners, vendors and office tenants to gather a broader and inclusive stakeholder view.

In addressing the identified material matters, we evaluated our sustainability context, stakeholder issues and the associated risks and opportunities for KLCCP Stapled Group to streamline our actions to benefit all stakeholders concerned. We considered both internal and external factors affecting the industry in our review and assessed its impact on our business and stakeholders.



To read more, refer to Sustainability Statement on pages 114 to 149

OUR STRATEGY

IN ORDER TO MANAGE OUR MATERIAL ISSUES

- Technology is a driver of change that brings new opportunities to deliver enhanced products and services to elevate stakeholders' experience

- We reposition our assets to drive enduring demand for our spaces towards delivering financial and societal value
- We maintain an optimal capital structure to support business

- Implement digital infrastructure across our business operations to keep customers engaged and connected

- A responsible organisation who is committed to operate and grow in a socially responsible and sustainable development

- Awareness on regulatory risk and opportunities that climate change presents in our business

- Implement initiatives to reduce carbon emission, energy consumption, water use and waste generation

- Elevate women leadership within the Group, in line with the nation's aspiration

- Inculcate a culture that values our people, offers mutual support, promotes trust, rewards employees' efforts and provide a social environment that gives meaning to employees' work

- Align our Human Resource practices, policies and compensation benefits to keep pace with our competitors and be attractive to potential talents
- Foster continuous engagement and provide opportunities for women to take up leadership roles

- Upgrade data protection infrastructure to provide a secured network for data storage and transfer

- Build a strong HSE culture, improve processes & monitor compliance to HSE standards and procedures
- Implement and upgrade security systems and features to strengthen security surveillance within KLCC Precinct

- Reinforce our systems and procedures to detect, respond and mitigate potential cyber security disruption

- Differentiate the consumer offering with a focus on experience and convenience
- Innovate hotel's services and offerings to provide quality guest experience

- Transform office spaces at all our buildings to create collaborative workspace which cater to personalised needs, promote productivity and building efficiency
- Review & tighten procurement policies to ensure compliance
- Transparent & fair practices through supplier's code of conduct

- Curate collaborations with strategic brand partners to bring the differentiation in products and services
- Incorporate technological advancements in asset enhancement initiatives

- Pursue suppliers' accreditation for quality products at competitive prices

- Support various stakeholder engagement activities which include environmental sustainability, health and safety, social integration as well as reaching out to the underprivileged community

- Anticipate and be responsive to changes in regulations that may impact our business transparency and disclosures
- Benchmark against international best practices and implement responsible corporate conduct across the business segments

- Promote trust & integrity with the establishment of our Integrity Action Plan
- Developed an integrated robust risk management system for business resiliency focusing on Enterprise Risk Management, Crisis Management & Business Continuity Management

OUR STRATEGY

WE HAVE FOCUSED STRATEGIC PILLARS	THAT SET PRIORITIES	AND TAKES INTO CONSIDERATION OUR MATERIAL MATTERS	AND THE ASSOCIATED RISKS & OPPORTUNITIES	
• Maximising Value of Investments Optimise rental, occupancy rates and NLA of the property portfolio in pursuing high returns and yields • Resilience in Soft Market Conditions Ensure business agility and adaptability to new pace of change to sustain in challenging operating environment and future-proof the business • Creating Value Through Sustainability Incorporating non-financial factors into our investment decision making, by balancing the economic, environment and social needs of our stakeholders, contributing to the well-being of the community • Embracing Digital For Business Enhancement Integration of digital technology into areas of the business towards a connected and seamless experience	• Leverage industry-leading capabilities and relationships to drive growth and opportunities Our capabilities, reputation and relationships with customers, communities, employees and partners are critical to the successful execution of our strategy. We seek to attract, develop and retain the best talent in the Malaysian real estate sector and be a solutions partner to our supply chain • Customer-led provision of vibrant spaces which inspire We aspire to be the market leader in providing spaces for our customers and communities which create the best experiences for them. We use data and leverage innovative digital technologies to bring the “experiential” into the experience • Active management of capital and risks We optimise capital utilisation and institutionalise a risk management culture towards protection of our assets, reputation and sustainability of shareholder value • Pursue organic and inorganic growth Explore potential acquisition of properties that fit the investment strategy and criteria to enhance returns to holders of Stapled Securities and capitalise on opportunities for future income and NAV growth	ECONOMIC Financial Sustainability Economic, Social and Industry Growth • Committed in delivering stable and sustainable returns to holders of Stapled Securities • Delivering on our role in contributing towards industry and the nation's growth • With the rapid change in technological advances, digitalisation is key to future business success and keeping our assets relevant	RISKS	OPPORTUNITIES
		ENVIRONMENT Climate Change Environmental Management • We are concerned about our environmental footprint and committed to reduce environmental impact for our future generation	ENVIRONMENT • Rising energy costs with potential energy tariff increases-energy needed to deliver services to our tenants, guests, shoppers, primarily for our buildings • Negative impact to the environment and surrounding community resulting from our operations	• Unlocking value through optimisation of our portfolio of assets • Reshaping competitive edge by recognising our collective strength and leveraging on our core competencies to promote economic and industry growth
		SOCIAL Our People Human Rights and Labour Practices • Our people define the culture of the organisation and contribute towards business success • Respect the rights and dignity of every individual within our business operations Security, Safety and Health • Our people are our invaluable assets and caring for their well-being is paramount to our business operations • The Group's data is highly confidential and leakage of data could jeopardise the Group's integrity Customer and Tenant Management • Our customers inspire us to continue to create a progressive lifestyle experience Supply Chain Management • Crucial to have a supply chain of credible suppliers • Enable us to support diverse local suppliers • Procuring high quality products and services is our priority Corporate Social Investment • Portray us as a responsible and caring organisation • Giving back and creating a positive and lasting impact to the community	SOCIAL • Failure to retain employees • Employees not well-equipped with skillsets required with advancements in technology • Reputational damage if perceived to practice discrimination • Threats to employees' health & safety – work related illnesses, accidents & occupational hazards • Threats to safety of our guests, tenants, customers, assets with rising global security threats and being located on the iconic belt • Cyber disruption to data security • Failure to keep pace or stay ahead of the rapid transformation of customer expectations & digital revolution • Impedes market leader position from intensifying competition and disruption to business trends • Lead to potential conflict of interest, corruption & unethical practices • Quality & safety of our products & services at stake • Result in unfavorable image for the Group	• In support of country's pledge to cut carbon emission intensity, minimising pollution and environmental impact • In support of country's environmental agenda in eliminating single use plastic • Transform our workforce with the right mindset and culture – empowered, agile and enabled in the VUCA (volatility, uncertainty, complexity & ambiguity) world • Leadership commitment in heightening safety standards within our operations • Engage with stakeholder and community to create awareness and ensure accountability • Reimagine office spaces to meet the evolving needs of our tenants • Reconfigure layout & reposition retail with refreshing tenant & trade mix to drive footfall and maintain competitiveness • Own a database of reputable & reliable suppliers • Better collaboration with suppliers in managing procurement processes • Wide selection of suppliers for the procurement of quality products and services at lower cost • Enhance brand visibility to a wider community • Increase employees' awareness and involvement in corporate social investments
		CORPORATE GOVERNANCE Corporate Governance and Business Ethics Risk and Crisis Management • Best corporate governance practices reflect the Group's transparency and integrity • An effective and sound risk management and internal control system supports our business strategy and underpins our business model	CORPORATE GOVERNANCE • Breach of compliance to evolving regulatory and reporting landscape may give rise to regulation, integrity and reputational risks • Breach of trust and confidence of stakeholders	• Able to set the tone from the top and drive a culture strong in governance • Good governance practices represent a critical benchmark in an organisation's success and management stability



To read more on our principal risks relating to our operations, refer to Understanding Our Principal Risks on pages 60 to 66

OUR STRATEGY

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UNDERSTANDING OUR PRINCIPAL RISKS

OUR APPROACH TO RISK MANAGEMENT

Risk is a key strategic tool which forms an integral part of KLCCP Stapled Group's business that supports delivery of our strategy and underpins our business model. Our risk management policy and procedures are designed to embrace best practices for risk management, reduce the potential of financial and non-financial risk exposure and to protect our assets and reputation.

Risk Strategy and Culture

Our risk strategy is based on the belief that risk management is everyone's responsibility and that it must be integrated into strategy formulation, capital allocation, decision making and day-to-day operations.

Our Management is fully committed to fostering a strong risk centric culture, setting the appropriate tone at the top, and demonstrating strong support for risk management. In 2019, KLCCP and KLCC REIT enhanced its risk policy to equip the Group towards the next level of preparedness in facing the volatility, uncertainty and complexity of the industry. The enhanced risk policy is imperative for risk management to be in line with the organisation's aspirations for the future and evolving industry landscape.

KLCCP Stapled Group is committed towards becoming a risk resilient organisation, and we aim to strive to implement risk management best practices to protect and create value within the set boundaries.



Annually, the Group Risk Department inculcates risk management knowledge and concepts by conducting workshops for all levels and functions. This is to promote a culture of risk awareness and embed risk management principles in decision making and business processes. During the year, we focused on reinforcing risk based decision making wherein all board papers for decision making or debate requiring Boards approval are required to be accompanied by a risk assessment, providing a balanced and holistic view of exposures to achieve business objectives.

Risk Appetite

The KLCCP Stapled Group's risk appetite reflects the nature and extent of risks the Group is willing to pursue to achieve its strategic objectives. The risk appetite was established covering five main areas which flows across our business.

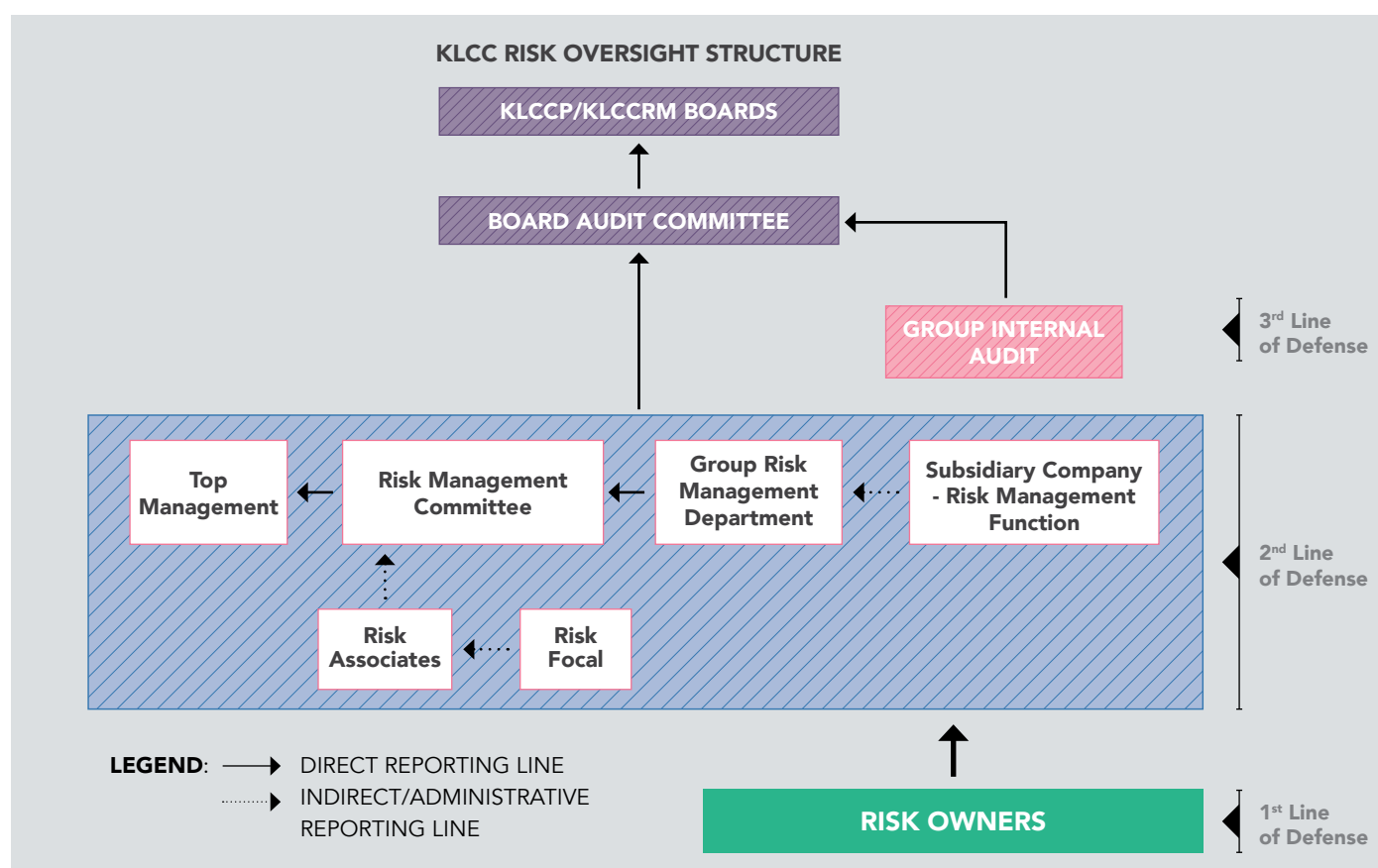


UNDERSTANDING OUR PRINCIPAL RISKS

During the year, the Group Risk Department reviewed the risk appetite to provide comprehensiveness to the current risk appetite statements in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined. The risk appetite statement, risk tolerances and risk threshold were reviewed and presented to the Risk Management Committee, Audit Committee and the KLCCP and KLCCRM Boards.

Risk Governance Structure

The risk governance structure is organised such that risk management is institutionalised and becomes a culture. The mechanism ensures that risk information flow is comprehensive and timely for each respective authority to manage risks effectively at all levels. KLCCP Stapled Group adopts a three-line of defense model which propagates clear demarcation of roles, responsibility & accountability



Principal risks and assessment

We actively review and manage the risks facing our businesses over the short, medium and long-term, overseen by the Risk Management Committee. The principal risks and opportunities of KLCCP Stapled Group are assessed by the Boards and evaluated against our risk appetite and tolerance levels whilst mitigation plans and key risk indicators are identified to reduce the risk exposure and monitor performance of the risks. The risk management is operationalised through the Enterprise Risk Management Framework and is monitored via our Interisk system, a dedicated web-based risk management tool.

Even though the external environment remained challenging with the oversupply of office spaces and the heightened competition in the retail and hospitality sectors, there has been no material change to the nature of the Group's principal risks with the exception of the human capital risk which was elevated as a result of the change in evaluation criteria for succession management, taking into consideration the age factor and employee group.

In this section we outline our principal risks and KLCCP Stapled Group's approach to responding to them, combined with how the principal risks link to our material matters. For more information on our material matters, refer to pages 56 to 59 or the Sustainability Statement on pages 114 to 149.

UNDERSTANDING OUR PRINCIPAL RISKS

1. Financial

Change in
Impact Change in
Likelihood 

RISK MANAGEMENT STRATEGY

We have put in place all practical measures to ensure any potential financial risk exposures which may impair the ability to provide adequate return on investment

We have an established Integrated Financial Risk Management (IFRM) Guidelines consisting 7 principles of financial risks

PRINCIPAL MITIGATION

We maintain strong capital, profitability and liquidity position in pursuit of business objectives to support sustainability and growth of the business operations and activities

Our gearing ratio is one of the lowest in the Malaysian REIT industry which provides us a sizeable debt headroom and greater financial flexibility to tap into the equity markets, as excessive debt could lead to financial risk exposure

We maintain adequate cash and bank balances to meet the working capital requirements and we maximise the return from cash balances via fund placements in the money market whilst minimising counterparty risk exposure

We diligently manage trade receivables to avoid trapped liquidity

We deal with approved counterparties with minimum A-rating for fund investment on best terms and limits

ACTIVITIES IN 2019 AND OUTLOOK

We continued our diligence on monitoring our financial, operational and cost optimisation efforts towards driving sustainability of our business

Material Matters

Financial Sustainability

2. Market

Change in
Impact Change in
Likelihood 

RISK MANAGEMENT STRATEGY

We undertake a comprehensive and robust study on the viability of potential investment proposal in line with the Group's business plan

A structured process for new investment and ventures is in place encapsulating feasibility and market studies, analysis reports, negotiation on terms and conditions and execution of agreement

PRINCIPAL MITIGATION

A structured risk assessment process as part of decision making is to be carried out prior to any decision point to provide decision makers with balanced view for informed decision making through richer risk conversation and considerations of risk reward trade off

All proposed capital investment shall meet the business return risk appetite threshold and maximise capital efficiency through a healthy portfolio distribution

ACTIVITIES IN 2019 AND OUTLOOK

We unlocked value through the repositioning of our assets, taking into consideration the tougher market conditions and operating landscape, the change in tenant-customer dynamics and the need to stay ahead of the intensifying competition

We also continued to seek yield accretive assets for opportunistic acquisitions

Material Matters

Economic, Social and Industry Growth

Risk and Crisis Management

Corporate Social Investment

UNDERSTANDING OUR PRINCIPAL RISKS

3. Human Capital

Change in
Impact

Change in
Likelihood


RISK MANAGEMENT STRATEGY

We maintain an effective succession plan for key positions and critical portfolios in order to enhance and retain qualified and competent talent for business sustainability

Anchoring on the theme of Right Leader and Right Environment, talents are managed from hire to retire

PRINCIPAL MITIGATION

Competency validation study to identify the gap for succession plan

Structured program for knowledge transfer and cross business mobility

Annual employee feedback survey/peer survey to identify gaps for improvement

ACTIVITIES IN 2019 AND OUTLOOK

Due to the stringent criteria in determining succession ratio which brings the succession ratio to 1:0.69, to continue with intervention leadership programme to improve managerial skill:

- Establishment of talent management programmes for the second-tier succession line – KLCC Group Elite Leadership Program (KELPro)
- Self-driven E-Learning programs, Brown Bag learning series sessions and development of Skill Groups to upskill technical competencies and knowledge

Material Matters

Our People

Human Rights and Labour Practices

4. Health, Safety and Environment (HSE)

Change in
Impact

Change in
Likelihood


RISK MANAGEMENT STRATEGY

Zero tolerance towards fatality and major fire that could lead to damage of assets and business disruption

A robust and institutionalised HSE culture is in place to ensure safe working environment through the establishment of HSE Management Systems (HSEMS)

PRINCIPAL MITIGATION

Scheduled HSE assurance audit (tier 1-yearly, tier 2-yearly, tier 3- once every 5 years) is conducted to ensure compliance to DOSH and PETRONAS Technical Standards (where applicable)

Take all reasonable, practicable and proactive steps to prevent and eliminate the risk of injuries, occupational illness, damage to properties and to protect the environment wherever we operate

Consequence management process to justify ZETO HSE non-compliance

Maintain minimum HSEMS rating at 3.00

ACTIVITIES IN 2019 AND OUTLOOK

Establishment of HSE Generative Culture leadership program to promote and instill strong sense of HSE accountability among leaders with objective to integrate HSE as part of sustainable business growth

Material Matters

Security, Safety and Health

Climate Change

Environmental Management

UNDERSTANDING OUR PRINCIPAL RISKS

5. Security

Change in
Impact Change in
Likelihood 

RISK MANAGEMENT STRATEGY

We put in place all practical and precautionary steps to safeguard our assets and people against crime

Our KLCC Precinct Security Master Plan details out the overall precinct security overlay where security control and crisis response measures are identified and implemented to safeguard our assets. The Security Master Plan was updated in 2017 to suit the current security risk environment

We also successfully implemented the CPTED (Crime Prevention Through Environment Design) in our design maintenance and use of our buildings and environment to enhance quality of life and to reduce incidence of crime

Our security team also works closely with the respective security team of each building, PETRONAS Group Security and Polis DiRaja Malaysia (PDRM) for security intelligence updates

PRINCIPAL MITIGATION

Established Security Coordination Platform to coordinate security matters within the KLCC Precinct – KLCC Precinct Security Management Working Group (PSMWG) and Dayabumi Heritage Trail comprising representatives from surrounding building owners e.g. Masjid Negara, Muzium Textile, Agro Bank, POS Malaysia, Central Market and RAPID KL.

KLCC Precinct Security Operation Centre (KPSOC) as a security focal point by all facilities within the KLCC Precinct and Local Authorities

Automatic Number Plate Registration (ANPR) System within the KLCC Below Grade Parking which captured vehicles reg. no. and face recognition

Incident Action Plan briefing to stakeholders on preparedness in handling different types of incidents e.g.: unattended packages, bomb threat/call

Set up a police beat base at KLCC park

Computerised Card Access System (CACS) for all floors at Menara Dayabumi

The Security Operational Room (PSOR) was enhanced to cater to the additional security features

ACTIVITIES IN 2019 AND OUTLOOK

Implementation of the enhanced security measures identified in the updated KLCC Precinct Security Master Plan

Material Matters

Security, Safety and Health

6. Asset Management

Change in
Impact Change in
Likelihood 

RISK MANAGEMENT STRATEGY

Our properties and assets are properly managed with the aim of creating value and maximising returns

Robust procedures and guidelines for selection of operators and asset management are in place and currently all our assets are managed by well accredited international operators to ensure tenants' sustainability

PRINCIPAL MITIGATION

A comprehensive leasing strategy to attract quality tenants

Constant engagement with our retailers and tenants to understand their needs and keep them updated on the evolving trends

Annual customer satisfaction survey and shopper exit survey to identify gaps for improvement

ACTIVITIES IN 2019 AND OUTLOOK

Dynamic review and enhancement of tenant mix and placement to ensure a balance of retail spaces between the new brands with younger market appeal and luxury brands with exclusive services

Evolving our current office space under the Workplace For Tomorrow initiative with our tenants to meet the fluid requirements where the workplace and workers are flexible, agile and collaborative

Material Matters

Customer and Tenant Management

UNDERSTANDING OUR PRINCIPAL RISKS

7. Facility Management

Change in
Impact

Change in
Likelihood


RISK MANAGEMENT STRATEGY

Our assets are professionally managed to ensure effectiveness and efficiency of the performance and integrity sustenance of the assets

Our facility management arm is accredited with ISO14001, ISO9001 and OSHAS18001

Our facility management team are involved in the design and construction stage (Day 1 and 2) in ensuring the practicality of layout design and appropriate system and technology used will function effectively and efficiently upon building completion

The facility management team also conducts annual building technical audits for continual improvement and provide assurance that the buildings are maintained in pristine condition

PRINCIPAL MITIGATION

Implementation of predictive, preventive and corrective maintenance strategies and initiatives to provide high level of service standard with minimal service interruption

100% compliance with agreed Service Level Agreement (SLA) with customers:

1. Emergency Power Supply Availability (Gen set) to provide alternate power supply during disruption from service provider
2. Mechanical Systems for Air-Conditioning to control Indoor Air Quality for room temperature, humidity and airflow, not only for the comfort of the tenants/occupants but also to protect sensitive electronic equipment at data center, electrical and telecommunication rooms
3. Vertical transportation to facilitate smooth movement of building occupants
4. Mechanical Systems for Domestic Water (Water storage tank) to ensure 24 hours supply for drinking, domestic use and fire-fighting system

ACTIVITIES IN 2019 AND OUTLOOK

Continue implementation and monitoring of predictive, preventive and corrective maintenance strategies and initiatives

Material Matters

Customer and Tenant Management

Security, Safety and Health

Environmental Management

8. Project Management

(for development platform of KLCCP only)

Change in
Impact

Change in
Likelihood


RISK MANAGEMENT STRATEGY

We put in place measures to ensure that the performance of projects delivery in meeting its development commitments in terms of time, cost and quality are met

All our projects are managed by a qualified and competent project management company with accreditation of ISO14001, ISO9001 and OSHAS18001

Risk assessments are required to be carried out for all projects undertaken

PRINCIPAL MITIGATION

Control and monitor project risk events through Project Management Standards to attain Project Delivery Excellence in terms of time and cost

ACTIVITIES IN 2019 AND OUTLOOK

Close monitoring of projects to ensure delivery schedule and cost shall not exceed the stipulated threshold and adversely impact project investment rate of return

Material Matters

Risk and Crisis Management

Security, Safety and Health

Corporate Governance and Business Ethics

UNDERSTANDING OUR PRINCIPAL RISKS

9. Supplier

Change in
Impact Change in
Likelihood 

RISK MANAGEMENT STRATEGY

The performance of supplier in meeting the deliverables commitment is important to mitigate disruption and support sustainability of the business

We have stringent guidelines on suppliers/contractors selection and an established tender management system consisting of:

- Overall contracting strategy
- Tender plan
- Invitation to Bid
- Technical and Commercial evaluation
- Contractor Risk Assessment

PRINCIPAL MITIGATION

Annual review of suppliers'/contractors' performance is carried out for continual improvement

Database of potential qualified suppliers

ACTIVITIES IN 2019 AND OUTLOOK

Tightened procurement policies in shortlisting bidders, established guidelines for separate tender evaluation teams, included anti-bribery assessment for Contractor's Risk Assessment for all projects

Continuous assessment of existing and potential suppliers to meet standard of operational excellence

Material Matters

Supply Chain Management

Corporate Governance and Business

Ethics

STAKEHOLDER MANAGEMENT



WORKING CLOSELY WITH OUR STAKEHOLDERS FOR A SUSTAINABLE FUTURE

We believe in building a dynamic and strong partnership with our diverse and inclusive group of stakeholders in driving our strategic priorities. We engage regularly with our stakeholders to inform and connect on matters ranging from business to environmental and social issues. We provide open and transparent channels for our stakeholders to voice out their concerns and we respond to the matters raised and take into consideration their inputs to deliver positive outcomes to all our stakeholders



SHAREHOLDERS/ INVESTORS/BUSINESS PARTNERS

Our shareholders, investors and business partners define the trust, reputation and credibility of our organisation and provide access to funding to grow our business

HOW WE ENGAGE

- Annual General Meeting
- Investors and analysts' briefings
- Results announcements
- Investor relations events
- Corporate website
- Annual report

KEY TOPICS AND CONCERNS

- Financial management
- Sustainability practices
- Business strategy and long-term growth
- Current and future project costs and development
- Governance practices
- Negative reports in social media

OUR RESPONSES

- Continued to update through quarterly results announcement, analysts' briefings, Board meetings and AGM
- Updated Economic, Environmental, Social and Governance practices through our Sustainability Report, corporate website and emails
- Developed and implemented robust corporate strategies providing clear business direction

VALUES CREATED

- Sustainable returns
- Promoted transparent practices
- Long-term growth and stability
- Enhanced brand positioning

STAKEHOLDER MANAGEMENT



EMPLOYEES

Our employees are the Group's greatest asset. Through their dedication, passion and belief in our shared values, we deliver desired results

HOW WE ENGAGE

- Townhall session by CEO
- Dialogue and engagement
- Training/workshop/teambuilding
- Emails/HR Careline/memos
- Intranet portal
- Employee satisfaction survey
- Annual dinner
- Recreation and sports club events

KEY TOPICS AND CONCERNS

- Group's long-term growth and performance
- Skills and capability development
- Career progression
- Employee benefits
- Security, Safety and Health

OUR RESPONSES

- Updated employees through internal communication platforms on financial performance, growth plans and employment matters
- Offered employees structured training and leadership programmes, workshops and on-the-job-training to equip employees with the relevant skills
- Employees' career progression was raised to be discussed by the Human Resource Planning and Development Committee
- Conducted various HSE awareness programmes and sharing sessions

VALUES CREATED

- Upgrading of skills and career development
- Well-informed employees
- Workplace safety and wellness
- Competitive remuneration



GOVERNMENT/ LOCAL AUTHORITIES/ REGULATORS

The Government, local authorities and regulators provide the regulatory framework in which we operate in respect to compliance and risk mitigation

HOW WE ENGAGE

- Feedback through emails/letters
- Participate in formal meetings, policy briefings and consultations
- HSE inspections of business premises
- Collaboration with local authorities in managing the safety and security of KLCC Precinct

KEY TOPICS AND CONCERNS

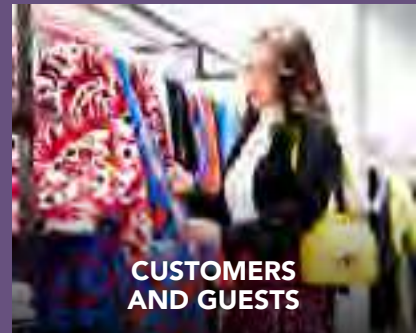
- Contribution to economic, and industry growth
- Compliance to Government policies, laws and regulatory requirements
- Adoption of best practices

OUR RESPONSES

- Briefing to the relevant ministries, Government departments and agencies
- Monitored compliance through internal assessment
- Reported on compliance in Annual Report and corporate website

VALUES CREATED

- Spurring economic and social development
- Advocate and strengthen law and regulatory enforcement



CUSTOMERS AND GUESTS

Our customers and guest drive the pace of the market dynamics that underpins the growth and success of our business

HOW WE ENGAGE

- Customer feedback management - hotline, surveys, email queries
- Awareness campaigns on environmental conservation i.e. waste recycling, zero single-use plastic
- Loyalty programmes
- Dialogue and engagement sessions
- Social media

KEY TOPICS AND CONCERNS

- Safety and security
- Customer satisfaction on product and services offered
- Innovative offerings that provide convenience i.e. wifi, cashless parking payment
- Condition of the amenities provided in our properties

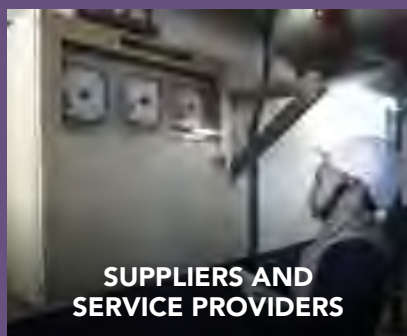
OUR RESPONSES

- Enhanced security features within KLCC Precinct
- Broaden retail offer and introduced a diverse mix of prominent local and international brands
- Improved service quality and launched innovative signature offerings across all F&B outlets at our hotel
- Embarked on digitalisation initiatives to enhance customer experience

VALUES CREATED

- Attractive and competitive offerings at marketplace
- Innovative and trend setting products and services
- Safe and secured place to work, shop, stay and play

STAKEHOLDER MANAGEMENT



SUPPLIERS AND SERVICE PROVIDERS

Our suppliers and service providers drive our sustainable value chain with valued expertise and support, contributing to the quality of services and products we procure

HOW WE ENGAGE

- Meetings and workshops
- Safety briefings
- Evaluation/performance review
- Corporate presentations
- Supplier training programmes
- Supplier evaluation and audit

KEY TOPICS AND CONCERNS

- Fair competition and compliance to procurement guidelines
- Potential business opportunities
- Transparency of tender processes
- Group's compliance with laws and regulations

OUR RESPONSES

- Provided equal opportunities for eligible suppliers to present their proposal
- Request for information to meet the project/service requirements

VALUES CREATED

- Created business opportunities and growth
- Elevated marketability of suppliers/service providers



COMMUNITY

The community define our social relevance, how we connect and foster goodwill and deliver a lasting positive impact by addressing their needs

HOW WE ENGAGE

- CSR programmes
- Engagement via emails/letters/social media/website/leaflet/kiosks
- Annual events i.e. National Day, New Year Countdown and festive celebration

KEY TOPICS AND CONCERNS

- Contribution to the community
- Health, safety and environmental impact

OUR RESPONSES

- Conducted CSR programmes i.e. fundraising activities, internship for university students, environmental conservation programmes, and maintenance of public amenities
- Enhanced security measures within KLCC Precinct

VALUES CREATED

- Promoted social well being
- Safer and secure environment
- Greener and healthier environment



MEDIA

The media shapes market perception and is a key multiplier of information to the public and build positive dialogue with our organisation

HOW WE ENGAGE

- Emails
- Press releases
- Press conferences
- Interviews
- Media events

KEY TOPICS AND CONCERNS

- Financial performance, growth strategy and future plans
- Media investment i.e. media buy, sponsorship of pull-outs
- Participation in events and engagement with media

OUR RESPONSES

- Issued press releases on quarterly results and events
- Emailed response on specific media queries i.e. project development, financial/industry performance, growth prospects
- Participated in media events
- Purchased advertorial space

VALUES CREATED

- Enhanced brand reputation and market perception
- Supported business growth

INVESTOR RELATIONS

**AT KLCCP STAPLED GROUP, WE
ARE GUIDED BY OUR CORE VALUES
ON DELIVERING VALUE BEYOND
NUMBERS IN EVERYTHING THAT WE DO.
WE BELIEVE THAT THE QUALITY,
FREQUENCY, DIVERSITY, AND
TRANSPARENCY IN OUR ENGAGEMENT
WITH OUR STAKEHOLDERS AND THE
INVESTMENT COMMUNITY IS THE
EMBODIMENT OF EVERYTHING THAT
WE ARE AND ASPIRE TO BE**



In keeping with our theme of The Place: Spaces Inspired for the People, we have refreshed our Investor Relations (IR) practices to create more accessibility, diversity and visibility in our stakeholder engagements, emphasising the “Relations” in “Investor Relations”.

The rising tide within the investing landscape towards more responsible and sustainable investing has redefined the role of IR. Far from being just the Group’s interface with the investment community, IR is now seen as a creator of value by enhancing the means of shareholder engagement as well as the quality of the information provided.

We take great pride in the fact that our 2018 Annual Report themed “The Place” won the Best Traditional Annual Report in Asia Pacific at the ARC Awards 2019 and for the second consecutive year, KLCCP Stapled Group was bestowed with the Industry Excellence Awards for Real Estate Investment Trust (REITs) and Investment Funds category at the National Corporate Reporting Awards (NACRA). These accolades are a testament that our drive towards high-quality, transparent reporting is on the right track and spurs us on in driving value creation by connecting with our stakeholders. In addition, KLCCP Stapled Group has been recognised by the investment community for its good IR practices and received the Platinum Award for Best Investor Relations (Asia Pacific).

2019: BUILDING UPON 2018

In 2019, our IR Team built upon the results of the benchmarking exercise from the previous year. We continued to realign KLCCP Stapled Group’s IR approach with best-in-class practices and the highest international standards, and rejuvenated our approach to engaging with the holders of Stapled Securities, research analysts, fund managers, regulators, and the investment community. Through this exercise, we identified ways we can better connect with the various stakeholder groups and tailored our disclosures to meet the objectives of each respective group.

We focused on enhancing our corporate reporting in line with the International Integrated Reporting Framework. This framework promotes a unified approach to corporate reporting and improves the quality of information available to our stakeholders. We believe that providing high-quality, timely and transparent information to our stakeholders facilitates informed investment decisions and is yet another avenue for us to drive stakeholder value.

We conducted a benchmarking exercise to identify the best practices locally and globally based on Integrated Reporting. Based on the findings, we then identified the gaps to close and the areas of improvement on how KLCCP Stapled Group’s value proposition could be strengthened further through effective and compelling storytelling and connectivity between the content elements.

INVESTOR RELATIONS

As technology continues to change rapidly, analysing multimedia trends has become essential to successful communication strategies. KLCCP Stapled Group is always evaluating cutting edge multimedia concepts to ensure key corporate messages are accurately and efficiently communicated. With that objective in mind, we embarked on the use of multimedia to further strengthen our communication with the investment community. These included capturing our key messages in respect to our quarterly results, sustainability strategies, asset enhancements and awards and recognition in bitesized videos, giving a snapshot of the Group's updates and progress in a visually appealing manner.

ENGAGEMENT WITH THE INVESTMENT COMMUNITY

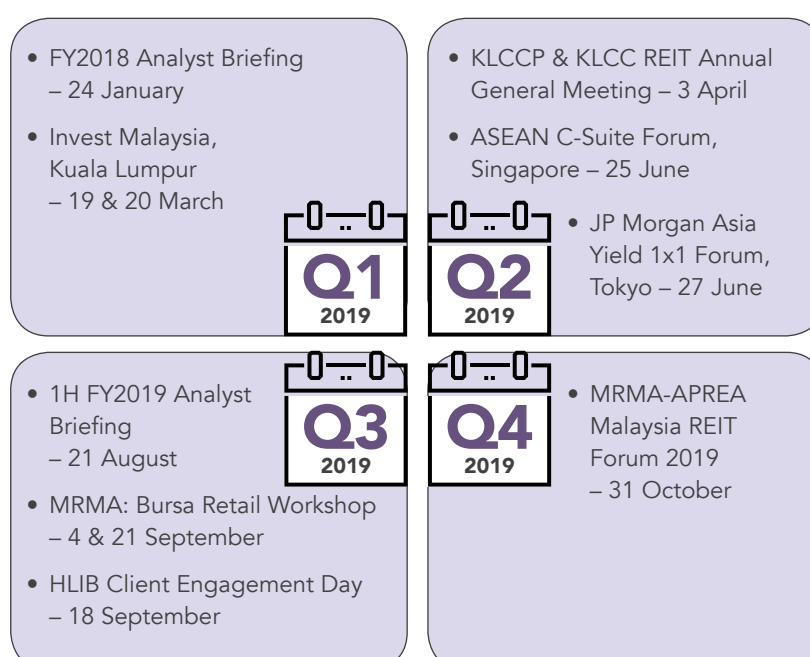
Meeting the broader investment community

In 2019, KLCCP Stapled Group engaged with 117 institutional investors, analysts and fund managers, of which 101 were local and 16 were foreign. Engagements were conducted through various platforms – one-on-one meetings, conference calls, analysts' briefings, and site visits to KLCCP Stapled Group properties as well as at capital market conferences.

As part of our on-going support for Bursa Malaysia's initiatives to promote the Malaysian capital markets, we participated in Invest Malaysia Kuala Lumpur 2019, where we engaged local and foreign investors in a large track presentation, one-on-one meetings and small group discussions. In addition, KLCCP Stapled Group participated in several investor conferences in Singapore and Tokyo.

Closer to home, we engaged retail investors directly via the collaboration with Bursa Malaysia and the Malaysian REIT Managers Association (MRMA). This year, the IR Team participated in a retail workshop in Bintulu, Sarawak and at the University Sains Islam Malaysia in Nilai, Negeri Sembilan. These workshops were attended by more than 100 participants and have allowed us to increase the profile of REITs in the eyes of retail investors.

Together with our Malaysian REIT counterparts through MRMA and in collaboration with Asia Pacific Real Estate Association, we hosted the inaugural Malaysia REIT Forum 2019, which was intended as a platform to grow awareness of REITs. The forum which was held in Kuala Lumpur was attended by over 250 participants, comprising mainly C-Suite, property developers, government regulators, investment bankers, domestic fund managers and research analysts, generated robust and insightful expert views from distinguished speakers from around the region, including Malaysia, Singapore, Hong Kong, and Australia.



Quarterly analyst meetings

Commencing 2019, apart from hosting face-to-face analyst briefings for our half-year and full-year financial results, we also made available on our website a delayed webcast of the briefing event. These briefings were chaired by our Chief Financial Officer (CFO) in the presence of the Chief Executive Officer (CEO), Head of Legal & Corporate Services, as well as the IR Team. For each quarter, we also had audio recordings together with the results presentation uploaded onto our website to enable the investment community to better understand the financial results, the strategies and initiatives undertaken and the prospects going forward.

Our recordings have gained traction exceeding 1,000 views with this multimedia platform. This approach has also enabled us to easily share these recordings with our investment community through mobile which enabled us to access a broader range of investors, not just in Malaysia but in South East Asia and globally.

INVESTOR RELATIONS

Analyst Coverage

At KLCCP Stapled Group, we foster good relationships with the research houses that cover our stock. We believe that these relationships are beneficial to KLCCP Stapled Group and the holders of Stapled Securities, as our interactions with research analysts serve to supplement our direct engagements with the broader investment community.

During the year, CLSA Research initiated coverage on KLCCSS bringing total coverage to 12 analysts.



Annual General Meeting

Our Annual General Meeting (AGM) provides the opportunity for us to engage with holders of Stapled Securities, particularly the retail investment community. At the AGM, we present a detailed presentation on the Group's performance, prospects, and strategy as well as encourage questions from the holders of Stapled Securities prior to the electronic poll-voting session.

We held the 16th AGM of KLCCP and the 6th AGM of KLCC REIT concurrently on 3 April 2019 in Kuala Lumpur, Malaysia. The Directors including the Chairman of the Board Committees, CEO, CFO, Management team as well as the external auditors, were in attendance to engage directly with the holders of Stapled Securities.

Our CEO, Datuk Hashim Wahir, presented the year in review, updating attendees on the financial and operational performance of KLCCP Stapled Group, as well as key economic and industry updates and the outlook and strategy for the coming year. The Chairman of the AGM then facilitated the Question & Answer session, during which questions raised by holders of Stapled Securities and the Minority Shareholder Watchdog Group were addressed, followed by a press conference with members of the media.

All proposed resolutions tabled at the AGM were duly passed.

ENHANCING INVESTOR COMMUNICATIONS

Corporate Website

2019 saw the launch of our revamped corporate website. Taking into consideration that our website is often the first port of call for our investors, patrons, and the public at large to obtain information about the Group, we redesigned our website with a fresh appearance and an enhanced digital experience for all our stakeholders. Our revamped website also serves to enhance the value of our IR engagements by deploying various channels such as videos on our quarterly results, webcasts of our analyst briefings, a dedicated sustainability section, and an annual report microsite.

Complete with vibrant contemporary features including video gallery, informative infographics, animation and audio recordings, our revamped corporate website gives visitors a more engaging and immersive experience, compatible with all browsers and mobile devices. Our revamped website also contains all our regulatory announcements to Bursa Malaysia, corporate news, investor presentations, financial information, annual reports, AGM minutes, schedule of upcoming events, stock information and IR contact details, further establishing its position as the go-to resource for the investment community for quality and timely information.

INVESTOR RELATIONS

We have seen a significant increase of visitors to our website by more than twenty-fold, following the launch of the redesigned website. We intend to continue to drive traffic to the corporate website, capitalising on the search engine optimisation to further leverage the website as an informative tool of communication, enhancing our visibility and profile in the eyes of our stakeholders and investment community.

PUTTING SOCIAL IN ESG

ESG factors feature highly in the investment community's considerations as they look beyond traditional metrics to identify opportunities and risk, particularly in line with the global shift towards more responsible investing.

At KLCCP Stapled Group, sustainability is a strategic operational priority and has been, for over 3 years, a mainstay in our IR activities, whereby we reinforce our core value of sustainability and ESG matters through our ESG communication in our IR presentations and briefing decks. Sustainability also features prominently on our revamped corporate website, where we have outlined in detail our sustainability strategy and approach, which we believe helps to keep us accountable to our employees, customers, partners in the value chain, community, and environment.

We produced and made available in our website, a series of sustainability videos on our Sustainability Strategy and journey thus far across the economic, environmental, social and governance spheres. We showcased different aspects of our operations from the business activities to corporate governance and social affairs, ideally giving the investors a complete snapshot of KLCCP Stapled Group's initiatives. We engaged viewers with visuals and infographics in condensed key takeaways for investors to digest quickly and easily.

In line with our shift towards Integrated Reporting, we will continue to enhance and develop our ESG communication in terms of scope, depth, and frequency. Our IR Team remains our primary point of contact, helping our stakeholders and investors keep abreast of our ESG activities.

2020: REDEFINING INVESTOR RELATIONS

Beyond just interfacing with analysts, investors, the broader capital markets and stakeholders in general, IR has evolved into becoming a strategic enabler of value creation by spearheading enhanced stakeholder engagement, improved disclosure and credibility, and better corporate governance.

At KLCCP Stapled Group, our IR Team is at the vanguard of this change, looking to elevate our interactions with our external stakeholders with more meaningful disclosure and communication thereby empowering impactful decision-making by everyone involved. We will continue to drive integrated thinking within KLCCP Stapled Group by being the nexus of information, sharing and promoting a more holistic approach to information and communication.

We look forward to continued and productive engagements with holders of Stapled Securities and the broader investment community.

Please direct any of your comments, suggestions, queries or requests for (publicly available) information to investor.relations@klcc.com.my.

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS

24 January 2019

4th quarter ended
31 December 2018

7 May 2019

1st quarter ended
31 March 2019

20 August 2019

2nd quarter ended
30 June 2019

11 November 2019

3rd quarter ended
30 September 2019

23 January 2020

4th quarter ended 31 December 2019

DATE OF PAYMENT OF THE INTERIM DIVIDEND

28 February 2019

4th quarter ended
31 December 2018

20 June 2019

1st quarter ended
31 March 2019

4 October 2019

2nd quarter ended
30 June 2019

18 December 2019

3rd quarter ended
30 September 2019

28 February 2020

4th quarter ended 31 December 2019

ANNUAL GENERAL MEETING

3 April 2019

KLCCP 16th Annual General Meeting
KLCC REIT 6th Annual General Meeting

22 April 2020

KLCCP 17th Annual General Meeting
KLCC REIT 7th Annual General Meeting

28 FEBRUARY 2020

Date of notice of KLCCP 17th Annual General Meeting and KLCC REIT 7th Annual General Meeting
**Date of issuance of
FY2019 Integrated Annual Report**

Value Creating Business Model



te places
k forward
essing
for a
future

Reinforced
by our
strategy

COHESIVENESS

SHAREHOLDERS

RM1.4 billion
Revenue

38.00 sen
Distribution per Stapled
Security

7.9%
Annual total return

REGULATORS

**RM102.9
million**

Tax paid to
Government

Robust risk
management
and governance
framework

CUSTOMERS

99%
Retail occupancy

92%
Hotel guest satisfaction

76%
Customer satisfaction

VALUE CREATED

COMMUNITY

**RM2.0
million**

Spent on
community
investment

**RM1.5
million**

Spent on
maintenance of
KLCC Park

ENVIRONMENT

18.9%
Reduction in energy
consumption

15.8%
Reduction in GHG emission

4.6%
Reduction in water use

EMPLOYEES

95%
Employee retention
rate

**RM1.8
million**
Spent on staff
learning and
development



To read more on our Key Performance Indicators and how we measure the values we create, refer to pages 78 and 79

Strong Financial Position

Our flexible capital structure and strong balance sheet allows us to be agile in responding to opportunities and mitigating risks

 To read more, refer to KLCCP Stapled Group 5-Year Financial Highlights and Summary on pages 80 to 83

Portfolio of Diverse, Iconic Assets and Management Services

We have a diverse portfolio within the sought after KLCC Precinct comprising iconic and high quality assets and management services, which generate earnings for the Group

 To read more, refer to Property Portfolio on pages 10 to 16

Deep Knowledge and Strong Capabilities

We have deep knowledge from the years of experience in the industry. Our capabilities, supported by established processes and policies are instrumental to our ability to create value

 To read more, refer to Board of Directors on pages 152 to 160 and Management Team on pages 162 to 168



BUSINESS ACTIVITIES AND PRACTICES

Engaged and Inspired Employees

Our dedicated people share our passion in creating vibrant and inspiring spaces for people to look forward to. The skills and experience they bring, together with a unifying KLCC culture enables us to create value

 To read more on Our People, refer to Sustainability Statement on pages 140 to 143

Natural Resources

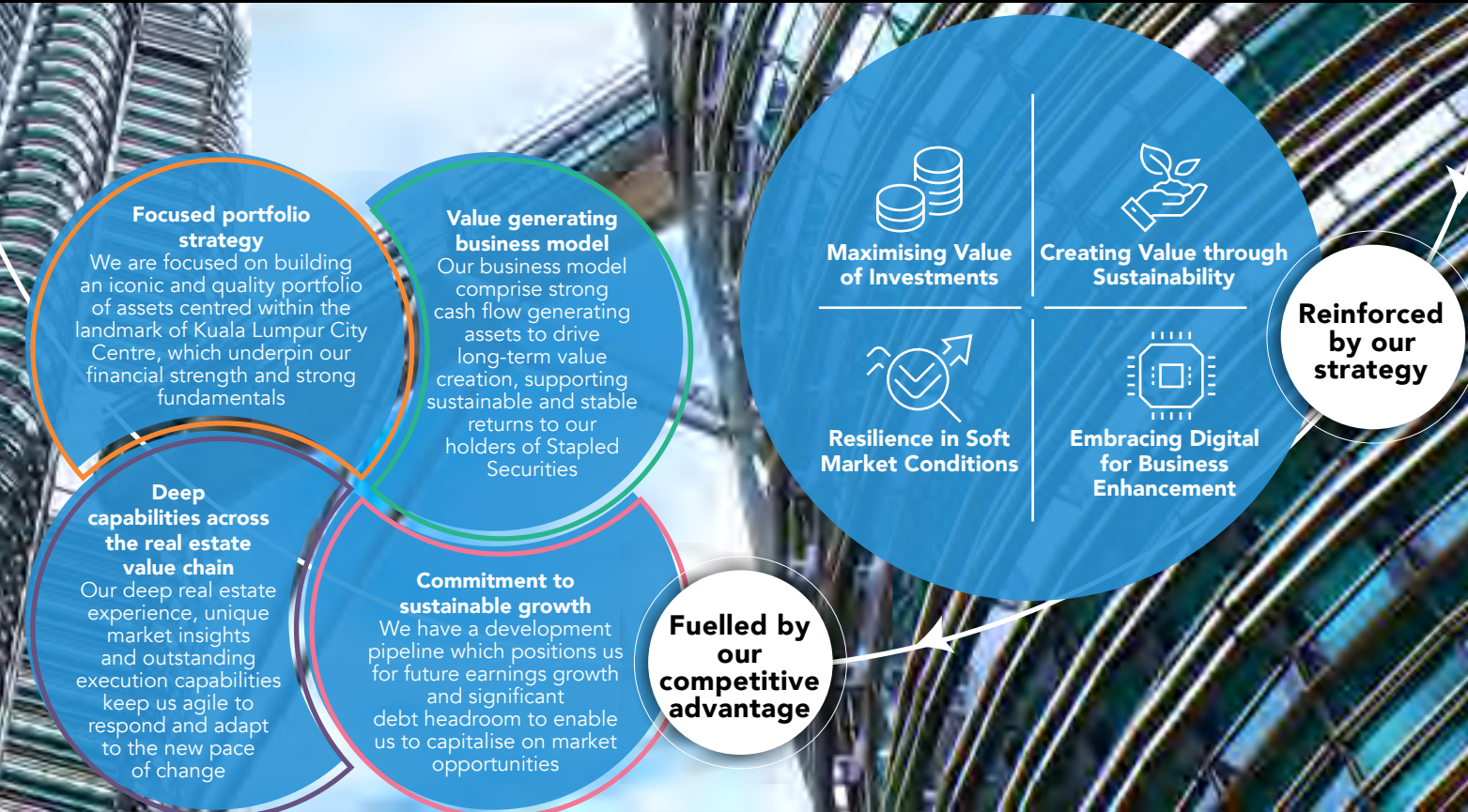
We rely on natural resources like electricity and water as an owner, developer and manager of our properties. We consciously manage and work towards minimising our environmental impact

 To read more on our Environmental practices, refer to Sustainability Statement on pages 126 to 135

Trusted Relationships with Stakeholders

Our trusted relationships with our investors, partners, employees, regulators and the communities in which we operate provides us the social license to operate and access to capital

 To read more, refer to Stakeholder Management on pages 67 to 69



UNDERPINNED BY OUR SHARED VALUES

INNOVATIVE

COHESIVENESS

SHAREHOLDERS

RM1.4 billion
Revenue

38.00 sen
Distribution per Stapled
Security

7.9%
Annual total return

REGULATORS

RM102.9 million

Tax paid to
Government

Robust risk
management
and governance
framework

CUSTOMERS

99%
Retail occupancy

92%
Hotel guest satisfaction

76%
Customer satisfaction

VALUE CREATED

COMMUNITY

RM2.0 million

Spent on
community
investment

RM1.5 million

Spent on
maintenance of
KLCC Park

ENVIRONMENT

18.9%
Reduction in energy
consumption

15.8%
Reduction in GHG emission

4.6%
Reduction in water use

EMPLOYEES

95%
Employee retention
rate

RM1.8 million
Spent on staff
learning and
development



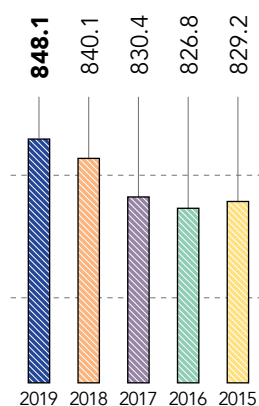
To read more on our Key Performance Indicators and how we measure the values we create, refer to pages 78 and 79

KEY PERFORMANCE INDICATORS

MONITORING OUR PERFORMANCE

We gauge our performance across a range of measures and indicators that are parallel with our strategy and investor proposition. Our key performance indicators (KPI) provide a balance set of metrics that give emphasis to both financial and non-financial measures. These help the Management assess performance against our strategic pillars and priorities with non-financial metrics playing a prominent role as leading indicators of future performance.

Profit For The Year* (RM'mil)



Why is this important?

Profit for the year is a primary measure of financial results and the organisation's sustainable business growth performance

How is this measured?

Based on the audited financial statements of KLCCP and KLCC REIT

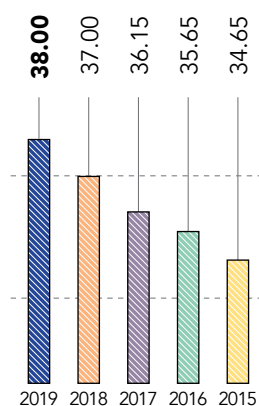
Our progress in 2019

The Group delivered stable and sustained value for the financial year despite the headwinds in the market

[Link to Strategic Pillars & Priorities](#)



Distribution per Stapled Security (sen)



Why is this important?

It is a direct measure of the organisation's total amount of profits paid out to the holders of Stapled Securities, which translates to income for them

How is this measured?

Based on the pay-out ratio applied to the realised distributable income of KLCCP Stapled Group

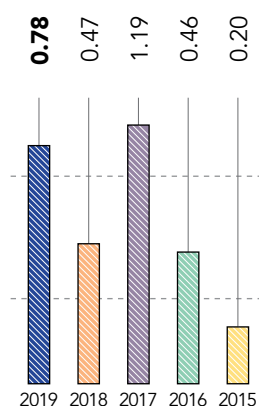
Our progress in 2019

The Group showed a growth of 2.7%, testament to our commitment in delivering value to the holders of Stapled Securities

[Link to Strategic Pillars & Priorities](#)



HSE – Zero Fatality & Group LTIF



Why is this important?

Safeguarding people, the environment, and communities residing in close proximity to our operational vicinity is our top priority. Solidifies our HSE leadership across all levels

How is this measured?

Number of Loss Time Injury (LTI) recorded against the total cumulative hours worked by the employees

Our progress in 2019

The Group maintained impressive zero fatality rate since 2015, with 7 Loss Time Injury (LTI) incidents and a Loss Time Injury Frequency (LTIF) of 0.78, contributed by mishap of contractors at worksite

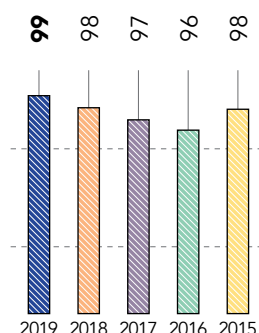
[Link to Strategic Pillars & Priorities](#)



\$3

KEY PERFORMANCE INDICATORS

Retail Occupancy (%)



Why is this important?

It ensures we generate rental income and enliven our retail destination and enhances the appeal and trading environment

How is this measured?

Based on the floor space which is currently leased

Our progress in 2019

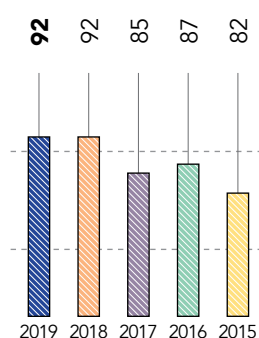
Occupancy for our malls was robust considering the anchor-to-specialty reconfiguration exercise which took place in 2019. We significantly outperformed the average retail occupancy of 83% in Kuala Lumpur City Centre

[Link to Strategic Pillars & Priorities](#)


\$1

\$2

Hotel Guest Satisfaction (%)



Why is this important?

Customer reviews are not only valuable in the way which guests select hotels based on the quality of the review, but they also provide useful feedback for hotels to effect improvements

How is this measured?

Using the LRA email surveys to hotel guests. LRA is a leading global provider of brand protection and customer experience measurement services with extensive experience in the hospitality industry

Our progress in 2019

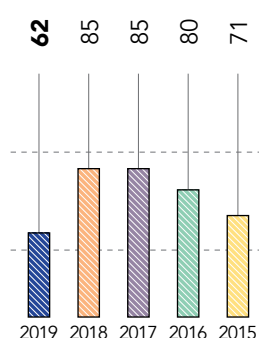
Maintained high guest satisfaction score of 92% resulting from the post refurbished guestrooms coupled with the hotel's improved offerings and superlative guest services

[Link to Strategic Pillars & Priorities](#)


\$1

\$2

Employee Satisfaction (%)



Why is this important?

Measures the satisfaction of employees in respect to the organisation's policies, culture & values, management behaviour and trust in the organisation, towards sustaining a healthy organisation climate

How is this measured?

An employee feedback questionnaire survey is sent out annually, to all employees of the Group, via an independent survey platform

Our progress in 2019

The employee satisfaction score for the year reflects the revised approach in the survey methodology and the improvement on the survey questions. Thus the score is not comparable to the prior years

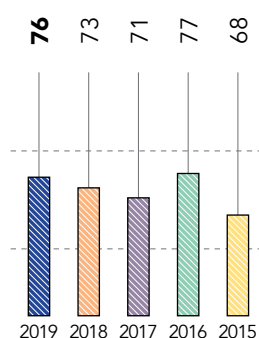
Nevertheless, focused engagements with employees on the changes to the survey led to an increased survey participation rate of 85%

[Link to Strategic Pillars & Priorities](#)


\$1

\$3

Customer Satisfaction (%)



Why is this important?

Managing reputational risk as the satisfaction of our tenants, customers, reflect our efforts in creating destinations which meet evolving customer expectations and provide experiences

How is this measured?

A customer satisfaction survey is sent out annually to all tenants of our buildings, users of our car parking management and facility management services, via an independent survey platform

Our progress in 2019

Improved customer satisfaction driven by enhanced physical and digital space, aligning with our core tenets of safety, security, connectivity and convenience towards a seamless experience

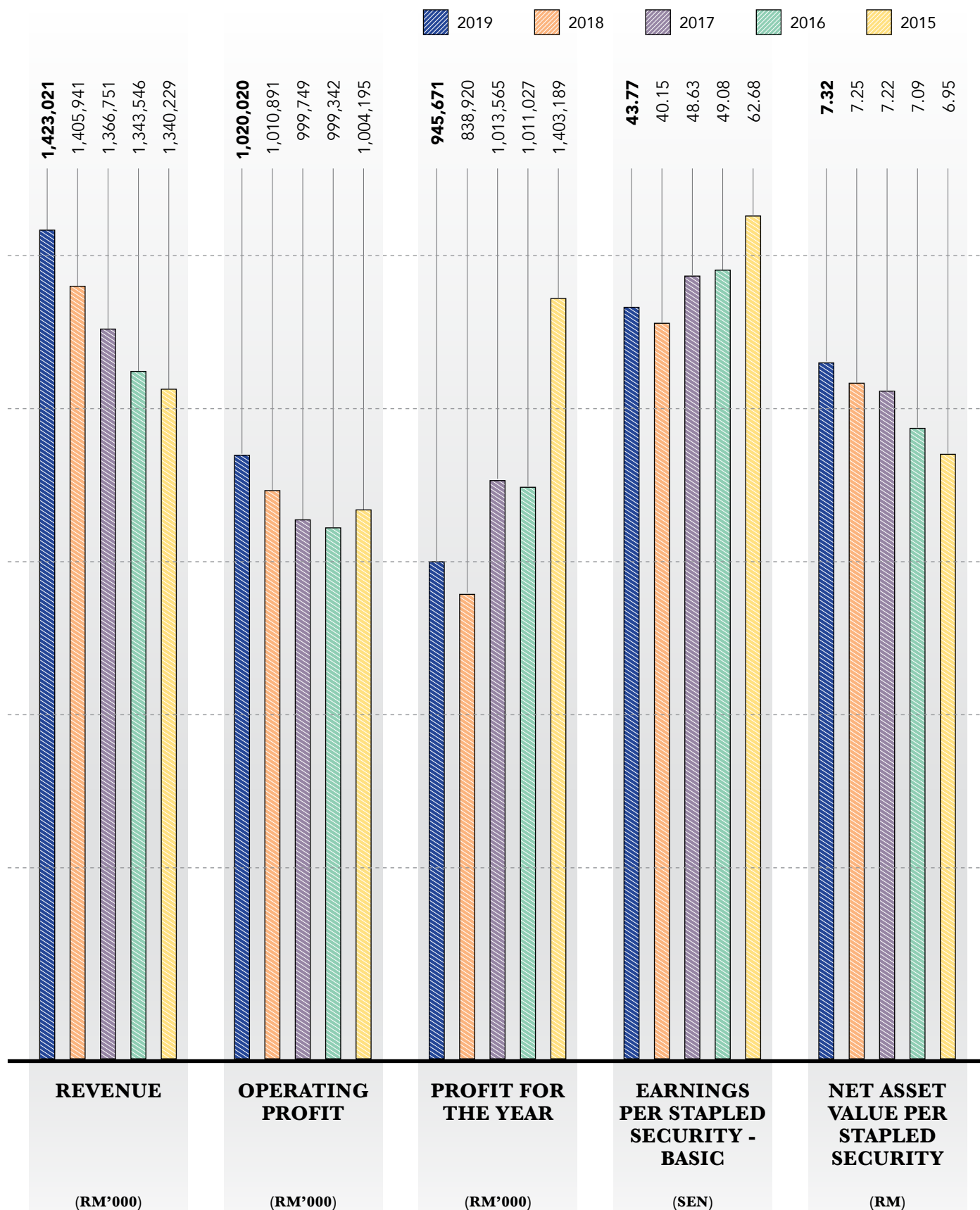
[Link to Strategic Pillars & Priorities](#)


\$1

\$2

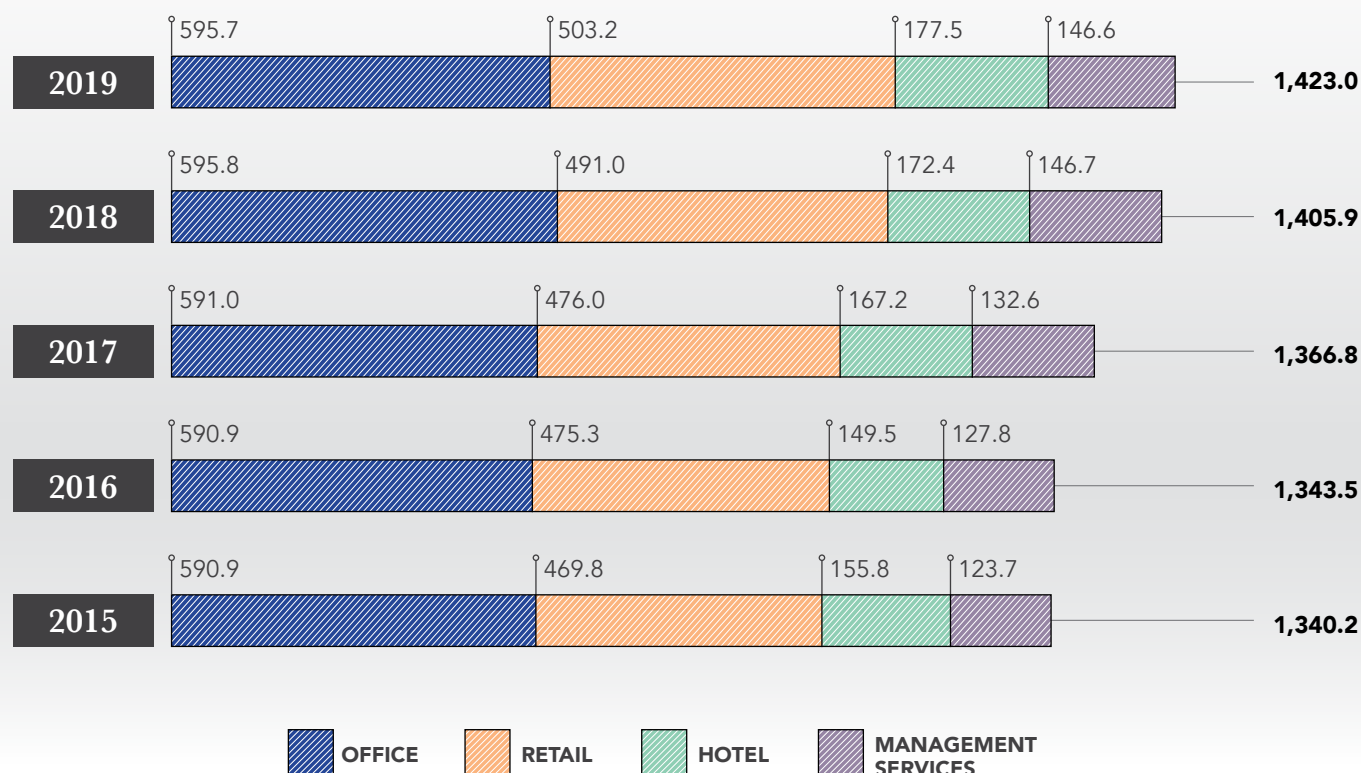
KLCCP STAPLED GROUP

5-YEAR FINANCIAL HIGHLIGHTS

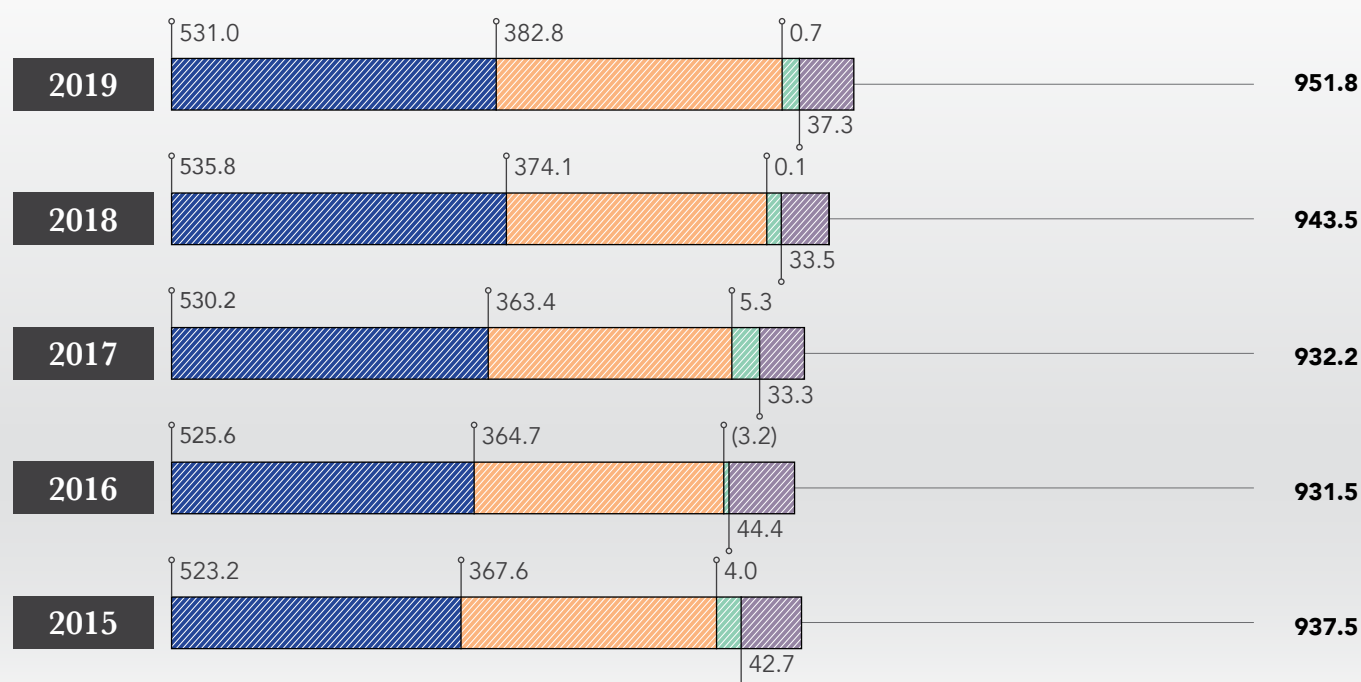


KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

Segmental Revenue (RM'mil)

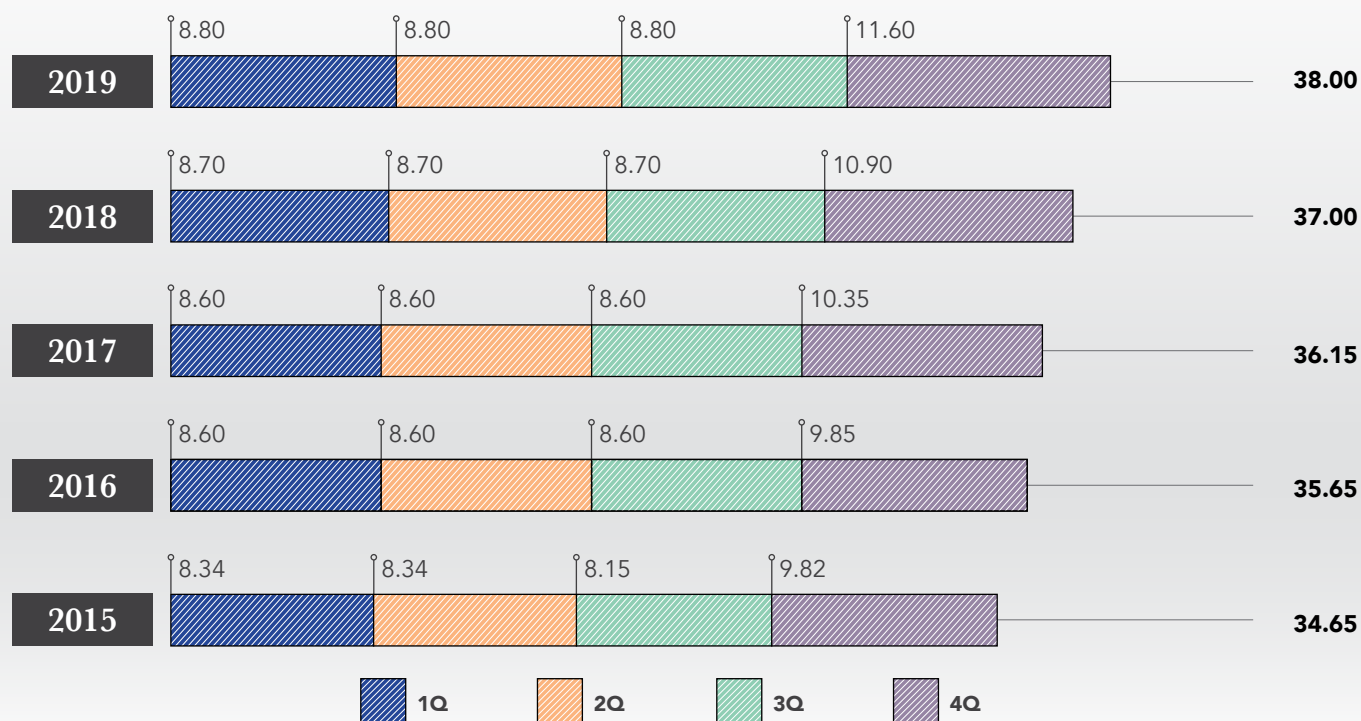


Segmental PBT – excluding fair value adjustment (RM'mil)

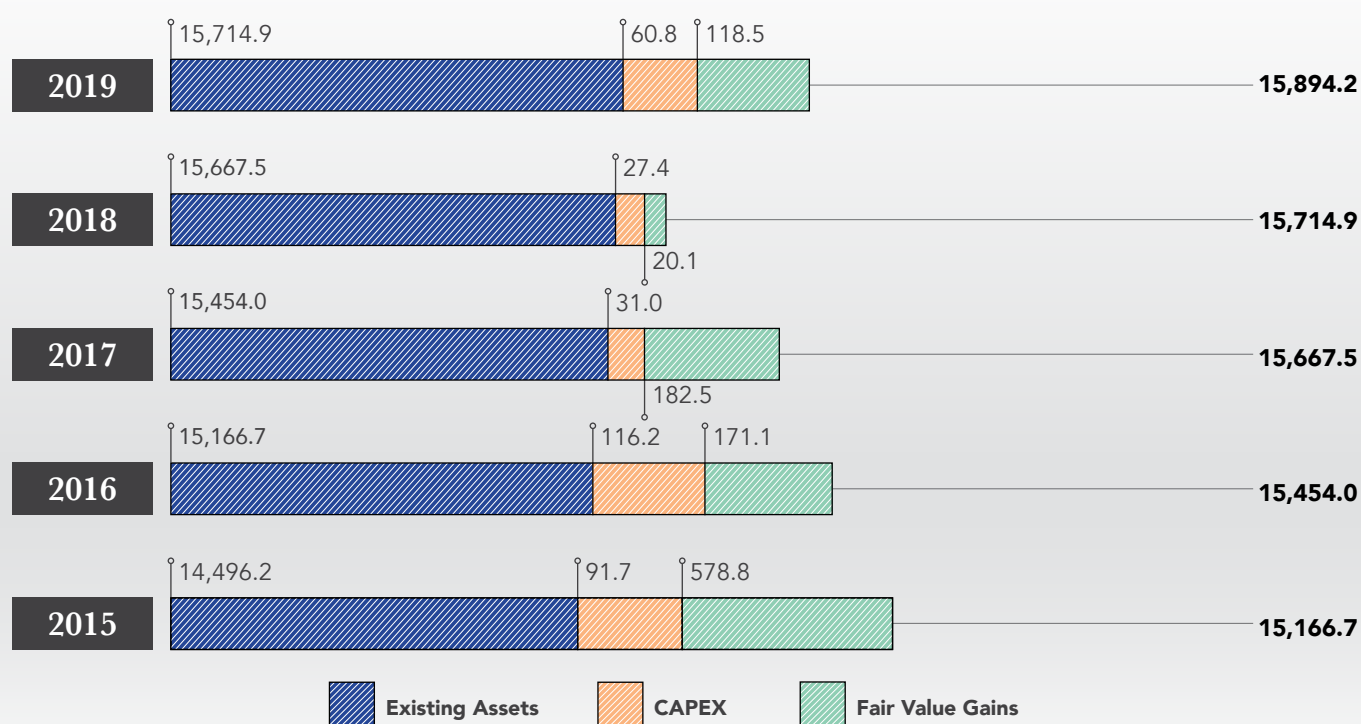


KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

Distribution per Stapled Security (sen)



Property Value (RM'mil)



KLCCP STAPLED GROUP

5-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
Key Operating Results (RM'mil)					
Revenue	1,423.0	1,405.9	1,366.8	1,343.5	1,340.2
Operating Profit	1,020.0	1,010.9	999.8	999.3	1,004.2
Profit before Tax (PBT)	1,071.3	964.1	1,115.3	1,102.7	1,518.4
Profit for the Year	945.7	838.9	1,013.6	1,011.0	1,403.2
Key Statement of Financial Position (RM'mil)					
Investment Properties	15,894.2	15,714.9	15,667.5	15,454.0	15,166.7
Total Assets	18,211.3	17,860.3	17,792.6	17,782.1	17,537.1
Total Borrowings	2,346.6	2,244.7	2,251.1	2,552.4	2,560.6
Total Liabilities	2,917.8	2,735.2	2,745.7	3,004.1	3,026.0
Total Equity Attributable to Equity Holders of Stapled Securities	13,212.0	13,095.3	13,028.5	12,794.2	12,551.3
Stapled Securities Information					
Earnings per Stapled Security - Basic (sen)	43.77	40.15	48.63	49.08	62.68
Net Asset Value per Stapled Security (RM)	7.32	7.25	7.22	7.09	6.95
Distribution per Stapled Security (sen)	38.00	37.00	36.15	35.65	34.65
Stapled Securities Closing Price as at 31 December (RM)	7.90	7.66	8.64	8.30	7.06
Number of Stapled Securities (mil)	1,805.3	1,805.3	1,805.3	1,805.3	1,805.3
Market Capitalisation (RM'mil)	14,261.9	13,828.9	15,598.1	14,984.3	12,745.7
Financial Ratios					
PBT Margin	75%	69%	82%	82%	113%
Dividend Payout-Ratio	94%	96%	97%	95%	98%
Gearing (times)	0.18	0.17	0.17	0.20	0.20

KLCCP STAPLED GROUP VALUE ADDED STATEMENT

	2019 RM'000	2018 RM'000
Total turnover	1,423,021	1,405,941
Interest income	31,636	27,574
Operating expenses	(244,825)	(246,428)
Value added by the KLCCP Stapled Group	1,209,832	1,187,087
Share of profits of an associate	12,615	13,288
Fair value adjustments of investment properties	118,471	20,050
	1,340,918	1,220,425
Reconciliation		
Profit attributable to holders of Stapled Securities	790,151	724,914
Add:		
Depreciation and amortisation	43,334	38,073
Finance costs	111,421	107,710
Staff costs	114,842	110,549
Taxation	125,650	125,173
Other non-controlling interests	155,520	114,006
	1,340,918	1,220,425
Value distributed		
Employees		
Salaries and other staff costs	114,842	110,549
Government		
Corporate taxation	102,941	104,463
Providers of capital		
Dividends	673,389	658,044
Finance costs	111,421	107,710
Other non-controlling interests	155,520	114,006
Reinvestment and growth		
Depreciation and amortisation	43,334	38,073
Capital reserve*	78,141	7,906
Income retained by the Group	61,330	79,674
	1,340,918	1,220,425

* Capital reserve represents the fair valuation gain on properties which is only distributable upon disposal of investment property



A photograph of a clothing store interior. In the foreground, several t-shirts are hanging on wooden hangers. One t-shirt is white with a large red floral graphic, and another is black with a white circular logo. The background shows more racks of clothes and store fixtures, slightly out of focus.

THE PLACE TO SHOP

Responding to our customers' needs and demands has opened up opportunities for us to evolve and create an environment that matches the lifestyle and changes in consumer trends

**THIS IS THE PLACE THAT INSPIRES
THE EXPRESSION OF LIFESTYLE AND
BESPOKE UNIQUENESS**



FINANCIAL REVIEW

Sustained performance for the year ended 31 December 2019 amid a challenging market landscape

KLCCP Stapled Group delivered a sustained performance for the year ended 31 December 2019 amid a challenging market landscape, recording a revenue growth of 1.2% to RM1.4 billion and increased profits compared to 2018, boosted by stronger performance from the retail and hotel segments. In tandem, profit attributable to equity holders (excluding fair value) recorded a marginal increase to RM 732.8 million.



	2019 RM'mil	2018 RM'mil	Growth %
Revenue	1,423.0	1,405.9	1.2
Operating profit	1,020.0	1,010.9	0.9
Profit before tax*	951.8	943.5	0.9
Profit for the year*	848.1	840.1	1.0
Profit attributable to equity holders*	732.8	726.7	0.8
Operating profit margin	72%	72%	-
Profit before tax margin*	67%	67%	-
Earnings per Stapled Security* (sen)	40.59	40.25	0.8
Distribution per Stapled Security (sen)	38.00	37.00	2.7

* Excluding fair value adjustment

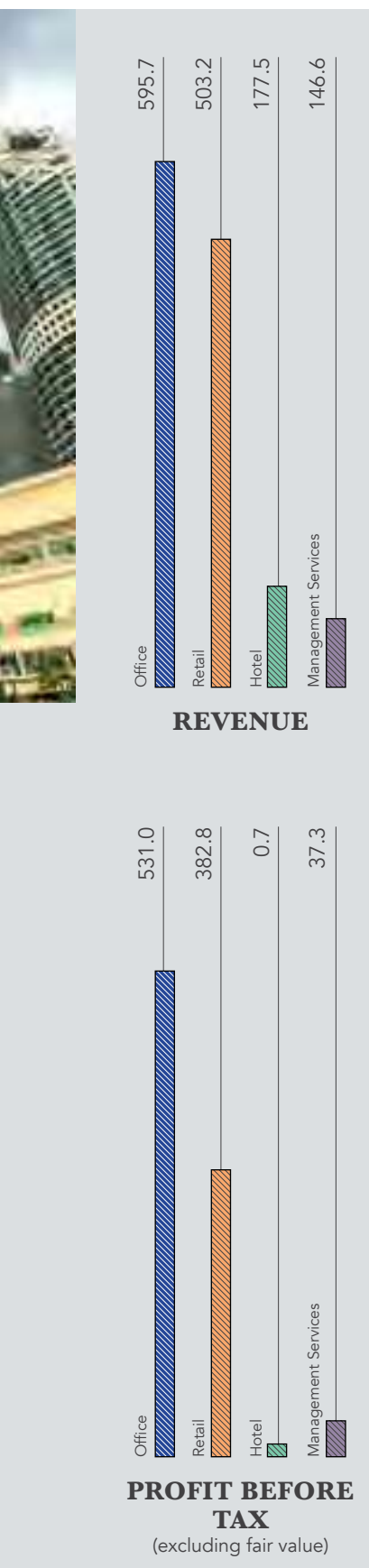
The increase in revenue of RM17.1 million was mainly driven by the strong performance in the retail segment and improved performance in MOKL Hotel. Despite the loss in rental income for eight months from approximately 120,000 sq. ft. of NLA due to the anchor-to-specialty reconfiguration exercise, the retail segment stamped its resilience with a revenue growth of RM12.2 million on the back of higher rental reversions during the year coupled with the increased contribution from internal digital advertising which benefitted largely from the investment in the largest rotating double-sided LED screen in the world, last year.



Key Highlights

- Stable performance with top-line growth of 1.2% and increase in PBT (excluding fair value adjustment) of RM8.3 million, anchored by the resilience of the retail segment and improved performance in the hotel segment, underpinned by the stability of the office segment
- Suria KLCC together with the retail podium of Menara 3 delivered a strong retail performance, with a 2.5% increase in revenue and 2.3% PBT (excluding fair value adjustment) growth driven by higher rental rates from new leases and rent reviews becoming effective during the period. This is in spite of the loss of rental income over eight months due to the anchor-to-specialty space reconfiguration exercise
- The hotel segment had an exceptional run towards year end, benefitting largely from the stronger leisure demand, supported by MICE and banqueting events and delivered a top-line growth of 3.0%, resulting in increased profits compared to 2018.

FINANCIAL REVIEW



The revenue from the hotel segment improved by 3.0% in 2019 from ramped-up opportunities post guest room refurbishment, supported by stronger leisure demand driving higher occupancy of the Deluxe rooms. The office segment maintained its stability underpinned by full occupancy whilst management services levelled its performance of last year's despite non-occurrence of one-off projects under facilities management.

Operating Profit

The Group recognised an impairment in respect to investment property under construction amounting to RM2.8 million during the year due to prolongation of the redevelopment of the City Point podium.

Nevertheless, operating profit grew marginally to RM1,020.0 million in FY2019 on the back of increased revenue. Operating expenses was prudently managed and was stable at 28% of revenue. Majority of the other cost increases were mainly arising from the higher depreciation in the hotel segment as well as planned maintenance of the office buildings.

Profit Before Tax

PBT (excluding fair value adjustment) increased marginally to RM951.8 million compared to the previous year. The refinancing of the new

Islamic Medium Term Notes ("IMTN") of RM500 million in April 2019, resulted in increased finance cost of 3.5% from higher effective interest rate of 4.62% compared to 4.60% in the previous year. Additionally, the lower profit shared from the associate company during the year due to one-off adjustment in Impian Klasik Sdn Bhd, also contributed to the marginal growth in PBT.

Profit for the Year

The effective tax rate for KLCCP Stapled Group was approximately 11.0% with KLCC REIT distributing more than 90.0% of its distributable income and was thus exempted from tax. The capital expenditure in respect to the hotel building also provided additional investment tax allowance for the deduction against taxable income.

Distribution per Stapled Security

KLCCP Stapled Group continues to deliver on its commitment of value and growth to its holders of Stapled Securities. For FY2019, the Group declared a distribution per Stapled Security of 38.00 sen, an increase of 2.7% from 2018. This translates to a declared dividend payment of RM686.0 million for the year in review.

FINANCIAL REVIEW

FINANCIAL POSITION REVIEW

	2019 RM'mil	2018 RM'mil	Variance %
ASSETS			
Investment properties	15,894.2	15,714.9	1.1
Property, plant and equipment	671.7	673.6	(0.3)
Right-of-use-assets	11.8	-	
Receivables	482.8	481.9	0.2
Cash and bank balances	883.9	735.7	20.1
Others	266.9	254.2	5.0
	18,211.3	17,860.3	2.0
LIABILITIES			
Payables	429.1	370.5	15.8
Borrowings	2,346.6	2,244.7	4.5
Others	142.1	120.0	18.4
	2,917.8	2,735.2	6.7
Total Equity attributable to equity holders of KLCCP and KLCC REIT	13,212.0	13,095.3	0.9
Net Asset Value per Stapled Security (NAV)	7.32	7.25	1.0

The financial position of the Group is maintained at a healthy position with sufficient cash and low gearing providing a conducive business environment for future development and long-term stability. The Group's total assets grew from RM17.9 billion to RM18.2 billion mainly from the appreciation in fair value of the investment properties. Net asset value per Stapled Security (NAV) improved from RM7.25 to RM7.32 during the year. Correspondingly, total equity attributable to equity holders strengthened to RM13.2 billion.



Property	Market Value		Carrying Value	
	31 Dec 2019 RM'mil	31 Dec 2018 RM'mil	31 Dec 2019 RM'mil	31 Dec 2018 RM'mil
KLCC REIT assets	9,603.9	9,598.9	9,194.0	9,190.8
Suria KLCC	5,615.0	5,455.0	5,598.4	5,444.2
Dayabumi	597.0	580.0	597.0	578.3
Lot D1	289.0	288.0	289.0	288.0
Total	16,104.9	15,921.9	15,678.4	15,501.3

Investment Properties and Fair Value Adjustment

Representing 86% of the KLCCP Stapled Group's total assets are the investment properties which includes its premium assets in KLCC REIT, namely, PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil as well as KLCCP's assets, Suria KLCC, Menara Dayabumi, the City Point podium land and the vacant land of Lot D1.

Valuation of these properties as at 31 December 2019 recorded an increase in market value of RM183.0 million as compared to RM73.3 million in the previous year mainly driven by the increase in value of Suria KLCC from the reconfiguration exercise. The exercise has unlocked the potential for higher rental returns from the anchor-to-specialty reconfiguration, a testament of focused strategies and initiatives in continuously curating new experience for shoppers by rejuvenating the tenant mix.

FINANCIAL REVIEW



In line with the accounting treatment under MFRS 140 Investment Properties, adjustments were made to exclude the adjustments of the accrued operating lease income and capital expenditure incurred during the year to avoid double counting of assets. Thus, RM118.5 million out of RM183.0 million was recognised as fair value adjustment in FY 2019.

Property, Plant and Equipment

Property, plant and equipment (PPE) for the Group comprise mainly the cost of MOKL Hotel's building. During the year, KLCCP Stapled Group embarked on enhancements in respect to digitalisation and security system upgrades within the KLCC Precinct and in the North West Development car park as well as remaining renovation on the mechanical, electronic and plumbing for MOKL Hotel. The RM39.7 million increase on PPE for the Group was set-off against depreciation charged and write-offs/disposal of assets no longer in use.

Right-of-use-assets

Following the adoption of MFRS 16 Leases, our leases on offices are now classified as Right-of-Use (ROU). The ROU of

RM11.8 million as at year end represents the office lease for the remaining contracted term between 3 to 4 years.

Payables

Payables recorded an increase of 15.8% as at year end mainly due to advance rental received from PETRONAS.

CASHFLOW REVIEW

	2019 RM'mil	2018 RM'mil
Operating activities	1,040.5	915.2
Investing activities	(99.1)	(59.7)
Financing activities	(790.3)	(862.1)
Change in cash and cash equivalent	151.2	(6.6)
Cash with PETRONAS IFSSC	544.8	439.4
Deposits with licensed banks	334.2	286.4
Cash and bank balances	4.9	9.9
Cash and cash equivalents	883.9	735.7

Operating Activities

The higher net cash generated from operating activities of RM1.0 billion compared to RM915.2 million was mainly due to the full year impact from the rental increase in PETRONAS Twin Towers, the receipt of advance rental from PETRONAS and security deposit particularly from the new tenants of Suria KLCC during the year.

Investing Activities

The increased cash utilisation in investing activities is mainly reflective of the higher capital expenditure incurred by the Group from the reconfiguration exercise in Suria KLCC and the asset enhancement, in respect to digitalisation and security system upgrades during the year.

Financing Activities

The financing activities of the Group consist of servicing of interest for KLCC REIT's Sukuk Murabahah programme (Sukuk) and term loan of the hotel. During the year, the Group successfully refinanced two tranches of KLCC REIT's Sukuk. The lower net cash used in financing activities was mainly due to cash received from the maturity of KLCC REIT's Sukuk which was previously subscribed by KLCCP.

The Group continuously manages the available cash with prudence through placement in fixed deposits or with PETRONAS Integrated Financial Services Centre (IFSSC) whereby the balance is interest bearing.

OPERATIONS REVIEW



OFFICE



**OFFICE SEGMENT
REMAINS THE
SECURED INCOME
GENERATOR,
UNDERPINNED BY ITS
STRENGTH OF THE
PREMIUM ASSETS**



No. of assets

5

[2018: 5]



NLA sq. ft.

5.6 million

[2018: 5.6 million]



Occupancy

100 %

[2018: 100%]



Revenue
contribution
by segment

42 %

[2018: 43%]

OPERATIONS REVIEW

Being an office-focused REIT, the office segment is the main revenue driver contributing 42% of the Group's revenue. The office portfolio comprises PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS which are strategically located within the Kuala Lumpur City Centre (KLCC) whilst Menara Dayabumi stands majestically within the former city centre of Kuala Lumpur. The Group also has a 33% stake in Menara Maxis, another prime office building in the KLCC Precinct.

With a defensive lease structure which lends stability, visibility of future cashflows and solid full occupancy in all the office buildings, the office segment remains the secured income generator, underpinned by the strength of its premium assets. The Triple Net Lease arrangement particularly for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi also shields us from the soft market conditions, with minimal impact to earnings.

Industry Landscape and Operating Challenges

The lackluster leasing activities and challenges of oversupply in the office market continued in year 2019. Although better absorption rate of new offices was observed compared to 2018, the Group remained cautious as the newly completed the Exchange 106 in the new financial district area and the impending completion of Merdeka 118, which is a stone's throw away from Menara Dayabumi, in year 2021 remains a competition.

Current trends for co-working services and tech savvy spaces saw major office players transforming their office buildings to accommodate the new demands. With the office market being in oversupply and the new trend in working spaces becoming popular, traditional office buildings are forced to undergo enhancements or be at risk of losing-out. Rent-free periods and other incentives are also becoming the norm to entice new tenants and retain the existing tenants.

**BACKED BY FULL
OCCUPANCY IN ALL THE
OFFICE BUILDINGS, THE
GROUP ANTICIPATES TO
NAVIGATE THROUGH
THE CHALLENGING
OFFICE MARKET WITH
ITS EXISTING LONG-
TERM LEASES AND HIGH-
QUALITY TENANTS**



As most of our assets are located within the prime Kuala Lumpur City Centre, the Group's offices remain the city's oil and gas hub, tenanted by PETRONAS and major oil and gas corporations who seek a prestigious address. Backed by full occupancy in all the office buildings, the Group anticipates to navigate through the challenging office market with its existing long-term leases and high-quality tenants.

OPERATIONS REVIEW

STRATEGY AND INITIATIVES FOR THE YEAR

Our strategy for the office segment is underpinned by our aim in creating the best office experience for our tenants and in our continued pursuit of attracting the best companies and employees as tenants. We also support our tenant initiatives in improving efficiency and resilience in the workplace through their sustainable practices.

1

Secured a further 18 years lease for Menara Dayabumi

With the extended lease at a higher rental rate, the appraised value for Menara Dayabumi also increased to RM365.0 million as compared to RM348.0 million in 2018

2

Creating vibrancy in Menara Dayabumi

Enabling tenants and their employees to have a workplace environment that better supports engagement and connectedness

3

Supported our tenant initiatives – Workplace for Tomorrow (WFT) and Going Green

The Group worked towards the completion of its tenant initiative in transforming specific areas in the workplace at all the office buildings occupied by PETRONAS into the “office for tomorrow”



OUR STRATEGY FOR
THE OFFICE SEGMENT IS
UNDERPINNED BY OUR
AIM IN CREATING THE
BEST OFFICE EXPERIENCE
FOR OUR TENANTS

Secured a further 18 years lease for Menara Dayabumi

Our leasing team continued to step-up its efforts with pro-active lease management and successfully secured a new six-year lease with option to extend the lease for a further two successive terms of six years each (6+6+6) with PETRONAS, prior to the expiry of tenancy at Menara Dayabumi on 31 December 2019. Testament to the rental stability of our property and despite the suppressed office market, the lease saw a locked-in positive rental increase for the period from 1 January 2020 to 31 December 2022. With the extended lease at a higher rental rate, the appraised value for Menara Dayabumi also increased to RM365.0 million as compared to RM348.0 million in 2018.

During the year, the leasing team were also actively securing an

anchor tenant for the proposed office tower of the City Point podium redevelopment. The Group is currently in the midst of re-tendering of the project for the superstructure.

Creating vibrancy in Menara Dayabumi

As part of the Group's commitment to continuously improve the office experience for its tenants, KLCCP Stapled Group embarked on improving the facilities and amenities in Menara Dayabumi to enable tenants and their employees to have a workplace environment that better supports engagement and connectedness.

In quarter 2, we saw the commencement of work to the facade entrance of Menara Dayabumi to enliven the area and objectively gain visibility to the retail within the building. The work is still in progress as of year-end but is targeted to complete in the first quarter of 2020. Upon completion,

Menara Dayabumi will connect the busy and popular Jalan Sultan Hishamuddin which is frequented by tourists and locals alike to Central Market, which is fronting the Government's River of Life project together with the equally vibrant Petaling Street. This will also augur well for the property as Menara Dayabumi is already well connected as a transportation hub with covered walkways to the bus, LRT, KTM and the new MRT stations. This will enable Menara Dayabumi to be truly central of the former city centre of Kuala Lumpur. The Group also invested capex to improve the parking conditions, with overall enhancements as well as upgrades to the chilled water system during the year.

During the year, the leasing team managed to secure retailers to add to the vibrancy of the building, bringing a wide offering of mainly food and beverage in a bazaar-like concept to cater to the tenant demands.

OPERATIONS REVIEW



We also leveraged Traders Hotel's expertise in hospitality with the opening of "On-the-Go" café in Menara Dayabumi. All these have resulted in increased vibrancy at the workplace and enhanced tenant satisfaction.

Supported our tenant initiatives – Workplace for Tomorrow (WFT) and Going Green

In 2019, the Group worked towards the completion of its tenant initiative in transforming specific areas in the workplace at all the office buildings occupied by PETRONAS into the "office for tomorrow". The transformation comprised 151 floors spanning across 2.5 million sq. ft. NLA of office spaces in PETRONAS Towers 1 and 2, Menara 3 PETRONAS, Menara ExxonMobil and Menara Dayabumi which were converted from conventional workplaces to a workplace that embodies the needs and trends of the tenants, promoting productivity, collaboration and connectivity. The WFT was designed to have more interactive meeting areas with "cool" factors such as shiny coffee vending machines, vibrant colored furniture as well as high speed wireless

internet connectivity. This bodes well with the millennials as this is in response to their growing demand for a seamless experience by reducing pain points, enabling collaboration and developing communities within our properties.

In our efforts of supporting our tenant initiatives in greening our buildings, we also successfully attained the Green Building Index Gold Rating for PETRONAS Twin Towers and Green Building Index Silver Rating for Menara 3 PETRONAS in June 2019.

During the year, we increased our efforts to implement energy efficient initiatives by upgrading the building control system with additional field devices to monitor and control the current mechanical and electrical system. We also installed LED light fittings for the WFT floors and common areas. This in turn, will reduce its impact on our overhead, cost, return of investment and the commensurate reduction of GHG emission. At Menara 3 PETRONAS, we continue to upgrade the Energy Management System of our buildings.

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustment)			PBT contribution 2019 %
	2019 RM'mil	2018 RM'mil	Growth %	2019 RM'mil	2018 RM'mil	Growth %	
PETRONAS Twin Towers	424.2	423.9	0.1	375.2	375.7	(0.1)	71
Menara 3 PETRONAS	88.1	88.1	0.0	85.3	85.5	(0.2)	16
Menara ExxonMobil	44.2	44.6	(0.9)	28.6	29.2	(2.1)	5
Menara Dayabumi	39.2	39.2	0.0	30.3	32.6	(7.1)	6
Menara Maxis*	-	-	-	11.6	12.8	(9.4)	2
Total Office Segment	595.7	595.8	n.m	531.0	535.8	(0.9)	100

*share of results of associates ; n.m – not meaningful

For the financial year 2019, revenue for the segment remained stable at RM595.7 million. PETRONAS Twin Towers remains the largest contributor at 71% or RM424.2 million of the office segment, followed by Menara 3 PETRONAS at 16% or RM88.1 million. With the Triple Net Lease arrangement with PETRONAS, all property expenses and outgoings are borne by the tenant which allows us to safeguard the overall PBT. Subsequent to the contracted step-up rent at the PETRONAS Twin Towers in October 2018, the office segment has continued to provide strong cashflows to the Group.

Marginal decrease in PBT is mainly due to lower share of profit from associate in respect to Menara Maxis as well as the higher financing cost upon the successful refinancing of RM500 million KLCC REIT's Sukuk during the year.

OPERATIONS REVIEW



RETAIL



SURIA KLCC HAS CLEARLY STAYED AHEAD OF THE CURVE AND CONTINUED TO EVOLVE AND PAVE THE WAY IN LEADING THE RETAIL INDUSTRY WITH ITS CURATION OF BRANDS, CONCEPTS AND THROUGH ITS STRONG BRAND PARTNERSHIPS



No. of assets

2

[2018: 2]



NLA sq. ft.

1.1

million

[2018: 1.2 million]



Occupancy

99

%

[2018: 98%]



Revenue contribution by segment

35

%

[2018: 35%]

OPERATIONS REVIEW

The retail segment for KLCCP Stapled Group comprises Malaysia's landmark mall, Suria KLCC and the retail podium of Menara 3 PETRONAS. Despite the rapid transformation in the retail industry, Suria KLCC has clearly stayed ahead of the curve and continued to evolve and pave the way in leading the retail industry with its curation of brands, concepts and through its strong brand partnerships, living up to its tag line of "Always Something New".

Complemented by the office towers, its location within the iconic belt and tourists' attractions provides a ready catchment for the malls. Suria KLCC together with the retail podium of Menara 3 PETRONAS achieved an impressive RM2.67 billion Moving Annual Turnover – tenant sales and saw customer count up by 8.8% as at year end.

Industry Landscape and Operating Challenges

The retail industry remained challenging with high supply of pipeline of retail space. Occupancy and rental rates remained stable for prime retail malls however there was continued downward pressure impacting less performing malls due to competition.

Malaysians are becoming more cautious about their spending as evidenced by the drop in the Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index to 82.3 points in 4Q2019, marking the lowest reading since 2Q2017.

Traditional shopping is being challenged by the advent of technology adopted by businesses and retail malls. This is in the form of online payment, online shopping platform, brand specialised applications, artificial intelligence (AI), augmented reality and more.

"Retailtainment" is also becoming an attraction especially for millennials, offering new experiences, entertainment, adventure and games. It is a growing trend in the retail



**SURIA KLCC
TOGETHER WITH
THE RETAIL PODIUM OF
MENARA 3 PETRONAS
ACHIEVED AN IMPRESSIVE
RM2.67 BILLION MOVING
ANNUAL TURNOVER –
TENANT SALES AND SAW
CUSTOMER COUNT UP BY
8.8% AS AT
YEAR END**

market meant to deliver excitement and attract customers. Many mall operators were also seen integrating their digital and brick-and-mortar outlets in line with the evolving retail trends and consumer behaviour.

Our retail asset prides itself in having a strong leasing and research team who are continuously attuned to the changes in the retail landscape. Suria KLCC adopts a hands-on

approach in engaging and communicating with the tenants and retail partners on the ever changing consumer needs and demands to deliver value. This has brought significant value to the retailers and have enabled them to go beyond traditional retail and create a store experience reflective of customers' lifestyle.

OPERATIONS REVIEW

STRATEGY AND INITIATIVES FOR THE YEAR

KLCCP Stapled Group's retail portfolio was steadfast in its strategy in curating Suria KLCC for relevance, widening the reach into digital space towards creating a mall for the future. Suria KLCC embarked on reinventing the store experience for the connected customer, leveraging on data from surveys and AI platforms to understand customer behaviour, wants and needs as well as through proactive engagement with retailers and dialogues with luxury brands.

1

Unlocking value through the anchor-to-specialty space reconfiguration

Approximately 120,000 sq. ft. of NLA have been exclusively fitted out with approximately 80 specialty stores including fashion, food and beverage and cosmetics

2

Curated the consumer offerings with focus on experience and convenience

Suria KLCC introduced 33 new tenants to amp-up the vibrancy of the mall, bringing the total of first-to-market stores which are exclusive to Suria KLCC, to nine

3

Transformed the mall experience by leveraging technology and strategic brand partnerships

Creating new delight points with its many digital screens and panels engaging its customer throughout their decision journey



Unlocking value through the anchor-to-specialty space reconfiguration

Following the lease expiration of one of its anchor tenant in March 2019, Suria KLCC took a bold step and embarked on a strategic anchor-to-specialty reconfiguration exercise to broaden the retail offer and introduced a diverse mix of prominent local and international brands. The reconfiguration exercise spanning a space of approximately 120,000 sq. ft. of NLA has been exclusively fitted out with approximately 80 specialty stores including fashion, food and beverage and cosmetics.

Phase 1 of the reconfiguration completed in December 2019 and following the authority approval, opened its doors to the community on 24 January 2020. This showcased an impressive selection of new tenants, namely Le Labo – a luxury perfume brand based in New York, who launched its first store in Malaysia; Gucci Beauty – first standalone boutique in Malaysia; the expansion of Louis Vuitton's flagship store and Lululemon – a stylish athletic apparel, Givenchy Beauty, Giorgio Armani Beauty, Fred Perry, Lancome, MCM, Serai, to name a few.

The Phase 2 which entails the expansion of the second half of the food court is expected to be completed by mid-2020. This newly reconfigured space will provide a new customer experience which would satisfy the ever changing and challenging retail landscape in the city. The positive impact to earnings from the higher net property income contributed by these new tenancies will be reflected in 2020.

Curated the consumer offerings with focus on experience and convenience

Committed to stay ahead of the game, Suria KLCC is relentless in its quest of understanding the needs of consumers and retailers, strategically rethinking the type of stores that consumers will respond to. They focused on a curated mix of smaller stores that add a sense of novelty to the mall offering – experience, personalisation and exclusivity.

In April 2019, the mall officially launched the first of its kind dedicated men's precinct covering approximately 38,000 sq. ft. of the mall's first floor. The star-studded launch party themed Lights & Mirror was well attended by celebrities and business partners; an event in response to

an increasing fashion-forward crowd. This dedicated precinct which already houses unique brands such as Alfred Dunhill, Hugo Boss, Boggi Milano, Brooks Brothers, Coach Men, Bally, Michael Kors, Fendi and Mont Black, saw the opening of Kenzo and Off-white to complete the precinct. As at year end, the men's dedicated precinct generated a 32.2% increase in men's luxury sales compared to 2018.

During the year, Suria KLCC introduced 33 new tenants to amp-up the vibrancy of the mall, bringing the total of first-to-market stores which are exclusive to Suria KLCC, to nine. We welcomed YSL Beaute, Tous, Skechers Kids, Adidas Kids, Family Mart to name a few. During the year, the retail podium of Menara 3 PETRONAS also saw renewed vibrancy with 16,000 sq. ft. over 2 floors being taken up by an ultra-luxurious gym – Babel, with state-of-the-art equipment, world class trainers and a luxurious feel, making it one of Malaysia's iconic wellness clubs.

OPERATIONS REVIEW



**SURIA
KLCC TOOK A BOLD
STEP AND EMBARKED
ON A STRATEGIC
ANCHOR-TO-SPECIALTY
RECONFIGURATION EXERCISE
TO BROADEN THE RETAIL
OFFER AND INTRODUCED A
DIVERSE MIX OF
PROMINENT LOCAL AND
INTERNATIONAL
BRANDS**



Suria KLCC also embarked on a mission to elevate its food offering to the next level by introducing new and unique concepts namely Two Sons Bistro. The increased infusion of F&B into the overall curation of Suria KLCC has been a significant contributor to the overall sales growth.

Suria KLCC also collaborated with a celebrity chef with both online video exposure as well as on-ground "dine with the star" contest which successfully brought footfalls and sales to the participating F&B outlets in the mall.

Transformed the mall experience by leveraging technology and strategic brand partnerships

With the emergence of digital revolution redefining customer expectations, Suria KLCC has been in the forefront of their digital journey creating new delight

points with its largest rotating double-sided LED screen and many digital advertising panels throughout the mall. These have enabled our retail mall to engage its customers throughout their decision journeys and have transformed the mall usability as a means of improving customer satisfaction. These digital exertions have also grown the mall's revenue from internal digital advertising by 15.2% from the preceding year.

In July 2019, Louis Vuitton in partnership with Suria KLCC played host to the exclusive Louis Vuitton Time Capsule Exhibition which showcased a journey of discovery of the Maison's landmark innovations in technology and design throughout the years. Set on the esplanade, against the backdrop of the iconic PETRONAS Twin Towers, Kuala Lumpur was the 16th city to host the exhibition and allowed visitors to experience some of the most valuable pieces from the Louis Vuitton's archives. The collaboration was the most successful global execution of this Louis Vuitton Time Capsule.

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustment)			PBT contribution 2019 %
	2019 RM'mil	2018 RM'mil	Growth %	2019 RM'mil	2018 RM'mil	Growth %	
Suria KLCC	469.3	460.0	2.0	364.5	358.9	1.6	95
Menara 3 PETRONAS (Retail Podium)	33.9	31.0	9.4	18.3	15.2	20.4	5
Total Retail Segment	503.2	491.0	2.5	382.8	374.1	2.3	100

Comprising 35% of the overall KLCCP Stapled Group's revenue contribution, the retail segment reported a growth of 2.5% in revenue and 2.3% in PBT despite the loss of income for 8 months due to the anchor-to-specialty space reconfiguration.

Suria KLCC, representing 95% of the PBT contribution of the retail segment saw growth in revenue of RM9.3 million or 2.0% arising from its ability to still command higher rental rates compared to previous year. The installation of the LED screens and the ability to unlock the digital advertising market potential also contributed to the higher revenue of RM469.3 million. The increase in revenue was partially offset by the said loss of rental income from the reconfiguration exercise. Nevertheless, Suria KLCC recorded a higher PBT excluding fair value adjustment of RM364.5 million, a steady growth of 1.6%, achieving a commanding 78% PBT margin.

The retail podium of Menara 3 PETRONAS, too, fared well during 2019 with a growth of 9.4% in revenue and 20.4% in PBT. Higher average occupancy during the year of 95% compared to 84% in 2018 significantly contributed to the improved performance of the mall in 2019.

OPERATIONS REVIEW



HOTEL



2019 REFLECTED A FULL YEAR IN OPERATION AFTER A SEVEN-YEAR MASTER PLAN REFURBISHMENT PROGRAM WHICH WAS IMPLEMENTED IN PHASES TO REJUVENATE THE HOTEL IN ITS BID TO STAY AHEAD OF THE GAME



No. of assets

1

[2018: 1]



No. of rooms

629

[2018: 629]



Occupancy

64 %

[2018: 55%]



Revenue contribution by segment

13 %

[2018: 12%]

OPERATIONS REVIEW

As one of Kuala Lumpur's most opulent hotel establishments, MOKL Hotel represents the hotel segment of KLCCP Stapled Group, contributing 13% of the Group's revenue.

2019 reflected a full year in operation after a seven-year master plan refurbishment program which was implemented in phases to rejuvenate the hotel in its bid to stay ahead of the game. Quarter 2 of 2018 saw the successful completion of the guestroom renovation, offering guests a fresh new product which led to the growth in average occupancy from 55% to 64% this year and guest satisfaction maintained at a high of 92%.

MOKL Hotel's relentless pursuit of superlative guest service enabled it to reap significant national and worldwide recognition as the 'hotel of choice' for business and leisure travelers. During the year, MOKL Hotel was conferred with 16 awards, including Best Luxury Hotel – Kuala Lumpur by APAC Insider, ASEAN Green Hotel Award, Social Media Excellence Award by Hospitality, Social Media Chambers Malaysia, 5-Star Hotel Gold Award by Kuala Lumpur Mayor's Tourism, Trip Advisor's Traveler's Choice Awards and numerous segments under Haute Grandeur Global Excellence Hotel Awards including Best MICE Hotel in Malaysia. Our world class restaurant serving Chinese cuisine Lai Poh Heen was also crowned the Best Hotel Restaurant by Malaysia Tatler T Dining Best Restaurants.

Industry Landscape and Operating Challenges

During the year, the hospitality industry faced challenging trading conditions as visitor arrivals showed slower growth and the arrival of 6 new hotels in the second half of 2018 in the KLCC vicinity put significant pressure on occupancy levels and average rates.

The hotel market continued to see a price war which caused intense competition resulting in hoteliers "lowering" their room rates to secure guests and upgrading their premises to stay relevant.



**MOKL HOTEL'S
RELENTLESS PURSUIT
OF SUPERLATIVE GUEST
SERVICE ENABLED IT
TO REAP SIGNIFICANT
NATIONAL AND
WORLDWIDE RECOGNITION
AS THE 'HOTEL OF CHOICE'
FOR BUSINESS AND
LEISURE TRAVELERS**

The city's key driver market of oil and gas showed slow but steady improvement, whilst banking and finance posted a weak performance under continued belt tightening pressures within the sector. Government linked business showed only mild growth with austerity measures continuing.

With the inter-connectivity of today's generations, the widespread availability of information has been ramping up competition in the hotel market. Digital marketing is playing an important role and to appeal to the next-gen travelers who are concerned with authenticity and crafted experiences, increased visibility through social media marketing and guest reviews are driving new and repeat bookings for the hospitality industry.

The increase in minimum wage to RM1,100 which took effect from 1 January 2019, also had an impact on hotels, which employ large numbers of workers though experiencing weaker revenue growth in recent years with the competition in the hospitality sector rising.

Despite the challenging hospitality market, the positive customer reception for the newly renovated rooms have seen strong gains in the leisure segment and have boosted MOKL Hotel's RevPar by 5.1% compared to 2018, out-performing the compset by 7.6%. The digital commerce initiatives have also been a bright spot and helped offset the lackluster growth in corporate segment.

OPERATIONS REVIEW

STRATEGY AND INITIATIVES FOR THE YEAR

Since 2011, the hotel has worked to prepare for the significant increase in competitive supply. MOKL Hotel had embarked on an overall refurbishment of its hotel offers in phases. With the guestroom renovation project fully completed in June 2018, the hotel now offers a resolutely new experience to the guests. This has put MOKL Hotel in a strong position to compete with new hotels in the market. The hotel's luxury spa, swimming pool and recreational facilities continue to receive high satisfaction scores from guests.

1

Optimising corporate and leisure mix

The Asian leisure segments received boosted sales promotion with dedicated support for online channels, particularly in China, Japan and Korea where healthy growth rates were seen

2

Focusing on brand expressions to drive loyalty

The Spa, MOKL Hotel's spa with a reputation of delivering unique and result oriented treatment, launched exclusive new retail products, unique treatments and a series of educational wellness programs with visiting wellness practitioners

3

Controlling cost and focus on staff retention

With the installation of back-of-house LED lighting, the hotel is expected to save approximately RM20,000 per year. The hotel successfully kept staff turnover well below the industry average

Optimising corporate and leisure mix

During the year, the hotel focused its major direct sales efforts on the corporate business from the domestic market and the regional markets of Singapore, Hong Kong, Japan and United Kingdom.

The Asian leisure segments received boosted sales promotion with dedicated support for online channels, particularly in China, Japan and Korea where healthy growth rates were seen. Good growth was also observed in the Europe, Middle East and USA markets.

In efforts to penetrate business from the China market, MOKL Hotel under the MOHG Group platform had set up a MOHG WeChat account. With this platform, guests are able to make bookings with the simple scan of a QR code. This has resulted in less cost to the hotel and increased brand exposure.

Focusing on brand expressions to drive loyalty

As the F&B segment contributes 41% of the hotel's revenue, MOKL Hotel focused on its quest to offer differentiation to its customers to gain customer traction in the F&B segment to boost sales performance. Mandarin Grill embarked on a facelift with a new Italian Grill concept, to provide guests with an improved dining experience and to further strengthen the hotel's offerings. The launch of the newly renovated Mandarin Grill in July 2019 was well received by diners.

The hotel also had a very active schedule of 38 promotions held throughout 2019 featuring Michelin-starred celebrity chefs, seasonal holiday celebrations and international food festivals. All these efforts contributed to the 2.2% growth in F&B revenue for the year in spite of the competitive landscape.



The Spa, MOKL Hotel's spa with a reputation of delivering unique and result oriented treatment, launched exclusive new retail products, unique treatments and a series of educational wellness programs with visiting wellness practitioners. This created strong awareness and interest in The Spa. In addition to the recognition of Forbes 4 stars on The Spa, this segment also delivered a solid performance in the face of strong new competition with a contribution margin of 64%.

OPERATIONS REVIEW



The “Fans of MO”, MOKL Hotel’s recognition programme which was launched in 2018, saw robust growth with over 300,000 members registered to-date, improving room nights growth via the MO.com platform by 34%. Boosted digital marketing efforts have also delivered exceptional results from online sources, with success in driving more business through the hotel’s brand website, avoiding costly commissions from third party travel partners.

THE “FANS OF MO”, MOKL HOTEL’S RECOGNITION PROGRAMME WHICH WAS LAUNCHED IN 2018, SAW ROBUST GROWTH WITH OVER 300,000 MEMBERS REGISTERED TO-DATE, IMPROVING ROOM NIGHTS GROWTH VIA THE MO.COM PLATFORM BY 34%

Controlling cost and focus on staff retention

In delivering a luxury product as expected by the hotel’s well-heeled travelers, and still maintain a healthy gross operating profit above 30%, MOKL Hotel is faced with cost pressures at the back of increase in minimum wage as well as increase in cost of raw materials and imported goods.

The hotel undertook several measures to optimise cost during the year. With the installation of back-of-house LED lighting, the Hotel is expected to save approximately RM20,000 per year. MOKL Hotel also took advantage of the large tunnel washer it installed in 2018, and started a new outside commercial laundry service – offering laundry service to other hotels within the precinct. This in turn generated revenue for the hotel.

Retention of hotel staff was a major focus in 2019 to minimise loss of highly trained staff to new competitor hotels. The hotel successfully kept staff turnover well below the industry average of 34%. This was largely due to comprehensive staff communication programs, intensive training and career development options, multiple social activities and powerful staff engagement with a busy sustainability task force schedule that involved the hotel team in CSR programs to improve the local environment and help the less fortunate in society. MOKL Hotel holds Green Hotel Awards from both Malaysian Tourism and ASEAN.

FINANCIAL REVIEW

	2019 RM’mil	2018 RM’mil	Growth %
Revenue	177.5	172.4	3.0
Profit before tax	0.7	0.1	>100

The hotel segment recorded an increase in revenue to RM177.5 million, a 3.0% increase from last year benefitting largely from the KL Summit event held in December 2019 and stronger transient demand. PBT grew to RM0.7 million from RM0.1 million last year, from improved demand in F&B and room segments despite ongoing cost and supply pressures.

The hotel room revenue recorded an increase of RM4.3 million or 4.8% during the year mainly due to the growing demand in the leisure and MICE segments. Although F&B revenue saw a slow down during the earlier months of 2019 due to stiff competition especially in the banqueting segment, a turnaround was experienced in quarter 4 with the onslaught of MICE events and spill-over effect from the Kuala Lumpur Convention Centre.

OPERATIONS REVIEW



MANAGEMENT SERVICES



**DURING THE YEAR,
BOTH KLCCUH AND KPM
INVESTED IN ELEVATING
QUALITY OF SERVICE,
FOCUSED ON SAFETY AND
SECURITY AND ENHANCING
USER EXPERIENCES VIA
TECHNOLOGY**



No. of
facilities
managed

20

[2018: 20]



No. of car
parking
bays
managed

12,634

[2018: 12,634]



Revenue
contribution
by segment

10 %

[2018: 10%]

OPERATIONS REVIEW

The management services segment comprises predominantly two categories – facility management and car park management, which serves to compliment the property portfolio of KLCCP Stapled Group.

KLCC Urusharta Sdn Bhd (KLCCUH) manages all the facilities and buildings within the Group's portfolio, the common estates and facilities which include the KLCC Park and also various PETRONAS and KLCC (Holdings) facilities across the country. KLCCUH offers a comprehensive range of services in the spectrum of facility management, aimed at meeting the requirements of tenants and building owners.

KLCC Parking Management Sdn Bhd (KPM) offers the expertise of more than 10 years' experience in the car park management industry. In addition to managing existing portfolios of assets within the KLCC Group of Companies, KPM also provides advisory services to owners and operators of old and new properties, ranging from shopping complexes, office buildings, hotels and convention centre on the practical, functional and aesthetic aspects of car park facilities.

Industry Landscape and Operating Challenges

Cost management remains one of the major challenges encountered by the facility manager in the mix of providing top notch services, ensuring compliance with regulatory requirements and improving the tenant experiences in the building and facilities under KLCCUH's care. KLCCUH has to efficiently manage reasonable operating cost, the escalation in manpower expenses and the rising cost of parts replacements to remain competitive within its industry. Also, as the critical systems in our office buildings continue to age, KLCCUH will need to have adequate preventive measures to extend the assets' useful life, at the same time, introducing the right technology and having the right capability in managing the new resources, all within

THE MANAGEMENT SERVICES SEGMENT COMPRISES PREDOMINANTLY TWO CATEGORIES - FACILITY MANAGEMENT AND CAR PARK MANAGEMENT, WHICH SERVES TO COMPLIMENT THE PROPERTY PORTFOLIO OF KLCCP STAPLED GROUP



the aspect of optimising cost to the building owners and tenants.

The continuation of road closures along Persiaran KLCC until year 2021 as part of the Kuala Lumpur City Hall (DBKL) long-term traffic management plan for the construction of the MRT Sungai Buloh-Serdang-Putrajaya (SSP) line has impacted the car park business in the North West Development car park at the KLCC Precinct due to disjointed flow of traffic resulting in users opting for public transportation to get into

Suria KLCC, PETRONAS Twin Towers and buildings surrounding the areas. The disruption of e-hailing services continue to impact the downward trend of car counts in numerous car parks managed by KPM.

As today's connected consumers demand convenience, the parking industry is also moving towards innovative technologies to improve parking access control and payment automation. KPM has been hard at work.

OPERATIONS REVIEW

STRATEGY AND INITIATIVES FOR THE YEAR

During the year, both KLCCUH and KPM invested in elevating quality of service, focused on safety and security and enhancing user experiences via technology.

1

Enhancing safety and security features within the KLCC Precinct

KLCCUH strengthened their Safety and Security team as well as invested in an Integrated Command Centre (ICC) at the KLCC Precinct, in its aim to ensure safety and security of visitors to the area

2

Implemented License Plate Recognition (LPR) in NWD

New technology that uses optical character recognition to identify license plates, capture tagged images and turn these information into a data stream

3

Introduced ICONIK, for cashless payment

Improved convenience to customers with cashless initiatives and upgraded the parking entry and exit terminals at NWD car park with integrated credit/debit card and Touch n Go readers

Enhancing safety and security features within the KLCC Precinct

As KLCC Precinct is on the iconic belt, it is susceptible to a wide range of risks, ranging from national threat to petty theft. Understanding the inherent risks of hot spots like Suria KLCC, PETRONAS Twin Towers and the KLCC Park was crucial for KLCCP Stapled Group to ensure safety and security of visitors to the area. KLCCUH strengthened their Safety and Security team as well as invested in an Integrated Command Centre (ICC) at the KLCC Precinct, in its aim to ensure safety and security of visitors to the area.

The Security Enhancement Project was initiated to address the security risks as defined in the revised KLCC Precinct Security Master Plan (SMP). The project involved building a new larger ICC to house the security management team and the new security and surveillance system to effectively manage KLCC Precinct's security operations and respond to emergencies. The surveillance systems (CCTV) was upgraded to a digital platform from analog, which has since doubled in quantity and includes high-tech specifications such as facial

recognition, left item identification and other video analytics features. Also, KLCCUH introduced Crime Prevention through Environmental Design (CPTED), which is a form of planter box that was built to ensure no unauthorised vehicles entered the KLCC Park or the surrounding Precinct.

The enhancement in CCTV, smart analytical software and installation of retractable barriers coupled with collaboration with car park management, is expected to greatly reduce security risk at the precinct and improve safety, providing shoppers and users a peace of mind. KLCCUH achieved a higher client satisfaction score of 84% compared to 82% in the previous year.

Implemented License Plate Recognition (LPR) in NWD

KPM aims to provide a parking experience which transcends from 'just parking' to a 'car park that cares'. During the last quarter of 2018, the company had installed a new technology that uses optical character recognition to identify license plates, capture tagged images and turn these information into a data stream. KPM was amongst the first few car park management companies which introduced

this new technology in Malaysia. The newly implemented system was in operation this year at NWD.

The implementation of the LPR was to intensify the security level of the car park which houses almost 5,000 car park bays, also complementing the security enhancement initiated by KLCCUH. The LPR system identifies registered vehicles entering the premises in real-time. Therefore, unauthorised vehicles will be prevented from entering the car park. The system also serves as a prevention to fraudulent cases for transient cars that try to avoid penalty payment for overstayed and lost tickets. The LPR system is able to organise automatic opening of the rising arm barrier at the entrance and exit to and from the car park. This has elevated the standard of car parking within NWD and delivered an exceptional level of parking experience for our customers.

Introduced ICONIK, for cashless payment

In keeping up with technological advances, KPM embarked on improving convenience to customers with their cashless initiative and upgraded the parking entry and exit terminals at our NWD car park with integrated credit/debit card and Touch n Go readers.

KPM also introduced ICONIK, the mobile phone application which features online ticket payment system, car park availability and information on services available including parking rates. This digital feature was first introduced in the car park for Kuala Lumpur Convention Centre in 2018 and was launched in NWD during the year to complement the other existing cashless payment initiatives aside from equipping the auto pay machines with credit card facilities, activation of online payment for season card holders via the company's website and installation of integrated reader for Touch n Go, credit and debit card at the entry and exit terminals. To-date, 45% of KPM's customers utilise the cashless payment mode. KPM achieved a satisfaction score of 71% from its customers, for the year in review.

OPERATIONS REVIEW

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustment)			PBT contribution 2019 %
	2019 RM'mil	2018 RM'mil	Growth %	2019 RM'mil	2018 RM'mil	Growth %	
Facilities Management	77.6	76.4	1.6	20.0	18.2	9.9	54
Car Park Management	61.9	62.4	(0.8)	12.5	13.5	(7.4)	33
Others	7.1	7.9	(10.1)	4.8	1.8	>100	13
Total Segment	146.6	146.7	(0.1)	37.3	33.5	11.3	100



This segment, similar to last year, contributes 10% of KLCCP Stapled Group's revenue.

Facilities Management reported a marginal growth of 1.6% in revenue from fees received upon the completion of WFT and several one-off works within the company's existing clientele. PBT improved by 9.9% or RM1.8 million at the back of revenue with several reductions in general administration cost.

Revenue from car park management dipped due to the noticeable reduction in transient car count at NWD. However, it was partially offset by higher income generated from the parking at Kuala Lumpur Convention Centre due to major events and conferences held during the year. KPM also invested in multiple digitalisation initiatives during the year which increased operating expenses and depreciation charges, resulting to a reduced PBT of 7.4%.

'Others' represents mainly the interest income earned as well as general manager services provided by the Company to the entire KLCC Group of Companies.

The Group's management services segment also includes the REIT management services under KLCC REIT Management Sdn Bhd. The stapled structure of our Group ensures no leakage of management fees. The management fees charged which is part of KLCC REIT's expense is recycled back into the income stream within the KLCCP Stapled Group, hence does not impact the profitability. The income earned by KLCC REIT Management is subsequently utilised to distribute dividends to the holders of Stapled Securities.

CAPITAL MANAGEMENT

The financial standing of the Group remains fundamentally strong and consistent. Gearing ratio as at 31 December 2019 is low and prudent at 17.8% upon the renewal of RM500 million of KLCC REIT's Sukuk during the year. The gearing ratio is also well below the REIT industry benchmark of about 30%, and the threshold set by the Securities Commission of 50%.

KLCCP Stapled Group's approach to managing capital is set out in the KLCC Group Corporate Financing Policy, with the objective to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximise shareholder value.

The foundation in our capital management strategy is to sync stable income stream to the long-term financings and maturity schedule whilst also keeping financial ratios within the industry benchmark. The debt equity structure undertaken also takes into consideration the tax impact to ensure that the optimal structure is achieved.

	2019	2018	2017	2016	2015
Total borrowings (RM'mil)	2,346.6	2,244.7	2,251.1	2,552.4	2,560.6
Average cost of debt (%)	4.6	4.6	4.6	4.5	4.5
Fixed: Floating ratio	84	84	84	85	86
Average maturity period (years)	4.6	4.1	5.1	5.6	6.5
Gearing ratio (%)					
- Gross	17.8	17.1	17.2	19.9	20.4
- Net	11.1	11.5	11.5	12.0	11.6

KLCC REIT and Suria KLCC restructured its facilities in 2014 with the establishment of Sukuk Murabahah with a combined limit of RM3.0 billion and RM600 million respectively which were rated AAA by RAM ratings. In 2015, Asas Klasik Sdn Bhd, a 75% owned subsidiary of KLCCP which owns MOKL Hotel, restructured its existing borrowings of RM330 million into 2 restructured term loan facilities in the aggregate sum of RM378.0 million.

During the year, the second and fifth tranches of Sukuk Murabahah with total amounting to RM500 million fell due in April and was repaid and successfully renewed with a repayment term to 2026. With that, the Group's average maturity period has been extended to 4.6 years compared to 4.1 in 2018.

A repayment of RM7.5 million of MOKL Hotel's term loan facilities was also made during the year resulting in a marginal decrease in financing from the term loan.

As of 31 December 2019, KLCC REIT utilised approximately RM1.4 billion of the RM3.0 billion Sukuk Murabahah. With more than 50% of the unutilised programme together with the mandate granted by the holders of Stapled Securities to issue new shares up to 100% of the approved share capital, the Group has the financial flexibility to tap into the debt equity markets to gear up further, to support future acquisitions.



Capital Expenditure

In line with KLCCP Stapled Group's efforts to embark on asset enhancement initiatives to bring renewed vibrancy and add value to the assets, commitment to several major capital expenditure, namely the reconfiguration exercise in Suria KLCC had been observed during the year. Suria KLCC spent approximately RM55 million for the reconfiguration exercise as well as the escalator modernisation and various system upgrades. These expenditure commitments were funded from the available internal cash.

The remaining refurbishment at the hotel were partially funded by the existing term loan facilities of RM378.0 million.

In respect to the redevelopment of the City Point Podium, the Group will review the funding requirements and will raise debt funding where necessary, in tandem with the progress on ground. As of current development, all expenses incurred were sourced through internal funds.

CAPITAL MANAGEMENT



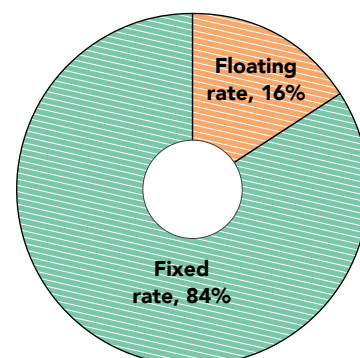
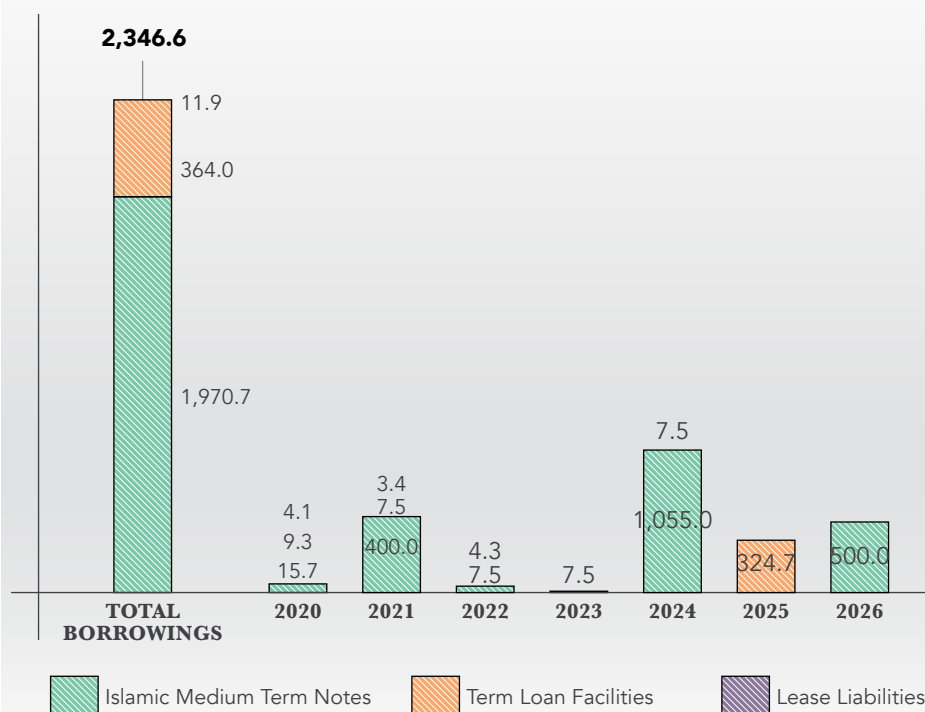
FINANCIAL RISK MANAGEMENT

Whilst KLCCP Stapled Group is subjected to financial risk in the course of its business on a day to day, the Group's financial risk management, mostly guided by the PETRONAS Integrated Financial Risk Management (IFRM) Guideline entails the process in which the financial risks are identified, analysed, appraised and deliberated to its acceptable level. The identified risk will be continuously monitored and regulated with proper level of mitigation plans in accordance with the Group's view of the balance between risk and reward.

Credit Risk

Credit risk is the inability to collect amounts owing to us that could bring about adverse impact on the financial performance. Although credit risk appetite differs from one business segment to another, the Group strives to minimise credit risk through efforts such as entering into contracts with highly credit rated counterparties, necessitate collaterals or any form of credit enhancements.

Debt Maturity Profile (RM'mil)



Total Borrowings
RM2,346.6 million

CAPITAL MANAGEMENT

The Group's credit risk arises predominantly from the trade receivables which is inherent to our operation. The trade receivables are mainly associated with the debts from the retail and hotel segments as the office segment is secured with locked-in long-term leases where the lease rentals are paid timely and in advance.

As at 31 December 2019, the following is the aging of the Group's trade receivables.

Trade Receivables' Aging	RM'mil
Not past due	7,720
Past due 1 to 30 days	632
Past due 31 to 60 days	326
Past due 61 to 90 days	60
Past due more than 90 days	365
	9,103
Less: Allowance for impairment losses	(235)
	8,868

For the Retail segment, the retail operators also carry out thorough credit evaluation using qualitative and quantitative criteria on new tenants and continuous follow up with the tenants to ensure collectability. Constant monitoring of the tenants' affordability of the rental charges is also part of the credit risk mitigation. Similarly, the hotel segment also conducts thorough reviews and assessments of the credit worthiness of customers who are provided credit limits to ensure timely collection of payment obligation when falls due.

Liquidity Risk

The Group maintained adequate cash and bank balances to meet its working capital requirement as part of the overall liquidity management. A periodic cash flow forecast is undertaken to determine optimal cash requirement, taking into consideration all realisation of receivables, payment of suppliers and other capital and financial obligations. This proactive cash management ensures that any idle monies are placed in interest bearing accounts.

As disclosed under the debt maturity profile, KLCCP Stapled Group's outstanding borrowings are only due within the medium to long-term. In addition, KLCCP Stapled Group has significant headroom which will allow it to tap into financing as and when required.

Interest Rate Risk

It is in the Group's interest to manage the exposure to interest rate risk in order to provide certainty to the income distribution/dividend. The Group has always maintained relatively high borrowings on fixed rate, wherein borrowings with floating interest rate only represent RM364.0 million or 16% of the Group's total borrowings. In perspective, a 0.5% point increase in the interest rate will only increase the interest expense by RM1.8 million per annum and decrease the distribution per Stapled Security by 0.10 sen.

The remaining of the exposure to interest rate represents the higher or lower interest income from the interest bearing cash and bank balances. The Group reported an interest income of RM31.6 million during the year at the back of average interest rate of 3.45%. A supposedly 5% change in the interest rate, will result in an additional income of approximately RM1.6 million.

Foreign Currency Risk

Foreign currency risk is the risk arising from the exposure to foreign currency and exchange rate fluctuations. As KLCCP Stapled Group operates predominantly in Malaysia and transacts mainly in Malaysian Ringgit, it is not exposed to any significant foreign currency risk.



To read more, refer to *Understanding Our Principal Risks* on pages 60 to 66

PROSPECTS

As Malaysia enters year 2020, the expectation on the market's growth is fairly subdued with external headwinds and uncertainties persisting. Malaysian Rating Corp Bhd (MARC) has decelerated Malaysia's real gross domestic product (GDP) growth to 4.3%, below the Government's forecast of 4.8%, due to weaker external trade performance and softer domestic demand growth. Even though the trade tensions between the US and China could marginally benefit Malaysia in the short term, the overall weakening of global trade growth will continue to weigh on its export sector.

A promising outlook has been projected for the local consumer sector for 2020, spurred by higher disposable income that will be driven by Budget 2020 initiatives, major sporting events and the spillover from Visit Malaysia Year 2020 (VMY 2020). However, with the novel Coronavirus (COVID-19) outbreak restricting travel worldwide, the tourism industry may face some challenges in the short-term, impacting the hospitality and retail industries.

With the pre-emptive measure by Central Bank of Malaysia to secure the improving growth trajectory amid price stability, Central Bank of Malaysia cut the OPR to 2.75% on 22 January 2020. This lower OPR is expected to lift MREITs' valuation. The compression in MGS yields is expected to drive investor demand for alternative yielding assets, thereby positively re-rating the REIT sector.

KLCCP Stapled Group will continue its focus on future-proofing its business on creating value from the KLCC Precinct, progressing lifestyle towards a digitally smart, connected and sustainable city. The office segment anchored by the long-term locked-in tenancy structure under the Triple Net Lease arrangements for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi will continue to be defensive and provide strength and stability for the Group. We will also actively seek anchor tenant for the proposed City Point podium redevelopment and continue to personalise the tenant experience to engage our connected tenants at our office properties.

Our retail segment led by Suria KLCC, will see a boost to its earnings from the opened Phase 1 reconfigured space and once the Phase 2 fully opens by mid-2020. With customer experience as the new brand, Suria KLCC will continue its focus on understanding and catering to shopper needs' and in delivering a bespoke and engaging retail experience that meet lifestyle needs of our customers, which they cannot get on-line. Our retail malls will leverage on its various digital exertions, to shape the consumer experience and take the shopping experience to the next level.

MOKL Hotel is expected to continue to operate in a challenging luxury hotel market with strong competition from the new hotels. International city-wide conventions and meetings for 2020 are expected to see solid pace of bookings compared to 2019 and the new extension of the KLCC Convention Centre will deliver more MICE related business in the years to come. Some uplift is also expected from the affordable currency exchange that makes Malaysia an attractive tourist destination. The hotel will focus on intensifying its digital marketing to broaden its network and capture market share. Its brand-defining personalised guest service will remain important differentiators moving forward for MOKL Hotel.

In respect to management services, our car parking management will be spearheading the digital efforts within the Group towards elevating quality and experience of its car parking services enhancing its cashless initiatives with total digital surveillance within the car park whilst our facility management company will accelerate its transformation as a solutions partner, leveraging Industrial Revolution 4.0 technologies namely IoT, Cloud and Big Data to better manage energy consumption, reduce operating costs and make smarter intuitive decisions.

In spite of the looming headwinds, KLCCP Stapled Group is well positioned to weather the challenging times ahead and is expected to remain responsive to the opportunities and vagaries of the market. The initiatives and efforts undertaken in 2019 will set the momentum while the ongoing investment to enhance operational excellence will enable the Group to deliver on its strategies and build on its capabilities to provide value to all our stakeholders in the coming year.



THE PLACE TO STAY

We create memorable stays for our hotel guests, leveraging brand expressions to create delight at every touchpoint. Our guests' satisfaction is our utmost priority and we endeavour to keep them proud to be "Fans of MO"

**THIS IS THE PLACE THAT INSPIRES A
TRULY LUXURY EXPERIENCE**





SUSTAINABILITY

OUR COMMITMENT FOR

SUSTAINABILITY STRATEGY AND APPROACH

Sustainability is a big agenda for KLCCP Stapled Group and is in the heart of everything that we do. As one of the leading real estate players, we are committed to managing our business in a responsible manner taking into consideration the risks and opportunities impacting our business and the industry at large. We strongly believe that sustainability is a force that will shape the future of our business and the way we live. Thus, we continue to focus on addressing our material matters that may impact our business and stakeholders.



Y STATEMENT

A SUSTAINABLE FUTURE



Pg. 122 **ECONOMIC**



Pg. 126 **ENVIRONMENT**



Pg. 136 **SOCIAL**



Pg. 146 **CORPORATE
GOVERNANCE**



Our full fledged
Sustainability Report
2019 is available at
[www.klcc.com.my/
sustainability.php](http://www.klcc.com.my/sustainability.php)

SUSTAINABILITY STATEMENT

KLCCP Stapled Group's ultimate objective is to create, deliver and share value with our stakeholders, to be future ready and be part of a sustainable society. As we progress towards achieving this objective and to further strengthen our sustainability approach, we continue to pursue our sustainability agenda through the Group's corporate strategy and culture which is deeply embedded in our business model. We champion sustainability development premised on our strategies and initiatives to drive our sustainable goals economically, environmentally and socially, across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders.

In line with this year's theme, "The Place: Spaces Inspired for the People", we have continued to elevate our services and offerings to create a progressive lifestyle experience for our customers within the KLCC Precinct. We aspire to transform KLCC Precinct into a smart city, creating a sustainable environment and enriching the lives of our community.

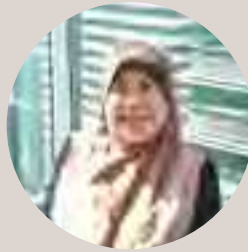


To read more, refer to Material Matters on pages 56 to 59 and Stakeholder Management on pages 67 to 69

SUSTAINABILITY STEERING COMMITTEE CO-CHAIRMAN MESSAGE



**Annuar Marzuki
Abdul Aziz**
Head, Strategy, Finance
and Investor Relations



Zalina Ibrahim
Head,
Health, Safety and
Environment

At KLCCP Stapled Group, we place sustainability high on our agenda as it is an integral part of our business strategy. We align our business, processes and our corporate culture to adopt strategies that support sustainable development and investment for the Group and the community at large.

Today, the sustainability agenda has become even more pressing, driven by global economic volatility, climate change risk, infringement in business ethics and integrity, and changing consumer expectations on the role of businesses. Consequently, many of the EES and governance issues are coming under close scrutiny by regulators and investors.

As one of the leading real estate players, KLCCP Stapled Group echoes and supports the country's stand and commitment in combating global climate change by addressing climate change risks through reduction of energy consumption and carbon emission across our business operations. We are also committed to good governance practices with our Boards setting the right tone from the top. With digitalisation at the forefront of today's businesses, we are taking a proactive approach to ensure our leaders and employees integrate digital technology into the business operations, fundamentally evolving towards a digitally competent organisation.

Communication with stakeholders is imperative for understanding and managing their expectations. With the rapid changes in the real estate industry, our stakeholders are continuously seeking for greater levels of transparency with respect to the EES issues. Through our regular stakeholder engagement and materiality assessments, we have identified and deliberated the emerging trends and other material matters which shaped our sustainability strategy and helped us set time-based targets with intended results and impact. With the conclusion of our 3-Year (2016-2018) Sustainability Roadmap, which saw us achieving targets against a 2015 baseline, we embarked on a 5-Year (2019-2023) Sustainability Roadmap covering three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; and Combating Climate Change and Reducing Environmental Impact. Aligned to our five prioritised UNSDGs, we aim to monitor our progress year-on-year against the set targets.

Our sustainability journey which began in 2014 have seen us made significant progress through the years, reflecting our people's efforts and commitment towards building a sustainable future. This forms a strong foundation that will steer us towards achieving our 2023 targets. Testament to our steadfast commitment in advancing sustainability practices within the organisation, KLCCP Stapled Group has been recognised both locally and globally by the industry, for demonstrating strong and transparent EES practices.

In what has been another successful year in our sustainability journey, we continue to work hard to deliver value for our stakeholders. We hope this report gives you a deeper insight into our sustainability performance for the year and our aspirations in building a sustainable future. We will maintain our commitment towards sustainable development, and be ambitious and share our experiences, whether challenging or successful, to accelerate wider progress.

SUSTAINABILITY STATEMENT

THE REAL ESTATE LANDSCAPE

The year 2019 saw a myriad of challenges for the real estate and construction sector with subdued economy and market volatility impacting the global and domestic economies. The office segment faced downward pressure on rentals due to growing mismatch between supply and demand. The retail segment continued to face intense competition but saw a moderate growth during the year contributed by cautious consumer spending while the hotel segment faced strong competition from the new luxury hotels which came into the market.

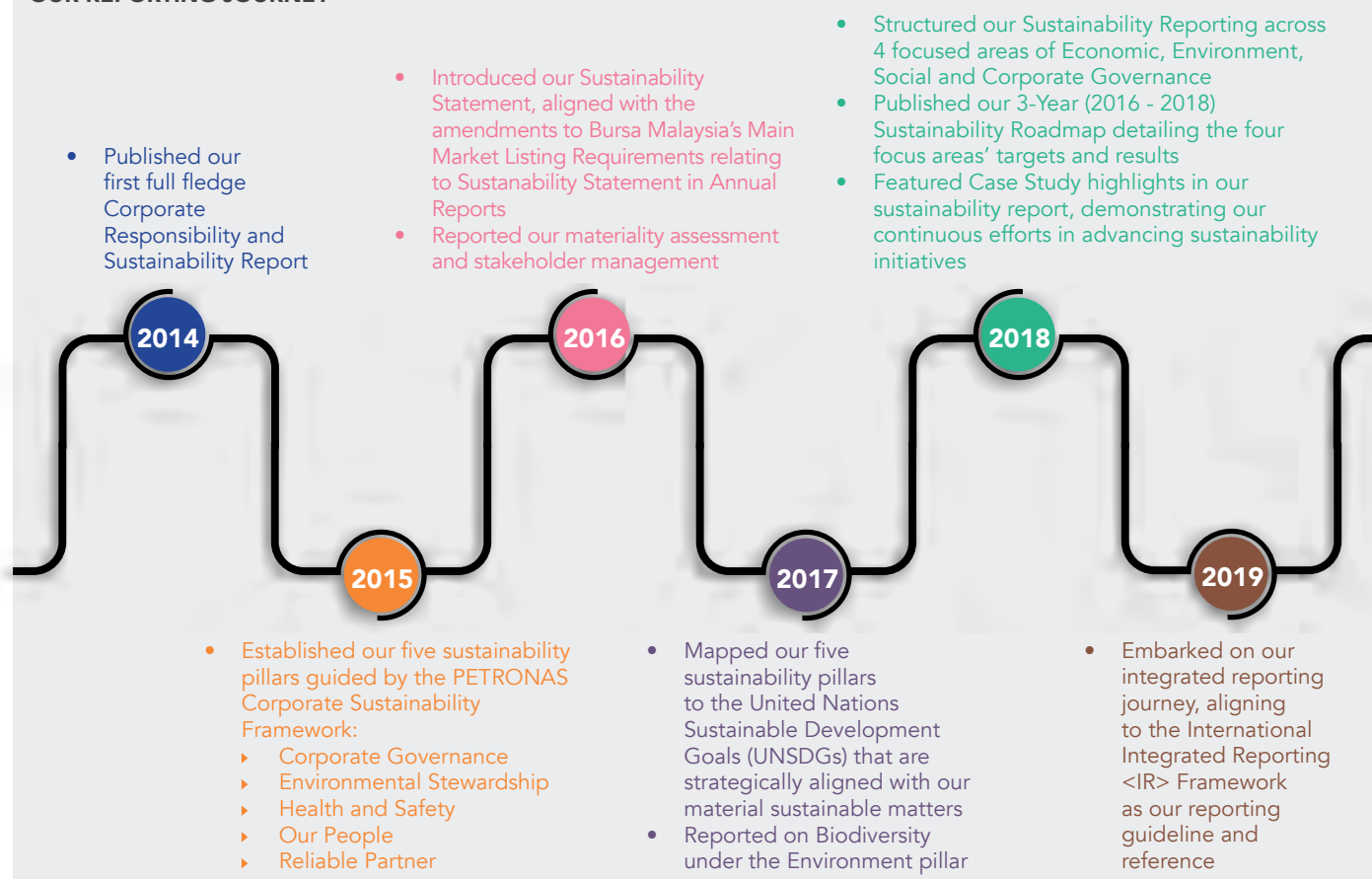
Despite these challenges, the real estate and construction sector is moving towards implementing innovative solutions and adopting new technological advancements in the ways of doing business in order to stay relevant and ahead of its competitors. It is seeing a shift from a mindset of "using" social media to a mindset of adapting and thriving in an ecosystem where a highly connected, social, empowered consumer is now the norm.

The country's continued commitment in combating climate change has also seen the real estate sector giving more attention towards environmental conservation and stepping up efforts in support of this move. Malaysia, as a Paris Agreement signatory has pledged to reduce its GHG emission intensity in relation to Malaysia's 2005 gross domestic production by 45% by 2030. This commitment represents Malaysia's pledge to contribute to the mitigation of adverse climate change impacts. There was also increased awareness in voluntary disclosure of climate-related risks and information in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) which could see more companies embarking on this initiative.

OUR REPORTING JOURNEY AND MILESTONES

Our significant progress in our sustainability journey saw us achieve milestones through the years in our pursuit to advance our sustainability reporting and practices. This year, as we embark on our Integrated Reporting journey, we look ahead to progressively adopting best practices towards transparent and effective corporate reporting.

OUR REPORTING JOURNEY



SUSTAINABILITY STATEMENT

OUR MILESTONES

2015

- 1st Malaysian REIT included on FTSE4Good Bursa Malaysia Index
- Attained Provisional GBI Certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver)

2016

- Formalised the Sustainability Governance Structure and formation of Sustainability Steering Committee (SSC) and Sustainability Working Committee (SWC)
- Developed a Sustainability Framework and a 3-Year Sustainability Roadmap
- Conducted the first Materiality Assessment with SSC and SWC
- Inclusion onto FTSE4Good Emerging Index – One out of only two Malaysian companies in the real estate and construction

2018

- Conducted our inaugural online Materiality Assessment survey covering employees of KLCCP Stapled Group and our business partners, Suria KLCC and MOKL Hotel
- Maintained our inclusion on the FTSE4Good Emerging Index and FTSE4Good ASEAN 5 with an improved score

2017

- Inclusion of Biodiversity theme into our Corporate Sustainability Framework

2019

- Established our 5-Year Roadmap aligned with prioritised UNSDGs
- Attained full GBI certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver)
- Positioned within the top 11 percentile among our supersector peers under FTSE4Good Index Series



To read more on our Sustainability Framework, kindly refer to our Sustainability Report 2019 at www.klcc.com.my/sustainability.php

SCOPE OF REPORTING

Our scope of reporting in the KLCCP Stapled Group's Sustainability Report 2019 underlines our sustainability performance as well as its strategies and practices, while highlighting the economic, environmental and social impacts of our business activities. This report is based on KLCCP Stapled Group's financial year from 1 January to 31 December 2019.

Our scope of reporting for the year covers all of KLCCP Stapled Group's operations in Malaysia comprising office, retail and hotel assets as well as our operations in facility management and car parking management. The scope is in accordance with the reporting scope of our Integrated Annual Report.

GOVERNANCE STRUCTURE

The Groups' sustainability governance structure which was formalised in 2016 was designed to build on the capacity to pursue sustainable goals. KLCCP Stapled Group's Sustainability Steering Committee (SSC) forms the core of the governance structure and plays a very important role in driving sustainability within the organisation. The SSC is co-chaired by Annuar Marzuki Abdul Aziz, Head, Strategy, Finance and Investor Relations and Zalina Ibrahim, Head, Health, Safety and Environment. Members of the SSC comprises heads from all major business functions which ensures the development of sustainability strategies represent the wider interests of the Group.

Key responsibilities of the SSC:

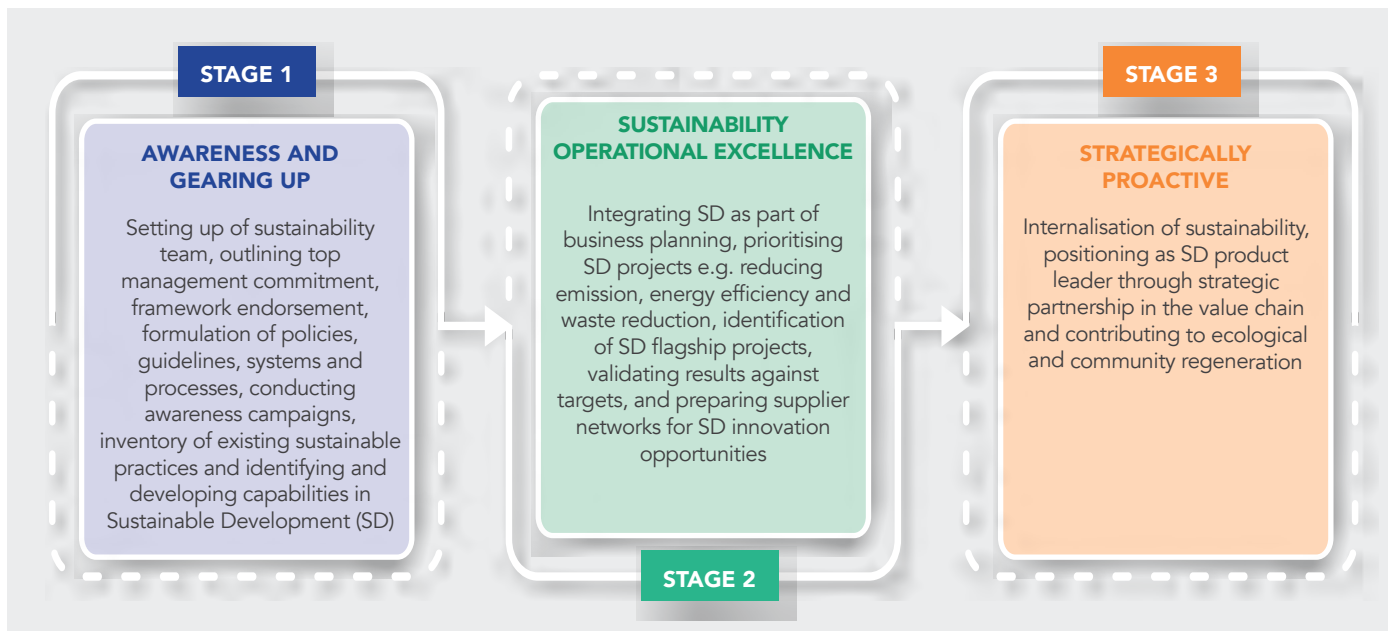
- Reports to the Chief Executive Officer (CEO) and ensures accountability, oversight and review in the identification and management of material matters within the Group
- Overseeing the corporate sustainability strategy and progress of the Group's sustainability performance
- Identifying and prioritising material matters
- Reviewing and endorsing policies, practices, targets and achievements for key sustainability initiatives and ensures regulatory sustainability requirements and reporting are met

SUSTAINABILITY STATEMENT

The SSC is supported by a working committee in ensuring sustainability is considered and integrated throughout our business operations. The CEO is responsible for driving the implementation of sustainability strategies for KLCCP Stapled Group and together with the SSC, reports the progress to the Boards of KLCCP and KLCCRM (the Boards) annually and seeks their advice on related issues. The Boards represent the highest authority and is ultimately accountable for managing sustainability matters within the Group.



SUSTAINABILITY STATEMENT



PROGRESS TO DATE

Underpinned by our Sustainability Framework and our five sustainability pillars, our sustainability journey began way back when KLCCP first started its operations in 2004. However, subsequent to KLCCP becoming a stapled security in 2013, we then embarked on a longer-term view of sustainability and began our journey in embedding it as part of our business model. We officially commenced documenting our journey in 2014 where we framed our Sustainability Journey in three stages, reflecting our commitment towards achieving our goals to deliver long-term values to our stakeholders.

To-date, we have progressed substantially in Stage 2 of our Sustainability Journey which has seen us integrating sustainability as part of our business strategy, prioritising our efforts in reducing emission and energy consumption, reducing water use and responsibly managing our waste.

Our key achievements in 2019 included:

- Supported our tenant initiatives in greening the PETRONAS Twin Towers and Menara 3 PETRONAS which obtained the GBI Gold and Silver rating respectively.
- Identified several flagship projects in the areas of environmental conservation and business innovation i.e. zero single-use plastics at our hotel, recycling of waste through placement of sorting bins throughout our retail mall, enhancement of KLCC Precinct security through installation of dynamic and high technology security features and implementation of cashless payment initiatives at our North West Development car park.

- Completed the transformation of office space into the Workplace For Tomorrow (WFT) for our tenants in PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil.
- KLCCP Stapled Group is ranked at the top 11th percentile among our supersector peers in the FTSE4Good Index Series.

2019 also saw us establishing our 5-year Roadmap (2019-2023), upon the completion of our 3-year (2016-2018) roadmap which saw the Group achieving the targets set across the Economic, Environment, Social (EES) and Corporate Governance areas. The 5-year roadmap is aligned to our strategies in future-proofing our position to becoming the Solutions Partner for all our stakeholders, focusing on three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; Combating Climate Change and Reducing Environmental Impact.

We aligned our goals to 5 prioritised UNSDGs where we believe we can make the most difference to our stakeholders.



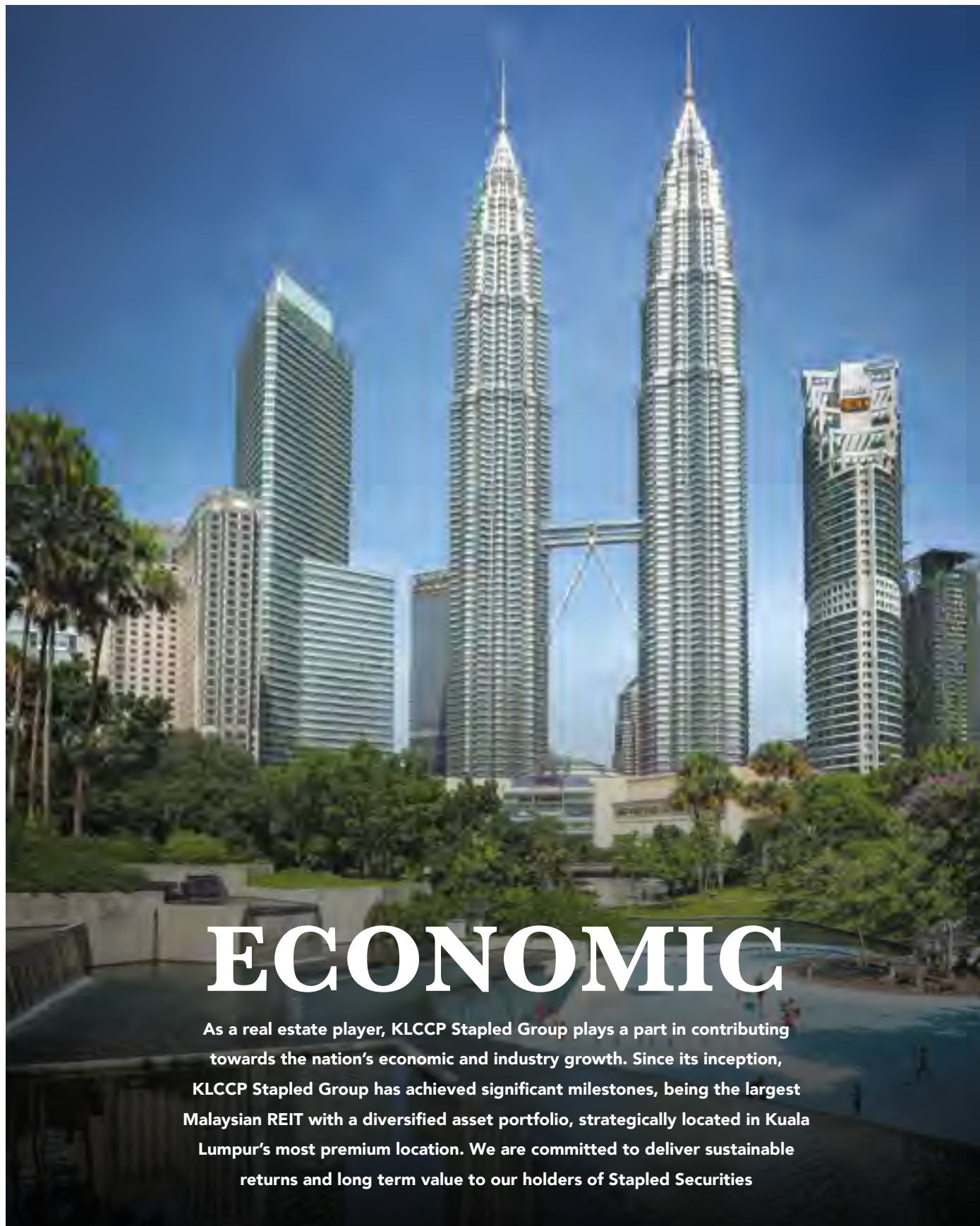
We continue to ensure the sustainability of our business is centred on EES and Corporate Governance issues and opportunities that matter most to our stakeholders and work collaboratively with our business partners and community to create a positive lasting legacy.

SUSTAINABILITY STATEMENT

5-YEAR SUSTAINABILITY ROADMAP (2019-2023)

GOAL 1: Building a Smart, Safe and Sustainable KLCC Precinct			
			   
     	MATERIAL MATTERS: Financial Sustainability Economic, Social and Industry Growth Security, Safety and Health Customer and Tenant Management Corporate Social Investment Risk and Crisis Management	FOCUS AREAS: Smart Park Smart Security System Innovation and Digitalisation	5-YEAR TARGET [2019-2023]: To be a digitally competent organisation
GOAL 2: Building an Agile, Inclusive and Sustainable Workforce in a VUCA (Volatility, Uncertainty, Complexity and Ambiguity) world			
			 
	MATERIAL MATTERS: Our People Security, Safety and Health Human Rights and Labour Practices	FOCUS AREAS: People and Culture Fit Career Potential Work Life Balance HSSE Maturity Culture	5-YEAR TARGET [2019-2023]: To invest RM9.3 million for training and development programmes in future skills To foster a culture that embodies high performance, integrity, HSE, innovation and rewards and recognition To create a purposeful workforce - empowered, agile and enabled To achieve Generative HSSE Culture
GOAL 3: Combating Climate Change and Reducing Environmental Impact			
			 
	MATERIAL MATTERS: Climate Change Environmental Management	FOCUS AREAS: Carbon Emission Energy Consumption Water Use Waste Generation Zero Single-Use Plastics	5-YEAR TARGET [2019-2023]: To reduce carbon emission by: • 8.0% from 2015 baseline for office • 18% from 2015 baseline for retail • 3.0% from 2015 baseline for hotel To reduce energy consumption by: • 6.8% from 2015 baseline for office • 5.0% from 2015 baseline for retail • 1.8% from 2015 baseline for hotel To reduce water consumption by: • 1.0% from 2015 baseline for office • 7.0% from 2015 baseline for retail • 20.0% from 2015 baseline for hotel To reduce total waste generation by: • 12.0% from 2015 baseline for office • 18.0% from 2017 baseline for retail • 15.0% from 2015 baseline for hotel • 90% removal of single-use plastic in hotel operations

ECONOMIC



ECONOMIC

As a real estate player, KLCCP Stapled Group plays a part in contributing towards the nation's economic and industry growth. Since its inception, KLCCP Stapled Group has achieved significant milestones, being the largest Malaysian REIT with a diversified asset portfolio, strategically located in Kuala Lumpur's most premium location. We are committed to deliver sustainable returns and long term value to our holders of Stapled Securities

ECONOMIC



SUPPORTING THE UNSDGs



MATERIAL MATTERS

1

Financial Sustainability

2

Economic, Social and Industry Growth

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

1

Finance

2

Market

3

Asset Management

4

Facilities Management

“We continue to explore new digital solutions to tackle challenges, improve processes and explore new business opportunities”

WHY IT MATTERS TO US

- Ensure improving sustainable returns and yields for our holders of Stapled Securities through stable dividend payout
- High quality office buildings and good track record enable us to secure high quality tenants
- Maintaining a healthy working capital, assets, liabilities and cash flow to produce a conducive business environment and long-term stability
- Playing our role in nation-building and contributing towards industry growth



VALUES WE CREATE

- Our strong fundamentals and management capabilities underpin our sustainable growth which is reflected through our stable performance for the year
- Diversified portfolio of iconic and high quality assets offering balance between commercial and public spaces
- Efficient business operations and contributing towards achieving long-term goals
- Spurring commercial and residential development and heightened economic activities surrounding the KLCC Precinct

OUR APPROACH

In the pursuit of creating values and delivering long-term financial sustainability to our stakeholders, KLCCP Stapled Group is committed to manage its business responsibly, aligning our business processes and strategies to support sustainable development and growth across our operations. We remain committed in driving sustainable growth through efficient cost management, service level improvements and capitalising on growth opportunities to maximise and enhance stakeholder value and investment.



FOCUS FOR THE YEAR

- Implementation of digitalisation initiatives at NWD car park – cashless payment, LED advertising panel
- Space reconfiguration at Suria KLCC to reinvent shopping experience
- Completing WFT project at PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil

ECONOMIC



FINANCIAL SUSTAINABILITY

KLCCP Stapled Group continues to leverage on its premium assets to deliver sustainable returns and ensure that our assets are well maintained in pristine condition. Our strategies of maximising values of investment saw us collaborating with our strategic brand retailers and business alliance partners on solutions to embed resilience for the longer term and create sustainable value, leveraging opportunities and technology.

These strategic priorities coupled with our diligent monitoring of financial, operational initiatives and cost optimisation efforts resulted in KLCCP Stapled Group delivering a stable and sustainable total annual return of 7.9% to the holders of Stapled Securities.

KEY HIGHLIGHTS		
 RM1.4 billion Revenue	 RM686.0 million Dividends	 RM102.9 million Taxes

ECONOMIC, SOCIAL AND INDUSTRY GROWTH

KLCCP Stapled Group's role in spurring growth and strengthening the infrastructure surrounding the city centre for accelerated economic expansion and development has long been recognised. The integrated KLCC Development, with a myriad of attractions, has evolved to become The Place that people look forward to come to, offering the best in shopping, dining, entertainment, meeting facilities and a host of other offerings.

KLCCP Stapled Group's participation as a sponsor in the Le Tour de Langkawi 2019 has given us the opportunity to showcase KLCC Precinct as an iconic destination. The event successfully achieved a 5.9 billion global reach featuring over 1,000 stories across 11 different platforms including digital and traditional media with RM26.6 million of PR value generated from the local media.

ECONOMIC



Digitalisation

With digitalisation at the forefront of today businesses, KLCCP Stapled Group is also stepping up its pace to accelerate its effort in leveraging on digital technology to enable, improve and transform towards efficiency of its business operations and functions.

INITIATIVES FOR THE YEAR	
e-Library for Statutory Document	KLCCUH established an e-Library to have their statutory documents in a digital platform for easy retrieval and standard reference for its employees in managing and operating the facilities
End User Productivity Tools – myMinutes, myMemo, myExplorer, myEvents	Leveraged on PETRONAS' end user productivity tools to unite and foster a cohesive ONE PETRONAS experience by centralising information, improving user experience and connecting users
MyMO Communication Platform	MOKL Hotel's employee engagement platform which allows two-way communication on hotel's events and quick reference guide to emergency situations
HSE Incidents Management Reporting	Leveraged on Group HSSE PETRONAS' digital platform to standardise HSE incidents management reporting for all operational units within the Group

ENVIRONMENT



ENVIRONMENT

We are committed to protect and conserve our environment by implementing best practices across our operations supported by the application of environmentally friendly solutions. We strive towards promoting environmental sustainability with focus on delivering sustainable developments, enhancing a sustainable society and cultivating a green and safe corporate culture. We continue to take proactive measures in minimising environmental impact through efficient management of our operations in the areas of Greenhouse Gas emission (GHG), energy efficiency and responsible water and waste management.

ENVIRONMENT



SUPPORTING THE UNSDGs



MATERIAL MATTERS

1

Climate Change

2

Environmental Management

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

1

Finance

2

Asset Management

3

Facility Management

4

Health, Safety and Environment

5

Security

“We charted our climate change journey in enhancing our existing carbon management practices and affirming our stand in combating global climate change in support of the 2015 Paris Agreement”

Protection of the environment and climate change is fast becoming a global agenda. Responding to this call, Malaysia is also stepping up efforts in combating global climate change with the implementation of several initiatives which include the proposed development of the Climate Change Act, Tax incentives on energy efficient set-ups, encouraging renewable energy development and eliminating single-use plastics. This is all towards Malaysia's stand in achieving a low carbon economy status by 2050.

With the growing awareness on these environmental concerns and in support of the Government's initiatives, KLCCP Stapled Group is taking the effort to address and mitigate the adverse effect resulting

from our business operations and the risks aggressively.

Our commitment in environmental stewardship is focused on improving our environmental practices and operational sustainability through:

- Driving down energy consumption in our operations
- Minimising use of water throughout our assets
- Minimising quantities of waste generated at our assets
- Influencing suppliers/contractors on commitment in conserving the environment
- Promoting biodiversity

WHY IT MATTERS TO US

- Shows our support towards the global agenda on Climate Change and the country's initiatives towards energy efficiency, environment and climate change action
- Growing level of environmental awareness to protect the planet
- Cultivates an eco-mindset among employees



VALUES WE CREATE

- Creating a greener environment for the well-being of our community through responsible practices in reducing GHG emission, energy consumption, water use and waste management
- Gained cost savings from reduced energy consumption, water use and use of renewable energy in our operations
- Conservation of natural habitat and ecosystem within our KLCC Park, providing a green, convenient, tranquil and conducive destination for our community
- Increased awareness amongst employees through participation in various organised environmental programmes

OUR APPROACH

At KLCCP Stapled Group, we acknowledge our responsibility and emphasise the needs in raising awareness and understanding of environmental sustainability amongst our business units, stakeholders and the broader community. In line with our Code of Conduct and Business Ethics (CoBE) and as a real estate owner, developer and manager, we aim to minimise disruption to the environment and its adverse impact on the community by reducing the environmental footprint of our buildings and use energy, water and resources more efficiently.

We strive to ensure our decisions contribute to improvements in environmental sustainability, working in-tandem with our tenants in green building initiatives, the local authority, Government and other stakeholders in achieving our targets.

ENVIRONMENT

KLCCP Stapled Group is committed in achieving its aspiration to be recognised as a responsible organisation that places great importance on environmental best practices throughout its operations.



FOCUS FOR THE YEAR

- Establishment of our climate change position statement

We duly recognise our corporate responsibility as a player in the real estate sector in mitigating climate change impact and to add value to the community where we operate

- Understanding the requirements of the Task Force on Climate Related Financial Disclosures (TCFD) and the impact of climate change on our financial
- Energy Management Committee analysis on energy performance of our buildings and new energy conservation initiatives conducted by each facility
- Replacement of fluorescent lights with LED lights at office, retail and hotel premises
- Stepped up efforts in eliminating single-use plastics at MOKL Hotel by progressively changing towards using recyclable items

CLIMATE CHANGE

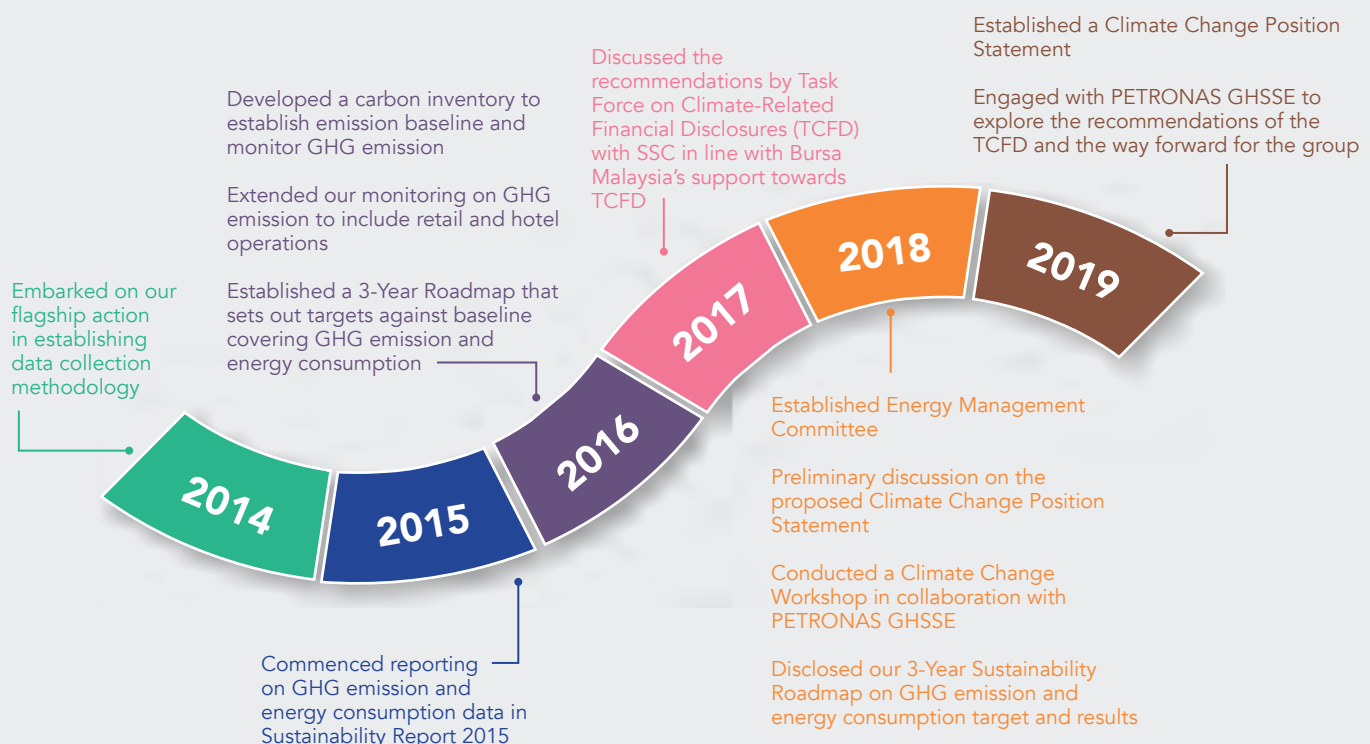
We address climate change risks through the reduction of our energy consumption and Greenhouse Gas emission in the business operations. Despite our emission being small, we remain conscious of how we operate and align ourselves to best practices.

Based on our carbon inventory and emission baseline, we monitor our carbon emission on quarterly basis and track our progress under Scope 1 and 2. We have successfully achieved a reduction of 15.8% in our GHG emission from 2018 as a result of our continued proactive measures in minimising our carbon footprint. During the year, our overall energy consumption recorded a decrease of 18.9%, from 115,958kWh in 2018 to 94,046kWh in 2019. This significant reduction was contributed by the ongoing energy saving measures implemented throughout our operations.

The photovoltaic system located at the rooftop of Suria KLCC contributed towards the mall's electricity saving of approximately 16.3 million kWh, equivalent to a total saving of RM1.6 million since 2014. The reduction of GHG emission is approximately 360,000 kg carbon dioxide (CO₂) per year.

Our Climate Change Journey

We charted our climate change journey in enhancing our existing carbon management practices and affirming our stand towards the Government's commitment in combating global climate change in support of the 2015 Paris Agreement, which is aligned with our focus on Sustainable Development Goal 13 of taking urgent action to combat climate change and its impact.



ENVIRONMENT

KEY HIGHLIGHTS									
Greenhouse Gas Emission by Segments (mtCO _{2e})	Office and Car Park			Retail		Hotel		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
	Scope 1	4.45	4.66	1,692	1,635	2,142	1,192	3,838.45	2,831.66
	Scope 2	67,610	82,667	21,239	27,141	16,086	16,583	104,935	126,391
Energy Consumption by Segments ('000) (kWh)	Office and Car Park			Retail		Hotel		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
		74,697	88,044	9,400	14,293	9,949	13,621	94,046	115,958
Solar Energy Performance ('000) (kWh)	Energy Generated from Solar				Savings (RM)				
		2019	2018			2019	2018		
		511,695	512,257			238,000	187,000		

INITIATIVES FOR THE YEAR

- Upgrading of Building Control System with additional field devices to provide means of monitoring and control of the current Mechanical and Electrical system at PETRONAS Twin Towers
- LED lights fitting at all our assets – office, retail and hotel
- Initiatives at Menara Dayabumi:
 - Switching off operation of escalators during night time (7.30 p.m. to 6.30 a.m.)
 - 50% of all office lighting turned off during lunch hour
 - Lighting system rewiring for lighting zone control at car park
 - Resetting room temperature set point from 23°C to 24°C
- Use of portable aircond units after office hours and on weekends by PETRONAS-ICT Call Centre and shutting-off office lighting after office hours at Menara ExxonMobil
- Completion of two phases of escalator modernisation at Ampang Mall at Suria KLCC
- Introduction of “Opt-Out” at MOKL Hotel, whereby the hotel would only change linen and towels once in every three days unless opted out by guests
 - The program has been very successful with 98% of guests participating
 - Reduction in amount of linen washed estimated at 30,000 kg per month

ENVIRONMENTAL MANAGEMENT

The environmental management practices that we have in place enable us to reduce our environmental impact and minimise environmental degradation resulting from our business operations. The tracking and monitoring of our environmental performance also enable us to gauge the efficiency of the resources used and for our operations to achieve cost optimisation.

Water Management

As a real estate owner, developer and manager, we aim to keep consumption to a minimum, reuse water and prevent water pollution. Efficient water management also translates to less energy which reduces carbon footprint and in turn lowers our operational cost. With the ongoing initiatives, our overall water consumption for 2019 was reduced by 4.6%.

ENVIRONMENT

KEY HIGHLIGHTS

Water consumption by segments (m³)

	2019	2018
Office and car park	624,503	589,491
Retail	405,000	497,347
Hotel	154,948	154,530
TOTAL	1,184,451	1,241,368

INITIATIVES FOR THE YEAR

- Replacement of water tap and installation of aerator at hand basin at PETRONAS Twin Towers and Menara 3 PETRONAS
- Water reduction campaign with tenants at PETRONAS Twin Towers
- Installation of water leak detection at all mechanical floors and water storage tank at Menara 3 PETRONAS
- Replacement of domestic water tank at Menara Dayabumi
- Installation of water tap sensor at wash basin at Menara ExxonMobil
- Installation of tenants' water meter at Suria KLCC
- Replacement of hot water copper pipes at common area at guest room floors at MOKL Hotel



CASE HIGHLIGHT | Managing Water Supply Disruption at KLCC Precinct

Water connects every aspect of our lives. Access to safe water is critical as it contributes to the people's well-being and for businesses that use water as an essential part of their operations, efficient water management is vital for business sustainability.

For the first time in 20 years, KLCC Precinct experienced a prolonged water supply disruption from 24 to 27 April, 2019. Though KLCCP Stapled Group's operations are located within abundance water supply area, the Group practices prudent water use and is always ready for any eventualities as water supply can be disrupted at any time due to various unexpected reasons.

On April 18, 2019, the Group received a notification from Syabas, Malaysia's water supply company, notifying consumers on the upgrading and maintenance work at the Sungai Selangor Water Treatment Plant that will disrupt water supply to the KLCC Precinct and the surrounding area.

Upon receiving this notification, KLCC Urusharta Sdn Bhd (KLCCUH), the Group's facilities management company, immediately alerted all parties concerned and a meeting was held to strategise the planning and approach in mitigating the risks to ensure business continuity.

Statistics

12Facilities
affected**6**Facilities directly
impacted**3,607 m³**Amount of water
delivered**101**Tanker trips to
supply water

The affected facilities within the KLCC Precinct included:

- PETRONAS Twin Towers
- Menara Maxis
- District Cooling Centre
- Suria KLCC
- Menara 3 PETRONAS
- Impiana KLCC Hotel
- Menara ExxonMobil
- Traders Hotel Kuala Lumpur
- Mandarin Oriental, Kuala Lumpur
- Kuala Lumpur Convention Centre
- Common Facilities (mosque, park)

KLCCUH's preparation in managing the water disruption involved:

- Conducted coordination meeting with Syabas and all focal persons of each facility to establish communication before and during the crisis
- Determined the water consumption during the four days of disruption
- Hired tankers to deliver water purchased from Syabas
- Installation of breeching inlets at main incoming supply to all buildings and facilities
- Calculated water tank capacity and water consumption rate for each facility
- Communication to tenants to alert on upcoming water supply disruption and mitigation plans
- Monitored water supply from Syabas on the first day of disruption
- Monitored water level daily, every 30 minutes and notified all facilities on water level from time to time
- Monitored water quality before transferring into buildings' water tanks

ENVIRONMENT



CASE HIGHLIGHT | Managing Water Supply Disruption at KLCC Precinct (Cont'd.)

39 hours after Syabas' announcement on the completion of the upgrading work on the Sungai Selangor Water Treatment Plant, water supply was back to normal on 26 April at 3.00 p.m.

In strategising the mitigation strategy, three important aspects were emphasised:

- i. Establishment of effective communications before and during the event which include team coordination, engagement with tenants, users and Syabas
- ii. The resources, i.e. the people on the ground who was handling the crisis and the contractors who must be well-prepared and know what to do
- iii. Methodology: Installation of breeching inlets at the main intake point to facilitate transfer of water from mobile tankers into the main tanks in the buildings.

The challenges encountered:

- Traffic congestion which affected the delivery schedule of water, thus resulting in the delay of supply to the facilities concerned
- Longer waiting time taken by vendor to fill their tanks as the queue was long
- Difficulty in securing water tankers in Kuala Lumpur as the demand was very high and those within the city centre area were fully booked

The mitigation plan:

- Assistance from Auxiliary Police and KLCC Security was sought to clear the roads free from vehicle to ease movement of water tanker
- Requested for tankers to queue as early as between 1.00 a.m. and 2.00 a.m. and to deliver immediately to avoid the peak hours
- Water tankers from Johor Bahru, which is outside the city centre area were commissioned to deliver water to the affected facilities

Lessons learnt from the crisis:

- The crisis must be handled in a calm and structured manner as early planning was possible and ample notice was given by Syabas
- Full cooperation from all parties is required and every personnel must know their area of responsibilities
- Commitment from all personnel in promptly reporting the status of supply from time to time to the operator of the affected facilities is critical to ensure the smooth and undistruptive operations of businesses
- Availability of information on water consumption for each building is critical in facilitating the commissioning of sufficient water tankers
- Alternate workplace readiness at all times is vital as there may be a need in time of crisis
- The critical need for an establishment of an integrated platform for communication for the KLCC Precinct to facilitate timely, accurate and consistent communication



ENVIRONMENT

Waste Management

As a property investment and development group, our approach to waste management covers construction waste produced during development and renovation of our buildings, municipal waste produced during operation of our buildings by the various users and occupants, which includes domestic and hazardous waste.

KEY HIGHLIGHTS					
WASTE GENERATION AND DISPOSAL BY SEGMENTS					
Office and Car Park (metric tonnes)		Retail (metric tonnes)		Hotel (metric tonnes)	
Total Hazardous Waste Generated		Total Hazardous Waste Generated		Total Hazardous Waste Generated	
2019	2018	2019	2018	2019	2018
3.449	9.88	0.937	0.755	2.220	0.50
Total Hazardous Waste Disposed		Total Hazardous Waste Disposed		Total Hazardous Waste Disposed	
2019	2018	2019	2018	2019	2018
2.860	9.88	0.557	0.970	2.219	0.50
		Recycled waste		Waste Intensity (kg/per room)	
		2019	2018	2019	2018
		4,227	4,232	1.3	2.35
				Waste Diversion (%)	
				2019	2018
				63	25.76

INITIATIVES FOR THE YEAR

Menara Dayabumi	- Campaign on using reusable container instead of using plastic - Awareness on zero waste among all employees
Suria KLCC	- Replacement of normal bins to sorting bins in August 2019 - Sorting of food waste at Signature Food Court where the waste is collected and sent to vendor to be processed into organic fertiliser
MOKL Hotel	- WWF-Malaysia and MOKL Hotel's Memorandum of Understanding – signed on November 5, 2019 where MOKL Hotel and WWF-Malaysia will jointly build a food waste task force and develop measurable and achievable goals to improve the flow of food within the hotel property - Eliminating Single-Use Plastic – signed up to the Plastic Action platform, supporting circular economy by moving to 100% reusable or recyclable product and packaging design models by 2020 629 guestrooms, spa and fitness and wellness facilities implemented the Nordaq FRESH water system, replacing single-use plastic water bottles - Food and beverage and Banquet – Natura bottled water was implemented, displacing 74,000 single-use plastic bottles per year

ENVIRONMENT



CASE HIGHLIGHT | Eliminating Single-Use Plastics at MOKL Hotel



The MOKL Hotel has, over the years since being certified with ISO 14001 - Environmental Management System, taken steps to reduce the amount of single-use plastic. Some of the hotel's best practices since 2003 were to do away with newspaper bags, garment and coat covers, laundry bags, slipper bags, carrier bags, shirt bags, etc.

In 2018, the Malaysian Government announced the target year of 2030 for the overall elimination of single-use plastics. In 2019, Mandarin Oriental Hotel Group (MOHG) announced its commitment to be 100% single-use plastics free by March 2021. These announcements further spurred MOKL Hotel into implementing more impactful initiatives such as the 100% elimination of single-use plastic water bottles throughout the entire hotel.

The hotel used approximately 600,000 units of 500 ml single-use plastic water bottles per year. These bottles were used mainly in the

629 guest rooms, Banquet and Spa and the Fitness and Wellness areas. That constitutes about 20 tonnes of single-use plastic bottles per year that were recycled, or unintentionally thrown into dumpsites. The total cost of consuming water from these plastic bottles were approximately RM340,000 per year.

For the guest rooms, Sweden's Nordaq FRESH glass bottled water system was implemented. As MOKL Hotel is the largest hotel, in number of rooms for MOHG, introducing an in-house self-bottled water system was a daunting thought which fortunately was realised in June 2019. A bottling room was set up on Level 5 of the hotel with three employees to man the operations. Controlled conditions of the room ensures that the bottled water is of the highest quality and safe for consumption. Monthly water tests, by a third party are conducted to further validate the quality of the drinking water.

MOKL Hotel employees are trained in food safety practices and comply to the requirements of food handlers. Approximately 900 x 750 ml glass bottles are filled and capped daily, amounting to about 328,500 bottles filled yearly. The clockwork process ensures that the hotel's in-house guests are always welcomed by freshly bottled water.

For the huge banqueting areas of the hotel that has approximately 150,000 covers per year, USA's Natura Water was first introduced in 2012 for the second floor function rooms and in September 2019, the ground and first floor ballrooms followed suit. A bottling center was established on the second floor, manned by the banqueting employees. For Spa, Fitness and Wellness as well as Heart-of-House employees' areas, Coway direct-supply water purifier was installed in strategic locations throughout the hotel. Reusable water bottles were given to all employees and for guests, specially designed takeaway water bottles were made for sale at the Spa, Fitness and Wellness area.

MOHG's commitment towards elimination of 100% single-use plastics by March 2021, saw MOKL Hotel identifying 90 items that needed to be discontinued, replaced with reusable items or single-use substitutes such as bioplastics. As at end of December 2019, MOKL Hotel has been able to achieve 65% compliance.

ENVIRONMENT

Responsible Material Use

At KLCCP Stapled Group we continue to promote the use of environmentally-friendly products throughout our operations as part of our effort in contributing towards minimising the adverse impact to the environment for the well-being of our community.

INITIATIVES FOR THE YEAR	
Re-use of furniture and use of eco-friendly materials	• Re-use of office furniture such as tables and sofas at our facilities management office • Office fit-out materials for WFT project are of low Volatile Organic Compound (VOC) at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil and Menara Dayabumi • Changing from chemical cleaning method to steam cleaning method when overhauling air-conditioning units at MOKL Hotel
Life Cycle Analysis	• Implementation of the 5-year Asset Integrity Plan at PETRONAS Twin Towers, Menara Dayabumi and Menara 3 PETRONAS where mechanical and electrical equipment are serviced to prolong equipment lifespan
Monitoring of Indoor Air Quality	• Indoor air quality (IAQ) measurement were taken three times in the year for PETRONAS Twin Towers to ensure the parameters adhere to acceptable limits • Installation of carbon dioxide (CO₂) sensors in Building Control Systems in each Air Handling Unit room to regulate fresh air supply if the CO₂ reading approaches unacceptable limits • Advised vendors to adhere to the guidelines on IAQ control i.e. to use adequate ventilation during indoor work, airing of furniture before installation, to use material of low contaminant exposure and to conduct air purging on the affected floor



ENVIRONMENT



Biodiversity

Promoting a healthy environment through the conservation of biodiversity is vital to create a well-functioning ecosystem. Though KLCCP Stapled Group's investments and development are centered within the city centre, our interface with biodiversity is nominal and our biodiversity effort is reflected in the 50-acre KLCC Park wherein we maintain the park as a green lung to conserve the habitat of local and migratory birds and animals and promote a healthy ecosystem for the park.

In addition to this biodiversity effort, we also undertook several initiatives that were aimed at inspiring our employees and community to create a greener environment for the well-being of our community.

INITIATIVES FOR THE YEAR	
Herb Garden	Maintaining a Herb Garden at PETRONAS Research Centre
Rehabilitation of Raja Muda Forest Reserve	- MOKL Hotel collaborated with Global Environment Centre, a non-profit organisation established in 1998 on the rehabilitation of Raja Muda Musa Forest Reserve - This 23,486 hectares' peat swamp is located in the north-western part of the Selangor state 30 employees of MOKL Hotel took part in the project which involved planting of trees at assigned areas of the forest
Environment Voluntary Work at Kota Kinabalu Wetland Ramsar Site, Sabah	- Participated by 88 KLCCUH employees - Activities included cleaning of the mangroves, an area between the land and sea of flora and fauna - Spent a total of RM40,000 for the effort
Earth Hour	Switching-off of non-essential lights for an hour at all our buildings to create awareness on the need to conserve natural resources and in support of the global climate change agenda
Waste Not Want Not Charity Sale	MOKL Hotel's organised its annual fund raising activity to raise funds for CSR events as well as to encourage employees to reuse, reduce and recycle

SOCIAL



SOCIAL

As a real estate player, our business strategy takes into perspective the risks and opportunities impacting the real estate industry and organisation, while keeping abreast with the changing customer behaviours and expectations of our stakeholders. Our commitment towards promoting social sustainability focuses on managing and identifying business impact on our employees, workers in the value chain, customers, and the local communities whilst maintaining long-term partnerships across our business portfolios. As such, our social commitment is anchored on three sustainability pillars – Security, Safety and Health, Our People and Reliable Partner.

OUR SOCIAL COMMITMENT THROUGH THREE SUSTAINABILITY PILLARS

1	2	3
SECURITY, SAFETY AND HEALTH	OUR PEOPLE	RELIABLE PARTNER
Protecting our assets, operating reliably, effectively and efficiently, across the Health, Safety and Environment (HSE) spheres	Nurturing a diverse and talented workforce to drive business growth strategies	Strengthening financial position, business competitiveness and spurring socio-economic growth

SOCIAL - SECURITY, SAFETY AND HEALTH

SECURITY, SAFETY AND HEALTH

The focus on security, safety and health at KLCCP Stapled Group is paramount and critical particularly since we operate in the real estate development and investment industry where increasing number of security threats, work-related injuries, illnesses and inherent risks are becoming more apparent. As such, creating a positive culture on security, safety and health whilst empowering everyone within the organisation to be part of a solution, enables us to strengthen our HSE capability and culture.



SUPPORTING THE UNSDGs



MATERIAL MATTERS

1

Security, Safety and Health

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

1

Health, Safety and Environment

2

Security

3

Facility Management

4

Project Management

“ We place utmost priority in workplace health, safety and security and scale up towards a HSSE Generative Culture ”

WHY IT MATTERS TO US

- Protecting our people and caring for their well-being is essential to our business operations
- Safety at worksite is one of the highest safety issues due to the increasing number of work-related injuries, illnesses and inherent risks associated with working in the real estate sector



VALUES WE CREATE

- Strengthened HSE capability and culture and occupational health of employees
- Sustained HSE excellence with every employee ensuring HSE accountability
- Being the HSE leader in the industry, surpassing our peers

OUR APPROACH

KLCCP Stapled Group is committed to conducting business in a manner that protects the health, safety and security of our employees, tenants, contractors, suppliers and the community who visit our properties. Our business activities are conducted in accordance with our KLCC HSE Policy and comply with the highest standards of occupational safety and health regulations. This is supported by our HSE Management System (HSEMS), HSE Mandatory Control Framework (MCF) and PETRONAS Technical Standards to strengthen HSE Governance within the KLCCP Stapled Group while providing clear requirements on operational safety, environment and health for consistent and effective implementation.

We place utmost importance on safety management to prioritise safe work practices, building HSE capability and culture within our organisation and safeguarding of occupational health in sustaining ideal health levels of our employees, visitors to our properties and at project sites. Regular HSE programmes are conducted to strengthen our HSE culture and capability and ensure our operations are carried out with the highest safety standards. We make continuous improvement in our HSE practices, measure and track our performance against industry best practices in our effort to raise the bar on HSE.



FOCUS FOR THE YEAR

- Strengthening the KLCC Precinct Security with functional and dynamic technology and competent security forces through the implementation of Smart Security and Surveillance Systems

SOCIAL - SECURITY, SAFETY AND HEALTH

Safety and Health Management

Managing the safety of our people, assets and the environment is KLCCP Stapled Group's top priority. Our emphasis is to develop effective controls on identified HSE risks. In addition to workplace safety, KLCCP Stapled Group also placed emphasis on employees' health. In 2019, our HSE strategic focus was on four core areas:

- Internalise HSE Culture through leadership and ownership at middle management level
- Concentration on Contractor Management in both facilities management and construction field
- Cultivate consistent operating discipline in HSEMS and MCF
- Strengthening internal HSE Capabilities

KEY HIGHLIGHTS									
Fatalities		Loss Time Injury (LTI) Incidents		Loss Time Injury Frequency (LTIF)		Loss of Primary Containment (LOPC)		Potential Incident/ Near Miss (PI/NM)	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
0	0	7	5	0.78	0.47	0	0	1,805	2,245

INITIATIVES FOR THE YEAR	
Top Management HSE Walkabout	• Six HSE Walkabouts conducted in 2019 to promote leadership visibility in driving HSE
HSE Awareness Programmes for employees	• Fire Safety and Awareness Session with Jabatan Bomba dan Penyelamat Malaysia • Effective Intervention towards Crime Prevention for everyone • Self-defense workshop by She Fights • HSE induction for new employees • Education and competency program: Re-inforce ZeTo Rules and First Aid training for first aiders
HSE Communication	• News updates on HSE via KLCC Group intranet portal • HSE sharing sessions with business units facilitated by the HSE team
Safety Engagement with Contractors/ Suppliers	• Monthly engagement with suppliers • Suppliers Performance Appraisal (SPA) carried out twice a year • Contractors safety briefings
Workplace Health	• Health Risk Assessment - to identify all health hazards within the organisation and provide a basis for the business to conduct health hazard studies • MOKL Hotel Annual Medical Surveillance carried out by an occupational health doctor registered with DOSH
Emergency Preparedness	• Emergency evacuation drill held at Suria KLCC and at Menara Dayabumi • Simulation exercises held at MOKL Hotel to test the effectiveness of the Business Continuity Management
Investigations and Findings of Reported Incidents	• We successfully attained four Silver investigators who are qualified with accreditation to lead any lost time injury incident within the Group

SOCIAL - SECURITY, SAFETY AND HEALTH

Security Management

In respect to Security Management, at KLCCP Stapled Group, we have the responsibility of keeping our guests, tenants, customers and visitors safe. We have in place the KLCC Precinct Security Master Plan which comprises the Security Surveillance System for the Common Areas of the KLCC Precinct. We also collaborate with the Police and PETRONAS Group Security to manage the customers' and visitors' safety and security across all asset classes.

INITIATIVES FOR THE YEAR	
Establishment of Crime Prevention through Environmental Design (CPTED)	Allocated several "Planter Box" close to the entrance of PETRONAS Twin Towers and Menara 3 PETRONAS to provide Hostile Vehicle Mitigation (HVM)
Implementation of Visitor Management System (VMS) Database	Implemented VMS at PETRONAS Twin Towers for streamlining the process for visitors check-in
Integrated Command Centre (ICC)	Built to house the security management team and the new security control surveillance system and server room where the access into the entire precinct can be controlled and monitored
Implementation of Security Systems and Technology	- Implementation of enhanced security system within our KLCC Precinct common areas: i. Smart Security Surveillance System (CCTV) ii. Automated Number Plate Recognition (ANPR) System iii. Help Point System iv. Guard Tour and Communication System

Cyber Security and Data Privacy

With cyber-attacks becoming more prevalent and damaging, KLCCP Stapled Group also reinforced its systems and procedures to detect, respond and mitigate potential cyber disruptions for upholding information security protection. KLCCP Stapled Group worked towards creating awareness within the organisation by conducting cybersecurity workshops.

INITIATIVES FOR THE YEAR	
Implementation of KLCC Group Cyber Security Action Plan	To ensure our organisation's data is safe from attacks from both internal and external factors and to also safeguard necessary integrated technologies, prevent hacking and ensure business continuity

SOCIAL - OUR PEOPLE

OUR PEOPLE

At KLCCP Stapled Group, our key focus is to create a culture that shapes our people towards performance excellence, a dynamic environment that promotes diversity and inclusivity, with opportunities for holistic growth for our people to grow and build their careers, aligned to their unique needs and development abilities. Attracting the best of the millennials is also critical to us as their career aspirations and attitudes about work with knowledge of new technologies has changed the working landscape. In order for us to be able retain and attract the best talents, we need to revolutionise our workplace.



SUPPORTING THE UNSDGs



MATERIAL MATTERS

1

Our People

2

Human Rights and Labour Practices

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

1

Human Capital

“We have a culture that values our people and offers mutual support contributing to a unique environment that gives meaning to employees’ work”

WHY IT MATTERS TO US

- Our people define the culture of the organisation and their diverse capabilities enable us to deliver quality outcomes and achieve business results
- We aim to be the Employer of Choice to be able to attract, nurture and retain the best talent in the industry



VALUES WE CREATE

- Greater inclusiveness towards talent retention
- More focused and engaged workforce making results matter
- Attitude and ability that enables employees to embrace technology, collaborate with others and work effectively in a modern, digital environment
- A purposeful workforce who are empowered, agile and enabled in a VUCA (Volatility, Uncertainty, Complexity and Ambiguity) world

OUR APPROACH

Our employees stand guided by a strict compliance to CoBE without any compromise to the organisation's integrity. At KLCCP Stapled Group, we embrace the Cultural Beliefs which unleash potential in our employees to deliver excellent results. We believe human capital is fundamental for us and we are guided by a high performance culture based on meritocracy, performance and delivery, subscribing to our KLCC Shared Values of Innovative, Cohesiveness, Loyalty, Integrity, and Professionalism, which are reflected in our daily work practices. Our Human Resource policies adhere to the strict guidelines on non-discrimination and fairness.

We are also committed to provide opportunities and nurture local talent by promoting talent retention within the organisation and ensure that employees make the best of our organisation. KLCCP Stapled Group strongly believes in investing in training and development initiatives as this leads our organisation towards gaining competitive advantage for future growth and success. Our retail and hotel, Suria KLCC and MOKL Hotel have their own structured approach in enhancing the capabilities of employees within their respective areas. We also proactively engage with our workforce through various avenues focusing on employees' well-being, performances, results and recognition.

SOCIAL - OUR PEOPLE



FOCUS FOR THE YEAR

- Revised succession management evaluation criteria to be more stringent in selection of qualified and competent talent for business sustainability
- Upskilling of employees towards digital mindset to remain relevant with the evolving needs of the industry and workplace
- Enhancing employee benefits to meet their needs and provide flexibility and supportive work environment

Equality, Diversity and Inclusion

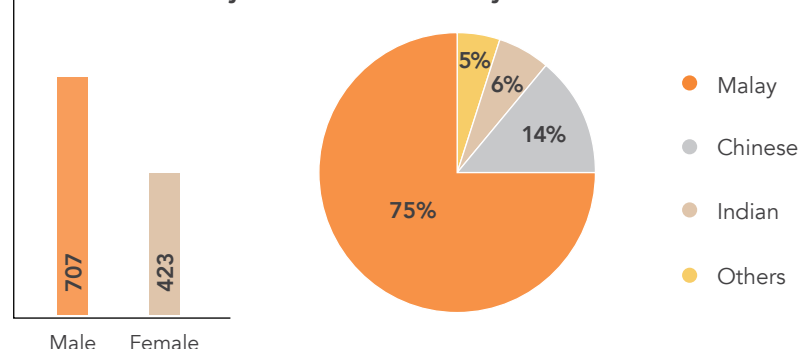
We view equality, diversity and inclusion within our workplace as business imperative and continuously strive to provide equal opportunity in recruitment, career development, promotion, training and reward for all employees regardless of age, gender, race, religion, sexual orientation or disability.

KEY HIGHLIGHTS		
TOTAL EMPLOYEES		
Permanent	Contract	Total
1,029	101	1,130

AGE PROFILE

Age	2019
Below 30	353
30 – 39	346
40 – 49	273
50 – 59	155
60 above	3

Workforce Diversity



Note: We also provide fair employment opportunities for the disabled and as at 2019, KLCCP Stapled Group has two disabled employees.

Women Empowerment

At KLCCP Stapled Group, we create diverse opportunities to empower women to be at the forefront and take leadership positions.

KEY HIGHLIGHTS
43%
Women Senior Management Leaders

Skills and Capability Development

We nurture talents through focused and strategic training, giving every employee the opportunity to learn and grow to build their careers while following their passion. We groom and grow our internal talents by setting high standards of expectations and encourage employees to take personal ownership of their careers.

KEY HIGHLIGHTS
RM1.8million
Invested in Learning and Development
94%
Employees underwent Training Programmes
35 hours
Average Training Hours Per Employee
137
Total Training Programmes

SOCIAL - OUR PEOPLE

INITIATIVES FOR THE YEAR	
KLCC Group Elite Leadership Programme (KELPRO)	Focused on junior employees who are high performers with high potential of becoming future leaders who are subjected to a 1.5 year program
Leadership Programme	- Three leadership programmes designed for managerial levels and above - Strategic Excellence Programme, Tactical Excellence Programme and Managerial Excellence Programme - MOKL Hotel's "Move Up" and "Move Forward" Development Programme – Designed for supervisors, junior managers and experienced managers to assist in building competencies, development and enhancement of leadership and business skills
e-Learning through Harvard ManageMentor (HMM) digital platform	Self-directed learning platform through Harvard ManageMentor which include 41 topics covering areas such as strategic thinking, business plan development, writing skills, customer focus, presentation skills, and marketing essentials
Human Rights training for hotel management employees	All employees attended training on human rights through the Code of Conduct training
Industrial Relations Conference 2019 for Suria KLCC	Equipped Human Resource professionals with the latest development in the fields of Industrial Law and Human Resource practices
Suria KLCC Marketing and Leasing Certification Programme	Expands knowledge, skills and offers a series of introductory and advanced learning sessions from experienced mall practitioners which covers the fundamentals of mall management and comprehensive course materials, case studies and interaction sessions

Talent Management

At KLCCP Stapled Group, we see recruitment, promotion and retention of young talents as a key strategic enabler which underpin the success of the organisation in its future growth. We have a robust talent management system in place which comprise a 5-year Talent Strategy Blueprint, Talent Management Programmes and a Succession Planning Strategy. Our Talent Strategy Blueprint details the strategies on attracting, retaining and developing talents, spanning a 5-year horizon. The blueprint outlines the HR roadmap and milestones focusing on three strategic thrusts - getting the right talents, putting them in the right environment and building credible leaders.

TALENT STRATEGY BLUEPRINT



In 2019, we revised our succession management evaluation criteria to be more stringent to maintain an effective succession plan for key positions and critical portfolios in order to enhance and retain qualified and competent talents for business sustainability.

SOCIAL - OUR PEOPLE

Workforce Engagement

At KLCCP Stapled Group, we enrich our employees through work-life balance, building a workforce that embraces our Cultural Beliefs in delivering performance. We have a low attrition rate reflective of the trust the employees have in our organisation and for providing them a workplace that inspires.

KEY HIGHLIGHTS

5.3%
Attrition Rate

INITIATIVES FOR THE YEAR	
Employee Engagement	Employee Wellness
• CEO Townhall • KLCC Group Annual Dinner and Long Service Awards • KLCC Majlis Berbuka Pusa • KLCC Group Ladies Event • HR Showcase • Informative Talks/Forums	• Blood Donation Campaign • KLCC Group Family Carnival and Property Games • MESTIfit4Health Campaign • MOKL Sports and Recreational Activities • MO-Fit Program

HUMAN RIGHTS AND LABOUR PRACTICES

We demonstrate responsible workplace practices and fully comply with legislations on the welfare and rights of our employees as well as service providers at our project sites. Since human rights is paramount to us and in line with PETRONAS' best practice, KLCCP Stapled Group will be looking into adopting the PETRONAS' Human Rights Commitment in near future.

Responsible Employment

KLCCP Stapled Group is a performance-driven organisation, adopting fair and responsible employment practices. We abide by the Malaysian Labour Laws and offer fair and competitive remuneration packages based on employees' competencies and expected roles and responsibilities which are aligned to industry's best practices and market benchmarks with reviews conducted annually.

INITIATIVES FOR THE YEAR
• Enhancement to Group Term Life Assurance • Flexible Work Arrangement for Pregnant Ladies • Working Arrangement for Employee with Dependent affected by Contagious Diseases

KEY HIGHLIGHTS

ZERO
**Incidents and Grievances of
Discrimination, Child labour
and Forced Labour**

Non-Discrimination

Pursuant to our CoBE, we do not tolerate unlawful discrimination in the workplace or on the job. We aim to address any grievance or complaints amongst employees or third party fairly and effectively. The grievance mechanism that we have in place enables employees to raise issues such as dissatisfaction regarding conditions of employment, relationship with colleagues or supervisor, or discrimination.

SOCIAL - RELIABLE PARTNER

RELIABLE PARTNER

KLCCP Stapled Group is committed to taking an active and long-term role in managing the relationship with our stakeholders and working as a reliable partner with the communities, to engage both citizens and community partners to ensure continuous improvement in our approach to sustainability and in giving back to the community.



SUPPORTING THE UNSDGs



MATERIAL MATTERS

1

Supply Chain Management

2

Customer and Tenant Management

3

Corporate Social Investment

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

1

Market

2

Asset Management

3

Facility Management

4

Supplier

“We create a myriad of experiences to tantalise, engage and connect with our customers and community seamlessly”

WHY IT MATTERS TO US

- We are conscious of our role in delivering lasting impact to the community
- Our customers, tenants, guests and community create the vibrancy in KLCC Precinct for us and we in turn need to give them the experience of The Place



VALUES WE CREATE

- Strategic business partnerships which contribute towards social development and long-term community value
- Produced the safest possible food for our guests without compromising the quality
- Made KLCC Precinct the people's place where they can converge and enjoy the various experiences through excellent infrastructure, accessibility, connectivity with the attractions within the development

OUR APPROACH

Our objective as a reliable property investment and development group is to make meaningful contributions economically and socially and grow with our stakeholders which includes our suppliers, customers, tenants and business partners to maintain long-term partnerships across our business portfolios. We also invest in community and sustainable development programmes in the areas of education, health, environment and special community needs. Our contributions include the development of infrastructure, the support for charity associations through fundraising activities, as well as education and environmental initiatives.



FOCUS FOR THE YEAR

- Continue to seek out suppliers who have accreditation/certification to provide quality products at competitive prices
- Constantly creating unique experiences for customers and hotel guests through curated collaborations with renowned brands and leveraging on digital technology

SUPPLY CHAIN MANAGEMENT

We have a robust system in place to continuously review our supply chain, take concrete actions to enhance the quality of services and products we procure, and work closely with our suppliers to improve their sustainable performances. We ensure our entire procurement process takes into account the EES impacts of our business practices. KLCCP Stapled Group practices sustainable procurement by ensuring its entire procurement process covers every element of the value chain:

- Sustainable Supply Chain and Ethical Behaviour
- Suppliers's Code of Conduct
- Suppliers Diversity and Local Procurement
- Supplier Audits
- Purchasing Policy and Scope
- Green Procurement

SOCIAL - RELIABLE PARTNER

INITIATIVES FOR THE YEAR

- Awareness Session on Procurement Procedure for new employees
- Training on understanding of procurement process to minimise errors and improve quality of work and time management
- Conducted Contractor Risk Assessment (CORA) to identify potential risk of non-performing contractor

Food Safety and Quality

MOKL Hotel's Supplier Chain Management focuses on food and beverage suppliers in respect to compliance to food safety requirements. This is also in line with our ISO 22000 certification – Food Safety Management and Halal Assurance Management System. We have in place a policy and the procedures include supplier audits for local F&B suppliers.

CUSTOMER AND TENANT MANAGEMENT

At KLCCP Stapled Group, we connect with our stakeholders especially our tenants and customers in expanding the outreach and quality of service to build a shared sense of responsibility and societal development. We conduct extensive engagement with these stakeholders to promote social betterment, building strong tenant relationship in meeting the evolving customer behaviour and expectations.

KEY HIGHLIGHTS

43%

**MOKL Suppliers with
Accreditation/Certification in
Food Safety Requirement**

KEY HIGHLIGHTS

76%

**Customer
Satisfaction
Score**

92%

**Hotel Guest
Satisfaction
Score**

INITIATIVES FOR THE YEAR

- Annual "Tenants' Nite" for tenants of PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi to build strong tenant relationship
- Launched Luxury Men's Precinct in Suria KLCC
- Reconfiguration of anchor-to-specialty stores at Suria KLCC to broaden the retail offer
- Escalator modernisation project at Suria KLCC
- Quarterly engagements with retailers to help them deliver experiences that are complementary to Suria KLCC's overall strategy and retail space
- Fans of MO - Members of the programme receive an extensive range of complimentary privileges and personalised recognition
- Newly renovated Mandarin Grill reopened serving authentic Italian cuisine with a modern contemporary approach
- Digital marketing efforts which enable guests to identify our hotel's world class hospitality services
- Digital LED Signage at NWD car park to improve visual messaging to customers and make car park livelier
- Introduction of ICONIK parking mobile application featuring online ticket payment system, availability of parking bays, information on parking sites and parking rates

CORPORATE SOCIAL INVESTMENT

Being part of the society within which KLCCP Stapled Group operates, we are conscious of our role in promoting social betterment of the community around us. We support various stakeholder engagement activities which include environmental sustainability, health, social integration and reaching out to the underprivileged community.

KEY HIGHLIGHTS

RM2.0 million

**Invested in
Community Investment**

INITIATIVES FOR THE YEAR

- "Projek Apprentice" programme (2017-2019) - Student Training Placement within KLCC Group
- Charity/ Donation Drives/ Fundraising/ Community Service
 - ▶ Hospis Malaysia Event in conjunction with Palliative Care Awareness Month
 - ▶ Cleaning of Dewan Orang Ramai and Surau Al Falah at Kampung Peragap, Temerloh, Pahang
 - ▶ Cleaning and organising student dormitories at Maahad Tahfiz Syababul Furqan, Sungai Besar Kuala Selangor
 - ▶ Refurbishment of Perpustakaan Mini YSS-KPKT 2019 at Projek Perumahan Rakyat (PPR) Lembah Subang II, Selangor
- Festive Celebrations with the underprivileged community
- Chinese New Year, Hari Raya and Christmas campaigns by Suria KLCC

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

KLCCP Stapled Group is subject to corporate governance requirements set out by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and best practices as stipulated by the Malaysian Code of Corporate Governance (MCCG) issued by the Securities Commission Malaysia. With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance, anchoring it to its organisational culture and aligning it to our shared values that will ultimately secure the confidence and support of the Group's holders of Stapled Securities.

CORPORATE GOVERNANCE



SUPPORTING THE UNSDGs



MATERIAL MATTERS

1

Corporate Governance and Business Ethics

2

Risk and Crisis Management

MAPPED TO OUR CAPITALS



RELATED PRINCIPAL RISKS

1

Market

2

Finance

3

Asset Management

4

Security

“Institutionalising integrity in our people and promoting high standards of leadership governance continued to be our priorities”

With Malaysia moving in the right direction with institutional reforms forming the bedrock of the country's governance resilience, KLCCP Stapled Group believes in good governance practices as a critical benchmark in determining its success and management stability. Whilst rules and regulations are important in improving integrity, our Boards are also there to set the right tone from the top.

WHY IT MATTERS TO US

- Our reputation and Shareholders' trust and confidence in us is imperative to our future growth and attainment of long-term goals
- Building a culture of trust and accountability sets an organisation up for success
- Increased agility for our organisation to deliver on its purpose and goals

VALUES WE CREATE

- Integrity and ethical practices amongst management, employees, business partners and stakeholders
- Sustainable financial performance delivering long-term values and returns to our holders of Stapled Securities
- Accountability on control systems which commensurate with the risks involved

OUR APPROACH

At KLCCP Stapled Group, corporate governance practices are more than just compliance. It is our corporate culture encompassing values, attitude and behavior that we embrace in all areas of conduct and it forms a foundation for our organisation's success. We take a proactive approach in observing high standards of corporate conduct with good corporate governance policies and practices in ensuring the sustainability of the organisation and safeguarding the interests of the holders of Stapled Securities and maximising long-term stakeholder value.

Our commitment to good corporate governance is reflected in the CoBE which guides the organisation in fulfilling its business obligations with utmost integrity and transparency. Our commitment in driving the culture of openness, transparency and accountability are reflected through our adoption of the "No Gift Policy" and Whistleblowing Policy and our adherence to the Anti-Bribery and Corruption Policy and Guidelines (ABC Manual).



FOCUS FOR THE YEAR

- Heighten awareness and instill integrity culture among employees
- Rolling out the Declaration of Conflict of Interest Group-wide where employees can declare a situation of conflict of interest
- Review of the Risk Appetite to ensure the financial and non-financial risk exposure and type of risk to be pursued or retained in achieving its strategic objectives are properly defined

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND BUSINESS ETHICS

KLCCP Stapled Group implements good corporate governance that promotes openness and transparency in all aspects of our business, addressing the risk of corruption and bribery, misconducts and conflict of interests.

KEY HIGHLIGHTS	
Top 2 Most Transparent Corporate Reporting amongst 100 Public Listed Companies Assessed by Malaysian Institute of Corporate Governance (MICG)	Top 20 Finalists in PwC'S Building Trust Awards 2019

INITIATIVES FOR THE YEAR	
Corporate Governance	- Reviewed Terms of Reference (TOR) of respective NRCs and endorsed by NRCs, and subsequently approved by the Boards - KLCCP and KLCCRM adopted the policy to limit the tenure of Independent Non-Executive Directors up to nine years as recommended by the MCCG
Business Ethics and Transparency	- Conducted four awareness and refresher programmes on the company's CoBE covering topics on anti-bribery and corruption - Held awareness programmes on the Personal Data Protection Act (PDPA) - Rolled out the Declaration of Conflict of Interest Group-wide where employees can declare a situation of conflict of interest as prescribed in the CoBE and ABC manual
Anti-Bribery and Corruption	The Boards of KLCCP and KLCC REIT executed the Integrity Pledge in combatting bribery and corruption and also approved for the Group to work towards attaining the ISO 37001: 2016 certification on Anti-Bribery Management System
Audit Committee and External Auditor	KLCCP and KLCCRM adopted their respective Framework on External Auditors to establish a formal policy and procedure for the respective ACs to assess the suitability, objectivity and independence of the external auditors in tandem with the practice of MCCG



To read more, refer to our Corporate Governance Overview Statement on pages 169 to 176

RISK AND CRISIS MANAGEMENT

Risk management is an integral part of KLCCP Stapled Group's business at both strategic and operational levels. An effective and sound risk management system is important for us to achieve our business strategies and objectives. KLCCP Stapled Group has an established KLCC Group Enterprise Risk Management Governance Framework which outlines the risk policy, risk governance and structure, risk measurement and risk operations and system.

The Risk Management Oversight Structure which consists of the Boards, Audit Committee, ("ACs"), and the Management represented by Risk Management Committee ("RMC") and Top Management. The structure is used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards.

KLCCP and KLCCRM Boards developed an integrated robust risk management system for business resiliency focusing on Enterprise Risk Management, Crisis Management and Business Continuity Management.

CORPORATE GOVERNANCE

INITIATIVES FOR THE YEAR	
Enterprise Risk Management	Reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statements
Crisis Management	- Conducted fire drill and evacuation exercises for tenants at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara Maxis and Menara Dayabumi to test the effectiveness and robustness of the Crisis Management Plan - Conducted briefing on Fire and Life Safety, table top exercise, Emergency Response Plan (ERP) Awareness to promote awareness of the danger of fire hazards, guidance on effective operation of the fire extinguishers and carried emergency evacuation procedures within the workplace
Business Continuity Management	Conducted a Call Tree Verification exercise to ensure phone numbers and contact lists of relevant personnel and stakeholders are correct
Risk Assessment in Decision Making (RADM)	A structured process for risk assessment as part of decision making. This risk assessment process is to be carried out prior to any decision point to assist decision makers in making well informed decision taking into consideration calculated risks

Integrity Action Plan

KLCCP Staped Group's continuous effort in managing integrity risk within the organisation reflects our commitment to conduct business with high integrity and in support of the Group's zero tolerance against all forms of bribery and corruption.

INITIATIVES FOR THE YEAR	
Risk Category	Action Plan
Bribery ▶ To mitigate poor enforcement	- Conducted background screening on new recruits and employees on need basis - Conducted CoBE upskilling and Whistleblowing Policy awareness programmes for all employees - Briefing on CoBE for vendors and contractors during tender process
Non-Compliance ▶ To mitigate weak internal control	- Inclusion of owner's representative in the Variation Order (VO) Committee for all projects - Reviewed and tightened procurement, certification of work done, QA/QC and payment procedures - Conducted engagement with PETRONAS on Vendor Relationship Management (VRM) to review the process and identify the technology to be used in the establishment of in-house corporate cost database
Abuse of Power ▶ To mitigate acceptance culture	Declaration of Assets rolled out to new employees



To read more on our sustainability journey, initiatives and performance, kindly refer to our Sustainability Report 2019 at www.klcc.com.my/sustainability.php.

A collage of various pastries and cakes in a bakery display case. The top section shows long, golden-brown pastries on a shelf. Below that, there are several small, round tarts with fruit toppings. To the right, a large, rectangular cake is decorated with white frosting, chocolate shavings, and fresh strawberries. The bottom right corner shows more pastries, including some with a sesame seed coating.

THE PLACE TO DINE

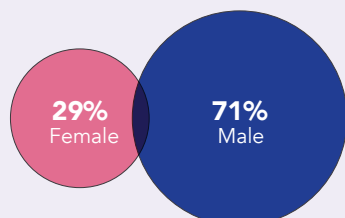
We offer innovative, trendy and convenient dining options to create a diverse experience in the gastronomical adventure, in tune with today's lifestyles

**THIS IS THE PLACE THAT INSPIRES
TOGETHERNESS AND CELEBRATIONS**

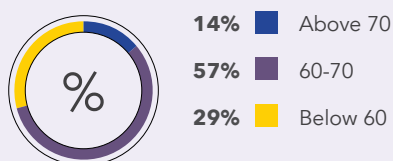


KLCCP AND KLCC REIT BOARDS OF DIRECTORS

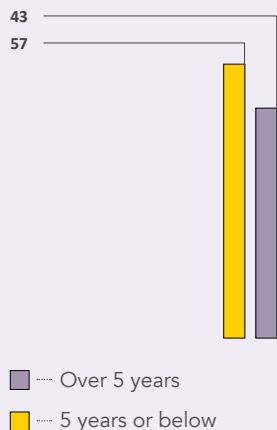
Gender Diversity (%)



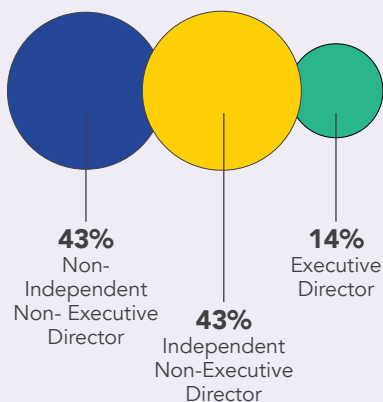
Age Profile



Tenure (%)



Designations (%)



KLCCP AND KLCC REIT BOARDS OF DIRECTORS



**DATUK PRAGASA MOORTH
A/L KRISHNASAMY**
Non-Independent
Non-Executive Director



**HABIBAH
BINTI ABDUL**
Senior Independent
Non-Executive Director



**FARINA BINTI
FARIQHULLAH KHAN**
Independent
Non-Executive Director



**DATO' JAMALUDIN BIN
OSMAN**
Independent
Non-Executive Director



**YEAP
KOK LEONG**
Company Secretary



**ABD AZIZ BIN
ABD KADIR**
Company Secretary

None of the Directors have:

- (i) Any family relationship with any Directors of KLCCP, KLCC REIT and/or major Stapled Securities holders of KLCCP and KLCC REIT;
- (ii) Any conflict of interest with KLCCP and KLCC REIT; and
- (iii) Any conviction for offences (other than traffic offences) within the past 5 years, received any public sanction or any penalty imposed by the relevant regulatory bodies during the financial year.

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
21 December 2019
(KLCCP)

21 December 2019
(KLCCRM)



**DATUK
AHMAD NIZAM
BIN SALLEH**

Chairman/Non-Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor's Degree in Business Administration, Ohio University, USA
- Advanced Management Programme, Wharton School, University of Pennsylvania, USA

WORKING EXPERIENCE

Present Appointments:

- Chairman, Petroliaam Nasional Berhad
- Chairman, Yayasan PETRONAS
- Pro-Chancellor, Universiti Teknologi PETRONAS
- Board Member, Universiti Malaysia Terengganu
- Chairman, KLCC (Holdings) Sdn Bhd

Past Experiences:

- Analyst, Planner and Project Coordinator, Corporate Planning and Finance Divisions, PETRONAS Corporate Head Office from the years 1981 to 1987
- Head of Crude Oil Group and Group Treasury, PETRONAS
- Managing Director/Chief Executive Officer, Malaysia LNG Group of Companies
- Vice President, Corporate Services Division, PETRONAS
- Managing Director/Chief Executive Officer of Engen Ltd, South Africa
- Director, Putrajaya Holdings Sdn Bhd
- Director, Kuala Lumpur Convention Centre Sdn Bhd
- Director, Prince Court Medical Centre Sdn Bhd
- Director, MISC Berhad
- Director in several petrochemical subsidiaries of PETRONAS

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

Nil

Public Company:

- Petroliaam Nasional Berhad

BOARD SKILL MATRIX:

- Business Management
- Strategy Development
- International Business

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
1 November 2007
(KLCCP)

5 December 2012
(KLCCRM)



**DATUK
HASHIM
BIN WAHIR**

Chief Executive Officer

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Engineering (Honours) in Mechanical Engineering, Universiti Teknologi Malaysia
- Executive Development Program, Ashridge Management College, United Kingdom
- Executive Development Program, Johnson School of Management, Cornell University, USA

WORKING EXPERIENCE

Present Appointments:

- Director/Group Chief Executive Officer, KLCC (Holdings) Sdn Bhd ("KLCCH")
- Director, PETRONAS Hartabina Sdn Bhd
- Director of KLCCH's subsidiaries and associate companies, and subsidiaries of KLCCP

Past Experiences:

- Involved in exploration and production ("E&P") operations, international E&P and gas asset acquisitions, group strategic planning and corporate development within PETRONAS:
 - Senior Manager, Petroleum Engineering Department of PETRONAS Carigali Sdn Bhd ("PCSB")
 - General Manager of Chad/Cameroon JV Project, PCSB
 - General Manager, Group Planning & Resources Allocation, PETRONAS
 - Chairman, PETRONAS Group of Companies in the Republic of Sudan

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

Nil

Public Company:

- Kuala Lumpur City Park Berhad

BOARD SKILL MATRIX:

- Engineering
- Business Management
- Strategy Development
- Corporate Planning and Development
- Commercial/Marketing
- Operations
- Property/Real Estate Management

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
1 December 2018
(KLCCP)

1 December 2018
(KLCCRM)



**TENKU
MUHAMMAD
TAUFIK**

Non-Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Member of the Institute of Chartered Accountants in England & Wales
- Bachelor of Arts (Honours) (Finance & Accounting), University of Strathclyde, Glasgow
- Member of the Malaysian Institute of Accountants

WORKING EXPERIENCE

Present Appointments:

- Executive Vice President and Group Chief Financial Officer, PETRONAS
- Member, Executive Leadership Team, PETRONAS
- Director, KLCC (Holdings) Sdn Bhd
- Director of PETRONAS's subsidiaries

Past Experiences:

- Audit Supervisor, Tenon Plc (formerly Morison Stoneham)
- Joined PETRONAS in 2000
- Held various positions within the Petroliaam Nasional Berhad ("PETRONAS") Group
 - General Manager/Chief Financial Officer, KLCCP
 - Head, Finance & Risk Management (Gas & Power)
 - Head, Group Strategic Planning
- Deputy Chief Financial Officer, Tanjong Plc (Usaha Tegas Group)
- Group Chief Financial Officer, Sapura Energy (formerly SapuraKencana Petroleum Berhad)

BOARD COMMITTEE

- Member, Nomination and Remuneration Committees of KLCCP and KLCCRM (appointed on 1 December 2018)
- Member, Audit Committees of KLCCP and KLCCRM (appointed on 3 April 2019)

OTHER DIRECTORSHIPS:

Listed Issuers:

- MISC Berhad

Public Company:

- Petroliaam Nasional Berhad

BOARD SKILL MATRIX:

- Finance and Audit
- Business Management
- Corporate Planning and Development
- Risk Management
- Operations

KLCCP AND KLCC REIT BOARDS OF DIRECTORS



Appointed on
9 September 2004
as Independent
Non-Executive Director
(KLCCP)

5 December 2012
as Independent
Non-Executive Director
(KLCCRM)

26 January 2015,
redesignated to
Non-Independent Non-
Executive Director in
KLCCP and KLCCRM

**DATUK PRAGASA
MOORTHY A/L
KRISHNASAMY**

Non-Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Quantity Surveyor, Curtin University, West Australia

WORKING EXPERIENCE

Present Appointments:

- Director, United Contract Management Sdn Bhd

Past Experiences:

- Project Quantity Surveyor for a number of projects in Perth, West Australia from 1971 to 1976
- General Manager/Director of Safuan Group Sdn Bhd
- Project Director of Sepang Development Sdn Bhd
- Project Director with WTW Consultant Sdn Bhd
- General Manager, KLCC Projekts 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
- Managing Director of KLCC Projekts Sdn Bhd

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

Nil

Public Company:

Nil

BOARD SKILL MATRIX:

- Business Management
- Strategy Development
- Risk Management

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
26 June 2013
(KLCCP)

26 June 2013
(KLCCRM)

**HABIBAH
BINTI
ABDUL**



Senior Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Economics (Accounting), University of Malaya
- Member of the Institute of Chartered Accountants of England and Wales
- Member of Malaysian Institute of Certified Public Accountants
- Member of Malaysian Institute of Accountants

WORKING EXPERIENCE

Present Appointments:

- Member, Board Audit Committee, PETRONAS Gas Berhad
- Member, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Director, KLCC REIT Management Sdn Bhd

Past Experiences:

- 35 years of experience in providing audit and business advisory services to large public listed, multinational and local corporations
- Member of the Securities Commission

BOARD COMMITTEE

- Member, Audit Committees of KLCCP and KLCCRM (Appointed on 26 June 2013)
- Chairperson, Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed as member on 21 August 2013) (Re-designated as Chairperson on 3 April 2019)

OTHER DIRECTORSHIPS:

Listed Issuers:

- PETRONAS Gas Berhad

Public Company:

Nil

BOARD SKILL MATRIX:

- Accounting and Finance

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
23 April 2018
(KLCCP)

23 April 2018
(KLCCRM)



**FARINA BINTI
FARIKHULLAH
KHAN**



Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce (Accounting), University of New South Wales, Australia
- Fellow Member of Chartered Accountants in Australia & New Zealand
- Advanced Management Program, Harvard Business School, United States of America

WORKING EXPERIENCE

Present Appointments:

- Chairman, Board Audit Committee, PETRONAS Gas Berhad
- Member, Audit and Examination Committee, AMMB Holdings Berhad
- Member, Group Nomination and Remuneration Committee, AMMB Holdings Berhad
- Chairman, Risk Management Committee, Ambank Islamic Berhad
- Member, Audit and Examination Committee, Ambank Islamic Berhad
- Member, Audit Committee, Icon Offshore Berhad

Past Experiences:

- Senior Associates, Business Services, Coopers & Lybrand, Australia
- Senior Manager, Corporate Planning & Development Division, PETRONAS
- Chief Financial Officer, PETRONAS Carigali Sdn Bhd
- Chief Financial Officer, Exploration and Production Business, PETRONAS
- Chief Financial Officer, PETRONAS Chemicals Group Berhad

BOARD COMMITTEE

- Member, Audit Committees of KLCCP and KLCCRM (Appointed as member on 23 April 2018) (Re-designated as Chairperson on 12 October 2018)
- Member, Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed as member on 3 April 2019)

OTHER DIRECTORSHIPS:

Listed Issuers:

- PETRONAS Gas Berhad
- AMMB Holdings Berhad
- Icon Offshore Berhad

Public Company:

- AMBank Islamic Berhad

BOARD SKILL MATRIX:

- Banking and Finance
- Corporate Planning and Development
- Economics
- Finance and Audit
- Human Resource

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
1 January 2020
(KLCCP)

1 January 2020
(KLCCRM)



**DATO'
JAMALUDIN
BIN OSMAN**

Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor Degree, Civil Engineering, Universiti Teknologi Malaysia
- Member of Institute of Engineers Malaysia
- Management Development Programme, Asian Institute of Management

WORKING EXPERIENCE

Present Appointments:

- Director, AZ Land & Properties Sdn Bhd
- Member, Audit Committee, MMC Corporation Berhad
- Member, Remuneration Committee, Hock Seng Lee Berhad

Past Experiences:

- Civil Engineer, Technical Department, Pahang Tenggara Development Authority
- Civil Engineer, Sewerage & Drainage Department, Dewan Bandaraya Kuala Lumpur
- Project Engineer, Refinery Department, Petroliaam Nasional Berhad
- Held several positions in Syarikat Perumahan Pegawai Kerajaan Sdn Bhd:
 - Project Manager
 - Marketing Manager
 - General Manager Project & Marketing
 - Managing Director
- Group Managing Director, I&P Group Sdn Bhd

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

- MMC Corporation Berhad
- Hock Seng Lee Berhad

Public Company:

Nil

BOARD SKILL MATRIX:

- Engineering
- Business Management
- Strategic Planning
- Marketing
- Project Management



MANAGEMENT TEAM KLCC PROPERTY HOLDINGS BERHAD & KLCC REIT MANAGEMENT SDN BHD



GOVERNANCE EMPHASIS IN KLCC GROUP OF COMPANIES



MANAGEMENT TEAM KLCC PROPERTY HOLDINGS BERHAD & KLCC REIT MANAGEMENT SDN BHD



None of the Management Teams have:

- (i) Any family relationship with any Directors of KLCCP, KLCC REIT and/or major Stapled Securities holders of KLCCP and KLCC REIT;
- (ii) Any conflict of interest with KLCCP and KLCC REIT; and
- (iii) Any conviction for offences (other than traffic offences) within the past 5 years, received any public sanction or any penalty imposed by the relevant regulatory bodies during the financial year.

Management Team KLCC Property Holdings Berhad

Management Team KLCC REIT Management Sdn Bhd

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

	DATE OF APPOINTMENT 16 December 2013 (Chief Financial Officer/Chief Investment Officer, KLCC Property Holdings Berhad ("KLCCP")) 16 December 2013 (Head of Finance/Head of Investment, KLCC REIT Management Sdn Bhd) ACADEMIC/PROFESSIONAL QUALIFICATIONS • Bachelor in Accounting (Hons.), International Islamic University Malaysia • Masters in Business Administration (Finance), International Islamic University Malaysia • Fellow CPA Australia • Member of the Malaysian Institute of Accountants • Senior Management Development Programme, Harvard Business School PAST EXPERIENCE • Associate, Audit & Business Advisory Services, Pricewaterhouse • Associate, Corporate Finance, Commerce International Merchant Bankers Berhad • Head of Corporate Finance, Renong Berhad • General Manager, Office of the CEO, UEM Group Berhad • Chief Financial Officer, PLUS Expressways Berhad • Group Chief Financial Officer, UEM Group Berhad PRESENT APPOINTMENTS • Director, Midciti Sukuk Berhad • Director of several subsidiaries of KLCCP and KLCC (Holdings) Sdn Bhd RESPONSIBILITIES • Responsible for the management of all financial aspects of KLCCP Stapled Group, as well as investor relations and information systems • Overall management and coordination of financial reporting, financial planning, debt financing, treasury and budget management functions of KLCCP Stapled Group • Responsible for evaluating potential acquisitions of assets to enhance KLCC REIT's portfolio
	DATE OF APPOINTMENT 1 October 2009 (Head, Legal & Corporate Services Division, KLCC Property Holdings Berhad ("KLCCP")) 5 December 2012 (Head, Legal & Compliance, KLCC REIT Management Sdn Bhd) ACADEMIC/PROFESSIONAL QUALIFICATIONS • LLB (Honours), International Islamic University Malaysia • Licensed Company Secretary PAST EXPERIENCE • Joined PETRONAS in July 1991 and held various positions within PETRONAS Group Legal • General Manager, Legal and Corporate Secretarial Affairs Division, MISC Berhad from January 2009 up to September 2009 PRESENT APPOINTMENTS • Company Secretary of KLCCP, KLCC REIT Management Sdn Bhd and KLCC (Holdings) Sdn Bhd • Director/Company Secretary, Kuala Lumpur City Park Berhad • Director of several subsidiaries of KLCCP and KLCC (Holdings) Sdn Bhd RESPONSIBILITIES • Responsible for all legal affairs, company secretarial services, and compliance functions for KLCCP Stapled Group • Monitor the internal corporate governance policies of KLCCP and KLCC REIT • Responsible for the management of the KLCCP Stapled Group's procurement and tendering portfolio

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

DATE OF APPOINTMENT

1 January 2012
(Head, Development Division, KLCC
Property Holdings Berhad ("KLCCP"))

5 December 2012
(Head, Leasing/Asset Manager, KLCC REIT
Management Sdn Bhd)

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Diploma in Public Venue Management, Institute of Public Venue Management, Australia
- Master of Science in Construction Management (majoring Project Management), Heriot-Watt University, Edinburgh, Scotland
- Bachelor of Science (Honours) in Estate Management, Heriot-Watt University, Edinburgh, Scotland
- Diploma in Estate Management, Institute Teknologi MARA (now UITM)
- Registered Valuer, Estate Agent and Property Manager with the Board of

Valuers, Appraisers, Estate Agents and Property Manager, Malaysia

- Fellow Royal Institute of Surveyors, Malaysia (FRISM)
- Member of the Royal Institute of Chartered Surveyors United Kingdom (MRICS)
- License Holder for the Capital Market Services Representatives with Securities Commission Malaysia

PAST EXPERIENCE

- Acting Head, KLCC Urusharta Sdn Bhd
- Valuer, Rahim & Co, Chartered Surveyors, Kuala Lumpur
- Senior Lecturer/Head of Department, Urban Estate Management, Northern Consortium United Kingdom/ITM
- Assistant Director, Project Coordination Unit, Kuala Lumpur City Hall

PRESENT APPOINTMENTS

- Director, Kuala Lumpur City Park Berhad
- Director of several subsidiaries of KLCCP and KLCC (Holdings) Sdn Bhd

RESPONSIBILITIES

- Lead Business Development initiatives including joint venture projects, asset enhancement initiatives (renovation and refurbishment work) and make recommendations on the head of terms to be approved
- Manage development projects on time projections, cost and specifications with maximum returns on investments KLCCP Stapled Group
- Strategize, develop and recommend appropriate office, leasing strategies for completed development and future development for KLCCP Stapled Group
- Ensure the development and asset enhancement initiatives are in line with the overall masterplan development



**DATIN SR FAUDZIAH
BINTI IBRAHIM**

Head, Development Division, KLCCP
Head of Leasing/Asset Manager, KLCCRM

DATE OF APPOINTMENT

1 January 2015

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Science in Business Administration (Major in Accounting & Management Information System), Northeastern University, Boston, Massachusetts, USA
- MBA Degree in Strategic Management, Maastricht School of Management, Netherland

PAST EXPERIENCE

- Accountant, Hartford Financial Insurance Services, Boston, Massachusetts, USA
- Senior Accountant, AIG Group, USA
- Regional Controller for Middle East, Fugro Jason, Abu Dhabi, United Arab Emirates
- Senior Finance Manager, Scomi Group Berhad
- Head of Department, Business Performance, KLCC (Holdings) Sdn Bhd

PRESENT APPOINTMENTS

NIL

RESPONSIBILITIES

- Formulate the Human Resources Strategies for the Group in attracting, retaining and developing talents
- Partner to the business unit in providing Human Resources advisory in managing talents and leaders by providing a competitive working environment
- Review, develop and implement human capital policies, procedures and best practices by adopting and adapting from the PETRONAS Group HRM



**SULAIMAN BIN
AB HAMID**

Head, Human Resource Division, KLCCP

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM



HO MEI LING
Head Department,
Group Enterprise Risk Management, KLCCP

DATE OF APPOINTMENT
28 October 2013

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Arts (Honours), York University, Toronto, Canada

PAST EXPERIENCE

- Manager of Corporate Recovery, Ernst & Young
- Manager, Business Planning, Putrajaya Holdings Sdn Bhd
- Head, Customer Relationship Management, Putrajaya Holdings Sdn Bhd

PRESENT APPOINTMENTS
NIL

RESPONSIBILITIES

- Develop and implement appropriate Group risk management strategies, measures, frameworks and instruments in order to establish a common systematic approach group-wide to mitigate and minimize exposure to risks across the Group
- Conduct risk monitoring and provide updates to the Management and Board of Directors on regular basis on trends for risk exposures, highlighting key areas of concern and priority of attention for continuous improvement
- Provide proactive and preventive advice to Management with respect to necessary changes in the risk profile of the Group or specific business activities, including good corporate governance and ethical practices
- Ensure required competence and skill level of subordinates are developed to ensure operational needs are met
- Ensure department operates within set cost profiles so as to optimise resources



ISHAK BIN YAHAYA
Security Advisor, KLCCP

DATE OF APPOINTMENT
28 October 2013

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- MCE – Anglo Chinese School Teluk Anson
- Police College Kuala Kubu Bharu
- Military Staff College KL- psc
- Diploma Sains Siasatan – UKM

PAST EXPERIENCE

- Police Officer, PDRM
- Selected and undergone intensive British Commando (SAS) Training
- Infantry officer Regiment VAT69 Commando
- Seconded to Special Branch and Military Intelligence Organisation for secret external operation

PRESENT APPOINTMENTS
NIL

RESPONSIBILITIES

- Develop security policy for KLCCP and its subsidiaries in line with PETRONAS Security Requirement
- Ensuring the security of assets and business of KLCCP and its subsidiaries
- Establish direct communication with PDRM/SPRM and other relevant authorities for the security of assets and business of KLCCP
- Conduct criminal investigation whenever necessary
- Conduct investigation for any allegation or whistle blowing within the KLCCP
- Supervise and coordinate all security operation and security issues within KLCCP
- Committee of Integrity KLCCP
- Control and monitoring security access system

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

DATE OF APPOINTMENT

1 January 2007
(Chief Executive Officer, Suria KLCC Sdn Bhd)

1 January 2015
(Executive Director, Suria KLCC Sdn Bhd)

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce, Management Studies (Marketing/Accounting), University of Wollongong, Australia
- Stanford Executive Program, Stanford University, USA

PAST EXPERIENCE

- 6 years of sales and marketing experience with Colgate Palmolive Pty Ltd, Australia in both regional and national roles
- 27 years of real estate experience in the disciplines of management, leasing, marketing and development of retail assets commencing with Lend Lease Corporation Ltd, Australia in 1992 and continuing with Westfield Limited, Australia. In 2003, seconded to Suria KLCC Sdn Bhd pursuant to the advisory agreement entered into between Suria KLCC Sdn Bhd and Westfield Shopping Centre Management Co. Pty. Ltd. of Australia. In 2006, his secondment concluded with his CEO appointment

PRESENT APPOINTMENTS

NIL

RESPONSIBILITIES

- Over strategic and fiscal responsibility for assets owned and managed by Suria KLCC encompassing all asset management, development, finance, leasing, marketing and management of the assets



ANDREW WILLIAM BRIEN

Executive Director/Chief Executive Officer,
Suria KLCC Sdn Bhd

DATE OF APPOINTMENT

6 December 2019

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Executive MBA, ESESA, Málaga, Spain
- Glion Institute of Higher Education, Montreux, Switzerland
- Bachelor of Arts "Hospitality and Tourism Management"
- French Cooking School Alicia Berger, Buenos Aires, Argentina

PAST EXPERIENCE

- Mandarin Oriental Hotel Group as Systems Transformation Project Director
- Ritz Hotel Madrid, Madrid, Spain as General Manager & Member of the Board
- Rosewood Mansion On Turtle Creek as Managing Director

- Rosewood San Miguel De Allende as Managing Director
- Rosewood Sand Hill as Hotel Manager
- Las Ventanas Al Paraiso as Managing Director
- Marbella Hotel Group as Executive Assistant Manager
- Hilton Group hold various Executive positions
- Hotel La Residencia as Michelin Star Restaurant Manager
- Hotel Du Palais as Front Office Trainee

PRESENT APPOINTMENTS

NIL

RESPONSIBILITIES

- Manage the operation of a 629 rooms hotel with an operating budget of RM190M, maintaining the hotel as the leader in the market with an RGI above 100
- Ensure guest satisfaction through a personalised service and attention to detail that sets us apart from the competitors
- Maintain an open and transparent communication with the owner company
- Ensure necessary actions are taken to maintain the asset and propose upgrade where necessary
- Lead a team of 800 professionals to success through proper training and ensuring colleagues satisfaction



CHRISTIAN TAVELLI

General Manager, Mandarin Oriental, Kuala Lumpur

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM



**BURHANUDDIN
BIN YAHYA**
Head, KLCC Parking Management Sdn Bhd

DATE OF APPOINTMENT

1 May 2013

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Science in Quantity Surveying, Council of National Academic Award (CNAA), Dundee University, Scotland

PAST EXPERIENCE

- Cost Manager for PETRONAS Twin Towers project, KLCC Property Holdings Berhad
- Head of Department, TCD, Procurement for Technical Services and Intra & Pre Development (Planning), Putrajaya Holdings Sdn Bhd

PRESENT APPOINTMENTS

- Director, KLCC Parking Management Sdn Bhd

RESPONSIBILITIES

- Lead in the operational direction for overseeing and the management of the car park operations of the group to ensure optimum return of investments and maximum utilization of car parks
- Develop business strategies for the business management of car parking and operations to ensure operational efficiency and maximization of car park utilization in timely and cost effective manner
- Preserving and enhancing all assets value through continuous upgrading and refurbishing initiatives to prolong the economic lifespan of the asset managed and keeping up with the latest technology and to promote green initiatives



**IZWAN HASLI BIN
MOHD IBRAHIM**
Executive Director/Head, KLCC Urusharta Sdn Bhd

DATE OF APPOINTMENT

2 December 2019

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- M.Sc. Information Technology, Rensselaer Polytechnic Institute, New York, USA
- B.Sc. Mechanical Engineering, Rensselaer Polytechnic Institute, New York, USA

PAST EXPERIENCE

- Acting Chief Executive Officer, PETRONAS ICT Sdn Bhd
- Chief Operating Officer, PETRONAS ICT Sdn Bhd
- Head (Employee Digital Experience), Group Digital, PETRONAS

- Chief Executive Officer, Virtus IP Sdn Bhd
- Held various positions in iPerintis Sdn Bhd:
 - o General Manager of Business Development and Client Management
 - o Head of Desktop Computing System
 - o Team Lead for KLCC Projects
 - o Senior Network Engineer for Global Network
- System Analyst, PETRONAS Carigali Sdn Bhd

PRESENT APPOINTMENTS

- Director, KLCC Parking Management Sdn Bhd

RESPONSIBILITIES

- Provide direction and leading KLCC Urusharta Sdn Bhd to optimise asset value, maximise rental income, achieve client satisfaction rating through strategic asset management, management of capital projects for building life cycle maintenance and refurbishment programmes

CORPORATE GOVERNANCE OVERVIEW STATEMENT

KLCCP Stapled Group through its boards, board committees and management team believes sound corporate governance practices enhance stakeholder value. Therefore, the Boards of Directors ("Boards") of KLCC Property Holdings Berhad ("KLCCP" or "the Company") and KLCC REIT Management Sdn Bhd ("KLCCRM" or "Manager") are committed to maintain high standards of governance which enable the Boards to promote the success of KLCCP Stapled Group and long-term sustainability of its stakeholders' benefits.

The Boards are pleased to provide herewith a Corporate Governance Overview Statement for the financial year ended 31 December 2019 ("FY2019") of:

- (i) KLCCP; and
- (ii) KLCCRM, as the manager of KLCC Real Estate Investment Trust ("KLCC REIT"), ("Statement").

INTRODUCTION

HOW OUR GOVERNANCE WORKS

This Statement demonstrates continuous commitment by the Boards to high standards of corporate governance in discharging their responsibilities to protect and enhance interests of the holders of the Stapled Securities through the application of best practices of corporate governance at all times.

In this Statement, the respective Boards provide shareholders and investors with an overview of KLCCP Stapled Group's application and adoption of the key principles and best practices of good corporate governance as set out in the Malaysian Code on Corporate Governance ("MCCG"). During FY2019, the Boards reviewed the corporate governance practices of KLCCP and KLCCRM to ensure they have adopted a holistic and effective governance with the introduction of several initiatives being implemented during the year as provided in this Statement.

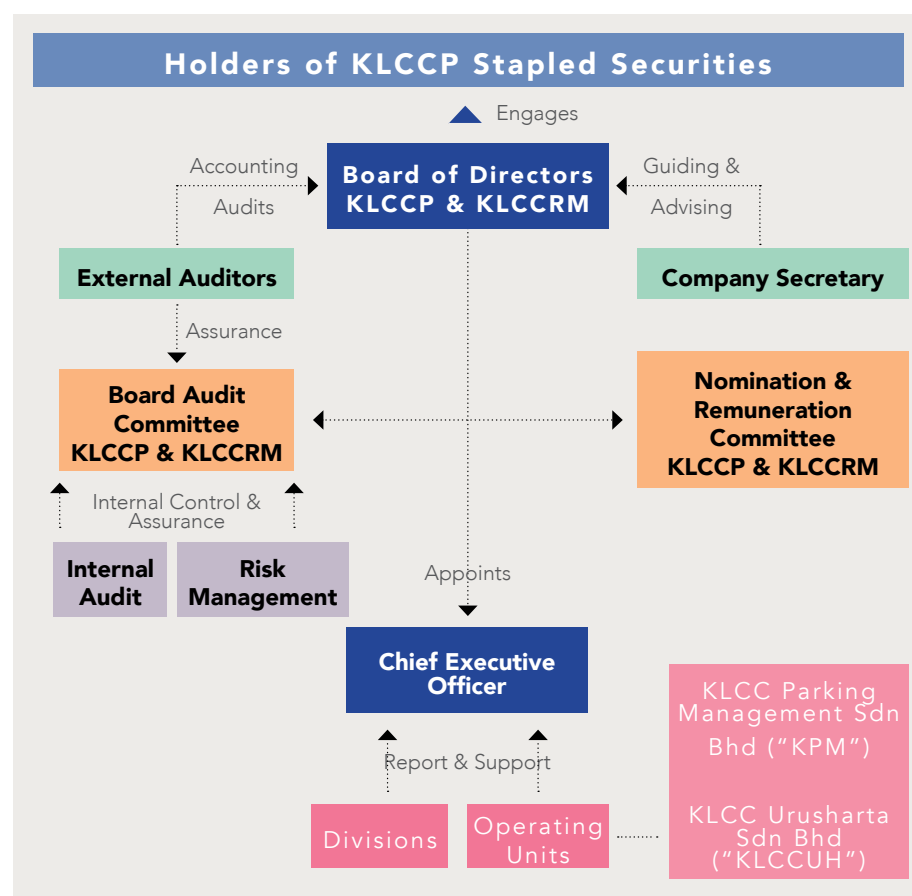
The detailed application by KLCCP Stapled Group for each practice of the MCCG is disclosed in the KLCCP Stapled Group Corporate Governance Report for FY2019 ("CG Report") which is available on KLCCP corporate website at www.klcc.com.my. The Boards are of the view that KLCCP Stapled Group has, in all material aspects, adopted the principles and relevant best practices set out in the MCCG. This Statement is to be read together with the CG Report.

KLCCP Stapled Group has, in place, numerous governance documents such as Constitutions, Trust Deed, Board Charter, Terms of Reference ("TOR") of Board Committees, Enterprise Risk Management Framework, and Internal Audit Charters as part of its corporate governance framework.

The Boards operate within the governance framework as illustrated below:

The reporting of this Statement is in accordance with the 3 main principles of the MCCG

- A** BOARD LEADERSHIP AND EFFECTIVENESS
- B** EFFECTIVE AUDIT AND RISK MANAGEMENT
- C** INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS



CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

I) BOARD COMPOSITION AND RESPONSIBILITIES

Each Board currently consists of 7 members, led by a Non-Executive Chairman, and supported by 1 Executive Director as well as 5 Non-Executive Directors. Three of the Non-Executive Directors fulfill the criteria of independence, as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR"), while the remaining 3 Non-Executive Directors [including the Chairman] are Non-Independent Directors. In FY2019, the representation of women directors on the Boards is 28.6%.

KLCCP

- CHAIRMAN
- 1 ED
- 3 INEDs
- 2 NINEDs

KLCCRM

- CHAIRMAN
- 1 ED
- 3 INEDs
- 2 NINEDs

Details of the roles and responsibilities of the Chairman, Boards and Chief Executive Officer ("CEO") and their activities are described in the Board Charter and CG Report. In 2019, several key enhancements to the Board Charter were approved by the Board to further strengthen the governance and management of KLCCP Stapled Group, which is one of the several initiatives implemented during the year.

The Boards of KLCCP and KLCCRM have established Board Committees, namely Audit Committees ("ACs") and Nomination and Remuneration Committees ("NRCs"), which are entrusted with specific oversight responsibilities for KLCCP Stapled Group's affairs. The Board Committees are granted the authorities to act on each Board's behalf in accordance with their respective TOR.

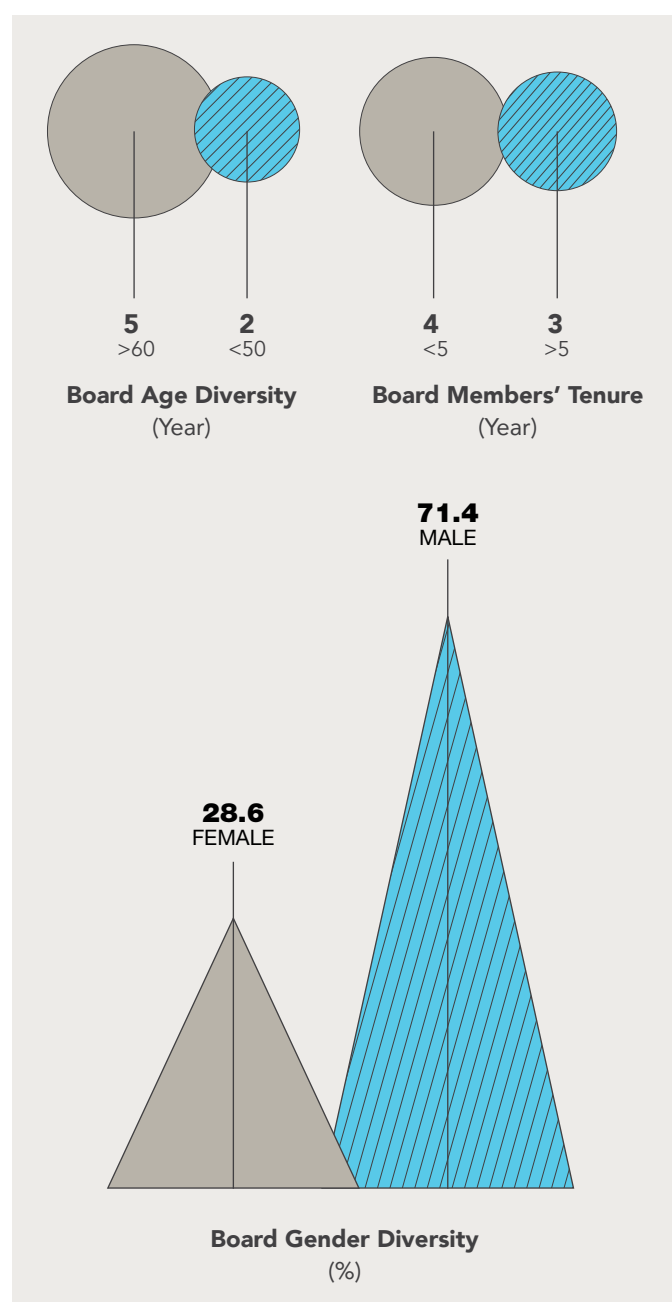
During FY2019, the TOR of the respective NRCs were reviewed and endorsed by the NRCs, and subsequently approved by the Boards. The revised TOR is one of the several initiatives implemented during the year to be in line with the MCCG best practices, specific requirements of the MMLR, and the Companies Act 2016.

The Board Charter and the CG Report as well as the respective TOR of the NRCs are available on KLCCP corporate website at www.klcc.com.my.

Details of the activities of the Board Committees are also provided in the Statement of Risk Management and Internal Control, ACs Report and NRCs Report contained in this Annual Report as well as the CG Report.

Further, as part of the Boards' responsibilities in ensuring compliance by KLCCP Stapled Group with the MMLR and the Guidelines on Listed Real Estate Investment Trust, KLCCP and KLCCRM had undertaken and completed the amendments to the Constitution of KLCCP, the Trust Deed governing KLCC REIT, and the Stapling Deed in FY2019.

During the year under review, there were changes made to the composition of the ACs and NRCs as provided in the respective committees' reports.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

II) KEY FOCUS AREAS OF BOARDS' ACTIVITIES IN FY2019

The Boards of KLCCP and KLCCRM are responsible for the long term success of KLCCP Stapled Group and are accountable to the shareholders as well as other stakeholders in ensuring that KLCCP Stapled Group is appropriately-managed and achieves the strategic objectives that have been set. The Boards discharged those responsibilities through Board Meetings, and focused on a number of specific areas such as strategy, performance, governance, and succession planning.

FOR KLCCP

- a) Reviewed and approved business plans and budget for FY2020 and forecast from FY2021 to FY2024.
- b) Reviewed projected cash flows and distribution for KLCCP Stapled Group.
- c) Oversaw the proper conduct of KLCCP Stapled Group's business.
- d) Reviewed and approved quarterly results for FY2019 and the audited financial statements of KLCCP for the financial year ended 31 December 2018.
- e) Reviewed and approved recurrent related party transactions of KLCCP Stapled Group.
- f) Reviewed and approved the proposed changes to the Board and Board's Committees composition.
- g) Reviewed and endorsed the evaluation findings of the Board, Board Committees and Individual Director.
- h) Reviewed and endorsed the re-election of Directors retiring pursuant to KLCCP Constitution and recommended the same for shareholders' approval.
- i) Reviewed and recommended Directors' remuneration for shareholders' approval.
- j) Reviewed and approved the reports and statements for inclusion into the Annual Report 2018.
- k) Ensured the implementation of policies, procedures and practices relating to operational and corporate governance.
- l) Reviewed and approved KLCCP's principal risks with their proposed mitigations, and ensured appropriate measures were implemented to manage these risks.
- m) Reviewed the adequacy and integrity of KLCCP Stapled Group's management information and internal control system.
- n) Declaration of dividends.
- o) Reviewed and recommended the proposed amendments to KLCCP Constitution.
- p) Reviewed and approved performance reward and salary increment.
- q) Reviewed succession planning for KLCCP.
- r) Ensured compliance to relevant laws and regulations.

FOR KLCCRM

- a) Reviewed and approved the budget for FY2020 and forecast from FY2021 to FY2024.
- b) Reviewed projected cash flows and distribution for KLCC REIT.
- c) Oversaw the proper conduct of KLCC REIT's business.
- d) Reviewed and approved the quarterly results of KLCC REIT for FY2019 and the audited financial statements of KLCC REIT and KLCCRM for the financial year ended 31 December 2018.
- e) Reviewed and approved recurrent related party transaction of KLCCRM.
- f) Reviewed and approved the proposed changes to the Board and Board's Committees composition.
- g) Reviewed and endorsed the evaluation findings of the Board, Board Committees and Individual Director.
- h) Reviewed and endorsed the re-election of Directors retiring pursuant to KLCCRM Constitution and recommended the same for shareholder's approval.
- i) Reviewed and recommended Directors' remuneration for shareholder's approval.
- j) Reviewed and approved the reports and statements for inclusion into the Annual Report 2018.
- k) Ensured the implementation of policies, procedures and practices relating to operational and corporate governance.
- l) Reviewed and approved KLCCRM's principal risks (in respect of KLCC REIT's business activities) with their proposed mitigations, and ensured appropriate measures were implemented to manage these risks.
- m) Reviewed the adequacy and integrity of KLCC REIT's management information and internal control system.
- n) Determined and approved income distributions to the holders of Stapled Securities and payments of management fees to the Manager.
- o) Reviewed and recommended the proposed amendments to the Trust Deed and Stapling Deed.
- p) Ensured compliance to relevant laws and regulations.

The Boards are guided by a Board Charter (available on KLCCP corporate website at www.klcc.com.my) which establishes a formal schedule of matters and outlines the types of information required for the respective Boards attention and deliberation at Board meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

III) BOARD MEETINGS

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

The Boards meet at least quarterly to approve, inter alia, the strategic plans and direction for KLCCP Stapled Group, the annual business plans and budgets, operational and financial performance reports, investment and capital expenditures, and quarterly reports and to review the performance of KLCCP Stapled Group. 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 Boards.

During the year under review, 6 Board Meetings of KLCCP and 5 Board Meetings of KLCCRM were held respectively. The proceedings of all meetings of the Boards including all issues raised, enquiries made and responses thereto, were also presented and recorded in the minutes of the respective Boards meetings. Where necessary, decisions have been taken by way of circular resolutions.

KLCCP and KLCCRM Board Meetings attendance for financial year ended 31 December 2019 is as follows:

EXECUTIVE		NON-EXECUTIVE			
Datuk Hashim bin Wahir 		Datuk Ahmad Nizam bin Salleh (Chairman) 		Datuk Ishak bin Imam Abas (Resigned w.e.f 01.01.2020) 	
KLCCP Total Attendance 6 out of 6 (100%)	KLCCRM Total Attendance 5 out of 5 (100%)	KLCCP Total Attendance 6 out of 6 (100%)	KLCCRM Total Attendance 5 out of 5 (100%)	KLCCP Total Attendance 5 out of 6 (83%)	KLCCRM Total Attendance 4 out of 5 (80%)
NON-EXECUTIVE					
Dato' Halipah binti Esa (Retired/Resigned w.e.f. 03.04.2019) 	Habibah binti Abdul 	Datuk Pragasa Moorthi a/l Krishnasamy 	Tengku Muhammad Taufik 	Farina binti Farikhullah Khan 	
KLCCP Total Attendance 3 out of 3 (100%)	KLCCP Total Attendance 6 out of 6 (100%)	KLCCP Total Attendance 6 out of 6 (100%)	KLCCP Total Attendance 6 out of 6 (100%)	KLCCP Total Attendance 5 out of 6 (83%)	
KLCCRM Total Attendance 2 out of 2 (100%)	KLCCRM Total Attendance 5 out of 5 (100%)	KLCCRM Total Attendance 5 out of 5 (100%)	KLCCRM Total Attendance 5 out of 5 (100%)	KLCCRM Total Attendance 5 out of 5 (100%)	

Note: Dato' Jamaludin bin Osman was appointed on 1 January 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

IV) TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

In this regard, the Company Secretaries provide assistance in Directors' training and development, and to facilitate the induction programme for newly appointed Directors. The full list of Directors' Training and Professional Development is provided in the NRCs Report.

V) NOMINATION AT A GLANCE

(aa) Appointment, Resignation and Re-election

The appointment, resignation and re-election of Directors are governed by the Companies Act 2016, MMLR, Guidelines on Listed REIT and other applicable rules and regulations. The NRCs, chaired by a Senior Independent Director, review the size, structure and composition of the Boards and make recommendations on new appointments and ensure that the appointment process is rigorous and transparent.

Details on the appointment, resignation and re-election of Directors effected during the year under review are provided in the NRCs Report of this Annual Report.

(bb) Directors' Independence

The Boards are satisfied with the level of independence demonstrated by the Directors throughout the year, their ability to act in the best interest of KLCCP Stapled Group, and had upheld Practice 4.2 of the MCCG during FY2019.

None of the Independent Non-Executive Directors of KLCCP and KLCCRM would exceed a cumulative term limit of 9 years. KLCCP and KLCCRM have adopted the policy to limit the tenure of Independent Non-Executive Directors up to 9 years as recommended by the MCCG, which is one of the several initiatives implemented during the year.

(cc) Board Effectiveness Evaluation

The evaluation on the effectiveness of the Boards and Boards Committees ("Boards Evaluation") was conducted for FY2019, which includes Directors' Self and Peer Evaluation. The purpose of the Evaluation is to measure the effectiveness of the performance of the Boards and the Board Committees as a whole, the Directors individually, as well as to address any areas of concern which may require improvements for Boards and Boards Committees.

The Boards Evaluation is assisted by an external company secretarial firm. The findings from the Boards Evaluation are presented to the NRCs for deliberation and appropriate recommendations were made to the Boards.

Guided by Practice 5.1 of the MCCG, the NRCs have agreed to engage an independent expert to facilitate objective and candid board evaluations. With the assistance of the proposed independent expert, Directors of KLCCP and KLCCRM will have the opportunity to respond to the evaluation from a different perspective and help to propel the Boards towards effective performance and function. The first external review by such independent expert is expected to be undertaken by the end of 2020.

Details on the process and criteria of the Boards Evaluation carried out for FY2019 are provided in the NRCs Report of this Annual Report.

(dd) Board Diversity Policy

KLCCP Board had approved the Board Diversity Policy in August 2016 which is also applicable to KLCCRM. The NRCs are tasked to determine the benefits of diversity underpinned by meritocracy in order to maintain an optimum mix of skills, knowledge and experience of the Boards.

The Board Diversity Policy is available on KLCCP corporate website at www.klcc.com.my. Further details on the Board Diversity Policy are described in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

VI) REMUNERATION AT A GLANCE

In determining Directors' fees and meeting allowances as well as meeting allowances for the ACs and NRCs (collectively "Directors Remuneration"), the Boards adhere to the Remuneration Framework for KLCC Property Holdings Berhad Non-Executive Directors.

Directors' Remuneration for Non-Executive Directors is subject for approval by the holders of Stapled Securities during the AGM of KLCCP.

Members of the Board, the AC and NRC of KLCCRM are entitled for meeting allowances only if meetings are held on a different date from the meetings of the Board, AC and NRC of KLCCP.

Details of Directors Remuneration for the year under review are provided in the NRC Report of this Annual Report as well as in the CG Report.

VII) COMPANY SECRETARIES

The Company Secretaries play an advisory role to the Boards including, with regards to KLCCP and KLCCRM constitutions, policies and procedures, and compliance with the relevant legislations for effective functioning of the Boards. They also regularly update the Boards on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

The Company Secretaries ensure that the Boards and the Board Committees function effectively based on the Board Charter and the respective TORs. Every member of the Boards have ready and unrestricted access to the advice and services of the Company Secretaries. The details of the Company Secretaries relating to qualification, training programmes attended and others are disclosed in the CG Report.

VIII) SUPPLY AND ACCESS TO INFORMATION

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

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

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 KLCCP Stapled Group's expense through an agreed procedure on specific issues that would aid in their deliberations and determination of a decision that would benefit KLCCP Stapled Group.

IX) INTEGRITY AND ETHICS

The Boards acknowledge their roles in establishing a corporate culture of ethical conduct within KLCCP Stapled Group. The Boards are guided by the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") which was adopted by KLCCP Stapled Group. KLCCP Stapled Group has also adopted PETRONAS' Whistle-blowing Policy and the Anti-Bribery and Corruption Manual which provide and facilitate appropriate communication and feedback channels between KLCCP Stapled Group and its employees. PETRONAS CoBE, which includes the Whistle-blowing Policy and the Anti-Bribery and Corruption Manual, is described in the CG Report and is available on KLCCP corporate website at www.klcc.com.my.

As and when changes are made to PETRONAS CoBE, Whistle-blowing Policy and Anti Bribery and Corruption Manual, KLCCP Stapled Group will adopt the said changes.

KLCCP Stapled Group had implemented a Memorandum on Insider Trading whereby Directors and employees of KLCCP Stapled Group are prohibited from trading in the Stapled Securities, particularly when they are in possession of price-sensitive information and knowledge of facts which have not been publicly announced.

As part of KLCCP Stapled Group implementation of adequate procedures, the Boards of KLCCP and its subsidiaries have executed the Integrity Pledge in combatting bribery and corruption as a defence against corporate liability, which is stipulated in Section 17A of the Malaysian Anti-Corruption (Amendment) Act 2018 and takes effect from 1 June 2020. The Board of KLCCP had also approved for KLCCP to obtain certification of ISO 37001: 2016 Anti-Bribery Management System by December 2020 and for its subsidiaries to implement their respective Anti-Bribery Management Systems, being part of the several related initiatives implemented during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B EFFECTIVE AUDIT AND RISK MANAGEMENT

I) AUDIT COMMITTEE

The Boards had established the ACs for KLCCP and KLCCRM which are governed by their respective TOR. The ACs comprise members who have a wide range of necessary skills to discharge their duties.

Further details of the ACs are set out in the ACs Report of this Annual Report as well as CG Report.

II) FINANCIAL REPORTING

In order to provide timely, transparent and up-to-date disclosure of KLCCP Stapled Group's overall performance, the Boards ensured that a balanced, clear and meaningful assessment of the financial position and prospects of KLCCP Stapled Group is presented in the disclosures made to the holders of Stapled Securities, investors as well as to the regulatory authorities through various announcements on quarterly financial results, annual reports and press releases.

The Boards are assisted by the respective ACs to provide independent scrutiny of the processes in place to monitor KLCCP Stapled Group's financial and non-financial reporting and the quality of the same.

The Chairperson of the ACs as well as its members are professional. Together, they have vast experience and skills in accounting and finance as well as other fields of expertise, and are highly-qualified to formulate and review the integrity and reliability of KLCCP Stapled Group's financial statements prior to recommending the same to the Boards for approval.

The Boards are responsible for ensuring that KLCCP Stapled Group's audited financial statements comply with the relevant financial reporting standards and any other applicable legislations and regulations.

The Statement by the Directors, the Manager's Report and the Statement by the Manager in relation to the preparation of the financial statements of KLCCP Stapled Group are set out in this Annual Report.

III) RISK MANAGEMENT AND INTERNAL CONTROL

The Boards determine the extent and nature of the risks they are prepared to take in order to achieve KLCCP Stapled Group's strategic objectives.

The Boards have overall responsibility for maintaining a sound system of risk management and internal control for KLCCP Stapled Group that provide reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines. Oversight of the effectiveness of these systems is delegated to the ACs which undertake regular reviews to ensure that KLCCP Stapled Group can identify and consider the most appropriate risks for the business and to mitigate risks as far as practicable. ACs review covers financial, operational and compliance controls as well as risk management functions.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within KLCCP Stapled Group, is set out in this Annual Report and also in the CG Report.

IV) RELATIONSHIP WITH EXTERNAL AUDITORS

KLCCP Stapled Group has established a transparent and appropriate relationship with the external auditors through the respective ACs. From time to time, the external auditors will highlight matters that require further attention of the respective ACs and the Boards. The Boards have obtained assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

KLCCP and KLCCRM had adopted their respective Framework on External Auditors, which is one of the several initiatives implemented during the year, to establish a formal policy and procedure for the respective ACs to assess the suitability, objectivity and independence of the external auditors in tandem with the practice of MCCG.

The respective ACs meet with the external auditors to discuss their audit plans, fees, audit findings and their reviews of KLCCP Stapled Group's financial statements. The meetings are held in the presence of the CEO and the Management.

During the year under review, the respective ACs also met with the external auditors twice without the presence of the CEO and the Management. In addition, the external auditors are present at the AGMs to provide their professional and independent clarification on issues and concerns raised by the holders of Stapled Securities.

A summary of the work of the ACs during the year under review, including the evaluation of the independent audit process, are set out in the ACs Report and CG Report.

V) INTERNAL AUDIT FUNCTION

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

The appointment of the Head of GIAD is reviewed and recommended by the ACs. The Head of GIAD has unrestricted access to the ACs, the Boards and Management. The Head of GIAD and a majority of internal auditors under GIAD are members of The Institute of Internal Auditors Malaysia.

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

VI) COMMUNICATION ON AUDIT, RISK MANAGEMENT AND CONTROL

The Boards through the ACs have maintained oversight to ensure integrity in financial reporting, effectiveness of the internal control environment and risk management process in operation across KLCCP Stapled Group. Further details are outlined in the ACs Report, and Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I) COMMUNICATION BETWEEN KLCCP, KLCCRM AND STAKEHOLDERS

The Boards recognise the importance of maintaining transparency and accountability to their stakeholders. As such, the Boards consistently ensure the supply of clear, comprehensive and timely information to their stakeholders via annual reports as well as various disclosures including quarterly financial results of KLCCP Stapled Group.

The Boards' principal duty is to deliver long term, sustainable returns to the holders of Stapled Securities bearing in mind the impact of their actions and decisions on other stakeholders. The detailed explanation of how KLCCP and KLCCRM interact with the holders of Stapled Securities and other stakeholders are detailed out in the Sustainability Statement of this Annual Report.

II) EFFECTIVE ANNUAL GENERAL MEETINGS

The Boards regard the AGMs as important forums for effective communication and proactive engagements between the Boards and the holders of Stapled Securities. The holders of Stapled Securities will be informed at the commencement of the AGMs that all resolutions set out in the Notice of the AGMs are to be voted by poll.

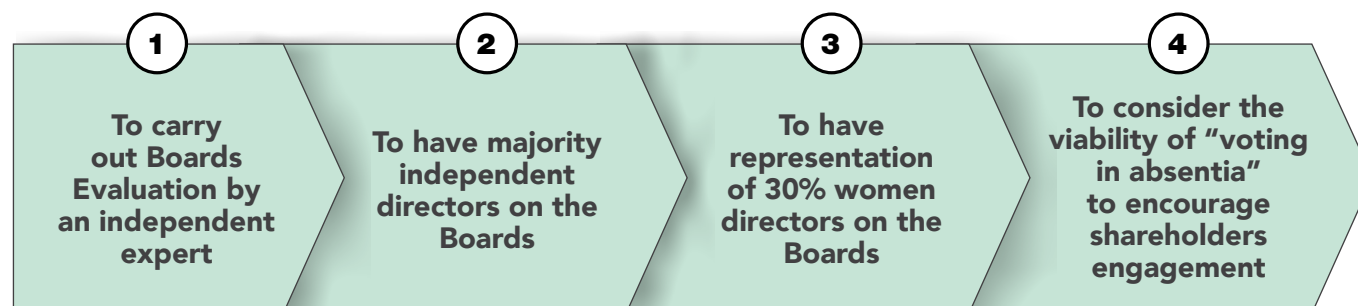
The holders of Stapled Securities will be accorded ample opportunity and time to raise questions and concerns, and the Directors of KLCCP and KLCCRM will provide appropriate answers and clarifications. The questions from the Minority Shareholders Watch Group and their answers thereto are shared with all the holders of Stapled Securities for their information.

A detailed presentation of KLCCP Stapled Group's operations and financial results will be given by the CEO upon commencement of the AGMs. The external auditors of KLCCP and KLCC REIT will also be present during the AGMs to provide their professional and independent advice. Further details on matters relating to the proceedings of the AGMs are disclosed in the CG Report.

STRENGTHENING OUR GOVERNANCE PRACTICES FOR FUTURE VALUE

The Boards believe that good governance is essential in supporting the realisation of business objectives of KLCCP Stapled Group. Having the right standards on governance protects the business of KLCCP Stapled Group as well as the interests of the stakeholders.

Moving forward, the Boards will strive to enhance corporate governance best practices for KLCCP and KLCCRM, as particularly stated below:



This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

NOMINATION AND REMUNERATION COMMITTEES REPORT

HABIBAH BINTI ABDUL



Chairperson/Senior Independent
Non-Executive Director

The Nomination and Remuneration Committees of KLCCP and KLCCRM are constituted as committees of the Boards of KLCCP and KLCCRM to assist the Boards with regard to its nomination and remuneration matters. The NRCs of KLCCP and KLCCRM were established on 27 November 2012 and 21 August 2013 respectively.

Composition

Both NRCs comprise a majority of Independent Non-Executive Directors. The composition of the NRCs for both KLCCP and KLCCRM is as follows:

I Habibah binti Abdul	II Tengku Muhammad Taufik	III Farina binti Farikhullah Khan
Chairperson/ Senior Independent Non-Executive Director	Member/ Non-Independent Non-Executive Director	Member/ Independent Non-Executive Director

Terms of Reference ("TOR")

Both NRCs' roles and functions are set out in their respective Terms of Reference ("TOR") which are available on the corporate website of KLCCP at www.klcc.com.my for easy access by holders of Stapled Securities and the public alike. The last revision to the respective TOR of KLCCRM and KLCCP was made on 11 November 2019 to incorporate changes pursuant to the adoption of best practices on corporate governance as recommended by the Malaysian Code on Corporate Governance ("MCCG").

Meetings and Attendance

During the year under review, 4 meetings of the NRCs of KLCCP and KLCCRM were held respectively.

The attendance of the members of the NRCs is as follows:

MEETING ATTENDANCE	Committee Members			
	Habibah binti Abdul (Re-designated as Chairperson w.e.f 3 April 2019)	Tengku Muhammad Taufik	Farina binti Farikhullah Khan (Appointed as Member w.e.f 3 April 2019)	Dato' Halipah binti Esa (Ceased as Member w.e.f 3 April 2019)
	▼	▼	▼	▼
KLCCP	4/4	3/4	2/2	2/2
KLCCRM	4/4	3/4	2/2	2/2

Meetings of the NRCs were also attended by the Chief Executive Officer.

NOMINATION AND REMUNERATION COMMITTEES REPORT

ACTIVITIES DURING THE PERIOD UNDER REVIEW

The following activities were carried out by the NRCs during the year under review:

CATEGORIES	ACTIVITIES
Board membership	(a) Reviewed and endorsed the re-election of directors. (b) Reviewed and endorsed proposals on revision to the composition of the Boards and Board Committees.
Board fees & benefits	(a) Establishment of Non-Executive Directors' Remuneration Framework. (b) Reviewed the fees payable to non-executive directors for the holders of Stapled Securities' approval.
Board Performance Evaluation	(a) Assessment on the effectiveness of the Boards, Board Committees and individual Directors through Board Effectiveness Evaluation.
Performance Management	(a) Reviewed and endorsed proposals on performance reward and salary increment for KLCCP. (b) Reviewed and endorsed the proposal for salary structure revision for KLCCP.
Succession Planning	(a) Discussed updates on succession management (i.e. KLCCP Leadership Bench Strength) following the approved Succession Management Framework.
Governance	(a) Endorsed the amendments to the Terms of Reference including the limit on tenure of independent non-executive directors to 9 years. (b) Discussed & reviewed updates on compliance and governance under nomination and remuneration matters.

BOARD'S APPOINTMENT AND RESIGNATION

During the year under review, changes to the composition of the Boards of KLCCP and KLCCRM are set out below:

APPOINTMENT

KLCCP and KLCCRM practice a formal and transparent procedure for appointment of new directors.

All nominees to the Boards are first considered by the NRCs, taking into consideration the mix of skills, competencies, experiences, integrity, time commitment, age, gender and other qualities required to effectively discharge the role of a director. The NRCs will then recommend the nominees for the Boards' approvals.

The selection and appointment of an additional independent non-executive director was part of the Boards endeavor to enhance the mix of board's skills and competencies as well as to achieve the target of having majority independent directors.

Following rigorous selection process depicted below, the NRC reviewed and recommended the appointment of Dato' Jamaludin bin Osman to the Board who was appointed effective 1 January 2020.

THE APPOINTMENT PROCESS FOR A DIRECTOR

APPOINTMENT OF DIRECTOR

Deliberation by
NRC on Criteria
and Needs

NOMINATION & SEARCHES FOR CANDIDATES

Search
Firms

Our
People

Directors

Shareholders

DUE DILIGENCE

- Qualifications
- Skills Mix
- Diversity
- Independence and potential conflicts
- Engagement

APPOINTMENT

Deliberation & Approvals
NRC Recommendation
Board's Approval



Induction



Training



Evaluation

RESIGNATION

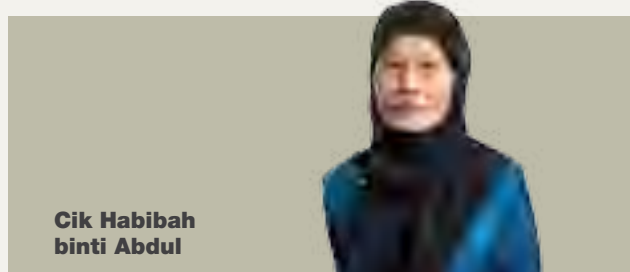
Dato' Halipah binti Esa retired and resigned as an Independent Non-Executive Director of KLCCP and KLCCRM respectively and ceased as the Chairperson of both NRCs on 3 April 2019. Dato' Halipah served as an Independent Non-Executive Director of KLCCP and KLCCRM since 1 March 2007 and 5 December 2012 respectively. She opted to retire after the conclusion of 16th AGM of KLCCP held on 3 April 2019.

On 1 January 2020, Datuk Ishak bin Imam Abas resigned as Non-Independent Non-Executive Director of KLCCP and KLCCRM. Datuk Ishak was appointed to the board of KLCCP on 7 February 2004 and also appointed as director of KLCCRM on 5 December 2012.

NOMINATION AND REMUNERATION COMMITTEES REPORT

RE-ELECTION OF DIRECTORS

During the year under review, KLCCP Board, with the recommendation of the NRC, endorsed the re-election of directors who are subject to retirement in accordance with the provisions of KLCCP Constitution. The following directors who are due for retirement and are eligible for re-election have indicated their willingness to seek re-election at the forthcoming annual general meeting of KLCCP to be held in April 2020:



SUCCESSION PLANNING

During the year under review, the NRC of KLCCP continued to be updated on the approved Succession Management Framework of KLCCP, which enables critical positions across the group to be identified according to the clustering of positions in various categories.

The Succession Management Framework also provides the criteria and considerations in determining the potential talents and successors for the critical positions, resulting in the Leadership Bench Strength of KLCCP which is part of the management's initiative in building succession management.

The NRC of KLCCP was also briefed on the development programmes enrolled by potential talents and successors being part of their training and development.

BOARDS AND INDIVIDUAL DIRECTOR'S EFFECTIVENESS EVALUATION

During the year under review, an evaluation of the Boards and individual directors was carried out with the assistance of an external company secretarial firm, Messrs. Tricor Corporate Services. The evaluation process is explained in the diagram below:

PLAN

NRC Deliberation on Method, Experts and Criteria for Evaluation

Evaluation Framework

- What are our objectives
- Who will be evaluated
- What will be evaluated
- What techniques will be used
- Who will do the evaluation
- What we will do with the results

IMPLEMENTATION

Appointment of Facilitator

Appointment of Messrs. Tricor Corporate Services as External Facilitator for Evaluation

Tailor & Launch Survey

Distribution of Detailed Questionnaire to Directors

EVALUATION

- Compilation of findings
- NRC's deliberation on Survey Results, analysis on findings and recommend to the Board
- Tabulation to the Board of the Results and key action needed for improvement

POST EVALUATION

ACTION PLAN & FOLLOW UP

NOMINATION AND REMUNERATION COMMITTEES REPORT

Areas of Strength

The FY2019 Board and Board Committees Evaluation ("FY2019 Performance Assessment") for both KLCCP and KLCCRM was carried out based on the following criteria:

BOARD

- Structure;
- Operations and Interaction;
- Communication; and
- Roles and Responsibilities

AUDIT COMMITTEE

- Terms of Reference and Composition;
- Skills and Competencies;
- Meeting Administration and Conduct;
- Board Communication;
- Internal Audit; and
- External Audit.

NOMINATION & REMUNERATION COMMITTEE

- Terms of Reference and Composition;
- Skills and Competencies;
- Meeting Administration and Conduct;
- Board Communication;
- Nominating Matters; and
- Remuneration Matters.

The FY2019 Performance Assessment also included the evaluation of the performance of individual directors as well as assessing the independence of independent directors. The FY2019 Performance Assessment results will be tabled to the Boards at the meetings of the Boards to be held in 2020 for deliberation by the Board on key action plans for improvement.

During the year under review, the NRCs had identified the following areas arising from the FY2018 Performance Assessment results:

TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the year under review, the directors have attended relevant development and training programmes according to individual needs to enhance their ability in discharging their duties and responsibilities more effectively. The list of trainings attended by the directors is as follows:

Directors

**Datuk Ahmad
Nizam bin Salleh**



**Datuk Hashim
bin Wahir**



**Datuk Pragasa Moorthi
a/l Krishnasamy**



Trainings Attended

• Asia Oil and Gas Conference (AOGC 2019) • Asia Petroleum Geoscience Conference and Exhibition (APGCE 2019) • National SDG Summit 2019 • Wawasan Kemakmuran Bersama (WBK2030) • International Day for the Eradication of Poverty 2019	• Anti-Bribery Management System Session with Governing Body and KLCC Group Management • Global Business Insight Series – LEAP: How to thrive in a World where everything can be copied • Pembentangan Ekonomi Malaysia: Kini dan Masa Depan • Khazanah Megatrends Forum 2019 • PNB Corporate Summit 2019 • The Inaugural Malaysia REIT Forum 2019	• Curtin University Risk Management Seminar

REMUNERATION OF DIRECTORS

During the year under review, the NRCs ensured the transparency of remuneration matters and that decisions on remuneration made by the NRCs support the strategic direction of the business. Evidently, the NRCs established the KLCCP Non-Executive Directors' Remuneration Framework ("Framework") which is available on the corporate website of KLCCP at www.klcc.com.my

The Framework is designed upon the remuneration principles and procedures applicable for the KLCCP NEDs. So long as the shares of KLCCP remained stapled with the units of KLCC Real Estate Investment Trust ("KLCC REIT"), the Framework is also applicable to the NEDs of KLCCRM being the Manager of KLCC REIT.

Summary of

Element

- Retainer Fee
- Special Fee
- Meeting Allowance
- Petrol Allowance
- Others

NOMINATION AND REMUNERATION COMMITTEES REPORT

- (a) Ability to share experience and skills. Ability to make impact on company's strategy, performance and people;
- (b) Discussion on strategic direction and results of its business; and
- (c) Evaluation and development of new projects.

Areas for Improvement

- (a) To improve skills diversity in the Board's composition; and
- (b) To engage independent experts periodically to facilitate objective and candid Board evaluation.

				RESIGNED
Habibah binti Abdul	Farina binti Farikhullah Khan	Tengku Muhammad Taufik	Dato' Jamaludin bin Osman (appointed w.e.f 1 January 2020)	Dato' Halipah binti Esa (resigned w.e.f 3 April 2019)
				
- Implement Strategic Business Plan Process - Board Excellence Programme Managing Stakeholders - Talk on Gas industry by Sam Muraki - EY Tax Budget Seminar - Audit Oversight Board with Audit Committee - MFRS updates for BAC Members	- Talk on Gas industry by Sam Muraki - CG Watch: How Does Malaysia Rank? - Cyber Security Awareness - Anti-Money Laundering FY2017/18 - Risk Management: BASEL FIRB Accreditation – Refresher for Board Members - Session with Prof Dr Kamal Munir - Raising Defences: Section 17A, MACC Act	- Mandatory Accreditation Programme - EY Innovation Realised Summit - MISC Annual Planning Forum/Directors' Training 2019 - World Economic Forum Malaysia Energy Roundtable: Shaping the future of Malaysia's Energy Landscape - EY C-Suite Forum 2019	- Briefing on the new Section 17A MACC Act 2009 on Corporate Liability and Corruption-Free Pledging & Signing Ceremony - Agile Corporate Governance in IR 4.0	PNB Leadership Forum 2019 – Organisational Excellence
				Datuk Ishak bin Imam Abas (resigned w.e.f 1 January 2020)  Thought Leadership Series: Leadership Greatness in Turbulent Times – Building Corporate Longevity

KLCCP NEDs Remuneration Framework:

How operated

The NEDs are to be paid a fixed retainer fee.

Special Fee is payable to the NEDs with special experience and skills critical for the company's success.

The NEDs shall be paid attendance allowance for every meeting (Board & Board Committees Meetings) attended.

The NEDs are each given petrol card with a fixed maximum amount per annum.

The NEDs of KLCCRM are only entitled to Meeting Attendance Allowance as well as Special Fee (where applicable). The said allowance/fee is payable only when the meetings of Board or Board Committees of KLCCRM are held on a different date than the meetings of the Board or Board Committees of KLCCP.

For the financial year ended 31 December 2019, a total of RM1,123,050 was paid to the Board members of KLCCP being Directors' Remuneration following the approval of the resolution tabled at the AGM of KLCCP held on 3 April 2019 where the holders of Stapled Securities had approved the payment of directors' fee and benefits with effect from 4 April 2019 until the next AGM to be held in 2020.

The Executive Director, Datuk Hashim Wahir, who is also the Chief Executive Officer of KLCCP and KLCCRM, is an employee of KLCC (Holdings) Sdn Bhd ("KLCC"). KLCCP reimburses KLCC for services rendered by Datuk Hashim Wahir in the form of management fees. During the year under review, KLCCP reimbursed KLCC an amount of RM1,172,736 for this purpose.

NOMINATION AND REMUNERATION COMMITTEES REPORT

For the year under review, the breakdown of Directors' Remuneration incurred by KLCCP is tabulated below:

	Director's Fee (RM)	Board Meeting Allowance* (RM)	Audit Committee Meeting Allowance* (RM)	Nomination & Remuneration Meeting Allowance* (RM)	Petrol Allowance (RM)	Total (RM)
Executive Director						
Datuk Hashim bin Wahir	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors						
Datuk Ahmad Nizam bin Salleh	240,000	21,000	n/a	n/a	6,000	267,000
Tengku Muhammad Taufik#	120,000	21,000	10,500	10,500	n/a	162,000
Datuk Pragasa Moorthi a/l Krishnasamy	120,000	21,000	n/a	n/a	6,000	147,000
Habibah binti Abdul	120,000	21,000	17,500	14,000	6,000	178,500
Farina binti Farikhullah Khan	120,000	17,500	17,500	7,000	6,000	168,000
Dato' Halipah binti Esa (retired/resigned w.e.f 3 April 2019)	31,000	10,500	7,000	7,000	1,550	57,050
Datuk Ishak bin Imam Abas (resigned w.e.f 1 January 2020)	120,000	17,500	n/a	n/a	6,000	143,500
Total	871,000	129,500	52,500	38,500	31,550	1,123,050

* Meeting allowances depend on the number of meetings attended by the Board/Audit Committee/NRC Members.

Fees paid directly to PETRONAS in respect of a Director and appointee of PETRONAS.

The Directors' Remuneration tabulated above reflects what was incurred on a group basis whereby no meeting allowance was paid to the members of the Board, Audit Committee and NRC of KLCCRM, as their meetings were held on the same date as the meetings of the Board, Audit Committee and NRC of KLCCP.

The NRC of KLCCP has reviewed and endorsed the proposed Directors' Remuneration for the NEDs for approval by holders of Stapled Securities at the forthcoming AGM of KLCCP to be held in April 2020.

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

AUDIT COMMITTEES REPORT

FARINA BINTI FARIKHULLAH KHAN



Chairperson/Independent
Non-Executive Director

The Audit Committees ("ACs") of KLCCP and KLCCRM were established on 9 July 2004 and 12 December 2012 by the Boards of Directors of KLCCP and KLCCRM respectively.

Composition

The members of the ACs of KLCCP and KLCCRM are the same and each AC comprises of 2 Independent Non-Executive Directors and 1 Non-Executive Non-Independent Director. The composition of the ACs is as follows:

I Farina binti Farikhullah Khan	II Habibah binti Abdul	III Tengku Muhammad Taufik
Chairperson/ Independent Non-Executive Director	Member/ Senior Independent Non-Executive Director	Member/ Non-Independent Non-Executive Director

Terms of Reference ("TOR")

The ACs are granted the authority to act on each Board's behalf in accordance with their respective TOR which are available on KLCCP's corporate website at www.klcc.com.my.

Meetings and Attendance

During the year under review, a total of 5 meetings of the AC of KLCCP and the AC of KLCCRM were held respectively.

The attendance of the members of the ACs is as follows:

MEETING ATTENDANCE	Committee Members			
	Farina binti Farikhullah Khan (Chairperson)	Habibah binti Abdul	Tengku Muhammad Taufik (Appointed as member w.e.f 3 April 2019)	Dato' Halipah binti Esa (Ceased as Member w.e.f 3 April 2019)
	▼	▼	▼	▼
KLCCP	5/5	5/5	3/3	2/2
KLCCRM	5/5	5/5	3/3	2/2

Meetings of the ACs were attended by the CEO, CFO and Head of Investment, GIAD of KLCCH, and the external auditors as and when required.

AUDIT COMMITTEES REPORT

SUMMARY OF THE WORK OF THE AUDIT COMMITTEES

The ACs are collectively responsible in assisting the Boards in corporate governance and compliance matters of KLCCP Stapled Group. A summary of the work and key matters considered by the ACs during the financial year ended 31 December 2019 are described below:

01 INTERNAL AUDIT

- (a) Reviewed and approved the annual audit plans prepared by GIAD of KLCCCH for activities to be undertaken for FY 2019;
- (b) Reviewed the internal audit reports which highlighted major findings, agreed corrective action items, and management's responses thereto.

Discussed with the management on actions to be taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports.

Further, the ACs also reviewed the quarterly internal audit status reports prepared by GIAD of KLCCCH which highlighted the outstanding agreed corrective action items on audit findings to ensure all audit issues are resolved within the agreed stipulated period on a quarterly basis;

- (c) During the first quarter of FY 2019, KLCCP AC reviewed the results of the Balanced Scorecard of GIAD for FY 2018 and approved the Balanced Scorecard of GIAD for FY 2019. The Mid-Year Performance Review of GIAD for the first 6 months of FY 2019 was presented to KLCCP AC; and
- (d) Recommended the appointment of the new Head of GIAD effective 1 September 2019 to replace the former Head of GIAD.

02 FINANCIAL STATEMENTS AND REPORTING

- (a) Reviewed and discussed the unaudited quarterly financial results of KLCCP Stapled Group with the management and recommended the same for the Boards' consideration and approval before releasing to Bursa Securities. The review was to ensure compliance with the MMLR, Malaysian Financial Reporting Standards, the Companies Act 2016, REIT Guidelines and any other applicable legislations and regulations;
- (b) Reviewed and discussed the audited financial statements with the external auditors and the management. Having been satisfied that the financial statements and reports complied with the relevant accounting standards and other applicable laws and regulations, the ACs recommended the same for the Boards' consideration and approvals;
- (c) The ACs discussed the key audit matters raised by the external auditors with the management and the disclosure thereof in the Auditors' Report for the financial year ended 31 December 2019 for KLCCP, KLCC REIT and KLCCRM, which is in line with the requirements of the new International Standards on Auditing 701; and
- (d) Recommended to the Boards of KLCCP and KLCCRM (as approved by the Trustee) for approvals on dividends and income distributions respectively for payment to the holders of Stapled Securities.

03 RISK REVIEW

- (a) Reviewed the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by KLCCP Stapled Group;
- (b) Reviewed KLCCP Stapled Group's risk exposures on an annual basis to ensure the risk exposures are properly mitigated and updated in the Corporate Risk Profile and recommended the same for the Boards' consideration and approvals; and
- (c) Reviewed the quarterly key risk indicators' and risk appetite results for the identified risks and recommended the same for Boards' endorsement.

AUDIT COMMITTEES REPORT

04 EXTERNAL AUDIT

- (a) Reviewed the external auditors' scope of work, audit plans and fees for the year under review. Prior to the audit, representatives from the external auditors presented their audit strategies and plans;
- (b) Discussed with the external auditors on the Audited Financial Statements for the financial year ended 31 December 2019, particularly on the major issues that arose during the course of the audit and their resolution, key accounting and audit adjustments, as well as the unadjusted differences identified during the audit;
- (c) Discussed issues arising from financial audits and any other matters the external auditors may wish to discuss (in the absence of the management twice annually); and
- (d) Reviewed the independence and objectivity of the external auditors and their services rendered including non-audit services:
 - For KLCCP, the AC made recommendations to the Board for the re-appointment of the external auditors and approvals of their audit and non-audit fees.
 - In respect of KLCCRM, the AC recommended the appointment and remuneration of the external auditors of KLCC REIT upon the approval of the Trustee of KLCC REIT.

The details of fees paid/payable to the external auditors for the year in respect of statutory audit and other services rendered to KLCCP Stapled Group are set out below:

	KLCCP Stapled Group RM'000*	KLCCP RM'000	KLCC REIT RM'000#
Fees paid/payable to Messrs. Ernst & Young:			
Statutory Audit	621	219	92
Non-Audit Fee	16	16	-
Total	637	235	92

* inclusive of fees paid by subsidiaries of KLCCP

inclusive of fees paid by Midciti Sukuk Berhad

The Boards of KLCCP and KLCCRM consider the provision of other services by the external auditors to KLCCP Stapled Group was cost effective and efficient due to their knowledge and understanding of the operations of KLCCP Stapled Group, with no undue compromise to their independence and objectivity.

05 RELATED PARTY TRANSACTIONS

- (a) Reviewed and recommended to the Boards for approval proposed related party transactions and recurrent related party transactions to be entered into by KLCCP Stapled Group based on the following requirements:
 - (i) The MMLR, REIT Guidelines and other applicable laws and regulations;
 - (ii) On arm's-length basis and under normal commercial terms and in the best interest of the holders of Stapled Securities;
 - (iii) Interested Directors are to abstain from voting at Board Meetings;
 - (iv) Disclosure via Bursa Announcements, Quarterly Reports and Annual Report (if applicable);
 - (v) Approval by the Trustee (for KLCC REIT only); and
- (b) The AC of KLCCP reviewed the quarterly report on recurrent related party transactions of KLCCP Stapled Group.

06 CORPORATE GOVERNANCE AND REGULATORY COMPLIANCE

- (a) Reviewed and recommended to the Boards on the following:
 - (i) Corporate Governance ("CG") Overview Statement and CG Report;
 - (ii) Statement on Risk Management and Internal Control;
 - (iii) ACs Report; and
 - (iv) Sustainability Statement;
- (b) Reviewed the current corporate governance practices implemented by KLCCP and KLCCRM and recommended to the Boards on areas for improvement; and
- (c) Reviewed the compositions of the ACs to ensure compliance with the MMLR and MCGG.

AUDIT COMMITTEES REPORT

INTERNAL AUDIT FUNCTION

The ACs are supported by GIAD of KLCCCH by providing an independent, objective assurance and to assist KLCCP Stapled Group in accomplishing its goals by evaluating and improving the effectiveness of risk management, controls and governance processes within the Group. The internal audit function is governed by the respective KLCCP and KLCCRM Internal Audit Charters approved by the respective ACs which establishes a framework for the effective and efficient functioning of the GIAD. The GIAD of KLCCCH maintained their independence, impartiality, and proficiency and due professional care by having their plans and reports directly under the purview of the ACs.

The internal audits were undertaken to support the ACs in their governance responsibilities, which are to provide oversight of risk, control and governance processes administered by the management of the KLCCP Stapled Group. The GIAD of KLCCCH adopts risk-based approach in executing the planning, reviews and assessments, steered by internal policies, procedures and the Internal Control – Integrated Framework issued by COSO (i.e. The Committee of Sponsoring Organizations of the Treadway Commission) and the International Professional Practices Framework promulgated by the Institute of Internal Auditors.

The ACs also had full access to the services and advice of the internal auditors and received reports on all audits that were performed.

During the financial year ended 31 December 2019, the GIAD of KLCCCH had executed the following internal audit works:

Conducted reviews and assessments based on the approved FY2019 annual audit plans covering the areas of:

- Overall Controls and Management of Projects Variation Order;
- Menara 3 PETRONAS' (Office) Leasing, Tenancy and Facility Management;
- KLCC Parking Management;
- Group Tender and Procurement Department; and
- Audit Review on the Overall Controls and Activities KLCCP's Human Resource Division.



Conducted regular follow-up with the management on agreed corrective action items for outstanding audit issues to ensure key risks and weaknesses were addressed effectively and timely, where the status of implementation of the said agreed corrective action items are reported to the ACs on quarterly basis; and



Prepared annual audit plans for FY2020 to ensure that all high risk areas in significant businesses and support units were identified and audited for the ACs' deliberations and approvals.

The resulting reports from GIAD of KLCCCH, including findings, recommendations and management responses, were presented to the ACs.

Both the management of KLCCP and KLCCRM are responsible to ensure that necessary agreed corrective action items are taken and resolved within the required timeframe.

The total costs incurred for the internal audit activities of KLCCP Stapled Group for the year was RM645,126.00.

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

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Boards of KLCCP and KLCCRM are responsible and committed to maintain a sound and effective risk management and internal control system of KLCCP group and KLCC REIT.

The system encompasses risk management, organisation 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 KLCCP Stapled Group. An effective and sound risk management and internal control system is important for KLCCP Stapled Group to achieve its business strategies and objectives.



RISK MANAGEMENT

The Boards have established sound risk management practices to safeguard KLCCP Stapled Group's business interest from risk events that may impede the achievement of its business strategies and growth opportunities besides providing assurances to all stakeholders.

KLCC Group Enterprise Risk Management ("ERM") Framework ("Framework") outlines the risk policy, risk governance and structure, risk measurement and risk operations and system for KLCCP Stapled Group.

The Boards have implemented the ERM processes to identify, assess, monitor, report and mitigate risks impacting KLCCP Stapled Group's business and supporting activities in accordance with ISO 31000:2009 - Principles and Guidelines on Implementation.

In supporting the risk governance structure and effective implementation of the ERM, KLCCP Stapled Group has established appropriate risk operations mechanism covering the areas of system, processes, reporting of risks, knowledge management and assurance activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Risk Management Oversight Structure sets out the structure used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards. The structure consists of the Boards, ACs and the Management represented by Risk Management Committee ("RMC") and Top Management. The structure allows for effective strategic risk communication to take place between the Boards, ACs and the Management on a quarterly basis.

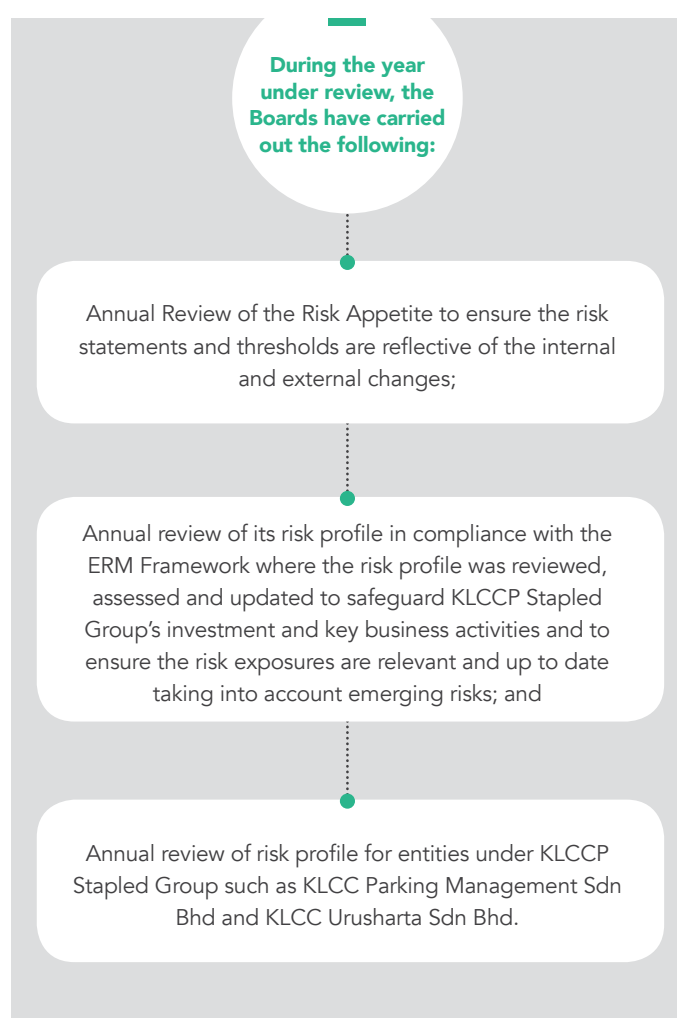


STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK PROFILING

A risk profiling exercise was conducted to ensure that KLCCP Stapled Group's risk exposures are properly mitigated and updated to reflect the current economic environment and new regulations imposed by the Government which impacted KLCCP Stapled Group's risk exposures.

The likelihood and impact of the risks have been assessed and evaluated against KLCCP Stapled Group's risk appetite and tolerance level while appropriate key risk indicators and mitigation plans have been identified for the risks. The status of the principal risks and key risk indicator performances are then reported to the RMC, ACs and the Boards for their deliberation and guidance on a quarterly basis.



The Corporate Risk Profile is monitored via the INTERISK system, a risk management tool which provides complete risk overview of the organisation for reporting to the Boards. It is a web-enabled system where users are able to access the organisation risk profile on a real-time basis anytime and anywhere.

KLCCP Stapled Group has identified the following principal risks which are critical to the success of KLCCP Stapled Group's business objectives:



CRISIS MANAGEMENT (CM)

A Crisis Management Plan (CMP) was established to address and respond to incidents where risk mitigation fails or when full prevention of the risk occurring is unlikely.

The CMP is to ensure preparedness in managing and responding in the area beyond HSE, such as Human Resources; Finance; ICT; Facility Management and Legal in the event of emergency/crisis.

The CMP includes the objective and scope; roles and responsibilities; activation thresholds and procedures; notification and communication process, strategies and actions for responding pre, during and post emergency/crisis; escalation process and resource requirement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BUSINESS CONTINUITY PLAN

The Business Continuity Plan ("BCP") was established which aims to provide guidance in resuming key business functions in the event crisis occurs that has a major or severe impact on business in terms of financial, operation and reputation.

During the year under review, an update review of the business impact analysis (BIA) to identify the critical business functions (CBF) was carried out. The BIA is to assess the impact of unavailability of the functions over time, set prioritised timeframes for resuming these functions and specify Minimum Resources Requirements to be allocated to recover and resume these functions.

A Call Tree Verification exercise was conducted to ensure phone numbers and contact lists of relevant personnel and stakeholders are updated.

The web-based storage was introduced to support the continuity of business in the event of crisis to enable the critical business function to retrieve the working data elsewhere.

Concerns on all principal risks are shared with the Group Internal Audit Division ("GIAD") of KLCC (Holdings) Sdn Bhd ("KLCCB") which then uses the risk assessment reports as reference to develop the annual audit plans for KLCCP Stapled Group. 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 the KLCCP Stapled Group.

INTERNAL CONTROL PROCESSES

The Boards continue to uphold and implement strong control structure and environment with the following key control processes to identify, evaluate and manage weaknesses of KLCCP Stapled Group's internal control system:

- 1** The Boards meet at least quarterly and have set a schedule of matters, which is required to be deliberated and approved by the Boards, thus ensuring that the Boards maintain full and effective supervision over the control processes;
- 2** The CEO of KLCCP and KLCCRM 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 Boards is a prerequisite;
- 3** Updates on KLCCP Stapled Group's operations and performance are provided to the Boards at every meeting and the CEO also reports on any significant changes in the business operations and risk profiles of KLCCP Stapled Group. In addition, the CEO and the Chief Financial Officer/Chief Investment Officer ("CFO") of KLCCP (who is also the Head of Investment/Head of Finance ("Head of Investment") of KLCCRM) assure the Boards that adequate processes and controls are in place for the preparation of quarterly and annual financial statements;
- 4** KLCCP Stapled Group has an organisational 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, Limits of Authority Manuals are in place to define the lines of accountability and responsibility in relation to KLCCP Stapled Group's operations and functions;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT

5 KLCCP Stapled Group adopts the PETRONAS Code of Conduct and Business Ethics ("CoBE") to ensure that Directors, Management and employees, and third parties, when performing any work or services for KLCCP Stapled Group, 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 behaviour and ethical conduct of the PETRONAS CoBE can be accessed at KLCCP's corporate website;

6 KLCCP Stapled Group 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. Variance against budgets are analysed and reported on a quarterly basis to the Boards;

7 KLCCP Stapled Group's strategic directions are also reviewed annually taking into consideration changes in market conditions and significant business risks;

8 The CFO and Head of Investment report to the AC of KLCCP and AC of KLCCRM respectively 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; and

9 For the associate company, it is done via representation on the associate company's board. Information on the financial performance of the associate company is provided monthly.

The GIAD of KLCCCH provides an independent, objective assurance on the efficiency and effectiveness of the risk management, internal control systems and governance processes as implemented by KLCCP Stapled Group to support the ACs of KLCCP and KLCCRM in discharging their governance responsibilities. Governed by the respective KLCCP and KLCCRM Internal Audit Charters, 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 KLCCP Stapled Group. The ACs also had full access to the services and advice of the internal auditors and on quarterly basis 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 KLCCP Stapled Group's businesses and operational controls, risk management and governance processes.

MANAGEMENT ROLE

The respective Boards have received assurances from the CEO and CFO/ Head of Investment that KLCCP Stapled Group's risk management and internal control system is operating effectively in all material aspects based on the processes as approved by the Boards.

The Boards are of the view that KLCCP Stapled Group's internal control system is sound and effective to safeguard the stapled securities holders' investment, the interests of customers, employees and other stakeholders, and KLCCP Stapled Group's assets.

REVIEW OF THIS STATEMENT

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") in accordance with *Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.*

They have reported to the Boards that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by *Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is the Statement factually inaccurate.*

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Guidelines on Listed Real Estate Investment Trusts issued by Securities Commission Malaysia.

(i) Material Contracts

There were no material contracts or loans entered into by KLCCP or KLCCP's subsidiaries involving the interests of the Directors or major Stapled Securities holders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous year, except as disclosed in the Prospectus of KLCCP Stapled Securities dated 7 May 2013 and the audited financial statements of KLCCP.

(ii) Utilisation of Proceeds

KLCCP and KLCC REIT did not raise funds through any corporate proposals during the financial year.

(iii) Sanctions and/or Penalties

During the financial year, there was no public sanction or penalty imposed by the relevant regulatory bodies on the management company of KLCC REIT.

(iv) Recurrent Related Party Transaction ("RRPT")

Both KLCCP and KLCC REIT did not seek any mandate from the holders of the Stapled Securities on RRPT during the financial year.

(v) List of Property Development Activities

During the financial year, there were no property development activities including acquisition of vacant land carried out by KLCC REIT.

KLCC PROPERTY HOLDINGS BERHAD

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year are investment holding, property investment and the provision of management services.

The principal activities of its subsidiaries and associate are stated in Notes 7 and 8 to the financial statements respectively.

CORPORATE INFORMATION

The Company is a public limited liability company, incorporated on 7 February 2004 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

Upon the completion of the listing of stapled securities on 7 May 2013, the Group now comprises:

- (a) the KLCC Property Holdings Berhad ("KLCCP") Group, being the Company, its existing subsidiaries and associate company; and
- (b) KLCC Real Estate Investment Trust ("KLCC REIT") Group.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	945,671	200,948
Attributable to:		
Equity holders of the Company	356,503	200,948
Non-controlling interests relating to KLCC REIT	433,648	-
Other non-controlling interests	155,520	-
	945,671	200,948

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year, other than as disclosed in the Statements of Changes in Equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the Directors' Report in that year:	
A fourth interim dividend of 4.63%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 24 January 2019 and paid on 28 February 2019.	83,587
In respect of the financial year ended 31 December 2019:	
A first interim dividend of 2.52%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 7 May 2019 and paid on 20 June 2019.	45,494
A second interim dividend of 2.57%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 20 August 2019 and paid on 4 October 2019.	46,397
A third interim dividend of 2.56%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 11 November 2019 and paid on 18 December 2019.	46,217
	221,695

A fourth interim dividend in respect of the financial year ended 31 December 2019, of 5.35%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM96,585,000 will be payable on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS OF THE COMPANY

Directors who served during the financial year end and up to the date of this report are:

Datuk Ahmad Nizam Bin Salleh	
Datuk Hashim Bin Wahir	
Datuk Pragasa Moorthi A/L Krishnasamy	
Habibah Binti Abdul	
Tengku Muhammad Taufik	
Farina Binti Farikhullah Khan	
Dato' Jamaludin Bin Osman	(appointed w.e.f on 1 January 2020)
Datuk Ishak Bin Imam Abas	(resigned w.e.f on 1 January 2020)
Dato' Halipah Binti Esa	(retired w.e.f. on 3 April 2019)

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report (not including those directors listed above) are:

Annuar Marzuki Bin Abdul Aziz	
Peter James Holland Riley	
Richard Daniel Baker (Alternate Director to Craig Alan Beattie)	
Rossana Annizah Binti Ahmad Rashid (Alternate Director to Peter James Holland Riley)	
Abd Aziz Bin Abd Kadir	
Kevin William Whan (Alternate Director to Craig Alan Beattie)	
Brian Lap Hei Hung	
Andrew William Brien	
Harold Alan Schwartz III	
Datin Faudziah Binti Ibrahim	
Adrian Lee Baker	
Craig Alan Beattie	
Burhanuddin Bin Yahya	(appointed w.e.f. on 1 November 2019)
Dato' Hashimah Binti Hashim	(appointed w.e.f. on 1 November 2019)
Izwan Hasli Bin Mohd Ibrahim	(appointed w.e.f. on 20 January 2020)
Mohainee Binti Tahir	(resigned w.e.f. on 9 October 2019)
Shamsudin Bin Ishak	(resigned w.e.f. on 25 October 2019)
Rashidah Binti Alias @ Ahmad	(resigned w.e.f. on 31 October 2019)
Muhmat Hilme Bin Hassan	(resigned w.e.f. on 1 November 2019)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interest in the shares of the Company and its related corporations other than wholly-owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:

Number of Shares in Petronas Chemicals Group Berhad				
	Balance as at 1.1.2019	← Number of Shares Bought	→ Number of Shares Sold	Balance as at 31.12.2019
Direct				
Datuk Hashim Bin Wahir	16,000	-	-	16,000
Datuk Ahmad Nizam Bin Salleh	10,000	-	-	10,000

Number of Shares in Petronas Gas Berhad				
	Balance as at 1.1.2019	← Number of Shares Bought	→ Number of Shares Sold	Balance as at 31.12.2019
Direct				
Datuk Ahmad Nizam Bin Salleh	2,000	-	-	2,000

None of the other Directors holding office as at 31 December 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the remuneration received by the Directors from certain related corporations), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive*	-	-
Non-Executive:		
Fees	1,123	1,123
	1,123	1,123

* The remuneration of the Executive Director is paid to KLCCH as disclosed in Note 24.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

ULTIMATE HOLDING COMPANY

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

ISSUE OF SHARES

There were no issuance of new shares during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNIFICATION TO DIRECTORS AND OFFICERS

During the financial year, PETRONAS and its subsidiaries, including the Company, maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM1,290 million per occurrence and in the aggregate. The insurance premium for the Company is RM1,000.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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 Directors of the Company are not aware of any circumstances:

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company 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 Company 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 Company misleading.

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

OTHER STATUTORY INFORMATION (CONT'D.)

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 Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2019 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 year and the date of this report.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Audit fees	621	219

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 201 to 272 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the results of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 201 to 272 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 Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 23 January 2020.

Annuar Marzuki Bin Abdul Aziz
(MIA Membership No. 11345)

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for Oaths

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	671,690	673,620	716	1,775
Investment properties	6	15,894,180	15,714,934	-	-
Investment in subsidiaries	7	-	-	1,371,903	1,371,136
Investment in an associate	8	265,588	252,973	99,195	99,195
Right-of-use assets	30	11,807	-	7,859	-
Deferred tax assets	10	1,330	1,225	912	808
Other receivables	12	426,488	418,939	-	-
		17,271,083	17,061,691	1,480,585	1,472,914
Current Assets					
Inventories	11	1,810	1,613	-	-
Trade and other receivables	12	52,962	59,980	7,819	7,873
Other investment	9	-	-	-	100,000
Tax recoverable		1,493	1,321	1,481	1,258
Cash and bank balances	13	883,908	735,724	474,759	395,749
		940,173	798,638	484,059	504,880
TOTAL ASSETS		18,211,256	17,860,329	1,964,644	1,977,794
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	14	1,823,386	1,823,386	1,823,386	1,823,386
Capital reserve	2.21	3,015,397	2,937,256	-	-
Retained profits	15	299,821	243,209	127,323	148,108
		5,138,604	5,003,851	1,950,709	1,971,494
Non-controlling interests ("NCI") relating to KLCC REIT	7	8,073,356	8,091,402	-	-
Stapled Securities holders interests in the Group		13,211,960	13,095,253	1,950,709	1,971,494
Other NCI	7	2,081,478	2,029,836	-	-
Total Equity		15,293,438	15,125,089	1,950,709	1,971,494

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current Liabilities					
Deferred revenue	16	46,947	48,266	-	-
Other long term liabilities	17	171,288	156,132	-	-
Long term borrowings	18	2,317,386	1,817,166	4,909	-
Deferred tax liabilities	10	71,994	49,180	-	-
		2,607,615	2,070,744	4,909	-
Current Liabilities					
Trade and other payables	19	257,843	214,362	6,051	6,300
Borrowings	18	29,210	427,548	2,975	-
Taxation		23,150	22,586	-	-
		310,203	664,496	9,026	6,300
Total Liabilities		2,917,818	2,735,240	13,935	6,300
TOTAL EQUITY AND LIABILITIES		18,211,256	17,860,329	1,964,644	1,977,794
Net asset value ("NAV")		13,211,960	13,095,253		
Less: Fourth interim distribution		(96,585)	(83,587)		
Net NAV after distribution		13,115,375	13,011,666		
Number of stapled securities/ shares in circulation ('000)		1,805,333	1,805,333		
NAV per stapled security/share (RM)					
- before distribution		7.32	7.25		
- after distribution		7.26	7.21		

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 YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	20	1,423,021	1,405,941	220,070	265,824
Operating profit	21	1,020,020	1,010,891	184,375	229,604
Fair value adjustments of investment properties	6	118,471	20,050	-	-
Interest income	22	31,636	27,574	17,239	16,365
Financing costs	23	(111,421)	(107,710)	(40)	-
Share of profit of an associate	8	12,615	13,288	-	-
Profit before tax	24	1,071,321	964,093	201,574	245,969
Tax expense	27	(125,650)	(125,173)	(626)	(899)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		945,671	838,920	200,948	245,070
Profit attributable to:					
Equity holders of the Company		356,503	284,253	200,948	245,070
NCI relating to KLCC REIT	7	433,648	440,661	-	-
		790,151	724,914	200,948	245,070
Other NCI	7	155,520	114,006	-	-
		945,671	838,920	200,948	245,070
Earnings per share attributable to equity holders of the Company (sen):					
Basic	28	19.75	15.75		
Earnings per stapled security (sen):					
Basic	28	43.77	40.15		

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

STATEMENT OF INCOME DISTRIBUTION TO STAPLED SECURITIES HOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 RM'000	2018 RM'000
Overall distributable income is derived as follows:		
Profit attributable to the equity holders of the Company	356,503	284,253
Less: Unrealised fair value adjustment attributable to the equity holders	(78,141)	(7,906)
	278,362	276,347
Distributable income of KLCC REIT	451,569	421,928
Total available for income distribution	729,931	698,275
Distribution to equity holders of the Company in respect of financial year ended 31 December 2019/2018:		
First interim dividend of 2.52% (2018: 2.98%)	(45,494)	(53,799)
Second interim dividend of 2.57% (2018: 3.05%)	(46,397)	(55,063)
Third interim dividend of 2.56% (2018: 2.99%)	(46,217)	(53,979)
Fourth interim dividend of 5.35% (2018: 4.63%)	(96,585)	(83,587)
	(234,693)	(246,428)
Distribution to KLCC REIT holders in respect of financial year ended 31 December 2019/2018:		
First interim income distribution of 6.28% (2018: 5.72%)	(113,375)	(103,265)
Second interim income distribution of 6.23% (2018: 5.65%)	(112,472)	(102,001)
Third interim income distribution of 6.24% (2018: 5.71%)	(112,653)	(103,085)
Fourth interim income distribution of 6.25% (2018: 6.27%)	(112,833)	(113,194)
	(451,333)	(421,545)
Balance undistributed	43,905	30,302

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 EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

← Attributable to Equity Holders of the Company → Non Distributable ← Distributable →							
Note	Share Capital RM'000	Retained Profits RM'000	Capital Reserve RM'000	Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000	Other NCI RM'000	Total Equity RM'000
At 1 January 2019							
As previously reported	1,823,386	243,209	2,937,256	5,003,851	8,091,402	2,029,836	15,125,089
Effect on the adoption of new pronouncement 30	-	(55)	-	(55)	-	(11)	(66)
At 1 January 2019 (restated)	1,823,386	243,154	2,937,256	5,003,796	8,091,402	2,029,825	15,125,023
Total comprehensive income for the year	-	356,503	-	356,503	433,648	155,520	945,671
Transfer of fair value surplus	-	(78,141)	78,141	-	-	-	-
Dividends paid 29	-	(221,695)	-	(221,695)	(451,694)	(103,867)	(777,256)
At 31 December 2019	1,823,386	299,821	3,015,397	5,138,604	8,073,356	2,081,478	15,293,438

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019

← Attributable to Equity Holders of the Company → Non Distributable ← Distributable → Total equity attributable to holders of the Company NCI relating to KLCC REIT Other NCI Total Equity							
Note	Share Capital RM'000	Retained Profits RM'000	Capital Reserve RM'000	Company RM'000	RM'000	RM'000	RM'000
At 1 January 2018							
As previously reported	1,823,386	225,492	2,929,350	4,978,228	8,050,264	2,018,364	15,046,856
Effect on the adoption of new pronouncement	-	(106)	-	(106)	(3)	(34)	(143)
At 1 January 2018 (restated)							
	1,823,386	225,386	2,929,350	4,978,122	8,050,261	2,018,330	15,046,713
Total comprehensive income for the year	-	284,253	-	284,253	440,661	114,006	838,920
Transfer of fair value surplus	-	(7,906)	7,906	-	-	-	-
Dividends paid 29	-	(258,524)	-	(258,524)	(399,520)	(102,500)	(760,544)
At 31 December 2018							
	1,823,386	243,209	2,937,256	5,003,851	8,091,402	2,029,836	15,125,089

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 EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Non Distributable Share Capital RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
	Note			
At 1 January 2019				
As previously reported		1,823,386	148,108	1,971,494
Effect on the adoption of new pronouncement	30	-	(38)	(38)
At 1 January 2019 (restated)		1,823,386	148,070	1,971,456
Total comprehensive income for the year		-	200,948	200,948
Dividends paid	29	-	(221,695)	(221,695)
At 31 December 2019		1,823,386	127,323	1,950,709
At 1 January 2018		1,823,386	161,562	1,984,948
Total comprehensive income for the year		-	245,070	245,070
Dividends paid	29	-	(258,524)	(258,524)
At 31 December 2018		1,823,386	148,108	1,971,494

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 YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,071,321	964,093	201,574	245,969
Adjustments for:				
Interest income	(31,636)	(27,574)	(15,950)	(12,275)
Profit income from Sukuk subscription	-	-	(1,289)	(4,090)
Financing costs	111,421	107,710	40	-
Accrued rental income	(13,777)	(36,708)	-	-
Depreciation of property, plant and equipment and right-of-use assets	43,334	38,073	1,748	1,476
Dividend income	-	-	(198,300)	(243,100)
Property, plant, equipment written off	9	28	-	-
Loss on disposal of property, plant and equipment	38	148	-	-
Net gain on fair value adjustments of investment properties	(118,471)	(20,050)	-	-
Impairment on investment property under construction ("IPUC")	2,786	-	-	-
Allowance for impairment losses	23	37	-	-
Share of profit of an associate	(12,615)	(13,288)	-	-
Operating cash flows before changes in working capital	1,052,433	1,012,469	(12,177)	(12,020)
Changes in working capital:				
Trade and other receivables	521	3,267	(1,785)	(86)
Amount due from subsidiaries	-	-	(342)	954
Amount due from related companies	4,058	3,400	705	2,860
Amount due from immediate holding company	(1,483)	551	(38)	647
Amount due to ultimate holding company	1,849	(7,019)	(431)	4
Trade and other payables	53,881	(20,470)	181	(11)
Inventories	(197)	130	-	-
Cash generated from/(used in) operations	1,111,062	992,328	(13,887)	(7,652)
Interest/profit income received	31,998	26,532	17,988	15,614
Tax paid	(102,549)	(103,683)	(953)	(681)
Net cash generated from operating activities	1,040,511	915,177	3,148	7,281

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	-	16,756	198,300	243,100
Proceeds from redemption of Sukuk Murabahah of a subsidiary	-	-	100,000	-
Purchase of property, plant and equipment	(39,686)	(45,472)	(41)	(103)
Subsequent expenditure on investment properties	(59,511)	(31,103)	-	-
Proceeds from disposal of property, plant and equipment	110	110	-	-
Net cash (used in)/generated from investing activities	(99,087)	(59,709)	298,259	242,997
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of Sukuk Murabahah	500,000	-	-	-
Repayment of borrowings	(7,500)	(7,500)	-	-
Repayment of Sukuk Murabahah	(400,000)	-	-	-
Payment of principal portion of lease liabilities	(1,984)	-	(702)	-
Dividends paid to shareholders	(221,695)	(258,524)	(221,695)	(258,524)
Dividends paid to other NCI	(103,867)	(102,500)	-	-
Dividends paid to NCI relating to KLCC REIT	(451,649)	(399,364)	-	-
Interest/profit expenses paid	(106,545)	(102,118)	-	-
Decrease in deposits restricted	2,971	7,952	-	-
Net cash used in financing activities	(790,269)	(862,054)	(222,397)	(258,524)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	151,155	(6,586)	79,010	(8,246)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	730,431	737,017	395,749	403,995
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	881,586	730,431	474,759	395,749
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	86,856	59,808	41	103
Accruals	16,394	12,341	-	-
	103,250	72,149	41	103
Cash paid for additions in prior years	12,341	16,767	-	-
Cash paid for additions in current year	86,856	59,808	41	103
Total cash paid for investment properties and property, plant and equipment	99,197	76,575	41	103

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 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated on 7 February 2004 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The principal place of business is located at Level 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are KLCC (Holdings) Sdn Bhd ("KLCC") and Petrolia Nasional Berhad ("PETRONAS") respectively, all of which are incorporated in Malaysia.

The principal activities of the Company in the course of the financial year are investment holding, property investment and the provision of management services.

The principal activities of the subsidiaries and associate are stated in Notes 7 and 8.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 January 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except for investment properties and certain 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.

As of 1 January 2019, the Group and the Company adopted new MFRSs and amendments to MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

The financial statements of subsidiaries 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation (Cont'd.)

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.

Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.3 Investments

Long term investments in subsidiaries and an associate are stated at cost less impairment loss, if any, in the Company's financial statements. The cost of investment includes transaction cost.

The carrying amount of these investments includes fair value adjustments on shareholders loans and advances, if any.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate investee.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured.

Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Investment in an associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transactions costs.

Unrealised profits arising from transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.5 Goodwill

Goodwill acquired in a business combination is initially measured at cost as described in Note 2.2. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Property, Plant and Equipment

Freehold land which has an unlimited life is stated at cost and is not depreciated. Projects-in-progress are stated at cost and are not depreciated as the assets are not available for use. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight line basis over the estimated useful life of the related assets.

The estimated useful life are as follows:

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

Costs are expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the assets to working condition for their intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. 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 a component 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 Group and the Company and its cost can be measured reliably. The carrying amount 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 depreciable amount is determined after deducting residual value. The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest 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.

Investment properties are derecognised when either they have been disposed off 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.

Where the fair value of the Investment Property Under Construction ("IPUC") is not reliably determinable, the IPUC is measured at cost until either its fair value has been reliably determinable or construction is complete, whichever is earlier.

2.8 Impairment of Non-Financial Assets

The Group 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 Group 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")).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Inventories

Inventories of saleable merchandise and operating supplies are stated at the lower of cost and net realisable value. Cost of inventories is determined using the weighted average cost method and it includes the invoiced value from suppliers, and transportation and handling costs.

2.10 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks. For the purpose of cash flow statements, cash and cash equivalents include cash on hand and short term deposits with banks with an original maturity of 3 months or less, less restricted cash held in designated accounts on behalf of clients.

2.11 Financial Assets

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

(i) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- (a) Financial assets at amortised cost (debt instruments)
- (b) Financial assets at fair value through OCI (debt instruments)
- (c) Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial Assets (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(iii) Derecognition

A financial asset is derecognised when:

- (a) The rights to receive cash flows from the asset have expired, or
- (b) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - i. The Group and the Company have transferred substantially all the risks and rewards of the asset, or
 - ii. The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would required to repay.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Impairment of Financial Assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Provisions

A provision is recognised when the Group and the Company have 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.

2.14 Financial Liabilities

(i) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial Liabilities (Cont'd.)

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2.15 Offsetting of Financial Instruments

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

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.17 Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Obligations for contributions to defined contribution plans are recognised as an expense in the profit or loss in the year in which the related services is performed.

2.18 Taxation

Tax expense 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 equity, in which case it is recognised in equity.

(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.

(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 expected to be realised or the liability is expected to be settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred tax provided for the investment properties of KLCC REIT is at 10% which reflects the expected manner of recovery of the investment properties.

The expected manner of recovery of the Group's other investment properties that are not within KLCC REIT is through sale to a real estate investment trust ("REIT"). No deferred tax is recognised on the fair valuation of these properties as chargeable gains accruing on the disposal of any chargeable assets to a REIT is tax exempted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies at the reporting date have been translated at rates ruling on the reporting date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies have been translated into RM at rates of exchange ruling on the transaction dates. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to RM at the foreign exchange rates ruling at the date of the transactions.

The principal exchange rates used for each respective unit of foreign currency ruling at the reporting date are as follows:

	2019 RM	2018 RM
United States Dollar	4.09	4.13

2.20 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity. Dividends on ordinary shares 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.

2.21 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.

2.22 Revenue Recognition

(i) Rental income

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

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Revenue Recognition (Cont'd.)

(ii) Others

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- i. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- ii. the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- iii. the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time.

(a) Hotel operations

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised upon provision of the services.

(b) Building and facilities management services

Revenue from building and facilities management is recognised when the services are performed.

(c) Car park operations

Revenue from car park operations is recognised on the accrual basis.

(d) Interest income

Interest income is recognised on the accrual basis using the effective interest rate method.

(e) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease component and non-lease components, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand alone prices.

As a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases (Cont'd.)

(iii) Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense over the lease term.

(iv) Extension options

The Group and the Company, in applying their judgement, determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

As a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.24 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.

2.25 Fair Value Measurement

Fair value of an asset or a liability, except for lease transactions, 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Fair Value Measurement (Cont'd.)

(ii) Non-financial assets

For non-financial assets, 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.

When measuring the fair value of an asset or a liability, the Group and the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique 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.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

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.

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2019, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 123	Borrowing cost: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty over Income Tax Treatments

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (CONT'D.)

Effective for annual periods beginning on or after 1 January 2019 (Cont'd.)

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

(a) As a lessee

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings which the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019.

The Group and the Company elected to apply following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact of MFRS 16 is as disclosed in Note 30.

(b) As a lessor

The adoption of MFRS 16 does not have any impact to the financial statements of the Group as a lessor. There are no contracts that are or contain a lease in which the Group expects to reclassify as a finance lease.

(ii) Amendments to MFRS 123 Borrowing Costs

In previous years, borrowing costs relating to a specific qualifying assets is capitalised into the cost of the asset. The capitalisation of borrowing costs cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The amendments to MFRS 123 does not have any impact to the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4.2 Key Sources of Estimation Uncertainty

The key assumption 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 amount of assets and liabilities within the next financial year is discussed below:

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group had engaged independent professional valuers to determine the fair values and there are no material events that affect the valuation between the valuation date and financial year end.

The fair value of the investment properties derived by the independent professional valuers is most sensitive to the estimated yield rate and discount rate. The range of the yield rate and the discount rate used in the valuation is described in Note 6.

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated yield rate and discount rate:

	Fair value	
	Increase/(decrease)	
	2019	2018
	RM'000	RM'000
Yield rate		
+ 0.25%	(434,349)	(424,333)
- 0.25%	471,065	457,276
Discount rate		
+ 0.25%	(136,203)	(146,131)
- 0.25%	140,637	148,948

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 2019

5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2019								
Cost								
At 1 January 2019	637,768	12,820	152,175	159,887	75,103	1,419	9,931	1,049,103
Additions	1,214	31,430	3,516	99	2,740	375	315	39,689
Transfer within property, plant and equipment	1,662	(13,183)	2,372	2,925	6,224	-	-	-
Disposals	(3)	-	(1,658)	(2,316)	(4,174)	(415)	-	(8,566)
Write off	(8,925)	-	(422)	-	(40)	-	-	(9,387)
At 31 December 2019	631,716	31,067	155,983	160,595	79,853	1,379	10,246	1,070,839
Accumulated Depreciation								
At 1 January 2019	126,570	-	73,302	107,980	56,907	1,266	9,458	375,483
Charge for the year (Note 24)	10,352	-	14,494	8,856	7,326	113	320	41,461
Disposals	-	-	(1,572)	(2,293)	(4,136)	(416)	-	(8,417)
Write off	(8,925)	-	(422)	-	(31)	-	-	(9,378)
At 31 December 2019	127,997	-	85,802	114,543	60,066	963	9,778	399,149
Net Carrying Amount	503,719	31,067	70,181	46,052	19,787	416	468	671,690

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2018								
Cost								
At 1 January 2018	631,676	22,918	131,376	153,540	80,726	1,419	9,713	1,031,368
Additions	1,360	25,204	15,170	1,366	1,417	5	218	44,740
Transfer within property, plant and equipment	5,008	(35,302)	21,050	5,114	4,130	-	-	-
Disposals	(56)	-	(11,632)	(120)	(2,973)	-	-	(14,781)
Write off	(220)	-	(3,789)	(13)	(8,197)	(5)	-	(12,224)
At 31 December 2018	637,768	12,820	152,175	159,887	75,103	1,419	9,931	1,049,103
Accumulated Depreciation								
At 1 January 2018	116,805	-	76,157	98,816	62,020	1,164	9,169	364,131
Charge for the year (Note 24)	10,024	-	12,356	9,266	6,031	107	289	38,073
Disposals	(39)	-	(11,422)	(89)	(2,973)	-	-	(14,523)
Write off	(220)	-	(3,789)	(13)	(8,171)	(5)	-	(12,198)
At 31 December 2018	126,570	-	73,302	107,980	56,907	1,266	9,458	375,483
Net Carrying Amount	511,198	12,820	78,873	51,907	18,196	153	473	673,620

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
Group					
At 31 December 2019					
Cost					
At 1 January 2019	85,889	389,797	19,089	142,993	637,768
Additions	-	-	175	1,039	1,214
Transfer	-	-	-	1,662	1,662
Disposals	-	-	(3)	-	(3)
Write off	-	-	-	(8,925)	(8,925)
At 31 December 2019	85,889	389,797	19,261	136,769	631,716
Accumulated Depreciation					
At 1 January 2019	-	69,027	14,937	42,606	126,570
Charge for the year	-	5,413	2,768	2,171	10,352
Write off	-	-	-	(8,925)	(8,925)
At 31 December 2019	-	74,440	17,705	35,852	127,997
Net Carrying Amount	85,889	315,357	1,556	100,917	503,719

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
Group					
At 31 December 2018					
Cost					
At 1 January 2018	85,889	389,853	19,034	136,900	631,676
Additions	-	-	275	1,085	1,360
Transfer	-	-	-	5,008	5,008
Disposals	-	(56)	-	-	(56)
Write off	-	-	(220)	-	(220)
At 31 December 2018	85,889	389,797	19,089	142,993	637,768
Accumulated Depreciation					
At 1 January 2018	-	63,622	11,912	41,271	116,805
Charge for the year	-	5,444	3,245	1,335	10,024
Disposals	-	(39)	-	-	(39)
Write off	-	-	(220)	-	(220)
At 31 December 2018	-	69,027	14,937	42,606	126,570
Net Carrying Amount	85,889	320,770	4,152	100,387	511,198

Property, plant and equipment of a subsidiary at carrying amount of RM623,865,000 (2018: RM648,431,000) has been pledged as securities for loan facilities as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company					
At 31 December 2019					
Cost					
At 1 January 2019	6,959	2,329	8	2,269	11,565
Additions	-	35	-	6	41
At 31 December 2019	6,959	2,364	8	2,275	11,606
Accumulated Depreciation					
At 1 January 2019	5,734	2,215	4	1,837	9,790
Charge for the year (Note 24)	922	46	2	130	1,100
At 31 December 2019	6,656	2,261	6	1,967	10,890
Net Carrying Amount	303	103	2	308	716
At 31 December 2018					
Cost					
At 1 January 2018	7,052	2,324	8	2,183	11,567
Additions	-	5	-	98	103
Disposal	(93)	-	-	(12)	(105)
At 31 December 2018	6,959	2,329	8	2,269	11,565
Accumulated Depreciation					
At 1 January 2018	4,449	2,171	2	1,692	8,314
Charge for the year (Note 24)	1,285	44	2	145	1,476
At 31 December 2018	5,734	2,215	4	1,837	9,790
Net Carrying Amount	1,225	114	4	432	1,775

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. INVESTMENT PROPERTIES

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
Group				
At 31 December 2019				
At 1 January 2019	14,981,293	520,000	213,641	15,714,934
Additions	56,970	-	6,591	63,561
Transfer within investment properties	1,678	-	(1,678)	-
Impairment	-	-	(2,786)	(2,786)
Fair value adjustments	117,471	1,000	-	118,471
At 31 December 2019	15,157,412	521,000	215,768	15,894,180

At 31 December 2018

At 1 January 2018	14,944,258	515,500	207,717	15,667,475
Additions	21,471	14	5,924	27,409
Fair value adjustments	15,564	4,486	-	20,050
At 31 December 2018	14,981,293	520,000	213,641	15,714,934

The following investment properties are held under lease terms:

	Group	
	2019 RM'000	2018 RM'000
Completed investment property	365,000	346,332
IPUC land at fair value	232,000	232,000
IPUC at cost	193,000	190,873
	790,000	769,205

The investment properties are stated at fair value, which have been determined based on valuations 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 methods used in determining the valuations are the investment method, residual method and comparison method.

The Group has performed a review of the recoverable amount on an IPUC during the financial year. As a result, the Group has provided impairment loss on the IPUC which amounted to RM2,786,440 (2018: NIL) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. INVESTMENT PROPERTIES (CONT'D.)

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

	Group	
	2019 RM'000	2018 RM'000
Rental income	1,098,900	1,086,772
Direct operating expenses of income generating investment properties	(97,397)	(99,065)
	1,001,503	987,707

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
- Office properties	-	-	9,264,191	9,264,191
- Retail properties	-	-	6,125,221	6,125,221
- Land	-	-	289,000	289,000
	-	-	15,678,412	15,678,412
2018				
- Office properties	-	-	9,242,446	9,242,446
- Retail properties	-	-	5,970,847	5,970,847
- Land	-	-	288,000	288,000
	-	-	15,501,293	15,501,293

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 properties, either directly or indirectly.

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

There is no transfer between Level 1, 2 and 3 fair values during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES (CONT'D.)

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

	2019 RM'000	2018 RM'000
Valuation per valuers' report	16,104,900	15,921,900
Less: Accrued rental income	(426,488)	(420,607)
	15,678,412	15,501,293
Adjusted valuation on 1 January	15,501,293	15,459,758
Additions	56,970	21,485
Transfer within investment properties	1,678	-
Re-measurement recognised in profit or loss	118,471	20,050
At 31 December	15,678,412	15,501,293

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 2019	2018	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer a)	Office:			The estimated fair value would increase/(decrease) if:
	- Market rental rate (RM/psf/month)			
	- Term	4.92 - 12.99	4.92 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	5.96 - 12.71	5.73 - 12.71	- expected market rental growth was higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	2.00	2.00	- expected inflation rate was lower/(higher)
	- Reversion	2.00 - 2.36	2.00 - 2.40	- expected inflation rate was lower/(higher)
	- Void rate (%)	5.00 - 15.00	5.00 - 10.00	- void rate was lower/(higher)
	- Term yield (%)	5.50 - 7.50	5.50 - 7.00	- term yield rate was lower/(higher)
	- Reversionary yield (%)	6.00 - 8.00	6.00 - 7.50	- reversionary yield was lower/(higher)
	- Discount rate (%)	5.50 - 8.00	5.50 - 7.50	- discount rate was lower/(higher)
	Retail:			
	- Market rental rate (RM/psf/month)			
	- Term	1.00 - 407.50	5.11 - 318.15	- expected market rental growth was higher/(lower)
	- Reversion	5.64 - 407.50	5.64 - 416.64	- expected market rental growth was higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	5.85 - 6.53	5.78 - 6.38	- expected inflation rate was lower/(higher)
	- Reversion	5.85 - 6.35	5.78 - 6.38	- expected inflation rate was lower/(higher)
	- Void rate (%)	7.00	5.00 - 7.00	- void rate was lower/(higher)
	- Term yield (%)	6.25 - 6.50	6.25 - 6.50	- term yield rate was lower/(higher)
	- Reversionary yield (%)	6.75 - 7.00	6.75 - 7.00	- reversionary yield was lower/(higher)
	- Discount rate (%)	6.25 - 7.00	6.25 - 7.00	- discount rate was lower/(higher)

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6. INVESTMENT PROPERTIES (CONT'D.)

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. (Cont'd.)

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2019	2018	
Residual method (refer b)	- Expected rate of return (%)	15.00	15.00	The estimated fair value would increase/(decrease) if: - expected rate of return was lower/(higher) - gross development value was higher/(lower) - gross development costs was lower/(higher) - financing costs was lower/(higher) - discount rate was lower/(higher)
	- Gross Development Value (RM million)	1,519	1,519	
	- Gross Development Costs (RM million)	962	960	
	- Financing costs (%)	7.00	7.00	
	- Discount rate (%)	7.00	7.00	

(a) Investment method entails the capitalisation of the net rent 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.

(b) Residual method is used to value a property that has development potential. The value of the property will be the residual of the potential value less the construction costs and the required profit from the project.

Based on the current development plans, the property is currently valued based on land at fair value with actual construction costs incurred to date.

(c) Under the comparison method, a property's fair value is estimated based on the comparable transactions.

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuers provide the fair value of the Group's investment properties portfolio annually. Changes in Level 3 fair values are analysed by the management annually after obtaining the valuation report from the independent professional valuers.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	4,530,109	4,530,109
Discount on loans to subsidiaries	196,314	196,314
Effects of conversion of amounts due from subsidiaries to investment *	723,350	722,583
Capital reduction	(780,916)	(780,916)
Write-down in value **	(3,296,954)	(3,296,954)
	1,371,903	1,371,136

* During the year, certain subsidiaries have issued non-cumulative non-convertible redeemable preference shares ("NCNCRPS") to the Company through equity settlement to settle their amount due to the Company.

** The investments in certain subsidiaries have been adjusted to their recoverable amount subsequent to the disposal of their assets and liabilities to KLCC REIT.

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2019 %	2018 %	
Suria KLCC Sdn Bhd ("SKSB")	60	60	Ownership and management of a shopping centre and the provision of business management services
Asas Klasik Sdn Bhd ("AKSB")	75	75	Property investment in a hotel
Arena Johan Sdn Bhd ("AJSB")	100	100	Inactive
KLCC Parking Management Sdn Bhd ("KPM")	100	100	Management of car park operations
KLCC Urusharta Sdn Bhd ("KLCCUH")	100	100	Facilities management
Kompleks Dayabumi Sdn Bhd ("KDSB")	100	100	Property investment
Midciti Resources Sdn Bhd ("MRSB")	100	100	Inactive
Impian Cemerlang Sdn Bhd ("ICSB")	100	100	Property investment
Arena Merdu Sdn Bhd ("AMSB")	100	100	Inactive
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	100	100	Management of a real estate investment trust
KLCC REIT	*	*	To invest in a Shariah compliant portfolio or real estate assets and real estate related assets
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB") *	100	100	To undertake the issuance of Islamic term notes ("Sukuk") under a medium term notes programme and all matters relating to it

The country of incorporation and principal place of business of all subsidiaries is Malaysia.

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

- * Whilst the Group has no ownership interests in KLCC REIT, the Directors have deemed it to be a subsidiary as:
- (i) the Group exercises power over KLCC REIT by virtue of its control over KLCC REIT Management, the manager of KLCC REIT; and
 - (ii) KLCC REIT units are stapled to the ordinary shares of the Company such that the shareholders of the Company are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT.

Non-controlling interests relating to KLCC REIT

	2019	2018
NCI percentage of ownership interest and voting interest	100%	100%
Carrying amount of NCI (RM'000)	8,073,356	8,091,402
Profit allocated to NCI (RM'000)	433,648	440,661

Summarised financial information before intra-group elimination

	2019 RM'000	2018 RM'000
Non-current assets - Investment properties	9,193,989	9,190,831
Non-current assets - Others	411,874	410,454
Current assets	90,578	62,069
Non-current liabilities	(1,531,743)	(1,010,521)
Current liabilities	(91,342)	(561,431)
Net assets	8,073,356	8,091,402
Revenue	591,363	588,523
Profit for the year, representing total comprehensive income	433,648	440,661
Cash flows generated from operating activities	541,281	452,628
Cash flows used in investing activities	(2,121)	(4,160)
Cash flows used in financing activities	(512,634)	(459,543)
Net increase/(decrease) in cash and cash equivalents	26,526	(11,075)
Dividend paid to NCI relating to KLCC REIT	(451,694)	(399,520)

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Other non-controlling interests in subsidiaries

The Group's subsidiaries that have material other non-controlling interests are as follows:

	SKSB	2019 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	2,008,722	72,756	2,081,478
Profit allocated to NCI (RM'000)	155,352	168	155,520

	SKSB	2018 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,957,248	72,588	2,029,836
Profit allocated to NCI (RM'000)	113,982	24	114,006

Summarised financial information of significant subsidiary before intra-group elimination

SKSB	2019 RM'000	2018 RM'000
Non-current assets - Investment properties	5,598,422	5,444,130
Non-current assets - Others	23,676	15,616
Current assets	217,763	222,131
Non-current liabilities	(678,542)	(669,392)
Current liabilities	(139,515)	(119,364)
Net assets	5,021,804	4,893,121
Revenue	480,830	472,261
Profit for the year, representing total comprehensive income	388,379	284,956
Cash flows generated from operating activities	349,875	295,261
Cash flows used in investing activities	(55,208)	(18,596)
Cash flows used in financing activities	(289,329)	(256,250)
Net increase in cash and cash equivalents	5,338	20,415
Dividends paid to other NCI	(103,867)	(102,500)

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT IN AN ASSOCIATE

	2019 RM'000	2018 RM'000
Group		
Unquoted shares at cost	99,195	99,195
Share of post-acquisition reserves	166,393	153,778
	265,588	252,973
Company		
Unquoted shares at cost	99,195	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest	
			2019 %	2018 %
Impian Klasik Sdn Bhd ("IKSB") *	Malaysia	Property investment	33	33

* Audited by a firm of auditors other than Ernst & Young PLT.

The summarised financial statements of the associate are as follows:

	2019 RM'000	2018 RM'000
Non-current assets	774,528	770,295
Current assets	36,964	2,253
Total assets	811,492	772,548
Non-current liabilities	99,976	98,624
Current liabilities	1,705	2,340
Total liabilities	101,681	100,964
Results		
Revenue	45,967	50,722
Profit for the year, representing total comprehensive income	38,226	40,268
Share of profit for the year	12,615	13,288
Other information		
- Share of dividends	-	16,756

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8. INVESTMENT IN AN ASSOCIATE (CONT'D.)

Reconciliation of net assets to carrying amount as at 31 December

	2019 RM'000	2018 RM'000
Group's share of net assets	234,238	221,623
Goodwill	31,350	31,350
	265,588	252,973

9. OTHER INVESTMENT

	Company 2019 RM'000	2018 RM'000
Investment in Sukuk Murabahah of a subsidiary	-	100,000

The details of the Sukuk Murabahah are disclosed in Note 18(a).

10. DEFERRED TAX

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	47,955	27,245	(808)	(311)
Recognised in profit or loss (Note 27)	22,709	20,710	(104)	(497)
At 31 December	70,664	47,955	(912)	(808)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are as follows:

	Group 2019 RM'000	2018 RM'000
Deferred tax assets	(1,330)	(1,225)
Deferred tax liabilities	71,994	49,180
	70,664	47,955

NOTES TO THE FINANCIAL STATEMENTS

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10. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2019	63,071	21,744	3,022	87,837
Recognised in profit or loss	3,409	21,853	2,938	28,200
At 31 December 2019	66,480	43,597	5,960	116,037
At 1 January 2018	57,538	-	2,223	59,761
Recognised in profit or loss	5,533	21,744	799	28,076
At 31 December 2018	63,071	21,744	3,022	87,837

Deferred Tax Assets of the Group:

	Unused tax losses and investment tax allowances RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2019	(36,116)	-	(3,766)	(39,882)
Recognised in profit or loss	(3,346)	(1,993)	(152)	(5,491)
At 31 December 2019	(39,462)	(1,993)	(3,918)	(45,373)
At 1 January 2018	(29,577)	-	(2,939)	(32,516)
Recognised in profit or loss	(6,539)	-	(827)	(7,366)
At 31 December 2018	(36,116)	-	(3,766)	(39,882)

Deferred Tax Liabilities/(Assets) of the Company:

	Property, plant and equipment RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2019	(7)	-	(801)	(808)
Recognised in profit or loss	(28)	(6)	(70)	(104)
At 31 December 2019	(35)	(6)	(871)	(912)
At 1 January 2018	363	-	(674)	(311)
Recognised in profit or loss	(370)	-	(127)	(497)
At 31 December 2018	(7)	-	(801)	(808)

NOTES TO THE FINANCIAL STATEMENTS

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11. INVENTORIES

The inventories comprise general merchandise and operating supplies, and are stated at cost.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other receivables				
Accrued rental income	426,488	418,939	-	-
Current				
Trade receivables	9,103	9,998	-	-
Less: Allowance for impairment	(235)	(770)	-	-
Trade receivables, net of impairment	8,868	9,228	-	-
Other receivables				
Other receivables and deposits	24,302	26,295	3,530	2,494
Amount due from:				
Subsidiaries	-	-	1,914	2,337
Ultimate holding company	11,126	13,556	-	-
Immediate holding company	1,917	434	352	314
Other related companies	6,749	10,467	2,023	2,728
Total other receivables	44,094	50,752	7,819	7,873
Total	52,962	59,980	7,819	7,873

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	8,868	9,228	-	-
Other receivables	470,582	469,691	-	-
Add: Cash and bank balances (Note 13)	883,908	735,724	474,759	395,749
Less: Accrued rental income (Note 6)	(426,488)	(420,607)	-	-
Total financial assets carried at amortised cost	936,870	794,036	474,759	395,749

Amounts due from subsidiaries, ultimate holding company, immediate holding company and other related companies 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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12. TRADE AND OTHER RECEIVABLES (CONT'D.)

Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purposes:

Group	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount RM'000
Amount due from ultimate holding company			
2019	12,376	(1,250)	11,126
2018	14,806	(1,250)	13,556

13. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash with PETRONAS Integrated				
Financial Shared Services Centre	544,787	439,400	474,022	395,574
Cash and bank balances	4,909	9,919	67	42
Deposits with licensed banks	334,212	286,405	670	133
	883,908	735,724	474,759	395,749
Less: Deposits restricted	(2,322)	(5,293)	-	-
Cash and cash equivalents	881,586	730,431	474,759	395,749

The Group's and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC") to enable more efficient cash management for the Group and the Company.

Included in deposits restricted are monies held on behalf of clients held in designated accounts, which represent cash calls less payments in the course of rendering building and facilities management services on behalf of clients.

Included in cash with IFSSC and cash and bank balances of the Group and of the Company are interest bearing balances amounting to RM546,289,000 (2018: RM441,799,000) and RM474,081,000 (2018: RM395,616,000) respectively.

The weighted average effective interest rates applicable to the deposits with licensed banks of the Group is 3.45% per annum (2018: 3.80% per annum).

Deposits with licensed banks of the Group have an average maturity of 53 days (2018: 34 days).

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14. SHARE CAPITAL

	Group and Company	
	Number of shares Ordinary shares '000	Amount Ordinary shares RM'000
Issued and fully paid:		
At 1 January 2019/ 31 December 2019	1,805,333	1,823,386
At 1 January 2018/ 31 December 2018	1,805,333	1,823,386

Included in share capital is the capital redemption reserve amounting to RM18,053,000 that has not been utilised in accordance to Section 618(3) of Companies Act 2016 and the period for utilisation has expired on 30 January 2019.

Stapled security:

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

15. RETAINED PROFITS

As at 31 December 2019, the Company may distribute the entire balance of the retained profits under the single-tier system.

16. DEFERRED REVENUE

Deferred revenue relates to the excess of the principal amount of security deposits received over their fair value which is accounted for as prepaid lease income and amortised over the lease term on a straight line basis.

17. OTHER LONG TERM LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Security deposit payables	171,288	156,132

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 of 4.52% to 5.20% per annum.

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18. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term borrowings				
Secured:				
Sukuk Murabahah				
- KLCC Real Estate Investment Trust	15,737	516,907	-	-
Less: Sukuk Murabahah subscribed	-	(100,000)	-	-
	15,737	416,907	-	-
Term loans	9,333	10,641	-	-
Lease liabilities (Note 30)	4,140	-	2,975	-
	29,210	427,548	2,975	-
Long term borrowings				
Secured:				
Sukuk Murabahah				
- KLCC Real Estate Investment Trust	1,355,000	855,000	-	-
- Other subsidiary	600,000	600,000	-	-
Term loans	354,666	362,166	-	-
Lease liabilities (Note 30)	7,720	-	4,909	-
	2,317,386	1,817,166	4,909	-
Total borrowings	2,346,596	2,244,714	7,884	-

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18. BORROWINGS (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total borrowings which are secured, comprise:				
Sukuk Murabahah	1,970,737	1,971,907	-	-
less: Sukuk Murabahah subscribed	-	(100,000)	-	-
(a)	1,970,737	1,871,907	-	-
Term loans	363,999	372,807	-	-
Lease liabilities	11,860	-	7,884	-
	2,346,596	2,244,714	7,884	-

The repayment schedules are as follows:

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2019					
Secured					
Sukuk Murabahah	1,970,737	15,737	400,000	1,055,000	500,000
Term loans	363,999	9,333	7,500	22,500	324,666
Lease liabilities	11,860	4,140	3,408	4,312	-
	2,346,596	29,210	410,908	1,081,812	824,666
2018					
Secured					
Sukuk Murabahah	1,871,907	416,907	-	400,000	1,055,000
Term loans	372,807	10,641	7,500	22,500	332,166
	2,244,714	427,548	7,500	422,500	1,387,166

NOTES TO THE FINANCIAL STATEMENTS

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18. BORROWINGS (CONT'D.)

(a) Sukuk Murabahah

On 25 April 2014, a subsidiary of the Group completed the issuance of Sukuk Murabahah. The Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 billion subject to a combined limit of RM3 billion. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

During the year, the Group has repaid its RM400 million Sukuk Murabahah upon maturity on 25 April 2019 and on the same date issued RM500 million of Sukuk Murabahah with a profit rate of 4.20% per annum and maturing on 25 April 2026. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026

The profit rate is payable semi-annually.

Another subsidiary of the Group also issued Sukuk Murabahah of up to RM600 million on 31 December 2014. The Sukuk Murabahah consists of ICP of up to RM300 million and IMTN of up to RM600 million subject to a combined limit of RM600 million. It is secured against assignment and charge over the Finance Service Account of the subsidiary. RM600 million has been drawdown at the profit rate of 4.73% per annum and repayable in 10 years.

(b) Term loans

On 27 May 2015, a subsidiary of the Group entered into a Supplemental Agreement with Public Bank Berhad to restructure the term loan with an aggregate sum of RM378 million, comprising the following:

Type of Facilities	Revised Principal Limit (RM'000)
Term Loan Facility 1	239,540
Term Loan Facility 2	138,460

The term loans are repayable at RM7.5 million per annum for 7 years commencing on the 3rd year with the final bullet payment of the remainder in the final year.

The term loan is secured by way of a fixed charge over the hotel property as well as debenture covering all fixed and floating assets of the hotel property as disclosed in Note 5.

The loan bears an interest rate of 4.49% per annum (2018: 4.73% per annum).

Other information on financial risks of borrowings are disclosed in Note 32.

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18. BORROWINGS (CONT'D.)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	Sukuk Murabahah RM'000	Term loans RM'000	Lease liabilities RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2019	1,871,907	372,807	-	-	2,244,714
Effect on the adoption of new pronouncement (Note 30)	-	-	2,712	-	2,712
As at 1 January 2019 (restated)	1,871,907	372,807	2,712	-	2,247,426
Changes from financing cash flows					
Repayment term loan	-	(7,500)	-	-	(7,500)
Net drawdown Sukuk Murabahah	100,000	-	-	-	100,000
Repayment lease liabilities	-	-	(1,984)	-	(1,984)
Dividend paid	-	-	-	(777,211)	(777,211)
Interest/profit paid	(88,077)	(18,468)	-	-	(106,545)
Total changes from financing cash flows	11,923	(25,968)	(1,984)	(777,211)	(793,240)
Other changes					
Liability-related					
Interest/profit expenses	86,907	17,160	97	-	104,164
Acquisition of new lease	-	-	11,035	-	11,035
Dividend payable	-	-	-	777,211	777,211
Total liability-related other changes	86,907	17,160	11,132	777,211	892,410
Balance at 31 December 2019	1,970,737	363,999	11,860	-	2,346,596
Balance at 1 January 2018	1,871,026	380,051	-	-	2,251,077
Changes from financing cash flows					
Repayment term loan	-	(7,500)	-	-	(7,500)
Dividend paid	-	-	-	(760,388)	(760,388)
Interest/profit paid	(84,625)	(17,493)	-	-	(102,118)
Total changes from financing cash flows	(84,625)	(24,993)	-	(760,388)	(870,006)
Other changes					
Liability-related					
Interest/profit expenses	85,506	17,749	-	-	103,255
Dividend payable	-	-	-	760,388	760,388
Total liability-related other changes	85,506	17,749	-	760,388	863,643
Balance at 31 December 2018	1,871,907	372,807	-	-	2,244,714

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18. BORROWINGS (CONT'D.)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Company	Lease liabilities RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2019	-	-	-
Effect on the adoption of new pronouncement (Note 30)	1,064	-	1,064
As at 1 January 2019 (restated)	1,064	-	1,064
Changes from financing cash flows			
Repayment lease liabilities	(702)	-	(702)
Dividend paid	-	(221,695)	(221,695)
Total changes from financing cash flows	(702)	(221,695)	(222,397)
Other changes			
Liability-related			
Interest/profit expenses	40	-	40
Acquisition of new lease	7,482	-	7,482
Dividend payable	-	221,695	221,695
Total liability-related other changes	7,522	221,695	229,217
Balance at 31 December 2019	7,884	-	7,884
Balance at 1 January 2018			
Changes from financing cash flows	-	-	-
Dividend paid	-	(258,524)	-
Dividend payable	-	258,524	-
Balance at 31 December 2018	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	9,665	9,204	132	75
Other payables				
Other payables	171,633	129,902	4,279	4,154
Security deposits	69,324	67,794	-	-
Amount due to:				
Ultimate holding company	3,111	3,856	1,640	2,071
Immediate holding company	151	446	-	-
Other related companies	3,959	3,160	-	-
	248,178	205,158	5,919	6,225
Total trade and other payables	257,843	214,362	6,051	6,300
Add: Borrowings (Note 18)	2,346,596	2,244,714	-	-
Other long term liabilities (Note 17)	171,288	156,132	-	-
Total financial liabilities carried at amortised cost	2,775,727	2,615,208	6,051	6,300

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

20. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property investment				
- Office	595,698	595,762	-	-
- Retail	503,203	491,010	-	-
Hotel operations	177,481	172,375	-	-
Management services	146,639	146,794	21,770	22,724
Dividend income from subsidiaries	-	-	198,300	226,344
Dividend income from associate	-	-	-	16,756
	1,423,021	1,405,941	220,070	265,824

All the revenue of the Group and of the Company are derived from the same geographical market as the Group and the Company operate predominantly in Malaysia. The services are transferred to the customers at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

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21. OPERATING PROFIT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue (Note 20)	1,423,021	1,405,941	220,070	265,824
Cost of revenue:				
- Cost of services and goods	(239,593)	(240,775)	-	-
Gross profit	1,183,428	1,165,166	220,070	265,824
Selling and distribution expenses	(12,420)	(11,409)	-	-
Administration expenses	(153,966)	(145,938)	(35,698)	(36,232)
Other operating income	2,978	3,072	3	12
Operating profit	1,020,020	1,010,891	184,375	229,604

22. INTEREST INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest and profit income from:				
Deposits	31,636	27,574	15,950	12,275
Investment in Sukuk Murabahah	-	-	1,289	4,090
	31,636	27,574	17,239	16,365

23. FINANCING COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest/profit expense on:				
Term loans	17,160	17,749	-	-
Sukuk Murabahah	86,907	85,506	-	-
Lease liabilities	97	-	40	-
Accretion of financial instruments	7,257	4,455	-	-
	111,421	107,710	40	-

NOTES TO THE FINANCIAL STATEMENTS

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24. PROFIT BEFORE TAX

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Employee benefits expense (Note 25)	114,842	110,549	22,374	22,284
Directors' remuneration (Note 26)	1,123	1,090	1,123	1,090
Fee in relation to services of Executive Director	1,173	1,124	1,173	1,124
Auditors' remuneration				
- Audit fees	621	603	219	212
- Others	16	73	16	26
Valuation fees	1,015	925	-	-
Depreciation of property, plant and equipment (Note 5)	41,461	38,073	1,100	1,476
Depreciation of right-of-use assets (Note 30)	1,873	-	648	-
Rental of land and buildings	2,113	3,754	2,113	2,883
Rental of plant and machinery	172	232	128	172
Property, plant and equipment written off	9	28	-	-
Loss on disposal of property, plant and equipment	38	148	-	-
Impairment of investment property under construction	2,786	-	-	-
Allowance for impairment losses	23	37	-	-

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and others	104,903	101,162	19,912	19,847
Contributions to defined contribution plan	9,939	9,387	2,462	2,437
Total (Note 24)	114,842	110,549	22,374	22,284

NOTES TO THE FINANCIAL STATEMENTS

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26. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive *	-	-	-	-
Non-Executive:				
Fees	1,123	1,090	1,123	1,090
	1,123	1,090	1,123	1,090

Included in Directors' remuneration is the fee paid directly to PETRONAS in respect of the Directors who are the appointees of the ultimate holding company.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysis excluding benefits-in-kind:				
Total Non-Executive Directors' remuneration (Note 24)	1,123	1,090	1,123	1,090

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Group		Company	
	2019	2018	2019	2018
Executive Director*	1	1	1	1
Non-Executive Directors				
RMNil - RM50,000	-	3	-	3
RM50,001 - RM100,000	1	-	1	-
RM100,001 - RM150,000	2	5	2	5
RM150,001 - RM200,000	3	2	3	2
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	1	-	1	-

* The remuneration of the Executive Director is paid to KLCCH as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

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27. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
Malaysian income tax	104,043	105,630	578	1,322
(Over)/under provision of tax in prior year	(1,102)	(1,167)	152	74
	102,941	104,463	730	1,396
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	21,759	20,455	(100)	(187)
Under/(over) provision of deferred tax in prior year	950	255	(4)	(310)
	22,709	20,710	(104)	(497)
Total tax expense	125,650	125,173	626	899

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2019 RM'000	2018 RM'000
Group		
Profit before taxation	1,071,321	964,093
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	257,117	231,382
Expenses not deductible for tax purposes	7,176	8,428
Income not subject to tax	(153,234)	(128,407)
Effects of share of profit of an associate	(3,028)	(3,189)
Deferred tax recognised at different tax rates	21,853	21,743
Deferred tax assets recognised on investment tax allowances	(4,082)	(3,872)
Under provision of deferred tax in prior year	950	255
Over provision of taxation in prior year	(1,102)	(1,167)
Tax expense	125,650	125,173

NOTES TO THE FINANCIAL STATEMENTS

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27. TAX EXPENSE (CONT'D.)

	2019 RM'000	2018 RM'000
Company		
Profit before taxation	201,574	245,969
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	48,378	59,033
Expenses not deductible for tax purposes	3,525	3,343
Income not subject to tax	(51,425)	(61,241)
Over provision of deferred tax in prior year	(4)	(310)
Under provision of taxation in prior year	152	74
Tax expense	626	899

28. EARNINGS PER SHARE/STAPLED SECURITY

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary share in issue during the financial year.

Basic earnings per stapled security amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company and unitholders of the KLCC REIT by the weighted average number of stapled securities in issue during the financial year.

	2019	2018
Profit attributable to equity holders of the Company (RM'000)	356,503	284,253
Profit attributable to NCI relating to KLCC REIT (RM'000)	433,648	440,661
Profit attributable to stapled securities holders (RM'000)	790,151	724,914
Weighted average number of stapled securities/shares in issue ('000)	1,805,333	1,805,333
Basic earnings per share (sen)	19.75	15.75
Basic earnings per stapled security (sen)	43.77	40.15

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

NOTES TO THE FINANCIAL STATEMENTS

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29. DIVIDENDS

	Dividends Recognised in Year		Net Dividends per Ordinary Share	
	2019 RM'000	2018 RM'000	2019 Sen	2018 Sen
Recognised during the year:				
A fourth interim 4.63% (2017: 5.30%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2018/2017	83,587	95,683	4.63	5.30
A first interim dividend of 2.52% (2018: 2.98%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2019/2018	45,494	53,799	2.52	2.98
A second interim dividend of 2.57% (2018: 3.05%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2019/2018	46,397	55,063	2.57	3.05
A third interim dividend of 2.56% (2018: 2.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2019/2018	46,217	53,979	2.56	2.99
	221,695	258,524	12.28	14.32

A fourth interim dividend in respect of the financial year ended 31 December 2019, of 5.35%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM96,585,000 will be paid on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

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30. RIGHT-OF-USE ASSETS

The Group and the Company have lease contracts for office space with contract terms of 3 to 4 years and the lease contracts do not contain variable lease payments.

The Group and the Company also have certain leases of office equipments with lease terms of 12 months or less and leases of office equipment with low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Upon the adoption of MFRS 16, the Group and the Company had resulted in a decrease in retained profits of RM66,000 and RM38,000 respectively as at 1 January 2019.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 January 2019	-	-	-	-
Effect on the adoption of new pronouncement	2,646	-	1,026	-
As at 1 January 2019 (restated)	2,646	-	1,026	-
Additions	11,034	-	7,481	-
Depreciation (Note 24)	(1,873)	-	(648)	-
As at 31 December 2019	11,807	-	7,859	-

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 January 2019	-	-	-	-
Effect on the adoption of new pronouncement	2,712	-	1,064	-
As at 1 January 2019 (restated)	2,712	-	1,064	-
Additions	11,035	-	7,482	-
Accretion of interest	97	-	40	-
Payments	(1,984)	-	(702)	-
As at 31 December 2019	11,860	-	7,884	-
Current	4,140	-	2,975	-
Non-current	7,720	-	4,909	-

The maturity analysis of lease liabilities are disclosed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

30. RIGHT-OF-USE ASSETS (CONT'D.)

The following are the amounts recognised in profit or loss:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation expense of right-of-use assets	1,873	-	648	-
Interest expense on lease liabilities	97	-	40	-
Total amount recognised in profit or loss	1,970	-	688	-

The Group and the Company have several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised (Note 2.23 (iv)).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Company		
	Within five years RM'000	More than five years RM'000	Total RM'000
Extension option expected not to be exercised	5,384	10,767	16,151

Operating lease commitments - as lessor

The Group has entered into non-cancellable commercial property leases on its investment properties. The future minimum rental receivable under these operating leases at the reporting date is as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than 1 year	927,603	910,373
Later than 1 year but not later than 5 years	2,769,063	2,433,734
More than 5 years	1,628,534	2,144,784
	5,325,200	5,488,891

NOTES TO THE FINANCIAL STATEMENTS

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31. COMMITMENTS

Capital commitments

	Group	
	2019 RM'000	2018 RM'000
Approved and contracted for		
Property, plant and equipment	143,422	13,622
Investment property	51,049	51,412
	194,471	65,034
Approved but not contracted for		
Property, plant and equipment	36,744	116,788
Investment property	181,755	157,055
	218,499	273,843

32. RELATED PARTY DISCLOSURES

(a) Controlling related party relationships are as follows:

- (i) PETRONAS, the ultimate holding company, and its subsidiaries.
- (ii) Subsidiaries of the Company as disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

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32. RELATED PARTY DISCLOSURES (CONT'D.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Federal Government of Malaysia:				
Property licences and taxes	(13,327)	(13,320)	(1)	(2)
Goods and Services Tax, Sales and Service Tax, and Tourism Tax	(19,033)	(28,051)	(739)	99
Government of Malaysia's related entities:				
Purchase of utilities	(20,931)	(20,588)	-	-
Hotel revenue	1,430	6,801	-	-
Ultimate Holding Company:				
Rental income	561,694	536,399	-	-
Facilities management and manpower fees	29,526	27,537	-	-
Rental of car park spaces	(7,322)	(7,642)	-	-
Fees for representation on the Board of Directors*	(162)	(133)	(162)	(133)
Hotel revenue	6,711	2,379	-	-
Centralised Head Office Services charges	(4,254)	(1,707)	(624)	(505)
Immediate Holding Company:				
General management services fee payables	(1,536)	(1,498)	(651)	(635)
General management services fee receivables	3,625	3,704	3,625	3,704
Subsidiaries:				
Reimbursement of security costs	-	-	(105)	(79)
General management services fee receivable	-	-	7,761	7,986
Profit income from Sukuk Murabahah	-	-	1,289	4,090
Other Related Companies:				
Facilities management and manpower fees	21,680	22,361	-	-
General management services fee receivable	10,374	11,029	10,374	11,029
Hotel revenue	245	152	-	-
Management and incentive fees	2,466	2,537	-	-
Chilled water supply	(28,257)	(27,291)	-	-
Project management fees	(726)	(3,207)	-	-
Rental of car park spaces	(5,265)	(5,546)	-	-

* Fees paid directly to PETRONAS in respect of the Directors who are the appointees of the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

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32. RELATED PARTY DISCLOSURES (CONT'D.)

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

The Directors of the Company 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 2019 are disclosed in Notes 12 and 19.

(c) Compensation of key management personnel

Directors

The remuneration of Directors is disclosed in Note 26.

Other key management personnel

Datuk Hashim Bin Wahir, Executive Director and Chief Executive Officer of the Company is an employee of KLCCH. KLCCH charges fees in consideration for his services to the Company as disclosed in Note 24.

33. FINANCIAL INSTRUMENTS

Financial Risk Management

As the Company owns a diverse property portfolio, the Group and the Company are exposed to various risks that are particular to its various businesses. These risks arise in the normal course of the Group's and the Company's business.

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 Company'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 Company. 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 Company 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 Company's business.

Credit Risk

Credit risk is the potential exposure of the Group and the Company 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 Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guidelines.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Receivables

The Group and the Company 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 Company may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset as reported in the statement of financial position.

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

The Group and the Company use ageing analysis and credit limit review to monitor the credit quality of the receivables. The Company 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.

With respect to the trade and other receivables which have no realistic prospect of recovery, the gross carrying amounts of the credit impaired receivables will be written off (either in partial or in full).

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

	Group	
	2019	2018
	RM'000	RM'000
Property investment		
- Office	1,968	877
- Retail	132	1,333
Hotel operations	6,657	7,423
Management services	346	365
	9,103	9,998
Less: Allowance for impairment losses	(235)	(770)
	8,868	9,228

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Recognition and measurement of impairment loss

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. In determining the ECL, the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

	Group	
	2019 RM'000	2018 RM'000
The ageing of trade receivables as at the reporting date was:		
At net:		
Not past due	7,720	7,342
Past due 1 to 30 days	632	930
Past due 31 to 60 days	326	394
Past due 61 to 90 days	60	175
Past due more than 90 days	365	1,157
	9,103	9,998
Less: Allowance for impairment losses	(235)	(770)
	8,868	9,228
The movement in the allowance account is as follows:		
At 1 January	770	603
Effect on the adoption of new pronouncement	-	143
Opening balance under MFRS 9	770	746
Allowance for impairment	23	37
Allowance written off	(558)	(13)
At 31 December	235	770

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2019.

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33. FINANCIAL INSTRUMENTS (CONT'D.)

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 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 maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

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

	Carrying amount RM'000	Effective interest 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
31 December 2019							
Group							
Financial Liabilities							
Sukuk Murabahah	1,970,737	4.50 - 4.73	2,363,545	105,235	476,855	1,253,896	527,559
Term loans	363,999	4.49	446,883	25,431	23,216	67,659	330,577
Trade and other payables	257,843	-	257,843	257,843	-	-	-
Leased liabilities	11,860	5.03 - 5.25	12,760	4,384	3,974	4,402	-
Other long term liabilities	171,288	4.35 - 4.98	271,073	60,950	43,183	39,362	127,578
Company							
Financial Liabilities							
Leased liabilities	7,884	5.03 - 5.25	8,485	3,101	2,692	2,692	-
Trade and other payables	6,051	-	6,051	-	-	-	-
31 December 2018							
Group							
Financial Liabilities							
Sukuk Murabahah	1,871,907	4.41 - 4.73	2,205,171	489,869	68,608	556,139	1,090,555
Term loans	372,807	4.73	477,410	27,929	24,459	71,099	353,923
Trade and other payables	214,362	-	214,362	214,362	-	-	-
Other long term liabilities	156,132	4.98	205,713	-	52,203	30,667	122,843
Company							
Financial Liabilities							
Trade and other payables	6,300	-	6,300	6,300	-	-	-

* The contractual cash flow is inclusive of the principal and interest but excluding interest accretion due to MFRS 139 measurement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

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 loans and borrowings 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 interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	334,212	286,405	670	133
Financial liabilities	(1,970,737)	(1,871,907)	-	-
Floating rate instruments				
Financial liabilities	(363,999)	(372,807)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

Interest Rate Risk (Cont'd.)

Cash flow 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 basis points	Group Profit or loss RM'000
2019		
KLIBOR	-20	724
KLIBOR	+20	(724)
2018		
KLIBOR	-40	1,483
KLIBOR	+40	(1,483)

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

Fair Values

The Group's and the Company's financial instruments consist of cash and bank balances, trade and other receivables, borrowings, and trade and other payables.

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

The carrying amount of other long term liabilities approximate its fair value amount.

This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

Fair Values (Cont'd.)

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:

	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group					
2019					
Financial liabilities					
Sukuk Murabahah	-	1,933,420	-	1,933,420	1,970,737
Term loans	-	356,414	-	356,414	363,999
2018					
Financial liabilities					
Sukuk Murabahah	-	1,845,107	-	1,845,107	1,871,907
Term loans	-	365,025	-	365,025	372,807

For financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the reporting date. There has been no transfer between Level 1, 2 and 3 fair values during the financial year.

34. CAPITAL MANAGEMENT

The Group and the Company define capital as total equity and debt of the Group and the Company. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximise shareholder value. The Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

The Group and the Company monitor and maintain a prudent level of total debts to total assets ratio to optimise shareholder value and to ensure compliance with covenants under debt, shareholders' agreements and regulatory requirements, if any.

The debt to equity ratio as at 31 December 2019 and 31 December 2018 is as follows:

	Group	
	2019	2018
Total debt (RM'000)	2,346,596	2,244,714
Total equity (excluding Other NCI) (RM'000)	13,211,960	13,095,253
Debt equity ratio	18:82	17:83

There were no changes in the Group's and the Company's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

35. SEGMENTAL INFORMATION

(a) Reporting Format

Segment information is presented in respect of the Group'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 interest-earning assets and revenue, interest-bearing loans and borrowings and expenses, and corporate assets and expenses.

The Group comprises the following main business segments:

Property investment - Office	Rental of office spaces and other related activities.
Property investment - Retail	Rental of retail spaces and other related activities.
Hotel operations	Rental of hotel rooms, the sale of food and beverages and other related activities.
Management services	Facilities management, car park operations, management of a real estate investment trust and general management services.

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 interest-earning assets and revenue, interest-bearing loans, borrowings 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 2019

35. SEGMENTAL INFORMATION (CONT'D.)

Business Segments

31 December 2019

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	595,698	503,203	177,481	146,639	-	1,423,021
Inter-segment revenue	1,626	11,504	-	60,291	(73,421)	-
Total revenue	597,324	514,707	177,481	206,930	(73,421)	1,423,021
Results						
Operating profit	523,598	418,306	16,695	75,266	(13,845)	1,020,020
Fair value adjustment on investment properties	17,103	100,368	-	1,000	-	118,471
Financing costs						(111,421)
Interest income						31,636
Share of profit of an associate						12,615
Tax expense						(125,650)
Profit after tax but before non-controlling interests						945,671
Segment assets	10,324,091	6,365,405	679,115	114,315	462,742	17,945,668
Investment in an associate	-	-	-	99,195	166,393	265,588
Total assets						18,211,256
Total liabilities	1,626,505	837,551	418,378	51,904	(16,520)	2,917,818
Capital expenditure	9,729	55,398	7,238	30,885	-	103,250
Depreciation	782	3,166	31,705	5,808	-	41,461
Non-cash items other than depreciation	2,786	37	49	(16)	-	2,856

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

35. SEGMENTAL INFORMATION (CONT'D.)

Business Segments (Cont'd.)

31 December 2018

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	595,762	491,010	172,375	146,794	-	1,405,941
Inter-segment revenue	1,372	12,275	-	60,311	(73,958)	-
Total revenue	597,134	503,285	172,375	207,105	(73,958)	1,405,941
Results						
Operating profit	525,855	408,072	16,592	75,191	(14,819)	1,010,891
Fair value adjustment on investment properties	13,819	1,745	-	4,486	-	20,050
Financing costs						(107,710)
Interest income						27,574
Share of profit of an associate						13,288
Tax expense						(125,173)
Profit after tax but before non-controlling interests						838,920
Segment assets	10,240,824	6,214,550	690,893	84,969	376,120	17,607,356
Investment in an associate	-	-	-	99,195	153,778	252,973
Total assets						17,860,329
Total liabilities						
Capital expenditure	10,868	17,970	39,669	3,642	-	72,149
Depreciation	792	2,170	29,457	5,654	-	38,073
Non-cash items other than depreciation	-	65	148	-	-	213

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

36. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)
Amendments to MFRS 101	Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 134	Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 138	Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 132	Intangible Assets—Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

36. PRONOUNCEMENTS YET IN EFFECT (CONT'D.)

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The adoption of the amendments to MFRS 128, amendments to MFRS 119 and IC Interpretation 23 does not impact the Group and the Company.

37. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which are not effective, but for which are not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-based Payment (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 14	Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 12	Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine (Amendments to References to the Conceptual Framework in MFRS Standards)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KLCC Property Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 201-272.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Valuation of investment properties

As at 31 December 2019, the carrying value of the Group's investment properties carried at fair value amounted to RM15,678,412,000 which represents 86% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged external valuers to determine the fair value of the investment properties at the reporting date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Key audit matters (Cont'd.)

Valuation of investment properties (Cont'd.)

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

For investment properties under construction ("IPUC"), the Group's policy is to measure them at cost until their fair value can be reliably determined or construction is completed, whichever is earlier, as disclosed in Note 2.7 to the financial statements. As at 31 December 2019, the IPUC carried at cost by the Group amounted to RM215,768,000. Our audit procedures included, amongst others, assessing the appropriateness of amounts capitalised as IPUC.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
23 January 2020

Ismed Darwis bin Bahatlar
No. 02921/04/2020 J
Chartered Accountant





THE PLACE TO PLAY

Our spaces are unique and built with people in mind. Through these spaces we bridge people together as a community, creating a welcoming, vibrant and positive environment

**THIS IS THE PLACE THAT INSPIRES
LEARNING AND CAPTIVATES THE
MIND**



KLCC REIT

SALIENT FEATURES

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: • 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 (as amended and restated by the Amended and Restated Trust Deed dated 3 September 2019)
Approved Fund Size	1,805,333,085 units
Market Capitalisation	RM14,262,131 (as at 31 December 2019)
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 in Malaysia and overseas
Distribution Policy	95% of KLCC REIT's distributable income for FY2013 & FY2014 and at least 90% for each subsequent financial year Distributions are made on a quarterly basis
Gearing Policy	Up to 50% of total asset value of the Fund
Listing Date	9 May 2013
Stock Name	KLCC
Stock Code	5235SS

PROFILE OF SHARIAH ADVISER

About The Shariah Adviser, CIMB Islamic Bank Berhad ("CIMB Islamic")

As Shariah Adviser to KLCC REIT, CIMB Islamic is providing necessary advice to ensure that KLCC REIT business is Shariah-compliant.

CIMB Islamic is CIMB Group's global Islamic banking and finance services franchise. It offers innovative and comprehensive Shariah-compliant financial solutions in investment banking, consumer banking, asset management, private banking and wealth management. It is headquartered in Kuala Lumpur, Malaysia and offers consumer banking, wholesale banking, asset management products and services which comply with Shariah principles. It is part of the fifth largest banking group in ASEAN.

CIMB Islamic is licensed under the Malaysia's Islamic Financial Services Act 2013 and is an approved Shariah Adviser as per the Registration of Shariah Advisers Guidelines issued by Securities Commission. This enables CIMB Islamic to provide a wide range of products and services to commercial, corporate, and institutional customers across ASEAN, the Middle East, South Asia, North Asia, and major international financial centres. Its products and operations are managed in strict compliance with Shariah principles under the guidance of the CIMB Islamic Shariah Committee, which comprises the world's leading Islamic scholars.

CIMB Islamic is free from any conflict of interest with KLCC REIT, which could impair their objectivity and independence.

CIMB Islamic has not been convicted for offences within the past 6 years or been imposed with any penalty by the regulatory bodies relevant to the REIT during the financial year.

Profile of Designated Person responsible for Shariah matters relating to KLCCP Stapled Group

In relation to Shariah matters, the designated person responsible for the Company and fund investment activities under KLCCP Stapled Group is Ashraf Gomma Ali. He is the Regional Head of Shariah & Governance, Group Islamic Banking, CIMB Group.

Ashraf Gomma Ali joined CIMB in April 2017 as Director and Head, Shariah & Governance Department. Previously, he was attached to the Shariah Advisory and Governance Department of National Commercial Bank (NCB) Jeddah, Saudi Arabia for more than six years. There, he was the Shariah Assurance Manager. He was actively involved in Shariah advisory activities of the Bank with specialty in treasury, corporate, retail and capital markets as Shariah subject matter expert. He was also involved in transaction structuring and documentation of 20 billion SAR of corporate deals and also Shariah Lead on development of a full suite (over 30) of Islamic alternative treasury products for hedging and structures investments covering alternatives to all conventional products.

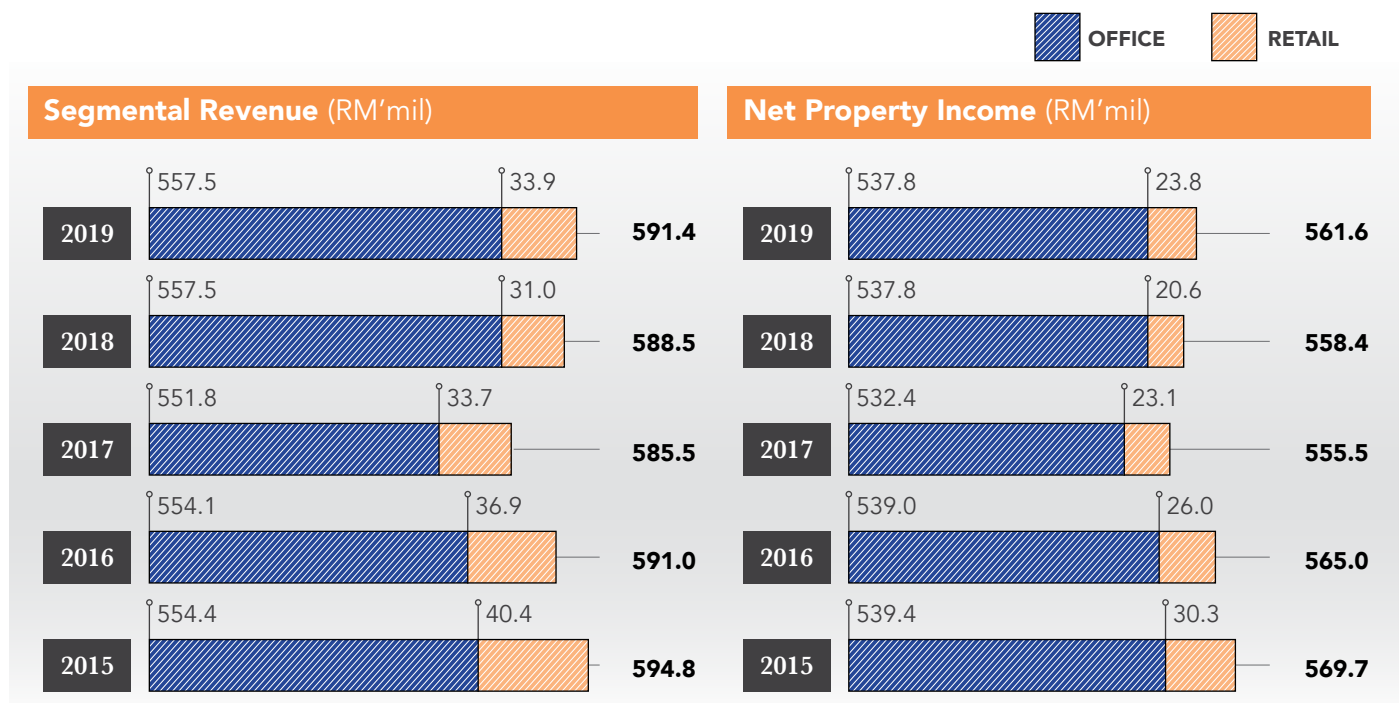
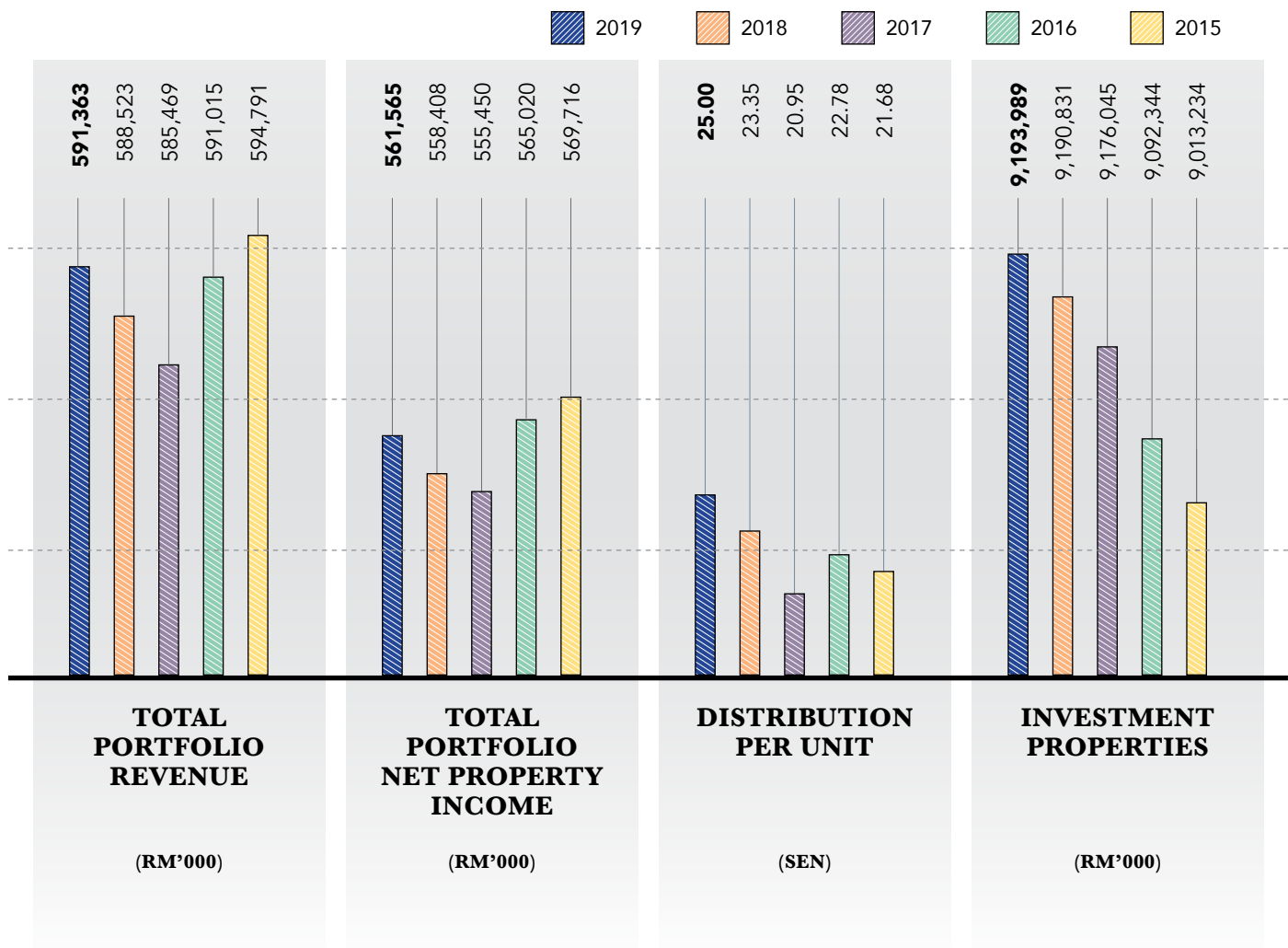
He now leads the overall functions of the Shariah & Governance Department which is responsible to provide the Shariah advisory for all types of Islamic products both to the CIMB Group and external parties in asset & fund management, investment & corporate banking, retail & commercial banking, treasury & structured products, takaful, private equity and etc.

He is currently a Shariah Supervisory Board Member of University Bank, Ann Arbor, MI which had completed a full analysis of the Murabahah Home finance product and issued a certificate of compliance.

He is also a Certified Shariah Auditor and Advisor AAOIFI and ACI Treasury Dealer Certificate ACI-The Financial Markets Association.

He holds a Bachelor of Finance (Hons) from the University of Maryland, College Park, MD, USA and a Bachelor of Shariah (Hons) from the University of Umm Al Qura, Mecca, Saudi Arabia as well as Master in Islamic Finance Practice from International Centre for Education in Islamic Finance (INCEIF), Kuala Lumpur, Malaysia.

KLCC REIT FINANCIAL HIGHLIGHTS



KLCC REIT

VALUE ADDED STATEMENT

	2019 RM'000	2018 RM'000
Total turnover	591,363	588,523
Profit income	3,634	3,195
Fair value adjustments of investment properties	1,092	12,042
Operating and tax expenses	(51,651)	(51,858)
	544,438	551,902
Reconciliation		
Profit for the year	433,648	440,661
Finance costs	64,504	65,069
Managers fees	45,686	45,572
Trustee fees	600	600
	544,438	551,902
Value distributed		
Trust expenses		
Managers fees	45,686	45,572
Trustee fees	600	600
Providers of capital		
Finance costs	64,504	65,069
Income distribution	451,694	399,520
Reinvestment and growth		
Undistributed income	2,715	50,842
Capital reserve*	(20,761)	(9,701)
	544,438	551,902

* Capital reserve represents the fair valuation gain on properties which is only distributable upon disposal of investment property

KLCC REIT FUND PERFORMANCE

STATEMENT OF COMPREHENSIVE INCOME

Key Data & Financial Ratios	2019	2018	2017	2016	2015
Revenue (RM'000)	591,363	588,523	585,469	591,015	594,791
Net Property Income (RM'000)	561,565	558,408	555,450	565,020	569,716
Total Comprehensive Income: (RM'000)					
- Realised	454,409	450,362	446,148	454,349	459,290
- Unrealised	(20,761)	(9,701)	81,496	92,584	129,480
Income Available for Distribution (realised) (RM'000)	451,569	421,928	397,177	411,451	391,850
Income Distribution (RM'000)	451,333¹	421,545	378,217	411,255	391,396
Distribution per Unit (DPU) (sen)	25.00	23.35	20.95	22.78	21.68
Distribution Yield ² (%)	4.81	4.83	4.18	4.30	4.91
Basic Earnings per Unit (sen)	24.02	24.41	29.22	30.30	32.61
Management expense ratio ³ (%)	0.60	0.60	0.60	0.61	0.61

STATEMENT OF FINANCIAL POSITION

Key Data & Financial Ratios	As at 31 Dec 19	As at 31 Dec 18	As at 31 Dec 17	As at 31 Dec 16	As at 31 Dec 15
Investment Properties (RM'000)	9,193,989	9,190,831	9,176,045	9,092,344	9,013,234
Total Assets (RM'000)	9,696,441	9,663,354	9,631,719	9,683,102	9,568,582
Total Financings (RM'000)	1,370,738	1,371,907	1,371,026	1,572,478	1,570,395
Total Liabilities (RM'000)	1,623,085	1,571,952	1,581,455	1,770,891	1,791,869
Total Unitholders' Fund (RM'000)	8,073,356	8,091,402	8,050,264	7,912,211	7,776,713
Total Net Asset Value (NAV) (RM'000)	8,073,356	8,091,402	8,050,264	7,912,211	7,776,713
Net Asset Value (NAV) per unit:					
- before distribution (RM)	4.47	4.48	4.46	4.38	4.31
- after distribution (RM)	4.41	4.42	4.41	4.33	4.25
Highest NAV per unit (RM)	4.52	4.52	4.46	4.38	4.31
Lowest NAV per unit (RM)	4.45	4.45	4.37	4.29	4.16
Gearing Ratio (%)	14.1	14.2	14.2	16.2	16.4
Average Cost of Debt (%)	4.35	4.50	4.50	4.41	4.41
Debt Service Cover Ratio (times)	8.6	8.6	9.1	8.7	9.7

¹ Includes the 2019 fourth income distribution payable on 28 February 2020.

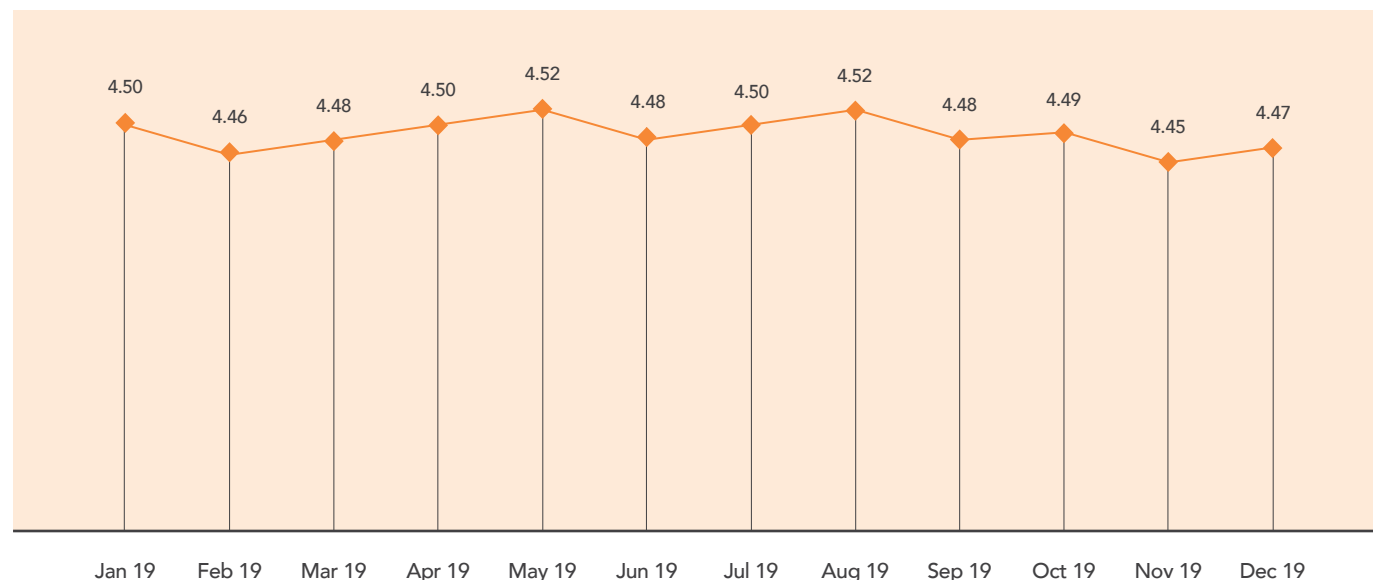
² Based on DPU of KLCCP Stapled Group of 38.00sen (2018: 37.00sen) and the closing price of KLCC Stapled Securities of RM7.90 (2018: RM7.66) as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

³ Ratio of total fees and expenses incurred in operating KLCC REIT including Manager's fee, Trustee's fee, auditor's remuneration, tax agent's fee, valuation fees and other trust expenses to the NAV of KLCC REIT.

Past performance is not necessarily an indication of future performance as market conditions may change overtime.

KLCC REIT FUND PERFORMANCE

NET ASSET VALUE PER UNIT (RM)



TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES¹

Trading Summary	2019	2018	2017	2016	2015
Stapled Securities Closing Price at 31 December (RM)	7.90	7.66	8.64	8.30	7.06
Highest traded price for the year (RM)	8.40	8.00	8.64	8.30	7.30
Lowest traded price for the year (RM)	7.68	6.88	7.70	6.80	6.62
Capital Appreciation (%)	3.1	(11.3)	4.1	17.6	5.2
Annual Total Return (%) ²	7.9	(6.5)	8.3	21.9	10.1
Average Total Return (3 years) (%)	3.2	7.9	13.4	17.2	9.2
Average Total Return (5 years) (%)	8.3	10.7	-	-	-
Number of Stapled Securities ('000)	1,805,333	1,805,333	1,805,333	1,805,333	1,805,333
Market Capitalisation (RM'000)	14,262,131	13,828,851	15,598,077	14,984,264	12,745,651

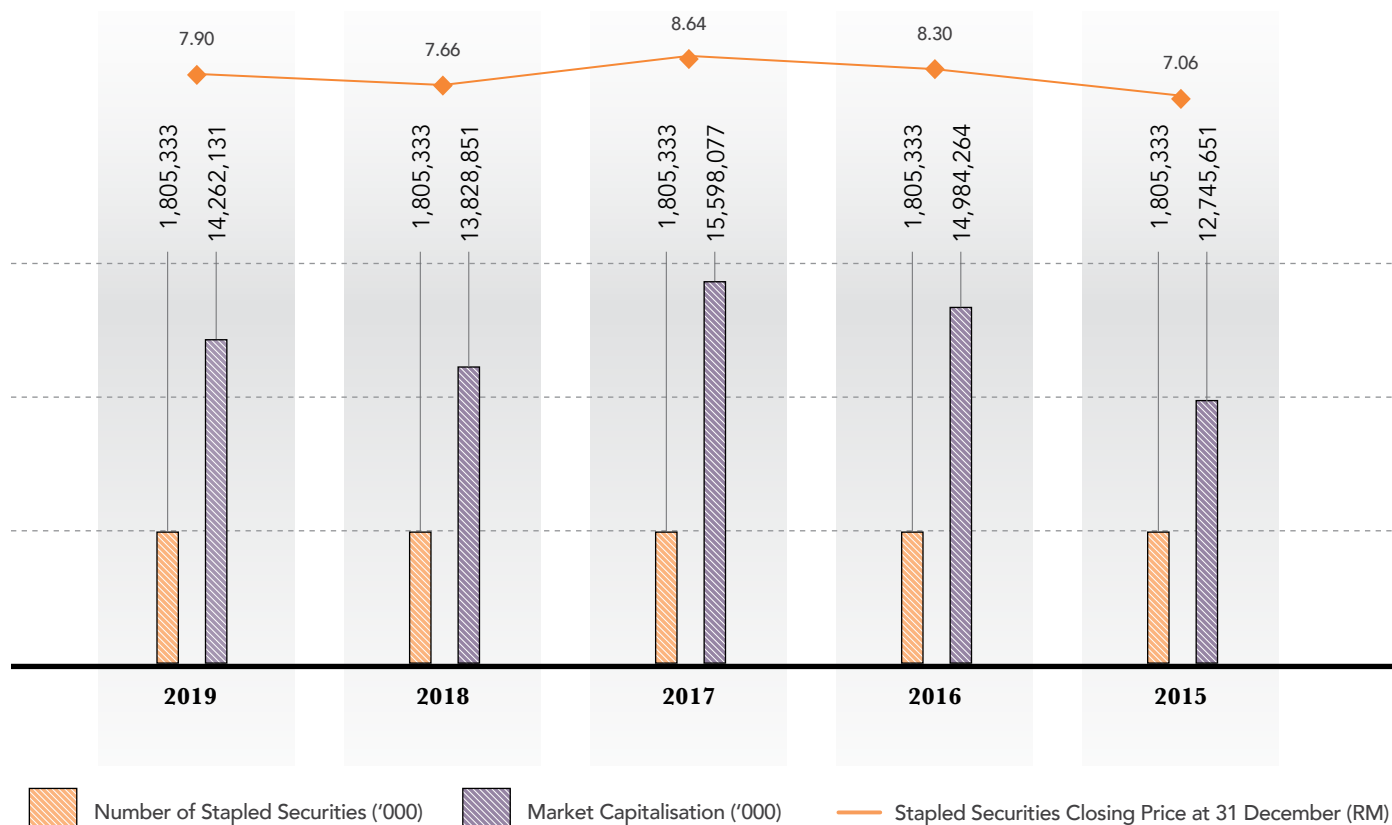
¹ The trading price performance of KLCC REIT is based on the price performance of KLCC Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation

² Annual total return comprises capital appreciation from 1 January 2019 to 31 December 2019 of 3.1% (2018: (11.3%)) and distribution yield of KLCCP Stapled Group of 4.81% (2018: 4.83%)

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

KLCC REIT FUND PERFORMANCE

MARKET CAPITALISATION, SHARE PRICE PERFORMANCE AND NUMBER OF STAPLED SECURITIES



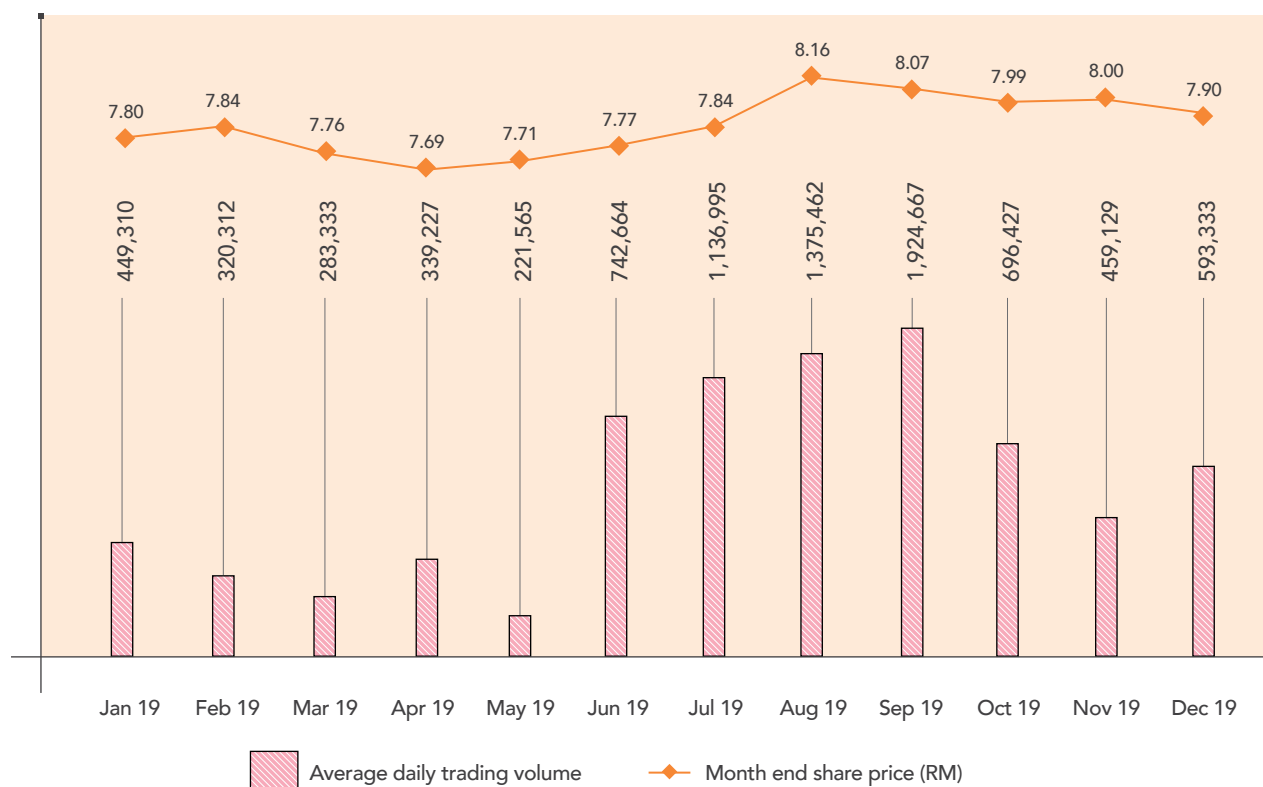
KLCC STAPLED SECURITIES PRICE VS FTSE BURSA MALAYSIA KLCI INDEX PERFORMANCE BENCHMARK



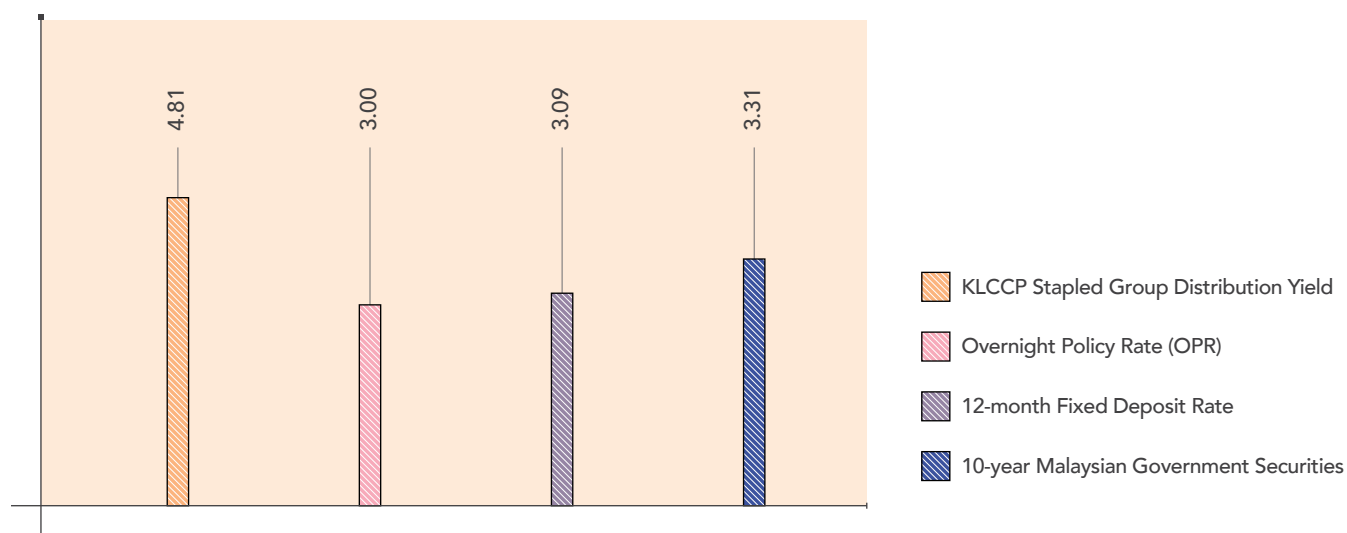
Past performance is not necessarily an indication of future performance as market conditions may change over time.

KLCC REIT FUND PERFORMANCE

KLCC STAPLED SECURITIES MONTHLY TRADING PERFORMANCE



COMPARATIVE YIELD AS AT 31 DECEMBER 2019 (%)



Source: Bank Negara website

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

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 Trust 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 and the Fund was listed on the Main Board of Bursa Malaysia Securities Berhad on 9 May 2013.

In 2019, the Trust Deed was amended and restated for the purpose of streamlining the 2013 Trust Deed and the 2013 Stapling Deed, aligned to the Guidelines on Listed Real Estate Investments Trust revised by the Securities Commission (SC) on 18 June 2019, the Main Market Listing Requirements, the Companies Act, 2016, and the new constitution adopted by KLCCP at its Annual General Meeting held on 3 April 2019.

This Amended and Restated Trust Deed dated 3 September 2019 was registered and lodged with the SC on 16 October 2019 and 17 October 2019 respectively.

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 is focused on active asset management and acquisition growth strategy to provide regular and stable distributions to unitholders and ensure capital growth and improved returns from its property portfolio.

Active asset management strategy

Continue to optimise 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.



Acquisition growth strategy

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

OVERVIEW OF PROPERTY PORTFOLIO

KLCC REIT is an office-focused diversified REIT whose portfolio includes three unique prime commercial assets with strong and stable asset performance – the iconic PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS. The retail podium of Menara 3 PETRONAS represents the retail segment of KLCC REIT, which capitalises on Suria KLCC's reputation as a premier shopping destination in Malaysia.

The properties with a combined NLA of over 4.5 million sq. ft. are located in the prime area of Kuala Lumpur City Centre, popularly known as KLCC, within the 100-acre KLCC Development, ranked among the largest real-estate developments in the world. The integrated commercial development within the KLCC Precinct is a combination of prime Grade-A offices, premier retail outlets, 4 to 5 star hotels, high-end residential, M.I.C.E (meeting, incentives, convention and exhibition) facilities and world-class entertainment fronting a lush KLCC Park.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW



Financial Review

		2019 (RM'mil)	2018 (RM'mil)	Growth (%)
Revenue		591.4	588.5	0.5
Net property income		561.6	558.4	0.6
Profit for the year*		454.4	450.4	0.9
Income available for distribution		451.6	421.9	7.0
Income distribution		451.3	421.5	7.1
Earnings per unit* (EPU)	Sen	25.17	24.90	1.1
Distribution per unit (DPU)	Sen	25.00	23.35	7.1
Net asset value (NAV) per unit	RM	4.47	4.48	(0.2)

* Excluding fair value adjustment

2019 has been an eventful year both globally and domestically. Globally, continuing trade tensions between China and the US, slowing growth rates in Asian markets, an inverted yield curve and the uncertainty as a result of Brexit which weighed heavily on investor sentiment have led to a negative impact on key markets including Malaysia.

On the domestic front, in response to a weak economic outlook, Central Bank of Malaysia reduced its Overnight Policy Rate (OPR) by 25bps to 3.00% in May 2019, which impacted the yields on the 10-year Malaysia Government Securities (MGS). The MGS yield broke below its converging band of 3.47% - 4.46% in 2H19 and fell 11.6 basis points (bps) in December 2019 to 3.31%, driven by non-resident portfolio inflows to the domestic bond market. The reduced OPR, to a certain extent, benefited the MREITs players as investors sought out alternative yielding assets during that period.

In spite of the challenges, KLCC REIT delivered sustained results reflective of its strong portfolio of assets. KLCC REIT reported a steady revenue of RM591.4 million and profit for the year of RM454.4 million, a marginal increase from the preceding year. The Fund's PBT represents 48% of KLCCP Stapled Group's PBT for FY2019.



Key Highlights

- Income available for distribution of RM451.6 million, represents an increase of 7.0% over the previous year; arising from the full-year impact from the positive rental revision for PETRONAS Twin Towers which took effect in October 2018.
- Repayment of 2 tranches of Islamic Medium Term Notes (IMTN) and issuance of new IMTN of RM500 million repayable in April 2026, reducing the effective interest rate to 4.35% from 4.50% and lengthened the average maturity period from 2.6 years to 4.2 years.
- Entry of new tenant, Babel - Malaysia's iconic wellness club at the retail podium of Menara 3 PETRONAS, improved occupancy to 95% from 84% as at 31 December 2018.

Income available for distribution was higher by 7.0% contributed by the positive rental revision at PETRONAS Twin Towers which took effect in October 2018. However, NAV for the financial year reduced to RM4.47 per unit from RM4.48 per unit from lower fair value gain recorded for the year.

A testament to our commitment in delivering value and growth, KLCC REIT distributed a higher DPU to the unitholders of 25.00 sen compared to 23.35 sen in the preceding year. This represents a 100.0% pay-out of distributable income with a total income distribution of RM451.3 million to the unitholders for the financial year 2019.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

	Revenue (RM'mil)		Net Property Income (RM'mil)		Profit for the Year * (RM'mil)	
	2019	2018	2019	2018	2019	2018
PETRONAS Twin Towers	424.2	423.9	422.8	422.1	340.4	338.8
Menara ExxonMobil	45.2	45.5	27.1	27.9	21.6	22.3
Menara 3 PETRONAS	88.1	88.1	87.9	87.8	75.4	75.4
Total for Office Segment	557.5	557.5	537.8	537.8	437.4	436.5
Menara 3 PETRONAS (Retail Podium)	33.9	31.0	23.8	20.6	17.0	13.9
Total for Retail Segment	33.9	31.0	23.8	20.6	17.0	13.9
Total	591.4	588.5	561.6	558.4	454.4	450.4

* Excluding fair value adjustment

Profit for the year (excluding fair value adjustment) represented by total comprehensive income of RM454.4 million (FY2018: RM450.4 million) recorded a marginal increase mainly led by the improved performance in the retail segment. The performance of the three investment properties generated total net property income of RM561.6 million, representing a contribution of 96% from the office segment and 4% from retail.

Office segment

The Kuala Lumpur office market continued to remain lackluster with demand lagging behind supply. Amidst the widening gap between office supply and demand and the challenging market conditions, the KLCC REIT office segment continued to remain resilient and delivered a steady earnings stream in FY2019 with revenue of RM557.5 million and net property income of RM537.8 million.

PETRONAS Twin Towers remained KLCC REIT's highest revenue contributor at 72%, contributing 75% of total net property income. The stable cashflows and resilient rental income with 100% occupancy in all the office portfolio continued to underpin the overall performance of KLCC REIT. This year also saw the full year impact from the

positive rental revision for PETRONAS Twin Towers which took effect from October 2018.

Our office segment will continue to remain stable and unaffected by the changing tides in the market anchored by its long-term tenancies and high quality tenants.

Retail segment

The retail environment remained challenging and continued to be affected by the slow economic momentum and weak consumer sentiment. With consumers continuing to hold back on spending and the weak retail performance in 3Q19, the Retail Group Malaysia (RGM) cut its annual retail sales growth forecast for 2019 from 4.4% to 3.7%. This was RGM's third revision since the beginning of 2019.

The retail podium of Menara 3 PETRONAS leverages on Suria KLCC's reputation as a premier shopping destination in the country. Living up to its positioning of "Always Something New", the retail podium continued to evolve and re-imagine the retail space with the latest curation and services, catering to customers' needs for a seamless and exciting shopping experience.

Realising how health wellness has become increasingly important to most people, the retail podium of Menara 3 PETRONAS elevated its offering with the entry of Babel, Malaysia's iconic wellness club with state-of-the-art equipment. This significantly increased the occupancy rate for the retail podium at Menara 3 PETRONAS from 84% to 95% in FY2019.

The higher occupancy recorded for the year translated to a revenue of RM33.9 million, an increase of 9.4% compared to the previous year. Net property income of RM23.8 million, contributed 4% of KLCC REIT's total net property income.

The performance of the retail podium of Menara 3 PETRONAS is expected to gradually strengthen with the completion of the anchor-to-specialty reconfiguration exercise at Suria KLCC that will broaden the retail offerings, giving it a distinctive atmosphere appealing to a broader customer base.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Assets and Liabilities

KLCC REIT maintained a stable and healthy balance sheet with unitholders' funds of RM8.1 billion and NAV per unit of RM4.47 as at year end.

	2019 (RM'mil)	2018 (RM'mil)	Variance (%)
ASSETS			
Investment properties	9,194.0	9,190.8	0.0
Receivables	417.1	413.4	0.9
Cash and bank balances	83.3	56.8	46.7
Others	2.0	2.4	(16.7)
	9,696.4	9,663.4	
LIABILITIES			
Borrowings	1,370.7	1,371.9	(0.1)
Others	252.3	200.1	26.1
	1,623.0	1,572.0	
Unitholders' Fund	8,073.4	8,091.4	(0.2)
Net asset value per unit (NAV per unit)	RM 4.47	4.48	(0.2)

The receivables balance is primarily accrued operating lease income recognised and varies over the term of the lease. The accrued revenue was a result of the straight lining effect of recognition of the step-up rates in the Triple Net Lease arrangements whereby all future revenue of the tenancy locked-in period is accounted for in constant amounts across the entire lease period.

Higher cash balance was recorded at RM83.3 million compared to RM56.8 million mainly due to the advanced rental received from PETRONAS at year end. This is also reflected in the higher liabilities of RM252.3 million (2018: RM200.1 million).

A slightly lower NAV of RM4.47 was mostly due to smaller gain on the fair valuation on our investment properties in addition to our high dividend payout of 100% during the year.

MARKET VALUE OF INVESTMENT PROPERTIES

KLCC REIT's portfolio of investment properties recorded an increase in market value amounting to RM5.0 million as of 31 December 2019.

In line with the requirements of MFRS 140 Investment Property, adjustments were made to account for accrued operating lease income and additions during the year, recognising RM1.1 million as gain on fair value adjustment in the income statement.

Property	Market Value		Carrying Value	
	31 Dec 2019 RM'mil	31 Dec 2018 RM'mil	31 Dec 2019 RM'mil	31 Dec 2018 RM'mil
PETRONAS Twin Towers	7,014.0	7,010.0	6,680.6	6,679.9
Menara ExxonMobil	536.8	536.7	536.8	535.3
Menara 3 PETRONAS	2,053.1	2,052.2	1,976.6	1,975.6
Total	9,603.9	9,598.9	9,194.0	9,190.8

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

OPERATIONAL REVIEW

Asset Management

Good management of assets is pivotal to running a successful property portfolio. We continually revitalise our assets to stay ahead of industry trends and deliver optimal customer experience in creating places people look forward to.

During the year, the Manager continued its efforts to minimise disruptions to the environment and its adverse impact on the community by lowering the environmental footprint of our buildings and use energy, water and resources more efficiently. In stepping up with our efforts on sustainability, the Manager also identified several projects in the areas of environmental conservation and business innovation i.e. recycling of waste through placement of sorting bins throughout our retail mall, enhancement of KLCC Precinct security through installation of dynamic and high technology security features and implementation of cashless payment initiatives at our North West Development car park.

**EDGEPROP
MALAYSIA'S BEST
MANAGED PROPERTY
AWARDS 2019**

BRONZE AWARD
for the Above 10 Years
Non-strata Office Category

Menara ExxonMobil

We were recognised for our disciplined approach to asset management at the EdgeProp Malaysia's Best Managed Property Awards 2019, when we were awarded the Bronze Award for the Above 10 Years Non-strata Office Category for Menara ExxonMobil. To date, all our buildings have received such recognition by the EdgeProp Malaysia as a testament to KLCC REIT's commitment to supporting our tenants and meeting their needs with award-winning facilities and asset management services.

In our efforts of supporting our tenant initiatives in greening our buildings, we also successfully attained the Green Building Index Gold Rating for PETRONAS Twin Towers and Green Building Index Silver Rating for Menara 3 PETRONAS in June 2019. PETRONAS Twin Towers was also one of the winners at the Top 10 Green Buildings of the Decade Awards organised by the Malaysia Green Building Council. The Manager is working diligently in ensuring the that the buildings are well-maintained, to preserve the GBI accreditation status.

Driven by our shared values, the Manager continually strives to provide the right solutions to its tenant beyond simple asset management, instead of aiming to cultivate an environment that fosters greater communication, collaboration and flexibility. 2019 marked the completion of the Workplace for Tomorrow (WFT) initiatives at PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil which saw 148 floors across 2.5 million sq. ft. of NLA transformed.

Capital Management

As part of our strategy to maximise value of investment and returns to our unitholders, the Manager maintains a strategy of actively monitoring and maintaining an optimal capital structure.

In FY2019, KLCC REIT repaid 2 tranches of its outstanding IMTN due in April 2019 and further issued another IMTN amounting to RM500.0 million under the same AAA graded Sukuk Murabahah programme. This has effectively lengthened our average maturity period from 2.6 years to 4.2 years while the average borrowing cost of 4.4% for the Fund.

As of 31 December 2019, KLCC REIT's borrowing remained at RM1.4 billion, representing a gearing ratio of 14.1%, with significant debt headroom to support financing for future growth. To-date, KLCC REIT remains one of the lowest geared M-REITs in the country.

		2019	2018
Total borrowings	RM'mil	1,370.7	1,371.9
Average cost of debt	%	4.4	4.5
Fixed: Floating	ratio	100:0	100:0
Average maturity period	years	4.2	2.6
Debt service cover ratio	times	8.5	8.6
Gearing ratio	%	14.1	14.2
RAM Rating of Sukuk		AAA	AAA

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Income Distribution

The Manager remained committed to enhance value to its unitholders and distributed 100% of its distributable income for the financial year 2019.

Based on the total income available for distribution of RM451.6 million, the Manager had recommended and the Trustee had approved a total income distribution of 25.00 sen for the year ended 31 December 2019.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'mil)	Remarks
First Interim Distribution	6.28	113.4	Paid on 20 June 2019
Second Interim Distribution	6.23	112.5	Paid on 4 October 2019
Third Interim Distribution	6.24	112.6	Paid on 18 December 2019
Fourth Interim Distribution	6.25	112.8	To be paid on 28 February 2020
Total	25.00	451.3	

MARKET REVIEW

The Malaysian economy moderated to 4.3% in 2019, the lowest since the global financial crisis compared to a 4.7% growth in 2018. This attributed to the lower output of palm oil, crude oil & natural gas and fall in exports amid the US-China trade war.

The Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index tapered to 82.3 points in 4Q2019, marking the lowest, below the optimistic threshold level since 2Q17. MIER noted that the domestic spending momentum would deteriorate in the near future due to anxieties over rising cost of living, a sluggish job outlook coupled with limited shopping plans due to weakening purchasing power.



To read more, refer to the Market Report on pages 44 to 45

Office Market Overview

Amid widening mismatch between supply and demand, both rental and occupancy levels continue to be under pressure. Landlords are stepping up on their marketing efforts to improve occupancy levels by repurposing their existing assets while being more flexible in negotiations in this tenant-led market.



To read more, refer to the Market Report on pages 46 to 48

Retail Market Overview

The retail market continued to face challenges amid rapid changes in shopping retail trends and consumer behaviour. Adoption of technologies such as applications and e-wallet had retailers re-designing their space to be more than a place for transactions. Given the rapid pace of technological advances and fundamentals shifts from traditional retail experience, it is crucial for the mall operators to adapt their offer to customer's expectations and to create more engaging customer experience.



To read more, refer to the Market Report on pages 48 to 51

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

OUTLOOK

The economic outlook for 2020 remains cautious with export growth to remain soft, reflecting subdued global investment and trade activity with the World Bank projecting Malaysia's gross domestic product growth at 4.5%. However, Central Bank of Malaysia remains optimistic of a rebound fueled by normalised supply conditions and the revival of megaprojects. However, the recent global pandemic outbreak of Coronavirus (COVID-19) is expected to create another level of uncertainty and dampen travel, hospitality and retail industries. Globally, the US-China trade war and uncertainty following the Brexit referendum is likely to continue impacting the economy.

In the M-REITs sector, despite the oversupply in the office and retail markets, the outlook will continue to remain favorable citing its growth in the currently low interest rate market environment, as an easing interest rate environment will result in lower borrowing costs, promoting cheaper funding for yield-accretive acquisition. Furthermore, M-REITs with good and stable dividends will also be favored by investors because of their ability to deliver sustained yield and to cushion the volatility in interest rates.

The office and retail industries will also continue to see incoming supply outstripping demand. However, the growing popularity of co-working and shared services, especially among small and medium-sized enterprises (SMEs), multinational companies (MNCs), and start-ups, are enticing building owners to re-purpose their office space.

KLCC REIT offices remain shielded by the changing trends due to the locked-in long-term leases with high quality tenants. In the coming year, the Manager will preserve the established stature of KLCC REIT by maintaining the three buildings in pristine condition through active asset management services towards maximising value of investment for the unitholders.

The retail segment will continue to leverage on Suria KLCC's standing as a premier shopping, and tourist destination in Kuala Lumpur and remain at the forefront of being a place where visitors get unique, integrated yet differentiating experience. Nevertheless, the retail podium of Menara 3 PETRONAS will have to brace itself from any impact which may arise from the Coronavirus (COVID-19) outbreak on the retail industry.

MATERIAL LITIGATION

The Manager is not aware of any material litigation since the balance sheet date as of 31 December 2019 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 year ended 31 December 2019, the Manager's fee comprised the following:

1. Base fee of RM28.8 million, calculated at 0.3% per annum of Total Asset Value
2. Performance fee of RM16.9 million, calculated at 3.0% per annum of Net Property Income

The Manager's total management fee of RM45.7 million represents 0.6% of NAV of KLCC REIT.

Except 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 year, the Manager did not receive any soft commission from any broker or dealer by virtue of transactions conducted by the Fund.

KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")

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MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Fund during the financial year 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.

CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 (as amended and restated by the Amended and Restated Trust Deed dated 3 September 2019) (the "Amended and Restated Trust Deed") entered into between the Manager and Maybank Trustees Berhad (the "Trustee"). The Amended and Restated Trust Deed was registered with the Securities Commission Malaysia on 16 October 2019. 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.

RESULTS

	Group RM'000	Fund RM'000
Profit for the year	433,648	433,654

DISTRIBUTION OF INCOME

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

	RM'000
In respect of the financial year ended 31 December 2018:	
Fourth interim income distribution of 6.27% on 1,805,333,083 units, paid on 28 February 2019	113,194
In respect of the financial year ended 31 December 2019:	
First interim income distribution of 6.28% on 1,805,333,083 units, paid on 20 June 2019	113,375
Second interim income distribution of 6.23% on 1,805,333,083 units, paid on 4 October 2019	112,472
Third interim income distribution of 6.24% on 1,805,333,083 units, paid on 18 December 2019	112,653
	451,694

A fourth interim income distribution in respect of the financial year ended 31 December 2019, of 6.25% on 1,805,333,083 units amounting to an income distribution payable of RM112,833,000 will be payable on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have served on the Board of the Manager during the financial year end and up to the date of this report are:

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

Datuk Pragasa Moorthi A/L Krishnasamy

Habibah Binti Abdul

Farina Binti Farikhullah Khan

Tengku Muhammad Taufik

Dato' Jamaludin Bin Osman

Datuk Ishak Bin Imam Abas

Dato' Halipah Binti Esa

(appointed w.e.f. on 1 January 2020)

(resigned w.e.f. on 1 January 2020)

(resigned w.e.f. on 3 April 2019)

DIRECTORS OF MANAGER'S INTERESTS

The Directors in office at the end of the year 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 Shares in Petronas Chemicals Group Berhad				
	Balance as at 1.1.2019	← Number of Shares Bought	Sold →	Balance as at 31.12.2019
Direct				
Datuk Hashim Bin Wahir	16,000	-	-	16,000
Datuk Ahmad Nizam Bin Salleh	10,000	-	-	10,000
Number of Shares in Petronas Gas Berhad				
	Balance as at 1.1.2019	← Number of Shares Bought	Sold →	Balance as at 31.12.2019
Direct				
Datuk Ahmad Nizam Bin Salleh	2,000	-	-	2,000

None of the other Directors holding office as at 31 December 2019 had any interest in the units of the Fund and of its related corporations during the financial year.

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS OF MANAGER'S BENEFITS

Since the end of the previous financial year, no Director of the Manager has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors or the remuneration received by the Directors from certain related corporations) by reason of a contract made by the Fund or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, 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.

SOFT COMMISSION

There was no soft commission received by the Manager during the financial year from any broker or dealer by virtue of transactions conducted for the Fund.

ULTIMATE HOLDING COMPANY

The Directors regard Petroliam 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 year.

OPTIONS GRANTED OVER UNISSUED UNITS

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

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
- (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.

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

OTHER STATUTORY INFORMATION (CONT'D)

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

- (i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
- (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 year 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 year.

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 year ended 31 December 2019 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 year and the date of this report.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Fund RM'000
Audit fees	92	87

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 303 to 350 are drawn up in accordance with the provision of the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Listed 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 2019 and of the results of their financial performance and cash flows for the year ended 31 December 2019.

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 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, 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 303 to 350 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 Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 23 January 2020.

Annuar Marzuki Bin Abdul Aziz
(MIA Membership No. 11345)

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 year ended 31 December 2019. To the best of our knowledge, KLCC REIT Management Sdn Bhd ("the Manager") has managed KLCC REIT in the financial year 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 Listed Real Estate Investment Trusts, the Capital Markets & Services Act 2007 and other applicable laws; and
- (b) the valuation of KLCC REIT is carried out in accordance with the Deed and other regulatory requirements.

There are four (4) income distributions to the unitholders of KLCC REIT in the financial year under review, details of which are stated below:

- (i) First interim income distribution of 6.28 sen per unit distributed on 20 June 2019;
- (ii) Second interim income distribution of 6.23 sen per unit distributed on 4 October 2019;
- (iii) Third interim income distribution of 6.24 sen per unit distributed on 18 December 2019;
- (iv) Fourth interim income distribution of 6.25 sen per unit for year ended 31 December 2019 declared and will be payable on 28 February 2020.

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
(Company No.: 196301000109 (5004-P))

BERNICE K M LAU

Head, Operations

Kuala Lumpur, Malaysia

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 financial year ended 31 December 2019.

In addition, we also confirm that the investment portfolio of KLCC REIT:

- (a) Comprises investment properties and rental income which complied with the Securities Commission Guidelines for Islamic Real Estate Investment Trust. The percentage ratio of Shariah Non-Compliant Rental for the financial year ended 31 December 2019 is 1.18%;
- (b) KLCCP Stapled Securities is listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission;
- (c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments; and
- (d) There is no acquisition of real estate during the financial year.

For and on behalf of the Shariah Adviser
CIMB Islamic Bank Berhad

ASHRAF GOMMA ALI

Director/Regional Head, Shariah & Governance Department/Designated Person
Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Fund	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	1,964	2,385	1,964	2,385
Investment properties	6	9,193,989	9,190,831	9,193,989	9,190,831
Trade and other receivables	8	409,910	408,069	409,910	408,069
Investment in subsidiary	7	-	-	*	*
		9,605,863	9,601,285	9,605,863	9,601,285
Current Assets					
Trade and other receivables	8	7,236	5,253	7,236	5,253
Cash and bank balances	9	83,342	56,816	83,236	56,703
		90,578	62,069	90,472	61,956
TOTAL ASSETS					
		9,696,441	9,663,354	9,696,335	9,663,241
TOTAL UNITHOLDERS' FUND AND LIABILITIES					
Unitholders' Fund					
Unitholders' capital	10	7,212,684	7,212,684	7,212,684	7,212,684
Merger reserve	2.18	6,212	6,212	6,212	6,212
Capital reserve	2.17	392,366	413,127	392,366	413,127
Retained profits		462,094	459,379	462,137	459,416
Total Unitholders' Fund		8,073,356	8,091,402	8,073,399	8,091,439
Non-Current Liabilities					
Other long term liabilities	11	97,608	93,777	97,608	93,777
Amount due to a subsidiary	12	-	-	1,355,000	855,000
Financing	13	1,355,000	855,000	-	-
Deferred tax liability	14	43,596	21,743	43,596	21,743
Other payables	15	35,539	40,001	35,539	40,001
		1,531,743	1,010,521	1,531,743	1,010,521

* Represents RM2 in Midciti Sukuk Berhad

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Fund	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current Liabilities					
Other payables	15	75,604	44,524	75,533	44,453
Amount due to a subsidiary	12	-	-	15,660	516,828
Financing	13	15,738	516,907	-	-
		91,342	561,431	91,193	561,281
Total Liabilities		1,623,085	1,571,952	1,622,936	1,571,802
TOTAL UNITHOLDERS' FUND AND LIABILITIES		9,696,441	9,663,354	9,696,335	9,663,241
Number of units in circulation ('000 units)		1,805,333	1,805,333	1,805,333	1,805,333
Net asset value ("NAV")					
- before income distribution		8,073,356	8,091,402	8,073,399	8,091,439
- after income distribution		7,960,523	7,978,208	7,960,566	7,978,245
NAV per unit (RM)					
- before income distribution		4.47	4.48	4.47	4.48
- after income distribution		4.41	4.42	4.41	4.42

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 YEAR ENDED 31 DECEMBER 2019

	Note	Group		Fund	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	16	591,363	588,523	591,363	588,523
Property operating expenses	17	(29,798)	(30,115)	(29,792)	(30,109)
Net property income		561,565	558,408	561,571	558,414
Fair value adjustment of investment properties	6	1,092	12,042	1,092	12,042
Profit income		3,634	3,195	3,634	3,195
		566,291	573,645	566,297	573,651
Management fees	18	(45,686)	(45,572)	(45,686)	(45,572)
Trustee's fees	19	(600)	(600)	(600)	(600)
Financing costs	20	(64,504)	(65,069)	(64,504)	(65,069)
Profit before tax	21	455,501	462,404	455,507	462,410
Tax expense	22	(21,853)	(21,743)	(21,853)	(21,743)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		433,648	440,661	433,654	440,667
Basic earnings per unit (sen)	23	24.02	24.41	24.02	24.41

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Fund	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income Distribution					
Total comprehensive income for the financial year		433,648	440,661	433,654	440,667
Add/(less)	Non cash items:				
	Accrued rental income	(1,841)	(28,413)	(1,841)	(28,413)
	Amortisation of deferred rental income	(4,997)	(4,522)	(4,997)	(4,522)
	Amortisation of premium for Sukuk Murabahah	(1,189)	130	(1,189)	130
	Deferred tax liabilities	21,853	21,743	21,853	21,743
	Depreciation	476	293	476	293
	Allowance for impairment losses	23	69	23	69
	Accretion of financial instruments	4,688	4,009	4,688	4,009
	Fair value adjustment of investment properties	(1,092)	(12,042)	(1,092)	(12,042)
		17,921	(18,733)	17,921	(18,733)
Total income available for distribution		451,569	421,928	451,575	421,934
Distribution to unitholders in respect of financial year 2019:					
	1st interim income distribution of 6.28% (2018: 5.72%) on 1,805,333,083 units	(113,375)	(103,265)	(113,375)	(103,265)
	2nd interim income distribution of 6.23% (2018: 5.65%) on 1,805,333,083 units	(112,472)	(102,001)	(112,472)	(102,001)
	3rd interim income distribution of 6.24% (2018: 5.71%) on 1,805,333,083 units	(112,653)	(103,085)	(112,653)	(103,085)
	4th interim income distribution of 6.25% (2018: 6.27%) on 1,805,333,083 units	(112,833)	(113,194)	(112,833)	(113,194)
Balance undistributed		236	383	242	389

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 YEAR ENDED 31 DECEMBER 2019

	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 1 January 2019	7,212,684	6,212	413,127	459,379	8,091,402
Total comprehensive income for the year	-	-	-	433,648	433,648
Transfer of fair value surplus	-	-	(20,761)	20,761	-
Income distribution (Note 24)	-	-	-	(451,694)	(451,694)
Net total comprehensive income for the year attributable to unitholders	-	-	(20,761)	2,715	(18,046)
As at 31 December 2019	7,212,684	6,212	392,366	462,094	8,073,356
As at 1 January 2018	7,212,684	6,212	422,828	408,540	8,050,264
Effect on the adoption of new pronouncement	-	-	-	(3)	(3)
As at 1 January 2018, restated	7,212,684	6,212	422,828	408,537	8,050,261
Total comprehensive income for the year	-	-	-	440,661	440,661
Transfer of fair value surplus	-	-	(9,701)	9,701	-
Income distribution (Note 24)	-	-	-	(399,520)	(399,520)
Net total comprehensive income for the year attributable to unitholders	-	-	(9,701)	50,842	41,141
As at 31 December 2018	7,212,684	6,212	413,127	459,379	8,091,402

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 YEAR ENDED 31 DECEMBER 2019

	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 1 January 2019	7,212,684	6,212	413,127	459,416	8,091,439
Total comprehensive income for the year	-	-	-	433,654	433,654
Transfer of fair value surplus	-	-	(20,761)	20,761	-
Income distribution (Note 24)	-	-	-	(451,694)	(451,694)
Net total comprehensive income for the year attributable to unitholders	-	-	(20,761)	2,721	(18,040)
As at 31 December 2019	7,212,684	6,212	392,366	462,137	8,073,399
As at 1 January 2018	7,212,684	6,212	422,828	408,571	8,050,295
Effect on the adoption of new pronouncement	-	-	-	(3)	(3)
As at 1 January 2018, restated	7,212,684	6,212	422,828	408,568	8,050,292
Total comprehensive income for the year	-	-	-	440,667	440,667
Transfer of fair value surplus	-	-	(9,701)	9,701	-
Income distribution (Note 24)	-	-	-	(399,520)	(399,520)
Net total comprehensive income for the year attributable to unitholders	-	-	(9,701)	50,848	41,147
As at 31 December 2018	7,212,684	6,212	413,127	459,416	8,091,439

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 YEAR ENDED 31 DECEMBER 2019

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	455,501	462,404	455,507	462,410
Adjustments for:				
Profit income	(3,634)	(3,195)	(3,634)	(3,195)
Financing costs	64,504	65,069	64,504	65,069
Accrued rental income and deferred revenue	(6,838)	(29,937)	(6,838)	(29,937)
Depreciation of property, plant and equipment	476	293	476	293
Allowance for impairment losses	23	69	23	69
Fair value adjustments on investment properties	(1,092)	(12,042)	(1,092)	(12,042)
Operating cash flows before changes in working capital	508,940	482,661	508,946	482,667
Changes in working capital:				
Trade and other receivables	(1,975)	1,532	(1,975)	1,532
Trade and other payables	30,712	(34,770)	30,713	(34,792)
Cash generated from operations	537,677	449,423	537,684	449,407
Profit income received	3,604	3,205	3,604	3,205
Net cash generated from operating activities	541,281	452,628	541,288	452,612

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions for investment property (Note 6)	(2,066)	(2,744)	(2,066)	(2,744)
Purchase of property, plant and equipment	(55)	(1,416)	(55)	(1,416)
Net cash used in investing activities	(2,121)	(4,160)	(2,121)	(4,160)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distributions paid	(451,649)	(399,364)	(451,649)	(399,364)
Financing cost paid	(60,985)	(60,179)	(60,985)	(60,179)
Proceeds from issuance of Sukuk Murabahah	500,000	-	500,000	-
Repayment of Sukuk Murabahah	(500,000)	-	(500,000)	-
Net cash used in financing activities	(512,634)	(459,543)	(512,634)	(459,543)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	26,526	(11,075)	26,533	(11,091)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	56,816	67,891	56,703	67,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)	83,342	56,816	83,236	56,703

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 2019

1. CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019 (collectively referred to as the "Deed") entered into between the Manager and Maybank Trustees Berhad ("the Trustee") and was registered with the Securities Commission Malaysia on 16 October 2019. 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 principal place of business of the Manager is located at Level 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate, penultimate and ultimate holding companies are KLCC Property Holdings Berhad ("KLCCP"), KLCC (Holdings) Sdn Bhd ("KLCCH") and Petroliaam 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.

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 of the Manager in accordance with a resolution of the Directors of the Manager on 23 January 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), applicable provisions of the Deed and the Securities Commission's Guidelines on Listed 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.

As of January 2019, the Group and the Fund adopted new MFRSs and amendments to MFRS 3 (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Fund. The financial statements of the 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation (Cont'd.)

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.

All intercompany 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.

2.3 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 Group and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Property, Plant and Equipment (Cont'd.)

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

Building improvements	5 to 6 years
Office equipment	5 years

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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")).

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.

2.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank 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 instrument.

(i) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Fund's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Fund have applied the practical expedient, the Group and the Fund initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Financial Assets (Cont'd.)

(i) Recognition and initial measurement (Cont'd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Fund commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- (a) Financial assets at amortised cost (debt instruments)
- (b) Financial assets at fair value through OCI (debt instruments)
- (c) Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group and the Fund. The Group and the Fund measure financial assets at amortised cost if both of the following conditions are met:

- i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective profit rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Financial Assets (Cont'd.)

(iii) Derecognition

A financial asset is derecognised when:

- (a) The rights to receive cash flows from the asset have expired, or
- (b) The Group and the Fund have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - i. The Group and the Fund have transferred substantially all the risks and rewards of the asset, or
 - ii. The Group and the Fund have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Fund have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Fund continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Fund also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Fund have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Fund would required to repay.

2.10 Impairment of Financial Assets

The Group and the Fund recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Fund expect to receive, discounted at an approximation of the original effective profit rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Fund apply a simplified approach in calculating ECLs. Therefore, the Group and the Fund do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Fund have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Impairment of Financial Assets (Cont'd.)

The Group and the Fund consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and the Fund may also consider a financial asset to be in default when internal or external information indicates that the Group and the Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Provisions

A provision is recognised when the Group and the Fund have 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

(i) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Fund's financial liabilities include trade and other payables and loans and borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Fund that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Fund have not designated any financial liability as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial Liabilities (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial liabilities at amortised cost

This is the category most relevant to the Group and the Fund. After initial recognition, financings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective profit rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate. The effective profit rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to financing cost and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2.13 Offsetting of Financial Instruments

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

2.14 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.

2.15 Taxation

Tax expense in 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 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Taxation (Cont'd.)

(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 year when the asset is expected to be realised or the liability is expected to be settled, based on tax rates and the tax laws that have been enacted at the reporting date.

Deferred tax provided for the investment properties is at 10% which reflects the expected manner of recovery of the investment properties.

2.16 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.

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue Recognition

(i) Rental income

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

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

(ii) Others

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Fund recognise revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time.

Profit income

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

2.20 Leases

Operating leases - the Fund as lessor

Leases in which the Group and the Fund do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 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.

2.22 Fair Value Measurement

The fair value of an asset or a liability, except for lease transactions, 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 assets, 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.

When measuring the fair value of an asset or a liability, the Group and the Fund use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique 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.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2019, the Group and the Fund have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 123	Borrowing Costs: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS 2015-2017 Cycle)
IC Interpretation 23	Uncertainty over Income Tax Treatments

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard set out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

On transition to MFRS 16, the Group and the Fund reassessed all contracts to determine whether the contracts are, or contain a lease at the date of initial application.

(a) Leases in which the Group and the Fund are lessee

The Group and the Fund have assessed the estimated impact and the initial application of MFRS 16 does not have any impact to the financial statements of the Group and the Fund.

(b) Leases in which the Group and the Fund are lessor

The current accounting treatment remains unchanged for the Group and the Fund as lessors. There are no contracts that are or contain a lease in which the Group and the Fund expect to reclassify as a finance lease.

(ii) Amendments to MFRS 123 Borrowing Costs

In previous years, borrowing costs relating to a specific qualifying assets is capitalised into the cost of the asset. The capitalisation of borrowing costs cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Since the Group's and the Fund's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

The amendments to MFRS 123 does not have any impact to the financial statements of the Group and the Fund.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical judgement made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Fund's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4.2 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 amount of assets and liabilities within the next financial year is discussed below:

Fair valuation of investment properties

The Group and the Fund carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Fund had engaged an independent professional valuer to determine the fair value and 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 discount rate. The range of the yield rate and the discount rate used in the valuation is described in Note 6.

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

	Fair value	
	Increase/(decrease)	
	2019	2018
	RM'000	RM'000
Yield rate		
- 0.25%	272,359	259,557
+ 0.25%	(251,201)	(239,735)
Discount rate		
- 0.25%	120,213	133,206
+ 0.25%	(117,062)	(129,688)

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 2019

5. PROPERTY, PLANT AND EQUIPMENT

	Group/Fund			
	Building Improvements RM'000	Office Equipment RM'000	Work-in Progress RM'000	Total RM'000
At 31 December 2019				
Cost				
At 1 January 2019	1,938	53	958	2,949
Additions	105	1	(51)	55
Transfer	907	-	(907)	-
At 31 December 2019	2,950	54	-	3,004
Accumulated Depreciation				
At 1 January 2019	516	48	-	564
Charge for the year (Note 21)	471	5	-	476
At 31 December 2019	987	53	-	1,040
Net Carrying Amount	1,963	1	-	1,964
At 31 December 2018				
Cost				
At 1 January 2018	930	51	552	1,533
Additions	456	2	958	1,416
Transfer	552	-	(552)	-
At 31 December 2018	1,938	53	958	2,949
Accumulated Depreciation				
At 1 January 2018	233	38	-	271
Charge for the year (Note 21)	283	10	-	293
At 31 December 2018	516	48	-	564
Net Carrying Amount	1,422	5	958	2,385

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. INVESTMENT PROPERTIES

	Group/Fund	
	2019	2018
	RM'000	RM'000
At 1 January	9,190,831	9,176,045
Fair value adjustments	1,092	12,042
Additions during the year	2,066	2,744
At 31 December	9,193,989	9,190,831

The investment properties are stated at fair value, which have been determined based on valuations performed by an independent professional valuer. The valuation method used in determining the valuations is the investment method.

There are no material events that affect the valuation between the valuation, data and financial year end.

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

	Group/Fund	
	2019	2018
	RM'000	RM'000
Rental income	591,363	588,523
Direct operating expenses	(27,841)	(27,677)
	563,522	560,846

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 properties, either directly or indirectly.

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

There is no transfer between level 1, 2 and 3 fair values during the financial year.

Fair value of investment properties is classified as Level 3.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. INVESTMENT PROPERTIES (CONT'D.)

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
		2019	2018	
Investment method (refer below)	Office:			The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	8.50 - 12.99	8.50 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	8.80 - 12.71	9.00 - 12.71	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	2.00	2.00	- expected inflation rate was lower/(higher)
	- Reversion	2.00 - 2.36	2.00 - 2.40	- expected inflation rate was lower/(higher)
	Void rate (%)	5.00	5.00	- void rate was lower/(higher)
	Term yield (%)	5.50 - 6.00	5.50 - 6.00	- term yield rate was lower/(higher)
	Reversionary yield (%)	6.00 - 6.50	6.00 - 6.50	- reversionary yield was lower/(higher)
	Discount rate (%)	5.50 - 6.50	5.50 - 6.50	- discount rate was lower/(higher)
	Retail:			The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	6.65 - 47.15	6.50 - 43.21	- expected market rental growth was higher/(lower)
	- Reversion	16.35 - 113.02	16.51 - 115.66	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	5.85	5.78	- expected inflation rate was lower/(higher)
	- Reversion	5.85	5.78	- expected inflation rate was lower/(higher)
	Void rate (%)	7.00	7.00	- void rate was lower/(higher)
	Term yield (%)	6.25	6.25	- term yield rate was lower/(higher)
	Reversionary yield (%)	6.75	6.75	- reversionary yield was lower/(higher)
	Discount rate (%)	6.25 - 6.75	6.25 - 6.75	- discount rate was lower/(higher)

Investment method entails the capitalisation of the net rent 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 an external, independent property valuer, 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 reports from the independent professional valuer.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

6. INVESTMENT PROPERTIES (CONT'D.)

Description of property	Tenure of land	Existing use	Location	Date of acquisition	Acquisition cost RM'000	Carrying value as at 31.12.2019 RM'000	Carrying value as at 31.12.2018 RM'000	Fair value as at 31.12.2019 RM'000	Fair value as at 31.12.2018 RM'000	Percentage of Net Asset Value as at	
										31.12.2019 %	31.12.2018 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10.04.2013	6,500,000	6,680,632	6,679,919	7,014,000	7,010,000	86.9	86.6
Menara 3 PETRONAS	Freehold	Office & retail	Kuala Lumpur	10.04.2013	1,790,000	1,976,559	1,975,605	2,053,100	2,052,200	25.4	25.4
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10.04.2013	450,000	536,798	535,307	536,800	536,700	6.6	6.6
					8,740,000	9,193,989	9,190,831	9,603,900	9,598,900		

7. INVESTMENT IN SUBSIDIARY

	Fund	
	2019 RM	2018 RM
Unquoted shares at cost	2	2

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

Name of Subsidiary	Proportion of ownership interest		Principal Activity
	2019 %	2018 %	
Midciti Sukuk Berhad ("MSB")	100	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

NOTES TO THE FINANCIAL STATEMENTS

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8. TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current				
Accrued rental income	409,910	408,069	409,910	408,069
Current				
Trade receivables	669	458	669	458
Other receivables				
Other receivables and deposits	6,515	4,704	6,515	4,704
Amount due from a fellow subsidiary	52	91	52	91
Total other receivables	6,567	4,795	6,567	4,795
Total	7,236	5,253	7,236	5,253
Trade receivables	669	458	669	458
Other receivables	6,567	4,795	6,567	4,795
	7,236	5,253	7,236	5,253
Add: Cash and bank balances (Note 9)	83,342	56,816	83,236	56,703
Total financial assets carried at amortised cost	90,578	62,069	90,472	61,956

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

9. CASH AND BANK BALANCES

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	501	223	431	145
Deposits with licensed banks	82,841	56,593	82,805	56,558
	83,342	56,816	83,236	56,703

The weighted average effective profit rate applicable to the deposits with licensed banks at the reporting date was 3.30% per annum (2018: 3.61% per annum).

Deposits with licensed banks have an average maturity of 45 days (2018: 31 days).

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10. UNITHOLDERS' CAPITAL

	Fund			
	Number of Units		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 January/31 December	1,805,333	1,805,333	7,212,684	7,212,684

Stapled Security:

Stapled security means one unit in KLCC REIT is 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 Fund does not have authorised unitholders' capital, or par value in respect of its issued units.

As at 31 December 2019, the Manager did not hold any units in the Fund. However, parties related to the Manager held units in the Fund as follows:

	Fund			
	Number of Units		Market value	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Direct unitholdings of parties related to the Manager				
KLCC	1,167,639	1,167,639	9,224,348	8,944,115
PETRONAS	194,817	194,817	1,539,054	1,492,298
	1,362,456	1,362,456	10,763,402	10,436,413
Indirect unitholdings of parties related to the Manager				
PETRONAS	1,167,639	1,167,639	9,224,348	8,944,115

The market value of the units held by the parties related to the Manager is determined by using the closing market value of the Fund as at 31 December 2019 of RM7.90 per unit (2018: RM7.66 per unit).

NOTES TO THE FINANCIAL STATEMENTS

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11. OTHER LONG TERM LIABILITIES

	Group/Fund	
	2019 RM'000	2018 RM'000
Security deposits payable	97,608	93,777

Security deposits payable are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on profit rates between 4.52% - 5.20% (2018: 4.52% - 5.20%) per annum.

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 short term amount due is unsecured and is repayable on demand. The long term amount due is unsecured and is not repayable within the next 12 months.

13. FINANCING

	Group	
	2019 RM'000	2018 RM'000
Short term financing		
Secured:		
Sukuk Murabahah	15,738	516,907
Long term financing		
Secured:		
Sukuk Murabahah	1,355,000	855,000
Total financing		
Secured:		
Sukuk Murabahah	1,370,738	1,371,907

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

13. FINANCING (CONT'D.)

Terms and debt repayment schedule :

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31 December 2019					
Secured					
Sukuk Murabahah	1,370,738	15,738	400,000	455,000	500,000
31 December 2018					
Secured					
Sukuk Murabahah	1,371,907	516,907	-	400,000	455,000

(a) Sukuk Murabahah

Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 billion subject to a combined limit of RM3 billion. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

The Group had paid its RM500 million Sukuk Murabahah upon maturity on 25 April 2019 and on the same date issued RM500 million of Sukuk Murabahah with a profit rate of 4.20% per annum and maturing on 25 April 2026. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026

The profit rate is payable semi-annually and disclosed as short term financing.

NOTES TO THE FINANCIAL STATEMENTS

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13. FINANCING (CONT'D.)

(a) Sukuk Murabahah (Cont'd.)

Reconciliation of the movement of liabilities to cash flows arising from financing activities

	Sukuk Murabahah RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2019	1,371,907	-	1,371,907
Changes from financing cash flows			
Proceeds from issuance of Sukuk Murabahah	500,000	-	500,000
Repayment of Sukuk Murabahah	(500,000)	-	(500,000)
Financing cost paid	(60,985)	-	(60,985)
Income distribution paid	-	(451,649)	(451,649)
Total changes from financing cash flows	(60,985)	(451,649)	(512,634)
Other changes			
Liability-related			
Financing cost	59,816	-	59,816
Dividend payable	-	451,649	451,649
Total liability-related other changes	59,816	451,649	511,465
Balance at 31 December 2019	1,370,738	-	1,370,738
Balance at 1 January 2018	1,371,026	-	1,371,026
Changes from financing cash flows			
Financing cost paid	(60,179)	-	(60,179)
Income distribution paid	-	(399,364)	(399,364)
Total changes from financing cash flows	(60,179)	(399,364)	(459,543)
Other changes			
Liability-related			
Financing cost	61,060	-	61,060
Dividend payable	-	399,364	399,364
Total liability-related other changes	61,060	399,364	460,424
Balance at 31 December 2018	1,371,907	-	1,371,907

NOTES TO THE FINANCIAL STATEMENTS

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14. DEFERRED TAX LIABILITY

	Group/Fund	
	2019 RM'000	2018 RM'000
At 1 January	21,743	-
Recognised in profit or loss (Note 22)	21,853	21,743
At 31 December	43,596	21,743

15. OTHER PAYABLES

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current				
Deferred revenue	35,539	40,001	35,539	40,001
Current				
Other payables				
Other payables	58,800	26,600	58,796	26,597
Security deposits payable	4,027	4,140	4,027	4,140
Amount due to:				
Ultimate holding company	-	518	-	518
Holding company	184	249	117	181
Fellow subsidiaries	11,990	12,161	11,990	12,161
Other related companies	603	856	603	856
Total other payables	75,604	44,524	75,533	44,453
Add:Financing (Note 13)	1,370,738	1,371,907	-	-
Amount due to a subsidiary (Note 12)	-	-	1,370,661	1,371,828
Other long term liabilities (Note 11)	97,608	93,777	97,608	93,777
Total financial liabilities carried at amortised cost	1,543,950	1,510,208	1,543,802	1,510,058

Deferred revenue relates to the excess of the principal amount of security deposits received over their fair value which is accounted for as prepaid lease income and amortised over the lease term on a straight line basis.

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

NOTES TO THE FINANCIAL STATEMENTS

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16. REVENUE

	Group/Fund	
	2019	2018
	RM'000	RM'000
Investment properties		
- Office	557,486	557,500
- Retail	33,877	31,023
	591,363	588,523

17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Utilities expenses	10,849	10,149	10,849	10,149
Maintenance expenses	9,931	9,939	9,931	9,939
Quit rent and assessment	3,441	3,441	3,441	3,441
Other operating expenses	5,577	6,586	5,571	6,580
	29,798	30,115	29,792	30,109

18. MANAGEMENT FEES

	Group/Fund	
	2019	2018
	RM'000	RM'000
Base fee	28,839	28,820
Performance fee	16,847	16,752
	45,686	45,572

The Manager will receive the following fees from KLCC REIT:

- i) a base fee of 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 3.00% per annum of KLCC REIT's net property income in the relevant financial year.

NOTES TO THE FINANCIAL STATEMENTS

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19. 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.

20. FINANCING COSTS

	Group/Fund	
	2019 RM'000	2018 RM'000
Profit expense:		
Sukuk Murabahah	59,816	61,060
Accretion of financial instruments	4,688	4,009
	64,504	65,069

21. PROFIT BEFORE TAX

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

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Audit fees	92	89	87	84
Valuation fees	592	524	592	524
Property manager fee	95	92	95	92
Depreciation (Note 5)	476	293	476	293
Impairment loss on trade receivables (Note 28)	23	69	23	69

NOTES TO THE FINANCIAL STATEMENTS

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22. TAX EXPENSE

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 at the date of this financial statements, KLCC REIT has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2019 accordingly. No provision for income tax expense has been made for the year.

Deferred tax liability has been provided for the investment properties held by KLCC REIT at 10% (2018:5%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	455,501	462,404	455,507	462,410
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	109,321	110,977	109,322	110,978
Expenses not deductible for tax purposes	1,301	1,522	1,300	1,521
Income not subject to tax	(110,622)	(112,499)	(110,622)	(112,499)
Deferred tax recognised at different tax rate	21,853	21,743	21,853	21,743
Tax expense	21,853	21,743	21,853	21,743

23. BASIC EARNINGS PER UNIT

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

	2019	2018
Profit attributable to unitholders of the Fund (RM'000)	433,654	440,667
Weighted average number of units in issue ('000)	1,805,333	1,805,333
Basic earnings per unit (sen)	24.02	24.41

NOTES TO THE FINANCIAL STATEMENTS

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24. INCOME DISTRIBUTION

	Income distribution recognised in year 2019 RM'000	Net income distribution per unit 2019 Sen	Income distribution recognised in year 2018 RM'000	Net income distribution per unit 2018 Sen
For the financial year ended 31 December 2019				
A first interim income distribution of 6.28% on 1,805,333,083 units	113,375	6.28	-	-
A second interim income distribution of 6.23% on 1,805,333,083 units	112,472	6.23	-	-
A third interim income distribution of 6.24% on 1,805,333,083 units	112,653	6.24	-	-
For the financial year ended 31 December 2018				
A first interim income distribution of 5.72% on 1,805,333,083 units	-	-	103,265	5.72
A second interim income distribution of 5.65% on 1,805,333,083 units	-	-	102,001	5.65
A third interim income distribution of 5.71% on 1,805,333,083 units	-	-	103,085	5.71
A fourth interim income distribution of 6.27% on 1,805,333,083 units	113,194	6.27	-	-
For the financial year ended 31 December 2017				
A fourth interim income distribution of 5.05% on 1,805,333,083 units	-	-	91,169	5.05
	451,694	25.02	399,520	22.13

The fourth interim income distribution in respect of the financial year ended 31 December 2019, of 6.25% on 1,805,333,083 units amounting to an income distribution payable of RM112,833,000 will be payable on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

24. INCOME DISTRIBUTION (CONT'D.)

Distribution to unitholders is from the following sources:

	Group	
	2019 RM'000	2018 RM'000
Net property income	561,565	558,408
Profit income	3,634	3,195
Fair value adjustment of investment properties	1,092	12,042
	566,291	573,645
Less: Expenses	(110,790)	(111,241)
Less: Tax expense	(21,853)	(21,743)
Profit for the year	433,648	440,661
Less: Non-cash items	17,921	(18,733)
Add: Brought forward undistributed income available for distribution	41,233	40,850
Total available for income distribution	492,802	462,778
Less: Income distributed	(338,500)	(308,351)
Less: Income to be distributed on 28 February 2020	(112,833)	(113,194)
Balance undistributed income available for distribution	41,469	41,233
Distribution per unit (sen)	25.00	23.35

25. MANAGEMENT EXPENSE RATIO

	Group	
	2019 RM'000	2018 RM'000
Total trust expenses	48,073	47,706
Net asset value at the end of the financial year	8,073,356	8,091,402
Less: Fourth interim income distribution	(112,833)	(113,194)
Net asset value at the end of the financial year, after interim income distribution	7,960,523	7,978,208
Management Expense Ratio ("MER")	0.60	0.60

The calculation of MER is based on the total fees and expenses incurred by the Group and the Fund in the financial year, including Manager's fee and Trustee's fee, auditors' remuneration, tax agent's fee, valuation fees and other Trust expenses to the net asset value (after the fourth interim income distribution) at the end of the respective financial year.

NOTES TO THE FINANCIAL STATEMENTS

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26. COMMITMENTS

(a) Capital commitments

	Group/Fund	
	2019	2018
	RM'000	RM'000
Approved but not contracted for		
Property, plant and equipment	-	207
Investment properties	4,100	2,000
	4,100	2,207

(b) Operating lease commitments - as lessor

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

	Group/Fund	
	2019	2018
	RM'000	RM'000
Not later than 1 year	531,064	537,062
Later than 1 year but not later than 5 years	2,205,234	2,155,985
More than 5 years	1,573,922	2,144,784
	4,310,220	4,837,831

NOTES TO THE FINANCIAL STATEMENTS

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27. 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		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Federal Government of Malaysia				
Goods and Service Tax ("GST")	-	(13,400)	-	(13,400)
Property licenses and other taxes	(3,441)	(3,441)	(3,441)	(3,441)
Government of Malaysia's related entities				
Purchase of utilities	(4,527)	(4,398)	(4,527)	(4,398)
Ultimate Holding Company				
Rental income	525,271	500,149	525,271	500,149
Immediate Holding Company				
Profit expense from Sukuk Murabahah	(1,289)	(4,090)	(1,289)	(4,090)
Fellow subsidiaries				
Management fees	(45,686)	(45,572)	(45,686)	(45,572)
Property management fees	(2,066)	(2,116)	(2,066)	(2,116)
Property maintenance fees	(8,365)	(8,166)	(8,365)	(8,166)
Property advertising and marketing fees	(552)	(698)	(552)	(698)
Carpark income	1,000	883	1,000	883
Other related company				
Chilled water supply	(6,314)	(5,700)	(6,314)	(5,700)

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 2019 are disclosed in Notes 8 and 15.

NOTES TO THE FINANCIAL STATEMENTS

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28. 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 the Fund use ageing analysis and credit limit review to monitor the credit quality of the receivables. The Fund monitors the results of its subsidiary 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.

With respect to the trade and other receivables which have no realistic prospect of recovery, the gross carrying amounts of the credit impaired receivables will be written off (either in partial or in full).

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Receivables (Cont'd.)

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment losses as at the end of the reporting period is analysed below:

	Group/Fund	
	2019	2018
	RM'000	RM'000
At net		
Current	634	364
Past due 1 to 30 days	*	18
Past due 31 to 60 days	*	5
Past due 61 to 90 days	*	11
Past due more than 90 days	130	132
	764	530
Trade receivables	764	530
Less: Impairment losses	(95)	(72)
Net trade receivable (Note 8)	669	458

* Represents amount less than RM1,000

The movements in the allowance account are as follows.

	Group/Fund	
	2019	2018
	RM'000	RM'000
At 1 January	72	-
Adjustment on initial application of MFRS 9	-	3
At 1 January, restated	72	3
Impairment loss on trade receivables (Note 21)	23	69
At 31 December	95	72

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Receivables (Cont'd.)

Recognition and measurement of impairment loss

In determining the Expected Credit Loss ("ECL"), the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and /or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2019.

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 maintain sufficient levels of cash or cash convertible investments to meet their working capital requirements. As far as possible, the Group and the Fund raise committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

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

31 December 2019	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							
Sukuk Murabahah	1,370,738	4.35	1,621,489	76,777	448,475	568,678	527,559
Other payables	75,604	-	75,604	75,604	-	-	-
Other long term liabilities	97,608	4.98	142,006	-	13,680	1,992	126,334
Fund							
Financial Liabilities							
Other payables	75,533	-	75,533	75,533	-	-	-
Amount due to a subsidiary	1,370,660	-	1,370,660	15,660	400,000	455,000	500,000
Other long term liabilities	97,608	4.98	142,006	-	13,680	1,992	126,334

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Liquidity Risk (Cont'd.)

Maturity analysis (Cont'd.)

31 December 2018	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							
Sukuk Murabahah	1,371,907	4.50	1,536,774	563,529	40,150	471,155	461,940
Other payables	44,524	-	44,524	44,524	-	-	-
Other long term liabilities	93,777	4.98	135,094	-	8,505	3,746	122,843
Fund							
Financial Liabilities							
Other payables	44,453	-	44,453	44,453	-	-	-
Amount due to a subsidiary	1,371,828	-	1,371,828	516,828	-	400,000	455,000
Other long term liabilities	93,777	4.98	135,094	-	8,505	3,746	122,843

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: profit rate risk, foreign currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include financing and deposits.

Profit Rate Risk

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

The Group's and the Fund's profit rate risk arises primarily from profit-bearing financing. Financing at variable rates expose the Group to cash flow profit rate risk. Financing obtained at fixed rates expose the Group and the Fund to fair value profit rate risk. The Group and the Fund manage their profit expense rate exposure through a balanced portfolio of fixed and variable rate financing.

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Profit Rate Risk (Cont'd.)

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

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	82,841	56,593	82,805	56,558
Financial liabilities	(1,370,738)	(1,371,907)	-	-

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 operate 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 financing, trade and other receivables, financing, other payables and various debt.

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

The carrying amount of other long term liabilities approximate its fair value amount.

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.

Fair value of financial instruments not carried at fair value					Carrying amount RM'000
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
2019					
Financial liabilities					
Sukuk Murabahah	-	1,333,293	-	1,333,293	1,370,738
2018					
Financial liabilities					
Sukuk Murabahah	-	1,341,313	-	1,341,313	1,371,907

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 financing at the reporting date.

There has been no transfer between Level 1, 2 and 3 fair values during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. 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 financing to total assets ratio that also complies with regulatory requirements.

The financing to total assets ratio as at 31 December 2019 is as follows:

	Group	
	2019	2018
Total financing (RM'000)	1,370,738	1,371,907
Total assets (RM'000)	9,696,441	9,663,354
Financing to total assets ratio	14.1%	14.2%

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution year, 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.

30. 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 financing, financing 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

30. SEGMENT INFORMATION (CONT'D.)

(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 financing 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.

Business Segments

31 December 2019	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	557,486	33,877	-	591,363
Results				
Net property income	537,786	23,779	-	561,565
Profit income				3,634
Fair value adjustment on investment properties				1,092
Management fees				(45,686)
Trustee's fees				(600)
Financing costs				(64,504)
Tax expense				(21,853)
Profit after tax				433,648
Depreciation				476
Non-cash items other than depreciation				17,445
Total assets	9,042,039	654,402	-	9,696,441
Total liabilities	1,603,600	19,485	-	1,623,085

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

30. SEGMENT INFORMATION (CONT'D.)

(b) Allocation basis and transfer pricing (Cont'd.)

Business Segments (Cont'd.)

31 December 2018	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	557,500	31,023	-	588,523
Results				
Net property income	537,823	20,585	-	558,408
Profit income				3,195
Fair value adjustment on investment properties				12,042
Management fees				(45,572)
Trustee's fees				(600)
Financing costs				(65,069)
Tax expense				(21,743)
Profit after tax				440,661
Depreciation				293
Non-cash items other than depreciation				(19,026)
Total assets	9,010,246	653,108	-	9,663,354
Total liabilities	1,548,464	23,488	-	1,571,952

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

31. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Fund in these financial statements:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)
Amendments to MFRS 101	Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 134	Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 138	Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 132	Intangible Assets – Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards)

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

31 DECEMBER 2019

32. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE FUND

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

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-based Payment (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 14	Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 12	Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine (Amendments to References to the Conceptual Framework in MFRS Standards)

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Report on the audit of the financial statements

Opinion

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 2019 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 303 to 350.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Fund. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the **Auditors' responsibilities for the audit of the financial statements** section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Valuation of investment properties

As at 31 December 2019, the carrying value of the Group's investment properties amounted to RM9,193,989,878 which represents 95% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged an external valuer to determine the fair value of the investment properties at the reporting date.

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Fund, the Manager is responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or the Fund or to cease operations, or has no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 PLT

202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
23 January 2020

Ismed Darwis bin Bahatlar

No. 02921/04/2020 J
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 20 JANUARY 2020

For the purpose of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, both KLCC Property Holdings Berhad ("KLCCP") and KLCC Real Estate Investment Trust ("KLCC REIT") are classified as "listed issuers".

Listed Issuer	: KLCC Property Holdings Berhad
Issued Share Capital	: 1,805,333,083 Ordinary Shares
No. of Shareholders	: 6,004
Voting Rights	: One vote for each share

Listed Issuer	: KLCC Real Estate Investment Trust
Approved Fund Size	: 1,805,333,085 Units
Total Issued Units	: 1,805,333,083 Units
No. of Unitholders	: 6,004
Voting Rights	: One vote for each unit

Under the "stapled" structure, all ordinary shares of KLCCP are stapled together with all units of KLCC REIT ("Stapled Securities"). Therefore, the information on Distribution of the Stapled Securities Holdings, Directors' Interest in Listed Issuers, Substantial Stapled Securities Holders of the Listed Issuers and Thirty Largest Stapled Securities Holders stated below is based on Stapled Securities structure.

DISTRIBUTION OF STAPLED SECURITIES HOLDINGS

Size of Stapled Securities Holdings	No. of Stapled Securities Held	(%)	No. of Stapled Securities Holders	(%)
Less than 100	8,461	0.000	1,018	16.955
100 to 1,000	1,603,244	0.088	2,707	45.086
1,001 to 10,000	6,790,485	0.376	1,758	29.280
10,001 to 100,000	11,879,431	0.658	322	5.363
100,001 to less than 5% of issued stapled securities	422,595,679	23.408	196	3.264
5% and above of issued stapled securities	1,362,455,783	75.468	3	0.049
Total	1,805,333,083	100.000	6,004	100.000

DIRECTORS' INTERESTS IN THE LISTED ISSUERS

None of the Directors of the Listed Issuers have any interest in the Stapled Securities.

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

DIRECTORS' INTERESTS IN RELATED CORPORATIONS

PETRONAS Chemicals Group Berhad				
Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Datuk Ahmad Nizam bin Salleh	10,000	0.000	-	-
Datuk Hashim bin Wahir	16,000	0.000	-	-

PETRONAS Gas Berhad				
Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Datuk Ahmad Nizam bin Salleh	2,000	0.000	-	-

SUBSTANTIAL STAPLED SECURITIES HOLDERS OF THE LISTED ISSUERS

Name	Direct		Indirect	
	No. of Stapled Securities Held	(%)	No. of Stapled Securities Held	(%)
1. KLCC (Holdings) Sdn Bhd	1,167,638,804	64.677	-	-
2. CIMB Group Nominees (Tempatan) Sdn Bhd [Exempt AN for Petroliaam Nasional Berhad]	194,816,979	10.791	1,167,638,804 [#]	64.677
3. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	108,113,975	5.989	-	-

[#] Deemed interest in 1,167,638,804 stapled securities held by KLCC (Holdings) Sdn Bhd by virtue of PETRONAS 100% direct interest in KLCC (Holdings) Sdn Bhd.

THIRTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	(%)
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.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD)	80,208,575	4.442
5.	AMANAHRAYA TRUSTEES BERHAD (AMANA SAHAM BUMIPUTERA)	54,000,000	2.991
6.	AMANAHRAYA TRUSTEES BERHAD (AMANA SAHAM MALAYSIA)	26,511,900	1.468
7.	AMANAHRAYA TRUSTEES BERHAD (AMANA SAHAM MALAYSIA 3)	19,111,400	1.058
8.	LEMBAGA TABUNG HAJI	13,749,400	0.761
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240))	13,000,000	0.720

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

No.	Name	No. of Stapled Securities	(%)
10.	PERMODALAN NASIONAL BERHAD	11,942,600	0.661
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (NOMURA))	11,260,000	0.623
12.	AMANAHRAYA TRUSTEES BERHAD (AMANA SAHAM MALAYSIA 2 – WAWASAN)	8,000,000	0.443
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EXEMPT AN FOR AIA BHD)	7,721,700	0.427
14.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC DIVIDEND FUND)	7,511,700	0.416
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455))	7,400,900	0.409
16.	AMANAHRAYA TRUSTEES BERHAD (AMANA SAHAM BUMIPUTERA 2)	6,993,500	0.387
17.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (PAMB FOR PRULINK EQUITY FUND)	6,844,000	0.379
18.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (LIFE PAR))	6,127,500	0.339
19.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,411,600	0.299
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (VALUECAP SDN BHD)	5,353,400	0.296
21.	AMANAHRAYA TRUSTEES BERHAD (AMANA SAHAM BUMIPUTERA 3 – DIDIK)	5,000,000	0.276
22.	PERTUBUHAN KESELAMATAN SOSIAL	3,985,683	0.220
23.	AMANAHRAYA TRUSTEES BERHAD (ASN UMBRELLA FOR ASN EQUITY 3)	3,742,900	0.207
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN))	3,597,100	0.199
25.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC EQUITY FUND)	3,486,700	0.193
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC))	3,257,100	0.180
27.	AMANAHRAYA TRUSTEES BERHAD (ASN UMBRELLA FOR ASN IMBANG (MIXED ASSET BALANCED) 2)	3,256,400	0.180
28.	CITIGROUP NOMINEES (ASING) SDN BHD (CBNY FOR DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO OF DFA INVESTMENT DIMENSIONS GROUP INC)	2,936,300	0.162
29.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ITTIKAL SEQUEL FUND)	2,709,000	0.150
30.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (SSBT FUND ZYEF FOR VANGUARD GLOBAL EX-U.S. REAL ESTATE INDEXFUND)	2,491,570	0.138

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2019

1) KLCC Property Holdings Berhad

Registered Owner	Particulars of land title	Date of Revaluation (Tenure)	Description/ Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2019 (RM mil)
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town & District of Kuala Lumpur	15.11.2019 (Freehold)	A 6 storey retail centre (Suria KLCC)/ Shopping Centre	28,160	143,569	21 years	5,598.4*
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town & District of Kuala Lumpur	14.11.2019 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental, Kuala Lumpur)/Hotel	8,094	92,783	21 years	623.9
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town & District of Kuala Lumpur	16.11.2019 (Freehold)	Vacant Land	5,726	-	-	311.8*
Kompleks Dayabumi Sdn Bhd	Lot 38 and Lot 45, all within Seksyen 70, Town & District of Kuala Lumpur held under title no. PN 2395 and PN 33471 respectively	11.11.2019 (Leasehold of 99 year expiring on 27.1.2079)	A 36-storey office building (Menara Dayabumi) and a parcel of vacant contiguous commercial land/ Office building	Lot 38: 52 sq m	125,988	37 years	790.0**
	PN 4073, Lot 39, Seksyen 70, Town & District of Kuala Lumpur	11.11.2019 (Leasehold interest for 99 years expiring on 9.11.2081)		Lot 39: 2,166 sq m			
	PN 32233, Lot 51, Seksyen 70, Town & District of Kuala Lumpur	11.11.2019 (Leasehold of 98 years expiring on 21.1.2079)		Lot 45: 25,790 sq m			
				Lot 51: 1,331 sq m			
				Total:			
				29,339			
				sq m			

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

2) KLCC Real Estate Investment Trust

Registered Owner	Particulars of land title	Date of Revaluation (Tenure)	Description/ Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2019 (RM mil)
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town & District of Kuala Lumpur	16.10.2019 (Freehold)	A 29 storey office building with 3 basement levels (Menara ExxonMobil)/ Office building	3,999	74,369	23 years	536.8*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43699 Lot 171, Seksyen 58, Town & District of Kuala Lumpur	12.11.2019 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park/ Office building & retail podium	4,302	155,296	8 years	1,976.6*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town & District of Kuala Lumpur	22.11.2019 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers)/Office building	21,740	510,917	22 years	6,680.6*

* Investment Properties stated at fair value

** Investment Properties stated at fair value and IPUC stated at cost

NOTICE OF ANNUAL GENERAL MEETING

KLCC PROPERTY HOLDINGS BERHAD

200401003073 (641576-U)

(Incorporated in Malaysia)

KLCC REAL ESTATE INVESTMENT TRUST

(A real estate investment trust constituted under the laws of Malaysia)

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting ("7th AGM") of KLCC Real Estate Investment Trust ("KLCC REIT") and the Seventeenth Annual General Meeting ("17th AGM") of KLCC Property Holdings Berhad (the "**Company**" or "**KLCCP**") will be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on 22 April 2020, Wednesday at 10.30 a.m. for the following purposes:

A. KLCC REIT**AS ORDINARY BUSINESS:**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 of KLCC REIT together with the Reports attached thereon.

(Please refer to
Note 7)

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without modifications, the following resolution:

2. Proposed Unitholders' Mandate to Issue New Units pursuant to Paragraph 6.59 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution VI of KLCCP, approval be and is hereby given to the Directors of KLCC REIT Management Sdn Bhd, the manager for KLCC REIT (the "**Manager**"), to issue new units in KLCC REIT ("**New Units**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors of the Manager may in their absolute discretion deem fit, provided that the number of New Units to be issued, when aggregated with the number of units in KLCC REIT issued during the preceding 12 months, must not exceed 10% of the total number of units issued of KLCC REIT for the time being and provided further that such corresponding number of new ordinary shares in KLCCP equal to the number of New Units shall be issued and every one New Unit shall be stapled to one new ordinary share upon issuance to such persons ("**Proposed KLCC REIT Mandate**") and the Directors of the Manager be and are hereby also empowered to obtain the approval for the listing of and quotation for such new stapled securities comprising ordinary shares in KLCCP stapled together with the units in KLCC REIT ("**Stapled Securities**") on the Main Market of Bursa Securities.

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders held after the approval was given;
- (ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required to be held after the approval was given; or
- (iii) revoked or varied by resolution passed by the unitholders in a unitholders' meeting,

NOTICE OF ANNUAL GENERAL MEETING

whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed KLCC REIT Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing units of KLCC REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Units.

THAT authority be and is hereby given to the Directors of the Manager and Maybank Trustees Berhad (the "Trustee"), acting for and on behalf of KLCC REIT, to give effect to the Proposed KLCC REIT Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of KLCC REIT and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of KLCC REIT, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCC REIT Mandate."

Resolution 1

B. KLCCP

AS ORDINARY BUSINESS:

3. To receive the Audited Financial Statements for the financial year ended 31 December 2019 of the Company and the Reports of the Directors and Auditors thereon.

**(Please refer to
Note 9)**

4. To re-elect the following Directors who retire pursuant to the Constitution of the Company:

- (i) Datuk Hashim bin Wahir
- (ii) Cik Habibah binti Abdul
- (iii) Dato' Jamaludin bin Osman

**Resolution I
Resolution II
Resolution III**

5. To approve the payment of the following Directors' fees and benefits payable to Non-Executive Directors with effect from 23 April 2020 until the next Annual General Meeting to be held in 2021 of the Company.

Resolution IV

Category	Non-Executive Chairman	Non-Executive Directors
The Company	(RM per annum)	(RM per annum)
Directors' Retainer Fees	240,000	120,000
Petrol Allowance	6,000	6,000
	(RM per attendance)	(RM per attendance)
Attendance fee/ Tele-Conferencing fee	3,500	3,500
The Manager	(RM per attendance)	(RM per attendance)
Attendance fee/ Tele-Conferencing fee	3,500	3,500

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration.

Resolution V

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:

7 Authority to Issue Shares of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution 1 of KLCC REIT, the Directors of the Company be and are hereby authorised to issue ordinary shares in the capital of the Company ("**New Ordinary Shares**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the total number of such New Ordinary Shares to be issued, pursuant to this resolution, when aggregated with the total number of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being (excluding any treasury shares) and provided further that such corresponding number of New Units in KLCC REIT equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance to such persons ("**Proposed KLCCP Mandate**") and that the Directors be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such new Stapled Securities on the Main Market of Bursa Securities.

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company held after the approval was given;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
 - (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,
- whichever is the earlier.

THAT the New Ordinary Shares to be issued pursuant to the Proposed KLCCP Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing ordinary shares of the Company, except that the New Ordinary Shares will not be entitled to any dividend, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Ordinary Shares.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed KLCCP Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCCP Mandate."

Resolution VI

8. To transact any other business for which due notice has been given.

NOTICE OF ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 7th AGM of KLCC REIT and the 17th AGM of KLCCP, the Manager and/or the Trustee and KLCCP shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Amended and Restated Trust Deed dated 3 September 2019 entered into between the Manager and the Trustee, Articles 76(1) and 76(2) of KLCCP's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 April 2020 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

BY ORDER OF THE BOARD

Abd Aziz bin Abd Kadir (LS0001718)

Yeap Kok Leong (MAICSA 0862549)

Company Secretaries

Kuala Lumpur

28 February 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A holder of the Stapled Securities entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities. There shall be no restriction as to the qualification of the proxy.
2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.
3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or rubber stamp (if the corporation does not have a common seal) or under the hand of its attorney.
6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.
7. [Explanatory Note for Item 1](#)

This agenda item is meant for discussion only as in accordance with the provision of Paragraph 13.18(b) of Guidelines on Listed Real Estate Investment Trusts, a formal approval on the Audited Financial Statements of KLCC REIT from the holders of the Stapled Securities is not required. Hence, this item is not put forward to the holders of the Stapled Securities for voting.
8. [Explanatory Note for Item 2](#)

Subject to passing of Resolution VI of the Company, the proposed Resolution 1, if passed, will grant a renewed mandate to the Manager of KLCC REIT to issue New Units from time to time provided that the number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months, must not exceed 10% of the total number of units issued of KLCC REIT for the time being and provided further that such corresponding number of New Ordinary Shares in the Company equal to the number of New Units shall be issued and every one New Unit shall be stapled to one New Ordinary Share upon issuance. The Proposed KLCC REIT Mandate, unless revoked or varied at a unitholders' meeting, will expire at the conclusion of the next AGM of unitholders of KLCC REIT.

If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading *"signed under Power of Attorney which is still in force, no notice of revocation having been received"*. A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.

The Proposed KLCC REIT Mandate will allow the Manager the flexibility to issue New Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of KLCC REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed KLCC REIT Mandate, delays and further costs involved in convening separate general meetings to approve such issue of units to raise funds can be avoided.

As at the date of this Notice, no New Units have been issued pursuant to the mandate granted to the Directors of the Manager at the 6th AGM of KLCC REIT.

NOTICE OF ANNUAL GENERAL MEETING

9. Explanatory Note for Item 3

This agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1) of the Companies Act, 2016 does not require a formal approval of the holders of the Stapled Securities for the Audited Financial Statements of the Company. Hence, this item is not put forward to the holders of the Stapled Securities for voting.

10. Explanatory Note for Item 4

Article 106 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office once at least in each three years but shall be eligible for re-election at the AGM. A Director retiring at a meeting shall retain office until the conclusion of the meeting.

Article 112 of the Company's Constitution provides, amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next AGM and shall be eligible for re-election.

The profiles of the retiring Directors are set out in the Profiles of the Board of Directors on pages 154 to 160 of the Integrated Annual Report 2019 of KLCCP Stapled Group.

The Board of Directors of the Company, with the recommendation of Nomination and Remuneration Committee ("NRC"), endorsed that the Directors as named under Resolutions I to III who retire in accordance with Articles 106 and 112 of the Company's Constitution are eligible to stand for re-election.

11. Explanatory Note for Item 5

The holders of Stapled Securities at the last AGM held on 3 April 2019 approved the Non-Executive Directors' ("NEDs") fees and benefits as per the table disclosed in Item 5 above effective 4 April 2019 until the AGM of the Company to be held in 2020 i.e. 17th AGM ("Directors' Remuneration 2019/2020").

A total of RM1,123,050.00 of Non-Executive Directors' fees and benefits were incurred for the Company for the financial year ended 31 December 2019 and the details of payment are enumerated on page 182 of the Integrated Annual Report 2019 of KLCCP Stapled Group.

NRCs of the Company and the Manager (a wholly-owned subsidiary of the Company) had reviewed the Directors' Remuneration for the NEDs for the period from 23 April 2020 until the next AGM to be held in 2021 and recommended that the said Directors' Remuneration shall remain unchanged as per Directors' Remuneration 2019/2020. The respective Boards of Directors of the Company and the Manager endorsed the respective NRCs' recommendations.

Resolution IV on the proposed Directors' fees and benefits to be approved by the holders of the Stapled Securities is pursuant to Section 230(1)(b) of the Companies Act, 2016.

The members of the Board and Board Committees of the Manager are only remunerated for Attendance/ Tele-Conferencing when the meetings of the Manager are held on a different date than the meetings of the Board and Board Committees of the Company.

12. Explanatory Note for Item 7

Subject to passing of Resolution 1 of KLCC REIT, the proposed Resolution VI, if passed, will grant a renewed mandate and provide flexibility for the Company to empower the Directors to issue New Ordinary Shares from time to time, provided that the total number of such New Ordinary Shares to be issued, when aggregated with the total number of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being (excluding any treasury shares) should the need arise and provided further that such corresponding number of New Units equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of ordinary shares, the approval is a renewed mandate given to the Directors as the Board is always looking into prospective areas and seeking opportunities to broaden the operating base, increase earnings potential of the Company, raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of the Company and/or to refinance existing debt as well as for working capital purposes which may involve the issue of new ordinary shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, the Company did not issue any New Ordinary Shares pursuant to the mandate granted to the Directors at its 16th AGM.

ADMINISTRATIVE DETAILS

KLCC REIT 7TH ANNUAL GENERAL MEETING AND KLCCP 17TH ANNUAL GENERAL MEETING

DATE 22 April 2020	PLACE Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia
TIME 10.30 a.m.	

Registration

- Registration will start at 8.15 a.m. and the Annual General Meetings will start punctually at 10.30 a.m. We strongly encourage you to come early to facilitate registration.
- Please ascertain which registration counter you should approach to register yourself for the meetings and join the queue accordingly.
- Please produce your original Identity Card (MyKad) or passport (for foreigners) to the registration staff for verification. Please make sure you collect your MyKad or passport thereafter. KLCCP will not be responsible for any lost MyKad or Passport.
- Upon verification and registration:
 - Please sign on the Attendance List and an **identification wristband** will be provided at the registration counter; and
 - If you are attending the AGM as a shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall. No person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event that you lose/misplace the identification wristband. The said wristband has a passcode printed which will be required for electronic voting purpose.
- Once you have collected your **identification wristband** and signed the Attendance List, please leave the registration area immediately.
- No person will be allowed to register on behalf of another person even with the original MyKad or passport of that other person.
- The registration counters will only handle verification for identities and registration. If you have any queries, please proceed to the Help Desk.

Registration Help Desk

- The Registration Help Desk handles revocation of proxy's appointment and/or any clarification or enquiry.

Car Park and Parking Redemption Counter

- After registration for attendance of the KLCC REIT 7th AGM and the KLCCP 17th AGM, Stapled Securities holders are advised to approach the Parking Redemption Counter to exchange their parking ticket for free parking provided by the Company for cars parked only at the following locations in KLCC:

Locations	Enquiry Contact
Mandarin Oriental, Kuala Lumpur Car Park	03-2179 8898
KLCC Basement Car Park	03-2392 8585
Kuala Lumpur Convention Centre Car Park	03-2333 2945
Lot D1 Open Car Park (adjacent to Mandarin Oriental, Kuala Lumpur)	03-2392 8585

ADMINISTRATIVE DETAILS

Proxy

10. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the meetings and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.
11. If you wish to attend the meetings yourself, please do not submit the Form of Proxy. You will not be allowed to attend the meetings together with a proxy appointed by you.
12. If you have submitted your Form of Proxy prior to the meetings and subsequently decided to attend the meetings yourself, please proceed to the Registration Help Desk to revoke the appointment of your proxy.
13. Please ensure that the original Form of Proxy is deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. not less than forty-eight (48) hours before the time appointed for holding the meetings.

Corporate Member

14. Any corporate member who wishes to appoint a representative instead of a proxy to attend the meetings should lodge the certificate of appointment under the seal of the corporation, at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. not less than forty-eight (48) hours before the time appointed for holding the meetings.

General Meeting Record of Depositors

15. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 7th AGM of KLCC REIT and the 17th AGM of KLCCP, the Manager and KLCCP shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Paragraph 17 of Schedule 1 of the Amended and Restated Trust Deed dated 3 September 2019 and Articles 76(1) and 76(2) of KLCCP's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 April 2020 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

Refreshment

16. Light Refreshment shall be provided.
17. A refreshment meal voucher will be given to each member who is present personally during the registration at the Annual General Meeting.
18. One registered shareholder/proxy/corporate representative shall be entitled to only one (1) refreshment meal voucher.
19. Please redeem your refreshment meal from the Diamond Ballroom at the Ground Floor of the hotel.
20. There will be no replacement in the event that you lose/misplace your refreshment meal voucher.

AGM Enquiry

21. For enquiry prior to the KLCC REIT 7th AGM and KLCCP 17th AGM, please contact the following during office hours:

(a) Investor Relations and Business Development Department, KLCCP	(Tel 03-2783 6000) (G/L)
(b) Share Registrar – Tricor Investor & Issuing House Services Sdn. Bhd.	(Tel 03-2783 9299) (G/L)

Integrated Annual Report 2019

22. The KLCCP STAPLED GROUP Integrated Annual Report 2019 is available on Bursa Malaysia's website at www.bursamalaysia.com under Company Announcements and also on the KLCCP Stapled Group's website at www.klcc.com.my.



PROXY FORM



KLCC PROPERTY HOLDINGS BERHAD
200401003073 (641576-U)
(Incorporated in Malaysia)

KLCC REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted under the laws of Malaysia)

No. of Stapled Securities held	CDS Account No.

*I/We _____
(Full Name as per NRIC/Certificate of Incorporation)

Company No./NRIC No. (new) _____ (old) _____

of _____

(Full Address)

being a *holder/holders of the Stapled Securities of KLCC PROPERTY HOLDINGS BERHAD (“Company”) and KLCC REAL ESTATE INVESTMENT TRUST (“KLCC REIT”), hereby appoint:

1. PROXY “A”

Full Name (In Block)		Proportion of shareholdings	
NRIC/Passport No.		No. of Stapled Securities	%
Address			

* and/or failing him (*delete as appropriate)

2. PROXY “B”

Full Name (In Block)		Proportion of shareholdings	
NRIC/Passport No.		No. of Stapled Securities	%
Address			

or failing him/them, the CHAIRMAN OF THE MEETINGS as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Seventh Annual General Meeting (“7th AGM”) of KLCC REIT and the Seventeenth Annual General Meeting (“17th AGM”) of the Company to be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on 22 April 2020, Wednesday at 10.30 a.m. and at any adjournment thereof.

Please indicate with an “X” in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

	Resolution	PROXY “A”		PROXY “B”	
		For	Against	For	Against
KLCC REIT					
Proposed unitholders’ mandate to issue new units pursuant to Paragraph 6.59 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad	1				
KLCCP					
Re-election of Datuk Hashim bin Wahir	I				
Re-election of Cik Habibah binti Abdul	II				
Re-election of Dato’ Jamaludin bin Osman	III				
Directors’ fees and benefits payable to Non-Executive Directors with effect from 23 April 2020 until the next Annual General Meeting to be held in 2021 of the Company	IV				
Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to fix the Auditors’ remuneration	V				
Authority to issue shares of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016	VI				

Contact Number: _____

Signature of holder(s) of the Stapled Securities or
Common Seal

Dated: _____

* Strike out whichever is not desired.

Notes:

1. A holder of the stapled securities comprising ordinary shares in the Company stapled together with the units in KLCC REIT ("Stapled Securities") entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities. There shall be no restriction as to the qualification of the proxy.
2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.
3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or rubber stamp (if the corporation does not have a common seal) or under the hand of its attorney.

If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading "*signed under Power of Attorney which is still in force, no notice of revocation having been received*". A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.

6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.
7. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 7th AGM of KLCC REIT and the 17th AGM of the Company, KLCC REIT Management Sdn Bhd ("Manager") and/or Maybank Trustees Berhad ("Trustee") and the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Amended and Restated Trust Deed dated 3 September 2019 entered into between the Manager and the Trustee, Article 76(1) and 76(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 April 2020 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

Fold here

Affix
Stamp
Here

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd 197101000970 (11324-H)

Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

Fold here

CORPORATE DIRECTORY

KLCC PROPERTY HOLDINGS BERHAD

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC PARKING MANAGEMENT SDN BHD

Level P2, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8585
603 2392 8448
Facsimile : 603 2392 8407
Website : www.parking.klcc.com.my
E-mail : klccparking@klcc.com.my

KLCC URUSHARTA SDN BHD

Level P1, Tower 2
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8768
Facsimile : 603 2382 1037
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC REIT MANAGEMENT SDN BHD

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

MANDARIN ORIENTAL, KUALA LUMPUR

Kuala Lumpur City Centre
P.O. Box 10905
50088 Kuala Lumpur
Malaysia
Telephone : 603 2380 8888
Facsimile : 603 2380 8833
Website : www.mandarinoriental.com
E-mail : mokul-sales@mohg.com

SURIA KLCC SDN BHD

Level 13, Menara Darussalam
No 12, Jalan Pinang
50450, Kuala Lumpur
Malaysia
Telephone : 603 2382 3434
Facsimile : 603 2382 2838
Website : www.suriaklcc.com.my
E-mail : info@suriaklcc.com.my

www.klcc.com.my

KLCC PROPERTY HOLDINGS BERHAD 200401003073 (641576-U)
KLCC REAL ESTATE INVESTMENT TRUST

Levels 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur
TEL: (03) 2783 6000 FAX: (03) 2783 7810 EMAIL: info@klcc.com.my



KLCC PROPERTY HOLDINGS BERHAD
(Company No. 641576-U)
(Incorporated in Malaysia)

APPENDIX A

PROPOSED NEW CONSTITUTION

This is the Appendix A referred to the Special Resolution in the Notice of the 16th Annual General Meeting (“AGM”) of KLCC Property Holdings Berhad dated 28th February 2019.

THE COMPANIES ACT, 2016
MALAYSIA

PUBLIC COMPANY LIMITED BY SHARES

CONSTITUTION

OF

KLCC PROPERTY HOLDINGS BERHAD

1.	The name of the Company is KLCC PROPERTY HOLDINGS BERHAD.	<i>Name</i>
2.	The Office shall be situated in Malaysia.	<i>Office</i>
3.	The objects for which the Company is established are:-	<i>Objects</i>
-
(1)	To carry on the business of property investment; building and development management; to invest in immovable property, movable property, assets of any kind and any interest therein; to acquire for investment by way of purchase, lease, exchange, hire or with a view of resale or otherwise to own lands/properties, building and hereditaments of any tenure or description wherever situated as well as any interests therein, all rights, over and/or in connection therewith; undertaking improvement work upon such properties, preparing building sites for construction, reconstruction, alteration, improvement, decoration, furnishing and maintenance of all such lands or properties and building structure or sites; and to invest and carry out the ancillary works comprised and intended to in any such contracts on real property development and investment and all activities as may enhance the capital value of any landed fixed assets thereof.
(2)	To carry on the business of an investment holding company and generally to acquire for investment, shares, stocks, debentures, debenture stocks, bonds, obligations or securities by original subscription, tender, purchase, exchange or otherwise and to subscribe for the same, either conditionally or otherwise and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof; to purchase, establish and carry on business as general merchants, to undertake, carry on

and execute all kinds of financial, commercial trading, other manufacturing operations and all businesses whether wholesale or retail.

Without derogating from the generality of this Article, the Company has full capacity to carry on or undertake any other business or activity or do any act or enter into any transaction. The Company has, for the purposes of the foregoing, the full rights, powers and privileges.

And it is hereby declared that objects specified in each paragraph of this Article shall be regarded as independent objects and accordingly shall, except where otherwise expressed in any paragraph, be in no wise limited or restricted by reference to, or inference from the terms of any other paragraph or the name of the company but may be carried out in as full and ample a manner and construed just as wide a sense as if the said paragraph defined the objects of a separate distinct and independent company.

4.	The liability of the Members is limited.	<i>Limited Liability</i>
5.	The shares in the Company may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.	<i>Shares in the Company</i>
6.	Subject always to the respective rights, terms and conditions mentioned in Article 5 hereof, the Company shall have power to increase or reduce the capital of the Company, to consolidate or subdivide the shares into shares of larger or smaller amounts and to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such rights, privileges, terms, conditions or designations in accordance with the Constitution for the time being of the Company.	<i>Power of the Company to Increase or Reduce the Capital</i>

INTERPRETATION

7.	In this Constitution, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not inconsistent with the subject or context:	<i>Interpretation Clause</i>

WORDS	MEANINGS	Definitions
Act	the Companies Act, 2016 or any statutory modification, amendment or re-enactment thereof for the time being in force and includes any and every legislation made thereunder.	
Articles	any provisions in this Constitution, as originally framed or as altered from time to time.	
Authorised Nominee	has the meaning ascribed thereto in the Central Depositories Act.	
Board	means the board of directors for the time being of the Company.	
Central Depositories Act	Securities Industry (Central Depositories) Act 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force and includes any and every legislation made thereunder.	
CMSA	Capital Markets and Services Act 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force and includes any and every legislation made thereunder.	
Company	KLCC PROPERTY HOLDINGS BERHAD	
Constitution	the Constitution sets out herein, as the same may be amended from time to time by special resolution or as required by the Act and/or the Listing Requirements.	
Deposited Security	a security, as defined in Section 2 of the Central Depositories Act, in the Company standing to the credit of a Securities Account and includes a security of a Securities Account that is in suspense.	
Depositor	a holder of a Securities Account established by the Depository.	
Depository	Bursa Malaysia Depository Sdn. Bhd. or such other depository as may be approved by the relevant authorities to be a central depository under the	

	Central Depositories Act and includes its successors-in-title and permitted assigns.
Directors	the directors for the time being of the Company.
Exchange or Bursa Securities	Bursa Malaysia Securities Berhad
Holder	a holder for the time being of the Stapled Securities.
KLCC REIT	the Islamic real estate investment trust of that name constituted under the KLCC REIT Trust Deed.
KLCC REIT Trust Deed	means the trust deed establishing KLCC REIT and registered with the SC (as amended from time to time).
Listed	in relation to the Stapled Securities, means admitted to the Official List of the Main Market of the Exchange, and the term “ Listing ” shall be construed accordingly.
Listing Requirements	the listing requirements of the Exchange, including any amendments to the Listing Requirements that may be amended from time to time and such practice notes or circulars as may be issued by the Exchange from time to time.
Market Day	any day on which the stock market of the Exchange is open for trading of securities.
Member	means: (a) a person whose name is entered in the Register of Members as the holder for the time being of one or more shares in the Company; and/or (b) any Depositor who shall be treated as if he was a member pursuant to Section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee.

Office	the registered office for the time being of the Company.
Official Seal	the official seal of the Company.
Record of Depositors	a record provided by the Depository to the Company under Chapter 24.0 of the Rules.
REIT Guidelines	the Guidelines On Listed Real Estate Investment Trusts of the SC and any other guidelines or practice notes of the SC which are applicable to KLCC REIT, each as amended or replaced from time to time except to the extent of any express written waiver by the SC.
REIT Manager	KLCC REIT Management Sdn Bhd (Company No. 1026769-H), acting in its capacity as the management company of the KLCC REIT
REIT Trustee	Maybank Trustees Berhad (Company No. 5004-P), acting in its capacity as trustee of the KLCC REIT.
Register of Members	the register of the Members of the Company to be maintained pursuant to the Act.
Relevant Laws, Regulations and Guidelines	means, as applicable in the context, any or all laws, regulations and guidelines that apply to the Stapled Securities, including but not limited to the REIT Guidelines, the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investor (Revised: 11 October 2018), the Listing Requirements, the CMSA, the Act, all applicable tax laws and all directions, directives, guidelines or requirements imposed by any competent authority that apply to the Stapled Securities, as the same may be modified, amended, supplemented, revised or replaced from time to time, including any waiver, exception, exemption, approval, consent or relief from time to time granted to the Stapled Securities by any regulatory authority including the SC and Bursa Securities.
Rules	Rules of the Depository as defined under Section 2 of the Central Depositories Act or any modification or amendment thereof for the time being in force.

SC	Securities Commission Malaysia or any replacement or successor authority.
Secretary	means a secretary of the Company appointed under Section 236 of the Act.
Securities	has the meaning ascribed thereto in Section 2(1) of the CMSA or any modification, amendment or re-enactment thereof for the time being in force.
Securities Account	an account established by the Depository for a Depositor for the recording of deposit of securities and for dealings in such securities by the Depositor.
Seal	the common seal of the Company.
Shares	means share capital of the Company and includes stock except when a distinction between share and stock is expressed or implied.
Stapled	the linking together of a Share and a Unit so that one may not be transferred or otherwise dealt with without the other and which are quoted on Bursa Securities jointly as a “Stapled Security” or such other term as Bursa Securities permits.
Stapled Security	a Unit and a Share which are Stapled together and registered in the name of a person.
Stapling	the linking process that results in each Unit and Share being and remaining Stapled to each other.
Stapling Commencement Date	the date on which Stapling is to commence as agreed between the parties to the Stapling Deed provided that the KLCC REIT Trust Deed shall have been registered with the SC by such date.
Stapling Deed	The deed entered into between the REIT Manager, the REIT Trustee and the Company which provides for the Stapling and sets out the terms and conditions of the relationship between the REIT Manager, the REIT Trustee and the Company in respect of the Units and the Shares (as amended from time to time).
Unit	a unit representing one undivided interest in KLCC REIT as provided in the KLCC REIT Trust Deed and

“Units” shall be construed accordingly.

Unitholder in relation to Units which are not Listed, means the registered holder for the time being of the Units including persons jointly registered, and in relation to Units which are Listed and registered in the name of the Depository, mean, where the context requires, a Depositor.

“Writing” shall, unless the contrary intention appears, include references to printing, lithography, photography and include any other mode or modes of representing or reproducing words, letters, figures or marks in a visible form.

Words importing the singular number only shall include the plural number, and vice versa.

Words importing the masculine gender only shall include the feminine gender.

Words importing persons shall include corporations and companies.

The word “company” in this Constitution, except where used in reference to this Company, shall be deemed to include any partnership or other body of persons whether incorporated or not incorporated and whether domiciled in Malaysia or elsewhere.

Subject as aforesaid, any words or expressions in the Act or Central Depositories Act or the Rules, as the case may be, shall except where the subject or context forbids, bear the same meanings as wherever used in this Constitution.

*Expressions in Act
Defined to Bear
Same Meaning in
Articles*

BUSINESS

8. Any branch or kind of business which by the Constitution, is either expressly or by implication authorised to be undertaken by the Company may be undertaken by the Directors at such time or times as they think fit, and further, may be suffered by them to be in abeyance, whether such branch or kind of business may have been actually commenced or not, so long as the Directors may deem it expedient not to commence or proceed with such branch or kind of business.

Business

STAPLED SECURITIES

9. (a) The REIT Manager is the management company, and the REIT Trustee is the trustee, of KLCC REIT.

Stapled Securities

- (b) By the KLCC REIT Trust Deed, the REIT Manager and the REIT Trustee have agreed to constitute KLCC REIT and to act as the management company and the trustee, respectively, for the benefit of the holders of the Units, on the terms and subject to the conditions of the KLCC REIT Trust Deed (which shall take effect from the date of registration with the SC) and the Stapling Deed.
 - (c) The KLCC REIT Trust Deed and this Constitution provide for the Stapling.
 - (d) The Stapling Deed provides for the Stapling and sets out the terms and conditions of the relationship between the REIT Manager, the REIT Trustee and the Company in respect of the Units and the Shares.
 - (e) The Stapling Deed shall take effect on the Stapling Commencement Date.
10. (a) On and from the Stapling Commencement Date: *Shares and Units to be Stapled*
- (i) each Share must be Stapled to a Unit (and vice versa);
 - (ii) the REIT Manager must not issue a Unit unless a Share is issued at the same time and to the same person;
 - (iii) the Company must not issue a Share unless a Unit is issued at the same time and to the same person;
 - (iv) the Company must not issue any right or option to acquire any Share unless the REIT Manager issues a corresponding right or option to acquire a Unit (and vice versa);
 - (v) the Company may not without the prior written consent of the REIT Manager issue any other class of share in the Company other than an ordinary share or any right or option to acquire any such share; and
 - (vi) the REIT Manager may not without the prior written consent of the Company issue any other class of unit in KLCC REIT other than an ordinary unit or any right or option to acquire any such unit.
- (b) Each Share must be Stapled to a Unit (and vice versa) immediately after the later of:

- (i) the date of issue of the Unit; an
- (ii) the date of issue of the corresponding Share.

11. (a) On and from the Stapling Commencement Date, the REIT Manager and the Company must not: *Dealing in Shares and Units*

- (i) do any act, matter or thing (including registering any transfer of any Unit or Share); or
- (ii) refrain from doing any act, matter or thing,

if to do so or refrain from doing so (as the case may be) would result directly or indirectly in any Unit or any Share no longer being Stapled as a Stapled Security, other than in accordance with Clause 11 of the Stapling Deed.

(b) On and from the Stapling Commencement Date, the REIT Manager must not:

- (i) offer any Units for subscription or sale unless an offer is made by the Company at the same time and to the same person for an equal number of Shares for issue or sale;
- (ii) offer any Units for subscription or sale unless the terms of that offer require each offeree to subscribe for or buy a number of Shares equal to the number of Units subscribed for or bought;
- (iii) issue or sell any Units to any person unless an equal number of Shares are also issued or sold to the same person at the same time;
- (iv) consolidate, sub-divide, cancel, buy-back or redeem or repurchase any Units unless at the same time there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption or repurchase of the Shares to which they are Stapled;
- (v) register any transfer of Units to any person unless an identical number of Shares is also transferred to the same person at the same time;
- (vi) permit a re-investment of distributions in accordance with Article 11(d) by a Holder in a Unit unless at the same time the Holder acquires a Share; and

- (vii) perform any restructure or reorganisation of a Unit, including but not limited to the consolidation or subdivision of a Unit or other similar or analogous corporate action in respect of KLCC REIT or the Units unless the Company takes the corresponding action in relation to Shares at the same time.
- (c) On and from the Stapling Commencement Date, the Company must not:
 - (i) offer any Shares for subscription or sale unless an offer is made by the REIT Manager at the same time and to the same person for an identical number of Units for issue or sale;
 - (ii) offer any Shares for subscription or sale unless the terms of that offer require each offeree to subscribe for or buy a number of Units equal to the number of Shares subscribed for or bought;
 - (iii) issue or sell any Shares to any person unless an identical number of Units are also issued or sold to the same person at the same time;
 - (iv) consolidate, sub-divide, cancel, buy-back or redeem or repurchase any Shares unless at the same time there is a corresponding consolidation, sub-division, cancellation, buy-back or redemption or repurchase of the Units to which they are Stapled;
 - (v) register any transfer of Shares unless an identical number of Units is also transferred to the same person at the same time;
 - (vi) permit a re-investment of distributions in accordance with Article 11(d) by a Holder in a Share unless at the same time the Holder acquires a Unit; and
 - (vii) perform any restructure or reorganisation of a Share, including but not limited to the consolidation or subdivision of a Share or other similar or analogous corporate action in respect of the Company or the Shares unless the REIT Manager takes the corresponding action in relation to Units at the same time.

- (d) For the purpose of Article 11(b)(vi) and 11(c)(vi), the REIT Manager and the Company may make provisions governing the amount of the re-invested distributions to be used to subscribe for each Unit or Share comprising the Stapled Security having regard to the issue price of the Unit or the Share.
- (e) A party is not obliged to effect a buy-back, cancellation, redemption, transfer or issue or other corporate action in a manner inconsistent with any constitutional, contractual or fiduciary obligation or law by which it is bound, or if it does not have any necessary consent or approval.
- (f) If a Unit or a Share is to be sold pursuant to forfeiture as a consequence of non-payment of a call, the party which issued the Unit or Share will, to the maximum extent permitted by the REIT Guidelines, the Listing Requirements and general law, ensure that the Share or Unit to which it is Stapled is also sold so that the Unit or Share is sold as part of a Stapled Security.

12. Unless and until Stapled Securities are unstapled in accordance with the Stapling Deed, the Stapled Security will remain Listed. *Quotation as Stapled Security*

13. For so long as the Stapled Securities are Listed: *No Certificate for Listed Stapled Securities*

- (a) no certificate shall be issued to Holders by the REIT Manager, the REIT Trustee or the Company in respect of any Unit, Share or Stapled Security;
- (b) the REIT Manager, the REIT Trustee and the Company shall, pursuant to the Depository Services Terms and Conditions, appoint the Depository as the depository for the Stapled Securities, and all Stapled Securities issued will be deposited with the Depository and represented by entries in the register in the name of the Depository as the registered Holder thereof;
- (c) the REIT Manager and the Company, or the agent appointed by them, shall issue to the Depository not more than 10 Market Days after the issue of Stapled Securities a confirmation note confirming the date of issue and the number of Stapled Securities so issued and, if applicable, also stating that the Stapled Securities are issued under a moratorium and the expiry date of such moratorium; and
- (d) the REIT Manager and the Company shall reasonably procure that the Depository shall, at such intervals, and as may be provided for in the Depository's terms and conditions for operation of Securities Accounts, issue to each Depositor such

contract statements, confirmation notes and/or statements of accounts balances, and at such intervals, as may be provided for in the Depository's terms and conditions for operation of Securities Accounts.

14. The terms and conditions of the Stapling Deed and of any supplemental deed (including any amending and restating deed) shall be binding on each Holder or (as the case may be) each Depositor and all persons claiming through him as if he had been party thereto and as if the Stapling Deed and any supplemental deed (including any amending and restating deed) contained covenants on the part of each Holder or (as the case may be) each Depositor to observe and be bound by all the provisions hereof and an authorisation of the REIT Manager, the REIT Trustee and the Company by each Holder or each Depositor (as the case may be) to do all such acts and things as the Stapling Deed and any supplemental deed (including any amending and restating deed) may require the REIT Manager, the REIT Trustee or (as the case may be) the Company to do.

Terms and conditions of the Stapling Deed and supplemental Deeds to bind Holders

15. A copy of the Stapling Deed and any supplemental deed (including any amending and restating deed) for the time being in force shall be made available for inspection at the registered offices of the REIT Manager, the REIT Trustee and the Company at all times during usual business hours and shall be supplied by the REIT Manager, the REIT Trustee or (as the case may be) the Company to any person in accordance with any Relevant Laws, Regulations and Guidelines on application at a charge not exceeding RM10.00 per copy.

Availability of the Stapling Deed

16. The Holders shall not give any directions to the REIT Trustee, the REIT Manager or the Company (whether at a meeting of the Holders duly convened or otherwise) if it would require the REIT Trustee, the REIT Manager or the Company to do or omit from doing anything which may result in:

Restriction on Directions

- (a) KLCC REIT, the Company or the Stapled Securities ceasing to comply with the Relevant Laws, Regulations and Guidelines or any other applicable laws and regulations; or
- (b) the exercise of any discretion expressly conferred on the REIT Trustee, the REIT Manager and/or the Company by the Stapling Deed or the determination of any matter which under the Stapling Deed requires the agreement of REIT Trustee, the REIT Manager and/or the Company; PROVIDED THAT nothing in this Article shall limit the right of a Holder or (as the case may be) a Depositor to require the due administration of KLCC REIT, the Company or the Stapled Securities in accordance with the Stapling Deed.

17. (a) Nothing in KLCC REIT Trust Deed shall be taken to amend or alter the Stapling Deed. *KLCC REIT Trust Deed to be subordinate to the Stapling Deed*
- (b) If there is any inconsistency between the obligations of the REIT Manager or the REIT Trustee under the Stapling Deed and the KLCC REIT Trust Deed, the provisions of the Stapling Deed apply to the extent of the inconsistency.
18. (a) Nothing in this Constitution shall be taken to amend or alter the Stapling Deed save that this Constitution, including but not limited to Articles 19 (*Allotment of Shares*), 40 to 45 (*Transfer of Securities*), 46 to 50 (*Transmission of Securities*), 51 to 59 (*Forfeiture of Shares*), 60 to 63 (*Conversion of Shares into Stock*), 64 to 66 (*Increase of Capital*), 67 to 69 (*Alteration of Capital*), 70 to 81 (*General Meeting*), 118 (*Limitation on Directors' Powers*), 119 (*Directors' Borrowing Powers*), where applicable, shall be subordinated to and be read subject to the Stapling Deed. *These Articles to be subordinate to the Stapling Deed*
- (b) To the extent permitted by the Relevant Laws, Regulations and Guidelines, if there is any inconsistency between the obligations of the Company under the Stapling Deed and this Constitution, the provisions of the Stapling Deed apply to the extent of the inconsistency.

SHARE CAPITAL AND VARIATION OF RIGHTS

19. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution, Stapling Deed, the Act, the Central Depositories Act, the Listing Requirements and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions, terms and at such times as the Directors think fit PROVIDED ALWAYS that: *Allotment of Shares*
- (i) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (ii) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person or company without the prior approval of the Members in general meeting;
- (iii) every issue of shares or options or other convertible securities to employees and/or Directors of the Company shall be

approved by the Members in general meeting and no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in general meeting have approved the specific allotment to be made to such Director;

- (iv) the Company shall issue, allot securities, despatch notices of allotment to the allottees and make an application for the quotation of such securities within such period as may be prescribed under the Listing Requirements or by the Exchange;
- (v) notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, no shares or convertible securities shall be issued if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceed ten percent (10%) of the total number of the issued shares (excluding treasury shares) of the Company, except where the shares or convertible securities are issued with the prior approval of the Members in a general meeting of the precise terms and conditions of the issues;
- (vi) no person shall exercise any rights of a Member until his name shall have been entered in the Register of Members or his name appears in the Record of Depositors and he shall have paid all calls and other moneys for the time being due and payable on any share held by him provided that the Depository or its nominee in whose name the Deposited Security is registered shall not be entitled to any such rights unless required by virtue of the Central Depositories Act or the Rules or the context of these Articles;
- (vii) the Company must ensure that all new issues of securities for which listing is sought on the Exchange are made by way of crediting the Securities Accounts of the allottees with such securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this Article. For this purpose, the Company must notify the Depository to enable the Depository to make the appropriate entries in the Securities Accounts of such allottees; and
- (viii) the Company must not issue and allot securities or cause or authorise its registrars to cause the Securities Accounts of the allottees to be credited with the additional securities until after it has filed with the Exchange an application for listing of such

additional securities and been notified by the Exchange that such new issue of securities has been approved or approved in principle for listing, as the case may be.

20. Subject to the Act and without prejudice to any special rights previously conferred on holders of any share or class of shares already issued, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed in accordance with the Constitution, and the Company shall not, unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 20 hereof, issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements, and attending general meetings of the Company. *Rights of Preference Shareholders*
21. Notwithstanding Article 22 hereof and subject to the Act, the repayment of preference share capital other than redeemable preference share capital, or any alteration of preference shareholder's rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of seventy-five per cent (75%) of the total voting rights of the preference shareholders concerned within two (2) months of the meeting shall be as valid and effectual as a special resolution carried at the meeting. *Repayment Of Preference Capital*
22. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of seventy-five per cent (75%) of the total voting rights of the shareholders in that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but the necessary quorum shall be, for a meeting other than adjourned meeting, two (2) persons at least holding or representing by proxy one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares, for an adjourned meeting, one (1) person at least holding or representing shares of that class, and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply. *Modification of Class Rights*
23. The rights conferred upon the holders of the existing class of preference *Ranking of Class Rights*

shares shall not, unless otherwise expressly provided by the terms of issue of the existing preference shares or authorised by this Constitution as in force at the time when the existing preference shares were issued, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.

24. The Company may exercise the power of paying commissions conferred by the Act, provided that the rate or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent (10%) of that price whichever is lesser. Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares of partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.
- Commission on
Subscription of
Shares*
25. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to share capital as part of the cost of construction of the works or buildings or the provision of the plant.
- Interest on Share
Capital during
Construction*
26. Except as required by law under the Central Depositories Act and the Rules or pursuant to any order by court, no person (other than Bursa Malaysia Depository Nominees Sdn Bhd) shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of share or any interest in any fractional part of the share (except only as by this Constitution or by the Act or by law otherwise provided) or any other rights in respect of any share except an absolute right of ownership in the registered holder.
- Trusts not to be
Recognized*

CERTIFICATES

27. In relation to Deposited Securities, the Company shall only issue jumbo certificates in respect of shares or securities in favour of Depository or Bursa Malaysia Depository Nominees Sdn Bhd as he may be directed by the Depository pending the crediting of shares or securities into the Securities Account of the person entitled to such shares or securities or as may be prescribed by the Central Depositories Act and the Rules PROVIDED ALWAYS that every certificate shall be issued under the
- Jumbo certificates*

Official Seal or Seal in such form as the Directors and/or Depository shall from time to time prescribe and shall bear the facsimile signatures or autographic signatures of at least one Director and a second Director or the Secretary or some other person appointed by the Directors, and shall specify the number and class of shares or securities to which it relates and the denominations as may be specified by the Depository.

LIEN

28. Subject to the Act, the Central Depositories Act and the Rules, the Company shall have a first and paramount lien on every share (not being fully paid share) registered in the name of a holder in the Register of Members or the Record of Depositories, as the case may be, for all moneys payable by him or his estate to the Company, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien on shares and dividends from time to time declared and other moneys payable thereon or in respect of such shares, shall be restricted to unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member.
- Company's Lien on Shares and Dividends*
29. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days from a notice in writing, stating and demanding payment of such part of the amount in respect of which the privilege or lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.
- Lien may be Enforced by Sale of Shares*
30. To give effect to any such sale the Directors may authorise a person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and the Director shall not be bound to see to the application of the purchase money. The title of the purchaser to the shares shall not be affected by any irregularity or invalidity in the proceedings in reference to the sale and the remedy of the holder of such share or of any person claiming under or through him in respect of any alleged irregularity or invalidity shall be against the Company.
- Directors may Effect Transfer*
31. The proceeds of the sale after payment of interests and costs relating to the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall be (subject to a similar lien for sums not presently payable which exists over the shares before the sale)
- Application of Proceeds of Sale*

paid to the person entitled to the shares at the date of the sale or his executors, administrators or assignees or as he directs.

32. The Directors may decline to register the transfer of a share over which the Company has a lien. The registration of a transfer of a share approved by the Directors shall operate as a waiver of the Company's lien over the share.
- Registration of Transfer*

CALLS ON SHARES

33. The Directors may from time to time make calls upon the shareholders in respect of any money unpaid on the shares of the shareholders and not by the conditions of allotment thereof made payable at fixed date, provided that no call shall exceed one-fourth (1/4) of the issued price of the share or be payable at less than thirty (30) days from the date fixed for the payment of the last preceding call, and each Member shall (subject to receiving at least fourteen (14) days' notice specifying the date, time and place of payment) pay to the Company the amount called on his shares. A call may be revoked or postponed as the Directors may determine.
- Directors may Make Calls*

34. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by installments. No shareholder shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share by him, together with interest and expenses (if any).
- Effective Date of Call*

35. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest or compensation on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent (8%) per annum or such other rate as the Directors may determine, but the Directors shall be at liberty to waive payment of the interest or compensation wholly or in part.
- Interest compensation or on Unpaid Calls*

36. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, shall for the purposes of this Constitution be deemed to have been duly called for and shall be payable on the date on which by the terms of issue the shares becomes payable, and in case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if the sum had become payable by virtue of a call duly made and notified.
- When Calls Deemed Made*

37. The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.
- Difference in Calls*

38. The Directors may, if they think fit, receive from any shareholder willing to advance the payment all or any part of the money uncalled and unpaid upon any shares held by him, and upon all or any part of the money so advanced may (until the same would, but for the advance, become payable) pay interest or return at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per cent (8%) per annum, as may be agreed upon between the Directors and the shareholder paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, capital paid in advance of calls shall not, until the same would but for such advance have become payable, be treated as paid up on the shares in respect of which they have been paid.

*Capital Paid in
Advance of Calls*

INFORMATION OF SHAREHOLDING

39. (1) The Company may by notice in writing require any Member within such reasonable time as is specified in the notice:
- (a) to inform the Company whether he holds any voting shares in the Company as beneficial owner or as trustee; and
 - (b) if he holds the voting shares as trustee, to indicate so far as it is possible to do so, the persons for whom he holds the voting shares by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
- (2) Where the Company is informed in pursuance of a notice given to any person under sub-Article (1) hereof or under this sub-Article that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:
- (a) to inform the Company whether he holds that interest as beneficial owner or as trustee; and
 - (b) if he holds the interest as trustee, to indicate so far as it is possible to do so the persons for whom he holds the interest by name and by other particulars sufficient to enable them to be identified and the nature of their interest.

*Company may
Require Information*

- (3) The Company may by notice in writing require a Member to inform the Company, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him are subject of an agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and the parties to such agreement or arrangement.
- Member to Inform Company*

TRANSFER OF SECURITIES

40. Subject to the provisions of the Act, this Constitution, the Central Depositories Act and the Rules, every instrument of transfer of any security shall be in writing and in the form approved in the Rules, and shall be presented to the Depository with such evidence as the Depository may require to prove the title of the intending transferor and that the intended transferee is a qualified person.
- Form of Transfer*
41. The transfer of any Deposited Securities or class of Deposited Securities of the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.
- Transfer of Securities*
42. Subject to the Central Depositories Act and the Rules, the instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.
- Transferor's right*
43. Subject to the Relevant Laws, Regulations and Guidelines, neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon any transfer of shares registered by the Depository, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and transferee, be liable to be set aside. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title hereto.
- No liability*

44. The Depository may in its absolute discretion refuse to register any transfer that does not comply with the Central Depositories Act and the Rules. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind or in the name of any firm or partnership.
- Refusal to Register Member*

45. Subject to the Act, the registration of transfers of shares may be suspended at such times and for such periods as the Directors may from time to time determine, provided that no part of the Register of Members or any class of members be closed for more than thirty (30) days in aggregate in any calendar year.
- Suspension of transfer*

TRANSMISSION OF SECURITIES

46. Where:
- Transmission of Securities*
- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998 as the case may be, under the Rules in respect of such securities,

the Company shall, upon request by a Depositor, permit a transmission of securities held by such Depositor from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

47. Subject to the provisions of the Act, the Central Depositories Act and the Rules, in case of the death of a Member, the legal representatives of the deceased shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased shareholder from any liability in respect of any share which had been held by him.
- Death of Member*

48. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof in accordance with the Act, Central Depositories Act and the Rules, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy.
- Share of Deceased or Bankrupt Member*

49. Subject to the Act, the Central Depositories Act and the Rules, if the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects PROVIDED ALWAYS that where the share is a Deposited Security and the person so becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him on the Depository. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share or such other instrument as the Depository may require. All the limitations, restrictions and provisions of this Constitution relating to the rights to transfer and the registration of transfers of shares, the Central Depositories Act and the Rules shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by that Member. *Notice of Election*
50. Where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee of his estate, (or in the case of a body corporate, liquidation, its assignee or liquidator, otherwise than for the purpose of reconstruction or amalgamation) as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf and upon registration as a Member, be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt or liquidated. *Person Entitled may Receive Dividends etc.*

FORFEITURE OF SHARES

51. If a Member fails to pay the whole or any part of any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest or compensation, not exceeding eight per cent (8%) per annum which may have accrued and all expenses incurred by the Company by reason of such non-payment. *Notice Requiring Payment*
52. The notice shall name a further day (not less than fourteen (14) days from the date of service of the notice) on or before which the payment required by the notice is to be made and the place where payment is to be made, and shall state that in the event of non-payment at or before the time and place appointed the shares in respect of which the call was made will be liable to be forfeited. *Particulars of Notice of expiration*
53. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time *Forfeiture For Non-Payment*

thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept the surrender of any share liable to be forfeited hereunder.

54. A share so forfeited shall become the property of the Company and may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit and whether with or without all or any part of the amount previously paid on the share being cancelled as paid. *Directors may Sell or
Cancel Forfeited
Shares*
55. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all money which, at the date of forfeiture, was payable by him to the Company in respect of the shares (together with interest or compensation at the rate of eight per cent (8%) per annum or such other rate as may be allowed under the law from the date of forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of such interest or compensation), but his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares. *Liability of Member
in respect of
Forfeited Shares*
56. A statutory declaration in writing that the declarant is a Director or the Secretary and that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. *Evidence of
Forfeiture*
57. The Company may receive the consideration if any, given for a forfeited share on any sale or disposition thereof and the Directors may (in the case of shares that are not Deposited Securities) authorise any person to execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall be registered as the holder of the share or (in the case of shares that are Deposited Securities authorise its registrar to cause the Depository to credit the Securities Account of the purchaser with the forfeited shares or otherwise in accordance with the directions of such person as aforesaid), and the purchaser shall not have his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, or disposal of the share. Any residue of the proceeds of sale of shares which are forfeited and sold or disposed of, after the satisfaction of the unpaid calls and installments payable at fixed times and accrued interest or compensation and expenses of such sale or disposal, shall be paid to the person entitled to the shares immediately before the forfeiture thereof or his executors, administrators, or assignees or as he directs. *Proceeds of Sale*

58. When any share has been forfeited in accordance with this Constitution notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by reason of the death or bankruptcy, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof shall forthwith be made in the Register of Members opposite to the share but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry aforesaid. *Notice of Forfeiture*
59. The provisions of this Constitution as to the forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed date, as if the same had been payable by virtue of a call duly made and notified. *Application of Forfeiture Provision*

CONVERSION OF SHARES INTO STOCK

60. The Company may by ordinary resolution passed at a general meeting convert all or any of its paid up shares into stock or re-convert any stock into paid up shares of any denomination. *Conversion by Ordinary Resolution*
61. The holders of the stock may transfer the same or any part thereof in the same manner and subject to this Constitution as and subject to which the shares from which the stock arose might before the conversion have been transferred or as near thereto as circumstances permit; PROVIDED that the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum. *Transfer of Stock*
62. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages with regards to dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such part of stock which would not, if existing in shares, have conferred that right, privilege or advantage. *Rights of Stockholders*
63. Such of this Constitution as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder", respectively. *Definition*

INCREASE OF CAPITAL

64. The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such number and amount and to be divided into *Power to Increase Capital*

shares of such respective number and amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.

65. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution. Notwithstanding the above, the Directors shall not be required to offer any new shares from time to time created to the holders of the existing shares where the said shares are to be issued as consideration or part consideration for the acquisition of shares, securities or assets by the Company.

*Issue of New Shares
to Members*

66. Except so far as otherwise provided by the conditions of issue, or the Central Depositories Act or the Rules, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls and installments, lien, transfer, transmission, transaction, forfeiture and otherwise as the original share capital.

*New Shares to Rank
with Original Shares*

ALTERATION OF CAPITAL

67. The Company may by ordinary resolution:
- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (ii) sub-divide its share capital or any of the shares, whatever is in the subdivision, the proportion between the amount paid and

*Power to Alter
Capital*

the amount unpaid (if any) on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived.

68. The Company may by special resolution reduce its share capital, subject to, any authorisation and consent required by law. *Power to Reduce Capital*
69. Subject to and in accordance with the Act, the Listing Requirements, this Constitution, any rights previously conferred on any class of shares, and any rules and guidelines of any other relevant authorities (other than such of the rules and guidelines which are waived by the relevant authorities), the Company may purchase its own shares and thereafter deal with the shares in accordance with the provisions of the Act and all relevant regulations, rules, codes, guidelines thereunder issued by the Exchange and any other relevant authorities and other laws applicable to the Company from time to time. *Purchase of Own Shares*

GENERAL MEETINGS

70. Meetings of the Company shall be held in accordance with the provisions of the Act. An annual general meeting of the Company shall be held once in every calendar year within six (6) months from the financial year end of the Company and not more than fifteen (15) months after the holding of the last preceding annual general meeting provided that the Company holds its first annual general meeting within eighteen (18) months of its incorporation. All general meetings shall be held at such time, day and place as the Directors shall determine. *General Meetings*
71. Every notice of an annual general meeting shall specify the following: *Form of Notice*
- (1) The place, date and time of the meeting;
 - (2) The general nature of the business of the meeting;
 - (3) The text of any proposed resolution; and
 - (4) Other information as the Directors think fit.
72. The Company may convene a general meeting at more than one venue using any technology or method that enables the Members of the Company to participate and to exercise the Members' rights to speak and vote at the meeting. If the general meeting is to be held in two (2) or more places, the notice of the meeting shall specify the technology or method that will be used to facilitate the meeting.
73. The main venue of the general meeting shall be in Malaysia and the Chairman shall be present at that main venue of the meeting.

74. The Directors may whenever they so decide by resolution convene a general meeting. In addition, a general meeting shall be convened on such requisition as is referred to in Sections 311 and 312 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 311, a meeting may be convened by the requisitionists themselves in the manner provided in Section 313 of the Act. *General Meeting*
75. For so long as the Stapled Securities are Listed, a Holder shall have the right to call for a combined meeting of Unitholders and Shareholders if such Holder is and would be entitled by law to call for a meeting of Unitholders and a meeting of Shareholders separately on the same date and the requirements of this Constitution and the KLCC REIT Trust Deed and the Relevant Laws, Regulations and Guidelines have been and would be met in such circumstances. *Right to Requisition a Combined meeting of Unitholders and Shareholders*
76. (1) The Company shall request the Depository in accordance with the Rules to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. *Record of Depositors*
- (2) The Company shall also request the Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting or adjourned general meeting (hereinafter referred to as "the General Meeting Record of Depositors").
- (3) Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 (where applicable), a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.
77. The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least fourteen (14) days' before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. The notices must also include the date of the Record of Depositors, as at the latest date which is reasonably practicable and in any event shall not be less than three (3) Market Days before the general meeting for the purpose of determining whether a Depositor shall be regarded as a Member entitled to attend, speak and vote at the general meeting. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is the annual *Notice of General Meetings*

general meeting, of every such meeting shall be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed. In respect of the combined meeting of Unitholders and Members, the notice of the meeting shall be advertised in the national language and English daily newspapers circulating in Malaysia.

78. For so long as the Stapled Securities are Listed, the requisite notice to be given to the Holders of, and a quorum for, a combined meeting of Unitholders and Members shall only be valid and effective if they would be met for a meeting of Unitholders and a general meeting separately on the same date and the requirements of this Constitution and the KLCC REIT Trust Deed and the Relevant Laws, Regulations and Guidelines have been and would be met in such circumstances.

*Combined meeting
of Unitholders and
Shareholders*

79. Subject always to the provisions of the Act, all business transacted at a general meeting and also all business that is transacted at an annual general meeting shall be special with the exception of the consideration of the audited financial statements and audited group financial statements (if any) and the reports of the Directors and auditors, the re-election or appointment and the fixing of the fees of the Directors and the appointment and fixing of the remuneration of the auditors.

Business Meetings at

80. (1) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him, and that a proxy need not be a Member.
- (2) Where a Member entitled to vote on a resolution has appointed a proxy, the proxy shall be entitled to vote on a show of hands, provided that he is the only proxy appointed by the Member.
- (3) Where a Member entitled to vote on a resolution has appointed more than one (1) proxy,
- (a) the proxies shall only be entitled to vote on a poll; and
- (b) the appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
- (4) In respect of Article 80(2), if a Member entitled to vote on a resolution has appointed more than one (1) proxy, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Listing Requirements of the Exchange.

*Notice That Proxy is
Allowed*

81. The accidental omission to give notice of any meeting to, or the non-receipt of the notice of a meeting by, any Member shall not invalidate any resolution passed or the proceedings at any such meeting. *Omission to Give Notice*

PROCEEDINGS AT GENERAL MEETING

82. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, two (2) Members present in person or by proxy shall be a quorum. For the purposes of this Article "Member" includes a person attending as a proxy or attorney or representing a corporation which is a Member. *No Business Unless Quorum*
83. If within half (1/2) an hour from the time appointed for the meeting, a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week (or if that day be a public holiday, then to the next business day following that public holiday) at the same time and place, or to such other day and at such other time and place as the Directors may determine, but if a quorum is not present within half (1/2) an hour from the time appointed for holding the adjourned meeting, the Members present shall be a quorum. *Adjournment*
84. The Chairman (if any) of the Board of Directors or, in his absence, a Deputy Chairman (if any) shall preside as Chairman at every meeting. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor a Deputy Chairman is present within ten (10) minutes after the time appointed for holding the meeting, or if neither of them is willing to act as Chairman, the Directors present shall choose one of their members, to act as Chairman, or if only one Director is present he shall preside as Chairman if willing to act. If no Director is willing to take the chair, the Members present and entitled to vote shall elect one of their Members to be Chairman. However, a proxy shall not be eligible for election as Chairman of the meeting. *Chairman*
85. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting. *Adjournment with Consent of Meeting*

86. (1) If required by the applicable laws or Listing Requirements, all resolutions put to vote at any general meeting shall be determined by poll unless such requirement is waived. A poll shall be taken in such manner and either forthwith or after an interval or adjournment or otherwise as the Chairman directs and the result of the poll shall be the resolution of the meeting at which the poll was demanded. The Company shall appoint at least one (1) scrutineer for the purposes of a poll in accordance with the applicable laws, and may, in addition to the power of adjourning meetings contained in Article 85 adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.
- (2) The poll may be conducted manually using voting slips or electronically using various forms of electronic voting devices. Such votes shall be counted by the poll administrator, and verified by the scrutineer(s), as may be appointed by the Company for the purpose of determining the outcome of the resolution(s) to be decided on poll.
- (3) A declaration by the Chairman of the meeting whether a resolution has, on a poll, been carried or lost, based on the poll results obtained, shall be conclusive evidence of that fact.
87. Subject to Article 86, where a requirement to determine a resolution put to vote at the meetings of Members by poll is waived by the Exchange, a resolution put to vote at any general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:
- (a) by the Chairman;
- (b) by at least three (3) Members present in person or by proxy and entitled to vote thereat;
- (c) by any Member or Members present in person or by proxy and representing not less than ten per centum (10%) of the total voting rights of all the Members having the right to vote at the meeting; or
- (d) by a Member or Members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per centum (10%) of the total paid up shares conferring that right.

Mandatory Polling

*Evidence of Passing
of Resolutions*

Provided that no poll shall be demanded on the election of the Chairman of a meeting or on any question of adjournment. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

Unless mandatory polling is required under the applicable laws or a poll is duly demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried unanimously or with a particular majority or is lost, and an entry to that effect in the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The demand for a poll may be withdrawn.

88. Subject to Article 86 and the Act, if a poll is duly demanded, it shall be taken in such manner and either forthwith or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The Chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may, in addition to the powers of adjourning meetings contained in Article 85 adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.

How a Poll is to be Taken

89. In the case of an equality of votes, whether on a show of hands or a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is taken shall be entitled to a second or casting vote.

Chairman's Casting Vote

90. Subject to any rights or restrictions for the time being attached to any classes of shares at meetings of Members or classes of Members, each Member entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members, shall be entitled to appoint proxy or attorney or duly authorised representative to attend and vote instead of him at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy or attorney or duly authorised representative appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

Qualification and rights of proxy to speak and Voting rights on a show of hands and poll

On a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who presents as a Member or a Member's representative or proxy or attorney and entitled to vote shall be entitled to one vote and on a poll every Member present in person or by proxy or attorney or representative shall have one vote for each share he holds.

91. Notwithstanding Article 90, a Member or proxy or attorney or authorised representative may vote by using various forms of electronic voting devices or by means of the Internet or other electronic means ("**Electronic Voting**"). The Directors shall be entitled to approve, from time to time, such procedures as they may deem appropriate to govern Electronic Voting in order to ensure the integrity of the vote. Any vote cast in such approved manner by any Electronic Voting shall be deemed to constitute a vote by the Member or proxy or attorney or authorised representative duly appointed for all purposes of this Constitution. *Electronic Voting*
92. When two (2) or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting or poll, the one which is last received (regardless of its date or of the date of its execution or submission) shall be treated as replacing and revoking the other as regards that share. If the Company is unable to determine which appointment was last received, none of them shall be treated as valid in respect of that share. The appointment of a proxy shall not preclude a Member from attending and voting in person at the meeting or poll concerned. The proceedings at a general meeting shall not be invalidated where an appointment of a proxy in respect of that meeting is sent in electronic form as provided in this Constitution, but because of a technical problem it cannot be read by the Company. *Validity of Voting*
93. Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable. *Shares of Different Monetary Denominations*
94. A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney and any person entitled under the Transmission of Securities Article hereof to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty-eight (48) hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof. *Vote of Member of Unsound Mind and Person Entitled to Transfer*
95. Subject to Article 76, a Member shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid. No Member shall be entitled to be present or to vote on any resolution either as a Member or *Member Barred from Voting while Call Unpaid*

otherwise as a proxy, or attorney, or representative at any general meeting or demand a poll or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.

96. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. *Time for Objection*
97. Where a Member of the Company is an Authorised Nominee it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. *Appointment of proxy*
98. Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. *Appointment of Multiple Proxies*
- An exempt authorised nominee refers to an Authorised Nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
99. Where a Member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. *Appointment of proxies by Member of the Company*
100. The instrument appointing a proxy and the power of attorney or other authority, if any, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. *Instrument Appointing Proxy to be in Writing*

PROXY FORM

101. The instrument appointing a proxy shall subject always to the Act and laws be in such form as the Directors may approve from time to time. *Form of Proxy*
102. (a) Subject to the Relevant Laws, Regulations and Guidelines, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified *Instrument Appointing Proxy*

copy of that power or authority shall be deposited at the Office, or at such other place within Malaysia or in such other manner as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

- (b) Notwithstanding Article 102(a) above and subject to the Relevant Laws, Regulations and Guidelines and Articles 176 to 180, the Directors or any agent of the Company so authorised by the Directors, may accept the appointment of proxy received via electronic means on such terms and subject to such conditions as the Directors or the authorised agent of the Company consider fit. The appointment of proxy by electronic means shall be in such manner as is specified for that purpose in the notice convening the meeting and shall not be subject to the requirements of Article 102(a).

103. A vote given in accordance with the terms of an instrument of proxy or attorney or authority shall be valid, notwithstanding the previous death or unsoundness of mind of the appointing Member or the revocation of the instrument or of the authority under which the instrument was executed, or the transfer of the share in respect of which the instrument or power is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the instrument is used.

*Validity of Vote
Given under Proxy*

104. Subject to the Act, a corporation may by resolution of its directors or other governing body, if it is a Member, authorise such person as it thinks fit to act as its representative either at a particular meeting or at all meetings of the Company or of any class of Members, and a person so authorised shall in accordance with his authority and until his authority is revoked by the corporation be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member.

*Corporate
Representative*

If the corporation authorises more than one (1) person as its representative, every one of the representatives is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one (1) of the representative was an individual member of the Company. However, if more than one (1) of the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.

DIRECTORS

105.	All the Directors shall be natural persons and until otherwise determined by general meeting the number of Directors shall not be less than five (5) or more than thirteen (13).	<i>Number of Directors</i>
106.	At the first annual general meeting of the Company all the Directors shall retire from office at the conclusion of the meeting, and at the annual general meeting in every subsequent year, one third (1/3) of the Directors for the time being, or, if this number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3), shall retire from office at the conclusion of the meeting PROVIDED ALWAYS that all Directors including Managing Director and Executive Directors shall retire from office once at least in every three (3) years, but shall be eligible for re-election. The Directors who retire in every year shall be those who have been longest in office since their last election, but as between the persons who became Directors on the same day, the Directors to retire shall be determined by lot unless they otherwise agree among themselves.	<i>Retirement Directors of</i>
107.	No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless a Member intending to propose him for election has, at least eleven (11) clear days before the meeting, left at the Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board of Directors shall be served on the Members at least seven (7) clear days prior to the meeting at which the election is to take place.	<i>Notice of Candidate for Election as Director</i>
108.	The Company at the meeting at which a Director so retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for the re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected a Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected. A retiring Director shall be deemed to have offered himself for re-election unless he has communicated to the Company that he is unwilling to be re-elected.	<i>Retiring Director Deemed to be Reappointed</i>
109.	At any general meeting at which more than one (1) Director is to be elected, each candidate shall be the subject of a separate motion and vote unless motion for the appointment of two (2) or more persons as	<i>Motion Appointment Directors of</i>

Directors by a single resolution shall have first been agreed to by the meeting without any vote being given against it.

110.	The Company may from time to time by ordinary resolution passed at a general meeting increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to retire from office.	<i>Increase Reduction Number of Directors</i>	<i>or of</i>
111.	The Company may by ordinary resolution of which special notice is given in accordance with the Act remove any Director before the expiration of his period of office, and may if thought fit, by ordinary resolution appoint another Director in his stead. A person appointed as Director in place of a person removed under this Article shall be treated, for the purpose of determining the time at which the person or any Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed a Director.	<i>Removal Directors</i>	<i>of</i>
112.	The Directors shall have power at any time, and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, provided that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.	<i>Power Vacancy Directors</i>	<i>to or Fill Add</i>
113.	The shareholding qualification for Directors may be fixed by the Company in general meeting and until so fixed no shareholding qualification for Directors shall be required. All Directors shall be entitled to receive notice of and to attend all general meetings of the Company.	<i>Directors' Qualification</i>	

REMUNERATION OF DIRECTORS

114.	(1) The Directors shall be paid by way of fees for their services such fixed sum (if any) as shall from time to time be determined by the Company in general meeting, and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine. PROVIDED ALWAYS that:	<i>Directors' Remuneration</i>
	(a) Fees payable to non-executive Directors of the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;	
	(b) Fees and any benefits payable to Directors shall be subject to annual Member's approval at a general meeting;	

- (c) Any fee paid to an alternate director shall be agreed between himself and the Director nominating him and shall be paid out of the fees of the latter.
- (2) Salaries payable to executive Directors of the Company may not include a commission on or percentage of turnover.
- 115. (1) The Directors shall be paid all their traveling and other expenses properly and necessarily expended by them in and about the business of the Company including their traveling and other expenses incurred in attending board of Directors meetings of the Company as well as other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties. *Reimbursement of Expenses*
- (2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of profits or turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his share in the remuneration from time to time provided for the Directors.

DISQUALIFICATION OF DIRECTORS

- 116. The office of a Director shall become vacant if the Director: *When Office of Director Deemed Vacant*
 - (a) resigns in accordance with Section 208(2) of the Act;
 - (b) has retired in accordance with the Act or this Constitution but is not re-elected;
 - (c) is removed from office in accordance with the Act or this Constitution;
 - (d) becomes disqualified from being a director under Section 198 or 199 of the Act;
 - (e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act

2001;

- (f) dies; or
- (g) has been convicted in relation to the offences as follows:
 - (i) by a court of law, whether within Malaysia or elsewhere, in connection with the promotion, formation or management of a corporation;
 - (ii) by a court of law, whether within Malaysia or elsewhere, involving bribery, fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or
 - (iii) by a court of law, under the securities laws of the corporations laws of the Company's place of incorporation,

within a period of five (5) years from the date of conviction or if sentenced to imprisonment, from the date of release from prison, as the case may be.

POWERS AND DUTIES OF DIRECTORS

- 117. The business and affairs of the Company shall be managed by or under the direction of the Directors who may pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not, by the Act or by this Constitution, required to be exercised by the Company in general meeting, subject nevertheless, to any of this Constitution, to the provisions of the Act, and to such resolutions, being not inconsistent with this Constitution or the provisions of the Act as may be prescribed by the Company in general meeting but no resolution made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that resolution had not been made.

*Business
Company
Managed
Directors* to *of
be
by*
- 118. Subject to the Act and the Listing Requirements, the Directors shall not without the prior approval of the Company in general meeting:

*Limitations
Directors' Powers* on

 - (a) carry into effect any proposal or execute any transaction for the acquisition or disposal of assets (as defined under the Listing Requirements) by the Company or its subsidiaries;
 - (b) exercise any power of the Company to issue shares; and
 - (c) enter into any related party transaction (as defined under the

Listing Requirements) with a Director or major shareholder of the Company or its holding Company, or its subsidiary, or a person connected with such a Director or major shareholder.

119. (1) Subject to the Act and the Listing Requirements, the Directors may exercise all the powers of the Company to borrow and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its related corporations within the definition of Section 7 of the Act. *Directors' Borrowing*
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
120. The Directors may exercise all the powers of the Company to lend or advance any money; or guarantee, indemnify or provide collateral for a debt, to or in favour of any persons and corporations as permitted under the Act and Listing Requirements. *Provision of financial assistance*
121. The Directors may establish or arrange and maintain any contributory or non-contributory pension, superannuation fund or life assurance scheme for the benefit of, or pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to, any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependents of any such person. The Directors may also procure the establishment of or subscribe to any institution, association, clubs, trust or fund which they consider to be for the benefit of the Company or any such subsidiary or any such persons as aforesaid and make payments for or towards any hospital or scholastic expenses, and any director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Company in general meeting. *Power to Maintain Pension or Fund*
122. The Directors may exercise all the powers of the Company conferred by the Act in relation to any Official Seal for use outside Malaysia and in relation to branch registers. The Company's name and registration number as well as the words "Common Seal" and the place where it is to be used are engraved in legible romanised characters. *Power to Use Official Seal*

123. The Company may execute a document by affixing the Official Seal to the document where the affixing of the Official Seal is witnessed by: *Affixing the Official Seal*
- (a) two (2) Directors; or
 - (b) one (1) Director and one (1) Secretary; or
 - (c) one (1) Director and another person approved by the Directors for that purpose; or
 - (d) two (2) persons approved by the Directors for that purpose, and the person affixing Official Seal shall certify in writing on the deed or document to which the Official Seal is affixed the date and place it is affixed.
124. The Directors may from time to time by power of attorney under the Seal appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under this Constitution) and which shall not be such that the Directors are divested of the control and management of the Company's affairs) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him. *Appointment of Attorneys*
125. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors may from time to time by resolution determine. *Signing of Cheques etc*
126. A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company. *Directors to act honestly*
127. Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act or the Listing Requirements. *Directors to give notice*

128. Subject always to the Act and the Listing Requirements, a Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. *Director may Hold Other Office*
129. Any Director may act by himself or his firm or corporation in a professional advisory services for the Company, and he or his firm or corporation shall be entitled to remuneration for professional advisory services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm or corporation to act as auditor of the Company. *Director may act in His Professional Advisory Capacity*

PROCEEDINGS OF DIRECTORS

130. The Directors may meet together as frequently as they think fit for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors summon a meeting of the Directors. *Meeting of Directors*
131. Notice of every Directors' meeting shall be given to all Directors and their alternates. Except in the case of an emergency, reasonable notice of every Directors' meeting shall be given in writing and the notice of each Directors' meeting shall be served in the manner referred to in Articles 176 and 177 and the said Articles 176 and 177 shall apply mutatis mutandis to the service of notice of Directors' meeting on Directors as they apply to the service of notices on Members of the Company. *Notice of Directors' Meeting*
132. The quorum necessary for the transaction of the business of the Directors shall be at least three (3) Directors and a meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. For the purpose of this Article, an alternate director shall be counted in reckoning whether a quorum is present at every meeting of Directors attended by him at which he is entitled to vote. *Quorum of Meeting of Directors*

133. The Directors or members of any committee, local board or agency established pursuant to Article 146 hereof may hold its meeting by means of a conference telephone or similar communications equipment by which all members participating in the meeting are capable of hearing each other and each such member shall be counted for the purpose of reckoning whether a quorum is present. *Mode of Meetings*
134. The Directors may elect a Chairman from among themselves and determine the period for which he is to hold office, and if no such Chairman is elected, or if at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the meeting, the Directors present may choose one of their numbers to be chairman of the meeting. *Chairman of Directors*
135. Subject to this Constitution, any question arising at any meeting of the Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote except where at the meeting only two Directors form the quorum or are competent to vote on the question at issue. *Votes by Majority and Chairman to have Casting Vote*
136. The remaining Directors may continue to act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the remaining Directors or Director may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company, but for no other purposes. *Directors may act Notwithstanding Vacancy*
137. Every Director shall comply with the provisions of the Act in connection with the disclosure of his shareholding and interests in the Company or in a related corporation as well as his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company. *Disclosure of Interest*
138. A Director shall not participate in any discussion and vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest or any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that company or as a holder of shares or other securities in that other company, unless otherwise provided under the Relevant Laws, Legislations and Guidelines (and if he shall do so his vote shall not be counted), but shall only be counted to make the quorum at the meeting *Restriction on Voting*

for the purpose of considering any resolution regarding the said contract or proposed contract.

139. A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or whereat any decision is taken upon any contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution. *Relaxation of Restriction on Voting*
140. A Director may vote in respect of: *Power to Vote*
- (i) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
 - (ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.
141. A Director may be or become or continue to be a director, managing director, manager or other officer or member of or otherwise be interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director, managing director, manager or officer or member of, or from his interest in, such corporation whether as a nominee of the Company or otherwise, unless the Company otherwise directs at the time of his appointment. The Director may, provided that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution, exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them as directors or other officers of such corporation) and Director may not vote in favour of the exercise of such voting rights in manner aforesaid, if *Directors may Become Directors of Other Corporations*

he may be, or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid.

ALTERNATE DIRECTOR

142. (1) Each Director shall have power from time to time to nominate any person to act as his alternate director and at his discretion remove such alternate director; but the appointment and removal of such alternate director shall not take effect until approved by a majority of the other Directors PROVIDED ALWAYS that such alternate director is not a Director, such alternate director does not act as alternate for more than one Director and any fee paid by the Company to an alternate director shall be deducted from that Director's remuneration. *Alternate Directors*
- (2) An alternate director shall (except as regards power to appoint an alternate director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors, and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointor is not present.
- (3) Any appointment or removal of an alternate director may be made in writing under the appointor's hand.
- (4) If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him shall thereupon cease to have any power or authority to act as an alternate director. An alternate director may resign from office by notice in writing to the appointor and the Board.
- (5) A Director shall not be liable for the acts and defaults of any alternate director appointed by him. An alternate Director shall be an officer of the Company and shall alone be responsible to the Company for his own acts and defaults and he shall not be deemed to be the agent of or for the Director appointing him.
- (6) An alternate director shall not be counted for the purpose of reckoning maximum number of Directors allowed for the time being.
- (7) If any Director retires by rotation and is re-elected by the meeting or is, pursuant to this Constitution, deemed to be re-elected at the meeting at which such retirement took effect, any

appointment made by him as an alternate Director which was in force immediately prior to the appointer's retirement shall continue to operate after such re-election as if the appointer had not so retired.

MANAGING DIRECTORS

143. Subject to Article 106, the Directors may from time to time appoint any one (1) or more of their body to be managing Director or managing Directors, or a person performing the functions of a managing Director, by whatever name called and may vest in such managing Director or managing Directors the powers hereby vested in the Directors generally as they may think fit, but subject thereto such managing Director or managing Directors shall be subject to the control of the Board. *Managing Director*
144. A managing Director or deputy managing Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary or commission or participation in profits or otherwise or by any or all of these modes) but shall not include a commission on or percentage of turnover. *Remuneration of Managing Director*
145. A managing Director shall, while he continues to hold that office, be subject to retirement by rotation, and he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director for any cause he shall ipso facto and immediately cease to be a managing Director. *Special Position of Managing Director*

COMMITTEES OF DIRECTORS

146. The Directors may establish any committees, local boards or agencies comprising one (1) or more persons for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the member or members of any such committee or local board or agency or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby. *Power of Directors to Appoint Committees*

147. Subject to any rules and regulations made pursuant to Article 146, a committee may meet and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the members present (if more than one) and in the case of an equality of votes the Chairman of the meeting shall have a second or casting vote except where at the meeting only two (2) members form the quorum or are competent to vote on the question at issue. *Meeting Committees of*
148. A committee may elect a Chairman of its meetings; if no such Chairman is elected, or if at any meeting the Chairman is not present within ten (10) minutes after the time appointed for holding the meeting, the members present may choose one (1) of their numbers to be chairman of the meeting. *Chairman Committees of*

VALIDATION OF ACTS OF DIRECTORS

149. All acts done by any meeting of the Directors or a committee of Directors or by any person acting as a Director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, or had vacated office or were not entitled to vote be as valid as if every such person had been duly appointed and was qualified and had continued to be Director or member of such committee and had been entitled to vote. *Directors' Act to be valid*

DIRECTORS' WRITTEN RESOLUTION

150. A resolution in writing signed or approved by all the Directors present in Malaysia and who are sufficient to form a quorum shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted; provided that a Director may authorise his alternate director to sign such a resolution. All such resolutions shall be described as "Directors' Written Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by the Secretary in the Company's minutes book. Any such resolution may consist of several documents in like form, and may be accepted as sufficiently signed by one or more Directors if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the Director. *Directors' Written Resolution*

AUTHENTICATION OF DOCUMENTS

151. Any Director or the Secretary or any other person approved by the Directors for the purpose shall have power to authenticate any documents affecting the Constitution and any resolution passed by the Company or the Directors and any books, records, documents and *Authentication of Documents*

accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and, where any books, records, documents or accounts are kept elsewhere than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

152. A document purporting to be a copy of a resolution of the Directors or an extract from resolutions and the minutes of a meeting of the Company or the written resolutions or minutes of a meeting of the Directors or any committee which is certified as such in accordance with the provisions of Article 151 shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute or written resolution so extracted is a true and accurate record of the resolutions or proceedings at a duly constituted meeting to which it relates.

*Conclusive Evidence
of Extract of
Minutes of
Meetings*

RESOLUTIONS, MINUTES AND REGISTER

153. The Directors shall cause:

*Resolutions and
Minutes*

- (a) all Directors' and committees' written resolutions;
- (b) all proceedings and resolutions of Board meetings and committees' meetings; and
- (c) all resolutions and proceedings of general meetings.

to be duly entered into the books kept for that purposes in accordance with the Act.

The records of resolutions passed by way of Directors' and committees' written resolutions or at the Board Meetings, committees' meetings and meetings of Members and signed in accordance with Section 343 of the Act and this Constitution are evidence of the proceedings, resolutions or declaration to which they relate, unless the contrary is proved.

154. The Company shall in accordance with the provisions of the Act keep at the Office a register containing such particulars with respect to the Directors and managers of the Company as are required by the Act, and shall from time to time notify the Registrar of any change in such register and of the date of change in manner prescribed by the Act.

*Particulars of
Directors and
Managers*

155. The books containing the minutes of proceedings of any general meeting shall be kept by the Company at the Office and shall be open to the inspection of any Member without charge.

*Minutes Kept at
Registered Office*

156. The Company shall also keep at the Office registers which shall be open to the inspection of any Member without charge and to any other person on payment for each inspection of not exceeding RM10.00 all such matters required to be so registered under the Act, and in particular:
- Registers to be Kept*

- (a) a register of substantial shareholders and of information received in pursuance of the requirements under Sections 56 and 144 of the Act; and
- (b) a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.

SECRETARY

157. The Secretary or Secretaries shall in accordance with the Act be appointed by the Directors for such terms, at such remuneration and upon such conditions as they think fit, and the Secretary or Secretaries appointed may be removed by the Directors from his office in accordance with the terms of appointment. A Secretary may resign by giving notice in writing to the Board in accordance with Section 237 of the Act.
- Appointment and vacation of office of Secretary*

SEAL

158. (1) The Directors shall provide for the safe custody of the Seal which shall only be used pursuant to a resolution of the Directors, or a committee of the Directors authorised to use the Seal. Every instrument to which the Seal shall be affixed shall be signed by a Director and either by a second Director or by the Secretary or by another person appointed by the Directors for the purpose.
- Authority for Use of Seal*
- (2) The Company may exercise the powers conferred by the Act with regard to having the Official Seal for use abroad, and such powers shall be vested in the Directors.
- (3) The Company may also have an Official Seal pursuant to Section 63 of the Act to seal Securities issued by the Company or documents creating or evidencing Securities so issued. The Official Seal for Securities shall be executed in the manner provided in Article 158(1).

ACCOUNTS TO BE KEPT AND FINANCIAL STATEMENTS

159. The Directors shall cause proper accounting and other records to be kept:
- Keeping and Inspection of Books of Account*

- (i) to sufficiently explain the transactions and financial position of the Company, including its subsidiaries and enable true and fair profit and loss accounts and balance sheets and any documents required to be attached thereto to be prepared; and
- (ii) to enable the accounting and other records to be conveniently and properly audited.

The Company shall distribute copies of financial statements and reports for each financial year to the persons as required by the Act and no Member (not being a Director) shall have any right of inspecting any accounting or book or paper of the Company except where such right is conferred by law. Subject always to Section 245(5) of the Act, the accounting or other records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors.

160.	The Directors shall from time to time in accordance with the Act cause to be prepared and laid before the Company in general meeting such financial statements and reports as are referred to in the Act. The interval between the close of a financial year of the Company and the issue of annual report that includes audited financial statements and the Directors' and auditors' reports shall not exceed two (2) months or such other period specified in the Listing Requirements as may be amended from time to time.	<i>To Whom Copies of Financial Statements may be Sent</i>
161.	Auditors shall be appointed and vacated office in accordance with provisions of the Act. The powers and duties of the Auditors are regulated under Sections 266 and 287 of the Act.	<i>Auditors</i>

DIVIDENDS AND RESERVES

162.	Subject to the provisions of the Act and this Constitution, the Company may make a distribution of dividends to Members, but no dividend shall exceed the amount authorised by the Directors.	<i>Declaration of Dividends</i>
163.	No dividend shall be paid otherwise than out of profits of the Company available provided that the Company is solvent.	<i>Dividends to be paid out of profits available</i>
164.	The Directors may, before authorising any distribution of dividend, set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward	<i>Directors may Form Reserve Fund and Invest</i>

any profits which they may think prudent not to divide.

165.	Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Article as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date that share shall rank for dividend accordingly.	<i>Payment Dividends</i>	<i>of</i>
166.	The Directors may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company held by him.	<i>Deduction Dividends</i>	<i>from</i>
167.	The Directors may retain any dividend or other moneys payable on or in respect of a share other than fully paid shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.	<i>Power to Retain Dividends</i>	
168.	The Directors may retain the dividends payable upon shares in respect of which any person is under the provision as to the transmission of shares herein entitled to become a Member, or which any person in under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.	<i>Dividends Due may be Retained until Registration</i>	
169.	All dividends unclaimed for one (1) year shall be surrendered to the Registrar of Unclaimed Moneys in accordance with the provisions of the Unclaimed Moneys Act, 1965.	<i>Unclaimed Dividends</i>	
170.	Subject to the Act and the Listing Requirements, the Directors in authorising a distribution of dividend may direct payment of such dividend wholly or partly by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in anyone or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specified assets in trustees as may seem expedient to the Directors.	<i>Manner Realisation Dividend</i>	<i>of</i>
171.	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed	<i>Payment by Cheque</i>	

to the registered address of the Member or person entitled to such payment or paid via electronic transfer of remittance to the account payable to the order. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic remittance shall operate as a good discharge to the Company in respect of the dividend, interest, or other money payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented.

172. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer PROVIDED that any dividend declared on Deposited Securities shall accrue to the Depositors whose names appear on the Record of Depositors issued to the Company or the Company's Registrar pursuant to the Rules for the purposes of determining the Depositors who are entitled to the dividend declared.

*Transfer does not
Affect Right to
Dividend Declared
before Registration*

CAPITALISATION OF PROFITS

173. Subject to the Act and the Listing Requirements, the Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the income statement or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution.

*Capitalisation of
Profits by Bonus
Issue etc.*

174. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all issuance and allotments of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of shares or debentures in fractions or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in

*Directors' Duties
and Powers in
Capitalisation*

fractions, and also to authorise any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may requires) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

LANGUAGE

175. Where any financial statements, minutes books or other records required to be kept by the Act are not kept in Bahasa Malaysia or English language, the Directors shall cause a true translation of such financial statements, minutes books and other records to be made from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original financial statements, minutes books and other records for so long as the original financial statements, minute books and other records are required by the Act to be kept. *Translation*

COMMUNICATION

176. (a) The communication between the Company and the following persons ("**Persons**"): *Service of Notices*
- (aa) Members;
 - (bb) Directors; and/or
 - (cc) Auditors,
- on the matters relating to resolutions, supply of information or documents or otherwise whether for the purposes of complying with the Act, the Listing Requirements or otherwise may be:
- (i) in hard copy;
 - (ii) in electronic form; or
 - (iii) partly in hard copy and partly in electronic form.
- Subject to the provisions of the Act and Listing Requirements, the information or documents stated herein include, among others, the following:
- (A) In respect of the Members or holders of Securities,

- notices of meetings of Members or holders of Securities, instrument appointing a proxy, voting slips, annual reports, audited financial statements, circular to shareholders, notices to holders of Securities, prospectus, information memorandum, statements, publication of the Company and all other written communications;
- (B) In respect of the Directors, notices of meetings of Board and Board committees, notices of meetings of Members or holders of Securities, annual reports, audited financial statements, circular to shareholders, notices to holders of Securities, other documents relating thereto, publication of the Company and all other written communications; and/or
- (C) In respect of the Auditors, notices of meetings of Members or holders of Securities, annual reports, audited financial statements, and all other written communications.
- (b) A communication in hard copy shall be valid if it is given to any of the Persons in the following manners (whichever is applicable):
- (i) by post;
 - (ii) by hand delivery, or, by post at the last known address;
 - (iii) by facsimile; and/or
 - (iv) advertised in the daily press.
- (c) A communication in electronic form shall be valid if it is given to any of the Persons in the following manners (whichever is applicable):
- (i) at an electronic address provided for that purpose;
 - (ii) by electronic means at the last known electronic address provided;
 - (iii) by means of publication on the Company's website provided that a notification of the publication of such item or material being communicated on the website has been given to the Persons in hard copy and/or

electronic form in accordance with the Act and the Listing Requirements; or

- (iv) using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner for access by Members provided that a notification of the publication of such item or material being communicated on the electronic platform has been given to the Persons in hard copy and/or electronic form in accordance with the Act and the Listing Requirements.
- (d) A communication partly in hard copy and partly in electronic form of any communication in the manner stipulated in sub-Articles 176(a) to (c) above.
- (e) The address (including electronic address):
 - (i) of a Member appearing in the Record of Depositors or Register of Members;
 - (ii) of a Director appearing in the Register of Directors; or
 - (iii) provided by the Member or the Director or the Auditors to the Company for purposes of communication with him,

shall be deemed as the last known address of the Member or Director or Auditors for purposes of communication including but not limited to service of notices and/or documents to the Member or Director or Auditors respectively.

177. (a) Any item or material being communicated by the Company shall be deemed to have been served by the Company to the Director, a Member or Auditors on the day the prepaid letter, envelope or wrapper containing such item or material is posted.

*When
Effected* *Service*

In proving service by post it shall be sufficient to prove that the letter containing the notice or document or material was properly addressed and stamped and put into a government post box or delivered to the postal authority for delivery.

In providing service by facsimile it shall be deemed to be effective at the time of despatch with confirmed answerback of the addressee appearing at the beginning and end of the communication.

Any notice given by advertisement shall be deemed to have been given on the day on which the advertisement shall first appear.

- (b) A communication in electronic form sent to the Director or Member or Auditors by electronic means shall be deemed to be served upon transmission of the same to the electronic address of the addressee provided that the Company has record of the electronic communication being sent and does not receive an automated delivery failure notice after the communication has been transmitted. In the event of delivery failure, a communication shall be delivered to the Members, Directors or Auditors by any other means of communication allowed under this Constitution.
- (c) A communication by means of publication on a website shall be deemed to be served upon when the material was first made available on the website.
- (d) A communication via electronic platform maintained by the Company or third parties shall be deemed to be served on the date the item or material being communicated was first made available thereto provided that the notification of the publication or availability of the item or material being communicated on the relevant electronic platform has been given to the Members, Directors or Auditors whether in hard copy and/or electronic form in accordance with the Act and/or the Listing Requirements.

178. A notice or documents required to be sent to Members may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through representatives of the deceased, or assignee of the bankrupt, or by any like description, at the address, if any, within Malaysia supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been if the death or bankruptcy had not accrued. Every person who, by operation of law, transfer, transmission or other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share, which, previously to his name and address being entered in the Record of Depositors as the registered holder of such share, shall have been duly given to the person from whom he derives the title to such share.

*Notice in Case of
Death or
Bankruptcy*

179. Subject always to the provisions of Article 176 any notice or document delivered or sent in accordance with Article 176 shall, if such Member be then deceased, and whether or not the Company has notice of his death,

*Service of Notices
on Deceased
Member*

be deemed to have been duly served on his legal personal representatives.

180. (1) Notice of every general meeting shall be given in a manner hereinbefore specified to:

*Who may Receive
Notice of General
Meeting*

- (i) every Member;
- (ii) every person entitled to a share in consequence of the death or bankruptcy or in case of a corporation, upon liquidation, of a Member who, but for his death or bankruptcy or liquidation, would be entitled to receive notice of the meeting;
- (iii) the auditors for the time being of the Company;
- (iv) every Director; and
- (v) every stock exchange upon which the Company's shares may be listed.

- (2) Except as aforesaid no other person shall be entitled to receive notices of general meeting.

- (3) Whenever any notice is required to be given under the provisions of the law of Malaysia or of this Constitution, waiver thereof or the shortening of the period of such notice, may be effectively executed in writing by the person or persons entitled to such notice.

- (4) Any notice on behalf of the Company or of the Directors shall be deemed effectual if it purports to bear the signature of the Secretary or other duly authorised officer of the Company.

WINDING UP

181. Subject to the Act, the Company may be dissolved by a special resolution in a general meeting. If the Company is wound up the liquidator may after the payment or satisfaction of all liabilities of the Company including preferential payments under the Act, with the sanction of a special resolution of the Company, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees

*Distribution of
Assets*

upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, so that no Member shall be compelled to accept any shares or other securities whereon therein any liability.

182. Save that this Article may prejudice the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply:

Sharing of Loss and Excess

- (a) If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up at the commencement of the winding-up, on the shares held by them respectively; and
- (b) If in a winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively.

SECRECY CLAUSE

183. Save as may be provided by the Act, no Member shall be entitled to enter into or upon or inspect any premises or property of the Company nor to require discovery of any information respecting any detail of the Company's business or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Members of the Company to communicate to the public.

Secrecy

INDEMNITY

184. Every Director, Managing Director, agent, auditor, Secretary and other officer (as defined in the Act) for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by Court in respect of any negligence, default, breach of duty or breach of trust as such officer of the Company.

Indemnity

EFFECT OF LISTING REQUIREMENTS

185. (1) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done. *Effect of Listing Requirements*
- (2) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.
- (3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (4) If the Listing Requirements require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision.
- (5) If the Listing Requirements require this Constitution not to contain a provision and it contains such a provision, this Constitution is deemed not to contain that provision.
- (6) If any provision of this Constitution is or become inconsistent with the Listing Requirements, this Constitution is deemed not to contain that provision to the extent of the inconsistency.

