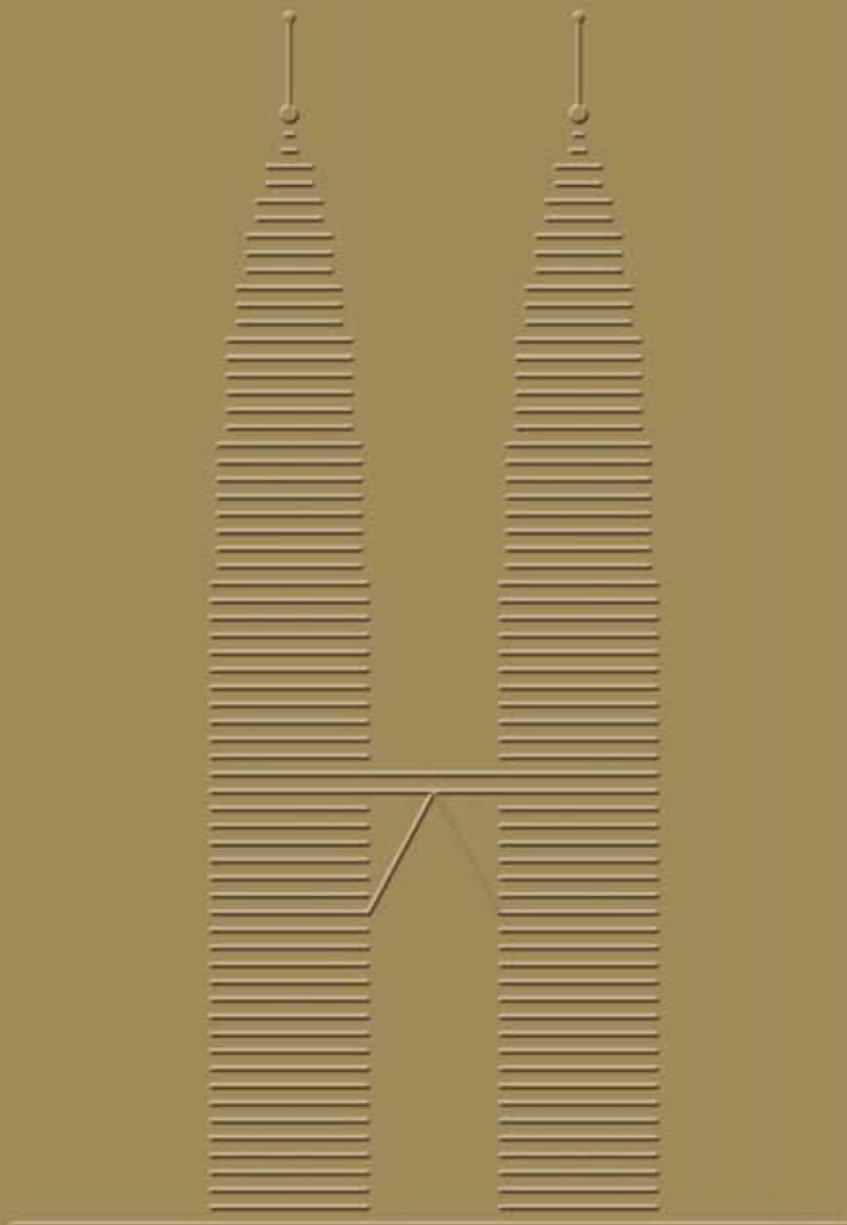


KLCC Property Holdings Berhad
(641576-U)



ANNUAL REPORT 2010

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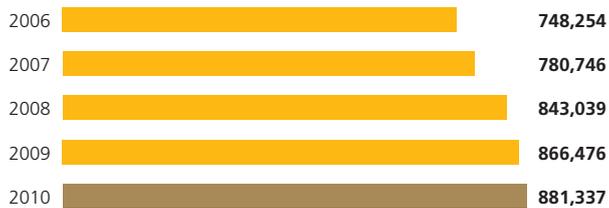
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KLCCP's latest development at Lot C will comprise a 59-storey tower complex offering 840,000 nett lettable sq. ft. of 'Prime A' offices and 140,000 sq. ft. of retail space. Scheduled for completion in October 2011, Lot C is set to become the next landmark for business and lifestyle entertainment within Kuala Lumpur City Centre.



Financial Performance

Revenue (RM'000)



Revenue Growth (%)



Operating Profit (RM'000)



Operating Profit Margin (%)



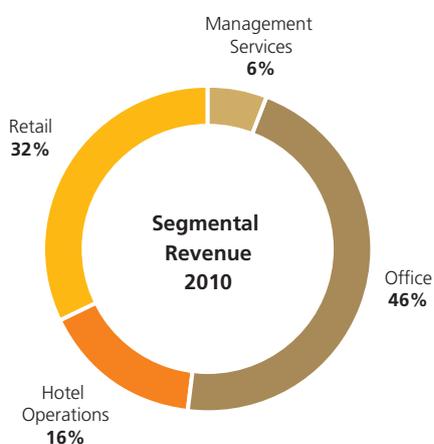
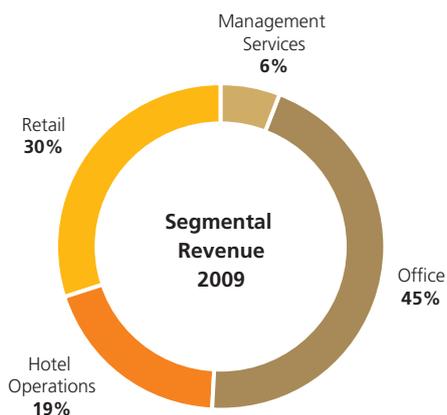
Investment Properties - Office (RM'000)



Investment Properties - Retail (RM'000)



Corporate Profile



KLCC Property Holdings Berhad (KLCCP) was incorporated as a public limited company on 7 February 2004.

KLCCP owns a diverse property portfolio largely within the KLCC Development comprising office buildings (PETRONAS Twin Towers, Menara ExxonMobil, Lot C Commercial Development - under construction), a leading shopping mall (Suria KLCC) and a luxury hotel (Mandarin Oriental, Kuala Lumpur). KLCCP also has 33% interest in Menara Maxis.

Outside KLCC Development, KLCCP owns Kompleks Dayabumi which is located within the older central commercial area of Kuala Lumpur.

Two of KLCCP's wholly-owned subsidiaries namely KLCC Urusharta Sdn Bhd and KLCC Parking Management Sdn Bhd are providing facility management services and car parking management services respectively.

KLCCP's strength is reflected through its premium assets centred in the KLCC Development, one of the largest integrated real estate developments in the world.

KLCCP, with its niche position in property investment and facility management services, will continue to grow its earnings potential by building on the strength of its premium assets, maintaining high standards in its operational performance and exploring prospects for sustainable progress.

Corporate Information

BOARD OF DIRECTORS

Tunku Tan Sri Dato' Seri Ahmad
Bin Tunku Yahaya (Chairman)
(Independent Non-Executive Director)

En. Hashim Bin Wahir
(Chief Executive Officer)

Datuk Nasarudin Bin Md Idris
(Non-Independent Non-Executive Director)

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

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

Dato' Leong Ah Hin @ Leong Swee Kong
(Independent Non-Executive Director)

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

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

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

COMPANY SECRETARIES

En. Abd Aziz bin Abd Kadir (LS0001718)
Mr. Yeap Kok Leong (MAICSA 0862549)

BOARD AUDIT COMMITTEE

Mr. Augustus Ralph Marshall (Chairman)
Datuk Manharlal A/L Ratilal
Dato' Leong Ah Hin @ Leong Swee Kong
Dato' Halipah Binti Esa

REGISTERED OFFICE

Level 54, Tower 2
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Telephone : 03-2382 8000
Facsimile : 03-2273 5060

CORPORATE OFFICE

Levels 4 & 5, City Point
Kompleks Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Telephone : 03-2382 8000
Facsimile : 03-2382 8001

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone : 03-2264 3883
Facsimile : 03-2282 1886

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

DATE OF LISTING

18 August 2004



KLCC Property
Holdings Berhad
(641576-U)

100% Arena Johan Sdn Bhd
Menara ExxonMobil

100% Kompleks Dayabumi Sdn Bhd
Dayabumi

100% Arena Merdu Sdn Bhd
Construction in progress for commercial
development (Lot C)

100% Impian Cemerlang Sdn Bhd
Vacant Land (Lot D1)

100% KLCC Parking Management Sdn Bhd
Car Park Management

100% KLCC Urusharta Sdn Bhd
Facilities Management

75% Asas Klasik Sdn Bhd
Mandarin Oriental, Kuala Lumpur

60% Suria KLCC Sdn Bhd
Suria KLCC

50.5% Midciti Resources Sdn Bhd
PETRONAS Twin Towers

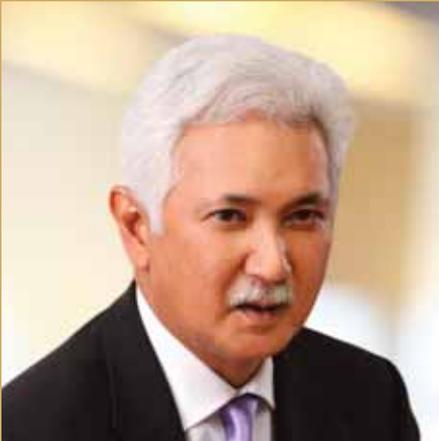
33% Impian Klasik Sdn Bhd
Menara Maxis

Corporate Structure

Board of Directors

Tunku Tan Sri Dato' Seri Ahmad
Bin Tunku Yahaya
(Chairman)
(Independent Non-Executive Director)

En. Hashim Bin Wahir
(Chief Executive Officer)



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

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

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

Datuk Nasarudin Bin Md Idris
(Non-Independent Non-Executive Director)



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



Dato' Leong Ah Hin @ Leong Swee Kong
(Independent Non-Executive Director)



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



En. Abd Aziz Bin Abd Kadir
(Company Secretary)



Mr. Yeap Kok Leong
(Company Secretary)

Board of Directors' Profile

TUNKU TAN SRI DATO' SERI AHMAD BIN TUNKU YAHAYA

(Independent Non-Executive Director / Chairman)

Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya, aged 81, was appointed to the Board of Directors of KLCCP on 16 June 2004. He was appointed the Chairman of Audit Committee on 9 July 2004 and resigned as the Chairman and member of Audit Committee on 1 September 2005.

Tunku Tan Sri Dato' Seri Ahmad obtained his Bachelor of Economics (Honours) degree from the University of Bristol in 1955 and is a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

Tunku Tan Sri Dato' Seri Ahmad joined Dunlop Malaysian Industries Berhad in 1962 and served as Managing Director from 1973 until 1978 and left to join Sime Darby Berhad. He was a Director and Deputy Chairman of Sime Darby Berhad from 4 January 1979 until 27 November 2007. He was a director of Bank Negara Malaysia for 28 years before retiring in 1995. Currently, he is the Chairman of icapital.biz Berhad.

His directorships in other Malaysian companies include KLCC (Holdings) Sdn Bhd, Kuala Lumpur City Park Berhad and several private limited companies.

HASHIM BIN WAHIR

(Chief Executive Officer)

Hashim Bin Wahir, aged 52, was appointed as a Director of KLCCP on 1 November 2007 and designated as the Chief Executive Officer.

He graduated from University Teknologi Malaysia with a Bachelors degree in Mechanical Engineering. He also attended courses on Executive Development Programs at Ashridge Management College, United Kingdom and Johnson School of Management, Cornell University, USA in 1993 and 1998 respectively.

En. Hashim joined PETRONAS on 16 June 1981 after graduation from Universiti Teknologi Malaysia. He has undertaken various assignments within the PETRONAS group including exploration and production (E&P) operations, international E&P and gas asset acquisitions, group strategic planning and corporate development.

He has held management positions as Senior Manager, Petroleum Engineering Department of Petronas Carigali (PCSB) from 1995 until 1999, General Manager of Chad / Cameroon JV Project PCSB from 1999 until 2000, and General Manager of Group Planning & Resource Allocation from 2000 until 2004.

En. Hashim Wahir held the position of Chairman for the PETRONAS group of companies in the Republic of Sudan where he was attached until November 2007 when he was appointed as Group Chief Executive Officer, KLCC (Holdings) Sdn Bhd.

His other directorships are in the KLCC Group and the various subsidiaries of PETRONAS.

BOARD OF DIRECTORS' PROFILE

**DATUK NASARUDIN
BIN MD IDRIS**

(Non-Independent Non-Executive Director)

Datuk Nasarudin bin Md Idris, aged 55, was appointed to the Board of Directors of KLCCP on 1 April 2007 and designated as the Chief Executive Officer. On 1 November 2007, he was redesignated as Non-Independent Non-Executive Director.

Datuk Nasarudin graduated from University of Malaya with a Bachelor of Arts (Honours) in 1978 and joined PETRONAS in the same year. He holds a Masters degree in Business Administration from Henley - The Management College, United Kingdom (UK) and a postgraduate diploma in Petroleum Economics from College of Petroleum Studies, UK.

Since joining PETRONAS he has undertaken various assignments within the Group including procurement & contracting, strategic planning, corporate development and marketing. He had also served as the Executive Assistant to the President of PETRONAS and as Vice President, Corporate Planning & Development of PETRONAS.

Datuk Nasarudin is currently the President/CEO of MISC Berhad, a subsidiary of Petronas, listed in Bursa Malaysia Securities Berhad. He is also a member of the Petronas Management Committee.

**DATUK MANHARLAL
A/L RATILAL**

(Non-Independent Non-Executive Director)

Datuk Manharlal Ratilal, aged 50, was appointed to the Board of Directors of KLCCP on 16 June 2004 and as member of Audit Committee on 9 July 2004.

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

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

Currently, he is a Board member of PETRONAS. He is also the Executive Vice-President (Finance) of PETRONAS and a member of its Executive Committee and Management Committee. He also sits on the Board of Cagamas Holdings Berhad, Cagamas Berhad, and Danajamin Nasional Berhad.

DATUK ISHAK BIN IMAM ABAS

(Non-Independent Non-Executive Director)

Datuk Ishak Bin Imam Abas, aged 64, was appointed to the Board of Directors of KLCCP on 7 February 2004 and designated as the Chief Executive Officer until his retirement on 1 April 2007 whereby he was redesignated as Non-Independent Non-Executive Director.

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

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

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

His other directorships in the Petronas Group of Companies are as Non-Executive Chairman of Putrajaya Holding Sdn Bhd and Suria KLCC Sdn Bhd, and Non-Executive Director of Kuala Lumpur City Park Berhad.

BOARD OF DIRECTORS' PROFILE

**DATO' LEONG AH HIN
@ LEONG SWEE KONG**

(Independent Non-Executive Director)

Dato' Leong Ah Hin @ Leong Swee Kong, aged 63, was appointed to the Board of Directors of KLCCP on 5 July 2004 and as member of the Audit Committee on 9 July 2004.

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

Dato' Leong served the Malaysian Civil Service since 1971, and has held a number of positions including Secretary General of the Ministry of Science, Technology and the Environment, State Financial Officer of Pulau Pinang and Deputy Director Budget of the Ministry of Finance.

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

AUGUSTUS RALPH MARSHALL

(Independent Non-Executive Director)

Augustus Ralph Marshall, aged 58, was appointed to the Board of Directors of KLCCP on 1 September 2005 and was also appointed as the Chairman of the Audit Committee on the same day.

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

He is an executive director of Usaha Tegas Sdn Bhd ("Usaha Tegas"), Astro All Asia Networks plc (listed on the Bursa Malaysia Securities Berhad) of which he is also the deputy chairman and group chief executive officer; and Tanjong Public Limited Company ("Tanjong") (listed on the Bursa Malaysia Securities Berhad and London Stock Exchange plc) in which Usaha Tegas has significant interests. He also serves as a non-executive director on the boards of directors of several other companies in which Usaha Tegas also has significant interests viz, Johnston Press plc (listed on the London Stock Exchange), Maxis Berhad (listed on the Bursa Malaysia Securities Berhad), Maxis Communications Berhad and Powertek Berhad, a wholly-owned subsidiary of Tanjong.

In addition, he is also a non-independent non-executive director of MEASAT Global Berhad which is listed on the Bursa Malaysia Securities Berhad.

**PRAGASA MOORTHY
A/L KRISHNASAMY**

(Independent Non-Executive Director)

Pragasa Moorthi a/l Krishnasamy, aged 63, was appointed to the Board of Directors of KLCCP on 9 September 2004.

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

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

He joined KLCC Projek Sdn Bhd in March 1993 as General Manager, a position which he held for 4 years overseeing the management of design, construction and completion of the various building in KLCC such as the Petronas Twin Towers, Menara Maxis and Menara ExxonMobil. Subsequently, he was appointed Managing Director of KLCC Projek Sdn Bhd for another 4 years.

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

DATO' HALIPAH BINTI ESA

(Independent Non-Executive Director)

Dato' Halipah Binti Esa, aged 60, was appointed to the Board of Directors of KLCCP and member of Audit Committee on 1 March 2007.

Dato' Halipah Binti Esa graduated with a Bachelor of Arts (Hons) degree in Economics and Master of Economics, from the University of Malaya. She also holds Certificate in Advanced Economic Management from IMF Institute, Washington and the Kiel Institute of Worlds Economics, Germany and a Certificate in Advanced Management Program from Adam Smith Institute, London.

She started her career with the Administrative and Diplomatic Services in 1973 in the Economic Planning Unit (EPU), Prime Minister's Department. During her tenure in EPU, she served in various capacities in the area of infrastructure, water supply, energy, health, education, housing, telecommunications, urban services, macro economy, international economy, environment and regional

development. She has held various senior positions in the EPU including Director of Energy, Senior Director of Macroeconomics and Deputy Director General Macro Planning Division and retired in 2006 as the Director General of EPU. Before being appointed as the Director General, she served in the Ministry of Finance as Deputy Secretary General (Policy) from 2004 to 2005.

Dato' Halipah had been a consultant to the World Bank and United Nations Development Programmed (UNDP) in advising the Royal Kingdom of Saudi Arabia on economic planning. She has also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

Currently, she is the Chairman of Cagamas SME Bhd. She is also an independent non-executive Director of MISC Berhad, MSE Holdings Sdn Bhd, Malaysia Marine and Heavy Engineering Sdn Bhd, Putrajaya Holdings Sdn Bhd and Petronas Global Sukuk Ltd.

None of the Directors has:

- Any family relationship with any Director and/or major shareholder of KLCCP.
- Any conflict of interest with KLCCP.
- Any conviction for offences within the past 10 years other than traffic offences.

All of the Directors are Malaysian.

Management Team



SEATED, FROM LEFT:

Abd Aziz Bin Abd Kadir
*Company Secretary / Head, Legal
& Corporate Services Division,
KLCC Property Holdings Berhad*

Azmi Bin Yahaya
*Head, Finance & Accounts Division,
KLCC Property Holdings Berhad*

Hashim Bin Wahir
*Chief Executive Officer,
KLCC Property Holdings Berhad*

STANDING, FROM LEFT:

Ishak Bin Yahaya
*Security Advisor,
KLCC Property Holdings Berhad*

Andrew William Brien
*Chief Executive Officer,
Suria KLCC Sdn Bhd*

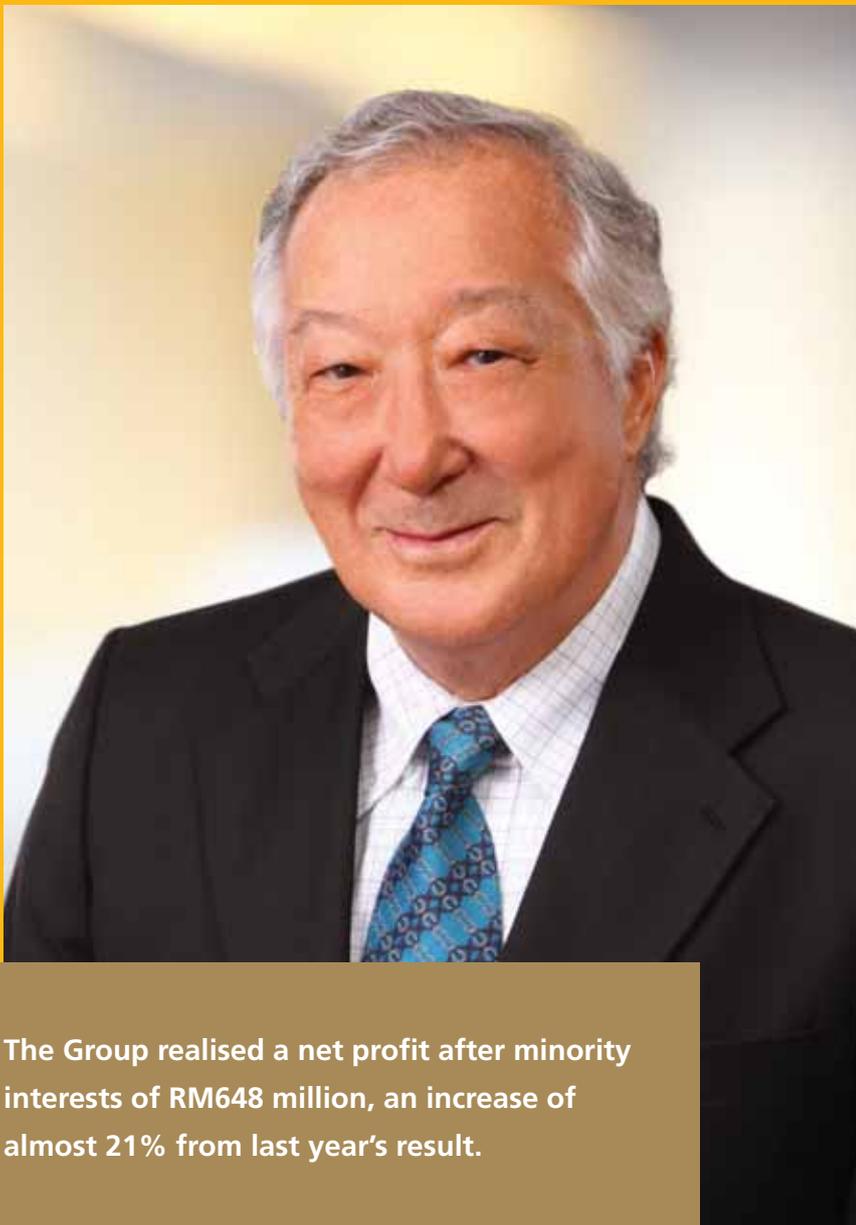
Shamsudin Bin Ishak
*Head, Facilities Management,
KLCC Urusharta Sdn Bhd /
KLCC Parking Management Sdn Bhd*

Pierre Jacques Barthes
*General Manager,
Mandarin Oriental, Kuala Lumpur*

Hamidah Bt. Alias
*Head, Human Resource Division,
KLCC Property Holdings Berhad*



Chairman's Statement



The Group realised a net profit after minority interests of RM648 million, an increase of almost 21% from last year's result.

On behalf of the Board of Directors, I am honoured and pleased to present the Annual Report of KLCC Property Holdings Berhad for the financial year ended 31 March 2010.

For most of the financial year, the world economy continued to remain weak which, to a certain extent, had a dampening effect on the local economy. Nevertheless, strong fundamentals coupled with a range of quality assets has enabled the Company to weather this challenging period by registering another solid performance in the year under review. The effort made throughout the KLCCP Group to contain costs has yielded positive results which further contributed to the strong performance overall.

On that note, it is my pleasure to announce that the Group has managed to achieve a net profit after minority interests of RM648 million, an increase of almost 21% from last year's result on the back of a 2% growth in revenue compared to the previous year.

The fair value of the Group's investment properties has further appreciated by RM758 million, an improvement of 49%. Although this appreciation in value has no cash flow impact, the FRS 140 fair valuation gain reflects strong testimony on the strength and quality of the investment properties as the premier development in the country.

Given the foregoing achievement, the Board of Directors is recommending a final dividend of 6% per share for the financial year ended 31 March 2010 for approval by the shareholders in the forthcoming Annual General Meeting. This recommendation has taken into consideration the requirements for future expansion as well as other operational needs, in ensuring the Group's ability to provide optimum and sustainable returns to the shareholders moving forward.

The development of Lot C demonstrates the commitment of the Group to continuously enhance its property portfolio with quality world class assets. With the anticipated completion of the retail podium in the third quarter of the coming financial year, I am confident that it will add vigour to the Group's

quest as the premier investment property company in the country. It is also expected that the office tower will be completed in October 2011.

In spite of achieving a run of improved performance annually, the Group remains aware of the competitive level of activity in the business world and is vigilant in anticipation of the rise and fall of the world economy and its influence on the Malaysian domestic economy. With the future outlook expected to remain challenging, the resilient rental sector of the Group will continue to underpin the overall performance of the Group in the years ahead.

On behalf of the Board of Directors, I would like to extend my appreciation to the shareholders, customers, business associates and the relevant authorities for their continuous support, especially during the challenging and uncertain times. A special thanks also to the management and staff of the KLCCP Group of Companies for their dedication, commitment, sacrifices and invaluable contribution which have made it possible for the Group to be where it is today.

Finally, it has been an honour to serve as the Company's Chairman having witnessed KLCCP's debut on Bursa Malaysia in 2004. KLCCP will hold a special place in my heart as a Company that cares and committed to deliver distinctive shareholders value. It is my belief that KLCCP Group has the potential to grow further given the commitment of the Shareholders and its Management. I would also like to wish KLCCP all the best in its growth and performance journey.



**Tunku Tan Sri Dato' Seri Ahmad
Bin Tunku Yahaya**

Chairman

The Year in Review



As a result of better earnings and higher fair value gains, the Group's Net Assets per Share has improved to RM4.95 from RM4.36 last year.

KLCCP Group has managed to record sustainable growth and operating performance despite the challenging economic and business environment for the year ended 31 March 2010.

FINANCIAL PERFORMANCE

Income Statement

The Group turnover continued to remain strong at RM881 million with a growth of around 2% over prior year in the face of a challenging economic environment. This was achieved by improved retail and office rentals and in spite of a lower contribution from the hotel segment. The higher turnover, coupled with fair value gains and lower financing costs resulted in profit after tax and minority interest of RM648 million, an improvement of 20.9% over the preceding year.

The yearly valuation exercise undertaken pursuant to FRS 140 has yielded fair value gains amounting to RM758 million, which is better than last year by 49%. This represents further testament to the inherent strength of the Group's investment properties with its underlying long term tenancies. The valuation gains, however, do not have any cash flow impact and would only be realized upon disposal of the properties. Without the effect of the fair value gains, the profit



after tax and minority interest would still reflect a respectable increase of 4.5% to RM233 million from RM223 million.

As a result of the better revenue and higher fair value gains, the Group's Earnings per Share (EPS) improved to 69.3 sen from 57.3 sen last year. However, excluding the effects of fair value, EPS would have been at 25 sen, a growth of 4.4% from 23.9 sen from last year.

Balance Sheet

Total assets of the Group also improved in tandem with the appreciation in fair value of the investment properties. As at 31 March 2010, total assets increased by 8.6% to stand at RM11,550 million. The growth was also contributed by the progress in Lot C construction at the financial year end.

The higher total assets value resulted in net assets per share increasing to RM4.95 from RM4.36 in the preceding financial year, representing a growth of 13.5%. A similar trend is also evident in the shareholders fund, rising to RM5.31 billion at the year end compared to RM4.76 billion at the end of the previous period.

During the year under review, the Group adopted FRS 7: Financial Instruments Disclosures and FRS 123: Borrowing Costs (Revised).



FRS 7 requires the disclosure of the nature and extent of risks arising from financial instruments, whereas FRS 123 requires the removal of the option to immediately recognize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as an expense. The adoption of the FRS requirements has little impact on the financial statements of the group.

BUSINESS OVERVIEW

Commercial Properties

The commercial properties continued to over pin the overall performance of the Group arising from its stable revenue streams. The long term quality tenancies have made it possible for this segment to deliver strong performance despite the sluggish economy throughout the year under review. The current investment

THE YEAR IN REVIEW

As at 31 March 2010, total assets increased by 8.6% to stand at RM11,550 million.



properties comprising the PETRONAS Twin Towers ("Twin Towers"), Menara ExxonMobil and Kompleks Dayabumi offer a total space of 3.5 million square feet. With the completion of Lot C, anticipated in October 2011, the overall space will further increase by 840,000 net lettable square feet of "Prime A" office space.

The Twin Towers remain the jewel in the crown of KLCCP's commercial properties portfolio by retaining its position as the highest revenue contributor at 38%. It is expected that Twin Towers' performance will remain steady in the foreseeable future given its iconic stature and being the most desirable address in the country.



Menara ExxonMobil and Kompleks Dayabumi have also experienced revenue growth by chalking up increases of 30% and 6.7%, respectively. The high growth for Menara ExxonMobil was resulted from the rate revision last year on renewal of the tenancy period. Kompleks Dayabumi is also expected to generate a higher level of growth in the next financial year upon completion of the refurbishment and upgrading of the building, that allow it to command better rates.





Retail Centre Property

Suria KLCC is a landmark shopping destination offering a strong mix of fashion, food and entertainment. Strategically located at the base of the Twin Towers and with other world class KLCC developments being in the vicinity, Suria continues to benefit from a captured customer base as well as tourists and visitors to the flagship development in the country. To further strengthen its position as the preferred shopping destination, various innovative events and promotions were conducted such as "Suria Fashionable Indulgence" and Suria KLCC Touch and Go card program, to name a few. In addition, Suria continues with its operating policy for ongoing store rejuvenation programmes to deliver greater customer satisfaction.

As a result, Suria has been able to sustain its position as the leading retail centre in the country and preserve footfalls at above 40 million for the year. This also placed Suria in a position to command better rental rates and attract high-end brands such as Louis Vuitton, Miu Miu and the likes. With revenue at RM279 million, Suria's contribution to the overall Group revenue has reached almost 32%, second only to the Twin Towers.

Apart from the KLCC mall, Suria has also been appointed as the operator for the Alamanda Putrajaya and Mesra Mall in Kerteh, which reaffirms its capabilities in attracting the right customer base and the right brands. It is also envisaged that with the completion of Lot C retail podium later this year, the retail segment would provide greater value and contribution to the overall Group performance.

Hotel Property

The performance of the hotel segment continued to be negatively impacted by the global economic downturn which persisted almost throughout the financial year.

In the face of a decline in demand and a highly competitive market environment, Mandarin Oriental, Kuala Lumpur (MOKL) maintained the strategy of generally preserving room rates enabling MOKL to achieve a marginally higher average room rate than last year of RM635.5, albeit at a lower occupancy of 54.7%. Nonetheless, the hotel did well to maintain its competitive position and continued to outperform the market in terms of Revenue per Available Room (RevPAR). To further enhance its overall performance, MOKL implemented cost containment strategies resulting in significant savings during the year, without compromising on the service levels to its customers.

Owing to its luxury offerings and unrivalled customer service, MOKL continues to be recognised by travellers worldwide as reflected in the numerous accolades it received during the year. At the "TripAdvisor's Travelers' Choice Award 2009", MOKL won "Best Luxury Hotel – World, Asia" and was rated as "Best Business Hotel in Asia Pacific" by city at the "Business Traveller Asia Pacific 2009 Travel Awards" bearing further testimony to the hotel's continued pursuit of service excellence.

Asset & Facilities Management

The establishment of KLCC Urusharta Sdn Bhd and KLCC Parking Management Sdn Bhd is to complement the overall properties portfolio of the Group through delivering standard-setting facilities in management and services at optimum costs. This is critical in ensuring the long term sustainability of yield improvement for the respective assets.

The revenue growth for this segment has been encouraging over the years, chalking up a further 11% increase to RM60 million from RM54.2 million last year. The growth was driven mainly by the parking management services arising from higher traffic volume. The periodic income contribution from this segment is expected to expand further with more developments taking place within the Group, especially in the KLCC Precinct.

THE YEAR IN REVIEW

**OUTLOOK**

The global economy is expected to remain weak and uncertain going into the new financial year. Whilst the Group is not fully insulated from the market volatility and cyclical nature of the economy, the underlying long term tenancies of the office buildings by credible and quality tenants will tend to carry us through any further unforeseen economic adversities in the foreseeable future. Nevertheless, the hotel segment, and retail to a certain extent, would continue to be affected by market fluctuations.



Equally important is the enthusiasm of Management and the Board of the Company in retaining quality customers whereby further capital allocation will be made to improve the earnings stream of Group assets. It is expected that the redevelopment of Kompleks Dayabumi including the upgrading of the common area and Citypoint will enhance its competitive position and asset value. The premium commercial property earnings profile will be further enhanced with the upgrading of Menara ExxonMobil.

The Management would continue to focus its efforts on costs containment in facing the uncertainties of the operating environment and forge ahead in its quest to continuously grow the business and provide respectable returns for shareholders over the long term.

APPRECIATION

I would like to take this opportunity to once again extend my sincere and humble appreciation to the KLCCP Board members for their continuous support and guidance.

To all the staff, my deepest gratitude for your relentless effort and sacrifice in achieving a commendable result in spite of the many challenges we faced. Your hard work and unfailing dedication continue to be the critical ingredients to the Group's success.

Finally, I would also like to put on record my sincere thanks to the shareholders for persevering with your belief in our stewardship of the Group.

Hashim Bin Wahir
Chief Executive Officer

Corporate Governance

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Corporate Governance Statement

The Board of Directors (“Board”) of KLCC Property Holdings Berhad (“KLCCP” or the “Company”) adopts the principles and best practices of corporate governance in conducting the business and affairs of the Company and the Group. The Board remains fully resolved and committed in employing the principles of integrity, transparency and professionalism to ensure the Company and the Group’s continued progress and success as these would not only safeguard and enhance shareholders’ investment and value but at the same time protect the interests of all stakeholders.

In line with the Main Market Listing Requirements, the Board is pleased to report to the shareholders in particular and other stakeholders in general on the manner KLCCP and the Group have maintained the standard of corporate governance by supporting and implementing the prescribed principles and best practices as set out in the Malaysian Code on Corporate Governance (Revised 2007) (“the Code”) and the Main Market Listing Requirements.

A. BOARD OF DIRECTORS

Board Responsibilities

The Board is led and managed by experienced Board members with a wide range of expertise. It is collectively responsible for promoting the success of the Company and the Group by directing and supervising its business and affairs. The Board’s principal responsibilities are as prescribed under the best practices of the Code. These include: charting and reviewing the strategic direction for the Company and the Group; overseeing its business operations thereof; evaluating whether these are being properly managed; and providing leadership to enable the achievement of the Group’s business objectives.

The Board has a formal schedule of matters reserved to itself for decisions, including the overall Group strategy and direction, acquisition policy, approval of major capital expenditure projects and significant financial matters.

The Board practices a clear division of responsibilities between the Chairman, Chief Executive Officer and Non-Executive Directors. The Chairman is primarily responsible for the orderly conduct and function of the Board. The Chief Executive Officer is responsible for the day to day running

of the Group’s business, implementation of Board’s policies and making operational decisions, and he is assisted in the management of the Group’s business by the Management.

The Non-Executive Directors have the necessary calibers to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long term interest of the stakeholders. They contribute to the formulation of policy and other decision-making process through their expertise and experience. As they are independent of the Management, it is ensured that no single individual or group dominates the Board’s decision-making process.

Board Composition and Balance

The Board currently has 9 members. One of the Board Members is an Executive Director while 8 are Non-Executive Directors. 5 of the Non-Executive Directors fulfill the criteria of independence as defined in the Bursa Securities Listing Requirements. The other 3 of the Non-Executive Directors are Non-Independent Directors.

The majority of the Independent Non-Executive Directors facilitate the exercise of independent evaluation of the Board’s deliberations and decision-making process, providing check and balance in the Board’s exercise of its functions.

Board Meetings

The Board meets at least quarterly and also on other occasions to, inter alia, approve the Quarterly Reports, the Annual Report, the Business Plans/Budgets and to review the performance of its subsidiaries. Meetings for the year are scheduled early in the year. Due notice is given for all scheduled meetings, and additional meetings are convened on an ad hoc basis for urgent and important matters. A total of 4 Board meetings were held during the financial year. The proceedings of all meetings including all issues raised, substance of enquiry and response, board members’ suggestions, decisions and conclusions made at the Board of Directors and Board Audit Committee meetings were recorded in the minutes of the Board of Directors and Board Audit Committee meetings respectively. Where appropriate, decisions have been taken by way of circular resolutions in between scheduled meetings during the financial year.

CORPORATE GOVERNANCE STATEMENT

Details of the attendance of the Directors at Board Meetings during the financial year are tabulated as follows:

Directors	Attendance of Board Meetings
Executive	
Hashim Bin Wahir	4/4
Non-Executive	
Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya	4/4
Datuk Nasarudin Bin Md Idris	4/4
Datuk Manharlal a/l Ratilal	3/4
Datuk Ishak Bin Imam Abas	3/4
Dato' Leong Ah Hin @ Leong Swee Kong	3/4
Pragasa Moorthi a/l Krishnasamy	3/4
Augustus Ralph Marshall	4/4
Dato' Halipah Binti Esa	4/4

Supply of Information to the Board

The Board has complete and unimpeded access to information relating to the Group in discharge of their duties. The Board may require further details or clarifications on Board meeting agenda items. Senior Management Officers are invited to attend the Board meetings to update the Directors on their respective functions and operations and also to clarify issues that may be raised by the Directors.

The Chairman of the Board Audit Committee would report to the Board at Board meetings on pertinent issues that have been raised at Board Audit Committee meetings, and he would highlight to the Directors the integral areas as may be expressed by the Audit Committee.

The agenda and Board meeting papers including progress reports on business operations, details of business propositions, quarterly reports and new guidelines issued by Bursa Malaysia Securities Berhad are circulated to the Directors. The Directors can thus peruse the business reports and appraise the issues to be deliberated at the Board meeting well before the date of the meeting.

Minutes of every Board meeting are circulated to all Directors for their perusal prior to their confirmation at the following Board meeting, and the Directors may require further details or clarifications or raise comments on the minutes prior to the confirmation of the same.

The Board is also regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretaries. The Company Secretaries attend all Board meetings and ensure that accurate and adequate records of the proceedings of Board meetings and decisions made are properly kept. The Directors may take independent professional advice at the Group's expense, in furtherance of their duties.

Board Committee

Other than Board Audit Committee ("BAC"), KLCCP Board does not elect to establish other board committees as the Board believes that all members must be equally responsible for the overall core responsibilities of the Board which must be carried out with due care to ensure that high ethical standards are upheld, and that the interests of stakeholders are always taken into consideration.

The Board delegates certain responsibilities to the BAC which operates within clearly defined terms of reference. The BAC Chairman reports the outcome of Committee Meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

The details of the activities of the BAC for the financial year are set out in pages 31 to 33 of the Annual Report.

CORPORATE GOVERNANCE STATEMENT

Appointment to the Board

The selection of new Directors is done via nominations by the major shareholders and/or holding company prior to approval of the Board. The Board also serves as the Remuneration and Nomination Committee as a whole. The Board deliberates and resolves the following issues during normal proceedings of meetings of the Directors of the Company:

- Assessment and recommendation for the appointment of new Directors to the Board;
- Annual review of the mix of expertise and experiences as well as other qualities to enable the Board to function properly and efficiently;
- Implementation of formal appraisal process for the evaluation of the effectiveness of the Board as a whole, the Board Audit Committee and the individual contribution of each Board member; and
- Board recommendation on the remuneration of all Non-Executive Directors. Individual Directors do not participate in the discussion on their own remunerations.

Re-Appointment and Re-Election of Directors

Pursuant to Section 129 (2) of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment to hold office until the next AGM.

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

Training and Development of Directors

During the financial year, all Directors of the Company have attended relevant conferences, seminars and briefings in areas of leadership, corporate governance, finance and competitive strategies, some of which were conducted in-house, by the Regulatory Authorities and members of professional bodies, in order to broaden their perspectives and to keep abreast with developments in the market place and with new statutory and regulatory requirements to better enable them to fulfill their responsibilities.

B. DIRECTORS REMUNERATION

Remuneration structure for the Non-Executive Directors of the Company consists wholly of a fixed fee, and in the case of Board Audit Committee, a further fixed remuneration of committee fee. All fees due to the Directors are subject to approval by the shareholders at the 7th AGM of the Company as to be recommended by KLCCP Board.

The Executive Director cum Chief Executive Officer of the Company is an employee of PETRONAS. He is not remunerated but receives salary inclusive of compensation for the Board's duties and responsibilities. During the year, the Company reimbursed PETRONAS an amount of RM307,000.00 for his services.

The current remuneration policy for the Non-Executive Directors comprise the following:

- (a) Directors' fees:
 - RM108,000.00 per annum for the Chairman and
 - RM72,000.00 per annum for each Non-Executive Director.
- (b) Meeting allowance for each Board and Board Audit Committee meeting attended by a Non-Executive Director is as follows:
 - (i) RM4,000.00 for the Chairman of the Board
 - (ii) RM3,000.00 for the other members of the Board
 - (iii) RM3,000.00 for the Chairman of the Board Audit Committee
 - (iv) RM2,000.00 for the other members of the Board Audit Committee.

CORPORATE GOVERNANCE STATEMENT

For the year under review, the breakdown of the Directors' remuneration is as per the table below:

(RM)	Director's Fee	Board Meeting Allowance *	Audit Committee Meeting Allowance *	Total
Executive Director				
Hashim Wahir	Nil	Nil	Nil	Nil
Non-Executive Directors				
Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya	108,000.00	16,000.00	Nil	124,000.00
Datuk Nasarudin Bin Md Idris	72,000.00	12,000.00	Nil	84,000.00
Datuk Manharlal A/L Ratilal	72,000.00	9,000.00	6,000.00	87,000.00
Datuk Ishak Bin Imam Abas	72,000.00	9,000.00	Nil	81,000.00
Augustus Ralph Marshall	72,000.00	12,000.00	12,000.00	96,000.00
Dato' Halipah Binti Esa	72,000.00	12,000.00	8,000.00	92,000.00
Dato' Leong Ah Hin @ Leong Swee Kong	72,000.00	9,000.00	6,000.00	87,000.00
Pragasa Moorthi A/L Krishnasamy	72,000.00	9,000.00	Nil	81,000.00
Total	612,000.00	88,000.00	32,000.00	732,000.00

* Meeting allowances depend on the number of meetings attended by the members.

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Communication between the Company and Investors

The Board recognises the importance of maintaining transparency and accountability to its stakeholders. As such, the Board consistently practices the provision of clear, comprehensive and timely information to stakeholders. The annual report of KLCCP has comprehensive information pertaining to the Group, while various disclosures on quarterly financial results provide investors with up-to-date financial information.

While the Group endeavours to provide as much information as possible to its stakeholders, it must also be wary of the legal and regulatory framework governing the release of material and price-sensitive information.

All corporate disclosures take into account the prevailing legislative restrictions and requirements as well as the investors' need for timely release of price-sensitive information such as the financial performance results, material acquisitions, significant corporate proposals as well as other significant corporate events. In all circumstances, the Group is careful with the timing in providing material information about the Group and continually stresses the importance of timely and equal dissemination of information to its stakeholders.

The Senior Management of KLCCP has regular financial performance briefings for the investor community and press statements in conjunction with the announcement of its quarterly and annual results. Announcement for public release by the Company are not only intended to promote dissemination of financial and non-financial information of the Group to its shareholders and investors, but also to keep them updated on the progress and development of the business and affairs of the Group as well as any strategic developments within the Group.

CORPORATE GOVERNANCE STATEMENT

Annual General Meeting (“AGM”)

The AGM of the Company is an important forum for communication and dialogue with its shareholders. Shareholders are accorded both the opportunity and the time to raise questions and the Directors and Senior Management Officers will provide the answers and appropriate clarifications to issues that are raised. The external auditors will also be present during the AGM to provide their professional and independent clarification on issues and concerns raised by the shareholders, if necessary.

Any item of special business included in the Notice of the AGM will be accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are tabled for different transactions and the Chairman declares the outcome of the resolutions voted upon.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

It is KLCCP Board’s commitment to provide a balanced, clear and meaningful assessment of the financial position and prospects of the Group in all the disclosures made to shareholders, investors and the regulatory authorities.

The announcements on quarterly financial results and the press releases accompanying these results announcements reflect the Board’s persistent commitment in providing timely, transparent and up-to-date disclosure of the Group’s overall performance.

The Board is assisted by the Board Audit Committee (“BAC”) to oversee the Group’s financial reporting process and the quality of the same. The BAC reviews and monitors the integrity of the Group’s interim and annual financial statements. It also reviews the aptness of the Group’s accounting policies and the changes to as well as the implementation of these policies.

The Directors are responsible to ensure that the Group’s audited financial statements comply with the Companies Act, 1965, the Financial Reporting Standards and the Main Market Listing Requirements.

The statement by the Directors pursuant to Section 169 (15) of the Companies Act, 1965 in relation to the preparation of the financial statements are set out on page 42 of the Annual Report.

Related Party Transactions

The BAC reviews and monitors all related party transactions on a quarterly basis and reports for action by the Board where necessary.

Internal Control

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

The effectiveness of the system of internal controls of the Company and the Group is reviewed by the BAC during its quarterly meetings. The review covers the financial, operational and compliance controls as well as risk management functions.

The Statement on Internal Control, which provides an overview of the state of the internal control within the Company and the Group, is set out on pages 29 to 30 of the Annual Report.

Relationship with External Auditors

The Group has established transparent and appropriate relationship with the external auditors through the BAC of the Company. From time to time, the external auditors will highlight matters that require further attention of the BAC and the Board of Directors.

CORPORATE GOVERNANCE STATEMENT

It is the BAC's policy to meet with the external auditors at least once quarterly to discuss their audit plans, audit findings and their reviews of KLCCP financial results/statutory statement of accounts. The meetings are held in the presence of the Executive Director/Chief Executive Officer and the Management.

The BAC also meets with the external auditors once annually or whenever deemed necessary without the presence of the Executive Director/Chief Executive Officer and the Management. In addition, the external auditors are being invited to attend the AGM of the Company and are

available to clarify and answer shareholders' questions on their conduct of the audit as well as the preparation and contents of the audit report.

A summary of the activities of the BAC during the year, including the evaluation of the independent audit process, are set out in the BAC's Report on pages 31 to 33 of the Annual Report.

The details of fees paid/payable for the financial year to the external auditors for statutory audit and other services are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs. Ernst & Young		
• Statutory Audit	133	355
• Other Services		
- Review of quarterly results	54	54
- Review of Statement on Internal Control	11	11
Total	198	417

The Board believes that the provision of these services by the external auditors to KLCCP and the Group were cost effective and efficient due to their knowledge and understanding of the operations of the Company and the Group, and did not compromise their independence and objectivity.

CORPORATE GOVERNANCE STATEMENT

CORPORATE RESPONSIBILITY

KLCCP Board continues its focus in approaching business from Corporate Responsibility (“CR”) view with commitment and fervour to ensure sustainable cause and the realization of which to ultimately benefit the Group business in the long term with respect to environment, people and profit.

Sustainability and Community

For the KLCCP Group, sustainability is a crucial agenda as our business addresses the environmental, social and governance issues in an integrated manner to create financial value. The Group’s CR journey is in every sphere, not only financial. Environmental conservation efforts and commitments in the upkeep and maintenance of the KLCC Park and the Precinct signify the expansion of the Group’s contribution to the social and community responsibility in providing a green, safe, secure and conducive destination in the city centre of Kuala Lumpur.

The majority of KLCCP Group assets located in KLCC Precinct is highly sought after. Attest with successful setting of value benchmark for the competitive commercial property in the office, retail and hotel segments, it is also testimony of the Group’s efforts in making KLCC Precinct an ideal and sustainable place of working and living.

KLCCP Board believes that in striving to enrich the community; the Group’s CR management framework must be able to optimize the economic, social and environmental impact of CR investment.

KLCCP Group does its part as a responsible corporate citizen and accumulates positive contribution to the society and nation building in allowing Malaysia Crime Prevention Foundation (MCPF), Malaysia Medical Relief Society (MERCY) and Malaysian Institute of Economic Research (MIER) to continue accruing economic benefits of rent-free tenancy in Kompleks Dayabumi.

Workplace

KLCCP Group has a strong respect for a healthy work/life balance among our employees and reward service and dedication through a competitive, pay-for-performance and benefits program. The Group values the diversity of its employees and treats everyone with dignity and respect. The Board believes that trust, respect and ethical conduct are key to sound relationships. Basic to these relationships is the recognition of the personal value and potential contribution of every employee.

KLCCP Group champions CR in the workplace and adept at managing the initiatives with emphasis in employee engagement to add value and in ensuring availability of the highest quality workforce. High employee engagement and stronger business performance is inter-linked. The KLCCP Group TSR (total shareholders return) FY2009 averages 7% and is a clear testimony of the Group’s commitment to sustainable business practices and corporate responsibility.

Superior performance for contribution to business success is the key concern of the Board. KLCCP Group’s business objectives not only confine to annual financial and operational targets such as revenue and profit but inclusive also of talent management. An excellent workforce is critical for achieving the numbers, it therefore serves as one of main targets for the Group to realize its vision and mission - “Property Group of Choice”.

Professional development of employees at all levels within the Group and career development continues to be our management focus. During the financial year in review, management teams across the Group are nominated for purpose-built leadership development and management programs.

KLCCP Group works to be responsive to the needs of our employees, business partners, customers and the local communities in which we operate. With above average rate of employees engagement and because of the linkages between employees engagement and customer loyalty/advocacy with respect of financial results, the Group has management measures in place to monitor and to reaffirm the business case for investing in and focusing on employees engagement.

This statement is made in accordance with the resolution of the Board of Directors on 17 May 2010.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the companies' assets. Under the provisions of the Bursa Malaysia Listing Requirements, Para 15.27(b) Directors of listed companies are required to produce a statement on the state of the companies' internal control in their Annual Report.

The Board continues with its commitment to maintain a sound system of internal controls throughout KLCC Property Holdings Berhad and its subsidiaries ("Group") and is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the year under review.

BOARD RESPONSIBILITY

The Board acknowledges the importance of sound internal control for good corporate governance. The system of internal controls covers, inter alia, risk management and financial, organisational, operational, project and compliance controls. The Board reaffirms its overall responsibility for the Group's system of internal controls and undertakes regular review of the adequacy and integrity of those systems.

It should be noted, however, that such systems are designed to manage, rather than eliminate, risk of failure to achieve corporate objectives. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of corporate objectives. This process has been in place throughout the year under review up to the date of this report, and that this process is regularly reviewed by the Board and it accords with the Internal Control Guidance.

CONTROL STRUCTURE AND ENVIRONMENT

In furtherance to the Board's commitment to maintain a sound system of internal control, the Board continues to maintain and implement a strong control structure and environment for the proper conduct of the Group's business operations as follows:

- The Board meets at least quarterly and has set a schedule of matters, which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Executive Officer leads the presentation of board papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis.
- The Chief Executive Officer reports to the Board on significant changes in the business operations and the external environment which affects risks. The Group's General Manager of Finance provides the Board with quarterly financial information.
- An organisational structure with formally defined lines of responsibility, delegation of authority and accountability is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. It includes the publication of the Employees Handbook which highlights policies on health and safety, training and development, equality of opportunity, staff performance and serious misconduct.
- A documented delegation of authority with clear lines of accountability and responsibility serves as a tool of reference in identifying the approving authority for various transactions including matters that require Board's approval.
- The Group performs a comprehensive annual budgeting and forecasting exercise including development of business strategies for the next five years, and establishment of key performance indicators against which units within the Group can be evaluated. Variances against budget are analysed and reported on a quarterly basis to the Board. The Group's strategic directions are also reviewed semi-annually taking into account changes in market conditions and significant business risks.

STATEMENT ON INTERNAL CONTROL

- The Accounting Procedures Manuals set out the policies and procedures for day-to-day operations and act as guidelines as to the proper measures to be undertaken in a given set of circumstances.
- The Management is continuing its intensive efforts towards ensuring consistency with the PETRONAS Group's practice to embark on Quality Culture Process embracing the quality principles defined therein.

RISK MANAGEMENT

The Group recognises the importance of proactive and effective risk management and emphasises on inculcating a risk culture to attain a holistic understanding of risk and its implications on the operations and all key business areas within the Group.

With the support of PETRONAS' Group Risk Management Unit (GRMU), the Group continues to develop and implement an integrated approach to manage and control the principal risks identified. These encompass risk identification, analysis, appraising and monitoring and taking appropriate measures to mitigate these risks in accordance with its stakeholders' view of balance between risk and reward.

As part of the ongoing Risk Management effort, the Group's risk profile has been developed during the year under review, involving identification of 6 key risk categories together with the appropriate tools and mechanism for effective management and mitigation of those risks. The risks were derived based on the three main strategic pillars and value drivers of the Group.

The Group shall continue to ensure effectiveness in managing its risk through continuous assessment of its risk events and reviewing adequacy of its internal controls.

INTERNAL AUDIT

During the financial year, PETRONAS Internal Audit Division (GIA) continued to conduct audits on the operations of the Group which focused on business controls to achieve the business objectives and excellence. The control elements cover policies, organisational structure, procedures, supervision and review and appraisal. They will continue to report on a quarterly basis to the Board Audit Committee on the status of all audit issues raised until these issues are resolved.

For the financial year ending 31 March 2010, the following audits were conducted on:

1. KLCC Property Holdings Berhad's IT Environment activities;
2. KLCC Property Holdings Berhad's Leasing & Tenancy Management activities;
3. KLCC Urusharta Sdn Bhd's General Controls & Operations activities;
4. KLCC Parking Management Sdn Bhd's activities; and
5. Mandarin Oriental Kuala Lumpur activities.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULTED IN MATERIAL LOSSES

There were no material losses incurred during the current financial year as a result of weaknesses of internal controls. Management continues to take proactive measures to strengthen the internal control environment.

This statement is made in accordance with the resolution of the Board of Directors on 17 May 2010.

Audit Committee Report

The Board Audit Committee ("BAC") of KLCC Property Holdings Berhad ("KLCCP" or the "Company") is pleased to present the Audit Committee Report for the year ended 31 March 2010 pursuant to the Main Market Listing Requirements.

MEMBERSHIP

The BAC was established pursuant to a board resolution made on 9 July 2004. Currently, the BAC comprises 4 directors:

Augustus Ralph Marshall

Chairman/Non-Executive and Independent Director

Datuk Manharlal a/l Ratilal

Member/Non-Executive and Non-Independent Director

Dato' Leong Ah Hin @ Leong Swee Kong

Member/Non-Executive and Independent Director

Dato' Halipah binti Esa

Member/Non-Executive and Independent Director

The BAC is governed by the Terms of Reference as stipulated in pages 33 to 35 of the Annual Report. All the requirements under the Terms of Reference had been fully complied with and the BAC did not see any matter in breach of the Main Market Listing Requirements that warrants reporting to the Exchange.

ATTENDANCE RECORD OF BAC MEMBERS

During the year under review, the BAC met 4 times in the presence of the Chief Executive Officer, Head, Finance & Accounts Division, as well as internal and external auditors of the Company.

Committee Members	Attendance of Meetings
Independent	
Augustus Ralph Marshall	4/4
Dato' Leong Ah Hin @ Leong Swee Kong	3/4
Dato' Halipah Binti Esa	4/4
Non-Independent	
Datuk Manharlal a/l Ratilal	3/4

SUMMARY OF ACTIVITIES OF THE BAC

The following activities were carried out by the BAC during the financial year ended 31 March 2010:

- i) Reviewed the external auditors' scope of work and audit plans for the year under review. Prior to the audit, representatives from the external auditors presented their audit strategies and plans.
- ii) Reviewed the results of the audit, the audit report and the Management Letter, including the Management's response which had been reviewed by the Management with the external auditors.
- iii) Considered and made recommendations to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 24 to the financial statements on page 74 of the Annual Report.

AUDIT COMMITTEE REPORT

- In addition, the BAC had also approved the provision of non-audit services by the external auditors. The details of fee payment for such non-audit services rendered thereof for financial year ended 2010 are disclosed in Note 24 to the financial statements and Corporate Governance Statement of the Annual Report.
- iv) Reviewed the independence and objectivity of the external auditors and the services provided.
 - v) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and the Management's responses thereto. Discussed with the Management actions taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports.
 - vi) Reviewed and recommended the audited financial statements of the Group to the Board for the Board's consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards.
 - vii) Reviewed and recommended the quarterly unaudited financial results announcements of the Group to the Board for the Board's consideration and approval. The review was to ensure that the Group complies with the Main Market Listing Requirements, the applicable approved accounting standards as well as other relevant legal and regulatory requirements. The review and discussion were conducted with the Chief Executive Officer and the Head, Finance & Accounts Division of the Company.
 - viii) Reviewed the year end financial results, statements and announcements before recommending them for the Board's approval. The review and discussion were conducted with the Chief Executive Officer and the Head, Finance & Accounts Division of the Company.
 - ix) Reviewed the related party transactions entered into by the Group.
 - x) Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance ("the Code") for the purpose of preparing the Corporate Governance Statement and Statement of Internal Control pursuant to the Main Market Listing Requirements. Additionally, the BAC also recommended to the Board action plans to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.
 - xi) To discuss problems and reservations arising from the Group's interim and final audits, and any matter the auditors may wish to discuss (in the absence of the Management where necessary).

INTERNAL AUDIT

The internal audit function of the Company and KLCCP Group is largely supported by the Group Internal Audit Division of PETRONAS, the ultimate holding company. They maintained their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the BAC.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's internal control systems in anticipating potential risks exposures over key business processes within the Company and KLCCP Group. The BAC also had full access to the services and advice of the internal auditors and received reports on all audits that were performed.

During the year, the internal auditors had carried out audits according to the internal audit plan which had been approved by the BAC.

The internal audit reviews were carried out to address the various operational and business risks, which included the following:

- Follow-ups on Memorandum of Suggestion by the external auditors, Messrs. Ernst & Young.
- Performance of the Annual Audit Plan.
- Audit on leasing and tenancy management of KLCCP.
- Audit on general controls and operations review of KLCC Urusharta Sdn Bhd.
- Audit on Mandarin Oriental Kuala Lumpur.
- Audit on IT governance and Management of KLCCP.

The resulting reports from the audits were forwarded to the Management for its attention and further action. The Management is responsible to ensure that necessary corrective measures as recommended in the audits pertaining to the reported weaknesses are taken within the required timeframe.

The total costs incurred for the internal audit function of the Company and KLCCP Group for the financial year was RM108,691.50.

Further details of the internal audit activities are set out in the Statement on Internal Control of the Annual Report.

BOARD AUDIT COMMITTEE'S TERMS OF REFERENCE

The primary function of the Board Audit Committee ("BAC") is to assist the Board of Directors in fulfilling the following objectives of the Company's activities:

- assess KLCCP Group processes relating to its risks and control environments;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

COMPOSITION

1.0 MEMBERSHIP

1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company who fulfill the following requirements:

- (a) the Committee must be composed of no fewer than 3 members; a majority of the Committee members must be Independent Directors;
- (b) the Committee must be made up entirely of Non-Executive Directors who should be financially literate; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he were not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience and:
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

1.2 The members of the Committee shall elect a Chairman from amongst themselves who shall be an Independent Director.

1.3 No Alternate Director shall be appointed as a member of the Committee.

1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the Main Market Listing Requirements pertaining to the composition of the audit committee, the Board of Directors shall within 3 months of that event fill the aforesaid vacancy.

AUDIT COMMITTEE REPORT

1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2.0 MEETINGS

2.1 Frequency

- (a) Meetings shall be held not less than 4 times a year.
- (b) Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

2.2 Quorum

To form a quorum, the majority of the Committee members present must be Independent Directors.

2.3 Secretary

The Company Secretary or, in his absence, another person authorised by the Chairman of the Committee, shall be the Secretary of the Committee.

2.4 Attendance

- (a) The Head, Finance & Accounts Division, Head of Internal Audit and a representative of the external auditors shall normally attend meetings.
- (b) Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.5 Reporting Procedure

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

2.6 Meeting Procedure

The Committee shall regulate its own procedure, in particular:

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

3.0 RIGHTS

The Committee in performing its duties shall, in accordance with a procedure to be determined by the Board of Directors,

- (a) have the authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit functions or activities;
- (e) be able to obtain independent advice, whether professional or otherwise, pertaining to any matter within its terms of reference; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both while excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

4.0 FUNCTIONS

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

4.1 To review:

- (a) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (i) the going concern assumption;
 - (ii) major changes in or its implementation thereof in accounting policies;
 - (iii) significant and unusual events; and
 - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interest situation that may arise within the Company or KLCCP Group including any transaction, procedure or course of conduct that raises questions of the integrity, transparency and professionalism of the management.
- (c) with the external auditors:
 - (i) the audit plan;
 - (ii) evaluation of the system of internal controls;
 - (iii) the audit report;
 - (iv) Management Letter and the Management's response; and
 - (v) the level of cooperation given by the Company and KLCCP Group's employees to the external auditors.

4.2 To monitor the Management's risk management practices and procedures.

4.3 In respect of the appointment of external auditors:

- (a) to review whether there is reason (supported by grounds) to believe that the current external auditors is not suitable for reappointment;

- (b) to consider the nomination of a person or persons as external auditors and the audit fee; and

- (c) to consider any question of resignation or dismissal of the external auditors.

4.4 In respect of the internal audit function:

- (a) to review the adequacy of the scope, functions, competency and resources of the internal auditors and whether it has the necessary authority to carry out its work;
- (b) to review the internal audit programmes, processes or investigations as well as the results of the same that were undertaken, and whether or not appropriate actions have been taken based on the recommendations of the internal auditors;
- (c) to review any appraisal or assessment of the performance of members of the internal audit function;
- (d) to approve any appointment or termination of senior staff members of the internal audit function; and
- (e) to inform itself of any resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.5 If the Committee is of the view that any matter which it had reported to the Board of Directors was not resolved satisfactorily resulting in a breach of the Main Market Listing Requirements, the Committee has to promptly report such matters to Bursa Securities.

4.6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

This statement is made in accordance with the resolution of the Board of Directors on 17 May 2010.

Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”)

(I) NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors for the financial year ended 31 March 2010 was RM65,000.00 for the Group and Company respectively. This is in respect of services rendered by the audit firm on review of the quarterly results and the review of the Statement of Internal Control.

Disclosed in accordance with Appendix 9C, Part A, item 18 of the Main Market Listing Requirements of Bursa Securities.

(II) MATERIAL CONTRACTS

Save as disclosed in the Prospectus of the Company dated 21 July 2004, there are no other agreements which are material which have been entered into by the Company or its subsidiaries since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 21 of the Main Market Listing Requirements of Bursa Securities.

(III) REVALUATION POLICY

The Group adopted FRS 140: Investment Property effective 1 April 2006. As a result of adopting FRS 140, the Group’s investment properties are required to be stated at fair value, with any gains or losses arising from changes in their fair value being recognised in the period in which they arise.

With the adoption of FRS 116: Property, Plant and Equipment on 1 April 2006, the Group’s hotel property is now stated at cost less accumulated depreciation.

The Group’s policy is to revalue its investment properties based on valuations performed by independent professional valuers. The valuations are to be carried out annually or at a shorter period, where, in the opinion of the Directors, a significant change in value has occurred.

Disclosed in accordance with Appendix 9C, Part A, item 24 of the Main Market Listing Requirements of Bursa Securities.

Financial Statements

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Directors' Report

FOR THE YEAR ENDED 31 MARCH 2010

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 March 2010.

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 the 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.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,118,117	107,039
Attributable to:		
Equity holders of the Company	647,583	107,039
Minority interests	470,534	–
	1,118,117	107,039

DIVIDENDS

The amount of dividends paid by the Company since 31 March 2009 were as follows:

	RM'000
In respect of the financial year ended 31 March 2009 as reported in the directors' report in that year:	
A final dividend of 5.5%, tax exempt under single tier system on 934,074,279 ordinary shares, was approved by shareholders on 30 June 2009 and paid on 28 July 2009	51,374
In respect of the financial year ended 31 March 2010:	
An interim dividend of 5.0%, tax exempt under single tier system on 934,074,279 ordinary shares, declared on 16 November 2009 and paid on 21 December 2009	46,704
	98,078

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2010, of 6.0% (2009: 5.5%), tax exempt under the single tier system on 934,074,279 (2009: 934,074,279) ordinary shares amounting to a dividend payable of RM56.04 million (2009: RM51.37 million) will be proposed for shareholders' approval.

The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of profits in the financial year ending 31 March 2011.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year, other than as disclosed in the Statement of Changes in Equity.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya
Datuk Nasarudin Bin Md Idris
Datuk Ishak Bin Imam Abas
Dato' Leong Ah Hin @ Leong Swee Kong
Datuk Manharlal A/L Ratilal
Augustus Ralph Marshall
Pragasa Moorthi A/L Krishnasamy
Dato' Halipah Bt Esa
Hashim Bin Wahir

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests 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 →			
	Balance as at 1.4.2009	Bought	Sold	
The Company				
Direct				
Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya	50,000	–	–	50,000
Datuk Ishak Bin Imam Abas	80,000	–	60,000	20,000
Dato' Leong Ah Hin @ Leong Swee Kong	50,000	–	–	50,000
Datuk Manharlal A/L Ratilal	5,000	–	–	5,000
Augustus Ralph Marshall	50,000	–	–	50,000
Datuk Nasarudin Bin Md Idris	5,000	–	–	5,000
The Company				
Indirect				
Datuk Ishak Bin Imam Abas*	11,000	–	–	11,000
MISC Berhad				
Dato' Leong Ah Hin @ Leong Swee Kong	2,000	400	–	2,400
Petronas Gas Berhad				
Datuk Nasarudin Bin Md Idris	3,000	–	–	3,000

None of the other Directors holding office as at 31 March 2010 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

* Deemed interest in 11,000 shares by virtue of Datuk Ishak's son's shareholding in KLCCP.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

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 as shown in Note 28 to the financial statements or the remuneration received by the Directors from certain related companies), 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.

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 changes in the issued and paid up capital of the Company 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 year.

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) all known bad debts have been written off and adequate allowance has 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 allowance for doubtful debts, in the Group and in 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.

OTHER STATUTORY INFORMATION (CONT'D)

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.

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 Company for the financial year ended 31 March 2010 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, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors dated 17 May 2010.

Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya

Hashim Bin Wahir

Kuala Lumpur, Malaysia

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 43 to 90, are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors dated 17 May 2010.

Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya

Hashim Bin Wahir

Kuala Lumpur, Malaysia

Statutory Declaration

I, Azmi Bin Yahaya, 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 43 to 90, 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 Azmi Bin Yahaya)
 at Kuala Lumpur in Wilayah Persekutuan on)
 17 May 2010.)

BEFORE ME:

Robert Lim Hock Kee

Commissioner for Oaths

Balance Sheets

AS AT 31 MARCH 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	1,020,677	885,240	3,877	5,217
Investment properties	6	9,625,000	8,867,000	–	–
Investment in subsidiaries	7	–	–	1,964,402	1,754,402
Investment in an associate	8	221,656	209,094	99,195	99,195
Deferred tax assets	9	17,313	30,845	–	–
Amount due from subsidiaries	10	–	–	332,230	252,699
		10,884,646	9,992,179	2,399,704	2,111,513
Current Assets					
Inventories	11	845	654	–	–
Trade and other receivables	12	59,202	56,326	43,364	292,933
Tax recoverable		4,503	12,130	4,503	8,345
Cash and bank balances	13	600,882	579,165	161,534	192,254
		665,432	648,275	209,401	493,532
TOTAL ASSETS		11,550,078	10,640,454	2,609,105	2,605,045
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	14	934,074	934,074	934,074	934,074
Share premium		562,324	562,324	562,324	562,324
Capital reserve	2.22	2,376,868	1,962,721	–	–
Revaluation surplus		5,665	5,665	–	–
Redeemable convertible unsecured loan stocks (RCULS)	15	687,990	687,990	687,990	687,990
Retained profits	16	745,309	609,951	210,744	201,783
		5,312,230	4,762,725	2,395,132	2,386,171
Minority interests	17	3,161,744	2,747,486	–	–
Total Equity		8,473,974	7,510,211	2,395,132	2,386,171

BALANCE SHEETS

AS AT 31 MARCH 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-Current Liabilities					
Redeemable convertible unsecured					
loan stocks (RCULS)	15	29,287	33,634	29,287	33,634
Other long term liabilities	18	52,049	49,338	–	–
Amount due to a subsidiary	19	–	–	180,000	180,000
Long term borrowings	20	1,753,532	1,874,632	–	–
Deferred tax liabilities	9	821,403	794,815	228	353
		2,656,271	2,752,419	209,515	213,987
Current Liabilities					
Trade and other payables	22	189,654	175,111	4,458	4,887
Borrowings	20	216,101	194,432	–	–
Taxation		14,078	8,281	–	–
		419,833	377,824	4,458	4,887
Total Liabilities		3,076,104	3,130,243	213,973	218,874
TOTAL EQUITY AND LIABILITIES		11,550,078	10,640,454	2,609,105	2,605,045

The notes set out on pages 49 to 90 form an integral part of, and, should be read in conjunction with, these financial statements.

Income Statements

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	23	881,337	866,476	117,044	117,169
Operating profit	24	646,894	627,456	112,300	113,071
Fair value adjustment	6	758,000	508,397	–	–
Interest income	25	11,990	18,445	14,885	17,748
Financing costs	26	(141,840)	(158,317)	(12,674)	(13,071)
Share of profit of associate		16,432	36,223	–	–
Profit before tax		1,291,476	1,032,204	114,511	117,748
Tax expense	29	(173,359)	(195,421)	(7,472)	(13,572)
PROFIT FOR THE YEAR		1,118,117	836,783	107,039	104,176
Attributable to:					
Equity holders of the Company		647,583	535,650	107,039	104,176
Minority interests		470,534	301,133	–	–
		1,118,117	836,783	107,039	104,176
Earnings per share attributable to equity holders of the Company (sen):					
Earnings per ordinary share (sen):					
Basic	30(a)	69.3	57.3		
Diluted	30(b)	50.2	41.6		

The notes set out on pages 49 to 90 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 MARCH 2010

Note	← Attributable to Equity Holders of the Company →								
	← Non-Distributable →				Redeemable Convertible Unsecured Loan Stocks RM'000	← Distributable →		Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Profits RM'000		Capital Reserve RM'000			
As at 1 April 2009	934,074	562,324	5,665	687,990	609,951	1,962,721	2,747,486	7,510,211	
Profit for the year	-	-	-	-	647,583	-	470,534	1,118,117	
Transfer	-	-	-	-	(414,147)	414,147	-	-	
Dividends paid	31	-	-	-	(98,078)	-	(56,276)	(154,354)	
As at 31 March 2010	934,074	562,324	5,665	687,990	745,309	2,376,868	3,161,744	8,473,974	
As at 1 April 2008									
As previously stated	934,074	562,324	5,665	687,990	489,111	1,650,659	2,491,399	6,821,222	
Effects of adopting FRS 139	-	-	-	-	-	-	15,462	15,462	
As at 1 April 2008 (restated)	934,074	562,324	5,665	687,990	489,111	1,650,659	2,506,861	6,836,684	
Profit for the year	-	-	-	-	535,650	-	301,133	836,783	
Transfer	-	-	-	-	(312,062)	312,062	-	-	
Dividends paid	31	-	-	-	(102,748)	-	(60,508)	(163,256)	
As at 31 March 2009	934,074	562,324	5,665	687,990	609,951	1,962,721	2,747,486	7,510,211	

The notes set out on pages 49 to 90 form an integral part of, and, should be read in conjunction with, these financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2010

	← Non-Distributable →				Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Redeemable Convertible Unsecured Loan Stocks RM'000	Distributable Retained Profits RM'000	
As at 1 April 2009	934,074	562,324	687,990	201,783	2,386,171
Profit for the year	–	–	–	107,039	107,039
Dividends paid (Note 31)	–	–	–	(98,078)	(98,078)
As at 31 March 2010	934,074	562,324	687,990	210,744	2,395,132
As at 1 April 2008					
As previously stated	934,074	562,324	687,990	108,359	2,292,747
Effects of adopting FRS 139	–	–	–	91,996	91,996
As at 1 April 2008 (restated)	934,074	562,324	687,990	200,355	2,384,743
Profit for the year	–	–	–	104,176	104,176
Dividends paid (Note 31)	–	–	–	(102,748)	(102,748)
As at 31 March 2009	934,074	562,324	687,990	201,783	2,386,171

The notes set out on pages 49 to 90 form an integral part of, and, should be read in conjunction with, these financial statements.

Cash Flow Statements

FOR THE YEAR ENDED 31 MARCH 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	889,122	848,080	441	844
Cash payments to suppliers and employees	(203,630)	(203,592)	(4,933)	(2,321)
	685,492	644,488	(4,492)	(1,477)
Interest income from fund and other investments	12,602	17,994	3,655	6,687
Tax (paid)/refunded	(119,848)	(115,451)	1,106	–
Net cash generated from operating activities	578,246	547,031	269	5,210
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	3,870	4,837	112,183	101,970
Purchase of property, plant and equipment	(159,078)	(78,937)	(62)	(381)
Proceeds from disposal of property, plant and equipment	68	19	–	1
Net cash (used in)/generated from investing activities	(155,140)	(74,081)	112,121	101,590
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown from bank borrowings	95,000	390,000	–	–
Repayment of long term borrowings	(194,000)	(407,625)	–	–
Repayment of shareholders loan to minority interest	–	(44,250)	–	–
Dividends paid to shareholders	(98,078)	(102,748)	(98,078)	(102,748)
Dividends paid to minority interest	(56,276)	(60,508)	–	–
Interest expenses paid	(148,454)	(164,740)	(7,121)	(7,200)
Advances (to)/from subsidiaries	–	–	(37,472)	61,766
Advances from/(to) related companies	419	(2,373)	(439)	2,076
Decrease/(increase) in deposits restricted	2,710	(3,678)	–	–
Net cash used in financing activities	(398,679)	(395,922)	(143,110)	(46,106)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	24,427	77,028	(30,720)	60,694
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR				
	574,080	497,052	192,254	131,560
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
	598,507	574,080	161,534	192,254
CASH AND CASH EQUIVALENTS				
Cash and bank balances	5,565	53,084	44	7,460
Deposits with licensed bank	595,317	526,081	161,490	184,794
	600,882	579,165	161,534	192,254
Less: Deposits restricted	(2,375)	(5,085)	–	–
	598,507	574,080	161,534	192,254

The notes set out on pages 49 to 90 form an integral part of, and, should be read in conjunction with, these financial statements.

Notes to the Financial Statements

31 MARCH 2010

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 ultimate holding company of the Company is Petroliam Nasional Berhad ("PETRONAS"), which is 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 to the financial statements respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 May 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

At the beginning of the current financial year, the Group and the Company had early adopted new and revised FRSs which are effective for annual periods beginning on or after 1 January 2010 as described fully in Note 3.

The financial statements of the Group and of the Company have also been prepared on a historical 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.

2.2 Subsidiaries and Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries and Basis of Consolidation (Cont'd)

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

2.3 Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Associates (Cont'd)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investment in associate is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in the income statements.

2.4 Intangible Assets – Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.5 Financial Instruments

Financial assets or financial liabilities are recognised in the balance sheet when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's and the Company's contractual rights to the cash flows from the financial assets expire or if the Group and the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the assets.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group and the Company commits itself to purchase or sell the asset.

Financial liabilities are derecognised if the Group's and Company's obligations specified in the contract expire or are discharged or cancelled.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial Instruments (Cont'd)

(a) Financial assets

Initial recognition

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determines the classification of its financial assets at initial recognition.

The fair value of intercompany receivables is estimated as the present value of future cash flows, discounted at the market rate of interest.

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

Fair value adjustments to shareholders' loans and advances due from subsidiaries at initial recognition, if any, are recognised as additional equity investments.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method less impairment losses. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(b) Financial liabilities

Initial recognition

Financial liabilities are recognised initially at fair value less, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liabilities.

Fair value adjustments to shareholders' loans from holding company at initial recognition, if any, are recognised as additional reserves.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

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 lives 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 Company and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the income statement accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property remeasured to fair value. Any gain or loss arising on remeasurement is recognised in the income statement.

Depreciation for property, plant and equipment other than freehold land and projects-in-progress is recognised in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Buildings are depreciated over its useful life.

The estimated useful lives for the current year 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

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 income statements and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 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 values of investment properties are recognised in the income statements 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 income statements in the year in which they arise.

2.8 Impairment

The carrying amount of the Group's assets, other than inventories and financial assets (financial assets in this context exclude investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which the impairment loss is charged to equity. The recoverable amount is the greater of the asset's net selling price and its value in use.

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

2.11 Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

2.12 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Interest Bearing Loans and Borrowings

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. After initial recognition, interest bearing bank loans are subsequently measured at amortised cost using the effective interest method.

Profit share margin cost on the Bai-Al-Dayn Serial Bonds is calculated at the relevant fixed rates and is recognised on an accrual basis.

Interest expense on the 13-year bonds is calculated at the relevant fixed rates and is recognised on an accrual basis.

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 income statement as an expense in the period in which they are incurred.

2.14 Equity Instruments

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.

2.15 Redeemable Convertible Unsecured Loan Stocks ("RCULS")

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 year, using the statutory tax rate at the balance sheet 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 balance sheet date between the tax bases 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 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 tax losses and unused tax credits can be utilised.

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

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

2.17 Provision for Liabilities

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

2.18 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.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

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 balance sheet date have been translated at rates ruling on the balance sheet date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates or where forward contracts have been entered into, at the contracted rates. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia 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 balance sheet date are as follows:

	2010 RM	2009 RM
United States Dollars	3.27	3.66

2.20 Revenue Recognition

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

(i) Rental Income

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

(ii) Buildings and facilities management fees

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

(iii) Car park operations

Revenue from car park operations are recognised on an accrual basis.

(iv) Interest income

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

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vi) Hotel operations

Revenue from rental of hotel room, sale of food and beverage and other related income are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Liabilities

Borrowings, and trade and other payables are stated at cost. Private debt securities have the following features:

Upon issuance of the bonds, the difference between the net proceeds and the nominal value are recognised as premiums or discounts. Premiums on the bonds are recognised as deferred income and accreted over the tenure of the bonds, using the effective yield method. Discounts on the private debt securities are amortised over the tenure of the bonds, using the effective yield method.

Principal amounts of the private debt securities are carried as short and long term liabilities until maturity.

2.22 Capital Reserve

Fair value adjustments, net of tax, on investment property are taken to capital reserve and such surplus will be considered distributable upon the sale of investment property.

2.23 Leases

Operating Leases – the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease (Note 2.20(i)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

As of 1 April 2009, the Group and the Company have early adopted the following FRSs which are effective for annual periods beginning on or after 1 January 2010.

FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs (revised)
Amendment to FRS 123	Borrowing Costs

The adoption of FRS 7 does not result in significant changes in the accounting policies other than extended disclosures on financial instruments as set out in Note 34.

The adoption of FRS 123 did not have a material impact on these financial statements.

The Malaysian Accounting Standards Board (MASB) has also issued FRSs, Interpretations and Amendments to FRSs and Interpretations which are effective for annual periods beginning on or after 1 July 2009, 1 January 2010, 1 March 2010, 1 July 2010 and 1 January 2011.

- (i) FRSs, Interpretations and Amendments to FRSs and Interpretations that are relevant to the Group and the Company and their impact on the financial statements in the period of initial application are set out in Note 37; and
- (ii) FRSs, Interpretations and Amendments to FRSs and Interpretations that are not relevant to the Group and the Company are set out in Note 38.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

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

(i) Classification between investment properties and property, plant and equipment

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

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

4.2 Key Sources of Estimation Uncertainty

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

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

	Land and building* 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 March 2010								
Cost								
At 1 April 2009	675,883	128,455	89,825	126,417	40,458	1,098	17,577	1,079,713
Additions	8,070	146,097	8,148	1,064	6,248	–	1,295	170,922
Transfer	802	(1,971)	–	749	420	–	–	–
Disposals	(677)	–	(3,679)	(496)	(14)	(140)	–	(5,006)
At 31 March 2010	684,078	272,581	94,294	127,734	47,112	958	18,872	1,245,629
Accumulated Depreciation								
At 1 April 2009	49,312	–	68,532	30,660	28,109	835	17,025	194,473
Charge for the year (Note 24)	13,773	–	6,237	8,330	5,414	106	448	34,308
Transfer	(271)	–	–	–	271	–	–	–
Disposals	(33)	–	(3,545)	(107)	(4)	(140)	–	(3,829)
At 31 March 2010	62,781	–	71,224	38,883	33,790	801	17,473	224,952
Net Carrying Amount	621,297	272,581	23,070	88,851	13,322	157	1,399	1,020,677
At 31 March 2009								
Cost								
At 1 April 2008	663,388	71,990	87,308	123,815	38,454	1,098	16,975	1,003,028
Additions	13,440	56,465	3,232	3,030	2,168	–	602	78,937
Disposals	(945)	–	(715)	(428)	(164)	–	–	(2,252)
At 31 March 2009	675,883	128,455	89,825	126,417	40,458	1,098	17,577	1,079,713
Accumulated Depreciation								
At 1 April 2008	36,025	–	62,384	23,037	23,491	711	16,975	162,623
Charge for the year (Note 24)	13,317	–	6,694	7,668	4,781	124	50	32,634
Disposals	(30)	–	(546)	(45)	(163)	–	–	(784)
At 31 March 2009	49,312	–	68,532	30,660	28,109	835	17,025	194,473
Net Carrying Amount	626,571	128,455	21,293	95,757	12,349	263	552	885,240

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

* Land and Building of the Group:

	Freehold land RM'000	Hotel building RM'000	Renovations RM'000	Building improvement RM'000	Total RM'000
At 31 March 2010					
Cost					
At 1 April 2009	223,630	402,232	5,267	44,754	675,883
Additions	–	6,532	241	1,297	8,070
Transfer	–	(2,655)	–	3,457	802
Disposals	–	(677)	–	–	(677)
At 31 March 2010	223,630	405,432	5,508	49,508	684,078
Accumulated Depreciation					
At 1 April 2009	–	16,369	3,125	29,818	49,312
Charge for the year	–	5,452	824	7,497	13,773
Transfer	–	–	–	(271)	(271)
Disposals	–	(33)	–	–	(33)
At 31 March 2010	–	21,788	3,949	37,044	62,781
Net Carrying Amount	223,630	383,644	1,559	12,464	621,297
At 31 March 2009					
Cost					
At 1 April 2008	223,630	395,007	4,873	39,878	663,388
Additions	–	8,170	394	4,876	13,440
Disposals	–	(945)	–	–	(945)
At 31 March 2009	223,630	402,232	5,267	44,754	675,883
Accumulated Depreciation					
At 1 April 2009	–	10,940	2,226	22,859	36,025
Charge for the year	–	5,459	899	6,959	13,317
Disposals	–	(30)	–	–	(30)
At 31 March 2009	–	16,369	3,125	29,818	49,312
Net Carrying Amount	223,630	385,863	2,142	14,936	626,571

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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 March 2010					
Cost					
At 1 April 2009	3,434	2,958	1	2,200	8,593
Additions	3	4	–	55	62
At 31 March 2010	3,437	2,962	1	2,255	8,655
Accumulated Depreciation					
At 1 April 2009	1,519	692	–	1,165	3,376
Charge for the year (Note 24)	688	296	1	417	1,402
At 31 March 2010	2,207	988	1	1,582	4,778
Net Carrying Amount	1,230	1,974	–	673	3,877
At 31 March 2009					
Cost					
At 1 April 2008	3,218	2,955	1	2,044	8,218
Additions	216	3	–	162	381
Disposals	–	–	–	(6)	(6)
At 31 March 2009	3,434	2,958	1	2,200	8,593
Accumulated Depreciation					
At 1 April 2008	858	396	–	739	1,993
Charge for the year (Note 24)	661	296	–	431	1,388
Disposals	–	–	–	(5)	(5)
At 31 March 2009	1,519	692	–	1,165	3,376
Net Carrying Amount	1,915	2,266	1	1,035	5,217

- (a) During the year, independent professional valuers had valued the hotel property of the Group at RM1,100,000,000 based on the profits method by discounted cash flow.
- (b) Property, plant and equipment of a subsidiary costing RM587,569,000 (2009: RM596,734,000) has been pledged as securities for loan facilities as set out in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES

	Group	
	2010 RM'000	2009 RM'000
As at 1 April	8,867,000	8,362,000
Reversal of building cost	–	(3,397)
Fair value adjustment	758,000	508,397
As at 31 March	9,625,000	8,867,000

The following investment properties are held under lease terms:

	Group	
	2010 RM'000	2009 RM'000
Leasehold land	160,000	160,000
Building	240,000	240,000
	400,000	400,000

The investment properties are stated at fair value, which have been determined based on valuations as at 1 March 2010 performed by independent professional valuers. There are no material events that will affect the valuation between the valuation date and financial year end. The valuation method used in determining the valuations is the investment method.

Investment properties of certain subsidiaries fair valued at RM3,725,000,000 (2009: RM3,367,000,000) have been pledged as securities for loan facilities as set out in Note 20 to the financial statements.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
Unquoted shares at cost	1,558,088	1,558,088
Effects of adopting FRS 139	196,314	182,395
As restated	1,754,402	1,740,483
Recognised in income statement	–	13,919
Effect of capitalisation	210,000	–
As at 31 March	1,964,402	1,754,402

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7. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Subsidiaries	Effective Interest		Principal Activities
	2010 %	2009 %	
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	Property investment
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")	50.5	50.5	Property investment
Impian Cemerlang Sdn Bhd ("ICSB")	100	100	Property investment
Arena Merdu Sdn Bhd ("AMSB")	100	100	Property investment

8. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares at cost	99,195	99,195	99,195	99,195
Share of post-acquisition reserve	122,461	109,899	–	–
	221,656	209,094	99,195	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal activity	Effective Ownership	
			2010 %	2009 %
Impian Klasik Sdn Bhd ("IKSB") *	Malaysia	Property investment	33	33

* Audited by a firm of auditors other than Ernst & Young.

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8. INVESTMENT IN AN ASSOCIATE (CONT'D)

The summarised financial statements of the associate are as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities		
Total assets	698,858	672,150
Total liabilities	(122,173)	(133,533)
Results		
Revenue	45,807	44,907
Profit for the year	49,794	109,766

9. DEFERRED TAX

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 April	763,970	680,900	353	370
Effects of adopting FRS 139	-	5,154	-	-
As restated	763,970	686,054	353	370
Recognised in income statement (Note 29)	40,120	77,916	(125)	(17)
At 31 March	804,090	763,970	228	353

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	
	2010 RM'000	2009 RM'000
Deferred tax assets	(17,313)	(30,845)
Deferred tax liabilities	821,403	794,815
	804,090	763,970

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9. 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 April 2008	5,071	719,634	4,042	728,747
Effects of FRS 139	–	–	5,154	5,154
As restated	5,071	719,634	9,196	733,901
Recognised in income statement	11,312	57,298	3,370	71,980
At 31 March 2009	16,383	776,932	12,566	805,881
At 1 April 2009	16,383	776,932	12,566	805,881
Recognised in income statement	6,987	27,000	(341)	33,646
At 31 March 2010	23,370	803,932	12,225	839,527

Deferred Tax Assets of the Group:

	Unused tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 April 2008	6,976	(54,823)	(47,847)
Recognised in income statement	(10,741)	16,677	5,936
At 31 March 2009	(3,765)	(38,146)	(41,911)
At 1 April 2009	(3,765)	(38,146)	(41,911)
Recognised in income statement	(2,389)	8,863	6,474
At 31 March 2010	(6,154)	(29,283)	(35,437)

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries and of the Company are subject to no substantial changes in shareholdings of those subsidiaries and the Company under Section 44(5A) and (5B) of Income Tax Act, 1967.

NOTES TO THE FINANCIAL STATEMENTS

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9. DEFERRED TAX (CONT'D)**Deferred Tax Liabilities of the Company:**

	Property, plant and equipment RM'000
At 1 April 2008	370
Recognised in income statement	(17)
At 31 March 2009	353
At 1 April 2009	353
Recognised in income statement	(125)
At 31 March 2010	228

10. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
Fair value under FRS 139	264,230	252,699
Interest bearing shareholder's loan	68,000	–
	332,230	252,699

The amount due from subsidiaries which was fair valued under FRS 139 are unsecured with a repayment period ranging from 8 to 15 years. The interest rate charged by the Company is between 3.08% and 5.50%.

The interest rate charged by the Company for the interest bearing shareholder's loan is 5.07%.

11. INVENTORIES

The inventories comprise general merchandise and operating supplies, and are stated at cost.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	9,926	9,557	–	–
Other receivables, deposits and prepayments	7,815	8,045	436	649
Accrued rental income	33,684	34,054	–	–
Amount due from related parties *:				
Subsidiaries	–	–	41,216	290,914
Ultimate holding company	2,316	406	–	–
Related companies	5,484	4,361	1,712	1,370
	59,225	56,423	43,364	292,933
Less: Impairment losses				
Trade receivables	(23)	(97)	–	–
	59,202	56,326	43,364	292,933

* Amount due from related parties which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

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13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Cash and bank balances	5,565	53,084	44	7,460
Deposits	595,317	526,081	161,490	184,794
	600,882	579,165	161,534	192,254

Deposits with licensed financial institutions:

Current				
Banks	595,317	526,081	161,490	184,794

Included in the cash and bank balances are monies held on behalf of clients of RM2,375,000 (2009: RM5,085,000). Monies held on behalf of clients relate to restricted monies held in designated accounts, which represents cash calls less payments in the course of rendering building and facility management services on behalf of clients.

Deposits with licensed banks of the Group amounting to RM243,355,000 (2009: RM182,098,000) are pledged for credit facilities granted to the Group as set out in Note 21 to the financial statements.

14. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised:				
Ordinary Shares of RM1 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
Ordinary Shares of RM1 each	934,074	934,074	934,074	934,074

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 9 July 2004, the Company entered into a debt settlement agreement with a related company/corporate shareholder, KLCC (Holdings) Sdn Bhd ("KLCCH"), whereby the Company undertook to issue RM142,194,737 RCULS at its nominal value of RM1 each as settlement of the net amounts owing by certain subsidiaries to KLCCH.

In addition, the Company was also to issue RM571,915,700 RCULS to KLCCH as part settlement and the purchase consideration for the acquisition of certain subsidiaries during financial year ended 31 March 2005.

The total RCULS of RM714,110,437 were issued on 9 August 2004.

NOTES TO THE FINANCIAL STATEMENTS

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15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (CONT'D)

The terms of the RCULS are as follows:

- (a) Conversion rights – the registered holder of the RCULS will have the option at any time during the conversion period to convert the RCULS at the conversion price into new ordinary shares of RM1 each in the Company.
- (b) Conversion price – RM1.98 of RCULS for every one new ordinary share of RM1 each.
- (c) Conversion period – period commencing after the fifth anniversary of the issue date.
- (d) All outstanding RCULS will be mandatorily converted into new ordinary shares of RM1 each after 10 years from the issue date if not redeemed. The holder of the RCULS, KLCCH, has given a written undertaking to the Company on its intention to exercise its rights to convert its entire holdings in the RCULS to equity at any time after expiry of the 5th anniversary, subject to the terms and conditions governing the RCULS.
- (e) The RCULS is interest free for the first 3 years and thereafter, bears interest of 1% per annum.
- (f) The new ordinary shares to be allotted and issued upon conversion of the RCULS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their conversion.

The RCULS, a compound instrument, have been split between the liability component and the equity component as follows:

	Note	2010 RM'000	2009 RM'000
Liability component	(i)	29,287	33,634
Equity component		687,990	687,990
		717,277	721,624
<hr/>			
(i) Liability component			
Liability component at 1st April		33,634	37,663
Interest expense recognised during the year (Note 26)		2,774	3,171
Payment made during the year		(7,121)	(7,200)
		29,287	33,634

16. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividend to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company elected to disregard the Section 108 balance. Accordingly, as at 31 March 2010, the Company may distribute the balance of the retained profits of RM210,744,000 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

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17. MINORITY INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

18. OTHER LONG TERM LIABILITIES

	Group	
	2010 RM'000	2009 RM'000
Advances from corporate shareholders	52,049	49,338

The advances from a corporate shareholder are unsecured with a repayment period of 15 years at an interest rate of 5.50%.

19. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary relates to a loan taken by the subsidiary but utilised by the Company. The interest incurred on the loan is charged to the Company. The weighted average effective interest rate on the loan as at the balance sheet date was 5.50% (2009: 5.50%). The amount due is unsecured and is not repayable within next 12 months.

20. BORROWINGS

	Note	Group	
		2010 RM'000	2009 RM'000
Short term borrowings			
Secured:			
Private debt securities	21	188,101	166,432
Term loans		28,000	28,000
		216,101	194,432
Long term borrowings			
Secured:			
Private debt securities	21	799,039	987,140
Term loans		954,493	887,492
		1,753,532	1,874,632
Total borrowings			
Secured:			
Private debt securities	21	987,140	1,153,572
Term loans		982,493	915,492
		1,969,633	2,069,064

20. BORROWINGS (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
Secured					
Private debt securities	987,000	188,000	199,000	600,000	–
Premium	140	101	39	–	–
	987,140	188,101	199,039	600,000	–
Term loans	982,493	28,000	28,000	126,000	800,493
	1,969,633	216,101	227,039	726,000	800,493

The term loans are secured by the following:

(i) Term loan 1

Interest rate is calculated based on 0.50% per annum above lender's cost of funds.

The loan of RM420,000,000 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 of the Group as disclosed in Note 5.

(ii) Term loan 2

Interest on the loan is charged at a rate of 5.50% per annum. The loan of RM180,000,000 is secured by way of a secured charge over certain investment property of the Group as disclosed in Note 6.

(iii) Term loan 3

Interest rate is fixed at 7.0% per annum. The loan of RM603,000,000 is secured by way of a fixed charge over certain investment property of the Group as disclosed in Note 6.

(iv) Term loan 4

On 30 April 2009, the Group obtained an Islamic financing of RM660,000,000 consisting of fixed and floating rate term financing and revolving credit facilities.

The credit facilities are for a tenure of 7 years with a bullet repayment at the end of the tenure. The profit rate is calculated on 0.75% per annum above the lender's cost of funds for the first 3 years and 0.6% per annum above the lender's cost of funds for the remaining 4 years. Security is by way of a charge over the land of the Group and assignment of rental and insurance proceeds.

Other information on financial risks of borrowings are disclosed in Note 34.

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21. PRIVATE DEBT SECURITIES

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

	Principal Amounts	
	2010 RM'000	2009 RM'000
Secured:		
Islamic Private Debt Securities:		
Bai Al-Dayn Serial Bonds – 10 years	–	166,000
Bai Al-Dayn Serial Bonds – 11 years	188,000	188,000
Bai Al-Dayn Serial Bonds – 12 years	199,000	199,000
Conventional Private Debt Securities:		
13-year Bonds	600,000	600,000
	987,000	1,153,000
Premium on Private Debt Securities	140	572
	987,140	1,153,572
Premium on Private Debt Securities:		
Premium	14,045	14,045
Amortisation of premium	(13,905)	(13,473)
	140	572
Private Debt Facility as at 1 April	987,140	1,153,572
Due within 1 year	(188,101)	(166,432)
Due more than 1 year	799,039	987,140

The PDS are primarily secured against deposits with licensed banks and other financial institutions as disclosed in Note 13 and rentals receivable on its investment property in accordance with a Head Lease Agreement ("the Agreement") between a subsidiary and PETRONAS, except for the portion of coupon payments beyond the expiry of the Agreement and the nominal value of the 13-year bonds. The latter is secured by a put option from PETRONAS.

(a) Bai Al-Dayn Serial Bonds

The Bai Al-Dayn Serial Bonds have tenures ranging from 10 to 12 years. The profit is repayable in equal semi-annual instalments over the life of the bonds. The facilities bear a yield of between 8.15% and 8.30% (2009: 7.85% and 8.30%) per annum.

The 10-year Bai Al-Dayn Serial Bonds of RM166,000,000 were redeemed in November 2009.

(b) 13-year Bonds

The 13-year Bonds were issued at par, bear a fixed interest of 8.45% (2009: 8.45%) per annum and interest is repayable in equal semi-annual instalments over the life of the bonds.

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21. PRIVATE DEBT SECURITIES (CONT'D)**(c) Premium on the PDS**

	2010 RM'000	2009 RM'000
Premium	140	572
Current	(101)	(432)
Non-current	39	140

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	5,107	4,546	14	–
Other payables	142,515	127,493	1,483	2,560
Amount due to related parties * :				
Subsidiary	–	–	735	4
Ultimate holding company	1,279	1,206	–	–
Other related companies	8,725	5,347	2,226	2,323
Accrued interest and profit sharing margin cost on Private Debt Securities	32,028	36,519	–	–
	189,654	175,111	4,458	4,887

Included in other payables of the Group are security deposits of RM67,462,000 (2009: RM59,610,000) held in respect of tenancies of retail and office building. These deposits are refundable upon termination of the respective lease agreements.

* Amount due to related parties which arose in the normal course of business are unsecured, interest free and have no fixed terms of repayment.

23. REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property investment and hotel operations	824,636	815,308	–	–
Management services	56,701	51,168	–	–
Dividend income from subsidiaries	–	–	111,884	110,719
Dividend income from associate	–	–	5,160	6,450
	881,337	866,476	117,044	117,169

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24. OPERATING PROFIT

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue (Note 23)	881,337	866,476	117,044	117,169
Cost of revenue:				
– Cost of services	(86,850)	(92,979)	–	–
Gross profit	794,487	773,497	117,044	117,169
Selling and distribution expenses	(8,909)	(9,882)	–	–
Administration expenses	(145,939)	(144,599)	(5,273)	(4,765)
Other operating income	7,255	8,440	529	667
Operating profit	646,894	627,456	112,300	113,071

The following amounts have been included in arriving at operating profit:

Employee benefits expense (Note 27)	54,866	60,292	7,607	9,430
Directors' remuneration (Note 28)	732	349	732	349
Management fee in relation to secondment of key management personnel	307	301	307	301
Auditors' remuneration				
– Audit fees	355	334	133	127
– Others	65	91	65	80
Depreciation of property, plant and equipment (Note 5)	34,308	32,634	1,402	1,388
Rental of land and buildings	–	48	1,349	1,166
Provision for doubtful debts	–	30	–	–
Write back of doubtful debts	14	–	–	–
Bad debts written off	–	284	–	–
Loss on disposal of property, plant and equipment	1,110	1,427	–	–
Other rental income	(2,354)	(2,373)	–	–

25. INTEREST INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from deposits	11,990	18,445	3,353	6,862
Interest income arising from FRS 139	–	–	11,532	10,886
	11,990	18,445	14,885	17,748

NOTES TO THE FINANCIAL STATEMENTS

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26. FINANCING COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on:				
Term loans	45,966	50,434	–	–
Profit on private debt securities	40,119	52,208	–	–
13-year bonds	50,700	50,700	–	–
RCULS (Note 15)	2,774	3,171	2,774	3,171
Fair value accretion of FRS 139 instruments	2,713	2,689	–	–
	142,272	159,202	2,774	3,171
Interest on amount due to a subsidiary	–	–	9,900	9,900
Premium on private debt securities accreted	(432)	(885)	–	–
	141,840	158,317	12,674	13,071

27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages and salaries	49,641	54,694	6,601	8,380
Social security costs	509	254	36	39
Contributions to defined contribution plan	4,716	5,344	970	1,011
	54,866	60,292	7,607	9,430

28. DIRECTORS' REMUNERATION

	Group and Company	
	2010 RM'000	2009 RM'000
Directors of the Company		
Executive *	–	–
Non-Executive:		
Fees	732	349
	732	349
Analysis excluding benefits-in-kind:		
Total non-executive directors' remuneration	732	349

NOTES TO THE FINANCIAL STATEMENTS

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28. DIRECTORS' REMUNERATION (CONT'D)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2010	2009
Executive director		
RMNil	1	1
Non-executive directors		
RMNil – RM50,000	–	7
RM50,001 – RM100,000	7	1
RM100,001 – RM150,000	1	–

* The remuneration of the Executive Director is paid by the ultimate holding company as disclosed in Note 24.

29. TAX EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income tax:				
Malaysian income tax	131,358	116,138	4,865	13,266
Underprovision of tax in prior year	1,881	1,367	2,732	323
	133,239	117,505	7,597	13,589
Deferred tax (Note 9)				
Relating to origination and reversal of temporary differences	33,982	76,167	(102)	(33)
Under/(over) provision in prior years	6,138	1,749	(23)	16
	40,120	77,916	(125)	(17)
Total tax expense	173,359	195,421	7,472	13,572

Domestic current income tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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29. TAX EXPENSE (CONT'D)

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:

	2010 RM'000	2009 RM'000
Group		
Profit before taxation	1,291,476	1,032,204
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	322,869	258,051
Expenses not deductible for tax purposes	8,548	5,039
Income not subject to tax	(161,969)	(61,729)
Effects of share of results of associate	(4,108)	(9,056)
Under provision of deferred tax in prior year	6,138	1,749
Under provision of taxation in prior year	1,881	1,367
Tax expense	173,359	195,421
Company		
Profit before taxation	114,511	117,748
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	28,628	29,437
Income not subject to tax	(23,869)	(16,544)
Expenses not deductible for tax purposes	4	340
(Over)/underprovision of deferred tax in prior year	(23)	16
Underprovision of taxation in prior year	2,732	323
Tax expense	7,472	13,572

30. EARNINGS PER SHARE**(a) Basic**

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 shares in issue during the financial year.

	2010	2009
Profit attributable to ordinary equity holders of the Company (RM'000)	647,583	535,650
Weighted average number of ordinary shares in issue ('000)	934,074	934,074
Basic earnings per share (sen)	69.3	57.3

NOTES TO THE FINANCIAL STATEMENTS

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30. EARNINGS PER SHARE (CONT'D)**(b) Diluted**

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the RCULS.

	2010	2009
Profit attributable to ordinary equity holders of the Company (RM'000)	647,583	535,650
After-tax effect of interest on RCULS (RM'000)	2,774	3,171
Profit attributable to ordinary equity holders of the Company including assumed conversion (RM'000)	650,357	538,821
Weighted number of ordinary shares in issue ('000)	934,074	934,074
Adjustment for assumed conversion of RCULS ('000)	360,662	360,662
Weighted average number of ordinary shares in issue and issuable ('000)	1,294,736	1,294,736
Diluted earnings per share (sen)	50.2	41.6

31. DIVIDENDS

	Dividends Recognised in Year		Net Dividends per Ordinary Share	
	2010 RM'000	2009 RM'000	2010 Sen	2009 Sen
Recognised during the year:				
A final dividend of 5.5% (2009: 6%) on 934,074,279 ordinary shares for financial year ended 31 March 2010 (2009: 31 March 2009)	51,374	56,044	5.5	6.0
An interim dividend of 5% (2009: 5%) on 934,074,279 ordinary shares for financial year ended 31 March 2010 (2009: 31 March 2009)	46,704	46,704	5.0	5.0
	98,078	102,748	10.5	11.0

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2010, of 6.0% (2009: 5.5%), tax exempt under the single tier system on 934,074,279 (2009: 934,074,279) ordinary shares amounting to a dividend payable of RM56.04 million (2009: RM51.37 million) will be proposed for shareholders' approval.

The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of profits in the financial year ending 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

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

	Group	
	2010 RM'000	2009 RM'000
Property, plant and equipment		
Approved and contracted for	545,774	797,392
Approved but not contracted for	128,614	44,447
	674,388	841,839

(b) Operating lease commitments – as lessor

The Group has entered into a commercial property lease on its investment properties. This non-cancellable lease has a remaining lease term of two and a half years. The future minimum rental receivable under this non-cancellable operating lease at the reporting date is as follows:

	Group	
	2010 RM'000	2009 RM'000
Not later than 1 year	349,311	334,490
Later than 1 year but not later than 5 years	523,967	873,278
	873,278	1,207,768

33. 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.

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ultimate Holding Company:				
Rental income	338,214	324,634	–	–
Facility management and manpower fees	20,638	19,217	–	–
Car park management fee	4,759	4,013	–	–
Subsidiaries:				
Management fee	–	–	36	36
Legal and tenancy fees	–	–	125	134
Interest expense	–	–	9,900	9,900
Rental expense	–	–	1,609	1,609
Reimbursement of security costs	–	–	34	33
Reimbursement of manpower costs	–	–	361	467
Manpower and overhead cost	–	–	4,444	4,855
Interest income arising from FRS 139	–	–	11,532	10,886

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

33. 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)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other Related Companies:				
Interest expense	2,774	3,171	2,774	3,171
Lease rental	13,131	13,088	–	–
Facility management and manpower fees	794	886	–	–
Rental of carpark space	4,083	3,380	–	–
Project management fees	5,679	1,124	–	–
Management and incentive fees	1,116	2,281	–	–
Chilled water supply	19,554	18,140	–	–
Manpower and overhead cost	5,876	6,254	5,876	6,254

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 March 2010 are disclosed in Notes 12 and 22.

(c) **Compensation of key management personnel**

Encik Hashim Bin Wahir, Executive Director and Chief Executive Officer of the Company is an employee of PETRONAS. He is seconded to the Company to undertake all responsibilities of the Executive Director and Chief Executive Officer. The ultimate holding company charges management fees in consideration of his services to the Company as disclosed in Note 24.

34. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 March 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

Financial Risk Management

As the Company owns a diverse property portfolio, the Group and Company are exposed to various risks that are particular to its various businesses. These risks arise in the normal course of the Group 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 and the Company's business.

34. FINANCIAL INSTRUMENTS (CONT'D)**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 and Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guidelines.

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.

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 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.

Receivables for the Group amounting to RM595,000 are secured by security deposits.

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

	Group 2010 RM'000
Property investment	3,238
Hotel operations	6,194
Management services	471
	9,903

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

	Group 2010 RM'000
At net	
Not past due	7,824
Past due 0 to 30 days	1,424
Past due 31 to 60 days	309
Past due 61 to 90 days	125
Past due more than 90 days	221
	9,903

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

34. FINANCIAL INSTRUMENTS (CONT'D)**Receivables (Cont'd)**

The movements in the allowance for impairment losses of receivables during the year were:

	Group 2010 RM'000
At 1 April	97
Impairment loss reversed	(14)
Impairment loss written off	(60)
At 31 March	23

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 March 2010.

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

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's 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:

2010 Group	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
Financial Liabilities							
Fixed rate secured							
term loans	602,493	6.43	782,928	56,711	55,825	568,909	101,483
Floating rate secured							
term loans	380,000	3.12	437,618	21,716	21,308	62,083	332,511
Private Debt Securities	987,000	8.36	1,187,595	270,539	266,217	650,839	-
Company							
Financial Liabilities							
Intercompany loan	180,000	5.50	219,600	9,900	9,900	199,800	-

* The contractual cashflow is inclusive of the principal and interest but excluding interest accretion due to FRS 139 measurement.

34. 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 2010 RM'000	Company 2010 RM'000
Fixed rate instruments		
Financial assets	595,317	161,490
Financial liabilities	(1,589,633)	(180,000)
	(994,316)	(18,510)
Floating rate instruments		
Financial liabilities	(380,000)	-

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:

Group	Change in interest rate b.p.s.	Group Profit or loss RM'000
2010		
KLIBOR	-35	1,330
KLIBOR	+35	(1,330)

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

34. FINANCIAL INSTRUMENTS (CONT'D)**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 cash equivalents, investments and loans, trade and other receivables, borrowings, trade and other payables and various debt and currency management instruments.

The carrying amounts of cash and cash equivalents, 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.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The aggregate fair values and their categories of the financial assets and liabilities carried on the balance sheet as at 31 March 2010 are represented in the following table:

Group	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities				
Term loans	982,493	980,599	915,492	915,620
Private debt securities	987,000	1,088,267	1,153,000	1,284,955

For other financial instruments listed above, fair values have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

35. 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 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 maximises shareholder value. The Group 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 debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements if any.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

35. CAPITAL MANAGEMENT (CONT'D)

The debt to equity ratio as at 31 March 2010 and 31 March 2009 is as follows:

	2010	Group 2009
Total debt (RM'000)	2,050,969	2,152,036
Total equity (excluding Minority Interest) (RM'000)	5,312,230	4,762,725
Debt equity ratio	28:72	31:69

There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

36. COMPARATIVE FIGURES

The following comparative amounts have been reclassified to conform with current year presentation:

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Group			
Revenue	861,221	5,255	866,476
Administration expenses	(139,344)	(5,255)	(144,599)
Company			
Trade and other receivables	288,485	4,448	292,933
Trade and other payables	180,439	(175,552)	4,887
Amount due to a subsidiary (long term)	-	180,000	180,000

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

37. FRS, INTERPRETATION AND AMENDMENTS TO FRS NOT EARLY ADOPTED

The MASB has issued the following FRSs, Interpretations and Amendments to FRSs and Interpretations which are applicable to the Group and the Company:

Effective for annual periods beginning on or after 1 January 2010:

FRS 101	Presentation of Financial Statements (revised)
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 107	Cash Flow Statements
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation / Separation of Compound Instruments)
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement (Reclassification of Financial Asset/Collective Assessment of Impairment for Banking Institutions)
Amendments to FRS 140	Investment Property

Effective for annual periods beginning on or after 1 July 2009:

FRS 8	Operating Segments
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Effective for annual periods beginning on or after 1 March 2010:

Amendments to FRS 132	Financial Instruments: Presentation (Classification of Right Issue)
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Effective for annual periods beginning on or after 1 July 2010:

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendment to FRS 8	Operating Segments

37. FRS, INTERPRETATION AND AMENDMENTS TO FRS NOT EARLY ADOPTED (CONT'D)**Effective for annual periods beginning on or after 1 January 2011:**

Amendments to FRS 1	First-time Adoption of Financial Reporting Standard – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The adoption of these FRSs, Amendments to FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company in the period of initial application.

38. FRS, INTERPRETATION AND AMENDMENTS TO FRS AND INTERPRETATIONS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued FRSs, Interpretations and Amendments to FRSs and Interpretations which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted:

Effective for annual periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interests in Joint Ventures
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Effective for annual periods beginning on or after 1 July 2010:

FRS 3	Business Combinations (revised)
Amendment to FRS 2	Share-based Payment
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 138	Intangible Assets
IC Interpretation 12	Service Concession Agreements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedge of a Net investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owner
Amendment to IC 9	Reassessment of Embedded Derivatives

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

39. SEGMENT 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, borrowings and expenses, and corporate assets and expenses.

(b) Business segments

The Group comprises the following main business segments:

Property investment	Rental of investment properties and other related activities.
Hotel operations	Rental of hotel rooms, the sale of food and beverages and other related activities.
Management services	Facilities management and car park operations.
Investment holding	Investment in subsidiaries, associate and other long term investments.

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

(c) 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 MARCH 2010

39. SEGMENT INFORMATION (CONT'D)**Business Segments****31 March 2010**

	Property investment RM'000	Hotel operations RM'000	Management services RM'000	Investment holding RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	683,878	140,758	56,701	–	–	881,337
Inter-segment revenue	1,135	–	3,092	117,044	(121,271)	–
Total revenue	685,013	140,758	59,793	117,044	(121,271)	881,337
Results						
Operating profit	599,753	25,999	25,891	112,300	(117,049)	646,894
Financing costs						(141,840)
Interest income						11,990
Fair value adjustment on investment properties						758,000
Share of profit of associate						16,432
Tax expense						(173,359)
Profit after tax but before minority interests						1,118,117
Segment assets	5,424,585	691,096	39,873	2,509,911	2,662,957	11,328,422
Investment in associate	–	–	–	99,195	122,461	221,656
Total assets						11,550,078
Total liabilities	2,171,788	437,087	11,358	213,974	241,897	3,076,104
Capital expenditure	161,361	21,451	928	62	(12,880)	170,922
Depreciation	10,586	20,819	1,501	1,402	–	34,308
Non-cash expenses other than depreciation	14	1,110	–	–	–	1,124

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

39. SEGMENT INFORMATION (CONT'D)

Business Segments (Cont'd)

31 March 2009

	Property investment RM'000	Hotel operations RM'000	Management services RM'000	Investment holding RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	653,009	162,299	51,168	–	–	866,476
Inter-segment revenue	1,054	–	3,033	117,169	(121,256)	–
Total revenue	654,063	162,299	54,201	117,169	(121,256)	866,476
Results						
Operating profit	574,288	38,817	18,473	113,071	(117,193)	627,456
Financing costs						(158,117)
Interest income						18,445
Fair value adjustment on investment properties						508,397
Share of profit of associate						36,223
Tax expense						(195,421)
Profit after tax but before minority interests						<u>836,783</u>
Segment assets	5,215,428	699,887	47,113	2,398,519	2,070,413	10,431,360
Investment in associate	–	–	–	99,195	109,899	<u>209,094</u>
Total assets						10,640,454
Total liabilities	2,482,468	456,726	14,501	214,426	(37,878)	3,130,243
Capital expenditure	64,817	12,556	1,183	381	–	78,937
Depreciation	9,571	20,254	1,422	1,387	–	32,634
Non-cash expenses other than depreciation	301	1,427	13	–	–	1,741

Independent Auditors' Report

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KLCC Property Holdings Berhad, which comprise the balance sheets as at 31 March 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 90.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 March 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
17 May 2010

Analysis of Shareholdings

AS AT 11 MAY 2010

Authorised Share Capital	:	5,000,000,000
Paid-up Share Capital	:	934,074,279
Type of Shares	:	Ordinary Share of RM1.00 each
No. of Shareholders	:	4,807
Voting Rights	:	One vote for every share

Size of shareholdings	No. of Shares Held	(%)	No. of Shareholders	(%)
Less than 100	1,519	0.000	156	3.245
100 to 1,000	1,558,029	0.166	1,890	39.317
1,001 to 10,000	9,414,709	1.007	2,245	46.702
10,001 to 100,000	12,018,582	1.286	326	6.781
100,001 to less than 5% of issued shares	305,366,761	32.691	186	3.869
5% and above of issued shares	605,714,679	64.846	4	0.083
Total	934,074,279	100.00	4,807	100.00

DIRECTORS' SHAREHOLDINGS IN THE COMPANY AND RELATED COMPANIES

Name	Direct		Indirect	
	No. of Shares in the Company	(%)	No. of Shares in the Company	(%)
Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya	50,000	0.005	–	–
Datuk Nasarudin Bin Md Idris	5,000	0.000	–	–
Datuk Manharlal A/L Ratilal	5,000	0.000	–	–
Datuk Ishak Bin Imam Abas	20,000	0.002	11,000 ^	0.001
Dato' Leong Ah Hin @ Leong Swee Kong	50,000	0.005	–	–
Augustus Ralph Marshall	50,000	0.005	–	–

Notes:

^ Deemed interest in 11,000 shares by virtue of Datuk Ishak's son's shareholdings in KLCCP.

Name	No. of Shares in PETRONAS Gas Berhad	(%)
Datuk Nasarudin Bin Md Idris	3,000	0.000

Name	No. of Shares in MISC Berhad	(%)
Dato' Leong Ah Hin @ Leong Swee Kong	2,400	0.000

ANALYSIS OF SHAREHOLDINGS

AS AT 11 MAY 2010

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares Held	(%)	Indirect No. of Shares Held	(%)
1. KLCC (Holdings) Sdn Bhd	296,380,000	31.730	–	–
2. Cartaban Nominees (Tempatan) Sdn Bhd [Petroleum Nasional Berhad (Strategic INV)]	194,816,979	20.856	296,380,000*	31.730
3. Employees Provident Fund Board	116,692,900	12.493	–	–

Notes:

* Deemed interest in 296,380,000 shares held by KLCC (Holdings) Sdn Bhd by virtue of Petronas 100% direct interest in KLCC (Holdings) Sdn Bhd.

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Cartaban Nominees (Tempatan) Sdn Bhd (for Petroleum Nasional Berhad (Strategic Inv))	194,816,979	20.856
2.	KLCC (Holdings) Sdn Bhd	189,276,674	20.263
3.	Employees Provident Fund Board	114,517,700	12.260
4.	KLCC (Holdings) Sdn Bhd	107,103,326	11.466
5.	Amanahraya Trustees Berhad (for Amanah Saham Wawasan 2020)	29,218,600	3.128
6.	Valuecap Sdn Bhd	28,496,800	3.050
7.	Amanahraya Trustees Berhad (for Amanah Saham Malaysia)	14,979,100	1.603
8.	Amanahraya Trustees Berhad (for Skim Amanah Saham Bumiputera)	13,270,200	1.420
9.	HSBC Nominees (Asing) Sdn Bhd (for Exempt AN for The Bank of New York Mellon (Mellon Acct))	10,674,176	1.142
10.	Citigroup Nominees (Tempatan) Sdn Bhd (for Exempt AN for American International Assurance Berhad)	9,210,200	0.986
11.	Pertubuhan Keselamatan Sosial	8,668,400	0.928
12.	Cartaban Nominees (Asing) Sdn Bhd (for RBC Dexia Investor Services Bank for Robeco Emerging Markets Equities (EUR-RCGF))	8,000,000	0.856
13.	Amanahraya Trustees Berhad (for Amanah Saham Didik)	7,892,100	0.844
14.	HSBC Nominees (Asing) Sdn Bhd (for TNTC for The Highclere International Investors Smaller Companies Fund)	7,222,200	0.773
15.	Cartaban Nominees (Asing) Sdn Bhd (for SSBT Fund C021 for College Retirement Equities Fund)	6,883,000	0.736

ANALYSIS OF SHAREHOLDINGS

AS AT 11 MAY 2010

THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares	%
16.	Citigroup Nominees (Tempatan) Sdn Bhd (for Exempt AN for Prudential Fund Management Berhad)	6,808,400	0.728
17.	Citigroup Nominees (Asing) Sdn Bhd (for CBNY for Dimensional Emerging Markets Value Fund)	6,330,700	0.677
18.	HSBC Nominees (Asing) Sdn Bhd (for BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund)	6,296,400	0.674
19.	Citigroup Nominees (Asing) Sdn Bhd (for Robeco Institutional Asset Management for Stichting Custody Robeco Institutional (CB LDN))	5,924,100	0.634
20.	Amanahraya Trustees Berhad (for AS 1Malaysia)	5,717,300	0.612
21.	HSBC Nominees (Asing) Sdn Bhd (for Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.))	5,512,600	0.590
22.	Amanahraya Trustees Berhad (for Public Islamic Dividend Fund)	5,274,400	0.564
23.	Cartaban Nominees (Asing) Sdn Bhd (for State Street for IShares MSCI Emerging Markets Index Fund)	5,035,300	0.539
24.	HSBC Nominees (Asing) Sdn Bhd (for TNTC for Fidelity Southeast Asia Fund (FID INV TST))	4,946,500	0.529
25.	Amanahraya Trustees Berhad (for PNB Structured Investment Fund)	4,639,600	0.496
26.	Cartaban Nominees (Asing) Sdn Bhd (for Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C))	4,516,000	0.483
27.	Citigroup Nominees (Tempatan) Sdn Bhd (for ING Insurance Berhad (INV-IL PAR))	3,575,100	0.382
28.	Cartaban Nominees (Asing) Sdn Bhd (for SSBT Fund WBDA for Wells Fargo Advantage Asia Pacific Fund)	3,490,200	0.373
29.	Cartaban Nominees (Asing) Sdn Bhd (for SSBT Fund RKB7 for Evergreen Emerging Market Growth Fund)	3,387,900	0.362
30.	Cartaban Nominees (Asing) Sdn Bhd (for State Street for IShares, Inc.)	3,132,800	0.335

List of Properties

AS AT 31 MARCH 2010

Registered Owner	Address	Date of Revaluation (Tenure)	Description / Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net book value as at 31.03.2010 (RM '000)
Midciti Resources Sdn Bhd	Grant 43697 Lot 169, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers) / Office building	21,740	510,901	13 years	5,500,000*
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	A 6 storey retail centre (Suria KLCC) / Shopping Centre	28,160	143,564	12 years	3,300,000*
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental Kuala Lumpur) / Hotel	8,094	92,782.8	12 years	539,577
Impian Klasik Sdn Bhd	Grant 43696 Lot 168, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	A 49 storey purpose built office building with a lower ground concourse level (Menara Maxis) / Office building	4,329	74,874	12 years	672,000*
Arena Johan Sdn Bhd	Grant 43685 Lot 157, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	A 29 storey office building with three basement levels (Menara ExxonMobil) / Office building	3,999	74,312.7	14 years	425,000*

LIST OF PROPERTIES

AS AT 31 MARCH 2010

Registered Owner	Address	Date of Revaluation (Tenure)	Description / Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net book value as at 31.03.2010 (RM '000)
Kompleks Dayabumi Sdn Bhd	Lot 38, Lot 39 and Lot 45, all within Seksyen 70, Town of Kuala Lumpur held under title no. PN 2395, PN 4073 and PN 33471	01.03.2010 (Leasehold of 99 year expiring on 27.1.2079)	A 36-storey office building (Menara Dayabumi) with an annexed 6-storey office cum retail podium (City Point) / Office building	29,339.133	162,487.53	28 years	400,000*
	PN 32233, Lot 51, Seksyen 70, Town of Kuala Lumpur	01.03.2010 (Leasehold of 98 years expiring on 21.1.2079)					
Arena Merdu Sdn Bhd	Grant 43699 Lot 171, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	A parcel of commercial land with the benefit of development order for a 58-storey office tower cum shopping podium and basement car park	4,302	–	–	355,506
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town of Kuala Lumpur	01.03.2010 (Freehold)	Vacant Land	5,726	–	–	67,621

* Investment Properties stated at fair value

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Tuesday, 13 July 2010 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statement for the financial year ended 31 March 2010 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a final dividend of 6 sen per share, tax exempt under the single tier tax system amounting to RM56.04 million for the financial year ended 31 March 2010. **Resolution 2**
3. To re-elect the following Directors who retire pursuant to the Company's Articles of Association:
 - i. Dato' Leong Ah Hin @ Leong Swee Kong **Resolution 3**
 - ii. Dato' Halipah binti Esa **Resolution 4**
 - iii. Datuk Nasarudin bin Md Idris (*Refer to Note 6(a)*)
4. Retirement of YM Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya pursuant to Section 129, Companies Act 1965 (*Refer to Note 6(b)*)
5. To approve the payment of Directors' fees of RM732,000.00 in respect of the financial year ended 31 March 2010. **Resolution 5**
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration. **Resolution 6**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following Special Resolution:

7. Proposed Amendment To Article 147 Of The Articles Of Association Of The Company

"THAT Article 147 of the Company's Articles of Association be amended in accordance with the Main Market Listing Requirements and that the said Article shall be read as follows:

Article 147 - Payment by Cheque or via electronic transfer of remittance

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 to the registered address of the holder or paid via electronic transfer of remittance to the account provided by the holder who is named on the Register of Members and/or Record of Depositors. 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 transfer of 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."

Resolution 7
8. To transact any other business for which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this Seventh Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57(1) and 57(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 5 July 2010 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of Members at the Seventh Annual General Meeting of the Company to be held on 13 July 2010, a final dividend of 6 sen per share, tax exempt under the single tier tax system amounting to RM56.04 million for the financial year ended 31 March 2010 will be paid on 13 August 2010 to Depositors whose names appear in the Record of Depositors on 16 July 2010.

A Depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred into the Depositor's securities account before 4:00 p.m. on 16 July 2010 in respect of ordinary transfers; and
- (b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Abd Aziz bin Abd Kadir (LS0001718)

Yeap Kok Leong (MAICSA 0862549)

Company Secretaries

Kuala Lumpur

21 June 2010

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and, to vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. A corporation which is a member may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the Meeting, in accordance with the Memorandum and Articles of Association of the Company. If the appointor is a corporation, this form must be executed under its 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.

5. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
6. Retirement of Directors at the conclusion of the Annual General Meeting
 - (a) Datuk Nasarudin Bin Md Idris who retires pursuant to Article 82 of the Articles of Association of the Company, has indicated to the Company that he would not seek for re-election at this Annual General Meeting. Therefore, Datuk Nasarudin Bin Md Idris shall cease to be a director of the Company at the conclusion of this Annual General Meeting.
 - (b) YM Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya who is due for retirement under Section 129 of the Companies Act, 1965, has indicated to the Company that he would not seek for re-appointment at this Annual General Meeting. Therefore, YM Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya shall cease to be a director of the Company at the conclusion of this Annual General Meeting.
7. Explanatory Notes on Special Business:

Proposed Amendment to Article 147 of the Articles of Association of the Company

The proposed amendment to article in Resolution 7 is to facilitate the payments of dividends through electronic banking means in accordance with the Main Market Listing Requirements.

Administrative Details – KLCCP 7th Annual General Meeting

DATE - 13 July 2010
 TIME - 11.00 a.m.
 PLACE - Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre,
 50088 Kuala Lumpur, Malaysia

REGISTRATION

1. Registration will start at 9.00 a.m. Registration will end at time as directed by the Chairman of the meeting.
2. Please read the signage to ascertain which registration table you should approach to register yourself for the meeting and join the queue accordingly.
3. Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.
4. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
5. You will also be given an identification tag. No person will be allowed to enter the meeting room without the identification tag. There will be no replacement in the event that you lose or misplace the identification tag.
6. Once you have collected your identification tag and signed the Attendance List, please leave the registration area immediately and may proceed to the Ballroom i.e. the venue of meeting.
7. No person will be allowed to register on behalf of another person even with the original IC of that other person.
8. The registration counter will handle verification of identity and registration.

REGISTRATION HELP DESK

9. The Registration Help Desk handles revocation of proxy's appointment and/or any clarification or enquiry.

CAR PARK AND PARKING REDEMPTION COUNTER

10. After registration for attendance of the KLCCP 7th AGM, shareholders are advised to approach the Parking Redemption Counter to obtain the cash reimbursement of RM10/- only provided by the Company for car parking at the following locations in KLCC:

Locations	Enquiry Contact
Mandarin Oriental, Kuala Lumpur	03-2179 8898
KLCC Basement Car Park	03-2382 8585
Kuala Lumpur Convention Centre Car Park	03-2333 2946
Lot 91 Open Car Park (adjacent to Kuala Lumpur Convention Centre)	03-2333 2946

ADMINISTRATIVE DETAILS – KLCCP 7TH ANNUAL GENERAL MEETING

PROXY

11. 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 meeting 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.
12. If you wish to attend the meeting yourself, please do not submit the Form of Proxy. You will not be allowed to attend the meeting together with a proxy appointed by you.
13. If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Registration Help Desk to revoke the appointment of your proxy.
14. Please ensure that the original Form of Proxy is deposited at the office of the Share Registrar, Tricor Investor Services Sdn. Bhd. not less than forty eight (48) hours before the time appointed for holding the meeting.

CORPORATE MEMBER

15. Any corporate member who wishes to appoint a representative instead of a proxy to attend this meeting should lodge the certificate of appointment under the seal of the corporation, at the office of the Share Registrar, Tricor Investor Services Sdn. Bhd. not less than forty eight (48) hours before the time appointed for holding the meeting.

GENERAL MEETING RECORD OF DEPOSITORS

16. For the purpose of determining who shall be entitled to attend this 7th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57(1) and 57(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 5 July 2010 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

REFRESHMENT

17. Light Refreshment shall be served.

AGM ENQUIRY

18. For enquiry prior to the 7th AGM, please contact the following during office hours:

- | | |
|--|--------------------|
| (a) KLCCP Legal and Corporate Services Division | (Tel 03-2382 8000) |
| (b) Share Registrar – Tricor Investor Services Sdn Bhd | (Tel 03-2264 3883) |
| (formerly known as Tenaga Koperat Sdn Bhd) | |

ANNUAL REPORT 2010

19. The KLCCP Annual Report 2010 is available on the Bursa Malaysia's website at www.bursamalaysia.com under Company Announcements and also at the KLCC website at www.klcc.com.my.



KLCC PROPERTY HOLDINGS BERHAD

(Co. No. 641576-U)

(Incorporated in Malaysia)

Shareholders Notification

IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT (eDIVIDEND)

Pursuant to the e-Dividend initiative by Bursa Malaysia in promoting greater efficiency with electronic payment system and be aligned to our national agenda, KLCC Property Holdings Berhad (“the Company”) will be implementing the e-Dividend system for cash dividend distribution of the Company with books closing date on or after 1 September 2010.

Electronic Dividend Payment or eDividend refers to payment of cash dividends by a listed issuer to its shareholders by directly crediting the shareholders’ cash dividend entitlements into their respective bank accounts.

1.0 Benefits of eDividend

- No more delay
- Assurance of certainty
- Convenience & simplicity
- eNotification for shareholders who provide email & mobile details
- No cost to shareholders

2.0 Registration for eDividend

- 2.1 Free registration for e-Dividend has commenced on **19 April 2010** for a period of one year. An administrative charge will be imposed for registrations after 18 April 2011.
- 2.2 To register for e-Dividend, you are required to provide to Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”) through your stock broker’s office (where your CDS account is maintained), your bank account number and the duly completed prescribed form (which can be obtained from your stock broker, or downloaded from Bursa Malaysia’s website at <http://www.bursamalaysia.com>) together with the required documents for registration.

3.0 Enquiry on eDividend

- 3.1 We have arranged for an enquiry counter on eDividend at the forthcoming KLCCP 7th Annual General Meeting to be held on 13 July 2010. Should you have any enquiry and wish to have more details on eDividend, you may proceed to the enquiry counter for further explanation.
- 3.2 You also can find more information pertaining to e-Dividend on

(i) Bursa Malaysia website at <http://www.bursamalaysia.com/website/bm/trading/edividend.html> ; or

(ii) KLCCP Share Registrars,
Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2264 3883
E-mail : is.enquiry@my.tricorglobal.com

Proxy Form



KLCC PROPERTY HOLDINGS BERHAD

(Co. No. 641576-U)
(Incorporated in Malaysia)

No. of shares held	CDS Account No.

"A"

I/We* _____
(FULL NAME, NEW NRIC No. / Co. No. * IN BLOCK LETTERS)
of _____
(FULL ADDRESS)
being a member/ members * of KLCC PROPERTY HOLDINGS BERHAD, hereby appoint _____

(FULL NAME, NEW NRIC No. / Co. No. * IN BLOCK LETTERS)
of _____
(FULL ADDRESS)
or failing him _____
(FULL NAME, NEW NRIC No. / Co. No. * IN BLOCK LETTERS)
of _____
(FULL ADDRESS)
or failing him, the CHAIRMAN OF THE MEETING as my/our * first proxy to vote for me/us * and on my/our * behalf at the Seventh Annual General Meeting of the Company to be held at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Tuesday, 13 July 2010 at 11.00 a.m. and at any adjournment thereof.

"B"

I/We* _____
(FULL NAME, NEW NRIC No. / Co. No. * IN BLOCK LETTERS)
of _____
(FULL ADDRESS)
being a member/ members * of KLCC PROPERTY HOLDINGS BERHAD, hereby appoint _____

(FULL NAME, NEW NRIC No. / Co. No. * IN BLOCK LETTERS)
of _____
(FULL ADDRESS)
or failing him _____
(FULL NAME, NEW NRIC No. / Co. No. * IN BLOCK LETTERS)
of _____
(FULL ADDRESS)
or failing him, the CHAIRMAN OF THE MEETING as my/our * second proxy to vote for me/us * and on my/our * behalf at the Seventh Annual General Meeting of the Company to be held at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Tuesday, 13 July 2010 at 11.00 a.m. and at any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy "A" _____ %
Second Proxy "B" _____ %
_____ %

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the appropriate box against the resolution how you wish your vote to be cast)

		PROXY "A"		PROXY "B"	
		For	Against	For	Against
Receive the Audited Financial Statements for the financial year ended 31 March 2010 and the Reports of the Directors and Auditors thereon	Resolution 1				
Approval of a final dividend for the financial year ended 31 March 2010.	Resolution 2				
Re-election of Dato' Leong Ah Hin @ Leong Swee Kong	Resolution 3				
Re-election of Dato' Halipah binti Esa	Resolution 4				
Approval of payment for Directors' fees	Resolution 5				
Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to fix the Auditors' remuneration	Resolution 6				
Proposed amendment to Article 147 of the Articles of Association of the Company	Resolution 7				

Dated this _____ day of _____

Signature of Shareholder(s) or Common Seal

* Strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he thinks fit)

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and, to vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. A corporation which is a member may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the Meeting, in accordance with the Memorandum and Articles of Association of the Company. If the appointor is a corporation, this form must be executed under its 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.
5. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
6. For the purposes of determining who shall be entitled to attend this 7th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57(1) and 57(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 5 July 2010 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

PLEASE FOLD HERE

AFFIX
STAMP

Share Registrar
Tricor Investor Services Sdn Bhd (118401-V)
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

PLEASE FOLD HERE

Corporate Directory

KLCC PROPERTY HOLDINGS BERHAD

Levels 4 & 5, City Point
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Malaysia
Telephone : 603 2382 8000
Facsimile : 603 2382 8001
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC PARKING MANAGEMENT SDN BHD

Levels 4 & 5, City Point
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Malaysia
Telephone : 603 2382 8000
Facsimile : 603 2382 8001
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC URUSHARTA SDN BHD

Levels 4 & 5, City Point
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Malaysia
Telephone : 603 2382 8000
Facsimile : 603 2382 8001
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
Telephone : 603 2380 8888
Facsimile : 602 2380 8833
Website : www.mandarinoriental.com
E-mail : mokul-sales@mohg.com

SURIA KLCC

Lot No. 241, Level 2
Suria KLCC
Kuala Lumpur City Centre
50088 Kuala Lumpur
Telephone : 603 2382 2828
Facsimile : 603 2382 2838
Website : www.suriaklcc.com.my
E-mail : info@suriaklcc.com.my

KLCC PROPERTY HOLDINGS BERHAD

(641576-U)

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

Telephone : (03) 2382 8000 Facsimile : (03) 2382 8001 Website : www.klcc.com.my E-mail : info@klcc.com.my