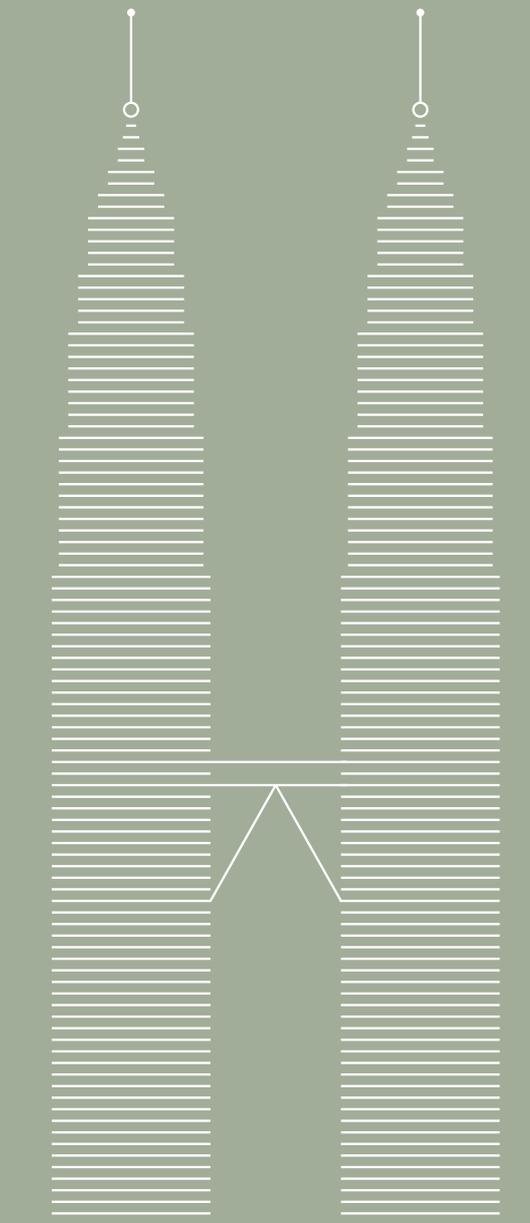




KLCC Property Holdings Berhad
(641576-U)



ANNUAL REPORT 2012

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Corporate Profile

KLCC Property Holdings Berhad ("KLCCP") was incorporated as a public limited company under the Companies Act 1965 on 7 February 2004 and was listed on the Main Board of Bursa Malaysia Securities Berhad (presently known as the Main Market of Bursa Malaysia Securities Berhad) on 18 August 2004.

KLCCP owns a diverse property portfolio largely within the KLCC Development comprising Suria KLCC (a leading shopping mall), Mandarin Oriental, Kuala Lumpur (a luxury hotel), PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS (Office Buildings). KLCCP also has 33% interest in Menara Maxis.

Outside the 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 engaged in providing facility management services and car parking management services respectively.

KLCCP's strength is reflected through its premium assets centred within 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, intends to 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.

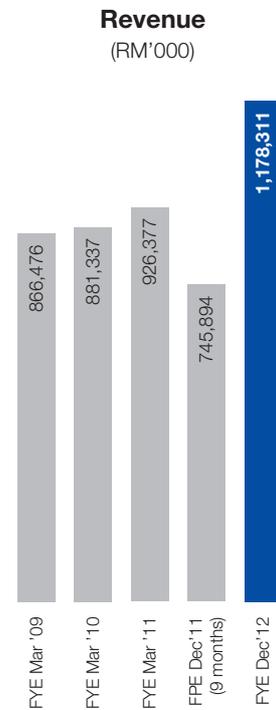
KLCCP undertook a corporate restructuring exercise which involved the restructuring of KLCCP group into a stapled structure known as KLCCP Stapled Group where the existing ordinary shares of KLCCP are stapled together with the units in KLCC Real Estate Investment Trust ("KLCC REIT") forming the resultant KLCCP Stapled Securities.

Upon completion of the corporate restructuring exercise on 7 May 2013, the Office Buildings held by the subsidiaries of KLCCP namely Midciti Resources Sdn. Bhd., Arena Johan Sdn. Bhd. and Arena Merdu Sdn. Bhd. were transferred to KLCC REIT.

On 9 May 2013, KLCCP Stapled Securities were listed under the "REITs" sector of the Main Market of Bursa Malaysia Securities Berhad.

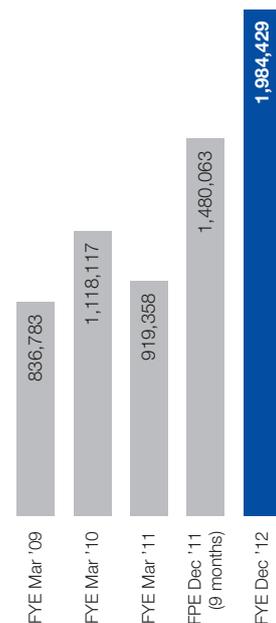


Corporate Structure

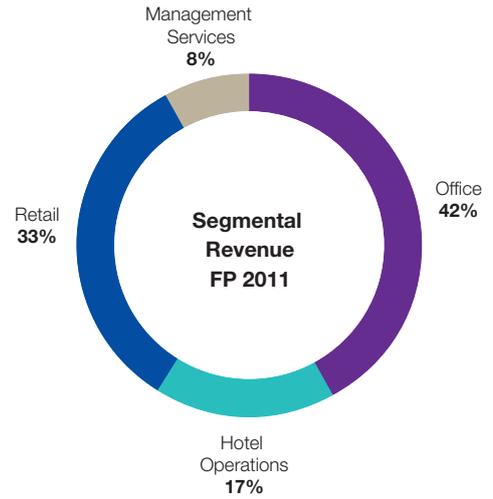
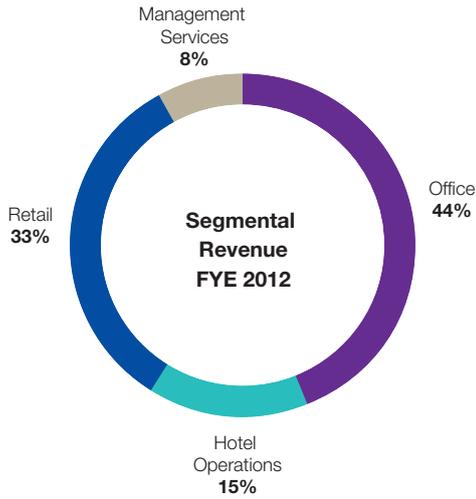


Profit for the Year

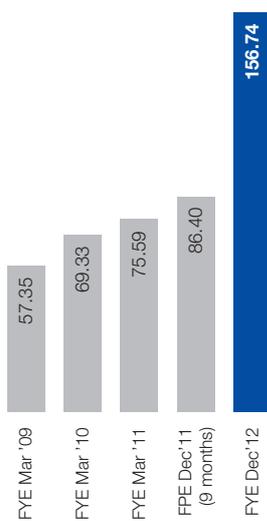
(RM'000)



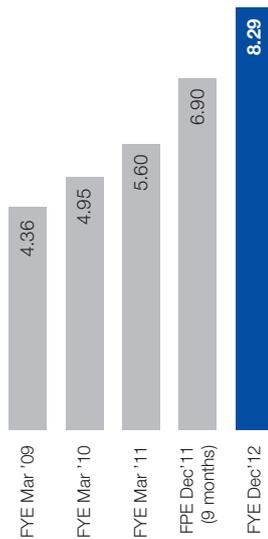
Financial Performance



Earnings Per Share
(sen)



Net Assets (excl. RCULS) per share
(RM)



Investment Properties
(RM'000)





Corporate Information

BOARD OF DIRECTORS

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

En. Hashim Bin Wahir
(Chief Executive Officer)

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

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

Dato' 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
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

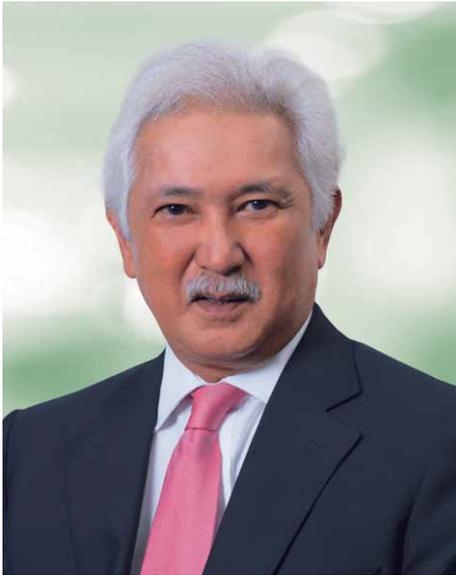
Main Market of Bursa Malaysia
Securities Berhad

DATE OF LISTING

KLCCP were listed on 18 August 2004*

* The KLCCP securities were removed and ceased to be listed in conjunction with the listing and quotation of the new structure – "KLCC Stapled Securities" on Main Market of Bursa Malaysia Securities Berhad on 9 May 2013.





Board of Directors

From Left:

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

En Hashim Bin Wahir
(Chief Executive Officer)

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

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

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

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

Dato' Halipah Binti Esa
(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

KRISHNAN C K MENON

(Independent Non-Executive Director / Chairman)

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

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

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

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

HASHIM BIN WAHIR

(Chief Executive Officer)

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

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

Encik Hashim joined PETRONAS on 16 June 1981 after graduation from Universiti Teknologi Malaysia. Whilst in PETRONAS, he undertook various assignments within the PETRONAS group including exploration and production ("E&P") operations, international E&P and gas asset acquisitions, group strategic planning and corporate development. He also held various senior management positions in PETRONAS such as Senior Manager, Petroleum Engineering Department of Petronas Carigali Sdn Bhd ("PCSB") from 1995 until 1999, General Manager of Chad/Cameroon JV Project, PCSB from 1999 until 2000, and General Manager of Group Planning & Resource Allocation, PETRONAS from 2000 until 2004. He was appointed as the Chairman for the PETRONAS group of companies in the Republic of Sudan until November 2007.

En Hashim is presently the Director and Group Chief Executive Officer of KLCC (Holdings) Sdn Bhd ("KLCCCH"). He is also the Director and Chief Executive Officer of KLCC REIT Management Sdn Bhd (the management company of KLCC REIT) and Midciti Sukuk Berhad.

His other directorships include KLCCCH's subsidiaries and associate companies, and subsidiaries of the Company.

BOARD OF DIRECTORS' PROFILE

DATUK MANHARLAL A/L RATILAL**(aka DATUK GEORGE RATILAL)**

(Non-Independent Non-Executive Director)

Datuk George Ratilal, aged 53, was appointed to the Board of Directors of KLCCP on 16 June 2004 and as member of the Audit Committee on 9 July 2004.

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

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

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

He also sits on the board of directors of Cagamas Holdings Berhad, MISC Berhad, KLCC REIT Management Sdn Bhd (the management company of KLCC REIT) and other subsidiaries of PETRONAS.

DATUK ISHAK BIN IMAM ABAS

(Non-Independent Non-Executive Director)

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

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

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

He is a Non-Executive Chairman of Putrajaya Holding Sdn Bhd which is part of the PETRONAS group. He is also a Non-Executive Director of Kuala Lumpur City Park Berhad and KLCC REIT Management Sdn Bhd (the management company of KLCC REIT).

BOARD OF DIRECTORS' PROFILE

DATO' LEONG AH HIN @ LEONG SWEE KONG

(Independent Non-Executive Director)

Dato' Leong Ah Hin @ Leong Swee Kong, aged 65, 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 from 1971 to 2004, and had held a number of positions including Secretary General of the Ministry of Science, Technology and the Environment, State Financial Officer of Pulau Pinang and Deputy Director Budget of the Ministry of Finance.

Currently, he is a Non-Executive Director of KLCC REIT Management Sdn Bhd (the management company of KLCC REIT). He also sits on the Board of other several private limited companies.

AUGUSTUS RALPH MARSHALL

(Independent Non-Executive Director)

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

He has more than 30 years of experience in financial and general management. He is an executive director of Usaha Tegas Sdn Bhd (UTSB), the executive deputy chairman and group chief executive officer of Astro Holdings Sdn Bhd group [including his position as non-executive deputy chairman of Astro Malaysia Holdings Berhad (listed on the Bursa Malaysia Securities Berhad)] and an executive director of Tanjong Public Limited Company, in which UTSB has significant interests. He also serves as a non-executive director on the boards of several other companies in which UTSB also has significant interests such as Maxis Berhad (Maxis) (listed on the Bursa Malaysia Securities Berhad), Maxis Communications Berhad (holding company of Maxis) and Johnston Press plc (listed on the London Stock Exchange plc). In addition, he is also a non-executive director of MEASAT Global Berhad.

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.

BOARD OF DIRECTORS' PROFILE

DATO' HALIPAH BINTI ESA

(Independent Non-Executive Director)

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

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

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

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

Currently, she serves on the boards of MISC Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad, Northport (Malaysia) Bhd, Cagamas Berhad, Perbadanan Insuran Deposit Malaysia and Securities Industry Dispute Resolution Centre. She is also a Non-Executive Director of KLCC REIT Management Sdn Bhd (the management company of KLCC REIT).

PRAGASA MOORTHY A/L KRISHNASAMY

(Independent Non-Executive Director)

Pragasa Moorthi A/L Krishnasamy, aged 66, was appointed to the Board of the Company on 9 September 2004.

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

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

Presently, Mr. Pragasa sits on the board of United Contract Management Sdn Bhd, a private limited company incorporated in Malaysia. He is also a Non-Executive Director of KLCC REIT Management Sdn Bhd (the management company of KLCC REIT).

None of the Directors have:

- 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 Malaysians.

Management Team

From Left:

Abd Aziz Bin Abd Kadir

Company Secretary / Head, Legal & Corporate Services Division, KLCC Property Holdings Berhad

Ishak Bin Yahaya

Security Advisor, KLCC Property Holdings Berhad

Azmi Bin Yahaya

Head, Finance & Accounts Division, KLCC Property Holdings Berhad

Frank Peter Stocek

General Manager, Mandarin Oriental, Kuala Lumpur

Andrew William Brien

Chief Executive Officer, Suria KLCC Sdn Bhd

Datin Faudziah Binti Ibrahim

Head, Development Division, KLCC Property Holdings Berhad

Hashim Bin Wahir

Chief Executive Officer, KLCC Property Holdings Berhad

Shamsudin Bin Ishak

Head, Facilities Management, KLCC Urusharta Sdn. Bhd.

Mariah Binti Mohamad Said

Head, Human Resource Division, KLCC Property Holdings Berhad





Chairman's Statement

On behalf of the Board, I am delighted to present the Annual Report of KLCC Property Holdings Berhad Group (the Group) for the financial year ended 31 December 2012.

FINANCIAL PERFORMANCE

I am pleased to report another strong result for the Group where for the year ended 31 December 2012, the Group achieved profit attributable to the equity holders of the Company of RM1,464 million. This is inclusive of fair value gain on investment properties and associate amounting to RM1,391 million which had no impact on the Group's cash flows. Removing the effect of the fair value gain, profit attributable to the equity holders of KLCCP stood at RM382 million.

This year saw a significant increase in the office segment with the full year contribution from the Office Tower of Menara 3 PETRONAS complemented by the 15 year lease renewal for the PETRONAS Twin Towers. The retail segment continued to deliver strong growth arising from lease renewals and new leases secured. Together with the contribution from the hotel and management services segments, there was a healthy improvement in the Group's performance for the year ended 31 December 2012.

DIVIDENDS

The Company is committed to ensuring that its shareholders gain attractive and sustainable returns from their investments. In this respect, the Board of Directors approved four interim dividend payments totaling 16.5% per share for the financial year ended 31 December 2012.

CORPORATE UPDATE

Over the past year, the Company embarked on a corporate exercise for the proposed creation of Stapled Securities comprising units in an Islamic Real Estate Investment Trust (REIT) to be stapled together with the existing ordinary shares of the Company, to be listed and quoted on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia).

Our first ever shariah-compliant stapled REIT structure in Malaysia is now the single largest owner of stabilised assets in Malaysia.

I am proud to announce that on 9 May 2013, KLCC Stapled Group was successfully listed on Bursa Malaysia as the first ever shariah-compliant stapled REIT structure in Malaysia. With this, KLCC Stapled Group is now the single largest owner of stabilised assets in Malaysia.

OUTLOOK & PROSPECTS

The long term office tenancies will continue to anchor the performance of the Group in the coming year with improvement expected from the full year impact of the renewed lease for the PETRONAS Twin Towers. As for the retail segment, we will continue to strive to deliver its year on year improvement in results. However, the hotel segment is expected to continue to trade in a challenging environment.

As for adding to the current portfolio of properties, we are always looking for opportunities to achieve sustainable growth and value for all shareholders. The listing of KLCC Stapled Group will

provide such a platform for the Group to unlock the value of its remaining assets which have yet to be transferred to the REIT namely Kompleks Dayabumi and the vacant Lot D1.

With the new KLCC Stapled Group structure in place, you, the shareholders, are expected to benefit considerably from the significant accretion in distribution as the Company has committed to distribute 95.0% of the Overall Distributable Income for the financial years 2013 and 2014 effective from the date of establishment of the KLCC Stapled Group.

THANK YOU

The last financial year has been challenging yet exciting with the achievements of the Group culminating with the listing of the KLCC Stapled Group on 9 May 2013. On behalf of the Board, I would like to extend my heartfelt appreciation for the invaluable support from all stakeholders namely shareholders, customers, business partners and regulatory authorities who have made this possible.

I would also like to extend a special mention to the shareholders whose strong support at the Extraordinary General Meeting held on 8 April 2013 led to the successful listing of the KLCC Stapled Group on Bursa Malaysia on 9 May 2013.

I am very grateful and acknowledge the contribution of my Board for their engagement and commitment over the past year in ensuring that the Group maintains a high standard of governance.

In closing, on behalf of the Board, I would like to thank the management and staff of the KLCCP Group of Companies for their efforts, commitment and dedication towards the continuous achievements of the Group.



Krishnan C K Menon

Chairman



CEO's Year in Review

FINANCIAL PERFORMANCE

This year the Group recorded commendable results reflecting the resilience of the Group's business model and quality of its operating assets.

FY2012 is the first full year following the adoption of the 31 December financial year end and covers a 12 month period from 1 January 2012 to 31 December 2012 as compared to the previous audited 9 month period of 1 April 2011 to 31 December 2011. In this review, for a more meaningful analysis, profit and loss items will be compared to the corresponding 12 month period of the previous year.

This financial year also saw the first time adoption of the Malaysian Financial Reporting Standards (MFRS) which came into force on 1 January 2012. The adoption of the MFRSs did not have any significant financial impact to the Group except for MFRS 112: Income Taxes which resulted in the derecognition of prior years' Deferred Tax Liability provisions on valuation gains previously reported in the financial statements prepared in accordance with the previous Financial Reporting Standards.

Statement of Comprehensive Income

For the financial year ended 31 December 2012, the Group achieved revenue of RM1.18 billion compared to RM0.97 billion the year before. The growth in revenue by

RM203 million or 21% was contributed by all segments - in particular the office segment with the first full year impact from Menara 3 PETRONAS office and renewal of the PETRONAS Twin Towers lease in October 2012.

The first full year revenue generated from both the office and retail segments of Menara 3 PETRONAS totaled RM119 million which amounted to more than 10% of the Group's total revenue.

There was also a further enhancement to the market valuations of the investment properties which were supported by the strong future cash flows expected to be generated by these properties. This led to the recognition of a fair valuation gain of RM1.38 billion for these investment



Total assets of the Group as at 31 December 2012 stood at RM15.79 billion which reflected an increase of RM1.79 billion from the start of the year of RM14.0 billion.

properties in the financial year, which was in fair part largely contributed by Suria KLCC, Menara 3 PETRONAS and the PETRONAS Twin Towers.

The encouraging revenue growth and fair valuation gains coupled with the prudent management of costs steered the Group towards achieving a profit attributable to the equity holders of RM1.46 billion - an increase of 50% over the previous year of RM0.97 billion. Excluding the impact of the investment property fair valuation gains, the Group's profit attributable to the equity holders grew by 40% from RM273 million in 2011 to RM382 million in 2012. The resultant Group's Earnings per Share (EPS) excluding the fair valuation gains improved from 29.2 sen last year to 40.9 sen this financial year.

Statement of Financial Position

The Group's total assets as at 31 December 2012 stood at RM15.79 billion which reflected an increase of RM1.79 billion from the start of the year of RM14.0 billion. The growth in value by 13% was largely contributed by the fair valuation gains enjoyed by the investment properties.

There was a similar increase in the equity attributable to shareholders of the company where there was a growth of 18% from RM7.13 billion as at 31 December 2011 to close at RM8.43 billion at year end. This led to the improvement in net assets per share, excluding RCULS, from RM6.90 to RM8.29.

BUSINESS OVERVIEW

Commercial/Office Properties

The Group secured long term triple net lease agreements for both the PETRONAS Twin Towers and Menara 3 PETRONAS office for a period of 15 years, which was reflected in the substantial growth in revenue by 25% from RM415.9 million in 2011 to RM521.4 million in 2012. Together with lower costs, this segment achieved a healthy increase of 34% in Profit Before Tax (PBT) - a rise from RM335.0 million for the year 2011 to RM447.2 million in 2012.

Despite the high impending supply of office space into the market in 2013, the impact to the Group will not be significant for commercial properties

Clockwise:

Fashion Week at Suria KLCC

Christmas at Suria KLCC with children from National Autism Society of Malaysia

Coffee Planet Café at Sky Lobby of Menara 3 PETRONAS



as it is underpinned by these long term leases. In fact, the performance of this segment is expected to improve taking into account the full year impact of the PETRONAS Twin Towers lease which commenced in October 2012.

Commercial/office properties continue to be the main contributor of revenue and operating profit for the Group with a contribution of 44% and 56% respectively. This is an increase from about 42% and 55% respectively last financial year stemming from the first full year contribution from Menara 3 PETRONAS office.

The Certificate of Completion and Compliance (CCC) for the Menara 3 PETRONAS retail podium was issued on 8 February 2011. As for the Menara 3 PETRONAS office tower, the CCC was issued on 30 December 2011 with the first tenants starting to occupy the office on 17 January 2012. This signified the full completion of Menara 3 PETRONAS, which was achieved within budget and on time. The official opening of the sky lobby on the sixth floor was held on 9 July 2012. To add to the vibrancy of the building, Coffee Planet, a café catering mostly for the office tenants and the latest

and most iconic roof-top destination in Kuala Lumpur - Marini's at 57- opened their doors for business.

On 18 October 2012, the PETRONAS Twin Towers was awarded the inaugural The Edge Malaysia Outstanding Project Award 2012, part of The Edge Property Excellent Awards 2012 for its iconic status and the way it has elevated Malaysia's image in the eyes of the world.

Retail Properties

The retail segment comprising Suria KLCC and retail podium of Menara 3 PETRONAS which forms the extension to Suria KLCC, registered yet another strong performance in 2012 and further strengthened its position as the premier shopping destination in Malaysia. This segment achieved revenue of RM390.6 million, an increase of RM70.8 million or 22% from RM319.8 million last year which translates to a contribution of 33% to the overall Group revenue. PBT grew at a higher pace than revenue with an increase of 32% from RM224.5 million in 2011 to RM296.0 million in 2012. Suria KLCC has managed to maintain its customer footfalls of over 41 million while total sales turnover increased by 6.4% to over RM2 billion in the past 12 months.

The accomplishment of Suria KLCC is attributed to the continuous efforts to refresh the retail mix and offerings, as well as effective marketing initiatives and corporate social responsibility (CSR) programs.

The annual Suria KLCC CSR program, Purple Day, raised RM200,000 for the National Autism Society of Malaysia in its third year in 2012. It also received global recognition by achieving the Gold Award for Cause Related Marketing through the Purple Day campaign at the prestigious International Council of Shopping Centres (ICSC) Asia Pacific Shopping Centre Awards 2012.

The retail segment of the Group will continue to strive for another productive year in 2013 and management intends to raise the bar and further improve the retail scene in Kuala Lumpur.

Hotel Property

Despite an over-supplied market, Mandarin Oriental Kuala Lumpur (MOKUL) delivered a solid revenue growth of 6.4% over the previous year, driven by higher occupancy at 66.5% and an increase in

average room rates from RM586 to RM616 for the financial year ended 31 December 2012. This performance has retained MOKUL's number one position in terms of market share amongst the city's luxury hotels.

Owing to its quality of product offerings and unrivalled customer service, MOKUL continued with its award winning accomplishments by achieving 15 awards in 2012. MOKUL received the Bloomberg International Hotel Awards - Best Hotel in Malaysia, DestinAsian Reader's Choice - Best Hotel, KL, Institutional Investor - Best Hotel in Malaysia & Top 100 in the World, Asia Pacific Property Awards - Best Hotel in Malaysia, Travel + Leisure's Top 500 hotels in the World and ASEAN Green Hotel Award amongst others.

The performance of the luxury hotel sector will continue to be largely influenced by the recovery of the global economy and the influx of new competitors in the market. MOKUL remains focused on delivering superior service quality and products and with ongoing renovations taking place over the next few years, it will be well positioned to further strengthen its leading competitive position.

Asset Management & Services

Asset management continues to be integral to the operations and performance of the assets in the Group supporting the Group's assets to the high standard of maintenance commensurate with the high value and iconic assets held by the Group.

For the financial year ended 31 December 2012, the asset management segment together with general management services achieved revenue of RM105.8 million, an increase over the previous year of 18%. In addition, PBT of RM32.2 million was achieved for this segment reflecting a growth of 33% in 2012 driven by new facilities managed and higher traffic volume from existing car park operations.

Green Initiatives

Renewable Energy Initiative

A solar photovoltaic energy system (a renewable energy system) was successfully installed on the rooftop of Suria KLCC mall. It is the largest single photovoltaic installation on a shopping mall building rooftop in Malaysia and South East Asia with a

capacity to supply up to 5% equivalent power requirement of the mall. The project cost, which was sponsored by Mitsubishi, was approximately RM24.0 million. The project commenced in April 2011 and was completed in February 2012. The official launch of PETRONAS' first Photovoltaic Project was held on 10 October 2012.

Green Building Initiative

The PETRONAS Twin Towers which has been the beacon in Malaysia's building industry for the last 15 years was designed as a "High-tech" building when the "High-tech" Building movement was at its peak. It has since been superseded by the Green Building movement and now Sustainable Building movement with Malaysia introducing its own Green Building Index to measure a building owners' commitment to reduce the world carbon footprint and building impact on human health, and environment during the building's lifecycle.

The Twin Towers are now expected to embrace this sustainability drive to show its commitment to minimise its impact to its users, and environment in general. Thus, as owners, we have decided to adopt the Green Building Index rating



Clockwise:
 Mandarin Oriental, Kuala Lumpur won Best City Spa by Expatriate Lifestyle's Best of Malaysia Awards 2012
 Indian food festival at Mandarin Oriental, Kuala Lumpur
 Retail area at Ramlee Extension at Menara 3 PETRONAS
 PETRONAS Twin Towers were awarded the inaugural The Edge Malaysia Outstanding Project Award 2012





under the Non-Residential Existing Building (NREB) category. Accordingly, upgrading work to certify the Towers as a certified green building under the Malaysian Green Rating is being undertaken.

CORPORATE RESTRUCTURING

At the last Annual General Meeting on 28 June 2012, it was announced that the Group was exploring a corporate structure including a potential Real Estate Investment Trust (REIT). Subsequently, on 26 November 2012, a formal introduction to the proposed stapled structure was made and on 8 April 2013, an Extraordinary General Meeting was convened to seek approval from the shareholders to proceed with the proposed formation of stapled securities.

With the necessary approvals in place, KLCC Stapled Group was listed on Bursa Malaysia on 9 May 2013 forming the first-ever Shariah Compliant Stapled REIT Structure in Malaysia. This unique structure will improve cash flow distribution to security holders, unlock the underlying value of the KLCCP's portfolio and capitalise on the REIT structure.

OUTLOOK

With the long term office tenancies in place and supported by the retail segment, the Group's performance is well positioned to strengthen over the long term. The hotel segment, however, may experience some difficulties as market conditions are expected to remain challenging in the near term. Management will continue with its efforts to ensure efficient cost management groupwide.

In addition, with the listing of the KLCC Stapled Group, the distribution to shareholders in 2013 and 2014 will increase in line with the commitment of the Company to distribute 95.0% of the Overall Distributable Income effective from the date of establishment of the KLCC Stapled Group.

APPRECIATION

The year ended 31 December 2012 saw the Group's accomplishments in several major undertakings, starting with the completion of Menara 3 PETRONAS as planned and within budget, the renewal of the 15-year triple net lease for the PETRONAS Twin Towers, completion of a major mall reconfiguration in Suria KLCC and commencement of an

exciting restructuring exercise for the shareholders. Certainly, it was a very busy and exciting 2012 which could not have been accomplished without the strong commitment of all.

I would like to record my sincere appreciation to the KLCCP Board members for their continuous support and guidance. My utmost gratitude and thanks to all staff of KLCCP Group for your contribution, sacrifices and commitment towards accomplishments of the Group's objectives and goals.

Finally, my sincere appreciation also goes to all the shareholders and stakeholders for your strong support and trust 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) is committed to high standards of corporate governance and strives to ensure that it is practiced throughout the Company and its Group ("Group" wherever it appears in this Corporate Governance Statement shall mean the Company and its subsidiaries) as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and enhance the performance of the Group.

Under the leadership of its Board, KLCCP adopts best principles and practices of corporate governance in conducting not only its business affairs but the business affairs of the Group as well. The Board remains fully committed to integrity, transparency and professionalism in all its conduct.

In this Statement, the Board reports on the manner in which the Group has adopted and applied the principles and best practices as set out in the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and the governance standards prescribed in the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) throughout the year under review.

A. BOARD OF DIRECTORS

(1) Roles and Responsibilities

The Board of KLCCP is responsible for overseeing the overall management of the Company. It is led and managed by experienced Board members whose wide range of expertise and practical knowledge ensure KLCCP's and the Group's continued improvements and achievements.

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

- (i) reviewing and adopting the strategic plans for the Company and the Group;
- (ii) overseeing the proper conduct of the Company's business;
- (iii) ensuring that sound policies, procedures and practices are implemented;
- (iv) overseeing the development and implementation of a communications policy for the Company;
- (v) identifying the Company's principal risks and ensuring the implementation of appropriate and prudent systems to manage them;

- (vi) formulating and ensuring the implementation of an appropriate succession policy for senior management positions;
- (vii) overseeing its business operations and evaluating whether these are being properly managed;
- (viii) reviewing the adequacy and integrity of the Company's internal control system; and
- (ix) providing leadership to enable the achievement of the Group's business objectives.

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

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

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

Pursuant to the requirements of the MCCG 2012, the adoption of a Board Charter was made by the Board on 27th November 2012. The newly-formalised Board Charter, which clearly sets out the roles and responsibilities of the Board and the Board Committees, is available on the Company's corporate website at www.klcc.com.my for easy access by shareholders and the public alike. The Board Charter shall be periodically reviewed and amended, where necessary.

CORPORATE GOVERNANCE STATEMENT

The Board further acknowledges its role in establishing a corporate culture comprising ethical conduct within the Group. The Board is guided by the PETRONAS Code of Conduct and Business Ethics (CoBE) which sets out the standard of corporate behaviour and ethical conduct of the Company. At the same time, the Board has also adopted the PETRONAS' Whistle-blowing Policy which provides and facilitates appropriate communication and feedback channels between the Company and its employees. The link to the CoBE which includes the Whistle-blowing Policy is available on the Company's corporate website.

(2) Board Composition and Balance

The Board currently consists of 8 members, one of whom is an Executive Director while the other 7 are Non-Executive Directors. 5 of the Non-Executive Directors fulfill the criteria of independence (including the Chairman of the Company) as defined in the MMLR, while the remaining 2 Non-Executive Directors are Non-Independent Directors.

The majority of the Independent Non-Executive Directors (including the Chairman of the Company) provides the necessary check and balance in the Board's exercise of its functions and decision-making process.

(3) Independence

The Board is satisfied with the level of independence demonstrated by the Directors throughout the financial year under review and their ability to act in the best interests of the Company.

Recommendations of the MCCG 2012 state that the tenure of an Independent Director should not exceed a cumulative term of 9 years. In adhering to recommended corporate governance practices, the Board has adopted a policy to limit the tenure of Independent Non-Executive Directors to a maximum of 9 years. The implementation of this policy will be undertaken gradually so as to ensure the continued effective functioning of the Board. Moving forward, specific assessment of the "independence" of the Independent Directors will be included in the annual performance assessment.

Mr. Pragasa Moorthi a/l Krishnasamy, who serves as the Independent Non-Executive Director of the Company for a period of 9 years until 8 September 2013 will be subject to the 9 years capped policy. However, the Board recommends that he continues to serve as Independent Director of the Company, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company based on the following justifications:

- (a) He has fulfilled the criteria under the definition of Independent Director pursuant to the MMLR;
- (b) He has ensured effective check and balance in the proceedings of the Board;
- (c) He has actively participated in the Board's deliberation, provided objectivity in decision-making and independent opinion to the Board;
- (d) He has vast experience in a diverse range of business and therefore would be able to provide constructive opinion;
- (e) He has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his duties in the best interest of the shareholders; and
- (f) He has devoted sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company.

In consideration of the above, the Board has concluded to seek shareholders' approval to retain Mr. Pragasa Moorthi a/l Krishnasamy as Independent Non-Executive Director of the Company at the forthcoming Annual General Meeting.

(4) Board Meetings

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

During the financial year under review, a total of 5 Board meetings were held. The proceedings of all meetings of the Board of Directors and the Audit Committee including all issues raised, enquiries made and responses thereto were also presented and were recorded in the minutes of the Board of Directors and Audit Committee meetings respectively. Where necessary, decisions have been taken by way of circular resolutions.

CORPORATE GOVERNANCE STATEMENT

The attendance of the Board members was as follows:

Directors	Attendance at Board Meetings
Executive	
Hashim Bin Wahir	5/5
Non-Executive	
Krishnan C K Menon (Chairman)	5/5
Datuk Manharlal a/l Ratilal	5/5
Datuk Ishak Bin Imam Abas	5/5
Dato' Leong Ah Hin @ Leong Swee Kong	5/5
Pragasa Moorthi a/l Krishnasamy	5/5
Augustus Ralph Marshall	4/5
Dato' Halipah Binti Esa	5/5

(5) Supply of Information

To facilitate the proper discharge of its duties, complete and unimpeded access to information relating to the Group is made available to the Board at all times. Further details or clarifications regarding Board meeting agenda items are timely furnished to the Board.

Senior Management Officers are invited to attend Board meetings to give an update of their respective functions and to discuss on issues that may be raised by the Directors. The Directors may seek advice from the Management as they require, and are able to interact directly with them regarding any aspect of the Company's operations or business under their respective purviews.

Additionally, the Directors may obtain independent professional advice at the Group's expense on specific issues that would aid in their deliberation and arrival on a decision that would benefit the Company.

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 well before a Board meeting is convened so as to allow ample time for perusal. Minutes of every Board meeting are also circulated to all Directors prior to its confirmation at the following Board meeting.

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

(6) Appointment to the Board

Until the establishment of the Nominating and Remuneration Committee, the selection of new Directors of the Company is done via nominations by the major shareholders and/or holding company of KLCCP prior to approval of the Board.

In the meantime, the Board deliberates on and resolves the following issues during Board meetings:

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

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

CORPORATE GOVERNANCE STATEMENT

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

(8) Training and Development of Directors

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

During the financial year under review, the members of the Board have attended the relevant development and training programmes according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively.

The training programmes attended by the Directors are:

- PETRONAS 4th Audit Committee Forum
- Audit Committee and Chief Audit Executive Forum
- Malaysian Code on Corporate Governance 2012: Implications and Challenges to the Board of Directors
- Corporate Planning – Execute Effective Transformation Process
- Succession Planning – Management Succession and Related Talent Management Issues : Insight for the Board of Directors
- AET Awareness Session
- Exploiting Structural Disruptions to Find Opportunities for Growth
- Urban City Development Forum with Minister of Federal Territory
- Design Change for Mixed Development Consulting Workshop

- Presentation on Design Competition by International Consultants
- Capitalise on ASEAN's Multinational Market Place
- Workshop on Group Business Plan & Finance Budget 2013
- PETRONAS Corporate Crisis Management Committee Forum

(9) Board Committee

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

(a) Audit Committee (AC)

The Chairman of the AC reports to the Board at Board meetings on pertinent issues that have been raised at AC meetings, and highlights to the Directors the integral areas as expressed by the AC. The AC Chairman also reports the outcome of AC 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 AC for the financial year under review are set out in pages 33 to 34 of the Annual Report.

(b) Nominating and Remuneration Committee

The Board had approved the formation of a combined Nominating and Remuneration Committee (Nominating and Remuneration Committee) on 27th November 2012. The Nominating and Remuneration Committee is to comprise exclusively of Non-Executive Directors, the majority of whom would be Independent Directors. A Senior Independent Non-Executive Director shall be appointed as its Chairman.

The Nominating and Remuneration Committee's roles and responsibilities are governed by its TOR.

Upon its establishment, the Nominating and Remuneration Committee will formalize the Company's process of nomination and election of Board members and disclose such process in the Company's future annual report.

CORPORATE GOVERNANCE STATEMENT

The Nominating and Remuneration Committee will develop the criteria to assess the independence of the Board whether annually, or upon the director's appointment and re-appointment. The Nominating and Remuneration Committee will also disclose in the Company's future annual report and/or notice convening general meetings that assessment on the independence of Directors has been conducted.

Moving forward, the Nominating and Remuneration Committee will also formalize the procedures for existing Directors to notify the Chairman of the Board before accepting new directorships in other public listed companies. The Directors who are accepting such new appointments shall first notify the Chairman that the new directorships would not unduly affect their time commitments and responsibilities to the Board. The Board believes that all members must be equally responsible for its overall core responsibilities.

B. DIRECTORS' REMUNERATION

Remuneration structure for the Non-Executive Directors of the Company consists wholly of a fixed fee and meeting allowance, and in the case of the AC, a further meeting allowance. All fees and allowances due to the Directors are subject to approval by the shareholders at the 10th AGM of the Company to be recommended by KLCCP Board.

The Executive Director cum CEO of the Company is an employee of KLCC (Holdings) Sdn Bhd. He is not remunerated but receives salary inclusive of compensation for the duties and responsibilities he undertakes in his capacity as a Board member. During the financial year under review, the Company reimbursed KLCC (Holdings) Sdn Bhd an amount of RM715,000.00 for his services.

The Director's fee and the meeting attendance fee for the Non-Independent Non-Executive Director who is also an employee of PETRONAS are paid directly to PETRONAS as fees for representation in the Board of Directors commencing 1 July 2010. During the financial year under review, the Company paid RM97,000.00 as Board of Directors representation fees to PETRONAS.

For the financial year under review, the breakdown of the Directors' remuneration is as tabulated below:

(RM)	Director's Fee	Board Meeting Allowance *	Audit Committee Meeting Allowance *	Total
Executive Director				
Hashim Wahir	Nil	Nil	Nil	Nil
Non-Executive Directors				
Krishnan C K Menon	108,000.00	20,000.00	Nil	128,000.00
Datuk Manharlal A/L Ratilal	Nil #	Nil #	Nil #	Nil #
Datuk Ishak Bin Imam Abas	72,000.00	15,000.00	Nil	87,000.00
Augustus Ralph Marshall	72,000.00	12,000.00	12,000.00	96,000.00
Dato' Halipah Binti Esa	72,000.00	15,000.00	10,000.00	97,000.00
Dato' Leong Ah Hin @ Leong Swee Kong	72,000.00	15,000.00	10,000.00	97,000.00
Pragasa Moorthi A/L Krishnasamy	72,000.00	15,000.00	Nil	87,000.00
Total	468,000.00	92,000.00	32,000.00	592,000.00

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

Fees paid directly to PETRONAS in respect of a Director who is an appointee of PETRONAS.

CORPORATE GOVERNANCE STATEMENT

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS**(1) Communication between the Company and Investors**

The Board recognizes the importance of maintaining transparency and accountability to its stakeholders. As such, the Board consistently ensures the supply of clear, comprehensive and timely information to the stakeholders via the Company's Annual Report as well as various disclosures on quarterly financial results which provide investors with the Company's up-to-date financial information.

Whilst the Group endeavours to provide as much information as possible to its stakeholders, it must also be mindful of the legal and regulatory framework governing the release of material and price-sensitive information. As such, all corporate disclosures take into account the prevailing legislative restrictions and requirements as well as investors' need for timely release of price-sensitive information such as the financial performance results, material acquisitions, and significant corporate proposals.

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 issues press statements in conjunction with the announcement of its quarterly and annual results. Announcements 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.

In addition to the mandatory disclosure requirements by Bursa Malaysia as well as other required corporate disclosures, the Company also maintains a corporate website at www.klcc.com.my (Company's corporate website) for access by the public and shareholders.

(2) Annual General Meeting (AGM)

The AGM of the Company is an important forum for effective communication and proactive engagement with its shareholders. Shareholders are informed of their right to demand for a poll vote at the commencement of the AGM and accorded ample opportunity and time to raise questions and concerns, and the Directors and Senior Management Officers of the Company will provide the answers and appropriate clarifications. A detailed presentation of the Group's operations and financial results is undertaken by the CEO prior to the commencement of the proceedings of the AGMs. The external auditors will also be present during the AGM to provide their professional and independent advice. The Company endeavours to comply with statutory requirements regarding the timely dissemination of notices for AGMs.

The notice and agenda of an AGM together with the Form of Proxy are given to shareholders at least 21 days before the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. 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.

KLCCP Board also aims to adopt e-voting as and when necessary and ready in its pursuit to encourage greater shareholders participation during AGMs.

(3) Corporate Disclosure Policy

The Management will take steps to develop a Corporate Disclosure Policy to comply with the MCCG 2012.

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

In order to provide timely, transparent and up-to-date disclosure of the Group's overall performance, the Board ensures that a balanced, clear and meaningful assessment of the financial position and prospects of the Group are stated in all the disclosures made to shareholders, investors and the regulatory authorities through various announcements on quarterly financial results and releases accompanying these announcements.

CORPORATE GOVERNANCE STATEMENT

The Board is assisted by the AC to oversee the Group's financial reporting process and the quality of the same. The AC 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 thereto as well as the implementation of these policies.

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

The Directors are responsible to ensure that the Group's audited financial statements comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Companies Act, 1965 and the MMLR as well as any other applicable legislations and regulations.

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 44 of the Annual Report.

(2) Related Party Transactions

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

(3) 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.

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

The Statement on Risk Management and Internal Control, which provides an overview of the state of the internal control within the Company and the Group, is set out on pages 31 to 32 of the Annual Report.

(4) Relationship with External Auditors

The Group has established transparent and appropriate relationship with the external auditors through the AC. From time to time, the external auditors will highlight matters that require further attention of the AC and the Board. For the financial year under review, the Board has obtained written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement and is satisfied with the level of suitability and independence of the external auditors.

The AC meets with the external auditors to discuss their audit plans, audit findings and their reviews of KLCCP's financial results/statutory statement of accounts. The meetings are held in the presence of the Executive Director/CEO and the Management.

The AC also meets with the external auditors once annually or whenever necessary without the presence of the Executive Director/CEO and the Management. In addition, the external auditors are invited to attend the AGM of the Company and are made 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 AC during the financial year under review, including the evaluation of the independent audit process, are set out in the AC's Report on pages 33 to 34 of the Annual Report.

The details of fees paid/payable to the external auditors for the financial year 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	166.0	455.0
• Other Services	67.0	91.0
Total	233.0	546.0

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

CORPORATE GOVERNANCE STATEMENT

E. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is undertaken by the Group Internal Audit Division of KLCC (Holdings) Sdn Bhd which provides assurance on the efficiency and effectiveness of the internal control systems implemented by the Group. To support the AC in discharging its responsibilities, the Head of Internal Audit Division (who is a Fellow Member of the Association of Chartered Certified Accountants) reports directly to the AC.

Further details of the internal audit activities are set out in the Audit Committee Report and Statement on Risk Management and Internal Control of the Annual Report at page 32.

F. RISK MANAGEMENT

The risk management function of the Group is undertaken by Group Enterprise Risk Management of KLCC (Holdings) Sdn Bhd in managing the principal risks at the Group level and providing assurance on effective implementation of risk management on a Group-wide basis.

Further details of the Company's risk management functions are set out in the Statement on Risk Management and Internal Control of the Annual Report at pages 31 to 32.

G. CORPORATE SUSTAINABILITY**Group Health, Safety and Environment (HSE)**

The Board continues with its efforts to ensure that the Group's commitment to conduct business activities shall be in accordance with the Policy Statement on Health, Safety and Environment and supported by the Framework Towards Corporate Sustainability. The Board reviews and appraises Group HSE sustainability reporting on areas of HSE Governance activities covering social, economic, environmental, people, corporate social responsibility (CSR), best practices, and award recognitions.

Ethical Standards

The Group has adopted PETRONAS' Code of Conduct and Business Ethics that seeks to ensure that the Company's or Groups' Directors, employees and third parties, which perform work or services for the Company and Group, would act ethically and remain above board at all times, and that their individual behaviour is in line with PETRONAS' Shared Values i.e. Loyalty, Professionalism, Integrity and Cohesiveness. At the same time, the Board has also

adopted PETRONAS' Whistle-blowing Policy which provides and facilitates appropriate communication and feedback channels between company and its employees within the Group.

Earth Day March 2012

Companies within the Group celebrated Earth Day March 2012 with active participation and contribution in CSR campaigns organized in partnership with WWF Malaysia. Main objectives achieved are heightening of awareness, enhancement of business relationship, and brand building of our corporate sustainability.

People and Work Place

HSE Awareness Day held on 27 September 2012 was participated by employees within the Group. Main objectives of the HSE Awareness Day are related to the promotion of health awareness and to inculcate HSE awareness through working with various health care organizations. Amongst the activities were blood donation and exhibitions put up by relevant NGOs. Programs on Road Safety Talk, Free Health Screening, Cardiopulmonary Resuscitation (CPR) and Automated External Defibrillators (AED) Training were held on that day.

Suria KLCC CSR Programs

Suria KLCC's various CSR programs undertaken throughout the financial year have touched the lives of many. Employees of Suria KLCC continued to strive to make meaningful differences to the society by actively engaging and assisting the community through these CSR programs.

Some of the programs embarked on during the financial year include shopping and feasting treats during festive celebrations with orphans or senior citizens, and fundraising programs championing the autistic community such as Teddy and Friends Day Out and Purple Day. All proceeds raised were channeled to the National Autistic Society of Malaysia.

Suria KLCC won the Gold Award for Cause Related Marketing through Purple Day campaign at the prestigious International Council of Shopping Centres (ICSC) Asia Pacific Shopping Centre Awards 2012, recognized globally.

CORPORATE GOVERNANCE STATEMENT

Mandarin Oriental Kuala Lumpur (MOKUL) Corporate Responsibility

During the financial year, MOKUL extended their commitment to contributing to the communities in which the hotel operates and responsibly managing the environmental impacts and social commitments. With this emphasis, MOKUL replaced its Environment Care Team with a Corporate Responsibility Committee whereby 17 members of its management team are actively involved in the management and continual improvement of the environmental initiatives as well as the planning and execution of their social responsibility programs.

A new logo was created to encompass both our environmental and social responsibilities, with the tag line of “Think. Care. Act.”



In an effort to increase awareness amongst colleagues and suppliers, a yearly program, “Waste Not Want Not” was introduced. This program encouraged employees of MOKUL to bring their used/useable items or excess items from home, and the suppliers are to provide soon-to-expire or excess stock items. All the items were then put up for sale at very competitive prices and were bought briskly by employees, tenants and suppliers. The sale proceeds were then channeled to fund the external environmental or social programs.

In year 2012, all collections were used to help three homes, Rumah Jalanan Kasih whereby employees of MOKUL assisted the home in erecting a new shelter as recreation area, installed fans, repaired wiring, tiles, doors and painted the walls of the homes. At Rumah Kanak-Kanak Cacat Taman Megah, a 42 inch TV and DVD player were donated together with give-away of cakes, pastries and tea to the children and caregivers of the home. Quality time was devoted and spent with the Children with special needs. And last but not least, MOKUL also sponsored the sale of pastries and cakes at Rumah Hope, Petaling Jaya with the aim to raise funds for development upgrade of the Home.

Other than the above social responsibility programs, MOKUL donated 102 used computers to 17 homes in the Klang Valley. Computer parts that cannot be used anymore were sold as e-waste.

In addition, as the hotel has for many years implemented an extensive recycling and scheduled waste program, the collection of used batteries and light bulbs were extended to include such items from employees’ houses. Proceeds from the recycling program were used to fund the MOKUL Corporate Responsibility activities.

Waste management has also been taken to another level with the monitoring of the amount of recycled and landfill waste. Key Performance Indicators (KPI) were established, and MOKUL management executed the measuring of Waste Intensity (weight of non diverted waste in kg vs guest room nights) and Waste Diversion Rate (weight of waste diverted for recycling). KPI(s) established helped to reinforce management objectives, targets and programs in the financial year ended.

In Laundry, the introduction of an environment friendly washing chemical, Ensure by Ecolab which requires lower temperature in the water was tested and used. With nearly over 2 million kg of laundry to be washed yearly, Ensure was able to benefit MOKUL in the savings of electricity, water and gas consumption by over RM60,000.00 when compared to year 2011.

KLCCP Group, going beyond embracing community service and environment preservation, also embeds sustainability responsibility into the fundamental value chain and culture as illustrated above. With corporate conscience in driving all these initiatives, the Group has been able to move sustainability to the heart of corporate strategy and achieved competitive advantage in the financial year just ended.

This Statement is made in accordance with the resolution of the Board of Directors on 23 May 2013.

Statement on Risk Management & Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 (MCCG 2012) requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investments and the companies' assets. In addition, the listed companies are required to make disclosures concerning risk management and internal control in their annual report pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR).

The Board continues with its commitment to maintain a sound system of risk management and internal control throughout KLCC Property Holdings Berhad (KLCCP) and its subsidiaries (collective the Group) and in compliance with the MMLR and the Statement on Risk Management & Internal Control (Guidelines for Directors of Listed Issuers) ("RMIC Guidelines"), the Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of the Group during the year under review.

BOARD RESPONSIBILITY

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

It should be noted, however, that such systems are designed to manage, rather than eliminate, risks 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 and strategies. 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 RMIC Guidelines.

MANAGEMENT ROLE

The Management is accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control and take appropriate actions as and when needed. The Chief Executive Officer and the Head of Finance and Accounts Division of KLCCP have provided the Board with assurance that the Group risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

RISK MANAGEMENT

The risk management function of the Group is undertaken by Group Enterprise Risk Management of KLCC (Holdings) Sdn Bhd in managing the principal risks at group level and providing assurance on effective implementation of risk management on a Group wide base.

KLCCP has established sound management practices to safeguard KLCCP business interest from risk events that may impede achievement of business strategy, growth through the identification of opportunities and provide assurance to the company stakeholders.

KLCCP Risk Management Framework and Guidelines outline the risk policy, risk governance and structure, risk measurement and risk operations and system for the Group. KLCCP has implemented the Enterprise Risk Management (ERM) processes to identify, assess, monitor, report and mitigate risks impacting KLCCP business and supporting activities.

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

KLCCP has identified 8 principal risks which are critical to the success of the business duly approved by its Board. The likelihood and impact of the risk have been assessed and evaluated against the Group's risk appetite and tolerance level and appropriate mitigation action have been identified for the risks. The key risk indicator and risk appetite are being established for monitoring and reporting purposes.

The 8 principal risk types are:

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

During the financial year, risk awareness sessions are regularly conducted for the staff as part of the ongoing initiative to sustain risk awareness and risk management capabilities to inculcate risk management culture within the Group. Project risk assessment is also being conducted with risk owners and project managers for new projects proposal to enable the Board to make an informed decision.

INTERNAL AUDIT

The internal audit function of the Group is undertaken by the Group Internal Audit Division of KLCC (Holdings) Sdn Bhd (GIAD) which provides assurance on the efficiency and effectiveness of the internal control systems implemented by the Group to support the Audit Committee (AC) in discharging its governance responsibilities.

The GIAD is independent of the activities they audit and they perform their duties with impartiality, proficiency and due professional care. Adequacy and effectiveness of the internal control is assessed by adopting a systematic approach in reviewing the Group's business and operational control, risk management and governance processes.

Audit assignments are carried out based on an Annual Audit Plan approved by the AC. Other ad-hoc assignments are also carried out by GIAD at the request of management and AC. Audit findings are reported to the AC together with the proposed corrective action in respect of any non compliance and process improvements. The Management is responsible to carry out the corrective action and this is being monitored through quarterly audit status reports. Status of all corrective actions is reported to the AC until the audit issues are resolved.

This Statement is made in accordance with the resolution of the Board of Directors on 23 May 2013.

Audit Committee Report

The Audit Committee (AC) of KLCC Property Holdings Berhad (KLCCP or the Company) is pleased to present the Audit Committee Report for the financial year ended 31 December 2012 pursuant to the Main Market Listing Requirements (MMLR).

MEMBERSHIP

The AC was established pursuant to a Board resolution made on 9 July 2004. Currently, the AC 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 AC is governed by its Terms of Reference as stipulated in pages 35 to 37 of the Annual Report. All the requirements under the Terms of Reference had been fully complied with and the AC did not see any matter in breach of the MMLR that warrants reporting to Bursa Malaysia Securities Berhad (Bursa Malaysia).

ATTENDANCE RECORD OF AC MEMBERS

During the financial year under review, the AC met 5 times in the presence of the Chief Executive Officer, the Head, Finance & Accounts Division, as well as the internal auditors of the Company. As and when appropriate, external auditors of the Company are also required to be present.

Committee Members	Attendance at Meetings
Independent	
Augustus Ralph Marshall	4/5
Dato' Leong Ah Hin @ Leong Swee Kong	5/5
Dato' Halipah Binti Esa	5/5
Non-Independent	
Datuk Manharlal a/l Ratilal	5/5

SUMMARY OF ACTIVITIES OF THE AC

The following activities were carried out by the AC during the financial year ended 31 December 2012:

- 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 and the audit report whereby the same 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 25 to the financial statements on page 86 of the Annual Report.

In addition, the AC had also approved the provision of non-audit services by the external auditors. The details of fees paid for such non-audit services rendered thereof for financial year ended 31 December 2012 are disclosed in Note 25 to the financial statements and the 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.

AUDIT COMMITTEE REPORT

- 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 MMLR, 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 on Risk Management and Internal Control pursuant to the MMLR. Additionally, the AC 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 the Group is undertaken by the Group Internal Audit Division of KLCC (Holdings) Sdn Bhd. They maintained their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the AC.

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 risk exposures over key business processes within the Company and the Group. The AC also had full access to the services and advice of the internal auditors and received reports on all audits that were performed.

A summary of the internal audit activities undertaken during the financial year under review are as follows:

- Prepared the annual audit plan for consideration and approval by the AC.
- Conducted its primary audit based on its audit plan and evaluate the Company and Group based on their risk exposures.
- Performed several ad-hoc assignments requested by the Management and AC.
- Followed-up on audit issues to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations.

The resulting reports from the audit were presented to the AC and subsequently forwarded to the Management for its attention and further action. The Management is responsible to ensure that necessary agreed corrective measures are taken and resolved within the required timeframe.

The total costs incurred for the internal audit activities of the Company and Group for the financial year were RM145,689.80.

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

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE'S TERMS OF REFERENCE

The primary function of the Committee is to assist the Board in fulfilling the following objectives of the Company's activities:

- assess the Group's 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 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 1 member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he was not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of 1 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.

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 Bursa Malaysia's MMLR pertaining to the composition of the Audit Committee, the Board of Directors shall within 3 months of that event fill the aforesaid vacancy.

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.

AUDIT COMMITTEE REPORT

2.4 Attendance

- (a) The Head, Accounts and Finance Division, the 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 the Group including any transaction, procedure or course of conduct that raises questions of the integrity, transparency and professionalism of the management.

AUDIT COMMITTEE REPORT

- (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 the 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 are 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 MMLR, the Committee has to promptly report such matters to Bursa Malaysia.
- 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 23 May 2013.

Additional Compliance Information

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

(I) NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2012 was RM91,000.00 and RM67,000.00 for the Group and Company respectively.

(II) MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and / or its subsidiaries involving directors' and major shareholders' interest during the financial year ended 31 December 2012:-

(1) Share Sale Agreement dated 27 November 2012 entered into between the Company and KLCC (Holdings) Sdn Bhd

On 27 November 2012, the Company entered into a conditional share sale agreement with KLCC (Holdings) Sdn Bhd in relation to the proposed acquisition by the Company of the remaining 49.50% interest not held by the Company in Midciti Resources Sdn Bhd from KLCC (Holdings) Sdn Bhd for a purchase consideration of RM2,859,343,024.00 to be satisfied via the issuance of 510,596,968 new ordinary shares of RM1.00 each in the Company ("Proposed Midciti Acquisition").

On 8 April 2013, the shareholders of the Company had approved the Proposed Midciti Acquisition.

The Proposed Midciti Acquisition was completed on 10 April 2013.

Relationships of related parties

Krishnan a/l CK Menon, Datuk Manharlal a/l Ratilal, Augustus Ralph Marshall and Hashim bin Wahir are directors of the Company and KLCC (Holdings) Sdn Bhd.

Krishnan a/l CK Menon and Datuk Manharlal a/l Ratilal are directors of Petroliam Nasional Berhad.

Petroliam Nasional Berhad and KLCC (Holdings) Sdn Bhd are major shareholders of the Company.

(III) UTILISATION OF PROCEEDS

The Company did not raise funds through any corporate proposals during the financial year.

(IV) SHARE BUY-BACKS

During the financial year, the Company did not seek any mandate on share buy-backs from its shareholders.

(V) OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities issued by the Company in respect of the financial year.

(VI) DEPOSITORY RECEIPT ("DR") PROGRAMME

During the financial year, the Company did not sponsor any DR programme.

(VII) SANCTIONS AND/OR PENALTIES

During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

(VIII) VARIATION IN RESULTS

There was no variation of 10% or more between KLCCP Group's unaudited results announced earlier and the audited results for the financial year ended 31 December 2012. The Company did not release any profit estimate, forecast or projection for the financial year ended 31 December 2012.

(IX) PROFIT GUARANTEE

During the financial year, there was no profit guarantee given by the Company.

(X) SHARE ISSUANCE SCHEME

The Company has not implemented any Share Issuance Scheme.

(XI) RECURRENT RELATED PARTY TRANSACTION ("RRPT")

The Company did not seek any shareholders' mandate on the RRPT during the financial year.

Financial Statements

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Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

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 significant subsidiaries and associate are stated in Notes 8 and 9 to the financial statements respectively.

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

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	1,984,429	214,188
<hr/>		
Attributable to:		
Equity holders of the Company	1,464,097	214,188
Non-controlling interests	520,332	–
	<hr/> 1,984,429	<hr/> 214,188

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial period ended 31 December 2011 as reported in the directors' report in that year:	
A second interim of 5.0%, tax exempt under single tier system on 934,074,279 ordinary shares, was declared on 24 February 2012 and paid on 23 March 2012.	46,704
In respect of the financial year ended 31 December 2012:	
A first interim dividend of 4.0%, tax exempt under single tier system on 934,074,279 ordinary shares, declared on 23 May 2012 and paid on 22 June 2012.	37,363
A second interim dividend of 4.0%, tax exempt under single tier system on 934,074,279 ordinary shares, declared on 13 August 2012 and paid on 12 September 2012.	37,363
A third interim dividend of 4.0%, tax exempt under single tier system on 934,074,279 ordinary shares, declared on 27 November 2012 and paid on 24 December 2012.	37,363
	<hr/> 158,793

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

DIVIDENDS (CONTD.)

A fourth interim dividend in respect of the financial year ended 31 December 2012, of 4.5%, tax exempt under the single tier system on 934,074,279 ordinary shares amounting to a dividend payable of RM42.0 million will be payable on 20 March 2013.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

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

Krishnan C K Menon

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 Binti 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 in KLCC Property Holdings Berhad →			
	Balance as at 1.1.2012	Number of Shares		Balance as at 31.12.2012
		Bought	Sold	
Direct				
Datuk Manharlal A/L Ratilal	5,000	–	–	5,000
Dato' Leong Ah Hin @ Leong Swee Kong	50,000	–	–	50,000
Augustus Ralph Marshall	50,000	–	–	50,000
	← Number of Shares in PETRONAS Chemicals Group Berhad →			
	Balance as at 1.1.2012	Number of Shares		Balance as at 31.12.2012
		Bought	Sold	
Direct				
Krishnan C K Menon	20,000	–	–	20,000
Datuk Manharlal A/L Ratilal	20,000	–	–	20,000
Dato' Halipah Binti Esa	10,000	–	–	10,000
Hashim Bin Wahir	16,000	–	–	16,000
Indirect				
Dato' Halipah Binti Esa #	13,100	–	–	13,100

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' INTERESTS (CONTD.)

	← Number of Shares in MISC Berhad →			Balance as at 31.12.2012
	Balance as at 1.1.2012	Number of Shares Bought	Sold	
Direct				
Dato' Leong Ah Hin @ Leong Swee Kong	2,400	–	–	2,400
Indirect				
Dato' Halipah Binti Esa #	–	10,000	–	10,000

	← Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad →			Balance as at 31.12.2012
	Balance as at 1.1.2012	Number of Shares Bought	Sold	
Direct				
Dato' Leong Ah Hin @ Leong Swee Kong	6,000	–	–	6,000
Dato' Halipah Binti Esa	10,000	–	–	10,000
Indirect				
Dato' Halipah Binti Esa #	10,000	–	–	10,000

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

None of the other Directors holding office as at 31 December 2012 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, 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 29 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 company 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2012 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.

SIGNIFICANT EVENT

The significant event is disclosed in Note 40 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 February 2013.

Krishnan C K Menon

Hashim Bin Wahir

Kuala Lumpur, Malaysia

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 45 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 December 2012 and of the results of their financial performance and cash flows for the year ended.

In the opinion of the Directors, the supplementary information set out in Note 42 on page 104 is prepared in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance"), and directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 February 2013.

Krishnan C K Menon

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 45 to 104 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 21 February 2013)

BEFORE ME:

Zainal Abidin Bin Ujang, AMP
 Commissioner for Oaths

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	6	598,235	609,476	611,460
Investment properties	7	13,807,130	12,364,831	10,975,082
Investment in an associate	9	260,846	244,931	241,244
Deferred tax assets	10	783	1,513	7,762
		14,666,994	13,220,751	11,835,548
Current Assets				
Inventories	12	1,333	1,445	1,390
Trade and other receivables	13	101,875	73,255	51,483
Tax recoverable		–	–	4,587
Cash and cash equivalents	14	1,020,422	700,418	674,947
		1,123,630	775,118	732,407
TOTAL ASSETS		15,790,624	13,995,869	12,567,955
EQUITY AND LIABILITIES				
Equity Attributable to Equity Holders of the Company				
Share capital	15	934,074	934,074	934,074
Share premium		562,324	562,324	562,324
Capital reserve	4.21	5,025,915	3,943,749	3,340,273
Redeemable convertible unsecured loan stocks (RCULS)	16	687,990	687,990	687,990
Retained profits	17	1,223,761	1,000,623	909,139
		8,434,064	7,128,760	6,433,800
Non-controlling interests	18	4,558,241	4,185,599	3,665,512
Total Equity		12,992,305	11,314,359	10,099,312
Non-Current Liabilities				
Redeemable convertible unsecured loan stocks (RCULS)	16	12,870	18,479	24,503
Other long term liabilities	19	76,509	57,176	54,912
Long term borrowings	21	2,298,577	2,291,797	1,908,493
Deferred tax liabilities	10	35,628	3,032	5,687
		2,423,584	2,370,484	1,993,595
Current Liabilities				
Trade and other payables	23	246,881	216,706	187,309
Borrowings	21	48,548	48,021	254,441
Taxation		79,306	46,299	33,298
		374,735	311,026	475,048
Total Liabilities		2,798,319	2,681,510	2,468,643
TOTAL EQUITY AND LIABILITIES		15,790,624	13,995,869	12,567,955

The notes set out on pages 51 to 104 form an integral part of, and, should be read in conjunction with, these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	6	1,644	1,718	2,595
Investment in subsidiaries	8	2,296,832	2,296,832	2,296,879
Investment in an associate	9	99,195	99,195	99,195
Deferred tax assets	10	383	326	–
Amount due from subsidiaries	11	174,452	168,902	164,905
		2,572,506	2,566,973	2,563,574
Current Assets				
Trade and other receivables	13	67,797	61,602	3,742
Tax recoverable		–	–	4,587
Cash and cash equivalents	14	220,650	201,384	156,065
		288,447	262,986	164,394
TOTAL ASSETS		2,860,953	2,829,959	2,727,968
EQUITY AND LIABILITIES				
Equity Attributable to Equity Holders of the Company				
Share capital	15	934,074	934,074	934,074
Share premium		562,324	562,324	562,324
Redeemable convertible unsecured loan stocks (RCULS)	16	687,990	687,990	687,990
Retained profits	17	561,912	506,517	336,246
Total Equity		2,746,300	2,690,905	2,520,634
Non-Current Liabilities				
Redeemable convertible unsecured loan stocks (RCULS)	16	12,871	18,479	24,503
Amount due to a subsidiary	20	96,000	114,000	180,000
Deferred tax liabilities	10	–	–	130
		108,871	132,479	204,633
Current Liabilities				
Trade and other payables	23	4,825	6,025	2,701
Taxation		957	550	–
		5,782	6,575	2,701
Total Liabilities		114,653	139,054	207,334
TOTAL EQUITY AND LIABILITIES		2,860,953	2,829,959	2,727,968

The notes set out on pages 51 to 104 form an integral part of, and, should be read in conjunction with, these financial statements.

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group		Company	
		1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Revenue	24	1,178,311	745,894	230,359	320,770
Operating profit	25	878,295	521,846	208,776	303,451
Fair value adjustment of investment properties	7	1,378,730	1,140,004	–	–
Other income	26	37,053	16,371	15,259	9,278
Financing costs	27	(124,236)	(87,583)	(7,091)	(6,739)
Share of profit of an associate		23,654	7,987	–	–
Profit before tax		2,193,496	1,598,625	216,944	305,990
Tax expense	30	(209,067)	(118,562)	(2,756)	(23,630)
PROFIT FOR THE YEAR/ PERIOD, REPRESENTING COMPREHENSIVE INCOME		1,984,429	1,480,063	214,188	282,360
Profit attributable to:					
Equity holders of the Company		1,464,097	807,049	214,188	282,360
Non-controlling interests		520,332	673,014	–	–
		1,984,429	1,480,063	214,188	282,360
Earnings per share attributable to equity holders of the Company (sen):					
Basic	32(a)	156.7	86.4		
Diluted	32(b)	113.2	62.4		

The notes set out on pages 51 to 104 form an integral part of, and, should be read in conjunction with, these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

Note	Attributable to Equity Holders of the Company							Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Redeemable Convertible Unsecured Loan Stocks RM'000	Retained Profits RM'000	Capital Reserve RM'000	Total RM'000	Distributable		
At 1 January 2012	934,074	562,324	687,990	1,000,623	3,943,749	7,128,760	4,185,599	11,314,359	
Total comprehensive income for the year	-	-	-	1,464,097	-	1,464,097	520,332	1,984,429	
Transfer of fair value surplus	-	-	-	(1,082,166)	1,082,166	-	-	-	
Dividends paid	32	-	-	(158,793)	-	(158,793)	(147,690)	(306,483)	
At 31 December 2012	934,074	562,324	687,990	1,223,761	5,025,915	8,434,064	4,558,241	12,992,305	
At 1 April 2011	934,074	562,324	687,990	909,139	3,340,273	6,433,800	3,665,512	10,099,312	
Total comprehensive income for the period	-	-	-	807,049	-	807,049	673,014	1,480,063	
Transfer of fair value surplus	-	-	-	(603,476)	603,476	-	-	-	
Dividends paid	32	-	-	(112,089)	-	(112,089)	(152,927)	(265,016)	
At 31 December 2011	934,074	562,324	687,990	1,000,623	3,943,749	7,128,760	4,185,599	11,314,359	

The notes set out on pages 51 to 104 form an integral part of, and, should be read in conjunction with, these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	← Non-Distributable →			Distributable	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Redeemable Convertible Unsecured Loan Stocks RM'000	Retained Profits RM'000	
At 1 April 2011	934,074	562,324	687,990	336,246	2,520,634
Total comprehensive income for the period	–	–	–	282,360	282,360
Dividends paid (Note 32)	–	–	–	(112,089)	(112,089)
At 31 December 2011	934,074	562,324	687,990	506,517	2,690,905
At 1 January 2012	934,074	562,324	687,990	506,517	2,690,905
Total comprehensive income for the year	–	–	–	214,188	214,188
Dividends paid (Note 32)	–	–	–	(158,793)	(158,793)
At 31 December 2012	934,074	562,324	687,990	561,912	2,746,300

The notes set out on pages 51 to 104 form an integral part of, and, should be read in conjunction with, these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	1,149,691	724,120	14,368	8,900
Cash payments to suppliers and employees	(243,621)	(199,126)	(19,740)	(10,553)
	906,070	524,994	(5,372)	(1,653)
Interest income from fund and other investments	25,108	17,392	6,314	2,827
Tax (paid)/refunded	(142,732)	(97,380)	(2,405)	4,034
Net cash generated from/(used in) operating activities	788,446	445,006	(1,463)	5,208
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	7,739	4,300	216,058	286,217
Purchase of property, plant and equipment	(19,744)	(35,449)	(387)	(16)
Cost incurred for investment properties	(32,472)	(212,312)	-	-
Proceeds from disposal of property, plant and equipment	1,437	24	-	8
Net cash (used in)/generated from investing activities	(43,040)	(243,437)	215,671	286,209
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	28,000	1,035,000	-	-
Repayment of borrowings	(28,000)	(845,407)	-	-
Dividends paid to shareholders	(158,793)	(112,089)	(158,793)	(112,089)
Dividends paid to non-controlling interests	(147,690)	(152,927)	-	-
Interest expenses paid	(118,919)	(100,675)	(12,699)	(12,763)
Repayment and advances to subsidiaries	-	-	(23,450)	(121,246)
(Increase)/decrease in deposits restricted	(9,326)	1,957	-	-
Net cash used in financing activities	(434,728)	(174,141)	(194,942)	(246,098)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	699,692	672,264	201,384	156,065
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD (NOTE 14)	1,010,370	699,692	220,650	201,384
The additions in investment properties were acquired by way of:				
Cash	32,472	212,312	-	-
Accrual and retention sum	31,097	24,420	-	-
	63,569	236,732	-	-

The notes set out on pages 51 to 104 form an integral part of, and, should be read in conjunction with, these financial statements.

Notes to the Financial Statements

31 DECEMBER 2012

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 8 and 9.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 February 2013.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")

The financial statements of the Group and of the Company, for the year ended 31 December 2012, have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"). For the periods up to and including the period ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These are the first financial statements of the Group and of the Company prepared in accordance with MFRS. MFRS 1 First Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 April 2011 (which is also the date of transition), the Group and the Company have adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's and the Company's statements of financial position, statements of comprehensive income, statements of changes in equity and cash flows is set out in Note 3. These notes include reconciliations of financial positions, total comprehensive income and equity for comparative periods and of financial positions at the date of transition under MFRS. The transition from FRS to MFRS has not had material impact on the statement of cash flows of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs

The audited financial statements of the Group and the Company for the period ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. There are no adjustments arising from the transition to MFRSs, except for those discussed below. Accordingly, notes related to the statement of financial position as at date of transition to MFRSs are only presented for those items.

(a) Deferred tax

Previously, the Group and the Company recognised deferred tax liabilities on the valuation gains on investment properties using the presumption that the underlying asset will be recovered through use. Under MFRS 112 Income Taxes, there is a rebuttable presumption that the investment properties carried at fair value will be recovered through sale. This resulted in the derecognition of prior year's deferred tax liabilities on the valuation gains.

The impact of adopting MFRS 112 on the Group's financial statements is as follows:

	31.12.2011	1.4.2011
	RM'000	RM'000
Statement of financial position		
Decrease in deferred tax liabilities	(1,147,938)	(862,936)
Increase in investment in an associate	15,258	15,258
Increase in capital reserve	667,690	518,237
Increase in non controlling interest	495,506	359,957
		1.4.2011
		to
		31.12.2011
		RM'000
Statement of comprehensive income		
Decrease in deferred tax expense		(285,002)

(b) Business Combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) the classification of former business combinations under FRS is maintained;
- (ii) there is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) the carrying amount of goodwill recognised under FRS is not adjusted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(c) Investment in subsidiaries**

MFRS 1 provides the option to measure an investment either at cost determined in accordance with MFRS 127 Consolidated and Separate Financial Statements; or at deemed cost which is either the fair value at the date of transition or the carrying amount under previous FRS.

The Company elected to continue measure all of its investments at the carrying amount under previous FRS, except for its investment in KLCC Urusharta Sdn Bhd and Impian Cemerlang Sdn Bhd, which are carried at their fair value as at the date of transition. However, there is no impact to the Group as it is eliminated on consolidation.

The impact to the Company from electing the above transitional exemption is as follows:

	31.12.2011	1.4.2011
	RM'000	RM'000
Increase in investment in subsidiaries	103,033	103,033
Increase in retained profit	103,033	103,033

(d) Determining whether an arrangement contains a lease

MFRS 1 provides the option to apply IC 4 Determining Whether an Arrangement Contains a Lease prospectively from the date of transition. This provides relief from full retrospective application of IC 4 which would require restatement of all arrangements prior to the date of transition. The Group has elected to assess all arrangements based on the conditions as at the date of transition.

(e) Borrowing costs

MFRS 1 provides the option to apply MFRS 123 Borrowing Costs prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 123 which would require restatement of all borrowing costs prior to the date of transition. The Group has elected to apply MFRS 123 prospectively to all borrowing costs from date of transition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(f) Estimates**

The estimates at 1 April 2011 and 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group and the Company to present these amount in accordance with MFRS reflect conditions at 1 April 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of financial position, total comprehensive income and equity for comparative periods and of financial position at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation adjustments to the consolidated statement of financial position

As at 1 April 2011	FRS RM'000	Effect of transition to MFRSs RM'000	MFRS RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	611,460	–	611,460
Investment properties	10,975,082	–	10,975,082
Investment in an associate	225,986	15,258	241,244
Deferred tax assets	7,762	–	7,762
	11,820,290	15,258	11,835,548
Current Assets			
Inventories	1,390	–	1,390
Trade and other receivables	51,483	–	51,483
Tax recoverable	4,587	–	4,587
Cash and cash equivalents	674,947	–	674,947
	732,407	–	732,407
TOTAL ASSETS	12,552,697	15,258	12,567,955
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Company			
Share capital	934,074	–	934,074
Share premium	562,324	–	562,324
Capital reserve	2,822,036	518,237	3,340,273
Redeemable convertible unsecured loan stocks (RCULS)	687,990	–	687,990
Retained profits	909,139	–	909,139
	5,915,563	518,237	6,433,800
Non-controlling interests	3,305,555	359,957	3,665,512
Total Equity	9,221,118	878,194	10,099,312

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(i) Reconciliation adjustments to the consolidated statement of financial position (Contd.)**

As at 1 April 2011 (Contd.)	FRS RM'000	Effect of transition to MFRSs RM'000	MFRS RM'000
Non-Current Liabilities			
Redeemable convertible unsecured loan stocks (RCULS)	24,503	–	24,503
Other long term liabilities	54,912	–	54,912
Long term borrowings	1,908,493	–	1,908,493
Deferred tax liabilities	868,623	(862,936)	5,687
	2,856,531	(862,936)	1,993,595
Current Liabilities			
Trade and other payables	187,309	–	187,309
Borrowings	254,441	–	254,441
Taxation	33,298	–	33,298
	475,048	–	475,048
Total Liabilities	3,331,579	(862,936)	2,468,643
TOTAL EQUITY AND LIABILITIES	12,552,697	15,258	12,567,955
As at 31 December 2011			
ASSETS			
Non-Current Assets			
Property, plant and equipment	609,476	–	609,476
Investment properties	12,364,831	–	12,364,831
Investment in an associate	229,673	15,258	244,931
Deferred tax assets	1,513	–	1,513
	13,205,493	15,258	13,220,751
Current Assets			
Inventories	1,445	–	1,445
Trade and other receivables	73,255	–	73,255
Cash and cash equivalents	700,418	–	700,418
	775,118	–	775,118
TOTAL ASSETS	13,980,611	15,258	13,995,869

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(i) Reconciliation adjustments to the consolidated statement of financial position (Contd.)**

As at 31 December 2011 (Contd.)	FRS RM'000	Effect of transition to MFRSs RM'000	MFRS RM'000
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Company			
Share capital	934,074	–	934,074
Share premium	562,324	–	562,324
Capital reserve	3,276,059	667,690	3,943,749
Redeemable convertible unsecured loan stocks (RCULS)	687,990	–	687,990
Retained profits	1,000,623	–	1,000,623
	6,461,070	667,690	7,128,760
Non-controlling interests	3,690,093	495,506	4,185,599
Total Equity	10,151,163	1,163,196	11,314,359
Non-Current Liabilities			
Redeemable convertible unsecured loan stocks (RCULS)	18,479	–	18,479
Other long term liabilities	57,176	–	57,176
Long term borrowings	2,291,797	–	2,291,797
Deferred tax liabilities	1,150,970	(1,147,938)	3,032
	3,518,422	(1,147,938)	2,370,484
Current Liabilities			
Trade and other payables	216,706	–	216,706
Borrowings	48,021	–	48,021
Taxation	46,299	–	46,299
	311,026	–	311,026
Total Liabilities	3,829,448	(1,147,938)	2,681,510
TOTAL EQUITY AND LIABILITIES	13,980,611	15,258	13,995,869

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(ii) Reconciliation adjustments to the consolidated statement of comprehensive income for the period ended 31 December 2011**

	FRS RM'000	Effect of transition to MFRSs RM'000	MFRS RM'000
Revenue	745,894	–	745,894
Operating profit	521,846	–	521,846
Fair value adjustments	1,140,004	–	1,140,004
Interest income	16,371	–	16,371
Financing costs	(87,583)	–	(87,583)
Share of profit of an associate	7,987	–	7,987
Profit before tax	1,598,625	–	1,598,625
Tax expense	(403,564)	285,002	(118,562)
PROFIT FOR THE PERIOD, REPRESENTING TOTAL COMPREHENSIVE INCOME	1,195,061	285,002	1,480,063
Profit attributable to:			
Equity holders of the Company	657,596	149,453	807,049
Non-controlling interests	537,465	135,549	673,014
	1,195,061	285,002	1,480,063

(iii) Reconciliation adjustments to the consolidated statement of changes in equity

The effect of the adoption of MFRS from 1 April 2011 to 31 December 2011 can be reconciled as follows:

	Capital reserve RM'000	Non- controlling interest RM'000
Impact as at 1.4.2011	518,237	359,957
Movement during the period	149,453	135,549
Impact as at 31.12.2011	667,690	495,506

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(iv) Reconciliation adjustments to the statement of financial position**

As at 1 April 2011	FRS RM'000	Effect of transition to MFRSs RM'000	MFRS RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	2,595	–	2,595
Investment in subsidiaries	2,193,846	103,033	2,296,879
Investment in an associate	99,195	–	99,195
Amount due from subsidiaries	164,905	–	164,905
	2,460,541	103,033	2,563,574
Current Assets			
Trade and other receivables	3,742	–	3,742
Tax recoverable	4,587	–	4,587
Cash and cash equivalents	156,065	–	156,065
	164,394	–	164,394
TOTAL ASSETS	2,624,935	103,033	2,727,968
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Company			
Share capital	934,074	–	934,074
Share premium	562,324	–	562,324
Redeemable convertible unsecured loan stocks (RCULS)	687,990	–	687,990
Retained profits	233,213	103,033	336,246
Total Equity	2,417,601	103,033	2,520,634
Non-Current Liabilities			
Redeemable convertible unsecured loan stocks (RCULS)	24,503	–	24,503
Amount due to a subsidiary	180,000	–	180,000
Deferred tax liabilities	130	–	130
	204,633	–	204,633
Current Liabilities			
Trade and other payables	2,701	–	2,701
Total Liabilities	207,334	–	207,334
TOTAL EQUITY AND LIABILITIES	2,624,935	103,033	2,727,968

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. EXPLANATION OF TRANSITION TO MFRSs (CONTD.)**(iv) Reconciliation adjustments to the statement of financial position (Contd.)**

As at 31 December 2011	FRS RM'000	Effect of transition to MFRSs RM'000	MFRS RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	1,718	–	1,718
Investment in subsidiaries	2,193,799	103,033	2,296,832
Investment in an associate	99,195	–	99,195
Deferred tax assets	326	–	326
Amount due from subsidiaries	168,902	–	168,902
	2,463,940	103,033	2,566,973
Current Assets			
Trade and other receivables	61,602	–	61,602
Cash and cash equivalents	201,384	–	201,384
	262,986	–	262,986
TOTAL ASSETS	2,726,926	103,033	2,829,959
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Company			
Share capital	934,074	–	934,074
Share premium	562,324	–	562,324
Redeemable convertible unsecured loan stocks (RCULS)	687,990	–	687,990
Retained profits	403,484	103,033	506,517
Total Equity	2,587,872	103,033	2,690,905
Non-Current Liabilities			
Redeemable convertible unsecured loan stocks (RCULS)	18,479	–	18,479
Amount due to a subsidiary	114,000	–	114,000
	132,479	–	132,479
Current Liabilities			
Trade and other payables	6,025	–	6,025
Taxation	550	–	550
	6,575	–	6,575
Total Liabilities	139,054	–	139,054
TOTAL EQUITY AND LIABILITIES	2,726,926	103,033	2,829,959

(v) Reconciliation adjustments to the statement of comprehensive income

The selection of MFRS 1 transitional exemption does not result in material differences to the Company's statement of comprehensive income.

(vi) Reconciliation adjustments to the statement of changes in equity

	Retained profits RM'000
Impact as at 1 April 2011/31 December 2011	103,033

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4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except for certain 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 April 2011 (the transition date to MFRS framework), unless otherwise stated.

4.2 Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

Business combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 July 2010

For acquisition on or after 1 July 2010, the Group measures goodwill as the excess of the aggregate of consideration transferred, amount recognised for any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed. When the excess is negative, the difference is recognised immediately in the profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 July 2010

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the designated date of 1 July 2010. Goodwill arising from acquisitions before 1 July 2010 has been carried forward from the previous FRS framework as at the date of transition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.2 Basis of Consolidation (Contd.)

Non-controlling interests

Non-controlling interests at the reporting date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

When control of a subsidiary is lost, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.3 Investments

Long term investments in subsidiaries and associate are stated at cost less impairment loss, if any, in the Company's financial statements. The cost of investment includes transaction cost.

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

4.4 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 statement of financial position 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 profit or loss. 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. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.4 Associates (Contd.)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

When the Group's share of post acquisition 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.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

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.

4.5 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.

4.6 Property, Plant and Equipment

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.6 Property, Plant and Equipment (Contd.)

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

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

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

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

4.7 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 value of investment properties are recognised in the profit or loss in the year in which they arise.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.8 Impairment of Non-Financial Assets

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

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

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

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

4.9 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.

4.10 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.

4.11 Financial Assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.11 Financial Assets (Contd.)

(i) Loans and receivables

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

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

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

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

4.12 Impairment of Financial Assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.13 Provisions

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

4.14 Financial Liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.15 Financing Costs

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

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

4.16 Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Obligations for contributions to defined contribution plans are recognised as an expense in the profit or loss in which the related services is performed.

4.17 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 period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.18 Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies at the reporting date have been translated at rates ruling on the reporting date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the profit or loss.

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

	31.12.2012	31.12.2011
	RM	RM
United States Dollar	3.06	3.18

4.19 Share Capital

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

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

4.20 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

4.21 Capital Reserve

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

4.22 Revenue Recognition

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

(i) Rental income

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

(ii) 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 and the Company's right to receive payment is established.

(vi) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(vii) Hotel operations

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

4.23 Leases

Operating Leases - the Group as lessor

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

4.24 Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 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 MFRS 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.

5.2 Key Sources of Estimation Uncertainty

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

(i) Useful life of property, plant and equipment

The Group estimates the useful life of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful life of property, plant and equipment is reviewed periodically and 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 life of property, plant and equipment is 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 life 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.

(iii) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged an independent valuation specialist to determine the fair value as at 1 October 2012.

If the fair value of the investment properties increase or decrease by 5%, which the management's assumption is based on, and other key assumptions remain constant, the Group's fair value of investment properties will vary by RM688,868,000.

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6. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2012								
Cost								
At 1 January 2012	558,766	9,187	106,328	133,715	51,881	997	22,906	883,780
Additions	3,243	7,017	4,236	292	1,490	5	3,461	19,744
Transfer within Property, Plant and Equipment	(3,404)	(9,757)	9,940	3,221	-	-	-	-
Disposals	-	-	(1,152)	(3,080)	(500)	-	-	(4,732)
At 31 December 2012	558,605	6,447	119,352	134,148	52,871	1,002	26,367	898,792
Accumulated Depreciation								
At 1 January 2012	81,018	-	78,338	53,121	41,642	946	19,239	274,304
Charge for the year (Note 25)	8,309	-	6,547	8,068	4,423	23	2,170	29,540
Disposals	-	-	(1,133)	(1,662)	(492)	-	-	(3,287)
At 31 December 2012	89,327	-	83,752	59,527	45,573	969	21,409	300,557
Net Carrying Amount	469,278	6,447	35,600	74,621	7,298	33	4,958	598,235
At 31 December 2011								
Cost								
At 1 April 2011	551,099	13,130	99,667	130,773	48,849	1,037	19,336	863,891
Additions	4,488	19,447	2,936	1,972	3,032	4	3,570	35,449
Transfer within Property, Plant and Equipment	4,423	(10,377)	4,589	1,365	-	-	-	-
Transfer to Investment Properties	-	(13,013)	-	-	-	-	-	(13,013)
Disposals	(1,244)	-	(864)	(395)	-	(44)	-	(2,547)
At 31 December 2011	558,766	9,187	106,328	133,715	51,881	997	22,906	883,780
Accumulated Depreciation								
At 1 April 2011	73,415	-	75,083	46,998	37,855	912	18,168	252,431
Charge for the period (Note 25)	8,847	-	4,112	6,513	3,787	78	1,071	24,408
Disposals	(1,244)	-	(857)	(390)	-	(44)	-	(2,535)
At 31 December 2011	81,018	-	78,338	53,121	41,642	946	19,239	274,304
Net Carrying Amount	477,748	9,187	27,990	80,594	10,239	51	3,667	609,476

NOTES TO THE FINANCIAL STATEMENTS

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6. PROPERTY, PLANT AND EQUIPMENT (CONTD.)*** Land and Buildings of the Group:**

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
At 31 December 2012					
Cost					
At 1 January 2012	85,889	400,783	5,662	66,432	558,766
Additions	-	-	288	2,955	3,243
Transfer	-	(9,853)	-	6,449	(3,404)
At 31 December 2012	85,889	390,930	5,950	75,836	558,605
Accumulated Depreciation					
At 1 January 2012	-	31,269	5,279	44,470	81,018
Charge for the year	-	5,376	192	2,741	8,309
At 31 December 2012	-	36,645	5,471	47,211	89,327
Net Carrying Amount	85,889	354,285	479	28,625	469,278
At 31 December 2011					
Cost					
At 1 April 2011	85,889	402,027	5,612	57,571	551,099
Additions	-	-	50	4,438	4,488
Transfer	-	-	-	4,423	4,423
Disposal	-	(1,244)	-	-	(1,244)
At 31 December 2011	85,889	400,783	5,662	66,432	558,766
Accumulated Depreciation					
At 1 April 2011	-	27,235	4,734	41,446	73,415
Charge for the period	-	5,278	545	3,024	8,847
Disposal	-	(1,244)	-	-	(1,244)
At 31 December 2011	-	31,269	5,279	44,470	81,018
Net Carrying Amount	85,889	369,514	383	21,962	477,748

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6. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Project in progress RM'000	Total RM'000
Company						
At 31 December 2012						
Cost						
At 1 January 2012	3,437	2,965	–	2,298	–	8,700
Additions	–	–	5	59	323	387
At 31 December 2012	3,437	2,965	5	2,357	323	9,087
Accumulated Depreciation						
At 1 January 2012	3,356	1,506	–	2,120	–	6,982
Charge for the year (Note 25)	44	296	1	120	–	461
At 31 December 2012	3,400	1,802	1	2,240	–	7,443
Net Carrying Amount	37	1,163	4	117	323	1,644
At 31 December 2011						
Cost						
At 1 April 2011	3,437	2,965	1	2,282	–	8,685
Additions	–	–	–	16	–	16
Disposal	–	–	(1)	–	–	(1)
At 31 December 2011	3,437	2,965	–	2,298	–	8,700
Accumulated Depreciation						
At 1 April 2011	2,894	1,284	1	1,911	–	6,090
Charge for the period (Note 25)	462	222	–	209	–	893
Disposal	–	–	(1)	–	–	(1)
At 31 December 2011	3,356	1,506	–	2,120	–	6,982
Net Carrying Amount	81	1,459	–	178	–	1,718

Property, plant and equipment of a subsidiary at carrying amount of RM580,630,000 (2011: RM589,520,000) has been pledged as securities for loan facilities as disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT PROPERTIES

Group	Completed investment properties RM'000	IPUC at fair value RM'000	IPUC at cost RM'000	Total RM'000
At 31 December 2012				
At 1 January 2012	11,006,000	480,300	878,531	12,364,831
Additions	53,319	–	10,250	63,569
Transfer within Investment Properties	1,139,015	(280,000)	(859,015)	–
Fair value adjustments	1,376,666	2,064	–	1,378,730
At 31 December 2012	13,575,000	202,364	29,766	13,807,130
At 31 December 2011				
At 1 April 2011	9,836,000	480,300	658,782	10,975,082
Additions	16,983	–	219,749	236,732
Transfer from Property, Plant and Equipment	13,013	–	–	13,013
Fair value adjustments	1,140,004	–	–	1,140,004
At 31 December 2011	11,006,000	480,300	878,531	12,364,831

The following investment properties are held under lease terms:

	Group	
	2012 RM'000	2011 RM'000
Leasehold land	168,500	160,000
Building	266,500	261,000
IPUC at cost	7,271	–
	442,271	421,000

The investment properties are stated at fair value, which have been determined based on valuations as at 1 October 2012 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 methods used in determining the valuations are the investment method, discounted cash flow method and comparison method.

Investment properties of certain subsidiaries with a carrying value of RM6,641,921,000 (2011: RM4,465,000,000) have been pledged as securities for loan facilities disclosed in Note 21.

Included in additions to investment properties in the last financial period were finance costs capitalised of RM17,666,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. INVESTMENT IN SUBSIDIARIES

	31.12.2012	Company	
	RM'000	31.12.2011	1.4.2011
		RM'000	RM'000
Unquoted shares at cost *	1,661,121	1,661,121	1,661,121
Discount on loans to subsidiaries	196,314	196,314	196,314
Effects of conversion of amounts due from subsidiaries to investment	439,397	439,397	439,444
	2,296,832	2,296,832	2,296,879

* Includes the cost of investment in KLCC Urusharta Sdn Bhd and Impian Cemerlang Sdn Bhd carried at their fair value as at date of transition of RM16,057,000 and RM212,344,000 respectively, as the deemed cost.

Details of subsidiaries which are incorporated in Malaysia are as follows:

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2012	2011	
	%	%	
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
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	100	–	Management of a real estate investment trust

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENT IN AN ASSOCIATE

	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Group			
Unquoted shares at cost	99,195	99,195	99,195
Share of post-acquisition reserves	161,651	145,736	142,049
	260,846	244,931	241,244
Company			
Unquoted shares at cost	99,195	99,195	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest	
			2012 %	2011 %
Impian Klasik Sdn Bhd ("IKSB") *	Malaysia	Property investment	33	33

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

The summarised financial statements of the associate are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Assets and liabilities			
Total assets	724,368	691,922	695,599
Total liabilities	(28,927)	(44,707)	(59,557)
Results			
Revenue		45,284	33,963
Profit for the year/period		71,681	24,204

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

10. DEFERRED TAX

	Group	
	2012	2011
	RM'000	RM'000
At 1 January 2012/1 April 2011	(1,519)	2,075
Recognised in profit or loss (Note 30)	(33,326)	(3,594)
At 31 December 2012/2011	(34,845)	(1,519)

	Company	
	2012	2011
	RM'000	RM'000
At 1 January 2012/1 April 2011	(326)	130
Recognised in profit or loss (Note 30)	(57)	(456)
At 31 December 2012/2011	(383)	(326)

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:

	31.12.2012	Group 31.12.2011	1.4.2011
	RM'000	RM'000	RM'000
Deferred tax assets	(783)	(1,513)	(7,762)
Deferred tax liabilities	35,628	3,032	5,687
	34,845	1,519	(2,075)

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	Investment property	Others	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	22,020	–	5,049	27,069
Recognised in profit or loss	(2,539)	12,513	11,066	21,040
At 31 December 2012	19,481	12,513	16,115	48,109
At 1 April 2011	17,944	–	8,141	26,085
Recognised in profit or loss	4,076	–	(3,092)	984
At 31 December 2011	22,020	–	5,049	27,069

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10. DEFERRED TAX (CONTD.)**Deferred Tax Assets of the Group:**

	Unused tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2012	(2,849)	(22,701)	(25,550)
Recognised in profit or loss	2,849	9,437	12,286
At 31 December 2012	–	(13,264)	(13,264)
At 1 April 2011	(3,948)	(24,212)	(28,160)
Recognised in profit or loss	1,099	1,511	2,610
At 31 December 2011	(2,849)	(22,701)	(25,550)

Deferred Tax Liabilities/(Assets) of the Company:

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 January 2012	90	(416)	(326)
Recognised in profit or loss	(57)	–	(57)
At 31 December 2012	33	(416)	(383)
At 1 April 2011	130	–	130
Recognised in profit or loss	(40)	(416)	(456)
At 31 December 2011	90	(416)	(326)

11. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Amount due from subsidiaries	106,452	100,902
Interest bearing loan	68,000	68,000
	174,452	168,902

The interest free amount due from subsidiaries which was fair valued under MFRS 139 are unsecured with a repayment period ranging from 8 to 15 years (2011: 8 to 15 years). The interest rate assumed by the Company is between 3.08% and 5.50% (2011: 3.08% and 5.50%) per annum.

The interest rate charged by the Company for the interest bearing shareholder's loan is 5.07% (2011: 5.07%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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12. INVENTORIES

The inventories comprise general merchandise and operating supplies, and are stated at lower of cost and net realisable value.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade receivables	9,751	8,479	–	–
Other receivables				
Other receivables and deposits	8,594	5,087	2,018	561
Amount due from:				
Subsidiaries	–	–	62,065	58,248
Ultimate holding company	24,786	38,812	–	–
Other related companies	12,075	8,799	3,714	2,793
Total other receivables	45,455	52,698	67,797	61,602
Other current assets				
Accrued rental income	46,669	12,078	–	–
Total	101,875	73,255	67,797	61,602
Trade receivables	9,751	8,479	–	–
Other receivables	45,455	52,698	67,797	61,602
Add: Cash and cash equivalents				
(Note 14)	1,020,422	700,418	220,650	201,384
Amount due from subsidiaries				
(Note 11)	–	–	174,452	168,902
Total loans and receivables	1,075,628	761,595	462,899	431,888

Amount due from subsidiaries, ultimate holding company and other related companies which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Statements of Financial Position				
Cash and bank balances	12,641	4,411	504	9
Deposits with licensed banks	1,007,781	696,007	220,146	201,375
	1,020,422	700,418	220,650	201,384
Statements of Cash Flows				
Cash and bank balances	12,641	4,411	504	9
Deposits with licensed banks	1,007,781	696,007	220,146	201,375
	1,020,422	700,418	220,650	201,384
Less: Deposits restricted	(10,052)	(726)	–	–
	1,010,370	699,692	220,650	201,384

Deposits restricted are monies held on behalf of clients held in designated accounts, which represent cash calls less payments in the course of rendering building and facilities management services on behalf of clients.

Deposits with licensed banks of the Group amounting to RM13,238,000 (2011: RM57,029,000) are pledged for credit facilities granted to the Group as set out in Notes 21 and 22 to the financial statements.

15. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2012 '000	2011 '000	2012 RM'000	2011 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

NOTES TO THE FINANCIAL STATEMENTS

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16. 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 ending 31 March 2005.

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

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) Unless the RCULS have been previously converted into New Ordinary Shares or redeemed by the Company, the RCULS will be redeemed in full on maturity date. 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	Group and Company 2012 RM'000	2011 RM'000
Liability component	(i)	12,870	18,479
Equity component		687,990	687,990
		700,860	706,469
<hr/>			
(i) Liability component			
As at 1 January 2012/1 April 2011		18,479	24,503
Interest expense recognised during the year/period (Note 27)		1,552	1,117
Payment made during the year/period		(7,161)	(7,141)
		12,870	18,479

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. RETAINED PROFITS

As at 31 December 2012, the Company may distribute the entire balance of the retained profits under the single tier system.

18. NON-CONTROLLING INTERESTS

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

19. OTHER LONG TERM LIABILITIES

	Group	
	2012 RM'000	2011 RM'000
Security deposit payables	16,188	–
Advances from corporate shareholders of subsidiaries	60,321	57,176
	76,509	57,176

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

The advances from corporate shareholders are interest free and unsecured with a repayment period of 15 years (2011: 15 years). The fair value at initial recognition was determined based on an interest rate of 5.50% (2011: 5.50%) per annum.

20. 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 reporting date was 5.50% (2011: 5.50%) per annum. The amount due is unsecured and is not repayable within next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

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21. BORROWINGS

	Note	Group 2012 RM'000	2011 RM'000
Short term borrowings			
Secured:			
Private debt securities	22	15,676	15,521
Islamic debt facility - Ijarah Muntahiyah Bit Tamleek		1,532	–
Revolving credit		400	–
Term loans		30,940	32,500
		48,548	48,021
Long term borrowings			
Secured:			
Private debt securities	22	845,084	838,304
Islamic debt facility - Ijarah Muntahiyah Bit Tamleek		660,000	632,000
Term loans		793,493	821,493
		2,298,577	2,291,797
Total borrowings			
Secured:			
Private debt securities	22	860,760	853,825
Islamic debt facility - Ijarah Muntahiyah Bit Tamleek		661,532	632,000
Revolving credit		400	–
Term loans		824,433	853,993
		2,347,125	2,339,818

Terms and debt repayment schedule as at 31 December 2012

Group	Total	Under	1 - 2	3 - 5	Over 5
	RM'000	1 year	years	years	years
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured					
Private debt securities	860,760	15,676	252,176	263,419	329,489
Islamic debt facility	661,532	1,532	–	660,000	–
Revolving credit	400	400	–	–	–
Term loans	824,433	30,940	793,493	–	–
	2,347,125	48,548	1,045,669	923,419	329,489

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

21. BORROWINGS (CONTD.)**(i) Term loan 1**

Interest rate is calculated based on 0.5% (2011: 0.5%) per annum above lender's cost of funds which ranges from 4.12% to 4.26% (2011: 3.88% to 4.29%) per annum.

The loan is secured by way of a fixed charge over the hotel property as well as debenture covering all fixed and floating assets of the hotel property of the Group as disclosed in Note 6.

(ii) Term loan 2

Interest on this loan is charged at a fixed rate of 5.50% per annum and is secured by way of a secured charge over certain investment property of the Group as disclosed in Note 7.

(iii) Term loan 3

Interest rate is fixed at 7.0% per annum. This loan is secured by way of a fixed charge over certain investment property of the Group as disclosed in Note 7.

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

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

The credit facilities are for a tenure of 7 years with a bullet 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. The profit rate calculated is 5.20% (2011: 5.38%). Security is by way of a charge over the land and building of the Group as disclosed in Note 7 and assignment of rental and insurance proceeds.

(v) Revolving credit

Interest rate calculated is 3.92% (2011: not applicable) which is based on 0.45% per annum above lender's cost of funds. The revolving credit has a facility limit of RM25 million with a tenure period of 3 years from the date of the first disbursement with profit payable monthly.

Other information on financial risks of borrowings are disclosed in Note 35.

22. PRIVATE DEBT SECURITIES

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

	2012 RM'000	2011 RM'000
Secured:		
Sukuk Musharakah	860,760	853,825
	860,760	853,825
Facilities as at 31 December		
Due within 1 year	15,676	15,521
Due more than 1 year	845,084	838,304
	860,760	853,825

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

NOTES TO THE FINANCIAL STATEMENTS

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23. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade payables	8,180	8,821	–	1
Other payables				
Other payables	220,993	195,029	3,288	2,774
Amount due to:				
Subsidiaries	–	–	398	484
Ultimate holding company	7,220	1,511	1,139	–
Other related companies	10,488	11,345	–	2,766
	238,701	207,885	4,825	6,024
Total trade and other payables	246,881	216,706	4,825	6,025
Add: Borrowings (Note 21)	2,347,125	2,339,818	–	–
Other long term liabilities (Note 19)	76,509	57,176	–	–
Total financial liabilities carried at amortised cost	2,670,515	2,613,700	4,825	6,025

Included in other payables of the Group are Security deposit of RM98,592,000 (2011: RM100,361,000) held in respect of tenancies of retail and office building. These deposits are short term in nature and refundable upon termination of the respective lease agreements.

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

24. REVENUE

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Property investment				
- Office	520,246	310,749	–	–
- Retail	388,978	248,553	–	–
Hotel operations	174,326	125,990	–	–
Management services	94,761	60,602	14,301	11,571
Dividend income from subsidiaries	–	–	208,318	304,899
Dividend income from associate	–	–	7,740	4,300
	1,178,311	745,894	230,359	320,770

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

25. OPERATING PROFIT

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Revenue (Note 24)	1,178,311	745,894	230,359	320,770
Cost of revenue:				
- Cost of services and goods	(178,810)	(129,407)	-	-
Gross profit	999,501	616,487	230,359	320,770
Selling and distribution expenses	(9,782)	(7,509)	-	-
Administration expenses	(118,631)	(91,788)	(21,651)	(17,342)
Other operating income	7,207	4,656	68	23
Operating profit	878,295	521,846	208,776	303,451

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

Employee benefits expense (Note 28)	74,527	53,696	13,923	11,847
Directors' remuneration (Note 29)	592	429	592	429
Fees for representation on the Board of Directors	97	64	97	64
Management fee in relation to services of key management personnel	715	475	715	475
Auditors' remuneration				
- Audit fees	455	425	166	157
- Others	91	12	67	12
Depreciation of property, plant and equipment (Note 6)	29,540	24,408	461	893
Rental of land and buildings	-	-	1,471	1,034
Bad debts written off	81	-	-	-
Loss/(gain) on disposal of property, plant and equipment	8	(14)	-	(8)
Other rental income	(5,515)	(1,841)	-	-

26. OTHER INCOME

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Fair value adjustment of financial liabilities	11,371	-	-	-
Interest income from:				
Deposits	25,682	16,371	6,262	2,695
Amount due from subsidiaries	-	-	5,550	3,997
Loan to a subsidiary	-	-	3,447	2,586
	37,053	16,371	15,259	9,278

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27. FINANCING COSTS

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Interest expense on:				
Term loans	77,958	57,238	-	-
Profit on private debt securities	41,094	44,630	-	-
RCULS (Note 16)	1,552	1,117	1,552	1,117
Fair value accretion of MFRS 139 instruments	3,632	2,264	-	-
	124,236	105,249	1,552	1,117
Interest on amount due to a subsidiary	-	-	5,539	5,622
Less: Interest expense capitalised				
- Investment property	-	(17,666)	-	-
	124,236	87,583	7,091	6,739

28. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Wages and salaries	68,571	47,979	12,549	10,932
Contributions to defined contribution plan	5,956	5,717	1,374	915
	74,527	53,696	13,923	11,847

29. DIRECTORS' REMUNERATION

	Group and Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Directors of the Company		
Executive *		
Benefits-in-kind	-	-
Non-Executive:		
Fees	592	429
	592	429
Analysis excluding benefits-in-kind:		
Total non-executive directors' remuneration	592	429

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29. DIRECTORS' REMUNERATION (CONTD.)

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

	2012	2011
Executive director		
RMNil	1	1
Non-executive directors		
RMNil - RM50,000	1	1
RM50,001 - RM100,000	6	6

* The remuneration of the Executive Director is paid by KLCC (Holdings) Sdn Bhd as disclosed in Note 25.

30. TAX EXPENSE

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Current income tax:				
Malaysian income tax	175,741	115,505	2,813	24,043
(Over)/Under provision of tax in prior year	-	(537)	-	43
	175,741	114,968	2,813	24,086
Deferred tax (Note 10)				
Relating to origination and reversal of temporary differences	32,837	3,721	(57)	(465)
Under/(Over) provision of deferred tax in prior period/year	489	(127)	-	9
	33,326	3,594	(57)	(456)
Total tax expense	209,067	118,562	2,756	23,630

Domestic current income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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30. TAX EXPENSE (CONTD.)

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:

	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Group		
Profit before taxation	2,193,496	1,598,625
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	548,374	399,656
Expenses not deductible for tax purposes	11,226	6,879
Income not subject to tax	(345,108)	(285,312)
Effects of share of results of associate	(5,914)	(1,997)
Under/(Over) provision of deferred tax in prior period/year	489	(127)
Over provision of taxation in prior year	-	(537)
Tax expense	209,067	118,562
Company		
Profit before taxation	216,944	305,990
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	54,236	76,498
Income not subject to tax	(51,838)	(53,197)
Expenses not deductible for tax purposes	358	277
Under provision of deferred tax in prior year	-	9
Under provision of taxation in prior year	-	43
Tax expense	2,756	23,630

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

Basic earnings per share amounts are calculated by dividing profit for the year/period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	1.1.2012 to 31.12.2012	1.4.2011 to 31.12.2011
Profit attributable to ordinary equity holders of the Company (RM'000)	1,464,097	807,049
Weighted average number of ordinary shares in issue ('000)	934,074	934,074
Basic earnings per share (sen)	156.7	86.4

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31. EARNINGS PER SHARE (CONTD.)**(b) Diluted**

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

	1.1.2012 to 31.12.2012	1.4.2011 to 31.12.2011
Profit attributable to ordinary equity holders of the Company (RM'000)	1,464,097	807,049
After-tax effect of interest on RCULS (RM'000)	1,164	838
Profit attributable to ordinary equity holders of the Company including assumed conversion (RM'000)	1,465,261	807,887
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)	113.2	62.4

32. DIVIDENDS

Dividends Recognised in Year/Period		Net Dividends per Ordinary Share	
1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 Sen	1.4.2011 to 31.12.2011 Sen

Recognised during the year/period:

A final dividend of 7.0%

on 934,074,279 ordinary shares
for financial year ended
31 March 2011

-	65,385	-	7.0
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A second interim dividend of 5.0%

on 934,074,279 ordinary shares
for financial period ended
31 December 2011

46,704	-	5.0	-
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A first interim dividend of 4.0%

(2011: 0%) on 934,074,279
ordinary shares for financial year
ended 31 December 2012
(2011: 31 December 2011)

37,363	-	4.0	-
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32. DIVIDENDS (CONTD.)

	Dividends		Net Dividends	
	Recognised in Year/Period		per Ordinary Share	
	1.1.2012	1.4.2011	1.1.2012	1.4.2011
	to	to	to	to
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	Sen	Sen
Recognised during the year/period: (Contd.)				
A second interim dividend of 4.0% (2011: 5.0%) on 934,074,279 ordinary shares for financial year ended 31 December 2012 (2011: 31 December 2011)	37,363	46,704	4.0	5.0
A third interim dividend of 4.0% (2011: 0%) on 934,074,279 ordinary shares for financial year ended 31 December 2012 (2011: 31 December 2011)	37,363	–	4.0	–
	158,793	112,089	17.0	12.0

A fourth interim dividend in respect of the financial year ended 31 December 2012, of 4.5%, tax exempt under the single tier system on 934,074,279 ordinary shares amounting to a dividend payable of RM42.0 million will be payable on 20 March 2013.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2013.

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

	Group	
	2012	2011
	RM'000	RM'000
Approved and contracted for		
Property, plant and equipment	29,032	5,969
Investment property	42,513	201,830
	71,545	207,799
Approved but not contracted for		
Property, plant and equipment	30,635	71,510
Investment property	38,705	195,380
	69,340	266,890

NOTES TO THE FINANCIAL STATEMENTS

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33. COMMITMENTS (CONTD.)**(b) Operating lease commitments - as lessor**

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

	Group	
	2012 RM'000	2011 RM'000
Not later than 1 year	457,443	261,984
Later than 1 year but not later than 5 years	1,907,046	-
More than 5 years	5,267,593	-
	7,632,082	261,984

34. 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 8.

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

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Federal Government of Malaysia				
Property licenses and taxes	(8,716)	(8,811)	-	-
Government of Malaysia's related entities				
Purchase of utilities	(26,158)	(17,747)	(250)	(184)
Ultimate Holding Company:				
Rental income	365,053	267,639	-	-
Facilities management and manpower fees	13,816	9,920	-	-
Rental of carpark space	(5,649)	(3,881)	-	-
Fees for representation in the Board of Directors*	(97)	(64)	(97)	(64)

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34. RELATED PARTY DISCLOSURES (CONTD.)

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

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Subsidiaries				
Legal and tenancy fees	-	-	-	(12)
Interest expense	-	-	(5,539)	(5,622)
Rental expense	-	-	(1,471)	(1,034)
Reimbursement of security costs	-	-	(48)	(22)
General management services fee	-	-	6,024	5,220
Interest income arising from MFRS 139	-	-	5,550	3,997
Interest income from shareholder's loan	-	-	3,448	2,586
Other Related Companies:				
Interest expense	(1,552)	(1,117)	(1,552)	(1,117)
Lease rental	22,725	16,769	-	-
Facilities management and manpower fees	15,396	9,925	-	-
Rental of carpark space	(5,197)	(3,514)	-	-
Project management fees	(2,813)	(2,092)	-	-
Management and incentive fees	2,458	4,077	-	-
Chilled water supply	(27,596)	(17,021)	-	-
General management services fee	7,476	6,351	7,476	6,351

* Fees paid directly to Petroliam Nasional Berhad ("PETRONAS") in respect of director who is appointee of the ultimate holding company.

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2012 are disclosed in Notes 13 and 23.

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

The remuneration of Directors is disclosed in Note 29.

Other key management personnel

Encik Hashim Bin Wahir, Executive Director and Chief Executive Officer of the Company is an employee of KLCC (Holdings) Sdn Bhd ("KLCCH"). KLCCH charges management fees in consideration of his services to the Company as disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS

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's and the Company's business.

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

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

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

Credit Risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS (CONTD.)**Credit Risk (Contd.)****Receivables (Contd.)**

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

	Group	
	2012	2011
	RM'000	RM'000
Property investment		
- Office	1,801	1,593
- Retail	-	199
Hotel operations	6,779	6,026
Management services	1,171	661
	9,751	8,479

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

	Group	
	2012	2011
	RM'000	RM'000
Not past due	6,984	7,113
Past due 1 to 30 days	1,083	848
Past due 31 to 60 days	1,288	442
Past due 61 to 90 days	208	29
Past due more than 90 days	188	47
	9,751	8,479

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2012.

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

Liquidity Risk

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

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS (CONTD.)**Liquidity Risk (Contd.)****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:

31 December 2012 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	472,853	6.69	531,372	49,491	481,881	-	-
Floating rate secured							
term loans	351,580	4.12	384,985	24,215	23,879	336,891	-
Revolving credit	400	3.92	400	-	-	-	-
Private debt securities	860,760	3.87	1,035,185	34,253	313,958	331,875	355,099
Fixed rate Islamic debt facility	300,470	5.35	382,096	15,594	15,556	46,968	303,978
Floating rate Islamic debt facility	361,062	4.20	427,487	73,843	12,565	37,938	303,141
Trade and other payables	246,881	-	246,881	246,881	-	-	-
Company							
Financial Liabilities							
Intercompany loan	96,000	5.50	102,911	22,807	80,104	-	-
Trade and other payables	4,825	-	4,825	4,825	-	-	-
31 December 2011 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	491,073	6.65	594,136	51,857	50,976	491,303	-
Floating rate secured							
term loans	361,823	4.26	383,736	25,984	25,690	332,062	-
Private debt securities	853,825	3.87	1,069,346	34,160	34,253	632,241	368,692
Fixed rate Islamic debt facility	300,397	5.35	397,877	15,781	15,594	46,868	319,634
Floating rate Islamic debt facility	332,700	4.52	421,271	45,609	12,565	37,857	325,240
Trade and other payables	205,516	-	205,516	205,516	-	-	-
Company							
Financial Liabilities							
Intercompany loan	114,000	5.50	126,670	23,759	22,807	80,104	-
Trade and other payables	4,198	-	4,198	4,198	-	-	-

* The contractual cash flow is inclusive of the principal and interest but excluding interest accretion due to MFRS 139 measurement.

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35. FINANCIAL INSTRUMENTS (CONTD.)**Market Risk**

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

Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

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

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

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
Financial assets	1,007,781	696,007	220,146	201,375
Financial liabilities	(1,634,483)	(1,645,295)	(96,000)	(114,000)
	(626,702)	(949,288)	124,146	87,375
Floating rate instruments				
Financial liabilities	(712,642)	(694,523)	-	-

Cash flow sensitivity analysis for floating rate instruments

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

	Change in interest rate b.p.s.	Group Profit or loss RM'000
31.12.2012		
KLIBOR	-60	3,900
KLIBOR	+60	(3,900)
31.12.2011		
KLIBOR	-60	3,960
KLIBOR	+60	(3,960)

This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS (CONTD.)

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 remain constant.

The aggregate fair values and their categories of the financial liabilities carried on the reporting date as at 31 December 2012 are represented in the following table:

Group	2012		2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities				
Term loans and Islamic debt facility	1,485,965	1,468,075	1,485,993	1,472,161
Revolving credit	400	400	–	–
Private debt securities	860,760	860,520	853,825	853,825

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

36. 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's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

The Group and the Company monitor and maintain a prudent level of total debts to total assets ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements if any.

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36. CAPITAL MANAGEMENT (CONTD.)

The debt to equity ratio as at 31 December 2012 and 31 December 2011 is as follows:

	Group	
	2012	2011
Total debt (RM'000)	2,359,995	2,358,297
Total equity (excluding Non-Controlling Interests) (RM'000)	8,434,064	7,128,760
Debt equity ratio	22:78	25:75

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

37. 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.

The Group comprises the following main business segments:

Property investment - Office	Rental of office space and other related activities.
Property investment - Retail	Rental of retail space and other related activities.
Hotel operations	Rental of hotel rooms, the sale of food and beverages and other related activities.
Management services	Facilities management, car park operations and general management services.

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

(b) Allocation basis and transfer pricing

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

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

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37. SEGMENT INFORMATION (CONTD.)**Business Segments****31 December 2012**

	Property investment – Office RM'000	Property investment – Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	520,246	388,978	174,326	94,761	–	1,178,311
Inter-segment revenue	1,153	1,664	–	11,037	(13,854)	–
Total revenue	521,399	390,642	174,326	105,798	(13,854)	1,178,311
Results						
Operating profit	488,105	325,663	40,755	30,896	(7,124)	878,295
Fair value adjustment on investment properties	729,178	649,552	–	–	–	1,378,730
Financing costs						(124,236)
Interest income						25,682
Other income						11,371
Share of profit of associate						23,654
Tax expense						(209,067)
Profit after tax but before non-controlling interests						1,984,429
Segment assets	9,439,738	5,189,911	721,916	71,637	106,576	15,529,778
Investment in an associate	–	–	–	99,195	161,651	260,846
Total assets						15,790,624
Total liabilities	1,825,563	748,276	422,726	140,633	(338,879)	2,798,319
Capital expenditure	137	1,634	14,127	3,859	–	19,757
Depreciation	2,951	2,206	22,989	1,394	–	29,540
Non-cash items other than depreciation	–	81	–	8	–	89

NOTES TO THE FINANCIAL STATEMENTS

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37. SEGMENT INFORMATION (CONTD.)**Business Segments****31 December 2011**

	Property investment – Office RM'000	Property investment – Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	312,715	244,386	125,990	62,803	–	745,894
Inter-segment revenue	919	2,195	–	9,280	(12,394)	–
Total revenue	313,634	246,581	125,990	72,083	(12,394)	745,894
Results						
Operating profit	286,424	195,133	29,380	16,854	(5,945)	521,846
Fair value adjustment on investment properties	898,272	241,732	–	–	–	1,140,004
Financing costs						(87,583)
Interest income						16,371
Share of profit of associate						7,987
Tax expense						(118,562)
Profit after tax but before non-controlling interests						<u>1,480,063</u>
Segment assets	9,015,633	3,924,740	705,860	38,021	66,684	13,750,938
Investment in an associate	–	–	–	99,195	145,736	<u>244,931</u>
Total assets						<u>13,995,869</u>
Total liabilities	381,103	922,040	423,691	155,745	798,931	2,681,510
Capital expenditure	9,697	233,054	29,164	266	–	272,181
Depreciation	3,042	2,202	17,520	1,644	–	24,408
Non-cash items other than depreciation	–	–	–	(14)	–	(14)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

38. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

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

Effective for annual periods beginning on or after 1 July 2012

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
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Effective for annual periods beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
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Effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

39. NEW PRONOUNCEMENT(S) NOT APPLICABLE TO THE GROUP AND THE COMPANY

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

Effective for annual periods beginning on or after 1 January 2013

IC 20

Stripping Costs in the Production Phase of a Surface Mine

40. SIGNIFICANT EVENT DURING THE YEAR

On 27 November 2012, the Company has announced a proposed creation of stapled securities comprising units in a Real Estate Investment Trust ("REIT") to be stapled together with the existing ordinary shares of the Company to be listed on the Main Market of Bursa Malaysia Securities Berhad with the objective of optimising shareholder value. An overview of the corporate exercise is set out below:

- (a) the acquisition of 49.5% interest in Midciti Resources Sdn Bhd for a total purchase consideration of RM2.86 billion.
- (b) the transfer of investment properties with a total value of RM8.74 billion held via its wholly-owned subsidiaries, namely the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS into a REIT to be created ("KLCC REIT").
- (c) the distribution of KLCC REIT units ("Units") to the entitled shareholders which will result in each entitled shareholder holding one Unit for every one existing ordinary share in the Company ("KLCCP Shares").
- (d) the proposed restructuring of KLCCP Group into a stapled structure ("KLCCP Stapled Group") where the KLCCP Shares will be stapled together with the Units on one for one basis, via a stapling deed to be entered into between the Company, the REIT Manager and the REIT Trustee in forming the stapled securities ("Stapled Securities").
- (e) the resultant Stapled Securities of the KLCCP Stapled Group, each comprising one KLCCP Share and one Unit, will be quoted and traded as one security on the Main Market of Bursa Securities, instead of the KLCCP Shares, and will not be traded separately.

The corporate exercise is subject to approval from the relevant authorities and the shareholders.

41. COMPARATIVE FIGURES

The Group and the Company have changed its financial year end from 31 March to 31 December effective from the previous reporting period. Consequently, the current financial statements are for a period of 12 months from 1 January 2012 to 31 December 2012. The comparatives figures are for the previous 9 months period from 1 April 2011 to 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

42. DISCLOSURE OF REALISED AND UNREALISED PROFIT

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

	Group		Company	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	2,899,480	2,499,629	561,912	506,517
- Unrealised	13,264	25,550	-	-
	2,912,744	2,525,179	561,912	506,517
Total share of retained profits from an associate:				
- Realised	58,933	55,775	-	-
Total Group retained profits	2,971,677	2,580,954	561,912	506,517
Less: Consolidation adjustments	(1,747,916)	(1,580,331)	-	-
Total Group and Company retained profits (Note 17)	1,223,761	1,000,623	561,912	506,517

The fair value gain of RM5,025,915 on the remeasurement of investment properties is regarded as an unrealised gain and has been classified under capital reserve in the financial statements.

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

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

Independent Auditors' Report

TO THE 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 statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended 31 December 2012, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 103.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

OTHER MATTERS

The supplementary information set out in Note 42 on page 104 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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 / 14 (J)

Chartered Accountant

Kuala Lumpur, Malaysia

21 February 2013

Analysis of Shareholdings

AS AT 24 APRIL 2013

Authorised Share Capital	:	5,000,000,000 divided into 4,981,946,669 Ordinary Shares of RM1.00 each and 1,805,333,100 Class A Redeemable Preference Shares of RM0.01 each
Paid-up Share Capital	:	934,074,279 Ordinary Shares of RM1.00 each
No. of Shareholders	:	5,502
Voting Rights	:	One vote for every share

Size of shareholdings	No. of Shares Held	(%)	No. of Shareholders	(%)
Less than 100	5,222	0.000	584	10.614
100 to 1,000	1,564,412	0.167	2,136	38.822
1,001 to 10,000	8,369,462	0.896	2,043	37.131
10,001 to 100,000	15,241,697	1.631	430	7.815
100,001 to less than 5% of issued shares	353,386,907	37.832	305	5.543
5% and above of issued shares	555,506,579	59.471	4	0.072
Total	934,074,279	100.00	5,502	100.00

DIRECTORS' SHAREHOLDINGS IN THE COMPANY AND RELATED COMPANIES

KLCC Property Holdings Berhad

Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Datuk Manharlal A/L Ratilal	5,000	0.000	–	–
Dato' Leong Ah Hin @ Leong Swee Kong	50,000	0.005	–	–
Augustus Ralph Marshall	50,000	0.005	–	–

PETRONAS Chemicals Group Berhad

Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Krishnan C K Menon	20,000	0.000	–	–
Datuk Manharlal A/L Ratilal	20,000	0.000	–	–
Dato' Halipah Binti Esa	10,000	0.000	13,100 *	0.000
Hashim Bin Wahir	16,000	0.000	–	–

* Deemed interest by virtue of Dato' Halipah's family members' shareholding.

ANALYSIS OF SHAREHOLDINGS

AS AT 24 APRIL 2013

MISC Berhad

Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Dato' Leong Ah Hin @ Leong Swee Kong	2,400	0.000	–	–
Dato' Halipah Binti Esa	–	–	10,000 *	0.000

* Deemed interest by virtue of Dato' Halipah's family members' shareholding.

Malaysia Marine and Heavy Engineering Holdings Berhad

Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Dato' Halipah Binti Esa	10,000	0.000	10,000 *	0.000
Dato' Leong Ah Hin @ Leong Swee Kong	6,000	0.000	–	–

* Deemed interest by virtue of Dato' Halipah's family members' shareholding.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Direct		Indirect	
	No. of Shares Held	(%)	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	81,873,200	8.765	–	–

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.

ANALYSIS OF SHAREHOLDINGS

AS AT 24 APRIL 2013

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Cartaban Nominees (Tempatan) Sdn Bhd (for Petroliam Nasional Berhad (Strategic Inv))	194,816,979	20.856
2.	KLCC (Holdings) Sdn Bhd	189,276,674	20.263
3.	KLCC (Holdings) Sdn Bhd	107,103,326	11.466
4.	Citigroup Nominees (Tempatan) Sdn Bhd (for Employees Provident Fund Board)	64,309,600	6.884
5.	Amanahraya Trustees Berhad (for Skim Amanah Saham Bumiputera)	40,000,000	4.282
6.	Amanahraya Trustees Berhad (for Amanah Saham Wawasan 2020)	21,783,400	2.332
7.	Maybank Nominees (Tempatan) Sdn Bhd (for Maybank Trustees Berhad for Public Ittikal Fund (N14011970240))	20,500,000	2.194
8.	Cartaban Nominees (Tempatan) Sdn Bhd (for Exempt AN For Eastspring Investments Berhad)	19,310,200	2.067
9.	Pertubuhan Keselamatan Sosial	11,734,900	1.256
10.	Amanahraya Trustees Berhad (for Amanah Saham Malaysia)	10,000,000	1.070
11.	AmSec Nominees (Tempatan) Sdn Bhd (for Amtrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI))	7,738,600	0.828
12.	Amanahraya Trustees Berhad (for Public Islamic Dividend Fund)	7,558,400	0.809
13.	Amanahraya Trustees Berhad (for Amanah Saham Didik)	7,049,000	0.754
14.	Amanahraya Trustees Berhad (for Public Islamic Select Treasures Fund)	6,991,100	0.748
15.	HSBC Nominees (Asing) Sdn Bhd (for Exempt AN for JPMorgan Chase Bank, National Association (Saudi Arabia))	6,874,000	0.735

ANALYSIS OF SHAREHOLDINGS

AS AT 24 APRIL 2013

THIRTY LARGEST SHAREHOLDERS (CONT'D.)

No.	Name	No. of Shares	%
16.	Citigroup Nominees (Asing) Sdn Bhd (for CBNY for Dimensional Emerging Markets Value Fund)	6,568,600	0.703
17.	HSBC Nominees (Asing) Sdn Bhd (for TNTC for The Highclere International Investors SMID Fund)	5,501,500	0.588
18.	Citigroup Nominees (Tempatan) Sdn Bhd (for Exempt AN for American International Assurance Berhad)	5,317,600	0.569
19.	Citigroup Nominees (Tempatan) Sdn Bhd (for Employees Provident Fund Board (HDBS))	4,743,700	0.507
20.	Amanahraya Trustees Berhad (for Public Islamic Select Enterprises Fund)	4,230,900	0.452
21.	Citigroup Nominees (Tempatan) Sdn Bhd (for Employees Provident Fund Board (CIMB PRIN))	4,085,100	0.437
22.	Citigroup Nominees (Tempatan) Sdn Bhd (for Employees Provident Fund Board (Nomura))	3,972,400	0.425
23.	HSBC Nominees (Asing) Sdn Bhd (for Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.))	3,727,900	0.399
24.	Permodalan Nasional Berhad	3,489,800	0.373
25.	HSBC Nominees (Asing) Sdn Bhd (for Exempt AN for JPMorgan Chase Bank, National Association (Norges Bk))	3,462,800	0.370
26.	Cartaban Nominees (Asing) Sdn Bhd (for SSBT Fund RKB 7 for Evergreen Emerging Market Growth Fund)	3,387,900	0.362
27.	CIMB Commerce Trustee Berhad (for Public Focus Select Fund)	3,359,300	0.359
28.	Amanahraya Trustees Berhad (for Public Islamic Equity Fund)	3,281,100	0.351
29.	Cartaban Nominees (Asing) Sdn Bhd (for Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C))	2,855,200	0.305
30.	Amanahraya Trustees Berhad (for Public Far-East Property & Resorts Fund)	2,812,800	0.301

List of Properties

AS AT 31 DECEMBER 2012

Registered Owner	Address	Date of Revaluation (Tenure)	Description / Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2012 (RM mil)
Midciti Resources Sdn Bhd	Grant 43697 Lot 169, Seksyen 58, Town of Kuala Lumpur	01.10.2012 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers) / Office building	21,740	510,901	15 years	6,500.0 *
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town of Kuala Lumpur	01.10.2012 (Freehold)	A 6 storey retail centre (Suria KLCC) / Shopping Centre	28,160	143,564	14 years	4,400.0 *
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town of Kuala Lumpur	26.09.2012 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental Kuala Lumpur) / Hotel	8,094	92,782.8	14 years	543.9
Impian Klasik Sdn Bhd	Grant 43696 Lot 168, Seksyen 58, Town of Kuala Lumpur	31.12.2012 (Freehold)	A 49 storey purpose built office building with a lower ground concourse level (Menara Maxis) / Office building	4,329	74,874	14 years	711.0 *
Arena Johan Sdn Bhd	Grant 43685 Lot 157, Seksyen 58, Town of Kuala Lumpur	01.10.2012 (Freehold)	A 29 storey office building with three basement levels (Menara ExxonMobil) / Office building	3,999	74,312.7	16 years	451.9 *

LIST OF PROPERTIES

AS AT 31 DECEMBER 2012

Registered Owner	Address	Date of Revaluation (Tenure)	Description / Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2012 (RM mil)
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	01.10.2012 (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	30 years	442.3 *
	PN 32233, Lot 51, Seksyen 70, Town of Kuala Lumpur	01.10.2012 (Leasehold of 98 years expiring on 21.1.2079)					
Arena Merdu Sdn Bhd	Grant 43699 Lot 171, Seksyen 58, Town of Kuala Lumpur	01.10.2012 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park	4,302	155,295	1 year	1,790.0 *
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town of Kuala Lumpur	01.10.2012 (Freehold)	Vacant Land	5,726	–	–	222.9 *

* Investment Properties stated at fair value

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Tenth 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 Wednesday, 26 June 2013 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect the following Directors who retire pursuant to Article 82 of the Company's Articles of Association:
 - i. Dato' Leong Ah Hin @ Leong Swee Kong (*refer to Note 7*)
 - ii. Dato' Halipah binti Esa **Resolution 2**
 - iii. Mr Pragasa Moorthi a/l Krishnasamy **Resolution 3**
3. To approve the payment of Directors' fees of RM592,000.00 in respect of the financial year ended 31 December 2012. **Resolution 4**
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration. **Resolution 5**

AS SPECIAL BUSINESS:

5. Continuing in Office as Independent Non-Executive Director:
 - (i) Mr Pragasa Moorthi a/l Krishnasamy
 "THAT Mr Pragasa Moorthi a/l Krishnasamy who served as an Independent Non-Executive Director of the Company for a cumulative period of nine years until 8 September 2013 be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." **Resolution 6**
6. To consider and, if thought fit, to pass the following Special Resolution, with or without modification:

"THAT the alteration, modification, additions and/or deletions to the Articles of Association of the Company as set out in **Appendix I** of the Annual Report be and are hereby approved."

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

NOTICE OF ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Tenth 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 17 June 2013 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meeting.

BY ORDER OF THE BOARD

Abd Aziz bin Abd Kadir (LS0001718)

Yeap Kok Leong (MAICSA 0862549)

Company Secretaries

Kuala Lumpur

3 June 2013

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. There shall be no restriction as to the qualification of the proxy.
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 of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a member or the authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. 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.
6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor Services 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.
7. Retirement of Director at the conclusion of the Annual General Meeting
Dato' Leong Ah Hin @ Leong Swee Kong 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, Dato' Leong Ah Hin @ Leong Swee Kong shall cease to be a director of the Company at the conclusion of this Annual General Meeting.
8. Explanatory Note for Ordinary Resolution 6
Mr Pragasa Moorthi a/l Krishnasamy served as an Independent Non-Executive Director of the Company for a cumulative period of nine years until 8 September 2013. The Board has recommended him to continue to act as an Independent Non-Executive Director. Please refer to item A(3) (page 23) as stated in the Corporate Governance Statement of the Annual Report for detailed information and justification.
9. Explanatory Note for Special Resolution
The proposed Special Resolution on amendments to the Company's Articles of Association is in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the prevailing laws and guidelines.

The rationale for the Proposed Amendments are provided in Appendix I, which is circulated together with the Annual Report 2012.

Administrative Details

– KLCCP 10th Annual General Meeting

DATE - 26 June 2013

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 from 9.00 a.m. until 11.15 a.m. Registration will close at 11.15 a.m.
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. KLCCP will not be responsible for any lost IC.
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 proceed for refreshment at the Ballroom foyer.
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 10th 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
Lot D1 Open Car Park (adjacent to Mandarin Oriental, Kuala Lumpur)	03-2382 8585

ADMINISTRATIVE DETAILS – KLCCP 10TH 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 10th 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 17 June 2013 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 10th AGM, please contact the following during office hours:
 - (a) KLCCP Legal and Corporate Services Division (Tel 03-2382 8000) (G/L)
 - (b) Share Registrar – Tricor Investor Services Sdn Bhd (Tel 03-2264 3883) (G/L)

ANNUAL REPORT 2012

19. The KLCCP Annual Report 2012 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.

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 Tenth 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 Wednesday, 26 June 2013 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 Tenth 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 Wednesday, 26 June 2013 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 December 2012 and the Reports of the Directors and Auditors thereon	Resolution 1				
Re-election of Dato' Halipah binti Esa	Resolution 2				
Re-election of Mr Pragasa Moorthi a/l Krishnasamy	Resolution 3				
Approval of payment for Directors' fees	Resolution 4				
Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to fix the Auditors' remuneration	Resolution 5				
Re-election of Mr Pragasa Moorthi a/l Krishnasamy as Independent Non-Executive Director	Resolution 6				
Proposed amendments to the Articles of Association of the Company	Special Resolution				

Contact Number: _____

Dated: _____

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. There shall be no restriction as to the qualification of the proxy.
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 of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a member or the authorised nominee appoints two proxies, or where an exempt authorised nominee appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. 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.
6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor Services 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.
7. For the purpose of determining a member who shall be entitled to attend this 10th 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 17 June 2013 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
(RM0.80)

Share Registrar
Tricor Investor Services Sdn Bhd (118401-V)
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

KLCC REIT 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

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

Background image:

Malaysia's single largest rooftop solar photovoltaic (PV) system on the roof-top of Suria KLCC shopping mall

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