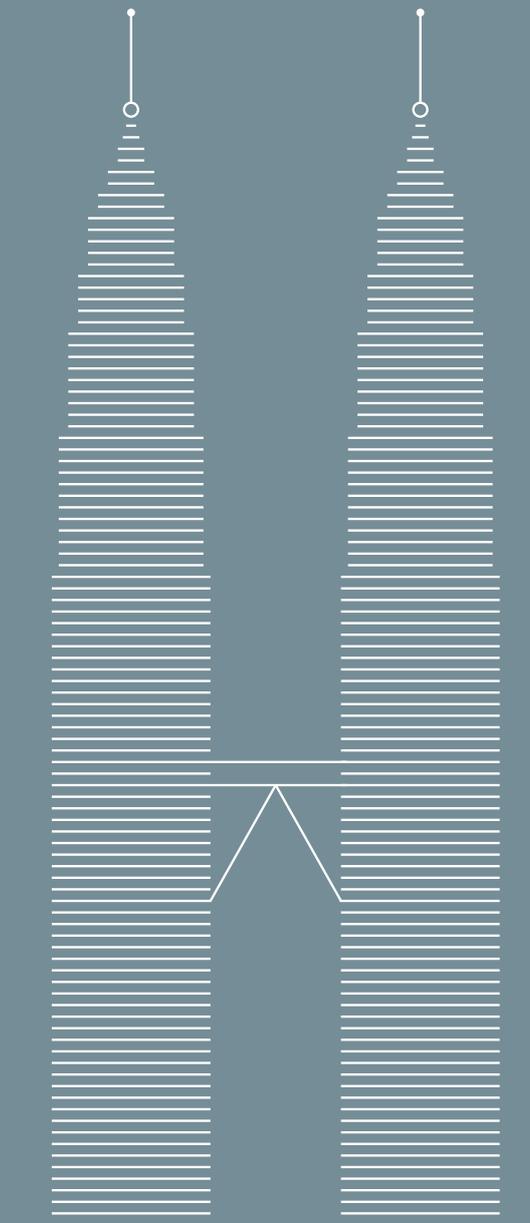




KLCC PROPERTY HOLDINGS BERHAD
(641576-U)



ANNUAL REPORT 2013



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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 on 18 August 2004.

In 2013, 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, the office buildings held by the subsidiaries of KLCCP namely PETRONAS Twin Towers, Menara ExxonMobil, Menara 3 PETRONAS were acquired by KLCC REIT.

Whilst KLCCP still owns a diverse property portfolio largely within the KLCC Development comprising Suria KLCC (a leading shopping mall) and Mandarin Oriental Kuala Lumpur (a luxury hotel), 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.

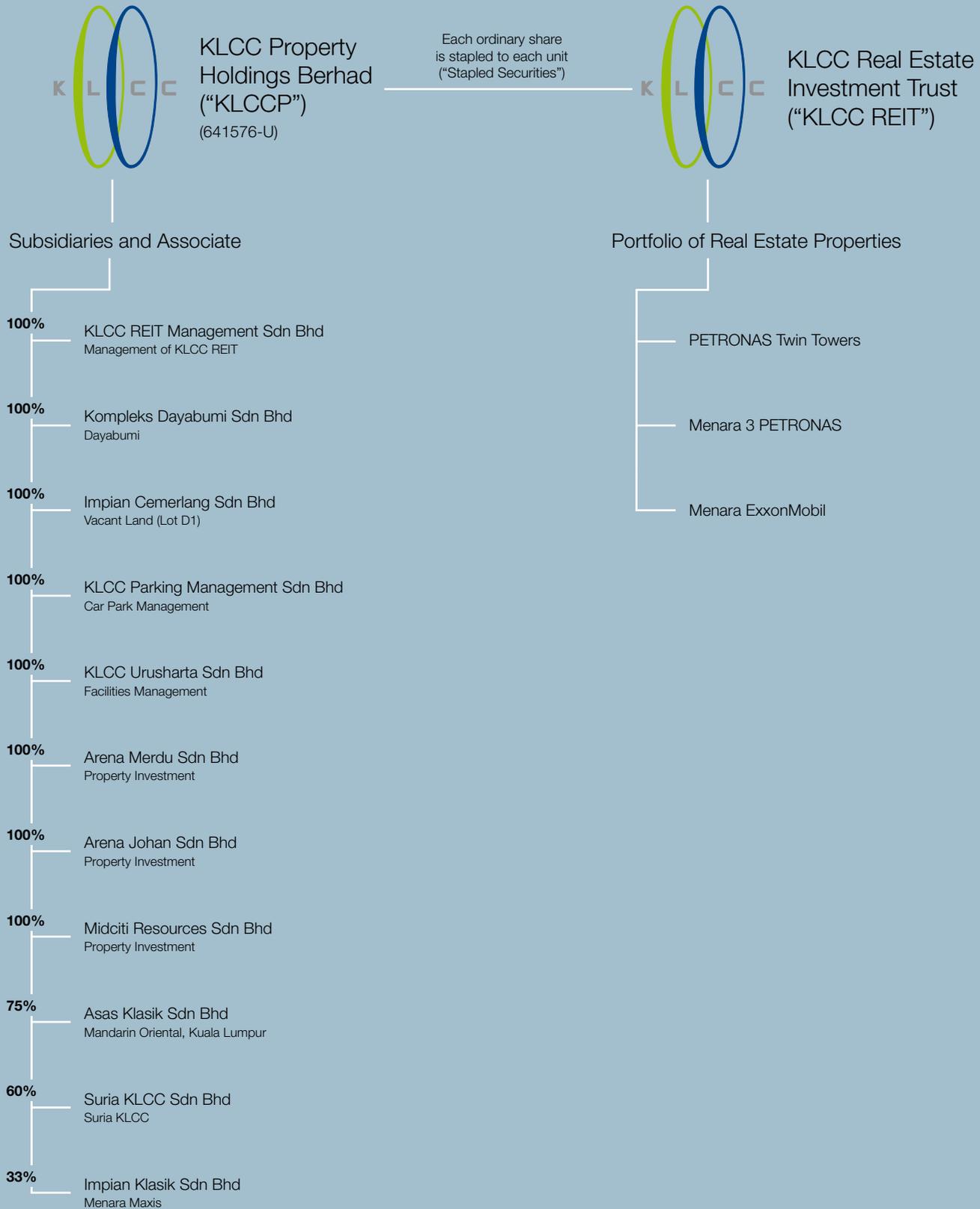
In addition, KLCC REIT Management Sdn Bhd, a wholly-owned subsidiary of KLCCP, has been appointed to manage and administer the KLCC REIT in accordance with the objectives and investment policy of KLCC REIT.

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

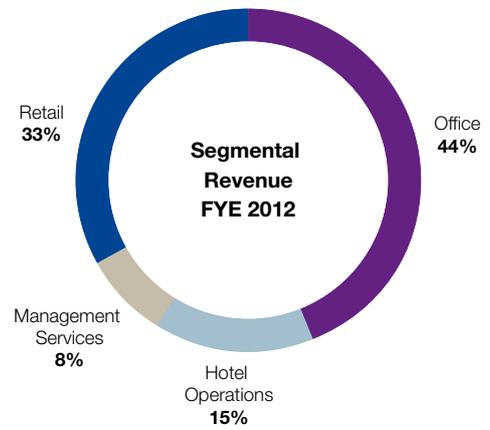
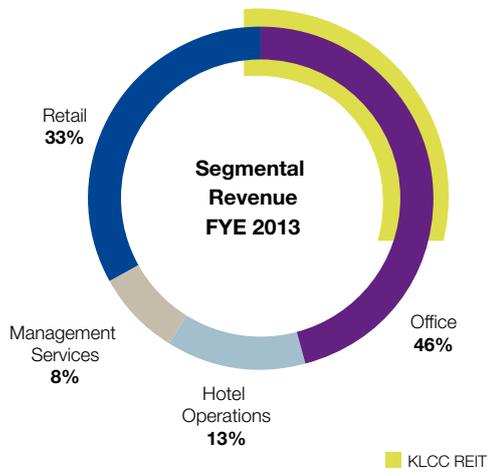
KLCCP Stapled Group, with its niche position in property investment and facility management services, intends to continue to grow its earnings potential by building on the strength of its premium assets, maintaining high standards in its operational performance and exploring prospects for sustainable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

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

CORPORATE STRUCTURE OF KLCCP STAPLED GROUP



Financial Performance



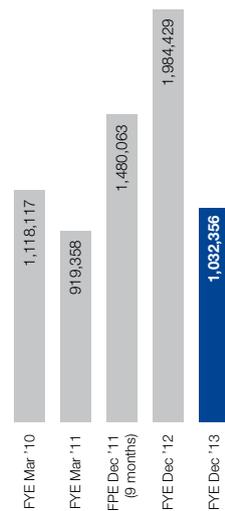
Revenue
(RM'000)



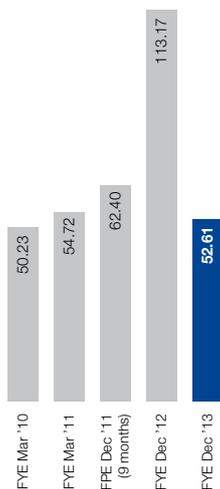
Operating Profit
(RM'000)



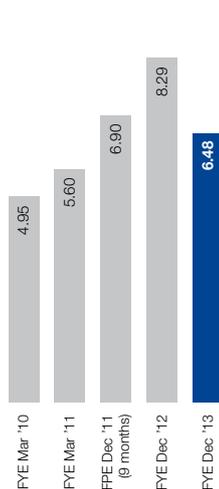
Profit for the Year (with Fair Value)
(RM'000)



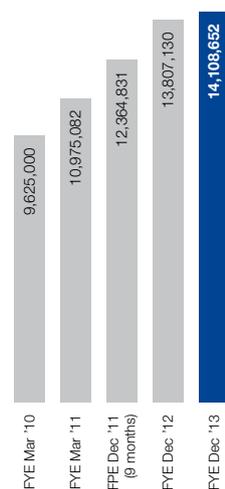
Diluted Earnings per Stapled Security/Share
(sen)



Net Assets (excl. RCULS) per Stapled Security/Share
(RM)



Investment Properties
(RM'000)



Corporate

MANAGER FOR KLCC REIT

KLCC REIT Management Sdn. Bhd.

BOARD OF DIRECTORS OF KLCCP AND THE MANAGER

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

Datuk Hashim Bin Wahir
(Chief Executive Officer)

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

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

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

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

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

Cik Habibah binti Abdul
(Independent Non-Executive Director)

Information

BOARD AUDIT COMMITTEE OF KLCCP AND THE MANAGER

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

NOMINATION AND REMUNERATION COMMITTEE OF KLCCP AND THE MANAGER

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

COMPANY SECRETARIES OF KLCCP AND THE MANAGER

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

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

REGISTERED OFFICE OF KLCCP AND THE MANAGER

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

CORPORATE OFFICE OF KLCCP AND THE MANAGER

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

REGISTRAR FOR KLCCP AND KLCC REIT

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

TRUSTEE FOR KLCC REIT

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

PROPERTY MANAGER FOR KLCC REIT

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

SHARIAH ADVISER FOR KLCC REIT

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

AUDITORS

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

INTERNAL AUDITOR

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

PRINCIPAL BANKERS FOR KLCCP AND KLCC REIT

CIMB Islamic Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

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



Board of Directors

From Left:

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

Datuk Hashim Bin Wahir
(Chief Executive Officer)

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

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

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

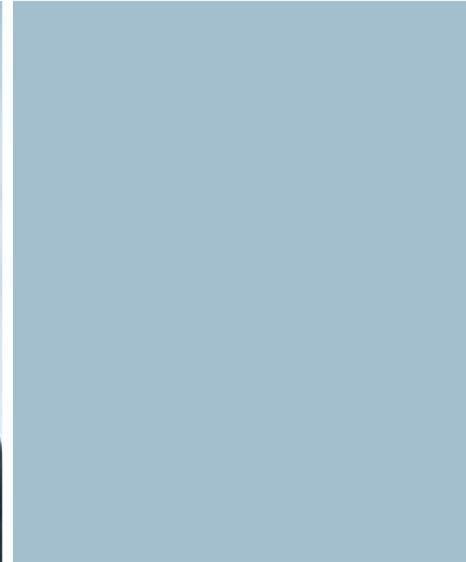
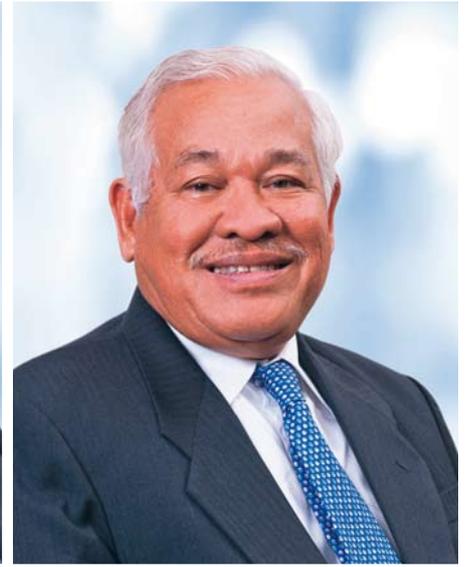
Dato' Halipah Binti Esa
(Independent Non-Executive Director)

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

Cik Habibah binti Abdul
(Independent Non-Executive Director)

En. Abd Aziz Bin Abd Kadir (Company Secretary)

Mr. Yeap Kok Leong (Company Secretary)



Board of Directors' Profile

KRISHNAN C K MENON

(Independent Non-Executive Director / Chairman)

Krishnan C K Menon, aged 64, was appointed to the Board and Chairman of KLCC Property Holdings Berhad on 25 October 2010.

He was appointed to the Board and Chairman of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012.

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

He spent 13 years in public practice with Hanafiah Raslan & Mohamad, 7 years of which he served as a partner. He then joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President. After serving 2 public listed companies, he joined Putrajaya Holdings Sdn Bhd as Chief Operating Officer in 1997 for 3 years before leaving the company in 2000.

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

DATUK HASHIM BIN WAHIR

(Chief Executive Officer)

Datuk Hashim bin Wahir, aged 56, was appointed to the Board of KLCC Property Holdings Berhad ("KLCCP") on 1 November 2007 and designated as the Chief Executive Officer.

He was appointed to the Board and Chief Executive Officer of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012. He is also a Director of Midciti Sukuk Berhad.

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

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

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

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

BOARD OF DIRECTORS' PROFILE

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

Datuk George, aged 54, was appointed to the Board of Directors of KLCC Property Holdings Berhad on 16 June 2004 and as member of the Audit Committee on 9 July 2004. The Board had on 21 August 2013 appointed him as a member of the Nomination and Remuneration Committee.

He was appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012. He is also a member of the Audit Committee, and Nomination and Remuneration Committee of the Manager.

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

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

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

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

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

Datuk Ishak bin Imam Abas, aged 68, was appointed to the Board of KLCC Property Holdings Berhad 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.

He was appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012.

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

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

He is a Non-Executive Chairman of Putrajaya Holding Sdn Bhd and a Non-Executive Director of Kuala Lumpur City Park Berhad, both of which are members of the PETRONAS group.

BOARD OF DIRECTORS' PROFILE

AUGUSTUS RALPH MARSHALL

(Independent Non-Executive Director)

Augustus Ralph Marshall, aged 62, was appointed to the Board of KLCC Property Holdings Berhad and as the Chairman of the Audit Committee on 1 September 2005.

He was appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012. He is also the Chairman of the Audit Committee of the Manager.

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

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

DATO' HALIPAH BINTI ESA

(Independent Non-Executive Director)

Dato' Halipah Binti Esa, aged 64, was appointed to the Board of KLCC Property Holdings Berhad ("KLCCP") and as member of the Audit Committee on 1 March 2007. The Board had on 21 August 2013 appointed her as the Chairman of the Nomination and Remuneration Committee of KLCCP.

She was appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012. She is also a member of the Audit Committee, and the Chairman of Nomination and Remuneration Committee of the Manager.

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

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

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

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

BOARD OF DIRECTORS' PROFILE

DATUK PRAGASA MOORTHI A/L KRISHNASAMY

(Independent Non-Executive Director)

Datuk Pragasa Moorthi A/L Krishnasamy, aged 67, was appointed to the Board of KLCC Property Holdings Berhad on 9 September 2004.

He was appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 5 December 2012.

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

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

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

HABIBAH BINTI ABDUL

(Independent Non-Executive Director)

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

She was appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust) on 26 June 2013. She is also a member of the Audit Committee, and Nomination and Remuneration Committee of the Manager.

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

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

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

None of the Directors have:

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

All of the Directors are Malaysians.



Chairman's Statement

The establishment of the KLCCP Stapled Group is testament of the continued pursuit of the Stapled Group's strategy aimed at enhancing value to the shareholders through significant accretion in distribution as the Stapled Group has committed to distribute 95% of the overall distributable income for financial years 2013 and 2014.

On behalf of the Board of Directors, I am pleased to present the Annual Report of KLCC Property Holdings Berhad (KLCCP) comprising the KLCCP Group and KLCC REIT (known as the KLCCP Stapled Group) for the financial year ended 31 December 2013.

Whilst we witnessed the debut of KLCCP on Bursa Malaysia in 2004, 9 May 2013 was another milestone for the Stapled Group as it saw the listing of KLCC Stapled Securities on Bursa Malaysia Securities Berhad as the largest

and first ever Shariah compliant stapled REIT structure in the country with assets in excess of RM15 billion and a market capitalization of RM13.9 billion as at listing date. With this stapled structure, shareholders now own shares in KLCCP and units in the newly established KLCC REIT which is quoted and traded as one security known as the KLCC Stapled Securities.

The establishment of the KLCCP Stapled Group is testament of the continued pursuit of the Stapled Group's

strategy aimed at enhancing value to the shareholders through significant accretion in distribution as the Stapled Group has committed to distribute 95% of the overall distributable income for financial years 2013 and 2014. In addition, the existing shareholders will continue to enjoy growth potential from existing developments and undeveloped property assets of the KLCCP Group as well as stable cashflows from KLCC REIT. The ability to enjoy both benefits is a unique feature of the Stapled Securities.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2013, the strength of the results delivered by the KLCCP Stapled Group can be attributed to the focused and consistent delivery of the Stapled Group's strategy across its business segments.

The Stapled Group achieved profit attributable to the holders of Stapled Securities of RM825.5 million. This is inclusive of fair value gain on investment properties of RM200.4 million which did not impact the Stapled Group's cash flows. Excluding the effect of the fair value gain, profit attributable to the holders of Stapled Securities of KLCCP Stapled Group stood at RM625.1 million.

The office segment continued to be the major driver through its contribution of stable revenue stream. The renewal of the long term lease for the PETRONAS Twin Towers for another 15 years effective October 2012 further secured and strengthened the Stapled Group's stream of revenue for the years ahead. Growth from the lease renewals, higher rent reviews and improved occupancy attributed to the solid growth of the retail segment. The Hotel and management services segments also complemented the Stapled Group's performance for the year ended 31 December 2013.

Given the achievement of the Stapled Group and the commitment of a higher payout ratio, the Board of Directors has approved dividends totaling 28.94 sen per stapled security for the financial year ended 31 December 2013. The dividends comprise payments of four interim dividends for the KLCCP Stapled Group of 16.05 sen and three interim dividends for KLCC REIT of 12.89 sen.

STAPLED SECURITIES PRICE PERFORMANCE AND RETURNS

KLCC Stapled Securities ended the year to close at RM5.85 as at 31 December 2013, an increase of 52% from its pre-announcement price of RM3.86 as at 27 June 2012. The KLCCP Stapled Group remains the single largest owner of stabilized

assets in Malaysia with a market capitalization of RM10.6 billion as at 31 December 2013.

AWARDS OF EXCELLENCE

The Stapled Group continued to be recognized for its sterling development track record and for the 2013 financial year, Menara 3 PETRONAS received the FIABCI Malaysia Property Award 2013 in the Office Category, marking yet another feather in the cap for the KLCCP Stapled Group in its pursuit of award winning assets.

Under the Property & REIT sectors, KLCCP was bestowed a string of awards - Best Performing Stock and the Most Profitable Company by The Edge Billion Ringgit Club Awards 2013, Best Overall Developer in Malaysia, Best Office and Business Developer in Malaysia, Best Mixed Use Developer in Malaysia by Euromoney. KLCCP also received Southeast Asia's Institutional Investor Corporate Awards (Malaysia) for the Most Organised Investor Relations in 2013 and Alpha Southeast Asia Best Islamic REIT Deal of 2013 in Southeast Asia. We are indeed proud and humbled by these prestigious awards which continue to recognise the Stapled Group for its excellence and efforts.

OUTLOOK & PROSPECTS

In upholding the commitment to the holders of Stapled Securities, the Stapled Group is continuously in pursuit of sustainable growth. The Stapled Group will continue to explore opportunities to improve earnings and continue to vigorously manage its property portfolio to ensure long term and higher degree of certainty in rental and to preserve the pristine condition of the properties for continuity towards longer term prospects.

With the future outlook expected to remain challenging for the world economy as well as the Malaysian domestic economy, the stable cashflows with growth and the resilient rental income of the REIT portfolio of assets will continue to underpin the overall performance of the Stapled Group for the year ahead.

The ongoing refurbishment of Kompleks Dayabumi and the planned redevelopment of the City Point podium into an Office & Hotel Tower with retail podium and future development of its Lot D1 land would add vigour to our continued growth from in-built pipeline through KLCCP and potentially give rise to earnings upside in the medium term for the Stapled Group.

With KLCC Stapled Securities status as one of the few large-cap Shariah-compliant stocks in the Malaysian Real Estate Investment Trusts (M-REITs) space, we are confident that it will sustain investor interest in the Stapled Securities.

THANK YOU

Following the challenges of 2013 and with the successful listing of the KLCC Stapled Securities, I would like to extend my utmost appreciation to all our holders of Stapled Securities, customers, business partners and the regulatory authorities for their concerted efforts and support in realizing this milestone for us.

I also thank my Board for their valuable insights and commitment in getting us through another fruitful year. During the year we appointed a new non-executive director to our Board, Cik Habibah Abdul. I welcome Cik Habibah who brings years of experience to the Stapled Group which will complement the strategic direction of the Board. During the year too, Dato' Leong Ah Hin @ Leong Swee Kong left the Board. I would like to thank Dato' Leong for his commitment and dedication throughout his tenure as a Board member.

To the management and staff of KLCCP Stapled Group, you remain our greatest strength. Thank you for your commitment and passion to strive for excellence and deliver distinctive shareholder value.



Krishnan C K Menon

Chairman

Management Team



From Left:

Mariah Binti Mohamad Said

*Head, Human Resource Division,
KLCC Property Holdings Berhad*

Burhanuddin bin Yahya

*Head of Department,
KLCC Parking Management
Sdn Bhd*

Andrew William Brien

*Chief Executive Officer,
Suria KLCC Sdn Bhd*

Ho Mei Ling

*Head of Department,
Group Enterprise Risk Management*

**Annuar Marzuki bin
Abdul Aziz**

*Chief Financial Officer /
Chief Investment Officer
of Strategy, Finance &
Investor Relations Division,
KLCC Property Holdings Berhad*

Datuk Hashim Bin Wahir

*Chief Executive Officer,
KLCC Property Holdings Berhad*

**Datin Faudziah
Binti Ibrahim**

*Head, Development Division,
KLCC Property Holdings Berhad*

Abd Aziz Bin Abd Kadir

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

Frank Peter Stocek

*General Manager,
Mandarin Oriental, Kuala Lumpur*

Shamsudin Bin Ishak

*Head, Facilities Management,
KLCC Urusharta Sdn. Bhd.*

Ishak Bin Yahaya

*Security Advisor,
KLCC Property Holdings Berhad*





CEO's Year in Review

For the financial year ended 31 December 2013, the Stapled Group recorded steady revenue growth of 8.5% from the corresponding period last year to achieve a Stapled Group turnover of RM1.28 billion.

The year saw a landmark restructuring of KLCCP Group into a new KLCCP Stapled Group to better position its growth. The stapled structure allowed the shareholders to retain full value and ownership of KLCCP Stapled Group's assets and simultaneously unlock the value of the assets.

With the listing of KLCC Stapled Securities, the shareholders have benefited from the accretion in distribution for the year in review as

the Stapled Group had committed to distribute 95% of the overall distributable income effective from the date of establishment of the KLCCP Stapled Group.

During the year under review, KLCCP entered into a Stapling Deed with Maybank Trustees Berhad and KLCC REIT Management Sdn Bhd whereby KLCCP is deemed to be the controlling entity of KLCC REIT. As KLCCP does not hold any equity interest in KLCC

REIT, the financial results of KLCC REIT is reflected as 100% non-controlling interest in the consolidated financial statement of KLCCP.

FINANCIAL PERFORMANCE Profitability

For the financial year ended 31 December 2013, the Stapled Group recorded steady revenue growth of 8.5% from the corresponding period last year to achieve a Stapled Group turnover of RM1.28 billion. The growth was



supported by improved performance in all business segments with the prime contributor being the office segment due to the renewal of the triple net lease for the PETRONAS Twin Towers for another 15 years. The retail segment of Suria KLCC together with the retail podium of Menara 3 PETRONAS achieved yet another commendable revenue growth of 9.1% or RM35.3 million.

Market valuation of the investment properties saw a boost to its recognition of fair value gain of RM200.4 million, in particular for Suria KLCC and PETRONAS Twin Towers. Excluding the effects of the fair value gain and with the completion of the acquisition of the remaining 49.5% equity interest in Midciti Resources Sdn Bhd, profit attributable to the holders of Stapled Securities increased 63.7% to RM625.1 million from RM381.9 million last year. The Stapled Group's diluted Earnings per Stapled Security/Share excluding the fair valuation gains stood at 39.8 sen from 29.6 sen in 2012, mainly as a result of the acquisition.

Financial Position

The total assets of the Stapled Group as at 31 December 2013 has strengthened to RM16.26 billion from RM15.79 billion as at 31 December 2012. The 3% growth was mainly contributed by fair valuation gains of the investment properties.

Equity attributable to the holders of Stapled Securities increased by 39.3% from RM8.4 billion the previous year to RM11.7 billion as at 31 December 2013. In view of the corporate restructuring for the formation of the KLCCP Stapled Group, the share capital increased from RM934.1 million to RM1.8 billion. Thus with the growth in total assets value, dividend payout of RM407.3 million (before distribution) compared to RM158.8 million in 2012, coupled with the increase in the share capital, the net assets per Stapled Security /share (before distribution) decreased from RM8.29 (excluding RCULS) to RM6.48.

BUSINESS OVERVIEW

Commercial/ Office Properties

Our commercial properties continued to perform commendably with full impact of the renewal of the triple net lease for the PETRONAS Twin Towers for another 15 years effective 1 October 2012 being reflected in this financial year. PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil under KLCC REIT are the prime revenue contributors at 63%. The strong performance of these properties will remain steady and enjoy top quartile position in the foreseeable future owing to its locked-in long term tenancies with high quality tenants, ensuring long term stable income.



- 1 Kompleks Dayabumi
- 2 Suria KLCC
- 3 Mandarin Oriental, Kuala Lumpur

Revenue grew from RM520.2 million in 2012 to RM589.8 million in 2013, registering an increase of 13%. A steady increase was seen in the Profit Before Tax (PBT) excluding fair value adjustment, from RM447.2 million in 2012 to RM460.8 million in 2013. For the financial year ended 31 December 2013, commercial/office properties remained the major contributor of revenue and operating profit with contribution of 46% and 54% respectively.

During the financial year, Kompleks Dayabumi has been undergoing refurbishment works to upgrade its common areas and corporate lobby to enhance the competitiveness of the property and its asset value. The CityPoint podium is planned to be redeveloped as a mixed development with office, hotel and retail components, anticipated to commence in early 2015. This is expected to further unlock commercial potential and add value to the existing property.

On 9 November 2013, Menara 3 PETRONAS was awarded the FIABCI Malaysia Property Award 2013 in the Office Category. The FIABCI Malaysia Property Award is a gold standard for developers in the real estate industry,

providing a platform to showcase the best creations. Menara 3 PETRONAS' win is attributed to its unique setting, premium office tower facilities with exclusive shopping and dining facilities and an integrated yet self-contained development.

Retail Properties

The retail segment comprises Suria KLCC and the retail podium of Menara 3 PETRONAS which achieved yet another outstanding performance in 2013 and further strengthened its position as the premier shopping destination in Malaysia. Revenue increased by 9.1% from RM389.0 million to RM424.3 million therein maintaining the 33% contribution to the overall Stapled Group revenue. PBT excluding fair value adjustment grew to RM339.6 million from RM296.0 million the year before exceeding the previous year by 14.7%. Suria KLCC sustained its customer footfall of over 43 million while total turnover increased by 10.8% to over RM2.4 billion in 2013.

The accomplishment of Suria KLCC is attributed to the continuous strategic reinventions to refresh the retail mix and offerings, mall refurbishments, effective marketing campaigns and corporate social responsibility programs.

This year, Suria KLCC utilized the strength of its retail assets to bring to fruition the most successful CSR program to date, Sunshine September. All proceeds raised through the Sunshine September program are channeled to The National Autism Society of Malaysia (NASOM). With over RM500,000 raised through Sunshine September, 75 autistic children will be able to attend the mainstream school programme, championed by NASOM.

The retail segment of the Stapled Group remains optimistic on raising the bar and further transforming the retail scene in Malaysia as it continues to strive for another productive year in 2014.

Hotel Property

Mandarin Oriental Kuala Lumpur (MOKUL) continued to retain its market leading position in terms of market share amongst the city's luxury hotels.

The hotel further enhanced its award-winning reputation by achieving 18 awards in 2013. MOKUL received the Bloomberg International Hotel Awards - Best Hotel in Malaysia, DestinAsian Reader's Choice - Best Hotel in Kuala Lumpur, Robb Report - Best Hotel in Malaysia & Top 100 in the World, Asia Pacific Property Awards - Best Hotel in



- 1 Suria KLCC joined forces with Alamanda Putrajaya and Mesra Mall in "Sunshine September" to make a bigger impact in the name of Autism
- 2 Mandarin Oriental, Kuala Lumpur awarded the winner for the Hotel with Meeting Facilities - Award for Excellence in Recognising Award Winning Results (RAWR) Awards 2013
- 3 Lai Po Heen restaurant at Mandarin Oriental, Kuala Lumpur

Malaysia, Recognising Award Winning Results (RAWR) Awards – Hotel With Meeting Facilities Award For Excellence, Trip Advisor Awards of Excellence and the ASEAN Green Hotel Award amongst others.

The hotel segment traded in challenging environment for 2013 though still performed admirably by constraining the impact to the drop in revenues to a nominal 5.3%. This is despite new competition in the market, the closure of both Ballrooms for renovations and the extraordinarily high revenues achieved during the 25th World Gas Conference in 2012. Occupancy finished at 62.2% with an increase in average room rates from RM616.20 to RM640.10 for the financial year ended 31 December 2013.

The performance of the luxury hotel sector is expected to show steady growth over the next few years as supply has temporarily stabilized prior to new competition arriving from the onset of

2016. MOKUL's ongoing renovation program is well timed to ensure a fully renovated product is ready to compete with the next wave of competitors at that time. The hotel remains dedicated to delivering superior service quality and maintaining a high level of awareness in the market with a strong emphasis on social media and a well focused direct sales effort.

Asset Management & Services

Asset management has played a vital role in complementing the property portfolio of the Stapled Group in delivering premium facilities management services in maintaining the iconic stature and performance of the assets. With the establishment of KLCCP Stapled Group commencing May 2013, the asset management services now include the management of the properties under KLCC REIT.

For the financial year 2013, revenue achieved by the management services segment grew by 5.1% to RM99.6 million compared to RM94.8 million the previous year. PBT increased to RM59.5 million from RM33.1 million in 2012, mainly due to contribution from managing the REIT portfolio.

The Stapled Group supported initiatives by the lessees of the PETRONAS Twin Towers and Menara 3 PETRONAS to embark on green initiatives to preserve the pristine condition of the property for continued future longer tenancy prospects. These initiatives have resulted in savings of energy cost and are intended to enhance the value and environmental quality of the property.



OUTLOOK

The Stapled Group remains focused in delivering sustainable earnings growth in creating long-term value for our holders of Stapled Securities.

The Stapled Group's strength underpinned by its superior earnings visibility, stable rental yield, strong tenant profile and prime asset location puts the Stapled Group in a strong position to execute future growth opportunities. The retail and hotel segments will continue to support the overall Stapled Group's performance, however to a certain extent would be affected by market volatility and on-set competition.

The restructuring of the Stapled Group provides a platform for growth in the longer term and allow the holders of Stapled Securities to simultaneously enjoy growth potential from existing and

new developments as well as stable cash flows from stabilised prime properties held via the REIT. The Stapled Group will continue its discipline and efforts to manage costs in ensuring continuous value enhancement to the holders of Stapled Securities.

The Stapled Group remains strong and resilient in spite of the uncertainties in the global and domestic markets in the coming year and is confident of delivering on its commitment and capitalizing on future opportunities.

APPRECIATION

I would like to express my utmost appreciation to the staff of the KLCCP Stapled Group for their tireless work in making the year a significant one with the listing of the Stapled Securities and for their continued passion and commitment in delivering the Stapled Group's performance and growth objectives.

On behalf of the management and staff of the KLCCP Stapled Group, I am grateful and full of appreciation for the continuous support, guidance and wisdom extended by the Board members in ensuring our business performance delivery.

My sincere appreciation and thanks to all the holders of Stapled Securities and stakeholders for your continued trust and support in the stewardship of the KLCCP Stapled Group.

Datuk Hashim Bin Wahir

Chief Executive Officer

Corporate Governance

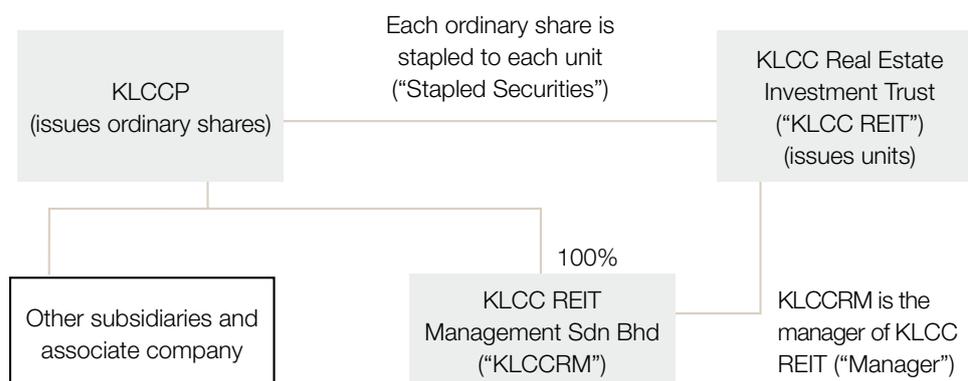
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Corporate Governance Statement

The Board of Directors of KLCC Property Holdings Berhad (“KLCCP” or “the Company”) (“the Board”) presents this Corporate Governance Statement (“Statement”) under the KLCC Property Holdings Berhad Stapled Group (“KLCCP Stapled Group”) structure to demonstrate the Board’s continuous commitment to high standards of corporate governance in discharging their responsibilities to protect and enhance interests of the holders of the stapled securities through the application of best practices of corporate governance at all times.

KLCCP Stapled Group comprises the following:



The Stapled Securities have been listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) since 9 May 2013.

In this Statement, the Board reports on the manner in which KLCCP Stapled 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 of Bursa Securities (“MMLR”) and the Guidelines on Real Estate Investment Trusts (“REIT Guidelines”) issued by the Securities Commission Malaysia (“SC”) in connection with all activities conducted for KLCCP Stapled Group throughout the year under review.

A. BOARD OF DIRECTORS

(1) Roles and Responsibilities of the Board

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

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

- (i) reviewing and adopting the strategic plans for KLCCP Stapled Group;
- (ii) overseeing the proper conduct of KLCCP Stapled Group’s business;
- (iii) ensuring that sound policies, procedures and practices are implemented;
- (iv) overseeing the development and implementation of a communications policy for KLCCP Stapled Group;
- (v) ensuring KLCCP Stapled Group’s principal risks are identified and mitigated, and appropriate measures are implemented to manage these risks;
- (vi) formulating and ensuring the implementation of an appropriate succession policy for senior management positions;
- (vii) overseeing their business operations and evaluating whether these are being properly managed;
- (viii) reviewing the adequacy and integrity of KLCCP Stapled Group’s internal control system, compliance with relevant laws and regulations.

CORPORATE GOVERNANCE STATEMENT

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

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

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 KLCCP Stapled Group's businesses, implementation of the Board's policies and making decisions related to operational matters. In managing the business affairs, he is assisted by the Management staff of 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 KLCCP Stapled Group's strategies and direction. They also contribute to the formulation of policies and procedures based on their expertise and experience. Being independent of the Management, it is ensured that no single individual or group dominates the Board's decision-making process.

Pursuant to the requirements of the MCGG 2012, the Board has adopted its Board Charter on 27 November 2012. The Board Charter, which clearly sets out the roles and responsibilities of the Board and the Board Committees, is available on the corporate website of KLCCP for easy access by holders of the Stapled Securities and the public alike. The Board Charter shall be periodically reviewed as and when necessary.

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

(2) Board Composition and Balance

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

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

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

CORPORATE GOVERNANCE STATEMENT

(3) Independence

The Board is satisfied with the level of independence demonstrated by the Directors throughout the year and their ability to act in the best interest of KLCCP Stapled Group.

Recommendations of the MCCG 2012 state that the tenure of an Independent Director should not exceed a cumulative term of 9 years. In adhering to recommended corporate governance practices, the Board has adopted a policy to limit the tenure of Independent Directors to a maximum of 9 years. The implementation of this policy will be undertaken gradually so as to ensure the continued effective functioning of the Board.

The Board recommends that the following Independent Directors of KLCCP to continue to serve as Independent Directors, subject to the approval from the holders of the Stapled Securities at the forthcoming AGM of KLCCP:

Mr Augustus Ralph Marshall and Datuk Pragasa Moorthi a/l Krishnasamy, who will serve as the Independent Directors of KLCCP for a cumulative period of 9 years and 10 years as at 31 August 2014 and 8 September 2014 respectively, will be subject to the "9 years capped" policy.

The holders of Stapled Securities had, at the AGM of KLCCP held on 26 June 2013, approved the continuing in office of Datuk Pragasa Moorthi a/l Krishnasamy as Independent Director of KLCCP until the conclusion of the next AGM of KLCCP.

Approval will be sought from the holders of the Stapled Securities on the continuing in office of Datuk Pragasa Moorthi a/l Krishnasamy and Mr Augustus Ralph Marshall as Independent Directors at the forthcoming AGM of KLCCP.

The justifications are as follows:

- (a) They have fulfilled the criteria under the definition of Independent Director as defined under the MMLR;
- (b) They have ensured effective check and balance in the proceedings of the Board;
- (c) They have actively participated in the Board's deliberations, provided objectivity in decision-making and independent opinion to the Board;
- (d) They have vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion. They have provided objectivity in decision-making processes through unbiased and independent views;
- (e) They have exercised due care during their tenure as Independent Directors of KLCCP and carried out their duties in the best interests of the holders of the Stapled Securities; and
- (f) They have devoted sufficient time and attention to their responsibilities as Independent Directors of KLCCP.

(4) Board Meetings

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

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

CORPORATE GOVERNANCE STATEMENT

During the year under review, a total of 6 Board meetings were held. The proceedings of all meetings of the Board and the Audit Committee including all issues raised, enquiries made and responses thereto were also presented and were recorded in the minutes of the Board and the Audit Committee meetings respectively. Where necessary, decisions have been taken by way of circular resolutions.

The attendance of the Board members is as follows:

Directors	Attendance
Executive	
Datuk Hashim Bin Wahir (CEO)	6/6
Non-Executive	
Krishnan C K Menon (Chairman)	6/6
Datuk Manharlal A/L Ratilal	5/6
Datuk Ishak Bin Imam Abas	6/6
Augustus Ralph Marshall	5/6
Dato' Halipah Binti Esa	6/6
Habibah Binti Abdul (appointed on 26 June 2013)	2/2
Datuk Pragasa Moorthi A/L Krishnasamy	6/6
Dato' Leong Ah Hin @ Leong Swee Kong (retired on 26 June 2013)	3/4

(5) Supply of Information

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

(6) Board Committees

The Board has established committees ("Board Committees") that are entrusted with specific responsibilities to oversee KLCCP Stapled 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 Directors the integral areas as expressed by the AC. The details of the activities of the AC are set out on page 35 of the Annual Report.

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

The Board had established NRC on 27 November 2012. The NRC comprises exclusively Non-Executive Directors, the majority of whom is Independent Non-Executive Directors. The NRC is chaired by Dato' Halipah Binti Esa who is designated as the Senior Independent Non-Executive Director.

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

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

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

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

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

(8) Training and Development of Directors

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

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

The training programmes attended by the Directors are as follows:

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

CORPORATE GOVERNANCE STATEMENT

B. DIRECTORS' REMUNERATION

The Board, except the CEO and a Non-Independent Non-Executive Director, only received Directors' Remuneration from KLCCP. Remuneration structures for the Non-Executive Directors of KLCCP consist 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 holders of Stapled Securities of KLCCP at the AGM to be recommended by the Board.

Datuk Hashim Bin Wahir, the Executive Director cum CEO of the Company, is an employee of KLCC (Holdings) Sdn Bhd ("KLCCH"). KLCCP will reimburse KLCCH for the services rendered by the CEO in the form of management fee. During the year under review, KLCCP reimbursed KLCCH an amount of RM757,676 for his services.

The Director's fee and meeting attendance fee for the Non-Independent Non-Executive Director, Datuk Manharlal A/L Ratilal, who is also an employee of PETRONAS, are paid directly to PETRONAS as fees for representation in the Board commencing 1 July 2010. During the year under review, KLCCP paid RM91,000 as board's representation fees to PETRONAS.

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

(RM)	Director's Fee	Board Meeting Allowance*	Audit Committee Meeting Allowance*	Total
Executive Director				
Datuk Hashim Bin Wahir	Nil	Nil	Nil	Nil
Non-Executive Directors				
Krishnan C K Menon	108,000	24,000	Nil	132,000
Datuk Manharlal A/L Ratilal	Nil #	Nil #	Nil #	Nil #
Datuk Ishak Bin Imam Abas	72,000	18,000	Nil	90,000
Augustus Ralph Marshall	72,000	15,000	12,000	99,000
Dato' Halipah Binti Esa	72,000	18,000	8,000	98,000
Habibah Binti Abdul (appointed on 26 June 2013)	36,000	6,000	4,000	46,000
Datuk Pragasa Moorthi A/L Krishnasamy	72,000	18,000	Nil	90,000
Dato' Leong Ah Hin @ Leong Swee Kong (retired on 26 June 2013)	36,000	9,000	4,000	49,000
Total	468,000	108,000	28,000	604,000

* 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 HOLDERS OF STAPLED SECURITIES 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 its stakeholders via the Company's Annual Report as well as various disclosures including quarterly financial results of KLCCP Stapled Group which provide investors with up-to-date financial information of KLCCP Stapled Group.

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

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

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

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

(2) Annual General Meeting ("AGM")

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

The notice of KLCCP AGM together with the Form of Proxy are given to the holders of Stapled Securities at least 21 days before the AGM, which give them 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.

(3) Corporate Disclosure Policy

The Management will develop the Corporate Disclosure Policy to be in compliance with the MCCG 2012.

D. ACCOUNTABILITY AND AUDIT

(1) Financial Reporting

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

CORPORATE GOVERNANCE STATEMENT

The Board is assisted by the AC to oversee KLCCP Stapled Group's financial reporting process and the quality of the same. The AC reviews and monitors the integrity of the interim and annual financial statements of KLCCP Stapled Group. The AC also reviews the aptness of KLCCP Stapled 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 on other fields of expertise, and are highly-qualified to formulate and review the integrity and reliability of KLCCP Stapled Group's financial statements prior to recommending the same to the Board for approval.

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

The statement by the Directors pursuant to Section 169(15) of the Companies Act, 1965 in relation to the preparation of the financial statements is set out on page 45 of the Annual Report of KLCCP Stapled Group.

(2) Related Party Transactions

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

(3) Internal Control

The Board has overall responsibility for maintaining a sound system of internal controls of KLCCP Stapled Group 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 KLCCP Stapled 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 KLCCP Stapled Group, is set out from pages 32 to 33 of this Annual Report.

(4) Relationship with External Auditors

KLCCP Stapled 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. The Board has obtained assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

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

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

A summary of the activities of the AC during the year under review, including the evaluation of the independent audit process, is set out in the AC Report on page 35 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

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

	KLCCP Stapled Group RM'000	KLCCP RM'000	KLCC REIT RM'000
Fees paid/payable to Messrs. Ernst & Young			
• Statutory Audit	514	176	74
• Other Services	70	44	0
Total	584	220	74*

* inclusive of fees paid by Midciti Sukuk Berhad

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

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

E. INTERNAL AUDIT FUNCTION

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

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

F. RISK MANAGEMENT

The Group Enterprise Risk Management of KLCCH had been transferred to KLCCP since 28 October 2013. Further details of KLCCP's risk management activities are set out in the Statement on Risk Management and Internal Control of this Annual Report from pages 32 to 33.

G. CORPORATE SUSTAINABILITY**(1) Group Health, Safety and Environment**

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

(2) Ethical Standards

KLCCP has adopted the PETRONAS' CoBE that seeks to ensure that the Company's or the groups' Directors, employees and third parties, which perform work or services for KLCCP and the 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 and the Anti Bribery & Corruption Manual which provide and facilitate appropriate communication and feedback channels between KLCCP and its employees within KLCCP Stapled Group.

(3) Earth Day March 2013

Companies within KLCCP Stapled Group celebrated Earth Day March 2013 with active participation and contribution in Corporate Social Responsibility ("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.

(4) Suria KLCC Sdn Bhd (Suria KLCC)

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 Sunshine September. All proceeds raised were channeled to the National Autism Society of Malaysia.

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

Statement on Risk Management & Internal Control

The Board of KLCCP is responsible and committed to maintain a sound and effective risk management and internal control system of KLCCP Stapled Group.

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

RISK MANAGEMENT

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

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

The Board in discharging its risk management function, is assisted by the Group Enterprise Risk Management of KLCCP in managing the principal risks at both corporate and group levels and providing assurances on effectiveness of the risk management framework for KLCCP Stapled Group.

KLCCP Stapled Group has identified the following principal risks which are critical to the success of KLCCP Stapled Group's business strategies and objectives:

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

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

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

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

INTERNAL CONTROL PROCESSES

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- 4) KLCCP Stapled Group has an organizational structure with defined lines of responsibilities, delegation of authority and accountability. A hierarchical reporting structure has been established to provide documentary and auditable trail of accountability. In this respect, a Limits of Authority Manual is in place to define the lines of accountability and responsibility in relation to KLCCP Stapled Group's operations and functions.
- 5) KLCCP Stapled Group adopts the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") to ensure that Directors, management and employees, and third parties, when performing any work or services for KLCCP Stapled Group, will act ethically and remain above board at all times and their individual behaviour is in line with the PETRONAS Shared Values, i.e. Loyalty, Professionalism, Integrity and Cohesiveness.
The detailed policy statements on the standards of behaviour and ethical conduct of the PETRONAS CoBE can be accessed at KLCCP's corporate website.
- 6) KLCCP Stapled Group undertakes annual planning and budgeting exercise including development of business strategies for forthcoming years and establishes key performance indicators for each business segment to achieve. Variances against budgets are analysed and reported on a quarterly basis to the Board.
- 7) KLCCP Stapled Group's strategic directions are also reviewed annually taking into consideration changes in market conditions and significant business risks.
- 8) The CFO reports to the AC that the accounting policies and procedures as set out in the Accounting Procedures manual are in place and applied consistently to ensure that the financial statements are in compliance with the Malaysian Financial Reporting Standards and the relevant regulatory disclosure requirements.

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

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

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

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

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

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

INTERNAL AUDIT

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

Audit Committee Report

(A) FORMATION

The Audit Committee ("AC") of KLCC Property Holdings Berhad ("KLCCP") was established on 9 July 2004 by the Board of Directors of KLCCP.

(B) COMPOSITION

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

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

Note: Dato' Leong Ah Hin @ Leong Swee Kong ceased as a member of the AC on 26 June 2013 following his retirement as a Board member at the Annual General Meeting of KLCCP held on the even date.

(C) MEETINGS AND ATTENDANCE

During the year under review, a total of 4 meetings of the AC were held. The attendance of the AC members is as follows:

Committee Members	No. of Meetings Attended
Augustus Ralph Marshall (Chairman)	4/4
Datuk Manharlal a/l Ratilal	2/4
Dato' Halipah Binti Esa	4/4
Habibah Binti Abdul	2/2
Dato' Leong Ah Hin @ Leong Swee Kong*	2/2

*Note: * Dato' Leong Ah Hin @ Leong Swee Kong ceased as a member of the AC on 26 June 2013 following his retirement as a Board member at the Annual General Meeting of KLCCP held on the even date.*

Meetings of the AC were held with the presence of the CEO, CFO, GIAD of KLCCH, and external auditors as and when required.

AUDIT COMMITTEE REPORT

(D) SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The AC is responsible to assist the Board in corporate governance and compliance of KLCCP Stapled Group. The activities of the AC for the year ended 31 December 2013 are as follows:

- (1) 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.
- (2) Reviewed the independence and objectivity of the external auditors and their services rendered, including non-audit services. In addition, the AC made recommendations to the Board for the reappointment of the external auditors and approvals of their audit and non-audit fees.
- (3) Reviewed the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by KLCCP Stapled Group.
- (4) Reviewed the annual audit plan prepared by GIAD of KLCCH for KLCCP Stapled Group.
- (5) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and the Management's responses thereto. Discussed with the Management on actions to be taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- (6) Reviewed the quarterly financial results of KLCCP Stapled Group with the Management and recommended for the Board's consideration and approval before releasing to Bursa Securities. The review was to ensure compliance with the MMLR, Malaysian Financial Reporting Standards, the Companies Act, 1965 and any other applicable legislations and regulations.
- (7) Reviewed and recommended the audited financial statements for the Board's consideration and approval with the presence of the external auditors.
- (8) Reviewed on quarterly basis, the related party transactions entered into by KLCCP Stapled Group.
- (9) Discussed issues arising from financial audits and any matter the external auditors may wish to discuss (in the absence of the Management where necessary).

(E) TERMS OF REFERENCE

The AC is granted the authority to act on the Board's behalf in accordance with its TOR which is available at KLCCP's corporate website.

(F) INTERNAL AUDIT FUNCTION

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

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the internal control systems to manage risk exposures of KLCCP Stapled 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.

AUDIT COMMITTEE REPORT

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

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

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

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

The total costs incurred for the internal audit activities of KLCCP for the year was RM133,133.

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

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

Additional Compliance Information

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

(I) NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors for the financial year / period ended 31 December 2013 are as follows:

(RM'000)	KLCCP Stapled Group	KLCCP	KLCC REIT
Non-audit fees	70	44	–

(II) MATERIAL CONTRACTS

Save as disclosed in the Prospectus of KLCCP Stapled Securities dated 7 May 2013 and KLCCP Annual Report 2012, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by KLCCP Stapled Group involving directors' and major stapled securities holders' interest during the financial year/period ended 31 December 2013.

(III) UTILISATION OF PROCEEDS

The KLCCP and KLCC REIT did not raise funds through any corporate proposals during the financial year/period under review.

(IV) SHARE BUY-BACKS

There were no share buy-backs on the stapled securities carried out during the financial year/period under review.

(V) OPTIONS OR CONVERTIBLE SECURITIES

There were no options or convertible securities issued by both KLCCP and KLCC REIT in respect of the financial year/period under review.

(VI) DEPOSITORY RECEIPT ("DR") PROGRAMME

During the financial year/period under review, both KLCCP and KLCC REIT did not sponsor any DR programme.

(VII) SANCTIONS AND/OR PENALTIES

During the financial year/period under review, there were no sanctions and/or penalties imposed on KLCCP Stapled Group, directors or management by the relevant authorities.

(VIII) VARIATION IN RESULTS

There was no variation of 10% or more between KLCCP Stapled Group's profit forecast as stated in the Prospectus dated 7 May 2013 and the audited results for the financial year ended 31 December 2013.

ADDITIONAL COMPLIANCE INFORMATION

(IX) PROFIT GUARANTEE

During the financial year/period under review, there was no profit guarantee given by both KLCCP and KLCC REIT.

(X) SHARE ISSUANCE SCHEME

Both KLCCP and KLCC REIT have not implemented any Share Issuance Scheme.

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

The KLCCP Stapled Group did not seek any stapled securities holders' mandate on the RRPT during the financial year/period under review.

Financial Statements

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Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year are investment holding, property investment and the provision of management services.

The principal activities of its subsidiaries and associate are stated in Notes 7 and 8 to the financial statements respectively.

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.

On 9 May 2013, the Company completed the listing of 1,805,333,083 stapled securities on the Main Market of Bursa Malaysia Securities Berhad during the year as described in Note 40 to the financial statements. As a result, the Group now comprises:

- (a) the KLCCP Group, being the Company, its existing subsidiaries and associate company; and
- (b) KLCC Real Estate Investment Trust ("KLCC REIT") Group.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,032,356	3,768,009
Attributable to:		
Equity holders of the Company	459,092	3,768,009
Non-controlling interests relating to KLCC REIT	366,412	–
Other non-controlling interests	206,852	–
	1,032,356	3,768,009

RESERVES AND PROVISIONS

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 7.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012 as reported in the directors' report in that year:	
A fourth interim dividend of 4.5%, tax exempt under single tier system on 934,074,279 ordinary shares, was declared on 21 February 2013 and paid on 20 March 2013.	42,033
In respect of the financial year ended 31 December 2013:	
A first interim dividend of 4.5%, tax exempt under single tier system on 1,805,333,083 ordinary shares, declared on 23 May 2013 and paid on 20 June 2013.	81,240
A second interim dividend of 4.26%, tax exempt under single tier system on 1,805,333,083 ordinary shares, declared on 21 August 2013 and paid on 19 September 2013.	76,907
A third interim dividend of 3.42%, tax exempt under single tier system on 1,805,333,083 ordinary shares, declared on 28 October 2013 and paid on 9 December 2013.	61,742
	261,922

A fourth interim dividend in respect of the financial year ended 31 December 2013, of 3.87%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM69.87 million will be payable on 28 February 2014.

DIRECTORS OF THE COMPANY

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

Krishnan C K Menon

Datuk Ishak Bin Imam Abas

Datuk Manharlal A/L Ratilal

Augustus Ralph Marshall

Pragasa Moorthi A/L Krishnasamy

Dato' Halipah Binti Esa

Datuk Hashim Bin Wahir

Habibah binti Abdul

(appointed w.e.f. on 26 June 2013)

Dato' Leong Ah Hin @ Leong Swee Kong

(retired w.e.f. on 26 June 2013)

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 Stapled Securities of KLCC Property →			
	Holdings Berhad and KLCC Real Estate Investment Trust			
	Balance as at 1.1.2013	Number of Shares Bought Sold		Balance as at 31.12.2013
Direct				
Datuk Manharlal A/L Ratilal	5,000	–	–	5,000
Augustus Ralph Marshall	50,000	–	–	50,000

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

	← Number of Shares in PETRONAS Chemicals Group Berhad →			
	Balance as at 1.1.2013	Number of Shares		Balance as at 31.12.2013
		Bought	Sold	
Direct				
Krishnan C K Menon	20,000	–	–	20,000
Datuk Manharlal A/L Ratilal	20,000	–	–	20,000
Dato' Halipah Binti Esa	10,000	–	–	10,000
Datuk Hashim Bin Wahir	16,000	–	–	16,000

Indirect

Dato' Halipah Binti Esa #	13,100	–	–	13,100
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	← Number of Shares in MISC Berhad →			
	Balance as at 1.1.2013	Number of Shares		Balance as at 31.12.2013
		Bought	Sold	

Indirect

Dato' Halipah Binti Esa #	10,000	–	–	10,000
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	← Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad →			
	Balance as at 1.1.2013	Number of Shares		Balance as at 31.12.2013
		Bought	Sold	

Direct

Dato' Halipah Binti Esa	10,000	–	–	10,000
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Indirect

Dato' Halipah Binti Esa #	10,000	–	–	10,000
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Deemed interest by virtue of director's family member's shareholding.

None of the other Directors holding office as at 31 December 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 29 to the financial statements or the remuneration received by the Directors from certain related corporations), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

ULTIMATE HOLDING COMPANY

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up ordinary share capital from RM934,074,279 to RM1,805,333,083 by way of:

- (i) conversion of RM714,110,437 Redeemable Convertible Unsecured Loan Stock ("RCULS") into 360,661,836 new ordinary shares at a conversion price of RM1.98 of RCULS for every one new ordinary share of RM1 each; and
- (ii) issuance of 510,596,968 new ordinary shares of RM1 each at an issue price of RM5.60 per ordinary share as purchase consideration for acquiring the remaining 49.5% equity interest in a subsidiary, Midciti Resources Sdn. Bhd., as disclosed in Note 7 to the financial statements.

As part of its corporate exercise to list 1,805,333,083 stapled securities on the Main Market of Bursa Malaysia Securities Berhad as described in Note 40, the Company undertook a bonus issue of Class A Redeemable Preference Shares ("RPS") to distribute 1,805,333,083 RPS at its par value of RM0.01 each by way of capitalisation of the Company's distributable reserve. The RPS were subsequently redeemed by the Company out of the Company's retained profits and share premium at a premium of RM3.99 per share. The bonus issue and the subsequent redemption thereof is a mechanism undertaken by the Company solely for the purpose of distributing KLCC REIT units to its entitled shareholders.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

OTHER STATUTORY INFORMATION

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

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

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

- (i) that would render if necessary to write off any bad debts or to provide any doubtful debts in the financial statements of the Group and of the 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

OTHER STATUTORY INFORMATION (CONTD.)

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 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial 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 January 2014.

Krishnan C K Menon

Datuk Hashim Bin Wahir

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 46 to 108 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 2013 and of the results of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the supplementary information set out in Note 41 on page 109 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 January 2014.

Krishnan C K Menon

Datuk 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 46 to 109 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)
 in Kuala Lumpur, Wilayah Persekutuan)
 on 21 January 2014)

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman

Commissioner for Oaths

Statement of Financial Position

AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	611,735	598,235	4,980	1,644
Investment properties	6	14,108,652	13,807,130	–	–
Investment in subsidiaries	7	–	–	1,881,234	2,296,832
Investment in an associate	8	273,754	260,846	99,195	99,195
Deferred tax assets	9	911	783	475	383
Amount due from subsidiaries	10	–	–	180,306	174,452
		14,995,052	14,666,994	2,166,190	2,572,506
Current Assets					
Inventories	11	1,568	1,333	–	–
Trade and other receivables	12	185,534	101,875	59,659	67,797
Tax recoverable		619	–	39	–
Cash and bank balances	13	1,081,870	1,020,422	287,649	220,650
		1,269,591	1,123,630	347,347	288,447
TOTAL ASSETS		16,264,643	15,790,624	2,513,537	2,860,953
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	14	1,805,333	934,074	1,805,333	934,074
Share premium	14	–	562,324	–	562,324
Capital redemption reserve	14	18,053	–	18,053	–
Redeemable convertible unsecured loan stocks (RCULS)	15	–	687,990	–	687,990
Capital reserve	2.21	2,300,729	5,025,915	–	–
Retained profits	16	130,561	1,223,761	73,109	561,912
		4,254,676	8,434,064	1,896,495	2,746,300
Non-controlling interest ("NCI") relating to KLCC REIT	7	7,439,979	–	–	–
Stapled Securities holders interests in the Group		11,694,655	8,434,064	1,896,495	2,746,300
Other NCI	7	1,711,711	4,558,241	–	–
Total Equity		13,406,366	12,992,305	1,896,495	2,746,300
Non-Current Liabilities					
Redeemable convertible unsecured loan stocks (RCULS)	15	–	12,870	–	12,870
Deferred revenue	17	52,951	–	–	–
Other long term liabilities	18	124,204	76,509	–	–
Amount due to a subsidiary	19	–	–	–	96,000
Long term borrowings	20	1,569,449	2,298,577	–	–
Deferred tax liabilities	9	25,138	35,628	–	–
		1,771,742	2,423,584	–	108,870

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current Liabilities					
Trade and other payables	22	299,214	246,881	617,042	4,825
Dividend payable		1,961	–	–	–
Borrowings	20	756,563	48,548	–	–
Taxation		28,797	79,306	–	958
		1,086,535	374,735	617,042	5,783
Total Liabilities		2,858,277	2,798,319	617,042	114,653
TOTAL EQUITY AND LIABILITIES		16,264,643	15,790,624	2,513,537	2,860,953
Net asset value (“NAV”)		11,694,655	8,434,064		
Less: RCULS (equity portion)		–	(687,990)		
Adjusted NAV before distribution		11,694,655	7,746,074		
Less: Fourth interim distribution		(69,866)	(42,033)		
Adjusted NAV after distribution		11,624,789	7,704,041		
Number of stapled securities/shares in circulation ('000)		1,805,333	934,074		
Net asset value (“NAV”) per stapled security/share					
- before distribution		6.48	8.29		
- after distribution		6.44	8.25		

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	23	1,278,752	1,178,311	7,075,969	230,359
Operating profit	24	951,120	889,666	3,757,221	208,776
Fair value adjustment of investment properties	6	271,010	1,378,730	–	–
Interest income	25	35,918	25,682	15,413	15,259
Financing costs	26	(123,078)	(124,236)	(1,977)	(7,091)
Share of profit of an associate		12,908	23,654	–	–
Profit before tax	27	1,147,878	2,193,496	3,770,657	216,944
Tax expense	30	(115,522)	(209,067)	(2,648)	(2,756)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME		1,032,356	1,984,429	3,768,009	214,188
Profit attributable to:					
Equity holders of the Company		459,092	1,464,097	3,768,009	214,188
NCI relating to KLCC REIT	7	366,412	–	–	–
		825,504	1,464,097	3,768,009	214,188
Other non-controlling interests	7	206,852	520,332	–	–
		1,032,356	1,984,429	3,768,009	214,188
Total comprehensive income for the year comprises the following:					
Realised		763,235	592,942	3,768,009	214,188
Unrealised		269,121	1,391,487	–	–
		1,032,356	1,984,429	3,768,009	214,188
Earnings per share attributable to equity holders of the Company (sen):					
Basic	31(a)	29.3	156.7		
Diluted	31(b)	29.3	113.2		
Earnings per stapled security					
Basic	31(a)	52.6	N/A		
Diluted	31(b)	52.6	N/A		

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

Statement of Income Distribution to Stapled Securities Holders

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group 2013 RM'000
Overall distributable income is derived as follows:	
Profit attributable to the equity holders of the Company	459,092
Less: Unrealised fair value adjustment attributable to the equity holders	(133,194)
	325,898
Distributable income of KLCC REIT	244,609
Total available for income distribution	570,507
Distribution to equity holders of the Company in respect of financial year ended 31 December 2013:	
First interim dividend of 4.50% paid on 20 June 2013	(81,240)
Second interim dividend of 4.26% paid on 19 September 2013	(76,907)
Third interim dividend of 3.42% paid on 9 December 2013	(61,742)
Fourth interim dividend of 3.87% to be payable on 28 February 2014	(69,866)
	(289,755)
Distribution to KLCC REIT holders in respect of financial period ended 31 December 2013:	
First interim income distribution of 3.19% paid on 3 October 2013	(57,590)
Second interim income distribution of 4.86% paid on 9 December 2013	(87,739)
Third interim income distribution of 4.84% to be payable on 28 February 2014	(87,378)
	(232,707)
Balance undistributed	48,045

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to Equity Holders of the Company										Total equity attributable to holders of the Company RM'000
	Non-Distributable					Distributable					
	Share Capital RM'000	Redeemable Preference Share RM'000	Share Premium RM'000	Capital Redemption Reserve RM'000	Convertible Unsecured Loan Stocks RM'000	Retained Profits RM'000	Capital Reserve RM'000	NCI relating to KLCC REIT RM'000	Other NCI RM'000	Total Equity RM'000	
At 1 January 2013	934,074	-	562,324	-	687,990	1,223,761	5,025,915	-	4,558,241	12,992,305	
Conversion of FCULS	360,662	-	335,641	-	(687,990)	-	-	-	-	8,313	
Acquisition of non-controlling interest	510,597	-	2,348,746	-	-	(14,454)	-	-	(2,853,534)	(8,645)	
Realisation of fair value surplus upon transfer of investment properties to KLCC REIT	-	-	-	-	-	2,858,380	(2,858,380)	-	-	-	
Bonus issue on Redeemable Preference Share ("RPS")	-	18,053	-	-	-	(18,053)	-	-	-	-	
Redemption of RPS	-	(18,053)	(3,246,711)	18,053	-	(3,976,837)	-	7,223,548	-	-	
Effect of transactions with NCI relating to KLCC REIT	-	-	-	-	-	(6,212)	-	6,212	-	-	
Stapled securities associated costs	-	-	-	-	-	-	-	(10,864)	-	(10,864)	
Total comprehensive income for the year	-	-	-	-	-	459,092	-	366,412	206,852	1,032,356	
Transfer of fair value surplus	-	-	-	-	-	(133,194)	133,194	-	-	-	
Dividends paid	-	-	-	-	-	(261,922)	-	(145,329)	(199,848)	(607,099)	
At 31 December 2013	1,805,333	-	-	18,053	-	130,561	2,300,729	7,439,979	1,711,711	13,406,366	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Note	Attributable to Equity Holders of the Company					Total Equity Attributable to Holders of the Company RM'000	Other 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			
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

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Non-Distributable				Distributable		Total Equity RM'000
		Share Capital RM'000	Redeemable Preference Share RM'000	Share Premium RM'000	Capital Redemption Reserve RM'000	Redeemable Convertible Unsecured Loan Stocks RM'000	Retained Profits RM'000	
At 1 January 2013		934,074	-	562,324	-	687,990	561,912	2,746,300
Conversion of Redeemable Convertible Unsecured Loan Stocks	15	360,662	-	335,641	-	(687,990)	-	8,313
Issuance of new shares	7	510,597	-	2,348,746	-	-	-	2,859,343
Bonus issue on Redeemable Preference Share ("RPS")	14	-	18,053	-	-	-	(18,053)	-
Redemption of RPS	14	-	(18,053)	(3,246,711)	18,053	-	(3,976,837)	(7,223,548)
Total comprehensive income for the year		-	-	-	-	-	3,768,009	3,768,009
Dividends paid	32	-	-	-	-	-	(261,922)	(261,922)
At 31 December 2013		1,805,333	-	-	18,053	-	73,109	1,896,495
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	32	-	-	-	-	-	(158,793)	(158,793)
At 31 December 2012		934,074	-	562,324	-	687,990	561,912	2,746,300

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

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	1,289,162	1,149,691	13,078	14,368
Cash payments to suppliers and employees	(233,388)	(243,621)	(28,595)	(19,740)
	1,055,774	906,070	(15,517)	(5,372)
Interest income from fund and other investments	35,420	25,108	6,071	6,314
Tax paid	(177,268)	(142,732)	(3,712)	(2,405)
Net cash generated from/(used in) operating activities	913,926	788,446	(13,158)	(1,463)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	-	7,739	499,834	216,058
Purchase of property, plant and equipment	(38,964)	(19,744)	(1,994)	(387)
Subsequent expenditure on investment properties	(54,498)	(32,472)	-	-
Proceeds from disposal of property, plant and equipment	62	1,437	-	-
Incidental cost on acquisition of non-controlling interest	-	-	(8,644)	-
Subscription of shares in a subsidiary	-	-	(1,000)	-
Net cash (used in)/generated from investing activities	(93,400)	(43,040)	488,196	215,671
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	-	28,000	-	-
Repayment of borrowings	(28,000)	(28,000)	-	-
Dividends paid to shareholders	(261,922)	(158,793)	(261,922)	(158,793)
Dividends paid to other non-controlling interests	(199,848)	(147,690)	-	-
Dividends paid to non-controlling interest relating to KLCC REIT	(143,368)	-	-	-
Stapled securities associated cost paid	(10,864)	-	-	-
Interest expenses paid	(115,076)	(118,919)	(6,535)	(12,699)
Repayment and advances to subsidiaries	-	-	(139,582)	(23,450)
Decrease/(increase) in deposits restricted	15,697	(22,564)	-	-
Net cash used in financing activities	(743,381)	(447,966)	(408,039)	(194,942)
NET INCREASE IN CASH AND CASH EQUIVALENTS	77,145	297,440	66,999	19,266
CASH AND CASH EQUIVALENTS				
AT THE BEGINNING OF THE YEAR	997,132	699,692	220,650	201,384
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	1,074,277	997,132	287,649	220,650
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	42,237	52,216	1,994	387
Accruals	34,337	31,097	1,730	-
	76,574	83,313	3,724	387
Cash paid for additions in prior year	51,225	-	-	-
Cash paid for additions in current year	42,237	52,216	1,994	387
Total cash paid for investment properties and property, plant and equipment	93,462	52,216	1,994	387

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

Notes to the Financial Statements

31 DECEMBER 2013

1. CORPORATE INFORMATION

The 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 immediate and ultimate holding companies of the Company are KLCC (Holdings) Sdn Bhd ("KLCCH") and Petroliam Nasional Berhad ("PETRONAS") respectively, all of which are incorporated in Malaysia.

The principal activities of the Company in the course of the financial year are investment holding, property investment and the provision of management services.

The principal activities of the subsidiaries and associate are stated in Notes 7 and 8.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

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

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

As of 1 January 2013, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standard Board ("MASB") as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

Since the beginning of the financial year, the Group has adopted MFRS 10: *Consolidated Financial Statements*, where control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Basis of Consolidation (Contd.)

Business Combination

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

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

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

Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of 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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Investments

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

The carrying amount of these investments includes fair value adjustments on shareholders loans and advances, if any.

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

2.4 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate investee.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured.

Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transactions costs.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.5 Goodwill**

Goodwill acquired in a business combination is initially measured at cost as described in Note 2.2. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

2.6 Property, Plant and Equipment

Freehold land which has an unlimited life is stated at cost and is not depreciated. Projects-in-progress are stated at cost and are not depreciated as the assets are not available for use. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight line basis over the estimated useful life of the related assets.

The estimated useful life are as follows:

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

Costs are expenditures that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the assets to working condition for their intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.7 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair value of investment properties are recognised in the profit or loss in the year in which they arise.

Where the fair value of the IPUC is not reliably determinable, the IPUC is measured at cost until either its fair value been reliably determinable or construction is complete, whichever is earlier.

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

2.8 Impairment of Non-financial Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.9 Inventories**

Inventories of saleable merchandise and operating supplies are stated at the lower of cost and net realisable value. Cost of inventories is determined using the weighted average cost method and it includes the invoiced value from suppliers, and transportation and handling costs.

2.10 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, and balances and deposits with banks. For the purpose of cash flow statements, cash and cash equivalents include cash on hand and short term deposits with banks with an original maturity of 3 months or less, less restricted cash held in designated accounts on behalf of clients.

2.11 Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the 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. The Group's and the Company's financial assets are classified as loans and receivables.

(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. The Group's and the Company's loans and receivables include trade receivables, other receivables and deposits with licensed banks.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.12 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.

2.13 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.14 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 *Financial Instrument: Recognition and Measurement*, 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.

2.15 Financing Costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.16 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.

2.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in 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 the laws that have been enacted or substantively enacted by the end of the reporting period.

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

The expected manner of recovery of the Group's other investment properties is through sale to a real estate investment trust ("REIT"). No deferred tax is recognised on the fair valuation of these properties as chargeable gains accruing on the disposal of any chargeable assets to a REIT is tax exempted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.18 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:

	2013	2012
	RM	RM
United States Dollar	3.13	3.06

2.19 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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.21 Capital Reserve

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

2.22 Revenue Recognition

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.

2.23 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.

2.24 Operating Segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.25 Fair Value Measurement**

As of 1 January 2013, the Group and the Company adopted MFRS 13: *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

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

(ii) Non-financial assets

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

In accordance with the transitional provision of MFRS 13, the Group and the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

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

As of 1 January 2013, the Group and the Company have adopted the following new and revised MFRSs and IC Interpretation, Amendments to MFRSs and IC Interpretation that have been issued by the Malaysia Accounting Standards Board:

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 3	Business Combinations (IFRS 3 Business Combination issued by IASB in March 2004)
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 (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

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3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs (CONTD.)**Effective for annual periods beginning on or after 1 January 2013 (Contd.)**

IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
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 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 10	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interest in other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
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 IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 - 2011 Cycle)

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretation did not have any significant financial impact to the Group and of the Company, except for:

(i) MFRS 12: Disclosures of Interest in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

(ii) MFRS 13: Fair Value Measurement

MFRS 13 replaces and expands the disclosure requirements about fair value measurements in other MFRS, including MFRS 7: *Financial Instruments: Disclosures*. MFRS 13: *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other MFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon adoption of MFRS 13: *Fair Value Measurement*, the Group and the Company had included additional disclosures about fair value measurement.

In accordance with the transitional provisions of MFRS 13: *Fair Value Measurement*, the Group and the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

The following judgement is made 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: *Investment Properties* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

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

4.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 investment tax allowances to the extent that it is probable that taxable profit will be available against which the losses and investment tax allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)**4.2 Key Sources of Estimation Uncertainty (Contd.)****(iii) Fair valuation of investment properties**

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

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

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated yield and void rate:

	Fair value Increase/(decrease) RM'000
Yield rate	
- 0.25%	543,000
+ 0.25%	(511,000)
Void rate	
- 2.5%	244,000
+ 2.5%	(244,000)

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

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2013								
Cost								
At 1 January 2013	558,605	6,447	119,352	134,148	52,871	1,002	26,367	898,792
Additions	12,019	3,882	15,370	11,653	2,549	72	517	46,062
Transfer within property, plant and equipment	2,669	(6,067)	-	3,398	-	-	-	-
Disposals	-	-	(3,480)	-	(303)	-	(18,055)	(21,838)
Write Off	(1,341)	(57)	(15,689)	(1,148)	(2,090)	-	-	(20,325)
At 31 December 2013	571,952	4,205	115,553	148,051	53,027	1,074	8,829	902,691
Accumulated Depreciation								
At 1 January 2013	89,327	-	83,752	59,527	45,573	969	21,409	300,557
Charge for the year (Note 27)	9,086	-	6,801	10,117	3,217	36	2,592	31,849
Disposals	-	-	(3,419)	-	(303)	-	(18,055)	(21,777)
Write Off	(1,307)	-	(15,678)	(693)	(1,995)	-	-	(19,673)
At 31 December 2013	97,106	-	71,456	68,951	46,492	1,005	5,946	290,956
Net Carrying Amount	474,846	4,205	44,097	79,100	6,535	69	2,883	611,735
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 27)	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

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)*** Lands 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 2013					
Cost					
At 1 January 2013	85,889	390,930	5,950	75,836	558,605
Additions	–	–	185	11,834	12,019
Transfer	–	–	–	2,669	2,669
Write Off	–	(914)	–	(427)	(1,341)
At 31 December 2013	85,889	390,016	6,135	89,912	571,952
Accumulated Depreciation					
At 1 January 2013	–	36,645	5,471	47,211	89,327
Charge for the year	–	6,251	211	2,624	9,086
Write Off	–	(914)	–	(393)	(1,307)
At 31 December 2013	–	41,982	5,682	49,442	97,106
Net Carrying Amount	85,889	348,034	453	40,470	474,846
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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

5. 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 2013						
Cost						
At 1 January 2013	3,437	2,965	5	2,357	323	9,087
Additions	–	–	–	48	3,676	3,724
At 31 December 2013	3,437	2,965	5	2,405	3,999	12,811
Accumulated Depreciation						
At 1 January 2013	3,400	1,802	1	2,240	–	7,443
Charge for the year (Note 27)	37	297	–	54	–	388
At 31 December 2013	3,437	2,099	1	2,294	–	7,831
Net Carrying Amount	–	866	4	111	3,999	4,980
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 27)	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

Property, plant and equipment of a subsidiary at carrying amount of RM588,879,000 (2012: RM580,630,000) has been pledged as securities for loan facilities as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

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6. 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 2013				
At 1 January 2013	13,575,000	202,364	29,766	13,807,130
Additions	27,306	–	3,206	30,512
Transfer within investment properties	9,192	–	(9,192)	–
Fair value adjustments	253,074	17,936	–	271,010
At 31 December 2013	13,864,572	220,300	23,780	14,108,652
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

The following investment properties are held under lease terms:

	Group	
	2013 RM'000	2012 RM'000
Leasehold land	170,000	168,500
Building	297,572	266,500
IPUC at cost	1,581	7,271
	469,153	442,271

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

Investment properties of certain subsidiaries with a carrying value of RM6,837,000,000 (2012: RM6,641,921,000) have been pledged as securities for loan facilities disclosed in Note 20.

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

	Group	
	2013 RM'000	2012 RM'000
Rental income	1,014,073	909,224
Direct operating expenses of income generating investment properties	(96,390)	(92,514)

NOTES TO THE FINANCIAL STATEMENTS

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

Fair value of investment properties are categorised as follows:

	2013			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Group				
- Office properties	-	-	8,842,572	8,842,572
- Retail property	-	-	5,022,000	5,022,000
- Land	-	220,300	-	220,300
	-	220,300	13,864,572	14,084,872

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

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

Transfer between Level 1 and 2 fair values

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

Level 3 fair value

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

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6. INVESTMENT PROPERTIES (CONTD.)**Level 3 fair value (Contd.)**

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

Valuation technique	Significant unobservable inputs	Range	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer below)	Office: - Market rental rate (RM/psf/month) - Outgoings (RM/psf/month) - Void rate (%) - Term yield (%) - Reversionary yield (%)	4.0 - 11.5 1.4 - 2.8 5.0 - 10.0 5.0 - 7.0 5.5 - 7.5	The estimated fair value would increase/(decrease) if: - expected market rental growth were higher/(lower) - expected inflation rate were (higher)/lower - void rate were (higher)/lower - Term yield rate were (higher)/lower - Reversionary yield were (higher)/lower
	Retail: - Market rental rate (RM/psf/month) - Outgoings (RM/psf/month) - Void rate (%) - Term yield (%) - Reversionary yield (%)	4.3 - 361.2 5.1 5.0 6.5 - 7.3 7.0 - 7.8	- expected market rental growth were higher/(lower) - expected inflation rate were (higher)/lower - void periods were shorter/(longer) - Term yield rate was (higher)/lower - Reversionary yield were (higher)/lower

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

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

	RM'000
At 1 January 2013	13,575,000
Addition	27,306
Transfer within investment properties	9,192
Re-measurement recognised in profit or loss	253,074
At 31 December 2013	13,864,572

Valuation processes applied by the Group for Level 3 fair value

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

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares at cost	4,530,109	1,661,121
Discount on loans to subsidiaries	196,314	196,314
Effects of conversion of amounts due from subsidiaries to investment	450,434	439,397
Write-down in value	(i) (3,295,623)	–
	1,881,234	2,296,832

(i) Write-down in value

The investments in certain subsidiaries have been adjusted to their recoverable amount subsequent to the disposal of their assets and liabilities to KLCC REIT as described in Note 40 to the financial statements. There is no financial impact to the Group as KLCC REIT is a subsidiary of the Company and is consolidated in the Group's financial statements.

Acquisition of non-controlling interest

On 10 April 2013, the Company acquired the remaining 49.5% equity interest in MRSB from its non-controlling interest for a total purchase consideration of RM2.86 billion satisfied via issuance of 510,596,958 new ordinary shares at issue price of RM5.60 per ordinary shares. As a result, MRSB became a wholly-owned subsidiary of the Company. On the date of acquisition, the carrying value of the additional interest acquired was RM2.85 billion. The difference between the consideration and the book value of the interest acquired of RM14.4 million is reflected in equity.

Subscription of additional shares issued by a subsidiary

The Company subscribed for 1,000,000 ordinary shares of KLCC REIT Management Sdn Bhd at RM1.00 each for a cash consideration of RM1,000,000.

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

Name of Subsidiaries	Proportion of ownership		Principal Activities
	interest		
	2013 %	2012 %	
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

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2013	2012	
	%	%	
Kompleks Dayabumi Sdn Bhd ("KDSB")	100	100	Property investment
Midciti Resources Sdn Bhd ("MRSB")	100	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	100	Management of a real estate investment trust
KLCC Real Estate Investment Trust ("KLCC REIT")	*	–	Property investment
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB") *	100	–	To undertake the issuance of Islamic term notes ("Sukuk") under a medium term notes programme and all matters relating to it

The country of incorporation and principal place of business of all subsidiaries is Malaysia.

* Whilst the Group has no ownership interests in KLCC REIT, the Directors have deemed it to be a subsidiary as:

- (i) the Group exercise power over KLCC REIT by virtue of its control over KLCC REIT Management, the manager of KLCC REIT; and
- (ii) KLCC REIT units are stapled to the ordinary shares of the Company such that the shareholders of the Company are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT.

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)**Non-controlling interests relating to KLCC REIT**

	2013
NCI percentage of ownership interest and voting interest	100%
Carrying amount of NCI (RM'000)	7,439,979
Profit allocated to NCI (RM'000)	366,412

Summarised financial information before intra-group elimination

As at 31 December	RM'000
Non-current assets - Investment properties	8,817,000
Non-current assets - Others	86
Current assets	427,209
Non-current liabilities	(1,356,504)
Current liabilities	(447,812)
Net assets	7,439,979

Year ended 31 December

Revenue	393,473
Profit for the year, representing total comprehensive income	366,412
Cash flows from operating activities	405,953
Cash flows from investing activities	79,144
Cash flows from financing activities	(198,981)
Net increase in cash and cash equivalents	286,116
Dividend paid to NCI relating to KLCC REIT	(143,368)

Other non-controlling interests in subsidiaries

The Group's subsidiaries that have material other non-controlling interests ("NCI") are as follows:

	SKSB	2013 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,640,055	71,656	1,711,711
Profit allocated to NCI (RM'000)	164,648	42,204	206,852

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)**Summarised financial information of significant subsidiaries before intra-group elimination**

	SKSB 2013 RM'000
As at 31 December	
Non-current assets - Investment properties	4,580,000
Non-current assets - Others	22,689
Current assets	146,845
Non-current liabilities	(132,864)
Current liabilities	(516,533)
Net assets	4,100,137
Year ended 31 December	
Revenue	353,761
Profit for the year, representing total comprehensive income	411,622
Cash flows from operating activities	264,797
Cash flows from investing activities	5,240
Cash flows from financing activities	(380,588)
Net increase in cash and cash equivalents	(110,551)
Dividend paid to other NCI	138,033

	2012			
	SKSB	MRSB	Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%	49.5%		
Carrying amount of NCI (RM'000)	1,613,439	2,868,982	75,820	4,558,241
Profit allocated to NCI (RM'000)	343,280	166,736	10,316	520,332

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)**Summarised financial information of significant subsidiaries before intra-group elimination**

As at 31 December	2012	
	SKSB RM'000	MRSB RM'000
Non-current assets - Investment properties	4,400,000	6,500,000
Non-current assets - Others	23,290	–
Current assets	248,946	201,777
Non-current liabilities	(503,445)	(849,526)
Current liabilities	(135,193)	(56,328)
Net assets	4,033,598	5,795,923
Year ended 31 December		
Revenue	326,142	356,974
Profit for the year, representing total comprehensive income	858,200	336,841
Cash flows from operating activities	248,406	287,108
Cash flows from investing activities	(12,069)	–
Cash flows from financing activities	(170,832)	(194,477)
Net increase in cash and cash equivalents	65,505	92,631
Dividend paid to NCI	68,333	79,357

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT IN AN ASSOCIATE

	2013 RM'000	2012 RM'000
Group		
Unquoted shares at cost	99,195	99,195
Share of post-acquisition reserves	174,559	161,651
	273,754	260,846
Company		
Unquoted shares at cost	99,195	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest	
			2013 %	2012 %
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:

	2013 RM'000	2012 RM'000
Non-current assets	716,000	711,000
Current assets	32,296	13,369
Total assets	748,296	724,369
Non-current liabilities	-	7,724
Current liabilities	13,738	21,204
Total liabilities	13,738	28,928
Results		
Revenue	46,273	45,284
Profit for the year, representing total comprehensive income	39,116	71,681
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	242,404	229,496
Goodwill	31,350	31,350
	273,754	260,846

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. DEFERRED TAX

	Group	
	2013 RM'000	2012 RM'000
At 1 January	(34,845)	(1,519)
Recognised in profit or loss (Note 30)	10,618	(33,326)
At 31 December	(24,227)	(34,845)

	Company	
	2013 RM'000	2012 RM'000
At 1 January	(383)	(326)
Recognised in profit or loss (Note 30)	(92)	(57)
At 31 December	(475)	(383)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are as follows:

	Group	
	2013 RM'000	2012 RM'000
Deferred tax assets	(911)	(783)
Deferred tax liabilities	25,138	35,628
	24,227	34,845

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM'000	Investment property RM'000	Others RM'000	Total RM'000
At 1 January 2013	38,088	12,513	16,115	66,716
Recognised in profit or loss	8,639	(8,974)	(15,205)	(15,540)
At 31 December 2013	46,727	3,539	910	51,176
At 1 January 2012	40,627	–	5,049	45,676
Recognised in profit or loss	(2,539)	12,513	11,066	21,040
At 31 December 2012	38,088	12,513	16,115	66,716

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

	Unused tax losses and investment tax allowances RM'000	Others RM'000	Total RM'000
At 1 January 2013	(30,465)	(1,406)	(31,871)
Recognised in profit or loss	5,614	(692)	4,922
At 31 December 2013	(24,851)	(2,098)	(26,949)
At 1 January 2012	(42,621)	(1,536)	(44,157)
Recognised in profit or loss	12,156	130	12,286
At 31 December 2012	(30,465)	(1,406)	(31,871)

Deferred Tax Liabilities/(Assets) of the Company:

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 January 2013	33	(416)	(383)
Recognised in profit or loss	13	(105)	(92)
At 31 December 2013	46	(521)	(475)
At 1 January 2012	90	(416)	(326)
Recognised in profit or loss	(57)	-	(57)
At 31 December 2012	33	(416)	(383)

10. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Interest free loan	112,306	106,452
Interest bearing loan	68,000	68,000
	180,306	174,452

The interest free amount due from subsidiaries which was fair valued under MFRS 139 are unsecured and repayable within 2 years (2012: 3 years). The interest rate assumed by the Company is 5.50% (2012: 5.50%) per annum.

The interest rate charged by the Company for the interest bearing shareholder's loan is 5.07% (2012: 5.07%) per annum.

11. INVENTORIES

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

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12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Trade receivables	10,331	9,751	–	–
Other receivables				
Other receivables and deposits	12,694	8,594	5,435	2,018
Amount due from:				
Subsidiaries	–	–	47,709	62,065
Ultimate holding company	11,144	24,786	–	–
Immediate holding company	702	–	702	446
Other related companies	15,914	12,075	5,813	3,268
Total other receivables	40,454	45,455	59,659	67,797
Other current assets				
Accrued rental income	134,749	46,669	–	–
Total	185,534	101,875	59,659	67,797
Trade receivables	10,331	9,751	–	–
Other receivables	40,454	45,455	59,659	67,797
Add: Cash and bank balances				
(Note 13)	1,081,870	1,020,422	287,649	220,650
Amount due from subsidiaries				
(Note 10)	–	–	180,306	174,452
Total loans and receivables	1,132,655	1,075,628	527,614	462,899

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

Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purposes:

	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount RM'000
Group 2013			
Amount due from ultimate holding company	13,560	(2,416)	11,144

NOTES TO THE FINANCIAL STATEMENTS

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13. CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	7,223	12,641	196	504
Deposits with licensed banks	1,074,647	1,007,781	287,453	220,146
	1,081,870	1,020,422	287,649	220,650
Less: Deposits restricted	(7,593)	(23,290)	–	–
Cash and cash equivalents	1,074,277	997,132	287,649	220,650

Included in deposits restricted are:

- (i) 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,
- (ii) deposits with licensed banks pledged for credit facilities granted to the Group as set out in Notes 20 and 21 to the financial statements.

14. SHARE CAPITAL

	Group and Company			
	Number of Stapled Securities/Shares		← Amount →	
	Ordinary shares '000	RPS '000	Ordinary shares RM'000	RPS RM'000
Authorised:				
At 1 January 2013/31 December 2012	5,000,000	–	5,000,000	–
Reclassified during the year	(1,805,333)	1,805,333	(18,053)	18,053
At 31 December 2013	3,194,667	1,805,333	4,981,947	18,053

	Number of Shares		← Amount →		
	Ordinary shares '000	RPS '000	Ordinary shares RM'000	RPS RM'000	Share premium RM'000
	Issued and fully paid:				
At 1 January 2013/31 December 2012	934,074	–	934,074	–	562,324
Conversion of RCULS	360,662	–	360,662	–	335,641
Acquisition of NCI (Note 7)	510,597	–	510,597	–	2,348,746
Bonus issue of RPS	–	1,805,333	–	18,053	–
Redemption of RPS	–	(1,805,333)	–	(18,053)	(3,246,711)
At 31 December 2013	1,805,333	–	1,805,333	–	–

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14. SHARE CAPITAL (CONTD.)**Redeemable Preference Shares (“RPS”):**

The bonus issue of RPS and subsequent redemption thereof is a mechanism undertaken by the Company to distribute the KLCC REIT units to its entitled shareholders as described in Note 40 to the financial statements. The RPS rank *pari passu* among themselves and may not be converted into ordinary shares.

Subsequent to the redemption, the par value of the RPS of RM18 million was transferred to the Capital Redemption Reserve.

Stapled security:

Stapled security means one ordinary share in the Company stapled to one unit in KLCC REIT (“Unit”). Holders of KLCCP Stapled Group securities are entitled to receive distributions and dividends declared from time to time and are entitled to one vote per stapled security at Shareholders’ and Unitholders’ meetings.

Issue of shares:

During the financial year, the Company increased its issued and paid up ordinary share capital from RM934,074,279 to RM1,805,333,083 by way of:

- (i) conversion of RM714,110,437 Redeemable Convertible Unsecured Loan Stock (“RCULS”) into 360,661,836 new ordinary shares at a conversion price of RM1.98 of RCULS for every one new ordinary share of RM1 each; and
- (ii) issuance of 510,596,968 new ordinary shares of RM1 each at an issue price of RM5.60 per ordinary share as purchase consideration of acquiring the remaining 49.5% equity interest in a subsidiary.

As part of the corporate exercise to list 1,805,333,083 stapled securities on the main market of Bursa Malaysia Security Berhad, the Company undertook a bonus issue of Redeemable Preference Shares (“RPS”) to distribute 1,805,333,083 RPS at its par value of RM0.01 each by way of capitalisation of the Company’s distributable reserve. The RPS were subsequently redeemed by the Company at a premium of RM3.99 per share out of the Company’s retained profits and share premium. The bonus issue and the subsequent redemption thereof is a mechanism undertaken by the Company solely for the purpose of distributing KLCC REIT units to its entitled shareholders.

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“RCULS”)

Total RCULS of RM714,110,437 were issued on 9 August 2004 at its nominal value of RM1 each as settlement of the net amounts owing by certain subsidiaries to KLCCCH and part settlement and purchase consideration for the acquisition of certain subsidiaries during the financial year ended 31 March 2005.

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15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") (CONTD.)

The terms of the RCULS before the conversion 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 in 2014. The holder of the RCULS, KLCCH, gave 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.

On 10 April 2013, KLCCH issued a conversion notice to the Company exercising its right to convert the RM714,110,437 RCULS into 360,661,836 new ordinary shares. The RCULS conversion was completed on 25 April 2013.

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

	Note	Group and Company	
		2013 RM'000	2012 RM'000
Liability component	(i)	-	12,870
Equity component		-	687,990
		-	700,860
<hr/>			
(i) Liability component			
As at 1 January		12,870	18,479
Interest expense recognised during the year (Note 26)		372	1,552
Payment made during the year		(4,929)	(7,161)
Conversion of RCULS		(8,313)	-
As at 31 December		-	12,870

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16. RETAINED PROFITS

As at 31 December 2013, the Company may distribute the entire balance of the retained profits under the single tier system.

17. DEFERRED REVENUE

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

18. OTHER LONG TERM LIABILITIES

	Group	
	2013 RM'000	2012 RM'000
Security deposit payables	60,565	16,188
Advances from corporate shareholders of subsidiaries	63,639	60,321
	124,204	76,509

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% to 5.20% per annum.

The advances from corporate shareholders are interest free and unsecured with a repayment period of 15 years (2012: 15 years). The fair value at initial recognition was determined based on an interest rate of 5.50% (2012: 5.50%) per annum.

19. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary in prior year relates to a loan taken by the subsidiary but utilised by the Company. The interest incurred on the loan was charged to the Company. The weighted average effective interest rate on the loan as at the reporting date was 5.50% (2012: 5.50%) per annum. The balance has been fully settled by the Company in current year.

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20. BORROWINGS

	Note	Group	
		2013 RM'000	2012 RM'000
Short term borrowings			
Secured:			
Private debt securities	21	288,493	15,676
Islamic debt facility - Ijarah Muntahiyah Bit Tamleek		1,568	1,532
Term loans		466,102	30,940
Unsecured:			
Revolving credit		400	400
		756,563	48,548
Long term borrowings			
Secured:			
Private debt securities	21	579,449	845,084
Islamic debt facility - Ijarah Muntahiyah Bit Tamleek		660,000	660,000
Term loans		330,000	793,493
		1,569,449	2,298,577
Total borrowings			
Secured:			
Private debt securities	21	867,942	860,760
Islamic debt facility - Ijarah Muntahiyah Bit Tamleek		661,568	661,532
Term loans		796,102	824,433
Unsecured:			
Revolving credit		400	400
		2,326,012	2,347,125

Terms and debt repayment schedule as at 31 December 2013

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
Secured					
Private debt securities	867,942	288,493	-	490,795	88,654
Islamic debt facility	661,568	1,568	-	660,000	-
Term loans	796,102	466,102	330,000	-	-
Unsecured					
Revolving credit	400	400	-	-	-
	2,326,012	756,563	330,000	1,150,795	88,654

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20. BORROWINGS (CONTD.)**Terms and debt repayment schedule as at 31 December 2012**

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years 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	–
Term loans	824,433	30,940	793,493	–	–
Unsecured					
Revolving credit	400	400	–	–	–
	2,347,125	48,548	1,045,669	923,419	329,489

(i) Term loans

Fixed and floating rates term loans are secured by way of:

- (i) a fixed charge over the hotel property as well as debenture covering all fixed and floating asset of the property as disclosed in Note 5; and
- (ii) a fixed charge over certain investment properties as disclosed in Note 6

These loans have interest rates which ranges from 4.10% to 7.0% per annum.

(ii) 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 for Tranche 1 is fixed which ranges from 5.06% to 5.32%. The profit rate for Tranche 2 is calculated on 0.75% per annum above the 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 for Tranche 2 calculated in current year is between the range of 4.17% to 4.18%. The profit rate calculated for the revolving credit in current year is between the range of 4.05% to 4.27%. Security is by way of a charge over an investment property of the Group as disclosed in Note 6 and assignment of rental and insurance proceeds.

(iii) Revolving credit

Interest rate ranges from 3.89% to 3.92% (2012: 3.92%) 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.

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21. PRIVATE DEBT SECURITIES

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

	2013 RM'000	2012 RM'000
Secured:		
Sukuk Musharakah	867,942	860,760
Facilities as at 31 December		
Due within 1 year	288,493	15,676
Due more than 1 year	579,449	845,084
	867,942	860,760

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.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Trade payables	10,296	8,180	-	-
Other payables				
Other payables	267,595	220,993	6,103	3,288
Amount due to:				
Subsidiaries	-	-	602,894	398
Ultimate holding company	10,195	7,220	8,045	1,139
Immediate holding company	149	-	-	-
Other related companies	10,979	10,488	-	-
	288,918	238,701	617,042	4,825
Total trade and other payables	299,214	246,881	617,042	4,825
Add: Borrowings (Note 20)	2,326,012	2,347,125	-	-
Other long term liabilities (Note 18)	124,204	76,509	-	-
Total financial liabilities carried at amortised cost	2,749,430	2,670,515	617,042	4,825

Included in other payables of the Group are security deposit of RM103,689,000 (2012: RM98,592,000) 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, immediate holding company and other related companies which arose in the normal course of business are unsecured, interest free and repayable on demand.

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23. REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Property investment				
- Office	589,791	520,246	-	-
- Retail	424,282	388,978	-	-
Hotel operations	165,115	174,326	-	-
Management services	99,564	94,761	13,023	14,301
Dividend income from subsidiaries	-	-	7,062,946	208,318
Dividend income from associate	-	-	-	7,740
	1,278,752	1,178,311	7,075,969	230,359

24. OPERATING PROFIT

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue (Note 23)	1,278,752	1,178,311	7,075,969	230,359
Cost of revenue:				
- Cost of services and goods	(206,796)	(178,810)	-	-
Gross profit	1,071,956	999,501	7,075,969	230,359
Selling and distribution expenses	(10,022)	(9,782)	-	-
Write-down in value	-	-	(3,295,623)	-
Administration expenses	(118,427)	(107,260)	(23,180)	(21,651)
Other operating income	7,613	7,207	55	68
Operating profit	951,120	889,666	3,757,221	208,776

25. INTEREST INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income from:				
Deposits	35,918	25,682	6,111	6,262
Amount due from subsidiaries	-	-	5,855	5,550
Loan to a subsidiary	-	-	3,447	3,447
	35,918	25,682	15,413	15,259

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26. FINANCING COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
Term loans	75,672	77,958	-	-
Revolving credit	21	-	-	-
Profit on private debt securities	41,836	41,094	-	-
RCULS (Note 15)	372	1,552	372	1,552
Accretion of MFRS 139 instruments	5,177	3,632	-	-
Amount due to a subsidiary	-	-	1,605	5,539
	123,078	124,236	1,977	7,091

27. PROFIT BEFORE TAXATION

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Employee benefits expense (Note 28)	81,252	74,527	15,109	13,923
Directors' remuneration (Note 29)	604	592	604	592
Fees for representation on the Board of Directors	91	97	91	97
Management fee in relation to services of key management personnel (Note 29)	758	715	758	715
Auditors' remuneration				
- Audit fees	514	455	176	166
- Others	70	91	44	67
Valuation fees	1,550	1,550	-	-
Depreciation of property, plant and equipment (Note 5)	31,849	29,540	388	461
Rental of land and buildings	-	-	1,589	1,471
Bad debts written off	-	81	-	-
Property, plant and equipment written off	652	-	-	-
Write-down in value on investment in subsidiaries	-	-	3,295,623	-
Loss on disposal of property, plant and equipment	-	8	-	-
Other rental income	(3,212)	(2,894)	-	-

28. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages, salaries and others	74,619	68,571	13,644	12,549
Contributions to defined contribution plan	6,633	5,956	1,465	1,374
	81,252	74,527	15,109	13,923

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29. DIRECTORS' REMUNERATION

	Group and Company	
	2013	2012
	RM'000	RM'000
Directors of the Company		
Executive *		
Benefits-in-kind	-	-
Non-Executive:		
Fees	604	592
	604	592
Analysis excluding benefits-in-kind:		
Total non-executive directors' remuneration	604	592

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

	2013	2012
Executive director		
RMNil	1	1
Non-executive directors		
RMNil - RM50,000	2	-
RM50,001 - RM100,000	4	5
RM100,001 - RM150,000	1	1

* The remuneration of the Executive Director is paid to KLCC (Holdings) Sdn Bhd as disclosed in Note 27.

30. TAX EXPENSE

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	127,998	175,741	2,799	2,813
Over provision of tax in prior year	(1,858)	-	(59)	-
	126,140	175,741	2,740	2,813

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30. TAX EXPENSE (CONTD.)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax (Note 9)				
Relating to origination and reversal of temporary differences	(7,587)	32,837	(86)	(57)
(Over)/under provision of deferred tax in prior year	(3,031)	489	(6)	–
	(10,618)	33,326	(92)	(57)
Total tax expense	115,522	209,067	2,648	2,756

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

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:

	2013 RM'000	2012 RM'000
Group		
Profit before taxation	1,147,878	2,193,496
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	286,970	548,374
Expenses not deductible for tax purposes	14,305	11,226
Income not subject to tax	(126,144)	(345,108)
Effects of share of results of associate	(3,227)	(5,914)
Deferred tax recognised at different tax rates	(14,158)	–
Deferred tax liability derecognised upon disposal of investment properties to KLCC REIT	(41,656)	–
Deferred tax assets not recognised on unabsorbed capital allowances	4,321	–
(Over)/under provision of deferred tax in prior year	(3,031)	489
Over provision of taxation in prior year	(1,858)	–
Tax expense	115,522	209,067
Company		
Profit before taxation	3,770,657	216,944
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	942,664	54,236
Income not subject to tax	(1,767,176)	(51,838)
Expenses not deductible for tax purposes	827,225	358
Over provision of deferred tax in prior year	(6)	–
Over provision of taxation in prior year	(59)	–
Tax expense	2,648	2,756

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31. EARNINGS PER SHARE/STAPLED SECURITY**(a) Basic**

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

Basic earnings per stapled security amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company and unit holders of the KLCC REIT by the weighted average number of stapled securities in issue during the financial year.

	2013	2012
Profit attributable to equity holders of the Company (RM'000)	459,092	1,464,097
Profit attributable to NCI relating to KLCC REIT (RM'000)	366,412	–
Profit attributable to stapled security holders (RM'000)	825,504	1,464,097
Weighted average number of stapled securities/shares in issue ('000) *	1,569,019	934,074
Basic earnings per share (sen)	29.3	156.7
Basic earnings per stapled security (sen)	52.6	N/A

(b) Diluted

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

	2013	2012
Profit attributable to ordinary equity holders of the Company (RM'000)	459,092	1,464,097
After-tax effect of interest on RCULS (RM'000)	–	1,164
Profit attributable to equity holders of the Company (RM'000)	459,092	1,465,261
Profit attributable to NCI relating to KLCC REIT (RM'000)	366,412	–
Profit attributable to stapled security holders (RM'000)	825,504	1,465,261
Weighted average number of stapled securities/shares in issue ('000) *	1,569,019	934,074
Adjustment for assumed conversion of RCULS ('000)	–	360,662
Weighted average number of stapled securities/shares in issue and issuable ('000)	1,569,019	1,294,736
Diluted earnings per share (sen)	29.3	113.2
Diluted earnings per stapled security (sen)	52.6	N/A

* The weighted average number of stapled securities/shares takes into account the weighted average effect of RCULS conversion and acquisition of NCI during the year.

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32. DIVIDENDS

	Dividends Recognised in Year		Net Dividends per Ordinary Share	
	2013 RM'000	2012 RM'000	2013 Sen	2012 Sen
Recognised during the year:				
A fourth interim (2012: A second interim) dividend of 4.5% (2012: 5.0%) on 934,074,279 ordinary shares for financial year ended 31 December 2012/2011	42,033	46,704	4.50	5.00
A first interim dividend of 4.5% (2012: 4.0%) on 1,805,333,083 (2012: 934,074,279) ordinary shares for financial year ended 31 December 2013/2012	81,240	37,363	4.50	4.00
A second interim dividend of 4.26% (2012: 4.0%) on 1,805,333,083 (2012: 934,074,279) ordinary shares for financial year ended 31 December 2013/2012	76,907	37,363	4.26	4.00
A third interim dividend of 3.42% (2012: 4.0%) on 1,805,333,083 (2012: 934,074,279) ordinary shares for financial year ended 31 December 2013/2012	61,742	37,363	3.42	4.00
	261,922	158,793	16.68	17.00

A fourth interim dividend in respect of the financial year ended 31 December 2013, of 3.87%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM69.87 million will be payable on 28 February 2014.

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 2014.

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

	Group	
	2013 RM'000	2012 RM'000
Approved and contracted for		
Property, plant and equipment	13,209	29,032
Investment property	8,384	42,513
	21,593	71,545
Approved but not contracted for		
Property, plant and equipment	42,014	30,635
Investment property	26,299	38,705
	68,313	69,340

(b) Operating lease commitments - as lessor

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

	Group	
	2013 RM'000	2012 RM'000
Not later than 1 year	462,127	457,443
Later than 1 year but not later than 5 years	1,923,935	1,907,046
More than 5 years	4,788,578	5,267,593
	7,174,640	7,632,082

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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 7.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Federal Government of Malaysia				
Property licences and taxes	(11,763)	(8,716)	-	-
Government of Malaysia's related entities				
Purchase of utilities	(30,889)	(26,158)	(250)	(250)
Hotel revenue	3,511	4,166	-	-
Ultimate Holding Company:				
Rental income	519,204	365,053	-	-
Facilities management and manpower fees	15,771	13,816	-	-
Rental of carpark space	(7,051)	(5,649)	-	-
Fees for representation on the Board of Directors*	(91)	(97)	(91)	(97)
Hotel revenue	3,439	5,467	-	-
Subsidiaries				
Interest expense	-	-	(1,605)	(5,539)
Rental expense	-	-	(1,589)	(1,471)
Reimbursement of security costs	-	-	(51)	(48)
General management services fee	-	-	6,055	6,024
Interest income arising from MFRS 139	-	-	5,855	5,550
Interest income from shareholder's loan	-	-	3,447	3,447
Other Related Companies:				
Facilities management and manpower fees	19,247	15,396	-	-
General management services fee	6,969	7,476	6,969	7,476
Lease rental	23,612	22,725	-	-
Management and incentive fees	2,847	2,458	-	-
Chilled water supply	(25,492)	(27,596)	-	-
Interest expense	(372)	(1,552)	(372)	(1,552)
Project management fees	(2,275)	(2,813)	-	-
Rental of carpark space	(5,961)	(5,197)	-	-

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

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.)**

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 2013 are disclosed in Notes 12 and 22.

(c) Compensation of key management personnel
Directors

The remuneration of Directors is disclosed in Note 29.

Other key management personnel

Datuk 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 for his services to the Company as disclosed in Note 27.

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.

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

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

	Group	
	2013	2012
	RM'000	RM'000
Property investment		
- Office	1,823	1,801
- Retail	748	-
Hotel operations	6,462	6,779
Management services	1,298	1,171
	10,331	9,751

	Group	
	2013	2012
	RM'000	RM'000
The ageing of trade receivables as at the reporting date was:		
Not past due	7,263	6,984
Past due 1 to 30 days	1,543	1,083
Past due 31 to 60 days	662	1,288
Past due 61 to 90 days	332	208
Past due more than 90 days	531	188
	10,331	9,751

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

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

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

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

Maturity analysis

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

31 December 2013	Carrying	Effective	Contractual	Within			More than
Group	amount	interest rate	cash flow *	1 year	1-2 years	2-5 years	5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Liabilities							
Fixed rate secured term loans	454,581	6.25	480,801	480,801	-	-	-
Floating rate secured term loans	341,521	4.10	359,142	23,693	335,449	-	-
Revolving credit	400	3.89	404	404	-	-	-
Private Debt Securities	867,942	3.87	992,885	311,627	24,174	556,520	100,564
Fixed rate Islamic debt facility	300,513	5.14	351,206	15,599	15,599	320,008	-
Floating rate Islamic debt facility	361,055	4.15	415,522	14,973	14,983	385,596	-
Trade and other payables	299,214	-	299,214	299,214	-	-	-
Company							
Financial Liabilities							
Trade and other payables	617,042	-	617,042	617,042	-	-	-
31 December 2012							
Group	Carrying	Effective	Contractual	Within			More than
	amount	interest rate	cash flow *	1 year	1-2 years	2-5 years	5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	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	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	-	-	-

* 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate instruments				
Financial assets	1,074,647	1,007,781	287,453	220,146
Financial liabilities	(1,623,029)	(1,634,483)	-	(96,000)
Floating rate instruments				
Financial liabilities	(702,983)	(712,642)	-	-

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
2013		
KLIBOR	-60	4,202
KLIBOR	+60	(4,202)
2012		
KLIBOR	-60	3,900
KLIBOR	+60	(3,900)

This analysis assumes that all other variables remain constant.

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

Group 2013	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	
	RM'000	RM'000	RM'000	RM'000	
Financial liabilities					
Term loans	–	790,392	–	790,392	796,102
Islamic debt facility	–	637,577	–	637,577	661,568
Revolving credit	–	400	–	400	400
Private debt securities	–	870,805	–	870,805	867,942

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. CAPITAL MANAGEMENT (CONTD.)

The debt to equity ratio as at 31 December 2013 and 2012 is as follows:

	Group	
	2013	2012
Total debt (RM'000)	2,326,102	2,347,125
Total equity (excluding Other NCI) (RM'000)	11,694,655	8,434,064
Debt equity ratio	17:83	22:78

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, management of a real estate investment trust and general management services.

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

(b) Allocation basis and transfer pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

37. SEGMENT INFORMATION (CONTD.)**Business Segments****31 December 2013**

	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	589,791	424,282	165,115	99,564	-	1,278,752
Inter-segment revenue	1,251	14,687	-	40,634	(56,572)	-
Total revenue	591,042	438,969	165,115	140,198	(56,572)	1,278,752
Results						
Operating profit	516,132	367,705	32,986	57,078	(22,781)	951,120
Fair value adjustment on investment properties	147,314	123,696	-	-	-	271,010
Financing costs						(123,078)
Interest income						35,918
Share of profit of associate						12,908
Tax expense						(115,522)
Profit after tax but before non-controlling interests						1,032,356
Segment assets	10,366,485	5,196,837	715,054	59,485	(346,972)	15,990,889
Investment in an associate	-	-	-	99,195	174,559	273,754
Total assets						16,264,643
Total liabilities	1,971,173	665,871	432,538	644,828	(856,133)	2,858,277
Capital expenditure	736	1,600	32,389	11,337	-	46,062
Depreciation	2,697	2,056	24,078	3,018	-	31,849
Non-cash items other than depreciation	548	103	-	8	-	659

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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	499,476	325,663	40,755	30,896	(7,124)	889,666
Fair value adjustment on investment properties	729,178	649,552	–	–	–	1,378,730
Financing costs						(124,236)
Interest income						25,682
Share of profit of associate						23,654
Tax expense						(209,067)
Profit after tax but before non-controlling interests						<u>1,984,429</u>
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	<u>260,846</u>
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

31 DECEMBER 2013

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 January 2014

Amendments to MFRS 10	Investment Entities
Amendments to MFRS 12	Investment Entities
Amendments to MFRS 127	Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

Effective for annual periods beginning on or after 1 January 2015

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

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

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

The MASB has issued an IC interpretation which is not yet effective. However, it 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 2014

IC Interpretation 21	Levies
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

40. SIGNIFICANT EVENT DURING THE YEAR

On 9 May 2013, the Company completed its corporate exercise in relation to the creation of stapled securities comprising units in a Real Estate Investment Trust ("REIT") which were stapled together with the ordinary shares of the Company and listed on the Main Market of Bursa Malaysia Securities Berhad with the objective of optimising shareholders' 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 was completed on 10 April 2013.
- (b) The transfer of investment properties held via its wholly-owned subsidiaries, namely the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS into KLCC REIT, including the associated rights and benefits and the related assets and liabilities, for a total purchase consideration of RM8.82 billion to be satisfied by the issuance of KLCC REIT units ("Units") and assumption of debt obligations and liabilities. The acquisition by KLCC REIT was completed on 2 May 2013 in respect of Menara 3 PETRONAS and on 3 May 2013 in respect of PETRONAS Twin Towers and Menara ExxonMobil.
- (c) The distribution of Units to the entitled shareholders by way of bonus issue of 1,805,333,083 RPS at its par value of RM0.01 each by way of capitalisation of the Company's distributable reserve on 6 May 2013, and subsequent redemption by the Company out of its retained profits and share premium at a premium of RM3.99 per share on 7 May 2013. This resulted in each entitled shareholder holding one Unit for every one existing ordinary share in the Company ("KLCCP Shares").
- (d) The restructuring of KLCCP Group into a stapled structure ("KLCCP Stapled Group") took place on 7 May 2013 where the KLCCP Shares were stapled together with the Units on one for one basis, via a stapling deed 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, were quoted and traded as one security on the Main Market of Bursa Securities on 9 May 2013.

Stapling is a legal concept which involves two or more securities being contractually bound together, usually via a stapling deed. By stapling one KLCCP share with one Unit, the two securities must be attached as "stapled" together, so that one cannot trade without the other.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

41. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	581,238	2,880,873	73,109	561,912
- Unrealised	26,949	31,871	-	-
	608,187	2,912,744	73,109	561,912
Total share of retained profits from an associate:				
- Realised	85,449	74,191	-	-
Total Group retained profits	693,636	2,986,935	73,109	561,912
Less: Consolidation adjustments	(563,075)	(1,763,174)	-	-
Total Group and Company retained profits	130,561	1,223,761	73,109	561,912

The fair value gain of RM2,300,729,000 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 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 108.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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 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 2013 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 financial statements 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 on page 109 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.

OTHER MATTERS

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

Ernst & Young

AF: 0039

Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim

No. 2607 / 12 / 14 (J)

Chartered Accountant

Kuala Lumpur, Malaysia

21 January 2014

Analysis of Shareholdings and Unitholdings

AS AT 20 JANUARY 2014

For the purpose of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, both KLCC Property Holdings Berhad (“KLCCP”) and KLCC Real Estate Investment Trust (“KLCC REIT”) are classified as “listed issuers”.

Listed Issuer	: KLCC Property Holdings Berhad
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	: 1,805,333,083 Ordinary Shares of RM1.00 each
No. of Shareholders	: 5,794
Voting Rights	: One vote for each share

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

Under the “stapled” structure, all ordinary shares of KLCCP are stapled together with all units of KLCC REIT (“Stapled Securities”). Therefore, the information on Distribution of Stapled Securities Holders, Directors’ interest in Listed Issuers, Substantial Shareholders of the Listed Issuers and Thirty Largest Stapled Securities Holders stated below is based on Stapled Securities structure.

DISTRIBUTION OF STAPLED SECURITIES HOLDINGS

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

DIRECTORS’ INTERESTS IN THE LISTED ISSUERS

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

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 20 JANUARY 2014

DIRECTORS' INTERESTS IN RELATED CORPORATIONS**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
Datuk Hashim Bin Wahir	16,000	0.000	–	–

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

MISC Berhad

Name	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
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

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

SUBSTANTIAL SHAREHOLDERS OF THE LISTED ISSUERS

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

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

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 20 JANUARY 2014

THIRTY LARGEST STAPLED SECURITIES HOLDERS

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

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 20 JANUARY 2014

THIRTY LARGEST STAPLED SECURITIES HOLDERS (CONT'D.)

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

List of Properties of KLCCP Stapled Group

AS AT 31 DECEMBER 2013

KLCC Property Holdings Berhad

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 31.12.2013 (RM mil)
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town of Kuala Lumpur	01.11.2013 (Freehold)	A 6 storey retail centre (Suria KLCC) / Shopping Centre	28,160	143,564	15 years	4,580.0 *
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town of Kuala Lumpur	15.12.2013 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental Kuala Lumpur) / Hotel	8,094	92,782.8	15 years	543.6
Impian Klasik Sdn Bhd	Grant 43696 Lot 168, Seksyen 58, Town of Kuala Lumpur	01.11.2013 (Freehold)	A 49 storey purpose built office building with a lower ground concourse level (Menara Maxis) / Office building	4,329	74,874	15 years	716.0 *

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2013

KLCC Property Holdings Berhad (Contd.)

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 31.12.2013 (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	01.11.2013 (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	31 years	469.2 *
	PN 32233, Lot 51, Seksyen 70, Town of Kuala Lumpur	01.11.2013 (Leasehold of 98 years expiring on 21.1.2079)					
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town of Kuala Lumpur	01.11.2013 (Freehold)	Vacant Land	5,726	-	-	242.5 *

* Investment Properties stated at fair value

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2013

KLCC Real Estate Investment Trust

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 31.12.2013 (RM mil)
KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town of Kuala Lumpur	01.11.2013 (Freehold)	A 29 storey office building with three basement levels (Menara ExxonMobil) / Office building	3,999	74,312.7	17 years	457.0 *
KLCC Real Estate Investment Trust	Grant 43699 Lot 171, Seksyen 58, Town of Kuala Lumpur	01.11.2013 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park	4,302	155,295	2 years	1,800.0 *
KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town of Kuala Lumpur	01.11.2013 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers) / Office building	21,740	510,901	16 years	6,560.0 *

* Investment Properties stated at fair value

Corporate Directory

KLCC PROPERTY HOLDINGS BERHAD

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Jalan Sultan Hishamuddin
P.O. Box 13214
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KLCC PARKING MANAGEMENT SDN BHD

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KLCC REIT MANAGEMENT SDN BHD

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KLCC URUSHARTA SDN BHD

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