



KLCCP Stapled Group

Annual Report 2015

Rising to the Challenge

KLCC PROPERTY HOLDINGS BERHAD (641576-U)
KLCC REAL ESTATE INVESTMENT TRUST

RIISING TO THE CHALLENGE

Against an ever changing environment, KLCCP Stapled Group remains in a position of readiness to respond to the challenges of the market by

**LEVERAGING ON OUR CORE COMPETENCIES TO
CREATE VALUE**

**INCREASING COMPETITIVE ADVANTAGE IN
DELIVERING SUSTAINABLE RETURNS**

**EMBRACING THE RIGHT VALUES AND ATTITUDES
TO STEER THE ORGANISATION TOWARDS
SUCCESS**

**CREATING A WELL-TRAINED AND SKILLED
WORKFORCE TO SET THE PACE AND INCREASE
MOMENTUM**

With focus on our strong fundamentals, KLCCP Stapled Group will provide a conducive business environment for future development and long term stability to meet the needs of stakeholders and remain resilient into the future



WHAT'S IN THIS YEAR'S REPORT

VISION

To be the leading Real Estate Investment Group of Choice

MISSION

- Maximise Value of Investment and Returns to Holders of Stapled Securities
- Committed to Deliver Sustainable Performance and Growth
- Build Rounded Capabilities in Real Estate Investment

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SHARED VALUES

- **LOYALTY**
Loyalty to Corporation and Nation
- **PROFESSIONALISM**
Committed, Proactive and Always Striving for Excellence
- **INTEGRITY**
Honest and Upright
- **COHESIVENESS**
United in Purpose and Fellowship
- **INNOVATIVE**
Trend Setting Mentality through Creation of New Products, Ideas and Ways of Doing

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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 were stapled together with the units in KLCC Real Estate Investment Trust ("KLCC REIT") forming the resultant KLCCP Stapled Securities.

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

Upon completion of the corporate restructuring exercise, the office buildings held by the subsidiaries of KLCCP namely *PETRONAS Twin Towers*, *Menara ExxonMobil* and *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 KLCC REIT in accordance with its objectives and investment policy.

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.

CORPORATE INFORMATION

KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")
KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")

MANAGER FOR KLCC REIT

KLCC REIT Management Sdn. Bhd.

DATUK HASHIM BIN WAHIR
(Chief Executive Officer)

DATUK PRAGASA MOORTHY A/L
KRISHNASAMY
(Non-Independent Non-Executive Director)

BOARDS OF DIRECTORS OF KLCCP AND THE MANAGER

MR. KRISHNAN C K MENON
(Independent Non-Executive Director/
Chairman)

DATUK MANHARLAL A/L RATILAL
(Non-Independent Non-Executive Director)

MR. AUGUSTUS RALPH MARSHALL
(Independent Non-Executive Director)

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

CIK HABIBAH BINTI ABDUL
(Independent Non-Executive Director)

DATO' HALIPAH BINTI ESA
(Independent Non-Executive Director)

BOARD AUDIT COMMITTEES OF KLCCP AND THE MANAGER

MR. AUGUSTUS RALPH MARSHALL
(Chairman)
DATUK MANHARLAL A/L RATILAL
DATO' HALIPAH BINTI ESA
CIK HABIBAH BINTI ABDUL

CORPORATE OFFICE OF KLCCP AND THE MANAGER

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7810

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

NOMINATION AND REMUNERATION COMMITTEES OF KLCCP AND THE MANAGER

DATO' HALIPAH BINTI ESA (Chairperson)
DATUK MANHARLAL A/L RATILAL
CIK HABIBAH BINTI ABDUL

SHARE REGISTRAR FOR KLCCP AND KLCC REIT

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

INTERNAL AUDITOR

Group Internal Audit Division
KLCC (Holdings) Sdn Bhd
Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7810

COMPANY SECRETARIES OF KLCCP AND THE MANAGER

EN. ABD AZIZ BIN ABD KADIR (LS0001718)
Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Telephone No. : 03-2783 6000
Facsimile No. : 03-2783 7810

TRUSTEE FOR KLCC REIT

Maybank Trustees Berhad
8th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Telephone No. : 03-2070 8833/2078 8363
Facsimile No. : 03-2070 9387

PRINCIPAL BANKERS FOR KLCCP AND KLCC REIT

CIMB Islamic Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad

MR. YEAP KOK LEONG (MAICSA 0862549)
c/o Tricor Corporate Services Sdn Bhd
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Telephone No. : 03-2783 9191
Facsimile No. : 03-2783 9111

PROPERTY MANAGER FOR KLCC REIT

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

STOCK EXCHANGE LISTING

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

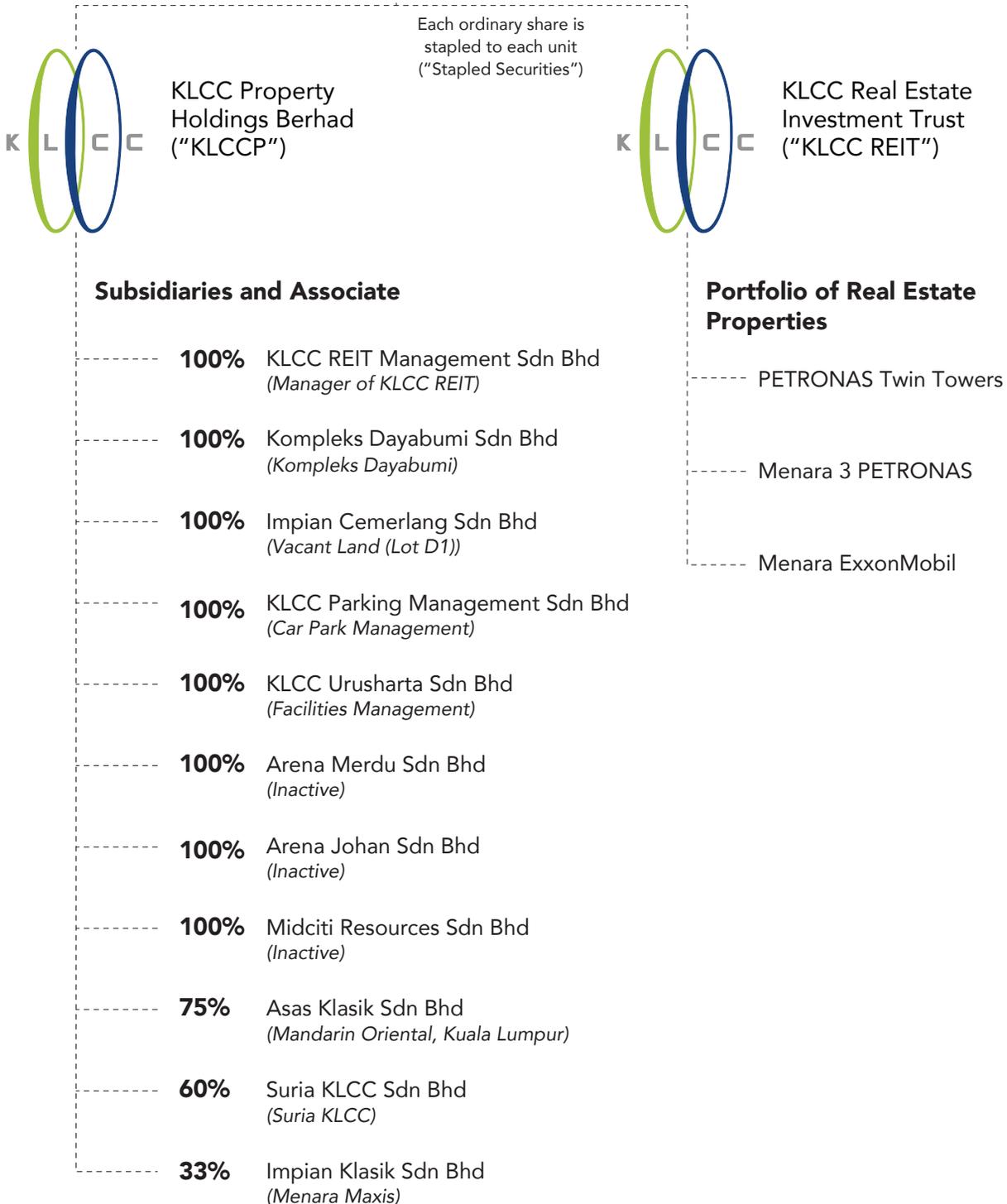
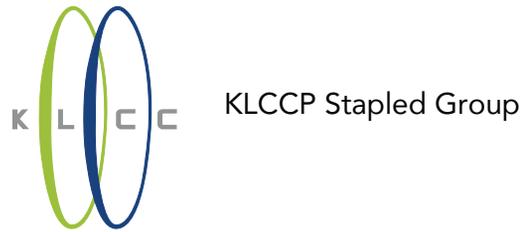
REGISTERED OFFICE OF KLCCP AND THE MANAGER

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

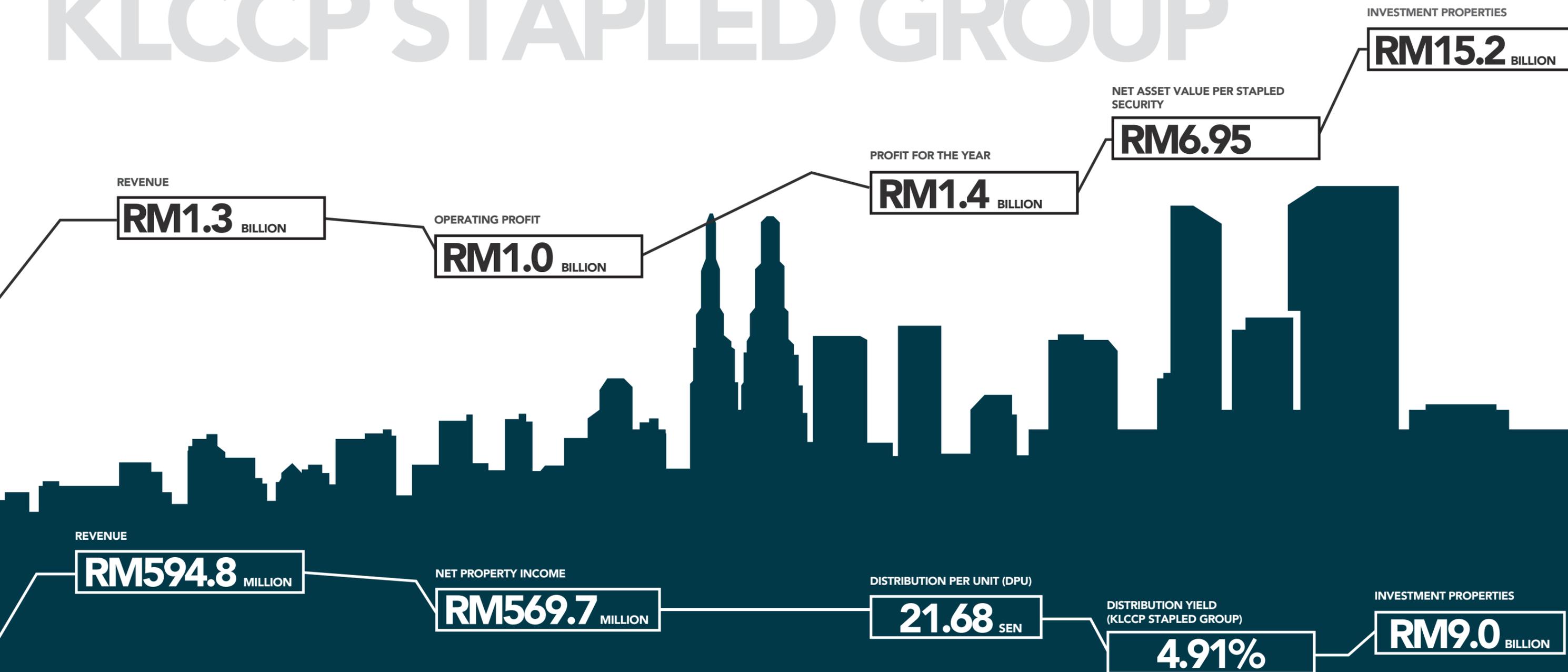
SHARIAH ADVISER FOR KLCC REIT

CIMB Islamic Bank Berhad
Level 34, Menara Bumiputra Commerce
11, Jalan Raja Laut
50350 Kuala Lumpur
Telephone No. : 03-2619 1188
Facsimile No. : 03-2619 3657

KLCCP STAPLED GROUP STRUCTURE



KLCCP STAPLED GROUP



KLCC REIT

“THROUGHOUT 2015, WE REMAINED FOCUSED ON OUR STRATEGIES AND DELIVERED ON OUR COMMITMENT IN PROVIDING SUSTAINABLE RETURNS AND DIVIDENDS TO OUR HOLDERS OF STAPLED SECURITIES, ACHIEVING A 98% DISTRIBUTION OF OUR OVERALL DISTRIBUTABLE INCOME.”

CHAIRMAN'S STATEMENT

KRISHNAN C K MENON
CHAIRMAN

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), it is my pleasure to present the Annual Report of KLCCP Stapled Group comprising KLCCP Group and KLCC REIT for the financial year ended 31 December 2015.





As at 31 December 2015,
the value of KLCCP Stapled
Group's portfolio of assets
was in excess of

RM 17 BILLION

2015 was indeed a challenging year with macroeconomic uncertainties in the global economy and tighter fiscal measures domestically. In spite of the tough operating conditions, KLCCP Stapled Group rose to the challenges and maintained its resilience operationally to achieve a stable performance with its high quality real estate portfolio. Throughout 2015, we remained focused on our strategies and delivered on our commitment in providing sustainable returns and dividends to the holders of Stapled Securities, achieving a 98% distribution of our overall distributable income. As at 31 December 2015, the value of KLCCP Stapled Group's portfolio of assets was in excess of RM17 billion with market capitalisation of RM12.7 billion.

ACCOMPLISHMENTS FOR THE YEAR

We are proud that KLCCP Stapled Group is continuously recognised for its excellence in the industry which adds to our brand and enhances our commercial reach significantly.

CHAIRMAN'S STATEMENT



THOUGH OUR RETAIL AND HOTEL COMPONENTS WERE FACED WITH VARIOUS MARKET CHALLENGES, OUR RESILIENT INCOME SUPPORTED BY HIGH QUALITY OFFICE ASSETS IN THE PRIME LOCATION OF THE CITY CENTRE HAVE ENABLED KLCCP STAPLED GROUP TO ACHIEVE A STABLE AND CONSISTENT PERFORMANCE FOR THE YEAR IN REVIEW.



Our establishment of the Sukuk Murabahah Programme of up to RM3.0 billion for KLCC REIT in 2014 continued to be well recognised by the industry with KLCC REIT being accorded the Best REIT SUKUK by Asset Asian Awards 2015 and the RAM Ratings BluePrint Award 2014 for New Real Estate Benchmark Deal in March 2015. As part of our efficient capital management initiatives to manage our cost of funds and refinancing risks, KLCCP Stapled Group undertook the restructuring of existing facilities of our hotel, Mandarin Oriental Kuala Lumpur, into term loan facilities in the aggregate principal sum of RM378 million for a tenure of 10 years maturing in 2025.

Our iconic properties continue to do us proud with the accreditation by Green Buildings Index (GBI) Malaysia of the Provisional Gold Certification for PETRONAS Twin Towers and the Provisional Silver Certification for Menara 3 PETRONAS in April 2015. This is indeed a step closer towards the full GBI certification and in line with our strategy towards sustainable development and operational efficiency of our assets.

In demonstrating best practices and continuously monitoring safety and health of our workers at sites, KLCCP's wholly-owned subsidiary, KLCC Parking Management Sdn Bhd (KPM) was awarded the OSH Management on Parking Management Services (Gold Award) by the Malaysian Occupational Safety and Health Practitioner's Association (MOSHPA). KPM also received recognition for the Largest Parking Guiding System from its global vendor, CirControl, Spain for the installation of the Parking Guiding System in the North West Development car parks at KLCC Precinct.

It has been a year since the FTSE4Good Bursa Malaysia (F4GBM) Index was launched and this year, we are proud to announce that in December 2015, KLCCP Stapled Group was included into the FTSE4Good Bursa Malaysia Index for demonstrating transparent and defining strong environmental, social and governance (ESG) practices. This is an accomplishment towards our journey of sustainable investment and development through economic, environmental and socially responsible efforts.

THE YEAR THAT WAS

The past year has turned out to be an extraordinarily challenging one for the Boards, for management and our investors. 2015 saw its many challenges with the uncertain global growth, subdued oil prices, financial market volatility and the implementation of the Goods and Services Tax (GST) leading to an overall consumption slowdown. Though our retail and hotel components were faced with these various market challenges, our resilient income supported by high quality office assets in the prime location of the City Centre have enabled KLCCP Stapled Group to achieve a stable and consistent performance for the year in review.

For the financial year ended 31 December 2015, KLCCP Stapled Group achieved profit attributable to the holders of Stapled Securities of RM1,131.5 million, representing a 21% year-on-year growth. This is inclusive of fair value gain on investment properties of RM578.8 million which did not impact KLCCP 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 RM724.5 million, a 5% increase from the previous year.

The performance of KLCC REIT was underpinned by the resilience of the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS. The assets generated total comprehensive income

For the financial year ended 31 December 2015, KLCCP Stapled Group achieved profit attributable to the holders of Stapled Securities of

RM 1,131.5 MILLION

representing a
21% GROWTH
year-on-year

(excluding fair value adjustment) of RM459.3 million, an 8% increase from 2014. The office segment contributed 95% of the total comprehensive income while the remaining 5% was derived from the retail segment.

In upholding our continued commitment to a stable dividend pay-out to the holders of Stapled Securities and in spite of the challenging year that was, KLCCP Stapled Group distributed 98% of its distributable income for the FY2015. The Boards of KLCCP and KLCCRM had approved 4 interim dividends totaling 34.65 sen per stapled security, exceeding last year's distribution of 33.64 sen. The total payments to the holders of Stapled Securities comprised 12.97 sen from KLCCP and 21.68 sen from KLCC REIT. This translates to a full year dividend payment of RM625.5 million to the holders of Stapled Securities, from RM607.3 million in 2014.

The share price of KLCC Stapled Securities surpassed the RM7.00 mark and held firm to end the year and closed at RM7.06 on 31 December 2015, a capital appreciation of 5.2% from the close of RM6.71 as at 31 December 2014. This contributed a total annual return of 10.1% to the holders of Stapled Securities. This is testament to the resilience of KLCCP Stapled Group earnings backed by strong fundamentals despite the challenges and volatility in the global and domestic markets.

CHAIRMAN'S STATEMENT

WITH OUR STRONG FUNDAMENTALS, KLCCP STAPLED GROUP IS WELL POSITIONED TO MEET THE CHALLENGES AHEAD AND BE IN A POSITION OF STRENGTH AND STABILITY.

COMMITMENT TO CORPORATE GOVERNANCE AND SUSTAINABILITY

Our Boards regard good corporate governance as a fundamental component of our commitment to the holders of Stapled Securities and of critical importance to all stakeholders of KLCCP Stapled Group. The Boards are committed in ensuring KLCCP Stapled Group's investors have access to information about our investments and strive to ensure that KLCCP Stapled Group meets high standards of governance across its operations.

KLCCP Stapled Group is also committed to operating in a sustainable manner taking into account the needs of all stakeholders and the impact on the environment and communities in which we operate in. We take pride in being a constituent of the FTSE4Good Bursa Malaysia Index and we strive to improve our Corporate Responsibility & Sustainability Report for our investors in line with the Listing Requirements of Bursa Malaysia – taking into consideration the economic, environment and social risks and opportunities alongside the financial implications.

OUTLOOK AND PROSPECTS OF KLCCP STAPLED GROUP

With tough times expected entering into 2016, KLCCP Stapled Group continues to be sensitive and vigilant to changes in the external environment, while focusing on our core competencies in our key market segments in order to remain competitive in undertaking our investment decisions.

The future outlook is expected to remain challenging with uncertainties in growth and currencies feeding into continued market volatility and macroeconomic uncertainty globally. Domestically, consumption slowdown is anticipated with consumers reacting to possible higher inflation and economic concerns.

Given the 2016 outlook, KLCCP Stapled Group's resilient rental income backed by its long term lease agreements and triple net leases for its office segment and the stable rental reversion from its retail portfolio will continue to underpin the overall performance and deliver steady earnings growth. With these strong fundamentals, KLCCP Stapled Group is well positioned to meet the challenges ahead and be in a position of strength and stability to create long term value for its holders of Stapled Securities.

KLCCP Stapled Group's strategy and focus on ensuring sustainable returns to the holders of Stapled Securities remains paramount. Earnings growth will be driven by our existing assets with visible acquisition pipelines to drive longer term growth. The redevelopment of the City Point podium as a mixed development with office, hotel and retail components is underway and is expected to further unlock commercial potential and add value to the existing property portfolio upon its completion. Conversion of the atrium spaces in Menara Dayabumi into more office areas is also in progress and due to complete early 2016. Our hotel, Mandarin Oriental Kuala Lumpur saw the renovation completion of its meeting rooms and recreational & wellness facilities during the year. The final phase of its masterplan renovation addressing the guestrooms and corridors will commence in 2016. This will ensure a fully renovated product, ready to compete with the next wave of 5-Star hotels coming on stream.

THANK YOU

I would like to extend my heartfelt appreciation to the holders of Stapled Securities. We value the support we have received from you, and we will continue to build upon our strong platform and deliver sustainable earnings and growth.

KLCCP Stapled Group
was included in the

FTSE4 GOOD

Bursa Malaysia Index for
demonstrating transparent and
defining strong ESG practices

I would also like to express my sincere gratitude to our loyal and hardworking management team and employees who have weathered the challenges during the year and demonstrated their resilience and commitment to excellence. They continue to sustain growth for the organisation and deliver results.

I would like to thank my fellow Board members of KLCCP and KLCCRM for their wise counsel, commitment and efforts in manifesting KLCCP Stapled Group's long-term strategy for success. I am confident that KLCCP Stapled Group will remain resilient and focused in delivering sustainable income and long term growth.



Krishnan C K Menon
Chairman

KLCCP STAPLED GROUP REMAINED STEADFAST IN OUR FOCUS FOR 2015 TO DELIVER STABLE AND SUSTAINABLE RETURNS TO THE HOLDERS OF STAPLED SECURITIES IN SPITE OF THE CHALLENGING ENVIRONMENT.

CEO'S YEAR IN REVIEW

A STABLE PERFORMANCE IN CHALLENGING ENVIRONMENT

KLCCP Stapled Group posted stable results for the year ended 31 December 2015 which saw our profit attributable to equity holders grow despite a slight dip in top-line revenue. This was mainly driven by the strength and resilience of the office and retail segments, underpinned by the quality of our portfolio and the diligence on our capital management initiatives.

In our third year as a stapled structure since our listing on 9 May 2013, the holders of Stapled Securities have continued to benefit from the higher distribution and though we committed to

distribute at least 90% from FY2015 and beyond, we have in fact distributed 98% of the overall distributable income for the year in review and achieved a distribution per stapled security of 34.65 sen – an increase of 3% from 2014. This is testament to our commitment in delivering value and growth to the holders of Stapled Securities.

This report covers the performance of KLCCP Stapled Group and KLCC REIT respectively in a combined annual report. KLCCP is deemed the controlling entity of KLCC REIT and 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 statements of KLCCP.





FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, KLCCP Stapled Group achieved revenue of RM1.34 billion compared to RM1.35 billion the year before. The marginal decline of 1% was mainly attributable to the modest growth in retail and management services segments offset by the decline in hotel segment in a year of subdued demand impacted by weak customer sentiment post implementation of GST and reduced tourists levels.

“WE DISTRIBUTED 98% OF KLCCP STAPLED GROUP’S OVERALL DISTRIBUTABLE INCOME, TESTAMENT TO OUR COMMITMENT IN DELIVERING VALUE AND GROWTH.”

DATUK HASHIM BIN WAHIR
CHIEF EXECUTIVE OFFICER



As we navigated through the challenges of 2015, KLCCP Stapled Group maintained its financial prudence and overheads which mitigated the softer revenue performance. Operating profit margin at 75%, remained stable.

KLCCP Stapled Group continued its discipline and efforts to manage costs in ensuring continuous value enhancement to the holders of Stapled Securities. As we navigated through the challenges of 2015, KLCCP Stapled Group maintained its financial prudence and overheads which mitigated the softer revenue performance. Operating profit margin at 75%, remained stable.

Stable performance from KLCCP Stapled Group's real estate assets highlighted the overall resilience of our large, high quality, diversified portfolio which saw our investment properties increase recognition of fair value gain by RM578.8 million,

in particular Suria KLCC. With the fair value gain, KLCCP Stapled Group achieved profit attributable to equity holders of RM1,131.5 million. Excluding the effects of the fair value gain and amidst the challenging market environment of the hotel segment, the profit attributable to equity holders grew 5% from RM689.3 million in 2014 to RM724.5 million in 2015.

KLCCP Stapled Group also closed the year with a strong balance sheet. KLCCP Stapled Group's total assets continued to strengthen to RM17.5 billion, a 4% growth from 31 December 2014, inclusive of the appreciation in fair value of the investment properties.



The higher total assets resulted in net asset value per stapled security increasing to RM6.95 from RM6.66 in the preceding financial year, representing a corresponding growth of 4%. The equity attributable to the holders of Stapled Securities saw a similar growth, increasing from RM12.0 billion as at 31 December 2014 to RM12.6 billion in 2015.

The KLCC REIT portfolio of assets generated stable revenue of RM594.8 million which contributed 44% of KLCCP Stapled Group's revenue while net property income was at RM569.7 million, representing 37% of the profit before tax (PBT) for KLCCP Stapled Group. Net asset value improved from RM4.19 per unit as at 31 December 2014 to RM4.31 per unit as at year end, after taking into account the fair value adjustment of RM136.3 million. In line with our commitment to enhance value through accretion in distribution for the holders of Stapled Securities, we distributed 99.9% of our total income available for distribution for financial year 2015, surpassing our commitment of

at least 90% for the year. KLCC REIT achieved a distribution per unit (DPU) of 21.68 sen, exceeding the DPU of 19.68 sen in 2014.

BUSINESS REVIEW

Office Segment

KLCCP Stapled Group's office properties continued to be the main revenue driver providing stable revenue streams on the back of locked-in long term tenancies with high quality tenants. Our office segment contributed 44% of KLCCP Stapled Group's revenue and 34% of the profit before tax for the year. Revenue remained relatively stable with marginal decrease from RM594.1 million in 2014 to RM590.9 million in 2015 due to the closure of the City Point podium for redevelopment. Nevertheless, profit before taxation excluding fair value adjustment, increased 6% from RM493.3 million in 2014 to RM523.2 million in 2015 due to one-off refinancing cost incurred for the establishment of the Sukuk Murabahah Programme in 2014.



CONVERSE

Calvin Klein

Dior

GUCCI

GUCCI

Prada

sale
50%
off

TOPSHOP

Dior

Dior

Merry Christmas

By staying focused on delivering customers' expectations through continuous strategic reinventions to refresh the retail mix and offerings, Suria KLCC was able to sustain its customer footfall

Our KLCC REIT assets comprising PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS contributed 94% of the office segment revenue. The high occupancy rates and long term leases underpin the strong recurring income and cashflow for these properties.

During the year, Phase 3 redevelopment of Kompleks Dayabumi commenced with the demolition of the City Point podium to make way for the development of a new 60-storey office and hotel tower with retail outlets. This is part of KLCCP Stapled Group's asset enhancement initiatives to gain competitive advantage within the industry and also to rejuvenate the 30 year-old complex which will bode well with the River Of Life Project under the Government's Transformation Programme. We have also embarked on an extension of the Phase 2 refurbishment of Menara Dayabumi wherein three levels of the atrium spaces will be converted to approximately 34,000 square feet gross floor area of office space which is scheduled to be completed in the first half of 2016.

Retail Segment

KLCCP Stapled Group's retail portfolio comprises Suria KLCC and the retail podium of Menara 3 PETRONAS. Our retail assets continued to remain resilient against the challenges of 2015 from the rising cost of living, GST implementation and the weakening of Ringgit to the subdued consumer sentiment throughout the year.

Revenue from our retail segment grew 2%, increasing from RM459.4 million in 2014 to RM469.8 million in 2015. This translates to an overall contribution of 35% to KLCCP Stapled Group's revenue. PBT excluding fair value adjustment stood at RM367.6 million, exceeding the previous year's performance by 4%. By staying focused on delivering customers' expectations through continuous strategic reinventions to refresh the retail mix and offerings, Suria KLCC was able to sustain its customer footfall of over 45 million while its sales turnover over the last 12 months stood at RM2.4 billion.

Equally important to Suria KLCC apart from running a successful business is giving back to the community. This year, Suria KLCC once again leveraged on the strength of its retail assets to continue the success of its corporate social responsibility (CSR) programme, Sunshine September. Since its inception in 2010, Suria KLCC has raised RM1.8 million in funds for The National Autism Society of Malaysia (NASOM).

Suria KLCC remains optimistic in raising the bar and further transforming the retail landscape in Malaysia as it continues to stay focused on providing delightful customer experiences and delivering on its tagline, "Always Something New".

Hotel Segment

Mandarin Oriental, Kuala Lumpur (MOKL Hotel) faced a most challenging year in 2015 being affected by major renovations to its meeting and recreational facilities and the economic uncertainties which dampened the market for tourism and luxury hotels. Nevertheless, the hotel segment strengthened post renovation in the second half of the year backed by the food and beverage segment capping the year with a total revenue of RM155.8 million. The hotel registered a PBT of RM4.0 million.

CEO'S YEAR IN REVIEW

The hotel bagged 16 significant awards in 2015, further enhancing its award-winning reputation. MOKL Hotel received the World's Top 100 Hotels – Robb Report, Best Hotel in Malaysia, International Hotel Awards, Top 15 Hotels in Southeast Asia – Conde Naste Traveler, 5-star Hotel Gold Award – Kuala Lumpur Mayor's Tourism Awards, Best Hotel in Kuala Lumpur – DestinAsian, World's Top 100 Hotels – Institutional Investor, and Green Hotel Award – Ministry of Tourism Malaysia amongst others.

The performance of the luxury hotel sector is expected to be delivering a slow and steady growth over the next few years. MOKL Hotel's final phase of its masterplan renovation program consists of the guestrooms and corridors which will commence in 2016 in phases over a two year duration. The final phase of the renovation is to ensure it undergoes a thorough refurbishment in order to equip it with a competitive advantage against other hotels in its class.

Sales efforts remain focused on prime market segments, with new innovative food and beverage concepts being developed for launch in 2016 to enhance the hotel's market position. The hotel continues with its service improvement initiatives to retain a high value proposition for guests and building a strong and reputable brand name. Active marketing initiatives through social media programmes will continue to heighten consumer awareness of the hotel in the market and keep it highly competitive in the luxury hotel segment.

Management Services Segment

The management services segment comprising facilities management, car park management and REIT management continues to complement the property portfolio of KLCCP Stapled Group in delivering premium facilities management services in maintaining the iconic stature and performance of the assets within KLCCP Stapled Group.

OUR STRONG FUNDAMENTALS AND CORE PORTFOLIO
HAVE DEMONSTRATED RESILIENCE WITH ONGOING
POSITIVE INCOME GROWTH, HIGH LEVELS OF
OCCUPANCY AND LONG TERM LEASE PERIODS.

For the financial year 2015, management services revenue contribution totalled RM123.7 million, an increase of 6% from the previous corresponding year and constituted 9% of KLCCP Stapled Group's revenue. Provision of additional services for facilities management contributed mainly to the increase in PBT for this segment to RM42.7 million from RM42.4 million in 2014.

CAPITAL MANAGEMENT

Capital management continued to be a focus for the year following the restructuring of existing financing facilities of KLCC REIT and Suria KLCC in 2014. The establishment of the RM3.0 billion Sukuk Murabahah Programme by KLCC REIT in 2014 continued to receive recognition this year, bagging the Asset Asian Awards 2015 for Best REIT Sukuk and was also awarded the BluePrint Award 2014 – New Real-Estate Benchmark Deal by RAM Ratings in March 2015. Suria KLCC's restructuring of its Sukuk Murabahah Programme with a combined limit of up to RM600 million retained its AAA rating following the review by RAM Ratings this year.

In 2015, we undertook the restructuring of MOKL Hotel's existing borrowings into term loan facilities in the aggregate principal sum of RM378 million. The restructuring of the term loan facilities for a tenure of 10 years maturing in 2025 was primarily to refinance outstanding borrowings and reimbursement for the repayment of shareholder's advances. With the completion of the restructuring exercises in 2014 and 2015, KLCCP Stapled Group's gearing ratio now sits at a reduced level of 20%, one of the lowest in the Malaysian REIT sector and the debt expiry profile has been lengthened to 6.5 years. KLCCP Stapled Group's balance sheet remains in a strong position to meet its investment needs.

INCLUSION INTO FTSE4GOOD ESG INDEX

Our commitment to sustainability reporting came to fruition when KLCCP Stapled Group was included into the FTSE4Good Bursa Malaysia Index in December 2015 for demonstrating good Environmental, Social & Governance (ESG) practices. This is indeed another milestone for us as we are committed to operating sustainably to deliver long term investor value. As we continue to grow our portfolio of assets and development, we will be mindful to create positive outcomes for the community and the environment in tandem with our business and financial performance.

KLCCP Stapled Group made progress during the year towards its journey in achieving Green Building Index (GBI) rating for PETRONAS Twin Towers and Menara 3 PETRONAS when it received the Provisional Gold GBI Certification and Provisional Silver GBI Certification respectively for the two properties in 2015. KLCCP Stapled Group will continue its efforts and commitment towards the achievement of the full GBI certification and continuous operational efficiency of our assets in achieving significant cost savings and stable asset values.

CEO'S YEAR IN REVIEW

KLCCP Stapled Group including Suria KLCC and MOKL Hotel continue to create positive experiences for our people, tenants, customers and visitors from the strength of our assets through successful CSR programmes. This is in line with our commitment towards social responsibility and our journey in embracing and putting into action the environmental, social and governance practices in the longer term.

A VOLATILE YEAR AHEAD

2016 is expected to be yet another year of challenges as the anticipated slowdown in domestic demand will likely continue to dent private consumption. Intensifying competition from the hospitality and retail segments and the oversupply in the office market will also be of concern. Whilst we face both headwinds and tailwinds in 2016 as a result of the global economic uncertainties and domestic slowdown, KLCCP Stapled Group's portfolio is expected to remain strong. Our strong fundamentals and core portfolio have demonstrated resilience with ongoing positive income growth, high levels of occupancy and long term lease periods.

We will continue to strive to provide the holders of Stapled Securities with regular and stable distributions from sustainable organic and inorganic growth and active asset management in preserving the pristine condition of the assets within the portfolio.

Our office segment will be primarily anchored by its Triple Net Lease Agreements for the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi. The retail segment is expected to be challenging as consumers will remain cautious with spending in view of the rising cost of living and the hospitality segment will continue to operate in a challenging environment underpinned by the subdued market outlook and tourist arrivals.





WITH THE PEOPLE, ASSETS, EXPERIENCE AND DRIVE TO RISE TO THE CHALLENGE, WE REMAIN RESOLUTE IN OUR FOCUS TO RETURN SUSTAINABLE DISTRIBUTIONS OVER THE LONGER TERM AND GROW VALUE FOR THE HOLDERS OF STAPLED SECURITIES.

KLCCP Stapled Group will continue to focus on cost efficiencies and capitalise on opportunities for growth.

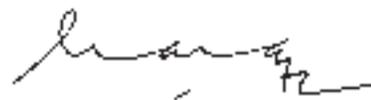
With the people, assets, experience and drive to rise to the challenge, we remain resolute in our focus to return sustainable distributions over the longer term and grow value for the holders of Stapled Securities.

IN APPRECIATION

This has been a challenging year and I wish to express my deep appreciation to the Boards of KLCCP and KLCCRM for their continued guidance and invaluable contribution in driving the strategies and steering KLCCP Stapled Group to continued business performance excellence. I would also like to sincerely thank the holders of Stapled Securities for their continued loyalty, support and belief in

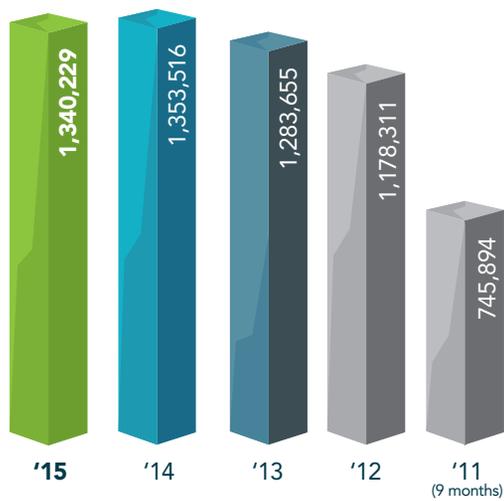
KLCCP Stapled Group's commitment in creating value and improving returns in our journey to harness the full potential of KLCC Stapled Securities.

Our employees are the driving force to sustain the momentum and growth for the organisation. My utmost appreciation to you in your continued quest to grow our results and performance in delivering our commitment to the holders of Stapled Securities.

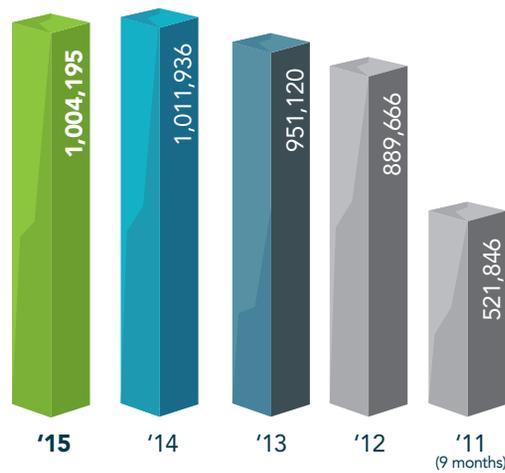


Datuk Hashim bin Wahir
CEO

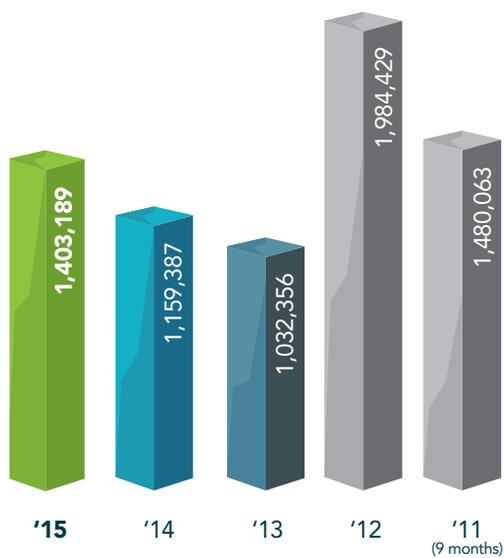
KLCCP STAPLED GROUP FINANCIAL HIGHLIGHTS



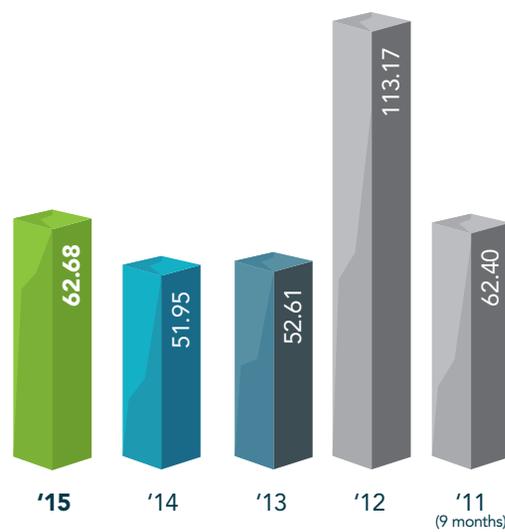
Revenue (RM'000)



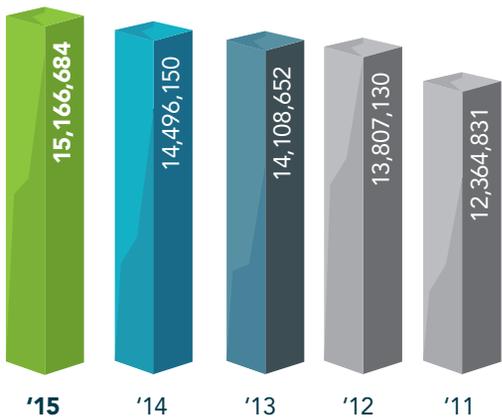
Operating Profit (RM'000)



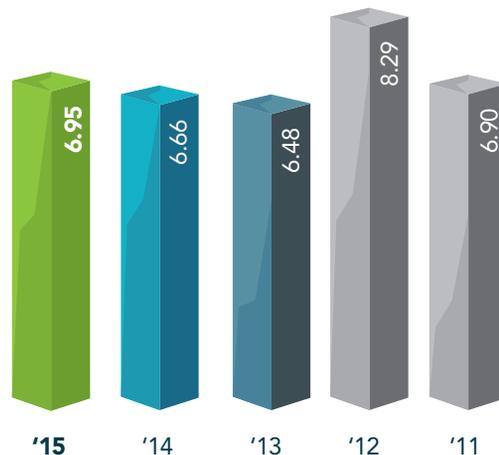
Profit for the Year (RM'000)



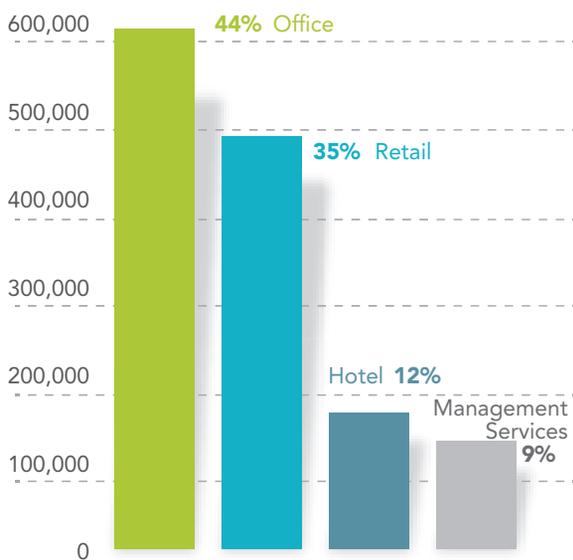
Diluted Earnings per Stapled Security/Share (Sen)



Investment Properties (RM'000)

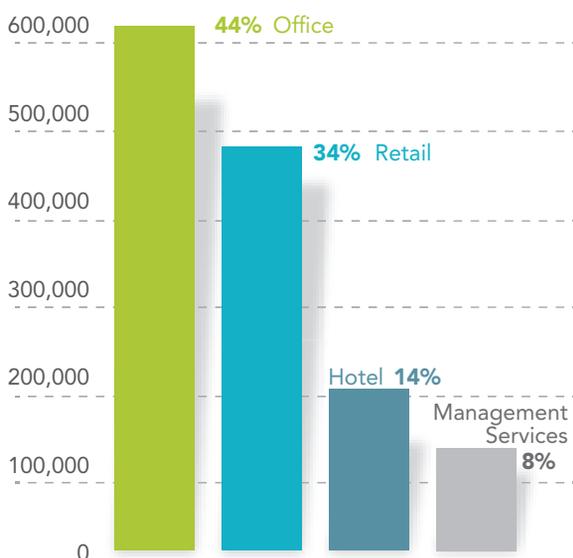


Net Asset Value (excl.RCULS) per Stapled Security/Share (RM)



Segmental Revenue

FYE 2015



Segmental Revenue

FYE 2014

KLCCP STAPLED GROUP VALUE ADDED STATEMENT

	2015 RM'000	2014 RM'000
Total Turnover	1,340,229	1,353,516
Interest income	41,280	34,030
Operating expenses	(216,899)	(223,279)
Value added by KLCCP Stapled Group	1,164,610	1,164,267
Share of profits/(loss) of an associate	13,665	(6,734)
Fair value adjustments on investment properties	578,839	386,092
Total Value Added	1,757,114	1,543,625
Reconciliation:		
Profit attributable to holders of Stapled Securities	1,131,521	937,927
Add:		
Depreciation & amortisation	30,492	29,552
Finance costs	119,624	144,865
Staff costs	88,643	88,749
Taxation	115,166	121,072
Other non-controlling interests	271,668	221,460
Total Value Added	1,757,114	1,543,625
VALUE DISTRIBUTED		
Employees		
Salaries and other staff costs	88,643	88,749
Government		
Corporate taxation	108,527	110,944
Providers of capital		
Dividends	606,231	606,591
Finance costs	119,624	144,865
Other non-controlling interests	271,668	221,460
Reinvestment and growth		
Depreciation & amortisation	30,492	29,552
Capital reserve*	293,281	184,190
Income retained by KLCCP Stapled Group	238,648	157,274
	1,757,114	1,543,625

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

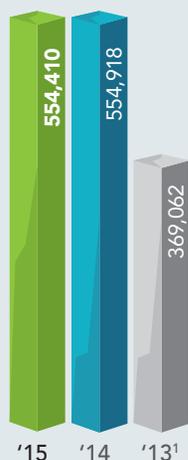
KLCC REIT FINANCIAL HIGHLIGHTS



TOTAL PORTFOLIO REVENUE (RM'000)



OFFICE REVENUE (RM'000)



RETAIL REVENUE (RM'000)



INVESTMENT PROPERTIES (RM'000)



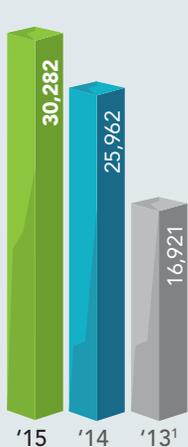
TOTAL PORTFOLIO NET PROPERTY INCOME (RM'000)



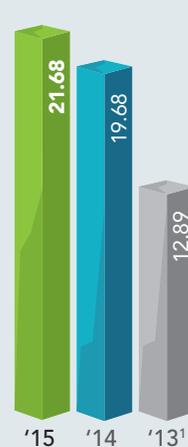
OFFICE NET PROPERTY INCOME (RM'000)



RETAIL NET PROPERTY INCOME (RM'000)



DISTRIBUTION PER UNIT (DPU) (Sen)



Net Asset Value per unit (RM)



¹ KLCC REIT was established on 9 April 2013 and the acquisition of the properties was completed prior to the listing date of 9 May 2013. The financial results reported refers to the period from 9 April 2013 to 31 December 2013.

KLCC REIT VALUE ADDED STATEMENT

	2015 RM'000	2014 RM'000
Total Turnover	594,791	592,948
Interest income	8,422	7,708
Fair value adjustments on investment properties	136,295	54,757
Operating expenses	(31,890)	(30,999)
Total Value Added	707,618	624,414
Reconciliation:		
Profit for the year	588,770	479,304
Finance costs	73,646	100,361
Management fees	44,602	44,149
Trustee's fees	600	600
Total Value Added	707,618	624,414

VALUE DISTRIBUTED

Trust expenses		
Management fees	44,602	44,149
Trustee's fees	600	600
Providers of capital		
Finance costs	73,646	100,361
Income distribution	376,412	354,928
Reinvestment and growth		
Undistributed income	82,878	72,357
Capital reserve *	129,480	52,019
	707,618	624,414

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

KLCC REIT FUND PERFORMANCE



Statement of Comprehensive Income – Key Data & Financial Ratios	FY2015	FY2014	FP2013 ¹
Revenue (RM'000)	594,791	592,948	393,473
Net Property Income (RM'000)	569,716	564,678	376,620
Total Comprehensive Income:			
– Realised (RM'000)	459,290	427,276	299,163
– Unrealised (RM'000)	129,480	52,028	67,249
Income available for distribution (realised) (RM'000)	391,850	364,623	244,613
Income distribution ² (RM'000)	391,396	355,289	232,707
Distribution per unit (DPU) (sen)	21.68	19.68	12.89
Annualised DPU (sen)	21.68	19.68	19.34
Distribution Yield ³ (%)	4.91	5.01	4.95
Basic Earnings per Unit (sen)	32.61	26.55	20.30
Management expense ratio ⁴	0.61	0.64	0.42

Statement of Financial Position – Key Data & Financial Ratios	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2013
Investment properties (RM'000)	9,013,234	8,871,757	8,817,000
Total assets (RM'000)	9,568,582	9,336,812	9,244,295
Total financings (RM'000)	1,570,395	1,568,400	1,608,591
Total liabilities (RM'000)	1,791,869	1,772,457	1,804,316
Total Unitholders' Fund (RM'000)	7,776,713	7,564,355	7,439,979
Total Net Asset Value (NAV) (RM'000)	7,776,713	7,564,355	7,439,979
Net Asset Value (NAV) per unit:			
– before distribution (RM)	4.31	4.19	4.12
– after distribution (RM)	4.25	4.14	4.07
Highest NAV per unit (RM)	4.31	4.19	4.12
Lowest NAV per unit (RM)	4.16	4.09	4.03
Gearing Ratio (%)	16.4	16.8	17.4
Average cost of debt (%)	4.41	4.41	4.26
Debt Service Cover Ratio (times)	9.7	3.8	9.9

¹ KLCC REIT was established on 9 April 2013 and the acquisition of the properties was completed prior to the listing date of 9 May 2013. The financial results reported refers to the period from 9 April 2013 to 31 December 2013.

² Includes the 2015 fourth income distribution payable on 29 February 2016.

³ Based on DPU of KLCCP Stapled Group of 34.65 sen (2014: 33.64 sen) and the closing price of KLCC Stapled Securities of RM7.06 (2014: RM6.71) as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

⁴ Ratio of total fees and expenses incurred in operating KLCC REIT including Manager's fee, Trustee's fee, auditors' remuneration, tax agent's fee, valuation fees and other Trust expenses to the NAV of KLCC REIT.

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

KLCC REIT FUND PERFORMANCE

TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES¹

Trading Summary	FY2015	FY2014	FP2013 ²
Stapled Securities Closing Price as at 31 December (RM)	7.06	6.71	5.85
Highest traded price for the year (RM)	7.30	7.00	7.68
Lowest traded price for the year (RM)	6.62	5.47	5.72
Capital Appreciation (%)	5.2	14.7	(7.1) ³
Annual Total Return (%) ⁴	10.1	19.7	(2.2)
Average Total Return (3 years) (%)	9.2	–	–
Number of Stapled Securities ('000)	1,805,333	1,805,333	1,805,333
Market Capitalisation (RM'000)	12,745,651	12,113,784	10,561,198

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

² KLCC REIT was established on 9 April 2013 and the acquisition of the properties was completed prior to the listing date of 9 May 2013. The financial results reported refers to the period from 9 April 2013 to 31 December 2013.

³ This relates to capital appreciation based on price performance from 31 December 2012 of RM6.30 to 31 December 2013 of RM5.85.

⁴ Annual total return comprises capital appreciation from 31 December 2014 to 31 December 2015 of 5.2% (2014: 14.7%) and distribution yield of KLCCP Stapled Group of 4.91% (2014: 5.01%).

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

KLCC Stapled Securities Price vs FTSE Bursa Malaysia KLCI Index Performance Benchmark



Comparative Yields as at 31 December 2015 (%)

Source: Bloomberg, Bank Negara Malaysia



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



BOARDS OF



DIRECTORS

**KLCC PROPERTY HOLDINGS BERHAD
KLCC REIT MANAGEMENT SDN. BHD.**

Standing from left to right:

Datuk Ishak Bin Imam Abas, Datuk Manharlal A/L Ratilal, Datuk Hashim Bin Wahir,
Mr. Krishnan C K Menon, Dato' Halipah Binti Esa,
Mr. Augustus Ralph Marshall, Datuk Pragasa Moorthi A/L Krishnasamy, Cik Habibah Binti Abdul

Mr. Yeap Kok Leong (*Company Secretary*), En. Abd Aziz Bin Abd Kadir (*Company Secretary*)

DIRECTORS' PROFILE



KRISHNAN C K MENON

(Independent Non-Executive Director/Chairman)

Krishnan C K Menon, aged 66, was appointed to the Board and Chairman of KLCC Property Holdings Berhad on 25 October 2010.

He was also appointed as Independent Non-Executive Director and Chairman of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust ("KLCC REIT")) 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.

Currently, Mr. Menon sits on the boards of Petroliam Nasional Berhad, Scicom (MSC) Berhad, Econpile Holdings Berhad and KLCC (Holdings) Sdn Bhd.



DATUK HASHIM BIN WAHIR
(Chief Executive Officer)

Datuk Hashim bin Wahir, aged 58, was appointed to the Board of KLCC Property Holdings Berhad (“KLCCP”) on 1 November 2007 and designated as the Chief Executive Officer.

He was also appointed to the Board of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust (“KLCC REIT”)) on 5 December 2012 and designated as Chief Executive Officer. 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 presently a Director and the Group Chief Executive Officer of KLCC (Holdings) Sdn Bhd (“KLCCH”). He also sits on the board of Kuala Lumpur City Park Berhad.

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

DIRECTORS' PROFILE



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

Datuk George, aged 56, was appointed to the Board of Directors of KLCC Property Holdings Berhad ("KLCCP") on 16 June 2004 and a member of Audit Committee of KLCCP on 9 July 2004. The Board, had on 21 August 2013, appointed him as a member of the Nomination and Remuneration Committee of KLCCP.

He was also appointed as Non-Independent Non-Executive Director of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust ("KLCC REIT")) ("Manager") on 5 December 2012. He was appointed as a member of the Audit Committee and Nomination and Remuneration Committee of the Manager on 12 December 2012 and 21 August 2013 respectively.

He obtained a degree in Bachelor of Arts (Honours) in Accountancy from Birmingham City University,

United Kingdom in 1982 and Master in Business Administration from the University of Aston in Birmingham, United Kingdom in 1984.

Datuk George is Executive Vice President & Group Chief Financial Officer of PETRONAS, and a member of its Board and Executive Committee.

Prior to joining PETRONAS in 2003, he was attached with a local investment bank for 18 years, concentrating on corporate finance where he was involved in advisory work in mergers and acquisitions, equity and debt capital markets. From 1997 to 2002, he served as Managing Director of the 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 70, 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 also appointed as Non-Independent Non-Executive Director of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust ("KLCC REIT")) 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 and Independent 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 Holdings Sdn Bhd and a Non-Executive Director of Kuala Lumpur City Park Berhad, both of which are members of the PETRONAS group.

DIRECTORS' PROFILE



AUGUSTUS RALPH MARSHALL
(Independent Non-Executive Director)

Augustus Ralph Marshall, aged 64, was appointed to the Board of KLCC Property Holdings Berhad ("KLCCP") and as the Chairman of the Audit Committee of KLCCP on 1 September 2005.

He was also appointed as Independent Non-Executive Director of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust ("KLCC REIT")) ("Manager") on 5 December 2012. He was also appointed as the Chairman of the Audit Committee of the Manager on 12 December 2012.

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 Group and Non-Executive Deputy Chairman of Astro Malaysia Holdings Berhad (listed on the Bursa Malaysia Securities Berhad). He also serves as a Non-Executive Director on the boards of several other companies in which UTSB has significant interests such as Maxis Communications Berhad and Johnston Press plc (listed on the London Stock Exchange plc). In addition, he is a Non-Executive Director of MEASAT Global Berhad.

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



DATO' HALIPAH BINTI ESA
(Independent Non-Executive Director)

Dato' Halipah Binti Esa, aged 66, was appointed to the Board of KLCC Property Holdings Berhad ("KLCCP") and as member of the Audit Committee of KLCCP on 1 March 2007. The Board had on 21 August 2013 appointed her as the Chairperson of the Nomination and Remuneration Committee of KLCCP.

She was also appointed as Independent Non-Executive Director of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust ("KLCC REIT")) ("the Manager") on 5 December 2012. She was also appointed as a member of the Audit Committee and the Chairperson of Nomination and Remuneration Committee of the Manager on 12 December 2012 and 21 August 2013 respectively.

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, S P Setia Berhad, Cagamas Berhad, Perbadanan Insuran Deposit Malaysia and Securities Industry Dispute Resolution Centre.

DIRECTORS' PROFILE



DATUK PRAGASA MOORTHY A/L KRISHNASAMY

(Non-Independent Non-Executive Director)

Datuk Pragasa Moorthi A/L Krishnasamy, aged 69, was appointed to the Board of KLCC Property Holdings Berhad ("KLCCP") on 9 September 2004.

He was also appointed as Independent Non-Executive Director of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust ("KLCC REIT")) ("Manager") on 5 December 2012.

On 26 January 2015, Datuk Pragasa was re-designated as Non-Independent Non-Executive Director of KLCCP and the Manager.

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.



HABIBAH BINTI ABDUL

(Independent Non-Executive Director)

Habibah binti Abdul, aged 60, was appointed to the Board of KLCC Property Holdings Berhad (“KLCCP”) and as a member of the Audit Committee of KLCCP on 26 June 2013. The Board had on 21 August 2013 appointed her as a member of the Nomination and Remuneration Committee of KLCCP.

She was also appointed as Independent Non-Executive Director of KLCC REIT Management Sdn Bhd (the Manager of KLCC Real Estate Investment Trust (“KLCC REIT”)) (“Manager”) on 26 June

2013. She was also appointed as a member of the Audit Committee and Nomination and Remuneration Committee of the Manager on 26 June 2013 and 21 August 2013 respectively.

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 the 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 and CIMB Islamic Bank Berhad.

None of the Directors have:

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

All of the Directors are Malaysians.

MANAGEMENT TEAM

KLCC PROPERTY HOLDINGS BERHAD



Seated from front left:

- Datin Faudziah Binti Ibrahim – Head, Development Division, KLCC Property Holdings Berhad
- Datuk Hashim Bin Wahir – Chief Executive Officer, KLCC Property Holdings Berhad • Abd Aziz Bin Abd Kadir – Company Secretary/Head, Legal & Corporate Services Division, KLCC Property Holdings Berhad

Seated from back left:

- Frank Peter Stocek – General Manager, Mandarin Oriental, Kuala Lumpur • Andrew William Brien – Executive Director/Chief Executive Officer, Suria KLCC Sdn. Bhd.



Standing from left:

- Annuar Marzuki Bin Abdul Aziz – Chief Financial Officer/Chief Investment Officer, KLCC Property Holdings Berhad
- Ho Mei Ling – Head of Department, Group Enterprise Risk Management, KLCC Property Holdings Berhad
- Burhanuddin Bin Yahya – Head of Department, KLCC Parking Management Sdn. Bhd. • Shamsudin Bin Ishak – Head, Facilities Management, KLCC Urusharta Sdn. Bhd. • Sulaiman Bin Ab Hamid – Head, Human Resource Division, KLCC Property Holdings Berhad • Ishak Bin Yahaya – Security Advisor, KLCC Property Holdings Berhad

MANAGEMENT TEAM

KLCC REIT MANAGEMENT SDN BHD



from left to right:

- Abd Aziz Bin Abd Kadir – *Head of Legal & Compliance, KLCC REIT Management Sdn. Bhd.*
- Datuk Hashim Bin Wahir – *Chief Executive Officer, KLCC REIT Management Sdn. Bhd.*
- Annuar Marzuki Bin Abdul Aziz – *Head of Investment/Head of Finance, KLCC REIT Management Sdn. Bhd.*
- Datin Faudziah Binti Ibrahim – *Head of Leasing/Asset Manager, KLCC REIT Management Sdn. Bhd.*

KLCCP Stapled Group is committed to enhancing long-term value for the holders of Stapled Securities through investor positioning and effective communication with the investment community to project consistent brand equity to the market.

2015 marked the third year since the establishment of our novel stapled structure in 2013 and KLCC Stapled Securities (KLCCSS) has been well received by the market since its listing. We recognise the importance of pursuing excellence in Investor Relations' (IR) best practices to maintain high corporate governance standards and promote a close two-way bond in fostering credible long term relationships with our stakeholders and investment community.

Our focus this year was to build upon and maintain a high standard of transparency and credible disclosure of information to our holders of Stapled Securities to heighten confidence and build shareholder value. This is in line with our Board Charter and our Corporate Disclosure Policy of open and transparent information dissemination.

POSITIONING KLCCSS

7th Most Transparent KLCI Constituent

In June 2015, KLCCP Stapled Group emerged as the 7th Most Transparent KLCI constituent in Focus Malaysia's ranking of the top 30 KLCI constituent companies. The companies were benchmarked and ranked for their corporate governance practices and general attitude towards transparency and disclosure of information to stakeholders, namely in respect to Quality of Annual Report, disclosure and compliance. This is a boost to our aim in improving transparency and disclosure of information particularly since KLCCP Stapled Group was a new entrant in this year's benchmarking assessment following our inclusion into the FTSE Bursa Malaysia KLCI Index in June 2014.

Inclusion into FTSE4Good Bursa Malaysia Index

KLCCSS accomplished another milestone when we met globally recognised standards for inclusion into the FTSE4Good Bursa Malaysia Index in December 2015. The FTSE4Good Index is designed to measure the performance of companies demonstrating good Environmental, Social & Governance (ESG) practices. KLCCSS was one of the 10 new constituents which was included onto the index along with the existing 24 constituents, for demonstrating transparent and defining strong ESG practices. The additions to the index is indicative of the Public Listed Companies' cognisance of the value and need for greater transparency and visibility propagated by ESG practices.

**INVESTOR
RELATIONS**

ENGAGEMENT WITH INVESTMENT COMMUNITY

This year, we continued our focus and efforts in strengthening coverage with investors locally and in the region to promote a deeper understanding of our business segments, our strategic direction, operational climate in light of the economic and competitive environment and encourage feedback. Our management team at KLCCP Stapled Group continued to be proactive in engaging with the investment community through various platforms including one-on-one meetings, teleconferences, dialogue with institutional investors and with various fund managers both local and foreign.

Analysts' Briefing for Quarterly Results

In line with our previous practice, we organised two analysts' briefings during the year in January and August 2015 to share KLCCP Stapled Group's full year and half year results. These briefings, attended by senior management, provided an avenue for dialogue with fund managers and research analysts as well as a platform to receive a balanced and complete view of KLCCP Stapled

Group's performance and the challenges faced operationally. Consistent with equitable sharing of information and treatment of its holders of Stapled Securities, materials intended for analysts briefings were made available immediately after the release of the financial results on the corporate website.

Property and Investor Conferences

Stakeholder engagements were also conducted through investor conferences organised locally and overseas. KLCCP Stapled Group's participation in key investor and property conferences has enabled us to remain accessible to investors and given us the opportunity to broaden our investor base ensuring visibility with current and potential investors.

During the year, KLCCP Stapled Group participated in 6 conferences wherein senior management had the opportunity to communicate KLCCP Stapled Group's strategy, financial performance and the progress of various initiatives to allow investors to better understand our unique structure and business operations.

Venue	Event	Date	Organiser
Kuala Lumpur	Malaysia Real Estate Summit – City Scape Malaysia 2015	4-5 Feb 2015	Informa Exhibitions
Kuala Lumpur	REIT Thought Leaders Roundtable	2 Apr 2015	International Investor
Kuala Lumpur	Invest Malaysia Kuala Lumpur 2015	23-24 Apr 2015	Bursa Malaysia & CIMB
Kuala Lumpur	Maybank Consumer Day 2015	28 Apr 2015	Maybank Investment Bank
Singapore	Macquarie ASEAN Conference 2015	24-25 Aug 2015	Macquarie
Tokyo	JP Morgan Asia Yield Forum 2015*	17 Sep 2015	JP Morgan

* Via telepresence from Kuala Lumpur

INVESTOR RELATIONS

One-on-one and Small Group Meetings

The IR team continues to hold frequent one-on-one and group meetings with analysts, investors and potential investors throughout the year to provide visibility and clarity on KLCCP Stapled Group's operations while key investors and analysts are provided reasonable access to senior management. During the year, KLCCP Stapled Group participated in 50 meetings with both foreign (19 meetings) and local analysts & fund managers (31 meetings). Management also engaged with fund managers from Singapore, Japan, Hong Kong, Switzerland, United Kingdom and United States of America.

Annual General Meeting (AGM)

The AGM is undoubtedly the primary engagement platform between the Boards of KLCCP and KLCCRM and holders of Stapled Securities. It has historically been well attended and has seen an increasing turn out year-on-year indicating a high level of engagement with our holders of Stapled Securities. At the 12th AGM of KLCCP and 2nd AGM of KLCC REIT held in April 2015, all Directors were present in person to engage directly with, and be accountable to the holders of Stapled Securities for the stewardship of KLCCP and KLCC REIT. Our CEO also updated the holders of Stapled Securities on the operating and financial performance, growth strategies and the business outlook for KLCCSS.

Analysts' Property Tour

In November 2015, KLCCP Stapled Group hosted a property tour for 30 analysts showcasing two properties, PETRONAS Twin Towers and Mandarin Oriental, Kuala Lumpur (MOKL Hotel). The analysts were given a briefing by our facilities management team on the history and the maintenance of the iconic PETRONAS Twin Towers asset followed by a tour of the Skybridge at Level 42, and the Observation Deck at Level 86. The analysts also

had the opportunity to view the facilities at MOKL Hotel post refurbishment and renovation. This provided the analysts with a better insight of KLCCP Stapled Group's business and our property portfolio within KLCC Precinct and allowed them to interact with senior management. During the year, we also conducted several property tours to the PETRONAS Twin Towers and showcased the upcoming development within the KLCC Precinct to our foreign investors.

Corporate Website

As part of our initiative to keep the website of KLCCP Stapled Group vibrant following the revamp of the website in 2014, we enhanced several features of the current website to make the content more informative and also facilitate ease of navigating the website. Our IR team continued to ensure the corporate website remained up to-date with latest financial results, annual reports, presentation materials and announcements to Bursa Malaysia Securities Berhad by KLCCP and KLCC REIT respectively. In recognition of efforts for best practices in IR, KLCCP Stapled Group was nominated for the Malaysian Investor Relations Association (MIRA) Awards under 3 categories, namely, Best Company for IR, Best IR Website and Best CEO for IR. The nominations were a recognition for KLCCP Stapled Group's journey in upholding high standards of corporate governance and IR practices.

Analysts' Coverage

In line with the goals set out in IR to support the positioning of KLCCSS within the investment community, we have during the year strengthened our analyst coverage to 12 local and foreign research houses providing global reach to holders of Stapled Securities and potential investors. We continue to build upon our strategy of having active equity analyst coverage on KLCCSS.

No	Research House	No	Research House
1.	AffinHwang Capital	7.	KAF – Seagroatt & Campbell Securities
2.	AllianceDBS Research	8.	Kenanga Investment
3.	CIMB Investment Bank	9.	Maybank Investment Bank
4.	Citi Singapore	10.	MIDF Amanah Investment
5.	Hong Leong Investment Bank	11.	RHB Research Institute
6.	JP Morgan Securities (Malaysia)	12.	UOBKayHian Pte Ltd

With effect from January 2016, Macquarie Research has initiated coverage on KLCCSS strengthening our coverage to 13 research houses.

IR PERCEPTION STUDY

In 2015, our IR team embarked on a perception study of our IR effectiveness to actively seek feedback from the sell-side and buy-side analysts to ensure we remained current with our stakeholders' expectations. The study was to identify the strengths and challenges of our IR department, to benchmark our team's performance against sector peers and to receive direct feedback from analysts to improve our IR strategy and proactively increase the quality of KLCCP Stapled Group's IR programme. The results were encouraging with an overall satisfaction of 79%. We thank our analysts for their honest and transparent feedback and we are committed to improve our efforts in equipping investors to make well-informed investment decisions to achieve fair valuation of KLCCSS which sustains value for our holders of Stapled Securities.

Against the challenging outlook for 2016, our KLCCP Stapled Group IR team will continue and focus our efforts to proactively engage with our investment community and ensure diligence on transparency, accessibility and credibility of information. With the Boards' commitment, we will continue to promote visibility and interest in KLCCSS and maintain standards in corporate disclosure.

This Corporate Governance Statement ("Statement") of KLCCP Stapled Group demonstrates the Boards of Directors of:

- (i) KLCC Property Holdings Berhad's ("KLCCP" or "the Company"); and
- (ii) KLCC REIT Management Sdn Bhd's ("KLCCRM") as the manager of KLCC Real Estate Investment Trust ("KLCC REIT"),

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 structure is as follows:



CORPORATE GOVERNANCE STATEMENT

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

On 2 April 2013, KLCCRM, a wholly-owned subsidiary of KLCCP, the Trustee and KLCCP had entered into a stapling deed (“Stapling Deed”) to characterise the relationship as each unit in KLCC REIT being “stapled” to a share issued by KLCCP. By virtue of the Stapling Deed, the Boards of KLCCP and KLCCRM are common and have the same number of Directors.

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 respective Boards report 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”), the governance standards prescribed in the Main Market Listing Requirements of Bursa Securities (“MMLR”) and Guidelines on Real Estate Investment Trusts (“REIT Guidelines”) issued by the SC in connection with all activities conducted for KLCCP Stapled Group throughout the year under review.

A. BOARDS OF DIRECTORS

(1) Roles and Responsibilities of the Boards

The Boards are responsible for overseeing the overall management of KLCCP Stapled Group. They are led by experienced and knowledgeable Board members whose wide

range of expertise ensures the business direction and continued performance of KLCCP Stapled Group.

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

- (a) For KLCCP:
 - (i) reviewing and adopting the strategic plans for KLCCP Stapled Group;
 - (ii) overseeing the proper conduct of KLCCP Stapled Group’s business (including budgetary approval and all other financial matters);
 - (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 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; and

CORPORATE GOVERNANCE STATEMENT

- (ix) determining and approving the dividends to holders of Stapled Securities.
 - (b) For KLCCRM:
 - (i) reviewing and adopting the strategic plans for KLCC REIT;
 - (ii) overseeing the proper conduct of KLCC REIT's business (including budgetary approval and all other financial matters);
 - (iii) ensuring that sound policies, procedures and practices are implemented;
 - (iv) overseeing the development and implementation of a communications policy for KLCC REIT;
 - (v) ensuring KLCC REIT's principal risks are identified and mitigated, and appropriate measures are implemented to manage these risks;
 - (vi) formulating and ensuring the implementation of an appropriate succession policy for senior management positions;
 - (vii) overseeing its business operations and evaluating whether these are being properly managed;
 - (viii) reviewing the adequacy and integrity of KLCC REIT's internal control system;
 - (ix) guiding the corporate strategies and directions of the Manager (including acquisition and divestment of the total assets of KLCC REIT);
 - (x) overseeing the proper conduct of KLCCRM (including budgetary approval and all other financial matters);
 - (xi) ensuring compliance with all relevant laws and regulations; and
 - (xii) determining and approving income distributions to holders of Stapled Securities and payments of management fees to the Manager.
- Each Board has a formal schedule of matters reserved for 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 respective Boards. The Chairman, an Independent Director of the Company and KLCCRM, is primarily responsible for the orderly conduct and function of the Boards.
- The CEO is responsible for the day-to-day running of the KLCCP Stapled Group's businesses, implementation of the Boards' policies and making decisions related to operational matters. In managing the business affairs, he is assisted by the Management of KLCCP Stapled Group. The task of the CEO are describe in his performance scorecard, which are reviewed and evaluated annually by a special committee comprise representatives from both Boards.
- 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, they ensured that no single individual or group dominates the Board's decision-making process.

Pursuant to the requirements of the MCGG 2012, the Board of KLCCP has adopted its Board Charter on 27 November 2012. The Board Charter, which clearly sets out the roles and responsibilities of the Board, Chairman, CEO 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.

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

The Boards acknowledge their roles in establishing a corporate culture comprising ethical conduct within the KLCCP Stapled Group. The Boards are guided by the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") which sets out the standard of behaviour and ethical conduct that must be complied with by KLCCP Stapled Group. At the same time, KLCCP Stapled Group 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 Stapled Group and its employees. The link to the PETRONAS

CoBE, which includes the Whistle-blowing Policy and the Anti Bribery & Corruption Manual, is available on KLCCP's corporate website.

As and when changes are made to PETRONAS CoBE, Whistle-blowing Policy and the Anti Bribery & Corruption Manual of PETRONAS, KLCCP Stapled Group will adopt the said changes.

KLCCP Stapled Group has implemented a Memorandum on Insider Trading whereby Directors and employees of KLCCP Stapled Group are prohibited from trading in the Stapled Securities particularly when they are in possession of price sensitive information and knowledge of facts which have not been publicly announced.

Notices on closed period for trading in Stapled Securities are sent to the Directors and principal officers on a quarterly basis specifying the timeframe during which the Directors and principal officers are prohibited from dealing in Stapled Securities and to comply with relevant requirements governing their trading in securities during closed period.

The Boards are also reminded not to deal in Stapled Securities when price sensitive information is shared with them on any proposed transactions presented to them.

CORPORATE GOVERNANCE STATEMENT

KLCCP Stapled Group has put in place a Memorandum on Related Party Transactions ("RPTs") to ensure RPTs within KLCCP Stapled Group are being carried out fairly and are not detrimental to the interest of minority holders of Stapled Securities.

(2) Board Composition and Balance

Each Board currently consists of 8 members, one of whom is an Executive Director while the other 7 are Non-Executive Directors. Four of the Non-Executive Directors fulfil the criteria of independence, including the Chairman, as defined in the MMLR, while the remaining 3 Non-Executive Directors are Non-Independent Directors.

The majority of the Independent Non-Executive Directors, including the Chairman, provides the necessary checks and balances in the Boards' exercise of their functions by facilitating an independent evaluation of the Boards' decisions and decision-making process.

KLCCP and KLCCRM do not practice any form of gender, ethnicity and age bias as each Board believes that both genders are to be given fair and equal treatment and any new appointments to the Boards shall be based solely on merit. Harnessing strengths from a variety of backgrounds, experiences and perspectives allows the Boards to add greater diversity to their deliberations. Currently, there are 2 female Directors on each Board.

(3) Independence

The Boards are 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. However, an Independent Director may continue to serve the Boards subject to the Independent Director's re-designation as Non-Independent Non-Executive Director. In the event the Boards intend to retain the Director as independent after a cumulative term of 9 years, justifications from the Boards and shareholders' approval at a general meeting are required. In adhering to recommended corporate governance practices, the Boards are guided by the Recommendations of the MCCG 2012 to limit the tenure of Independent Director to a maximum of 9 years.

The holders of Stapled Securities had, at the Annual General Meeting ("AGM") of KLCCP held on 16 April 2015, approved the continuing in office of Mr Augustus Ralph Marshall and Dato' Halipah binti Esa as Independent Directors of KLCCP until the conclusion of the next AGM of KLCCP.

KLCCP Board recommends the following 2 Independent Directors 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 Dato' Halipah binti Esa, who will have served as Independent Directors of KLCCP for a cumulative period of 11 years and 10 years as of 31 August 2016 and 28 February 2017 respectively.

The justifications for Mr Augustus Ralph Marshall and Dato' Halipah binti Esa to continue to serve as Independent Directors of KLCCP are that they have:

- (a) fulfilled the criteria under the definition of Independent Director as defined in the MMLR;
- (b) ensured effective checks and balances in the proceedings of KLCCP Board;
- (c) actively participated in KLCCP Board's deliberations, provided objectivity in decision-making and independent opinion to KLCCP Board;
- (d) vast experience in a diverse range of businesses and therefore would be able to provide constructive opinions. They have provided objectivity in decision-making processes through unbiased and independent views;
- (e) 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) devoted sufficient time and attention to their responsibilities as Independent Directors of KLCCP.

Currently, none of the Independent Directors of KLCCRM has served the Board for more than 9 years as KLCCRM was only incorporated on 5 December 2012.

(4) Board Meetings

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

The Boards meet at least quarterly to, 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 Boards.

During the year under review, a total of 5 and 4 Board meetings of KLCCP and KLCCRM were held respectively. The proceedings of all meetings of the Boards, the Audit Committees and Nomination and Remuneration Committees, including all issues raised, enquiries made and responses thereto, were also presented and recorded in the minutes of the respective Boards', Audit Committees' and Nomination and Remuneration Committees' meetings. Where necessary, decisions have been taken by way of circular resolutions.

CORPORATE GOVERNANCE STATEMENT

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

Directors	No. of Meetings Attended	
	KLCCP	KLCCRM
Executive		
Datuk Hashim bin Wahir	5/5	4/4
Non-Executive		
Krishnan CK Menon (<i>Chairman</i>)	5/5	4/4
Datuk Manharlal a/l Ratilal	4/5	3/4
Datuk Ishak bin Imam Abas	4/5	3/4
Augustus Ralph Marshall	5/5	4/4
Dato' Halipah binti Esa	4/5	3/4
Habibah binti Abdul	5/5	4/4
Datuk Pragasa Moorthi a/l Krishnasamy	5/5	4/4

(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 Boards at all times. Further details or clarifications regarding Board meetings' agenda items are timely furnished to the Boards 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 Boards well before a Board meeting is convened so as to allow ample time for perusal. Minutes of all Board meetings are also circulated to the Boards prior to their confirmation at the following Board meetings.

The Boards may obtain all information pertaining to KLCCP Stapled Group from the respective Management. The Boards may also

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

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

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

In order to ensure effective functioning of the Boards, the Company Secretaries regularly update and advise the Boards 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 Boards in relation to KLCCP's and KLCCRM's constitutions, policies and procedures, and compliance with the relevant legislations and regulatory requirements. Every member of the Boards 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 Boards are accurately minuted, and the records of the proceedings of the Board meetings are properly kept.

(6) Board Committees

The Boards of KLCCP and KLCCRM have established committees ("Board Committees") that are entrusted with specific responsibilities to oversee KLCCP Stapled Group's affairs. The Board Committees are granted the authority to act on each Board's behalf in accordance with their respective Terms of Reference ("TOR").

(a) Audit Committees ("ACs")

The Chairman of the ACs reports to the respective Boards at Board meetings on pertinent issues that have been raised at the meetings of the ACs, and highlights to Directors the integral areas as expressed by the ACs. The details of the activities of the ACs of KLCCP and KLCCRM respectively are set out in pages 74 to 76 of this Annual Report.

(b) Nomination and Remuneration Committees ("NRCs")

The NRCs of KLCCP and KLCCRM comprise exclusively Non-Executive Directors, the majority of whom is Independent Non-Executive Directors. Both NRCs are chaired by Dato' Halipah Binti Esa who is designated as the Senior Independent Non-Executive Director.

The composition of both NRCs is as follows:

- (i) **Dato' Halipah binti Esa**
Chairperson/Non-Executive and Independent Director
- (ii) **Datuk Manharlal a/l Ratilal**
Member/Non-Executive and Non-Independent Director
- (iii) **Habibah binti Abdul**
Member/Non-Executive and Independent Director

CORPORATE GOVERNANCE STATEMENT

During the year, a total of 2 meetings were held for each of KLCCP NRC and KLCCRM NRC respectively. The attendance of the members of both NRCs is as follows:

Committee Members	No. of Meetings Attended	
	KLCCP	KLCCRM
Dato' Halipah binti Esa (<i>Chairperson</i>)	2/2	2/2
Datuk Manharlal a/l Ratilal	1/2	1/2
Habibah binti Abdul	2/2	2/2

Both NRCs' roles and responsibilities are governed by their respective TORs which can be obtained from the corporate website of KLCCP.

During the year, the NRCs deliberated the results of the 2014 Performance Assessment on Board and Board Committees. In addition, the NRCs also have carried out the 2015 Performance Assessment on Board and Board Committees of both KLCCP and KLCCRM, which include the performance of individual Directors as well as assessing the independence of Independent Directors. The NRCs have also reviewed the proposed succession planning for senior management positions.

(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 AGM and may offer himself/herself for re-appointment to hold office until the conclusion of the next AGM.

- i. KLCCP Board recommends the re-appointment of Datuk Ishak bin Imam Abas, who retires pursuant to Section 129(2) of the Companies Act, 1965 and has offered himself for the re-appointment subject to approval from the holders of the Stapled Securities at the forthcoming AGM of KLCCP.

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

There was no appointment of a new Director during the year. However, any new appointment of Directors will be guided by the respective TORs of the NRCs.

(8) Training and Development of Directors

The Boards recognise the importance of attending and participating in training and development activities in order to broaden their perspectives and to keep abreast of developments in the market place and new statutory and regulatory requirements which would enable them to fulfil 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 in discharging their duties and responsibilities more effectively which are as follows:

Directors	Trainings Attended
Krishnan C K Menon	<ul style="list-style-type: none"> • PETRONAS Directors' Training : Audit Committee Conference 2015 – Rising to new Challenges • Corporate Governance : Balancing Rules & Practices • Board Chairman Series Part 2 : Leadership Excellence from the Chair • 2015 In-House Training Programme for Board of Directors of PETRONAS Group of Companies : Session on the New Companies Bill 2015
Datuk Hashim bin Wahir	<ul style="list-style-type: none"> • REIT Thought Leaders Roundtable : The Evolution & Growth of Malaysia's REIT Market • Invest Malaysia Kuala Lumpur 2015 • Financial Markets Price (CPE) Outlook Conference Theme : Quantitative Easing – ASEAN's Response Now and Beyond • Valuation of Companies & Common Pitfalls in Mergers & Acquisitions • Council of Tall Building & Urban Habitat Conference 2015 Theme: Global Interchanges – Resurgence of the Skyscraper City
Datuk Manharlal a/l Ratilal	<ul style="list-style-type: none"> • Media Spokesperson Training • Program for Directors of Non-Listed Companies in the PETRONAS Group : Updates on the New Companies Bill 2013
Datuk Ishak bin Imam Abas	<ul style="list-style-type: none"> • FIDE (Financial Institution Director Education) Forum : Financial Services in Turbulent Times • The Board's Response in Light of Rising Shareholders Engagement
Augustus Ralph Marshall	<ul style="list-style-type: none"> • Cybercrime : What You Don't Know Can Hurt You • Leveraging Cloud for Media Services : Rewards and Risks

CORPORATE GOVERNANCE STATEMENT

Directors	Trainings Attended
Dato' Halipah binti Esa	<ul style="list-style-type: none"> • Annual External Environment Analysis and Sectorial Outlook • BTA Series 3: Payment & Transactions Management • Nominating Committee Programme 2: Effective Board Evaluation • PNB Investment Series: Financial Freedom – Growing Dreams • Board Education Session on Real Estate Valuation • Board Education Session on Resolution of Insurance Companies & Framework for Evaluation Model
Datuk Pragasa Moorthi a/l Krishnasamy Habibah binti Abdul	<ul style="list-style-type: none"> • Business Strategy & Decision Making • Shariah Risk Management Framework • Board's Strategic Leadership : Innovation & Growth in Uncertain Times (FIDE Forum) • Impact of New Accounting Standard on Banks : What Directors Should Be Aware Of (FIDE Forum) • Risk Appetite Workshop • The New Companies Bill 2015 by Companies Commission of Malaysia • Boardroom War/Tussle

(B) DIRECTORS' REMUNERATION

In determining directors' fee and meeting allowances as well as meeting allowances for the AC and NRC (collectively "Directors' Remuneration"), KLCCP and KLCCRM adhere to the policies and procedures set by the respective Boards as recommended by the NRCs of KLCCP and KLCCRM.

KLCCP Directors' Remuneration is subject to approval by the holders of Stapled Securities at the KLCCP AGM to be recommended by KLCCP Board.

Members of the Board, the AC and NRC of KLCCRM are entitled to meeting allowances only as long as their meetings are held on a

different date than the meetings of the Board, AC and NRC of KLCCP.

For the year under review, no meeting allowance was paid to the members of the Board, AC and NRC of KLCCRM as their meetings were held on the same date as the meeting of the Board, AC and NRC of KLCCP.

Datuk Hashim bin Wahir, the Executive Director cum CEO of KLCCP and KLCCRM, 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 fees. During the year under review, KLCCP reimbursed KLCCH an amount of RM1,236,000.00 for his services.

The Directors' Remuneration for the Non-Independent Non-Executive Director, Datuk Manharlal A/L Ratilal, who is also an employee of PETRONAS, is paid directly to PETRONAS as fees for his representation at KLCCP and KLCCRM Boards. During the year under review, KLCCP paid RM92,000.00 as board's representation fees to PETRONAS.

For the year under review, the breakdown of the Directors' Remuneration of KLCCP is tabulated below:

(RM)	Director's Fee	Board Meeting Allowance *	Audit Committee Meeting Allowance*	Nomination & Remuneration Meeting Allowance *	Total
Executive Director					
Datuk Hashim bin Wahir	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors					
Krishnan C K Menon	108,000	20,000	n/a	n/a	128,000
Datuk Manharlal A/L Ratilal	Nil#	Nil#	Nil#	Nil#	Nil#
Datuk Ishak bin Imam Abas	72,000	12,000	n/a	n/a	84,000
Augustus Ralph Marshall	72,000	15,000	12,000	n/a	99,000
Dato' Halipah binti Esa	72,000	12,000	8,000	6,000	98,000
Datuk Pragasa Moorthi	72,000	15,000	n/a	n/a	87,000
A/L Krishnasamy Habibah binti Abdul	72,000	15,000	8,000	4,000	99,000
Total	468,000	89,000	28,000	10,000	595,000

* Meeting allowances depend on the number of meetings attended by the Board/AC/NRC 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 KLCCP, KLCCRM and Investors

The Boards recognise the importance of maintaining transparency and accountability to their stakeholders. As such, the Boards consistently ensure the supply of clear, comprehensive and timely information to their stakeholders via annual reports as well as various disclosures including quarterly financial results of KLCCP Stapled Group 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 and KLCCRM are 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 stakeholders.

The Management of KLCCP and KLCCRM had conducted financial performance briefings 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 and KLCCRM 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 and minutes of general meetings of KLCCP and KLCC REIT can be accessed through KLCCP's corporate website.

(2) Annual General Meeting ("AGM")

The Boards regard 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 AGMs and accorded ample opportunity and time to raise questions and concerns, and the Directors and Management of KLCCP and KLCCRM 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 AGMs. The external auditors of KLCCP and KLCC REIT will also be present during the AGMs to provide their professional and independent advice.

Responses to the queries received from the Minority Shareholders Watchdog Group and Employees Provident Fund on KLCCP Stapled Group's business were shared with all holders of Stapled Securities attending the AGMs.

The AGM notices of KLCCP and KLCC REIT together with the Form of Proxy are given to the holders of Stapled Securities more than 21 days before the AGMs, which give them sufficient time to prepare themselves to attend the AGMs or to appoint a proxy to attend and vote on their behalf. Any item of special business included in the notices of the AGMs 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.

The Boards will consider the use of electronic voting for both show of hands and polling, to facilitate greater shareholders' participation after taking into consideration its reliability, applicability, cost and efficiency.

(3) Corporate Disclosure Policy

KLCCP and KLCCRM have each put in place a Corporate Disclosure Policy 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 Boards have 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.

The Boards are assisted by the respective ACs to oversee KLCCP Stapled Group's financial reporting process and the quality of the same. The ACs review and monitor the integrity of the interim and annual financial statements of KLCCP Stapled Group.

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

The Boards are responsible for ensuring that KLCCP Stapled Group's audited financial statements comply with the Malaysian Financial Reporting Standards, the Companies Act, 1965 and the MMLR, and any other applicable legislations and regulations.

The Statement by the Directors, the Manager's Report and the Statement by the Manager in relation to the preparation of the financial statements of KLCCP Stapled Group are set out on page 123 and pages 208 to 213 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

(2) Related Party Transactions

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

(3) Internal Control

The Boards have 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 their quarterly meetings, the ACs review 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 on pages 68 to 73 of this Annual Report.

(4) Relationship with External Auditors

KLCCP Stapled Group has established transparent and appropriate relationship with the external auditors through the respective ACs. From time to time, the external auditors will highlight matters that require further attention of the respective ACs and the Boards. The Boards have obtained assurance

from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

The respective ACs meet 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 respective ACs also meet 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 AGMs 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 ACs during the year under review, including the evaluation of the independent audit process, are set out in the AC Report on pages 74 to 75 of this Annual Report.

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	KLCCRM RM'000	KLCC REIT RM'000 #
Fees paid/payable to Messrs. Ernst & Young:				
• Statutory Audit	557	196	9	82
• Other Services	15	15	–	–
Total	572	211	9	82

* inclusive of fees paid by other subsidiaries of KLCCP

inclusive of fees paid by Midciti Sukuk Berhad

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

The 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.

F. RISK MANAGEMENT

Details of risk management activities of KLCCP Stapled Group are set out in the Statement on Risk Management and Internal Control of this Annual Report.

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 ACs in discharging their responsibilities, the Head of GIAD of KLCCH reports directly to the ACs.

This Statement is made in accordance with the resolution of the Board of Directors on 21 January 2016.

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.

The Boards of KLCCP and KLCCRM are responsible and committed to maintain a sound and effective risk management and internal control system of KLCCP Group and KLCC REIT.

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

RISK MANAGEMENT

The Boards have established sound risk management practices to safeguard KLCCP Stapled Group's business interest from risk events that may

impede the achievement of its business strategies and growth opportunities besides providing assurances to all stakeholders.

KLCC Group Enterprise Risk Management ("ERM") Framework ("Framework") outlines the risk policy, risk governance and structure, risk measurement and risk operations and system for KLCCP Stapled Group. The Boards have implemented the ERM processes to identify, assess, monitor, report and mitigate risks impacting KLCCP Stapled Group's business and supporting activities in accordance with ISO 31000:2009 – Principles and Guidelines on Implementation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

The Risk Management Oversight Structure sets out the structure used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards. The structure consists of the Boards, ACs and the Management represented by Management Committee ("MC") and Risk Management Committee ("RMC"). The structure allows for effective strategic risk communication to take place between the Boards, ACs and the Management on a quarterly basis.

The Boards are responsible for the overall risk oversight for KLCCP Stapled Group. The Boards' roles include identifying and approving the key principal risks for KLCCP Stapled Group and ensuring the implementation of appropriate and prudent systems to manage the identified risks.

The ACs provide advice to the Boards on risk matters. This includes reviewing the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by KLCCP Stapled Group.

The RMC serves as a central platform of KLCCP Stapled Group to assist the Management in identifying principal risks and providing assurance on effective implementation of risk management on a group wide basis.

The RMC comprises key personnel from respective disciplines within the KLCCP Stapled Group to undertake the review process of all risk management matters before submission to the ACs and the Boards for deliberation and approval.

The RMC in discharging its risk management function, is assisted by the Group Risk Management of KLCCP in managing the principal risks, providing assurance on effectiveness of the risk management framework for KLCCP Stapled Group and also promotes sound risk management practices to enhance risk management culture across KLCCP Stapled Group.

The MC reviews and recommends the effectiveness of the risk assessment and risk management policies and practices to ensure adequacy of the system is in place to effectively monitor and manage those risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Profiling

A risk profiling exercise was conducted to ensure that KLCCP Stapled Group's risk exposures are properly mitigated and updated to reflect the current economic environment and new regulations imposed by the government which impacted KLCCP Stapled Group's risk exposures.

The likelihood and impact of the risks have been assessed and evaluated against KLCCP Stapled Group's risk appetite and tolerance level while appropriate key risk indicators and mitigation plans have been identified for the risks. The status of the principal risks and key risk indicator performances are then reported to the RMC, ACs and the Boards for their deliberation and guidance on a quarterly basis.

During the year under review, the Boards have carried out the following;

- (i) Annual review of its risk profile in compliance with the Framework where the risk profile was reviewed, assessed and updated to safeguard KLCCP Stapled Group's investment and key business activities;
- (ii) Annual review of risk profile for entities under KLCCP Stapled Group such as KLCC Parking Management Sdn Bhd and KLCC Urusharta Sdn Bhd; and
- (iii) Risk assessment on project basis to identify all potential risks that may impact the implementation and completion of the project relating to redevelopment of City Point, Kompleks Dayabumi.

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

- Human Capital
- Security
- Finance
- Market
- Asset Management
- Project Management (KLCCP only)
- Supplier
- Health, Safety & Environment
- Facilities Management

The Corporate Risk Profile is monitored via the INTERISK system, a risk management tool which provides complete risk overview of the organisation for reporting to the Boards. It is a web-enabled system where users are able to access the organisation risk profile on a real-time basis anytime and anywhere.

Business Continuity Plan (BCP)

The Business Continuity Plan ("BCP") was established which aims to provide guidance in resuming key business functions in the event crisis occurs that has a major or catastrophic impact on business in terms of financial, operation and reputation.

Integrated BCP simulation exercise for specific identified scenarios was carried out annually to ensure practicality of the BCP for its implementation during crisis:

- (i) Integrated Alternate Worksite or Virtual Office for Critical Business Function;
- (ii) Integrated Alternate Workforce; and
- (iii) Table Top Exercise for Business Continuity Team.

The web based storage was introduced to support the continuity of business in the event of crisis to enable the critical business function to retrieve the working data elsewhere.

Concerns on all principal risks are shared with the Group Internal Audit Division (“GIAD”) of KLCC (Holdings) Sdn Bhd (“KLCCH”) which then uses the risk assessment reports as reference to develop the annual audit plans for KLCCP Stapled Group. Risk awareness sharing sessions are regularly conducted for all levels of staff as part of the ongoing initiative to sustain risk awareness and risk management capabilities to inculcate risk management culture within the KLCCP Stapled Group.

INTERNAL CONTROL PROCESSES

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

- 1) The Boards meet at least quarterly and have set a schedule of matters, which is required to be deliberated and approved by the Boards, thus ensuring that the Boards maintain full and effective supervision over the control processes;
- 2) The CEO of KLCCP and KLCCRM leads the presentation of board papers and provides comprehensive information and explanation for each discussion paper. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Boards is a prerequisite;
- 3) Updates on KLCCP Stapled Group’s operations and performance are provided to the Boards at every meeting and the CEO also reports on any significant changes in the business operations and risk profiles of KLCCP Stapled Group. In addition, the CEO and the Chief Financial Officer/Chief Investment Officer (“CFO”) of KLCCP (who is also the Head of Investment/Head of Finance (“Head of Investment”) of KLCCRM) assure the Boards that adequate processes and controls are in place for the preparation of quarterly and annual financial statements;
- 4) KLCCP Stapled Group has an organisational structure with defined lines of responsibilities, delegation of authority and accountability. A hierarchical reporting structure has been established to provide documentary and auditable trail of accountability. In this respect, Limits of Authority Manuals are in place to define the lines of accountability and responsibility in relation to KLCCP Stapled Group’s operations and functions;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- 6) KLCCP Stapled Group undertakes annual planning and budgeting exercise including development of business strategies for forthcoming years and establishes key performance indicators for each business segment to achieve. Variances against budgets are analysed and reported on a quarterly basis to the Boards;
- 7) KLCCP Stapled Group's strategic directions are also reviewed annually taking into consideration changes in market conditions and significant business risks;
- 8) The CFO and Head of Investment report to the AC of KLCCP and AC of KLCCRM respectively that the accounting policies and procedures as set out in the Accounting Procedures Manual are in place and applied consistently to ensure that the financial statements are in compliance with the Malaysian Financial Reporting Standards and the relevant regulatory disclosure requirements; and

- 9) For the associate company, it is done via representation on the associate company's board. Information on the financial performance of the associate company is provided monthly.

INTERNAL AUDIT

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

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the internal control system to manage risks faced by KLCCP Stapled Group. The ACs 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 External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control (“Statement”) in accordance with *Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.*

They have reported to the Boards that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“SRMICG”)* nor is the Statement factually inaccurate.

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

As recommended by the SRMICG, the respective Boards have received assurances from the CEO and CFO/Head of Investment that KLCCP Stapled Group’s risk management and internal control system is operating effectively in all material aspects based on the processes as approved by the Boards.

This Statement is made in accordance with the resolution of the Board of Directors on 21 January 2016.

(A) FORMATION

The Audit Committees ("ACs") of KLCCP and KLCCRM were established on 9 July 2004 and 12 December 2012 by the Boards of Directors of KLCCP and KLCCRM respectively.

(B) COMPOSITION

The members of the ACs of KLCCP and KLCCRM are the same and each AC comprises a majority of Independent Non-Executive Directors. The composition of the ACs 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

(C) MEETINGS AND ATTENDANCE

During the year under review, a total of 4 meetings of the AC of KLCCP and KLCCRM were held respectively.

The attendance of the members of the ACs is as follows:

Committee Members	No. of Meetings Attended	
	KLCCP	KLCCRM
Augustus Ralph Marshall (Chairman)	4/4	4/4
Datuk Manharlal A/L Ratilal	3/4	3/4
Dato' Halipah binti Esa	4/4	4/4
Habibah binti Abdul	4/4	4/4

Meetings of the ACs were held with the presence of the CEO, CFO and Head of Investment, GIAD of KLCCCH, and the external auditors as and when required.

(D) SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEES

The ACs are collectively responsible in assisting the Boards in corporate governance and compliance of the KLCCP Stapled Group. The activities of the ACs for the year ended 31 December 2015 are as follows:

- (1) reviewed and approved the annual audit plans prepared by GIAD of KLCCCH for the KLCCP Stapled Group;

AUDIT COMMITTEE REPORT

- (2) 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;
- (3) reviewed and approved the revised Internal Audit Charters of KLCCP and KLCCRM;
- (4) reviewed and approved the Balance Scorecard of GIAD for 2015;
- (5) reviewed the quarterly financial results of KLCCP Stapled Group with the Management and recommended for the Boards' consideration and approval before releasing to Bursa Securities. The review was to ensure compliance with the MMLR, the Malaysian Financial Reporting Standards, the Companies Act, 1965, the REIT Guidelines and any other applicable legislations and regulations;
- (6) reviewed and recommended the audited financial statements for the Boards' consideration and approval with the presence of the external auditors;
- (7) reviewed the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by the KLCCP Stapled Group;
- (8) reviewed on a quarterly basis, the related party transactions entered into by the KLCCP Stapled Group;
- (9) 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;
- (10) reviewed the independence and objectivity of the external auditors and their services rendered including non-audit services:
 - For KLCCP, the AC made recommendations to the Board for the reappointment of the external auditors and approvals of their audit and non-audit fees.
 - In respect of KLCCRM, the AC recommended the appointment and remuneration of the external auditors of KLCC REIT upon the approval of the Trustee of KLCC REIT;
- (11) discussed issues arising from financial audits and any other matter the external auditors may wish to discuss (in the absence of the Management where necessary); and
- (12) recommended to the Boards of KLCCP and KLCCRM (as approved by the Trustee) for approvals on dividends and income distributions respectively for payment to the holders of Stapled Securities.

AUDIT COMMITTEE REPORT

(E) TERMS OF REFERENCE (“TOR”)

The ACs are granted the authority to act on each Board’s behalf in accordance with their respective TOR which are available at KLCCP’s corporate website.

(F) INTERNAL AUDIT FUNCTION

The ACs are supported by GIAD of KLCCCH in discharging 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 ACs.

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 the KLCCP Stapled Group. The ACs also had full access to the services and advice of the internal auditors and received reports on all audits that were performed.

A summary of the internal audit activities undertaken during the year ended 31 December 2015 is as follows:

- (1) prepared annual audit plans to ensure that all high risk areas were identified and audited for the ACs’ deliberations and approvals;
- (2) conducted regular reviews and assessments based on the approved annual audit plans by adopting the risk based approach;

- (3) monitored and followed-up on corrective actions taken on outstanding audit issues to ensure key risks and weaknesses were addressed effectively and timely;

- (4) revised Internal Audit Charters of KLCCP & KLCCRM for Audit Committees’ deliberations and approvals; and

- (5) Quality Assessment Review on GIAD of KLCCCH was conducted by The Institute of Internal Auditors Malaysia to assess on the effectiveness of the internal audit activities.

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

Both Management are 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 Stapled Group for the year was RM238,000.00 and RM97,500.00 for KLCCP and KLCC REIT respectively.

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

This Statement is made in accordance with the resolution of the Board of Directors on 21 January 2016.

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Guidelines on Real Estate Investment Trusts of Securities Commission Malaysia.

(I) NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2015 are as follows:

RM'000	KLCCP Stapled Group (Total)	KLCCP	KLCCRM	KLCC REIT
Non-audit fees	15	15	–	–

(II) MATERIAL CONTRACTS

There were no material contracts or loans entered into by KLCCP, KLCCP's subsidiaries or KLCC REIT involving the management company of KLCC REIT, directors' or major stapled securities holders' interest, either still subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous year, except as disclosed in (the Prospectus of KLCC Stapled Securities dated 7 May 2013 and) the respective audited financial statements of KLCCP and KLCC REIT.

(III) UTILISATION OF PROCEEDS

KLCCP and KLCC REIT did not raise funds through any corporate proposals during the financial year.

(IV) SHARE BUY-BACKS

There were no share buy-backs of the Stapled Securities during the financial year.

ADDITIONAL COMPLIANCE INFORMATION

ADDITIONAL COMPLIANCE INFORMATION

(V) OPTIONS OR CONVERTIBLE SECURITIES

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

(VI) DEPOSITORY RECEIPT ("DR") PROGRAMME

During the financial year, KLCCP and KLCC REIT did not sponsor any DR programme.

(VII) SANCTIONS AND/OR PENALTIES

During the financial year, there were no sanctions and/or penalties imposed by the relevant authorities on KLCCP and KLCC REIT as well as their respective subsidiaries, directors or management.

(VIII) VARIATION IN RESULTS

There was no variation of 10% or more between KLCCP Stapled Group's unaudited results announced earlier and the audited results for the financial year ended 31 December 2015. KLCCP and KLCC REIT did not release any profit estimate, forecast or projection for the financial year ended 31 December 2015.

(IX) PROFIT GUARANTEE

During the financial year, there was no profit guarantee given by 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")

Both KLCCP and KLCC REIT did not seek any mandate from the holders of Stapled Securities on RRPT during the financial year.





CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

KLCCP STAPLED GROUP HAS A SENSE OF RESPONSIBILITY TO THE PEOPLE WITH WHOM WE DO BUSINESS AND THE BROADER COMMUNITY IN WHICH WE OPERATE. SUSTAINABILITY IS FUNDAMENTAL ACROSS OUR PORTFOLIO OF REAL ESTATE ACTIVITIES INCLUDING INVESTMENT AND DEVELOPMENT OF COMMERCIAL, RETAIL AND HOTEL PROPERTIES AND MANAGEMENT SERVICES ACTIVITIES.

KLCCP STAPLED GROUP IS COMMITTED TO LONGER TERM VALUE VIA RESPONSIBLE ECONOMIC, ENVIRONMENT AND SOCIAL (EES) PRACTICES.



Having recently been included into the FTSE4Good Bursa Malaysia Index in December 2015, we are proud to have met globally recognised standards in our environment, social and governance (ESG) practices and continue to improve upon our journey towards sustainability. We have embedded sustainability principles into our organisational structure and operations and are working towards developing a framework to assist in addressing our sector specific sustainability issues of our business segments.

Guided by the PETRONAS Corporate Sustainability Framework, and premised on the Sustainability Guidelines of Bursa Malaysia Securities Berhad, our report is shaped by five priority areas identified, representing 19 material sustainability matters for KLCCP Stapled Group reflecting the themes and indicators for the construction and real estate sector. This takes into consideration our unique business requirements, wider industry landscape while being mindful of stakeholder requirements.

CORPORATE GOVERNANCE

Upholding transparency in our actions and disclosures

- Business Ethics and Compliance
- Anti-Bribery and Corruption
- Prudent Risk Management



ENVIRONMENTAL STEWARDSHIP

Improving operational sustainability

- GreenHouse Gas (GHG) Management
- Energy Efficiency
- Water Management
- Waste Management
- Products and Services Responsibility



SAFETY AND HEALTH

Committed to safeguarding the environment, our people and assets

- Safety Management
- Health, Safety and Environment (HSE) Capability and Culture
- Occupational Health



OUR PEOPLE

Nurturing a high performance culture

- Responsible Employment
- Leadership and Capability
- Equality, Diversity and Inclusion



RELIABLE PARTNER

Generating value for sustained growth

- Procurement Practices
- Supply Chain
- Community Investment
- Customer Relationship Management
- Indirect Economic Impact



ENVIRONMENTAL STEWARDSHIP

GHG Emissions

Office
19.45
mtCO₂e Scope 1

67,829
mtCO₂e Scope 2

Hotel
235
kg CO₂-e/sqm

Retail
300,000
kg CO₂ reduction per year

Energy Consumption

Office
97,822,746
kWh

Hotel
13,886,919
kWh

Energy Generated

Retail
591,216
kWh from solar photovoltaic

Water Consumption

Office
640,251
m³

Hotel
187,714
m³

Waste Management

Office
0.622
Tonnes Waste Generated

0.342
Tonnes Waste Disposed

Hotel
17.06 %
Diversion Rate
(weight of waste diverted from landfills and recycled)

4.08 kg
Waste Intensity
(weight of non diverted waste in kg vs guest room nights)



SAFETY AND HEALTH



Loss Time Injury (LTIF)
Frequency

0.23

Number of Fatalities

0 cases

Loss of Primary
Containment (LOPC)

0

Loss Time Injury (LTI)
Incidents

8 cases

OUR PEOPLE

Workforce Diversity

62% Male
38% Female

Staff sent for Training

81%
total population

Spent on Learning and
Development

RM2.6 million

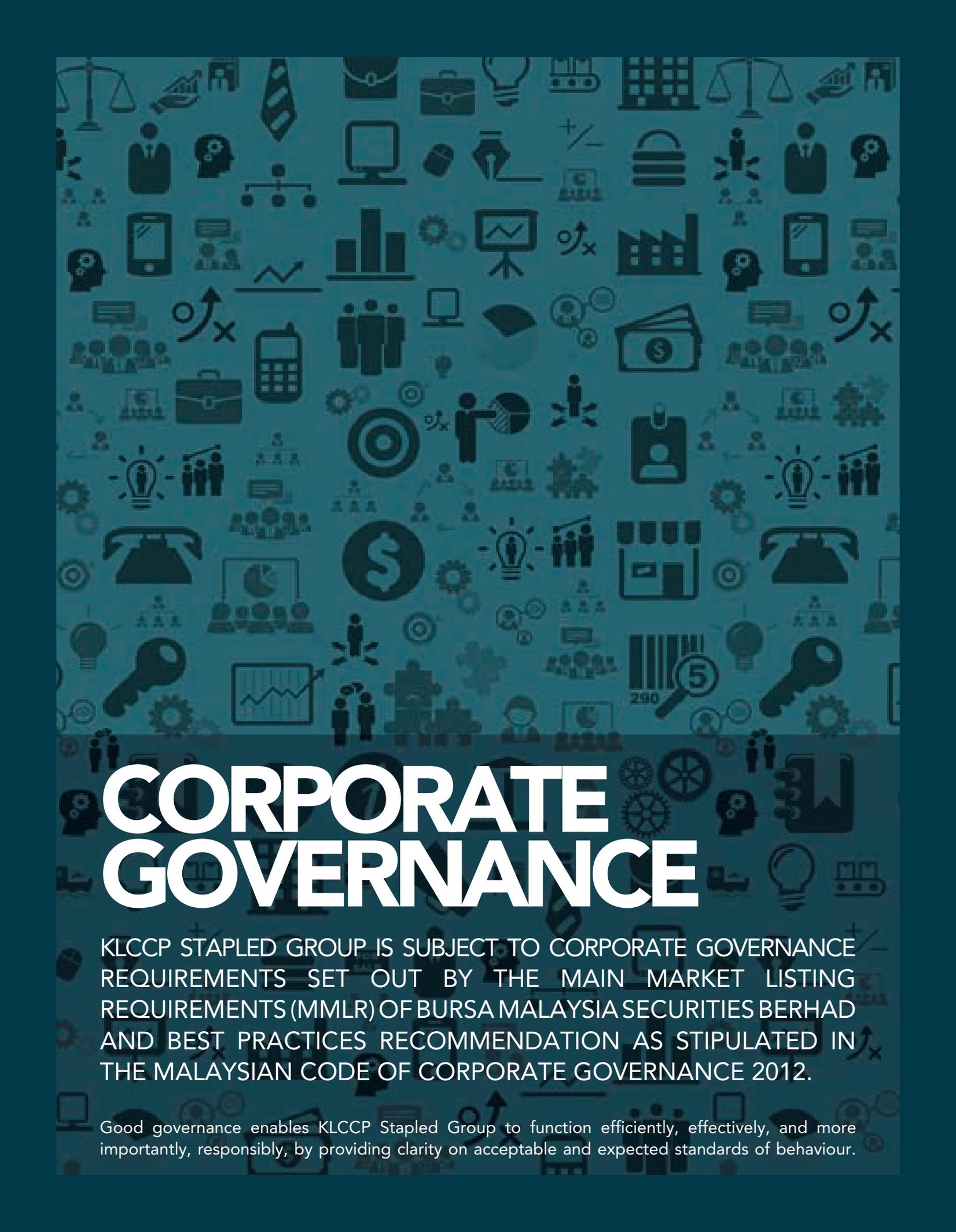


RELIABLE PARTNER

Community Investment

RM1.3 million





CORPORATE GOVERNANCE

KLCCP STAPLED GROUP IS SUBJECT TO CORPORATE GOVERNANCE REQUIREMENTS SET OUT BY THE MAIN MARKET LISTING REQUIREMENTS (MMLR) OF BURSA MALAYSIA SECURITIES BERHAD AND BEST PRACTICES RECOMMENDATION AS STIPULATED IN THE MALAYSIAN CODE OF CORPORATE GOVERNANCE 2012.

Good governance enables KLCCP Stapled Group to function efficiently, effectively, and more importantly, responsibly, by providing clarity on acceptable and expected standards of behaviour.



Board Composition and Diversity

KLCCP and KLCCRM Boards of Directors comprise of 8 members respectively, a Chief Executive Officer, four independent non-executive directors including a Chairman and three non-independent non-executive directors, fulfilling the requirement of the MMLR on independence. Currently there are two female Directors on each Board. The Boards are responsible for overseeing the overall management of KLCCP and KLCCRM and responsible for providing oversight and stewardship of the organisation. Harnessing strengths from a variety of backgrounds and experiences, the Boards bring diversity and add depth to deliberations.

KLCCP and KLCCRM Boards do not practice any form of gender, ethnicity and age bias as both Boards believe both genders are to be given fair and equal treatment and any new appointments to the Boards are based solely on merit. The Boards have continued to apply high standards of corporate governance during the year, operating in compliance to protect and enhance interests of holders of Stapled Securities and stakeholders.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Business Ethics and Compliance

KLCCP and KLCCRM Boards and Senior Management acknowledge their roles in establishing a corporate culture comprising ethical conduct within KLCCP Stapled Group. They are committed to conducting business with integrity, consistent with high standards and business practices and in compliance with all applicable laws and regulatory requirements.

KLCCP Stapled Group adopts and complies with the PETRONAS Code of Conduct and Business Ethics (CoBE) which is embedded throughout our organisation and form the basis for all our policies, procedures, and actions, as well as the personal behaviour of our stakeholders. It is rolled out through various training as well as communication programmes. The CoBE is applicable to all Directors, employees and third parties performing work or services for or on behalf of the organisation and governs the behaviour and ethical conduct expected of each individual.

The compliance to CoBE was made compulsory by having all the new recruits attend a mandatory training on the CoBE which was part of KLCCP Stapled Group's on-boarding programme. The CoBE is also disseminated to key stakeholders, including employees, through a series of training and communication programmes and made available on our corporate website.

Anti-Bribery and Corruption

KLCCP Stapled Group adopts the PETRONAS Anti-Bribery and Corruption (ABC) Manual and has zero tolerance for all forms of bribery as well as corruption and a *No Gift Policy* has been implemented since 1 April 2012. PETRONAS Integrity Compliance Framework (PICF) was developed and adopted within our organisation to nurture a stronger culture of ethics and integrity. The ABC Manual, one of the core components under the PICF was developed to supplement the general policy statements set out in the CoBE on fighting corruption and unethical practices. It applies across the KLCCP Stapled Group and contains details on improper solicitation, bribery and corruption, dealing with gifts, entertainment and corporate hospitality.

Whistleblowing Policy

KLCCP Stapled Group also adopts the PETRONAS Whistleblowing Policy which encourages openness and transparency in our commitment to the highest standard of integrity and accountability. Through the Whistleblowing policy, employees and members of the public can raise in confidence concerns on possible criminal offence and malpractices relating to numerous matters including financial reporting, internal controls, audit matters, any breach of CoBE, without fear of reprisals in any form.

Dealings in Stapled Securities

KLCCP Stapled Group has implemented a Memorandum on Insider Trading whereby Directors and employees of KLCCP Stapled Group are prohibited from trading in the Stapled Securities particularly when they are in possession of price sensitive information and knowledge of facts which have not been publicly announced. The Directors are notified in advance of the closed period for trading in Stapled Securities and reminded not to deal in Stapled Securities when price sensitive information is shared with them on any proposed transactions presented.

Prudent Risk Management

Risk management plays an integral part of KLCCP Stapled Group's business activities and continues to be an essential component of the planning process. The Boards have overall responsibility to ensure KLCCP Stapled Group has the capability and necessary framework to manage risks in existing and new businesses and that the risks appetite are aligned with the business plans and strategies.

KLCCP and KLCCRM Boards developed an integrated approach in managing risk in the Group focusing on three areas of business resiliency:

Enterprise Risk Management

A structured and holistic approach to identify, assess, treat and monitor risk aimed to reduce the likelihood and impact of all identified risks to enhance ability to achieve strategic objectives.

Risk profiling exercise is conducted to ensure KLCCP Stapled Group's risk exposures are properly mitigated and annually updated in line with current economic environment and new regulations imposed by the Government.

Crisis Management

A comprehensive set of processes aimed to prepare the organisation to respond and manage crisis in the risk areas to protect and save people, environment, assets and reputation.

A Crisis Management Plan (CMP) is in place to address and respond to incidents where risk mitigation fails or when full prevention of the risk occurring is unlikely. This includes the emergency response, emergency management and crisis management.

Business Continuity Management

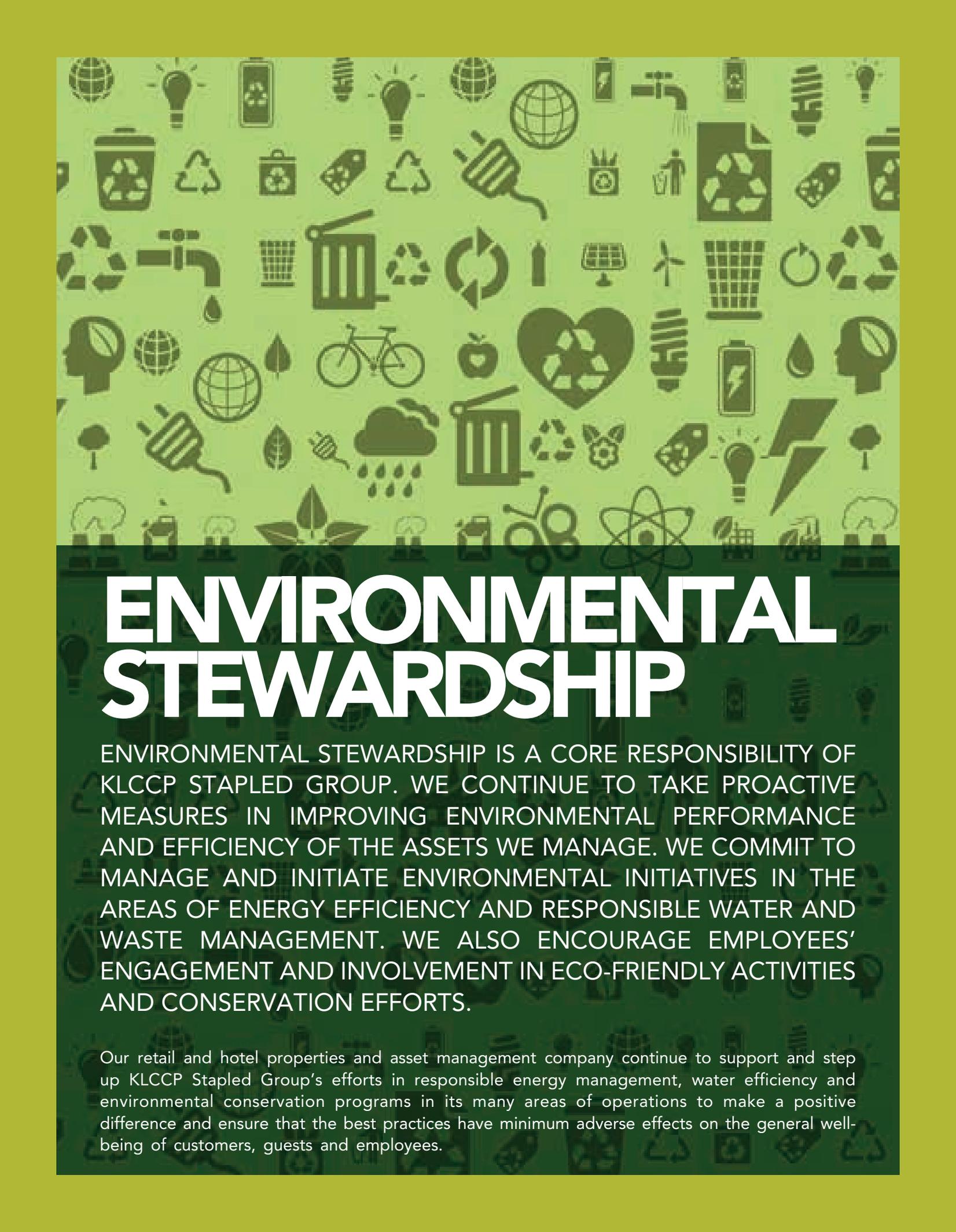
A Business Continuity Plan (BCP) for KLCCP Stapled Group was established to cover the failure of ICT, business supply chain, assets and people. The BCP aims to provide guidance in resuming key business functions in the event the CMP fails to contain the incident and it escalates into a prolonged disaster that has a major or catastrophic impact on the business in terms of financial, operation and reputation.

With the high incidents of terrorist and bomb attacks globally in 2015, Crisis Management was a main focus for KLCCP Stapled Group this year. KLCCP Stapled Group conducted integrated simulation exercises for Menara Dayabumi and PETRONAS Twin Towers to test the effectiveness and robustness of the Crisis Management and the Business Continuity Plan which would result in prolonged business disruption.

Sustainability Governance

Our Board Charter incorporates elements of sustainability with the Boards recognising the responsibility to our stakeholders and acknowledging that the organisation should play an important role in contributing towards the welfare of the community in which it operates. The Boards also acknowledge the need to safeguard and minimise the impact to the environment in achieving KLCCP Stapled Group's objectives. The Boards' agenda reflects commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

KLCCP Stapled Group is working towards strengthening sustainability governance practices across the Group. Our Boards acknowledge that given the emerging trends of EES risks and opportunities affecting business value and share prices, incorporating sustainability considerations into the workings of an organisation leads to value creation for its business and stakeholders in the longer run.



ENVIRONMENTAL STEWARDSHIP

ENVIRONMENTAL STEWARDSHIP IS A CORE RESPONSIBILITY OF KLCCP STAPLED GROUP. WE CONTINUE TO TAKE PROACTIVE MEASURES IN IMPROVING ENVIRONMENTAL PERFORMANCE AND EFFICIENCY OF THE ASSETS WE MANAGE. WE COMMIT TO MANAGE AND INITIATE ENVIRONMENTAL INITIATIVES IN THE AREAS OF ENERGY EFFICIENCY AND RESPONSIBLE WATER AND WASTE MANAGEMENT. WE ALSO ENCOURAGE EMPLOYEES' ENGAGEMENT AND INVOLVEMENT IN ECO-FRIENDLY ACTIVITIES AND CONSERVATION EFFORTS.

Our retail and hotel properties and asset management company continue to support and step up KLCCP Stapled Group's efforts in responsible energy management, water efficiency and environmental conservation programs in its many areas of operations to make a positive difference and ensure that the best practices have minimum adverse effects on the general well-being of customers, guests and employees.



The fish release activity at Sungai Papan in Gerik, Perak promotes environment conservation and contributes to the lake ecosystem

GreenHouse Gas (GHG) Emissions

In our bid towards achieving a lower carbon economy, KLCCP Stapled Group embarked on its flagship action to monitor and manage GHG emissions in 2014 as part of our sustainability initiative recognising the focus on carbon emissions. This is also in line with PETRONAS' requirement of its subsidiaries to be in compliance with the enforced Environmental Quality

(Clean Air) Regulations 2014. Our data collection is focused on our office and hotel properties.

At Mandarin Oriental, Kuala Lumpur (MOKL Hotel), one of the hotel's Guiding Principles is "Acting with Responsibility". In line with this principle and also in compliance with our certified standards of ISO 14001, OHSAS 18001 and ISO 22000, our

hotel has identified and complies with various regulatory requirements. In respect to emissions, MOKL Hotel complies with the requirements of Environmental Quality Act in terms of baseline, yearly or every 5-years of monitoring and measurement of emission. This is conducted with a recognised organisation and results are reviewed by senior management for further improvements.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Key Initiatives in 2015

KLCC Park	<ul style="list-style-type: none"> • Electric motorcycles are used at the KLCC Park for patrolling
MOKL Hotel	<ul style="list-style-type: none"> • Installed charging station for electric cars at the car park • Brought on board Kuala Lumpur's first electric eco-friendly car, Nissan Leaf, for in-house guest use. One charger was installed at MOKL Hotel's car park and in June 2015 an additional charger was installed for guests' usage
KLCC North West (NWD) Development Carpark	<ul style="list-style-type: none"> • Installation of LED lights at KLCC basement car park commenced in mid-October 2014 and was completed in April 2015 • Equipped with Electric Vehicle Charging Station, made available to encourage the use of eco-friendly vehicles • NGV Shuttle Buses are used to shuttle passengers from the multi-level carpark located near Jalan Binjai to the surrounding areas and within the KLCC Precinct

Performance in 2015

GHG Emissions

		2015	2014
Office and Car Park			
– Scope 1	mt CO ₂ -e	19.45	22.3
– Scope 2	mt CO ₂ -e	67,829	73,201
Hotel	kg CO ₂ -e/sqm	235	252
Retail	kg CO ₂ /year	300,000	



Electric eco-friendly car for MOKL Hotel's in-house guest use

In 2015, our GHG emissions showed a slight improvement under Scope 1 decreasing from 22.30 million tonnes of carbon dioxide equivalent (mt CO₂-e) in 2014 to 19.45 in 2015. Similarly Scope 2 emissions reduced from 73,201 mt CO₂-e in 2014 to 67,829 mt CO₂-e in 2015. This was attributable to the installation of LED lights in the PETRONAS Twin Towers and the basement car park which minimises electricity consumption.

Our hotel segment reduced GHG emissions by 6.7% compared to 2014. This translated to a reduced GHG emissions intensity of 18.3% compared to a 2007 baseline.

At our retail property, the photovoltaic system installed at the rooftop of Suria KLCC in 2012 generates clean energy that contributes to the reduction of carbon emission of approximately 300,000 kg of carbon dioxide a year.

Energy Efficiency

KLCCP Stapled Group acknowledges the importance of energy conservation for a sustainable future as reducing our electricity consumption not only lowers our greenhouse gas emissions and carbon footprint, it allows us to save in terms of our energy cost. We are committed to minimising energy consumption and reducing carbon footprint by adopting energy efficiency measures to enhance our operational excellence.

Key Initiatives in 2015

During the year, various ongoing initiatives in promoting energy efficiency at our properties were enhanced.

At the PETRONAS Twin Towers, sustainable procurement practices were adopted to promote reduced energy consumption. Energy saving office appliances and LED lights are used resulting in significant energy savings.

MOKL Hotel diligently tracked its energy usage and reported on a quarterly basis while energy intensity is measured on a monthly basis and compared against targets allocated by Mandarin Oriental Hotel Group. Energy performance is benchmarked against industry standards and internal and external audits are conducted monthly, bi-annually and annually for purposes of continual improvement.

During the year, KLCC Parking Management Sdn Bhd (KPM) embarked on the project of installing the Parking Guidance System (PGS), Energy Monitoring System (EMS), LED lighting and usage of Electric Vehicle (EV). The installation of the PGS was the largest implementation for a carpark which received recognition from a global vendor, Circontrol, Spain. With the EMS function in place, the overall electricity consumption of lighting cost constitutes 19% from the total energy cost. Installation of LED lights throughout KLCC NWD basement carpark has resulted in a reduction of 52% in electricity cost for car park lighting for the entire car park.

Suria KLCC has invested in energy saving lights within the area in the shopping mall since 2008. The photovoltaic system installed on the rooftop of Suria KLCC is capable of producing more than 600 megawatt hours of solar energy annually and continues to conserve the environment for future generations.



Recycle waste bins at MOKL Hotel



Engineering personnel recording meter reading at MOKL Hotel

Performance in 2015

Energy Consumption (kWh)

	2015	2014
Office and Car Park	97,822,746	100,209,159
Hotel	13,886,919	14,709,902

Our office and car park registered a 2.4% reduction in energy consumption from 2014 to 2015. The installation of LED lighting in the PETRONAS Twin Towers, Menara 3 PETRONAS and the basement car park contributed to this decrease in energy consumption. Our hotel segment saw energy consumption reduced by 5.6% in 2015.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Solar Energy – Retail

Year	Energy Generated from Solar (kWh)
2012	529,470
2013	592,205
2014	551,162
2015	591,216
Total	2,244,053



Solar Panel on Suria KLCC rooftop

The clean energy generated from the photovoltaic system was able to generate 591,216 kWh in 2015 which is an increase of 7.3% from 2014.

Water Management

KLCCP Stapled Group continues to emphasise on the importance of efficient water usage throughout its operations particularly in areas where daily water usage is significant including washrooms and for cleaning and maintenance work. This is to ensure people using our buildings experience a healthy and pleasant environment.

Key Initiatives in 2015

We closely monitor the use of fresh water across our operations. At the PETRONAS Twin Towers and Menara 3 PETRONAS, controlled valve for water usage were installed as part of our effort to reduce water consumption.

Being in the hospitality industry, efficient usage of water is a priority at MOKL Hotel where water usage is generally measured to benchmarked international standards. Monthly water meter readings are also compared to billings by Syabas to determine challenges and action for improvement. Internal as well as external water audits are conducted on a monthly, bi-annually and yearly basis with actions determined for continued improvement.

Performance in 2015

Water Consumption (m³)

	2015	2014
Office	640,251	754,269
Hotel	187,714	213,343

The Green Building Index (GBI) initiatives on water consumption resulted in significant impact wherein a 9.6% reduction was reported for KLCC REIT properties. Kompleks Dayabumi under KLCCP showed a decrease of 38.4% from 2014, as a result of the roll-out of awareness programs year-on-year and the

demolition of the City Point podium. Through these efforts, overall water consumption for the office segment resulted in a 15% reduction in consumption from 2014 to 2015. Water consumption in the hotel sector recorded a 12% reduction as a result of the various initiatives undertaken to reduce water consumption.

Waste Management

Our properties are within the tourism belt and being an iconic destination in the Kuala Lumpur City Centre, they play an important role in raising public awareness about waste issues. KLCCP Stapled Group practices responsible and environmentally-friendly waste disposal to minimise the adverse effects on the environment. We also promote and educate the public on the importance of recycling and responsible waste disposal as these efforts, collectively will contribute towards a long-term sustainable future.

Scheduled wastes and hazardous wastes generated by our respective properties were well managed according to the Environmental Quality Act, Scheduled Wastes Regulations 2005 and comprised SW103 (used batteries), SW 109 (used fluorescent

tubes) and SW110 (E-wastes) which were disposed to the licensed prescribed service provider, Kualiti Alam Sdn Bhd.

At our MOKL Hotel, our employees are trained in the proper segregation of waste, solid, hazardous or recyclable waste. Targets are set each year for waste to be minimised and diligently segregated. Wastes collected are measured via Key Performance Indicators (KPI), namely Waste Intensity (weight of non diverted waste in kg vs guest room nights) and Waste Diversion Rate (weight of waste diverted from landfills and recycled).

Key Initiatives in 2015

At the PETRONAS Twin Towers, a Waste Management and Recycling Plan is part of the sustainability practices adopted for the premise operation, consistent with the overall sustainability policy adopted and the GBI initiatives. The plan aims to minimise quantities of waste generated ending up as landfill and the recovering, reusing and recycling of waste generated onsite which is integral to allow effective waste separation, collection and disposal.

In support of the 3R campaign in 2015, KLCCP Stapled Group organised the Hazardous Household Waste (HHW) Campaign involving the KLCC Group's subsidiaries and joint venture partners. The program was designed to cultivate public awareness on household hazardous waste such as used batteries, used fluorescent bulbs and e-waste which contain potentially hazardous ingredients that may be

corrosive, toxic, ignitable or reactive and require special care in disposal. Convenient collection points were provided to encourage the public to participate in the recycling initiatives.

MOKL Hotel continued its sustainability programs by creating awareness amongst its employees and guests on the need to think 'sustainable' and by doing their part. Among the programs conducted were the "Waste Not Want Not Sale" where employees contributed items for sale, sale of recycled wastes and implementation of glass bottled water with high grade long-lasting carbon filter at the Hotel's function rooms which reduced consumption of waste from plastic bottles.

Performance in 2015

			2015	2014
Office	Total Hazardous Waste Generated	tonnes	0.622	3.975
	Total Hazardous Waste Disposed	tonnes	0.342	1.920
Hotel	Waste Intensity	kg per room	4.08	3.52
	Waste Diversion	%	17.06	14.16

In 2015, total hazardous waste generated by our Office properties reduced by 84% whilst total hazardous waste disposed reduced by 82%. This significant waste reductions was as a result of the replacement of fluorescent bulbs with LED in our office buildings and basement car park.

As at December 2015, MOKL Hotel's waste intensity (landfill waste per overall guest room nights) was at 4.08 kg per room guest compared to 3.52kg in 2014. The increase was due to the decrease in guest room nights and covers for 2015. With MOKL Hotel's efforts in recycling, the Waste Diversion improved to 17.06% from 14.16% in 2014.

Products and Services Responsibility

As an organisation who takes pride in creating longer term value via responsible economic, environment and social practices, KLCCP Stapled Group is committed to sustainable development and services it renders. Our products and services play a part in driving environmental decisions and influencing environmental values and behaviours within the organisation.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Green Excellence in our properties

The PETRONAS Twin Towers by virtue of its iconic stature have been the focus of numerous global events over the years. In 2014, we embarked on initiatives to obtain certification for the PETRONAS Twin Towers as a certified green building under GBI Malaysia. The efforts paid off when the PETRONAS Twin Towers attained the Provisional Gold Certification in April 2015 while Menara 3 PETRONAS attained the Provisional Silver Certification. Our facility management team at these two properties continue to improve performance in economic, health, safety, environmental and social aspects.

Property	Key GBI Initiatives
PETRONAS Twin Towers	<ul style="list-style-type: none"> • Upgrading of Building Management System • Installation of LED office lighting at Tower 2 in August 2015 • Installation of water efficient flushing systems for toilets • Installation of variable fan drives for lift motor rooms and fire fans
Menara 3 PETRONAS	<ul style="list-style-type: none"> • Implementation of the LED lights and motion sensors in the staircases which are expected to yield a 3% reduction in electricity bills • Implementation of the water leak detection system • Energy management system scheduled for implementation on site in 2016

Promoting the use of Biodegradable and Eco-Friendly Products

KLCCP Stapled Group promotes the usage of biodegradable and eco-friendly products in both our office and hotel premises as well as in the maintenance of KLCC Park. The use of biodegradable products not only benefits our environment but also helps to reduce cost. Our business operations aspire to do more to conserve and protect the environment and create an entire ecology of living that promotes sustainability.

PETRONAS Twin Towers	<ul style="list-style-type: none"> • Carpet flooring, paint and adhesive used for installation work are from recycled materials and low in Volatile Organic Compounds (VOC). • Materials used for ceiling insulation above acoustic partition walls were selected for good sound transmission class rating, non-toxic with recycled content materials. • All wiring outlet plates are free from PVC to minimise out-gassing of toxic substances and also taken into account are the lifecycle issues in terms of production and disposal.
MOKL Hotel	<ul style="list-style-type: none"> • Replacement of leather boxes for laundry with foldable laundry box in non-woven material. • Environment bulletin board was replaced with a TV monitor displaying notices and environmental awareness videos, eliminating printing on paper. • Spa products used in the Mandarin Spa are packaged with materials that cause minimal damage to the environment and are made of environmentally friendly ingredients. • Annual review of chemical lists in Housekeeping, Laundry, F&B and Engineering for environmentally friendly products which result in operational efficiency with energy and utility cost savings.

Inculcating Eco-Minds

KLCCP Stapled Group is committed in raising community and employee awareness on environmental issues by providing knowledge and encouraging its employees to volunteer their time and effort to participate in environmental conservation activities and inspire others in doing more for a sustainable future.

Key programs for the year included:

Envirocomm 2015

The Envirocomm 2015 program organised by KLCCP Stapled Group was successfully held at the Royal Belum Forest in Gerik, Perak. Envirocomm is one of our CSR programs initiated with the objective to cultivate the culture of an environmental and socially responsible employees. It is also our way of giving back and contributing to the society's wellbeing and promoting conservation of the environment and our eco system.

One of the activities held was contributing to the lake ecosystem through fish release program.



Bamboo rafting at Banding Lakeside in Gerik, Perak

Participants comprising employees of the Group were involved in activities such as bamboo rafting at Banding Lakeside, fish feeding at Sanctuary Waterfall and jungle trekking. A total of 10,000 native fish contributed by the Group were released at Sungai Papan.

MO Charity Run

In support of the Group's effort in inculcating eco-mindset among its employees, MOKL Hotel employees initiated the MO Charity Run as part

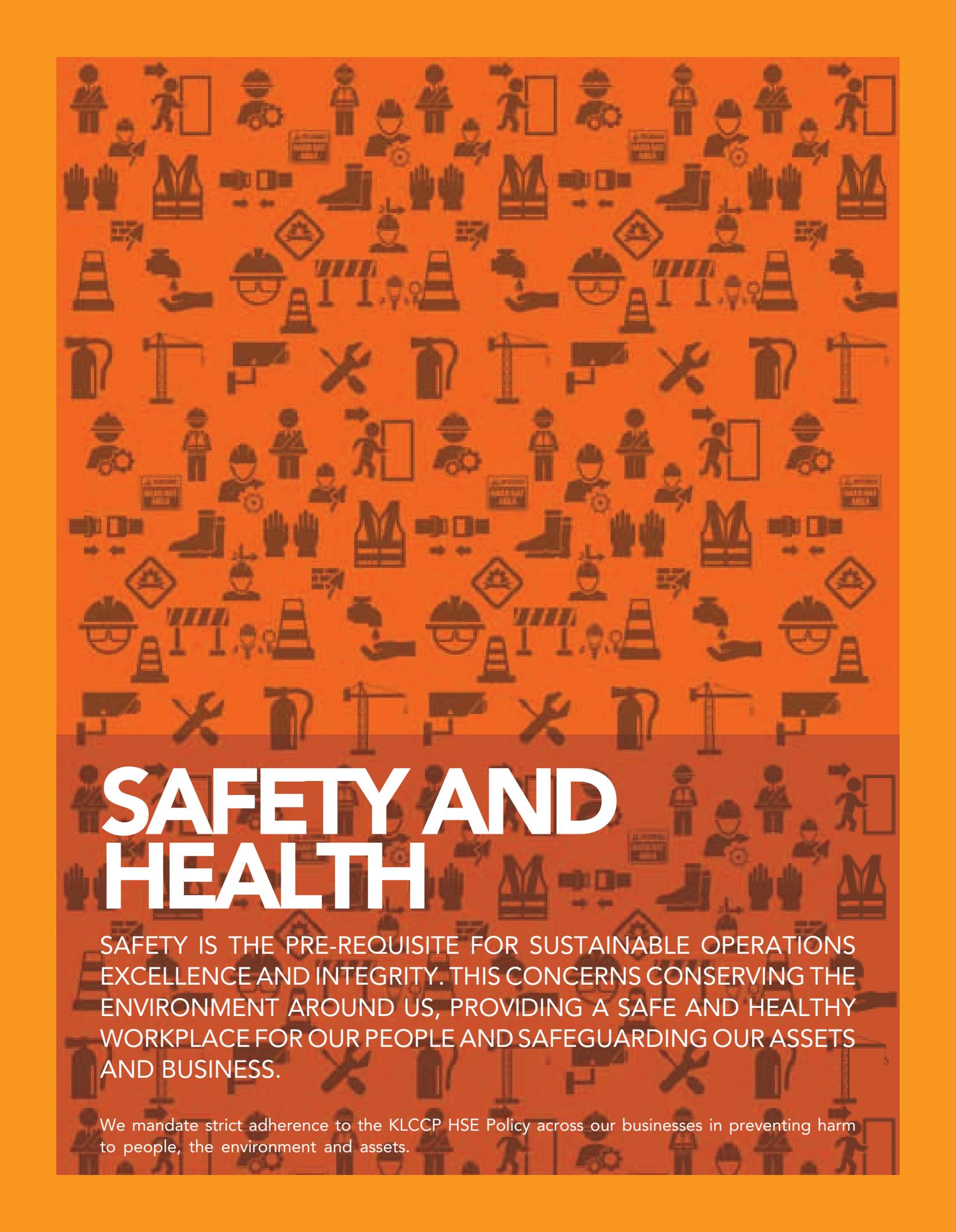
of the hotel's series of CSR activities for the year. The objective of the Run was to raise funds for the Malaysia Nature Society (MNS) and to create awareness amongst the community on the need to conserve our habitat and to highlight MNS's efforts in the protection of Malaysia's natural heritage. The Run had close to 500 participants and managed to raise RM36,000 for MNS.

Earth Hour

KLCCP Stapled Group has participated in Earth Hour since 2010. Earth Hour which is held in conjunction with Earth Day aims to inspire awareness of and appreciation for the earth's environment, particularly on energy consumption and sustainability principles by encouraging corporations and the general public worldwide to simultaneously switch off their power for an hour. Supporting this initiative are our retail, hotel and our offices as part of our ongoing commitment to create a legacy.



MO Charity Run



SAFETY AND HEALTH

SAFETY IS THE PRE-REQUISITE FOR SUSTAINABLE OPERATIONS EXCELLENCE AND INTEGRITY. THIS CONCERNS CONSERVING THE ENVIRONMENT AROUND US, PROVIDING A SAFE AND HEALTHY WORKPLACE FOR OUR PEOPLE AND SAFEGUARDING OUR ASSETS AND BUSINESS.

We mandate strict adherence to the KLCCP HSE Policy across our businesses in preventing harm to people, the environment and assets.



KLCCP Stapled Group implements stringent safety practices at both workplace and construction sites

Our HSE Policy guides our actions in health, safety and environment to strive for excellence and highlights our commitment to:

- Prevent and eliminate risk of injuries, occupational illnesses and damage to properties and towards prevention of pollution, conservation and preservation of environment
- Business activities carried out in accordance with legal requirements and other HSE related requirements
- Provide resources for training and engage with stakeholders
- Ensure contingencies plans are in place and maintained for emergencies
- Communication of HSE matters to employees, customers, contractors, suppliers and public
- Continual improvement on HSE Management, performance, processes and technology

The safety and health of our employees, tenants and visitors to and within the buildings are paramount to KLCCP Stapled Group. We place utmost importance on Safety Management to prioritise safe work practices, building HSE capability and culture within our organisation and Occupational Health in sustaining ideal health levels of our employees.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT



First Aid training conducted by Suria KLCC

Safety Management	HSE Capability and Culture	Occupational Health
<p>Prioritise safe work practices to provide a safe, secure and conducive workplace and environment</p>	<p>Structured capability building to inculcate stronger HSE leadership, culture and mindset</p>	<p>Focused on sustaining optimal health levels</p>
<ul style="list-style-type: none"> • Our KLCCP HSE Policy, HSE Management System, HSE Mandatory Control Framework and PETRONAS Technical Standards are governance mechanisms established to integrate requirement of health and safety legislations and environmental protection to elevate our HSE performance • Our employees, and third party personnel serving at our properties and development sites are mandated to comply with our standards and rules on HSE • We comply with Zero Tolerance (ZETO) Rules, a principle to ensure all activities are carried out in a safe manner and where any non-compliance is not tolerated • We are committed to conducting our business activities in accordance with our policies on Health, Safety and Environment and complying with the highest standards of occupational safety and health regulations • We continuously measure and track our performance against industry best practices 	<ul style="list-style-type: none"> • We are committed in providing our employees with a conducive work environment that complies with the highest standards of occupational safety and health (OSH) regulations with zero tolerance for non-compliance • We adopt a structured capacity building plan to inculcate stronger HSE leadership, culture and mindset via holistic competency development programmes at our various properties to develop well-rounded and technically-proficient HSE personnel • We are committed to providing, in collaboration with our employees, a safe, secure and conducive workplace culture and environment, where the values of mutual and reciprocal respect, trust and confidence are upheld and actively promoted 	<ul style="list-style-type: none"> • We promote and maintain the highest degree of physical, mental and social well-being of our employees in all occupations • We are committed to the wellness of our employees, contractors, customers and guests • We adopt and implement the PETRONAS Occupational Health and Industrial Hygiene standards including focusing on new legal and regulatory requirements to ensure our workplace adopts best practices

Key Initiatives in 2015

In our continuous efforts to create greater awareness among employees and contractors and to instill the HSE culture, KLCCP Stapled Group undertakes a variety of injury prevention and intervention programmes to eliminate or minimise the risk of injury to employees, contractors, suppliers and the public. Several initiatives and training programmes were conducted during the year to ensure a thorough understanding of health and safety roles and responsibilities.

➤ Strengthening the HSE Capability and Culture

In 2015, KLCCP Stapled Group's HSE initiatives included:

Instilling HSE in each employee via Key Performance Indicators in Employees' Performance Contract	<ul style="list-style-type: none"> • Participation in HSE programs • Reporting on Potential Incident/Near Miss (PI/NM) of potential hazards or incidents at any of our properties or sites
Communication and enhancing knowledge of HSE matters	<ul style="list-style-type: none"> • Health talks by external parties and regulatory authorities • Blood donation campaign
Regular HSE Awareness Trainings for employees and contractors	<p>In 2015, a total of 8,674 employees and contractors underwent HSE training. The trainings included amongst others:</p> <ul style="list-style-type: none"> • Scheduled waste generation and handling procedure • As part of Emergency Response Procedure training, the Emergency Response Team (ERT) was established to support in emergency situations at the workplace – included First Aider training and usage of SCBA equipment as breathing apparatus • Safety briefing for all contractors as a procedure to the application of Permit To Work • Incident Command Structure working session was conducted to set up a synchronised command system in handling any emergency situations involving our properties within KLCC Precinct
Improving Communication via HSE Bulletin	<ul style="list-style-type: none"> • Regular publication of news and updates on HSE matters and events in the Group's intranet portal that all employees have access to
Retail Mall Total Evacuation	<ul style="list-style-type: none"> • Attended by stakeholders – tenants, centre management office, third party contractors • To test the building's emergency preparedness response capability
Retail Mall Bomb Threat Training	<ul style="list-style-type: none"> • Conducted for new employees to familiarise themselves to Suria KLCC's Bomb Threat protocol
Crisis Management and Business Continuity Plan (BCP)	<ul style="list-style-type: none"> • Focused on the HSE aspects and in identifying potential risks and outlays mitigation processes

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

HSE Audits conducted monthly/annually at MOKL Hotel	<ul style="list-style-type: none"> • Conducted by an independent UK based consulting firm • Includes verification of documentation and records as well as physical inspection of facilities • Ensures management team is focused on health and safety issues and prepared to manage in the event of crisis and business interruptions
Hazard Identification Risk Assessment Determining Controls (HIRADC) team	<ul style="list-style-type: none"> • Review of current control measures and its effectiveness



Staff attending HSE programme conducted by the Group

In August and September 2015, our country was engulfed in haze which caused an acute environmental issue. During this period, KLCCP took measures and closely monitored the API reading and kept staff informed of the conditions. Every staff was given an N95 face mask (dust mask) for their usage in the event they had to attend to matters outside of office.

Performance in 2015

KLCCP Stapled Group's HSE performance is monitored and tracked on a monthly basis in accordance with the targets and standards set by Management apart from compliance to applicable regulatory requirements. The safety performance of the Group is measured by Loss Time Injury (LTI), Major Fire Incidents, Loss of Primary Containment (LOPC) and Total Reportable Cases (TRC) which are benchmarked against industry best practices. KLCCP Stapled Group operates within the given regulatory limits.

➤ Continuous Improvement of Occupational Health and Industrial Hygiene

Our focus this year was also to spur a healthy culture and sustain optimal health levels of our people towards achieving KLCCP Stapled Group's business aspirations, with focus on our employees and contractors in the properties or sites we operate in. This involved adopting and implementing the PETRONAS Occupational Health and Industrial Hygiene standards, including industry best practices.

During the year, we conducted a Health Risk Assessment (HRA) at our property, Kompleks Dayabumi to evaluate health effects that may arise following exposure to physical, chemical, psychosocial, biological and ergonomics. The HRA is a requirement by PETRONAS Technical Standard (PTS) where all existing or new operations are required to be evaluated.



KLCC Group's Household Hazardous Waste Campaign held in June 2015

KLCCP Stapled Group recorded an impressive zero Fatal Accident Rate (FAR) in the last 4 years. This achievement is the result of stringent safety measures implemented throughout our businesses, as well as strengthening of KLCCP Group's safety culture and capabilities. During the year, KLCCP Stapled Group recorded 8 LTI incidents with a LTIF of 0.23, an increase from 2014 due to manual handling and housekeeping incidents whilst Major LOPC was maintained at zero.

	2015	2014	2013
No of fatalities	0	0	0
Fatal Accident Rate	0	0	0
Loss Time Injury (LTI) Incidents	8	2	4
Loss Time Injury Frequency (LTIF)	0.23	0.14	0.41
Loss of Primary Containment (LOPC)	0	0	0

Moving forward, we will continue regular compliance inspections and carry out enhancements of safety and health management systems in order to improve and accomplish the targets for the year.



OUR PEOPLE

KLCCP STAPLED GROUP IS COMMITTED IN CREATING A CONDUCTIVE WORK ENVIRONMENT AND CREATING OPPORTUNITIES FOR EMPLOYEES TO FURTHER NURTURE AND DEVELOP THEIR SKILLS. WE PLACE PRIME IMPORTANCE ON HUMAN CAPITAL DEVELOPMENT AND ENSURE A SUPERIOR PERFORMANCE CULTURE IS INSTILLED IN ALL EMPLOYEES.

We recognise that our employees are our most valuable asset. Our employees ensure that our organisation continues to sustain growth, remain viable and competitive. With our people being the cornerstone of KLCCP Stapled Group's achievements, Management is committed to develop a motivated and highly professional and competent workforce by continuously improving its organisational climate and empowering its employees through training and development programmes throughout the year.

Staff of KLCCP Stapled Group underwent training at the Leadership Away Day as part of the Group's programmes in human capital development



At KLCCP Stapled Group, upholding equality and respecting the principles of diversity as well as inclusion by eliminating discrimination are mandatory principles. Fostering a harmonious relationship with our employees is fundamental to us, through guidance of the KLCC Shared Values and the Code of Conduct and Business Ethics.

We take a three-pronged approach through Responsible Employment, Leadership and Capability and Equality, Diversity and Inclusion by providing the culture, diversity and work-life balance to sustain the drive and momentum of the organisation.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Responsible Employment	Leadership and Capability	Equality, Diversity and Inclusion
<p>Performance-driven organisation, adopting fair and responsible employment practices</p>	<p>Hone functional skills, behavioural competencies, leadership and mindset</p>	<p>Provide equal opportunities to spur professional and intellectual growth</p>
<ul style="list-style-type: none"> • We place emphasis on driving high performance through implementation of a Balanced Scorecard framework and methodology promoting objective performance assessment via Individual Performance Contract (IPC) measuring specific Key Performance Indicators • We abide by the Malaysian Labour Laws and Employment Act which promote fair and responsible employment practices • We have an established Board Nomination and Remuneration Committees in ensuring compliance with policies, implementation of best practices and continuous benchmarking against industry's best • We have established a Human Resource Planning and Development Committee (HRPDC) to discuss the Group's human resource policies, guidelines and employee matters on a quarterly basis • Our compensation practices comply with Malaysia's standards on minimum wage while superior performance is rewarded via competitive remuneration packages benchmarked against industry best practices 	<ul style="list-style-type: none"> • We build and nurture the employee culture that strives for superior performance • We groom and grow our internal talents by setting high standards of expectations and recognise achievements with monetary and non-monetary incentives • We are focused on developing talent with the right competencies, knowledge and leadership skills at all levels 	<ul style="list-style-type: none"> • We support equality, diversity and inclusion within our workforce and we strive to foster an inclusive culture of diverse racial and ethnic backgrounds • Women employees make up 38% of KLCCP Stapled Group's workforce • We value the diversity of our employees and treat all with respect and dignity • Our recruitment and selection of employees are on the basis of merit and regardless of age, race, gender, religion or disability • Our employees are provided equal opportunities for professional and intellectual growth and development in nurturing them to achieve their full potential

Key Initiatives in 2015

During the year, KLCCP Stapled Group focused on improving 5 key areas in line with KLCCP Stapled Group's Human Resource initiatives.

➤ Talent Sourcing and Recruitment

Attracting, developing and retaining talent is fundamental to an organisation remaining ahead of its competitors. Recruiting the right talent for the right position has indeed been a growing concern for KLCCP Stapled Group and in addressing this, during the year, we embarked on development of an E-recruitment portal in the KLCCP Stapled Group corporate website to facilitate the process of manpower recruitment and to reach to a wider and specific target group of potential talent. Final enhancements to the portal are being completed with target to go live in early 2016.

Our compensation packages are aligned to industry's best practices and market benchmarks including revision of salary scale to match the industry's market every three years. This is to ensure our competitiveness in attracting talent. KLCCP Stapled Group remains committed to meritocracy and our yearly performance assessment, rewards and compensation packages emphasise on employee performance and are assessed based on results, challenges and efforts as these contribute to the sustainability of the organisation.

➤ Building Core Capabilities and Skill Group

As part of KLCCP Stapled Group's efforts to ensure competitiveness in every facet of business it is operating in, building the people's skills and

capabilities are key initiatives to KLCCP Stapled Group. In managing talent capability, KLCCP Stapled Group had set up a Capability Implementation Committee (CAPIC) to identify its core capabilities focusing on building the people capability in the areas of Project Management, Property Development, Asset Management-Facilities, Asset Management-Marketing and Leasing and Investment Management.

During the year, we completed the first assessment of all the capabilities areas within the organisation for Executive levels 1, 2 and 3 and identified the baseline capability of these respective levels and the relevant gaps for closure through individual development or coaching plans. The results and findings were presented to the CAPIC Committee.

In aligning our practices with PETRONAS' human resource practices, we embarked on enhancement of the functional and technical competencies of employees via development of Skill Group (SKG) competencies to equip employees with the necessary knowledge for application into their daily operations. This effort was well supported by management with their investments into the people to ensure employees reach the required levels of competencies. In 2015, we commenced with developing the SKG competencies for the Finance fraternity within the organisation and are in the final stages of completing the SKG Finance functional team to enhance the level of competencies.

Leadership Away Days were conducted to foster togetherness and achieve common goals within the organisation



CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

➤ Leadership Development through Succession Management of Key Positions

KLCCP Stapled Group has established a framework for succession management to strengthen the current framework to ensure effective succession planning particularly in senior leadership positions. Critical positions and potential successors have been identified while career paths and focused interventions are being developed to ensure structured development and easing into critical leadership positions.

Since 2012, the succession management framework has been in place as part of a longer term retention tool to retain the high performing talents. In 2014, an enhanced structured succession management framework was established where 23 critical positions within KLCCP Stapled Group were identified. In 2015, this was further strengthened with 54 successors identified to fill the next leadership roles within the organisation. The succession management ratio for the Group as 31 December 2015 stands at a ratio of 1 to 2.3.

During the year, succession management for the middle management level were initiated and implemented to ensure adequate talents are developed internally for the next level critical positions. In order to ensure that the right successors are identified for both succession management at senior and middle management level, the potential successors list is reviewed on a yearly basis.

KLCC Group Bowling Tournament 2015

➤ Engaging Our Employees

KLCCP Stapled Group recognises the importance of creating an engaged workforce to achieve the business targets for short and long term strategy and as such provides various channels for employee engagement. In order to keep our employees motivated and their feedback and views at heart, our Human Resource team took proactive measures to engage with the employees through quarterly "Coffee O'clock" sessions where employees were able to air their concerns and highlight their suggestions and ideas on improving work environment and making it relevant to the younger generation of the workforce. Key findings are shared with management and the improvement actions taken.

Other platforms of engagement included:

Group CEO Townhall Session	On an annual basis, a town hall session with all employees is conducted by the Group CEO in the first quarter of every year with the purpose of sharing the business plan and setting the expectations for the whole year. With this, employees are aware of the business directions and understand their roles to support the objectives of the businesses. Each business unit also conducts quarterly engagement sessions with the employees
Employee Feedback Questionnaire (EFQ) Survey	KLCCP Stapled Group conducts an annual EFQ Survey where employees are given the opportunity to express their views and opinions in areas related to communication, training, remuneration, recognition, management practices, decision making and team work

➤ KLCC Young Professional Executive Club (YPEXC)

KLCCP Stapled Group's young professionals constitute 31% of the Group's workforce. In our effort to develop leaders of tomorrow in the organisation, the YPEXC was initiated and formed in 2011. This is a platform for young workforce in the organisation to demonstrate their creativity and leadership skills at the early stage of their career.





YM Raja Adli Raja Hassan receiving his long service award from Mr. Harry Menon, Chairman of KLCC Property Holdings Berhad

The YPEXC was formed to promote and uphold the KLCC Shared Values, work-life balance, breakthrough performance culture and to align initiatives towards achieving the Group's goals and objectives. The vision and mission of YPEXC is to enhance the vitality of its members by creating a strong community of young professionals and providing well-rounded individuals with opportunities to develop socially, professionally and civically.

A proposal to rejuvenate YPEXC was initiated in 2015 and this rejuvenation phase will be used as a platform to re-introduce YPEXC to all executives through various activities planned for 2016.

Employee Wellness

KLCCP Stapled Group supports the personal development and well-being of our employees by organising sports, recreational and social activities such as Kelab Sukan dan Rekreasi PETRONAS Wilayah Tengah (KSRP) 2015 and Sukan KSRP 4 Penjuru 2015 and KLCC Group Bowling Tournament 2015. These sporting activities encourage the employees to be part of a healthy and integrated life and promoted cohesiveness and team camaraderie.

KLCC Group held its Annual Dinner and Awards Night 2015 in September 2015 at the Kuala Lumpur Convention Centre. The Long Service Award presentation was the highlight of the night where 18 employees received awards for their 15, 20 and 30 years of service respectively with one retiring personnel. KLCC Group also presented 10 business units/divisions with the Performance Laureate Award for their outstanding performance and for achieving the highest standards of excellence in business conduct and practices.

Performance in 2015

	2015
EFQ Index	71%
Employees sent for training	81%
Learning and Development training spent (RM' mil)	2.6

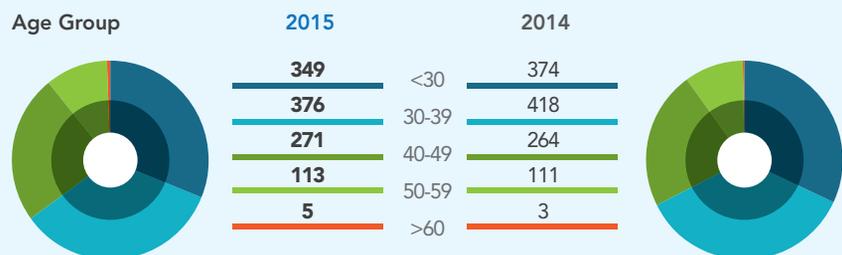
Throughout the year, the Group had sent a total of 81% of its employees for various trainings for purposes of enhancing and further improving their technical and functional skills in building leadership and capability. In relation to this, the Group had spent approximately RM2.6 million for training costs in 2015. The EFQ Survey received encouraging response from employees with a participation rate of 74% in 2015. The employee satisfaction score improved to 71% in 2015.

Diversity of our Workforce

EMPLOYEES

	2015		2014	
	Male	Female	Male	Female
Top management	7	4	10	6
Senior and mid management	93	78	126	100
Other levels	592	340	585	343
Total	1,114	1,170	1,170	1,170

Age Group



Ethnicity





RELIABLE PARTNER

AS A PROPERTY INVESTMENT AND DEVELOPMENT GROUP, CREATING VALUE AND DELIVERING A LASTING AND POSITIVE IMPACT TO THE COMMUNITY SURROUNDING US AS A RELIABLE PARTNER IS INTEGRAL TO THE SUCCESS OF OUR BUSINESS. WE ARE COMMITTED TO TAKING AN ACTIVE AND LONG TERM ROLE IN MANAGING THE RELATIONSHIPS WITH OUR STAKEHOLDERS AND WORKING AS A PARTNER WITH THE COMMUNITIES TO ENGAGE BOTH CITIZENS AND COMMUNITY PARTNERS TO ENSURE CONTINUOUS IMPROVEMENT IN OUR APPROACH TO SUSTAINABILITY AND IN GIVING BACK TO THE COMMUNITY WHICH SURROUNDS US.

We work with our stakeholder groups to build and strengthen mutually beneficial relationships by building trust and commitment and growing with our partners to maintain long-term partnerships across our business portfolios. We have been collaborating with our tenants to help them meet their sustainability goals and we are supportive of our tenant's energy conservation efforts. We aim to provide communicative channels for suggestions and feedback from tenants and customers to be regularly integrated into sustainability decision making.



Suria KLCC's Sunshine September held annually to create awareness and to raise funds for the artistic community

Transparent Procurement Practices

In line with the general principles of the CoBE, KLCCP Stapled Group is committed to uphold the highest standard of ethics and integrity in all aspects of its procurement activities. The KLCCP Stapled Group's policies and guidelines for procurement are developed to ensure that a streamlined tendering approach is adopted throughout the KLCC Group of Companies. The policies and guidelines are also designed to ensure transparency, integrity and fairness in

the tendering process. It also takes into consideration KLCCP Stapled Group's corporate objectives and governing policies on contracting and procurement activities.

Our Philosophy and governing principles of KLCCP Stapled Group procurement system include:

- To secure the "Best Value for Money" in the procurement of materials, equipment and services
- To conduct procurement activities effectively, demonstrating the

highest standard of integrity and professionalism and in accordance with KLCCP Stapled Group's corporate objectives

- To encourage and promote effective local participation (material and labour) on the property industry, in terms of providing services and products
- To ensure that the activities throughout the tendering process are conducted in a fair, transparent and reliable manner

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT

Supply Chain

Supply chain is a sustainability area where KLCCP Stapled Group is working towards due to the potential to generate economic, environmental and social benefits for the organisation, our suppliers and society at large. We strive to develop sustainable supply chain management guidelines to ensure that environmental criteria, risk and costs are taken into account in all purchasing decisions.

KLCCP Stapled Group with its niche position in property investment, development and facility management services has a responsibility in ensuring the dignity and safety of the workers employed by our contractors and service providers. All contracts entered into by KLCCP Stapled Group with all its contractors, suppliers, service providers and other parties are at all times governed by and construed in accordance with the current applicable and prevailing laws of Malaysia. The contracts also incorporate sustainability clauses on:

- product and services responsibilities – compliance with HSE laws, regulations and requirements.
- human rights – commitment to local employment sourcing and prevention of child labour.
- fair wages – payment of rates and wages in accordance to industrial rates and observation of conditions of employment and compliance

with all the relevant acts governing labour practices in Malaysia.

- practice of anti-competitive behaviour among contractors – non-exclusive contract which reserves rights of KLCCP Stapled Group to engage with other contractors and afford such other contractors adequate opportunity to carry out their contracts and perform the works in co-operation with those contractors and with KLCCP Stapled Group.

Our asset management team at KLCC Urusharta Sdn Bhd (KLCCUH) has included in their contracts with landscape providers, the criteria relating to product and services responsibility whereby biodegradable products such as organic fertiliser are to be utilised for landscape services.

Also in place is the utilisation of green products in our contracts for pest control and stationery such as copier paper from certified farmed trees.

At MOKL Hotel, the procurement policy is to consistently and continuously look for potential sustainable sourcing in all aspects of its business. The purchasing process focuses on giving first preference to environmentally friendly products, especially if they enhance guest experiences.

As food and beverage contributes approximately 40% of our hotel's revenue, food hygiene and safety is critical is sustaining MOKL Hotel's revenue. As such, MOKL Hotel's Food and Beverage department has stringent food safety supply chain processes.

Supply chain compliance	<ul style="list-style-type: none"> • Ensures all F&B suppliers are audited for food safety compliance before they are listed as preferred suppliers • Premises are checked, pest control processes are reviewed and supporting documentation is audited • Suppliers who are unable to meet food safety standards are coached and given time to take corrective actions prior to being reviewed for acceptance
Materials management control	<ul style="list-style-type: none"> • Established food safety standards at receiving, handling, storage, preparation and serving products • Introduced concept of buying "just in time" where there will be minimal stocking of products, thus ensuring food items are fresh – no spoilage
Other sustainable practices	<p>Other practices in F&B include:</p> <ul style="list-style-type: none"> • Non usage of shark's fins • Procurement of salads from Cameron Highlands • Procurement of farmed fish from reputable vendors



The children of Rumah Charis at the tallest Christmas tree replica at KLCC

Indirect Economic Impact

KLCCP Stapled Group has been involved in nation building, realising the vision of making Kuala Lumpur a world class city. The development within KLCC Precinct has marked a milestone in the growth of Kuala Lumpur and is the benchmark for the urban spatial planning and development in Malaysia. Designed to be a city-within-a-city, the KLCC Development sits on a 100-acre precinct and is an integrated mixed development with residential, hotel, convention, retail and leisure components. Our properties within the KLCC Precinct have bridged people together and built a stronger sense of community where people can work, live, shop, play, meet, visit and eat.

Malaysia's Iconic Experience in Kuala Lumpur

Malaysia's Iconic Experience in Kuala Lumpur (MIEKL) is KLCCP's 'Iconic Malaysia' project in collaboration with its business partners to promote the Kuala Lumpur City Centre precinct as a must-visit destination. This is to create awareness and promote the attractions in KLCC Precinct as well as provide convenient access to information on the places of interest to further boost the tourism industry. Various communication modes such as website, touch-screen kiosks, product pamphlets and digital screen advertisement have been established to ensure easy access of information to both local and international visitors.

During the year, efforts were made towards promoting the attractions through reprinting of information leaflets with new and updated information and publicising current happenings and promotions through the website and touch screen kiosks.

KLCC Park

The KLCCP Stapled Group continued to promote public awareness on environmental protection and the importance of environmental conservation and this is reflected through its exemplary efforts in the upkeep and maintenance of the 50-acre KLCC Park. The KLCC Park signifies the Group's contribution towards social and community wellbeing by providing a green, convenient, tranquil and conducive destination in the midst of a bustling and dynamic city centre.

KLCCP Stapled Group also collaborates with local authorities and the KLCC community to observe effective compliance for provision of local facilities. The common cost sharing management policy between landowners of commercial properties known as the Common Estate Committee for the upkeep and maintenance of the park continues to promote positive impact on the commercial environment for local and foreign tourists and shoppers.

As Syakirin Mosque

The As Syakirin Mosque, also known as "The Jewel in the Park", is one of the Group's contributions to the Muslim community living and working around and within the KLCC Precinct. The mosque was opened in 1998 with a capacity of 6,000 people. It underwent an extension in 2009 and currently accommodates a congregation of 12,000 people. The mosque is being maintained by KLCCP Stapled Group as part of our continuous CSR initiatives involving the community around us.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT



Suria KLCC's presentation of mock cheque to NASOM

Pedestrian Walkway

As part of the Group's effort to ease accessibility within and surrounding its development, pedestrian linkages were built to provide "building to building" connectivity where pedestrian can walk in comfort under a covered walkway from one point to another. The pedestrian walkway connecting Kompleks Dayabumi to the Pasar Seni Light Rail Transit (LRT) station not only provides pedestrians the convenient access to surrounding areas but also complements the comprehensive pedestrian connectivity

and the River of Life project under the Government's Economic Transformation Programme and the Kompleks Dayabumi Master Plan. The maintenance services for the walkway is part of the Group's CSR contribution to further spur vibrancy and breathe new life to the heritage trail.

Merdeka and New Year's Celebration

Annually, the Esplanade at KLCC Park becomes a major attraction site during the *Merdeka* and New Year's celebrations at KLCC. KLCC Group organises the *Merdeka* and New Year Celebrations at the KLCC Park to share the joy in celebrating the nation's Independence Day and to usher in the New Year with the public by having wholesome family entertainment at the Park. This year, the New Year Celebration was made more meaningful with the inclusion of a donation drive in aid of the flood victims in the East Coast region.

Community Investment

KLCCP Stapled Group recognises the importance in contributing towards the welfare of the community in which we operate in to improve the quality of life and promote social betterment. We are committed to making a difference and striving to enrich the community by channeling our investment to the underserved communities through donations and fund raising activities:

Initiatives	Outcome
Bursa Bull Charge Run and Charity Runs	<ul style="list-style-type: none"> Contributed RM23,000 to two charity homes, beneficiaries of the fund.
Sunshine September and Kids Carnival	<ul style="list-style-type: none"> Creating awareness on autism and fundraising for the autistic community. Raised approximately RM457,000 to help more autistic children live productive and fulfilling lives. Raised RM35,000 from the Kids Carnival to aid the National Autism Society of Malaysia with their early intervention programmes.
Donation Drives and Fund Raising	<ul style="list-style-type: none"> KLCCP Stapled Group organised a Donation Drive for Flood Relief by the employees for staff and families affected by the ordeal. Donations were channelled to the affected employees' family respectively. Sponsored the 'Battle of the Bands' Festival for the visually-impaired with the aim of promoting interest and the spirit of entrepreneurship amongst the visually-impaired talents. MOKL Hotel collaborated with Chef Aziamendi from Iniala Beach House Phuket, the first ever 3-Michelin Star pop-up restaurant in Malaysia for 88 days (Aziamendi88). Proceeds from Aziamendi88 were contributed to a local charity, United Voice Malaysia and to Inspirasia Foundation in Bali in the sum of RM94,000. MOKL Hotel teamed up with Reach Out Malaysia where employees took part in the nightly "Runs" and donated food and water to the homeless.



Visit to Orang Asli community in Kampung Damai in Gerik, Perak

Community Outreach

KLCCP Stapled Group proactively engages with the community through synergistic collaborations and sustainable CSR programmes to support charitable causes and initiatives in community development projects. Our employees are encouraged to be involved in community outreach projects while inculcating the spirit of helping the underprivileged and needy.

In 2015, KLCCP Stapled Group strengthened its outreach to the less fortunate through a broad range of programmes that reached out to the underserved. The Group was able to encourage their employees to be proactively involved in the initiatives and make an impact to the community.

Making a Positive Impact to our Community

Our asset management team from KLCCUH initiated a CSR Program which was held in December 2015 at the Royal Belum Rainforest in Gerik, Perak. They reached out to the needy Orang Asli community at Kampung Damai in the heart of the Royal Belum Forest. The KLCCUH employees conducted a charity session where employees donated cash and used items to the community whilst the National Library sponsored 254 books for the Orang Asli school children.

Our team at MOKL Hotel contributed to a number of outreach and educational programs during the year and these included programs for Homes for Children, displaced families

due to natural disasters, and supporting single mothers. During the year, MOKL Hotel also collected donations from employees for the flood victims of East Coast Malaysia where 250,000 people were displaced from their homes. Through The Star Publication, the donation included boxes of towels, diapers, food and beverage and dental care items.

With a common purpose and objective, the employees of MOKL Hotel were actively engaged in supporting and working with the local communities in respect to the Pink Ribbon Breast Cancer Awareness Foundation through various programs to create awareness as well as for fund raising.

Festive Celebrations with the Under Privileged Community

Over the years, KLCCP together with Suria KLCC and MOKL Hotel have actively supported a myriad of community and charity efforts in our focused areas of the environment and community. We continue to share festive joys with the under privileged children from various homes through annual events of breaking fast, Chinese New Year, Hari Raya, Deepavali and Christmas celebrations. This year, KLCCP Stapled Group held a breaking fast dinner in the month of Ramadhan for orphans from Rumah Pengurusan Anak Yatim Al-Firdaus and a visit to old folks home at Rumah Jagaan Al-Fikhrah in Kajang, Selangor.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY REPORT



The children of Pondok Penyayang Raudhah with the Mayor of Kuala Lumpur and Suria KLCC's Management

During the Chinese New Year festivities, Suria KLCC treated 53 children from the House of Joy to shopping at Isetan Department Store. The children were also entertained by drum, acrobatic lion dance performances and were treated to a scrumptious dim sum feast. In the month of Ramadhan, Suria KLCC hosted 39 children of Pondok Penyayang Raudhah for a Hari Raya shopping treat and broke fast with Suria KLCC's employees. In conjunction with Deepavali, Suria KLCC invited 40 children of Sinthamani Divine Life Ashram to spend a memorable day at the mall. The children decorated *kolam* art pieces, and were treated to shopping and delicious cuisine at the mall. Christmas was another time of the year when Suria KLCC's employees accompanied 35 children of Rumah Charis for their Christmas shopping and dinner at the mall. The children also joined Suria KLCC Management to light up the tallest Christmas tree replica in Malaysia at the Esplanade, KLCC Park.

Our MOKL Hotel also showed its commitment and compassion to the under privileged. MOKL Hotel invited 30 children from Rumah Titian Kasih, Titiwangsa for Breaking of Fast Dinner at the Hotel. MOKL Hotel together with eCEO Sdn Bhd also co-sponsored a Hari Raya buffet dinner for Children of Rumah Anak Yatim Rumah Kasih Nurul Hasanah, Ampang.

Customer Relationship Management

Our management services segment which contributes approximately 9% to KLCCP Stapled Group revenue continues to complement our property portfolio in delivering premium facilities management services in maintaining the iconic stature and performance of the assets within KLCCP Stapled Group. The performance of this segment is reliant upon the value generated through businesses with customers, coupled with effective cost management. We rely on our customers for continuous business income whilst our customers rely on KLCCP Stapled Group to deliver the services.

During the year, our facilities management team at KLCCUH launched their Customer Services and Relationship Management (CSRM) Charter. The new CSRM Charter has been established to replace the Tenant Charter (2006). The CSRM Charter is testament to our commitment to our tenants, clients, visitors and customers whom we serve at all PETRONAS facilities. We aim to adapt to higher standards and be dynamic in managing our customer expectations in this continuous evolving environment.

Valuing Tenants and Creating Unique Shopping Experiences

KLCCP Stapled Group continues to build strong tenant relationship through events such as “Tenants’ Nite” held annually for tenants of the PETRONAS Twin Towers and Menara 3 PETRONAS. The event is an avenue to express our appreciation and recognition of tenants’ support and pay tribute to the roles played by tenant representatives and floor safety managers and assistants at our commercial properties in the tenant-building working relationship.

At our retail mall, Suria KLCC, the leasing team implements an active leasing strategy to attract new international brand retailers to be part

of the mall’s portfolio to provide shoppers with a selection that combines brands and shopping experiences with new and unique choices. Over the past 12 months, the leasing team has taken a strategic approach in delivering a tenant mix and shopping experience that are attractive to shoppers and appeal to the local communities and tourists. In addition to delivering such a tenant mix, this year Suria KLCC has also been expanding their luxury, beauty and skincare category to enhance the unique shopping experience and overall positioning as a premier shopping centre.

Delighting Guests with Quality Service

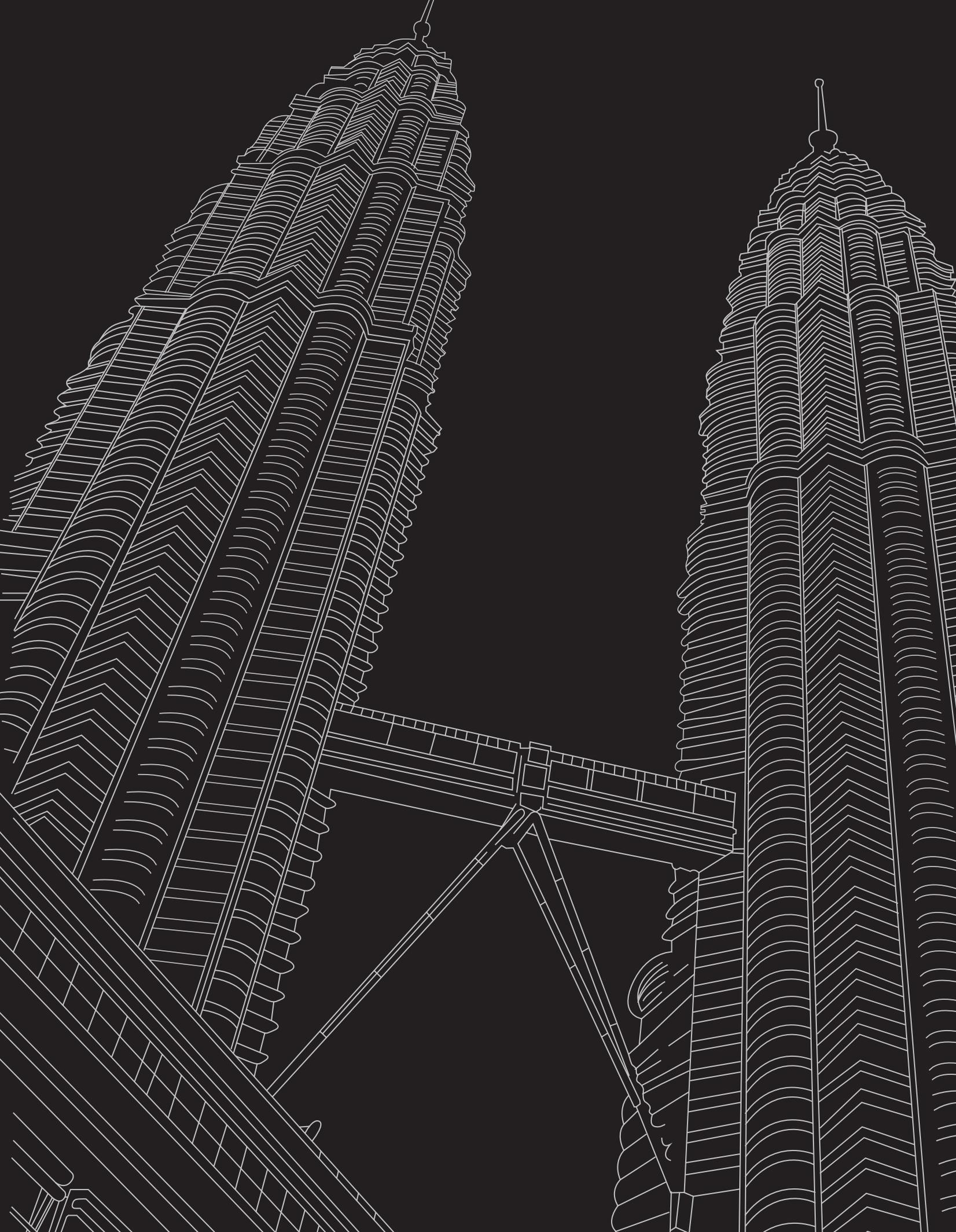
The quality service at our MOKL Hotel underpins everything that we do, and we are committed to exceeding guests’ expectations on a daily basis. Our hotel focuses on providing personalised service to every guest every day, and on the sincerity of the people who deliver it. We encourage

colleagues to know our guests, and to anticipate what they want, in order to provide them with the best experience throughout their stay at MOKL Hotel.

Feedback from our guests is vital to our success. MOKL Hotel conducts a customer satisfaction and loyalty survey with the help of a third-party organisation that sends an online questionnaire following a guest’s stay. Our hotel receives over 3,000 guest satisfaction surveys annually, which are measured and analysed to help ensure constant improvement. MOKL Hotel’s overall satisfaction ratings indicate a consistently high level of guest satisfaction and loyalty to the brand. In 2015, we achieved an overall satisfaction rate of 82%, consistent with last year’s performance.



Children from House of Joy were entertained by lion dance performances at Suria KLCC



FINANCIAL STATEMENTS 2015

KLCC PROPERTY HOLDINGS BERHAD

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

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.

Upon the completion of the listing of stapled securities in prior year, the Group now comprises:

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

RESULTS

	Group	Company
	RM'000	RM'000
Profit for the year	1,403,189	272,515
Attributable to:		
Equity holders of the Company	542,751	272,515
Non-controlling interests relating to KLCC REIT	588,770	–
Other non-controlling interests	271,668	–
	1,403,189	272,515

RESERVES AND PROVISIONS

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014 as reported in the directors' report in that year:	
A fourth interim dividend of 3.89%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 26 January 2015 and paid on 27 February 2015.	70,228
In respect of the financial year ended 31 December 2015:	
A first interim dividend of 3.02%, tax exempt under single tier system on 1,805,333,083 ordinary shares, declared on 5 May 2015 and paid on 12 June 2015.	54,521
A second interim dividend of 3.02%, tax exempt under single tier system on 1,805,333,083 ordinary shares, declared on 7 August 2015 and paid on 18 September 2015.	54,521
A third interim dividend of 2.80%, tax exempt under single tier system on 1,805,333,083 ordinary shares, declared on 11 November 2015 and paid on 21 December 2015.	50,549
	229,819

A fourth interim dividend in respect of the financial year ended 31 December 2015, of 4.13%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM74,560,000 will be payable on 29 February 2016.

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
 Datuk Pragasa Moorthi A/L Krishnasamy
 Dato' Halipah Binti Esa
 Datuk Hashim Bin Wahir
 Habibah Binti Abdul

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 1.1.2015	Number of Stapled Securities		Balance as at 31.12.2015
		Bought	Sold	
Direct				
Datuk Manharlal A/L Ratilal	5,000	–	–	5,000
Augustus Ralph Marshall	50,000	–	–	50,000

Number of Shares in Petronas Chemicals Group Berhad

	Balance as at 1.1.2015	Number of Shares		Balance as at 31.12.2015
		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

Number of Shares in MISC Berhad

	Balance as at 1.1.2015	Number of Shares		Balance as at 31.12.2015
		Bought	Sold	
Indirect				
Dato' Halipah Binti Esa #	10,000	–	–	10,000

DIRECTORS' INTERESTS (CONTD.)

Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad

	Balance as at 1.1.2015	Number of Shares		Balance as at 31.12.2015
		Bought	Sold	
Direct				
Dato' Halipah Binti Esa	10,000	–	–	10,000
Indirect				
Dato' Halipah Binti Esa [#]	10,000	–	–	10,000

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

None of the other Directors holding office as at 31 December 2015 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 26 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.

ISSUE OF SHARES

There are no issuance of new shares during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

OTHER STATUTORY INFORMATION

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

- (i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 January 2016.

Krishnan C K Menon

Datuk Hashim Bin Wahir

STATEMENT BY DIRECTORS



In the opinion of the Directors, the financial statements set out on pages 124 to 187 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 2015 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 37 on page 188 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 2016.

Krishnan C K Menon

Datuk Hashim Bin Wahir

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 124 to 188 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 21 January 2016.

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for Oaths

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	639,381	609,675	6,009	6,926
Investment properties	6	15,166,684	14,496,150	–	–
Investment in subsidiaries	7	–	–	1,195,494	1,144,544
Investment in an associate	8	265,205	260,570	99,195	99,195
Deferred tax assets	9	536	1,530	348	706
Amount due from a subsidiary	10	–	–	68,000	68,000
Trade and other receivables	12	289,588	219,608	–	–
		16,361,394	15,587,533	1,369,046	1,319,371
Current Assets					
Inventories	11	1,837	2,004	–	–
Trade and other receivables	12	62,921	87,229	29,327	39,194
Tax recoverable		71	2	–	–
Cash and bank balances	13	1,110,857	1,127,072	563,620	565,899
		1,175,686	1,216,307	592,947	605,093
TOTAL ASSETS		17,537,080	16,803,840	1,961,993	1,924,464
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	14	1,805,333	1,805,333	1,805,333	1,805,333
Capital redemption reserve	14	18,053	18,053	18,053	18,053
Capital reserve	2.20	2,778,200	2,484,919	–	–
Retained profits	15	172,982	153,331	128,686	85,990
		4,774,568	4,461,636	1,952,072	1,909,376
Non-controlling interests ("NCI") relating to KLCC REIT	7	7,776,713	7,564,355	–	–
Stapled Securities holders interests in the Group					
Other NCI	7	1,959,773	1,822,038	–	–
Total Equity		14,511,054	13,848,029	1,952,072	1,909,376

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current Liabilities					
Deferred revenue	16	46,208	53,605	-	-
Other long term liabilities	17	74,658	68,147	-	-
Long term borrowings	18	2,532,166	2,155,000	-	-
Deferred tax liabilities	9	41,530	35,885	-	-
		2,694,562	2,312,637	-	-
Current Liabilities					
Trade and other payables	19	278,447	262,846	7,993	15,058
Borrowings	18	28,459	356,542	-	-
Taxation		24,558	23,786	1,928	30
		331,464	643,174	9,921	15,088
Total Liabilities		3,026,026	2,955,811	9,921	15,088
TOTAL EQUITY AND LIABILITIES		17,537,080	16,803,840	1,961,993	1,924,464
Net asset value ("NAV")		12,551,281	12,025,991		
Less: Fourth interim distribution		(74,560)	(70,228)		
Net NAV after distribution		12,476,721	11,955,763		
Number of stapled securities/ shares in circulation ('000)		1,805,333	1,805,333		
Net asset value ("NAV") per stapled security/share (RM)					
- before distribution		6.95	6.66		
- after distribution		6.91	6.62		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	20	1,340,229	1,353,516	284,650	277,172
Operating profit	21	1,004,195	1,011,936	253,771	249,239
Fair value adjustment of investment properties	6	578,839	386,092	–	–
Interest income	22	41,280	34,030	25,190	18,376
Financing costs	23	(119,624)	(144,865)	–	–
Share of profit/(loss) of an associate	8	13,665	(6,734)	–	–
Profit before tax	24	1,518,355	1,280,459	278,961	267,615
Tax expense	27	(115,166)	(121,072)	(6,446)	(3,071)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		1,403,189	1,159,387	272,515	264,544
Profit attributable to:					
Equity holders of the Company		542,751	458,623	272,515	264,544
NCI relating to KLCC REIT	7	588,770	479,304	–	–
		1,131,521	937,927	272,515	264,544
Other non-controlling interests	7	271,668	221,460	–	–
		1,403,189	1,159,387	272,515	264,544
Total comprehensive income for the year comprises the following:					
Realised		829,159	794,354	272,515	264,544
Unrealised		574,030	365,033	–	–
		1,403,189	1,159,387	272,515	264,544
Earnings per share attributable to equity holders of the Company (sen):					
Basic	28	30.1	25.4		
Earnings per stapled security (sen):					
Basic	28	62.7	52.0		

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 2015



	Group	
	2015	2014
	RM'000	RM'000
Overall distributable income is derived as follows:		
Profit attributable to the equity holders of the Company	542,751	458,623
Less: Unrealised fair value adjustment attributable to the equity holders	(293,281)	(184,190)
	249,470	274,433
Distributable income of KLCC REIT	391,850	364,623
Total available for income distribution	641,320	639,056
Distribution to equity holders of the Company in respect of financial year ended 31 December 2015/2014:		
First interim dividend of 3.02% (2014: 3.73%)	(54,521)	(67,339)
Second interim dividend of 3.02% (2014: 3.29%)	(54,521)	(59,395)
Third interim dividend of 2.80% (2014: 3.05%)	(50,549)	(55,063)
Fourth interim dividend of 4.13% (2014: 3.89%)	(74,560)	(70,228)
	(234,151)	(252,025)
Distribution to KLCC REIT holders in respect of financial year ended 31 December 2015/2014:		
First interim income distribution of 5.32% (2014: 4.92%)	(96,044)	(88,822)
Second interim income distribution of 5.32% (2014: 4.76%)	(96,044)	(85,934)
Third interim income distribution of 5.35% (2014: 5.14%)	(96,585)	(92,794)
Fourth interim dividend of 5.69% (2014: 4.86%)	(102,723)	(87,740)
	(391,396)	(355,290)
Balance undistributed	15,773	31,741

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 2015



	Note	Non-Distributable		Distributable	Total Equity RM'000
		Share Capital RM'000	Capital Redemption Reserve RM'000	Retained Profits RM'000	
At 1 January 2015		1,805,333	18,053	85,990	1,909,376
Total comprehensive income for the year		-	-	272,515	272,515
Dividends paid	29	-	-	(229,819)	(229,819)
At 31 December 2015		1,805,333	18,053	128,686	1,952,072
At 1 January 2014		1,805,333	18,053	73,109	1,896,495
Total comprehensive income for the year		-	-	264,544	264,544
Dividends paid	29	-	-	(251,663)	(251,663)
At 31 December 2014		1,805,333	18,053	85,990	1,909,376

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 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	1,287,311	1,241,824	17,840	16,188
Cash payments to suppliers and employees	(286,083)	(318,490)	(22,903)	(51,128)
	1,001,228	923,334	(5,063)	(34,940)
Interest income from fund and other investments	38,839	34,913	19,676	8,369
Tax paid	(107,824)	(115,341)	(4,190)	(3,232)
Net cash generated from/(used in) operating activities	932,243	842,906	10,423	(29,803)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	9,030	6,450	267,430	261,071
Purchase of property, plant and equipment	(63,643)	(27,187)	(528)	(3,958)
Subsequent expenditure on investment properties	(89,371)	(41,014)	-	-
Proceeds from disposal of property, plant and equipment	88	65	-	-
Subscription of shares in a subsidiary	-	-	-	(2,141)
Payment received from subsidiaries for capital reduction exercise	-	-	-	185,843
Net cash (used in)/generated from investing activities	(143,896)	(61,686)	266,902	440,815

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	377,166	2,166,000	-	-
Repayment of borrowings	(330,000)	(2,003,493)	-	-
Dividends paid to shareholders	(229,819)	(251,663)	(229,819)	(251,663)
Dividends paid to other NCI	(133,933)	(111,133)	-	-
Dividends paid to NCI relating to KLCC REIT	(374,563)	(356,889)	-	-
Interest expenses paid	(113,413)	(111,576)	-	-
(Advances to)/Repayment from subsidiaries	-	-	(49,785)	118,901
(Increase)/Decrease in deposits restricted	(1,248)	2,421	-	-
Repayment of shareholders loan to non-controlling interest	-	(67,264)	-	-
Net cash used in financing activities	(805,810)	(733,597)	(279,604)	(132,762)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(17,463)	47,623	(2,279)	278,250
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,121,900	1,074,277	565,899	287,649
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	1,104,437	1,121,900	563,620	565,899
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	137,736	13,844	528	3,958
Accruals	14,243	15,284	-	(1,370)
	151,979	29,128	528	2,588
Cash paid for additions in prior year	15,278	54,357	-	-
Cash paid for additions in current year	137,736	13,844	528	3,958
Total cash paid for investment properties and property, plant and equipment	153,014	68,201	528	3,958

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 2015

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated on 7 February 2004 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The principal place of business is located at Level 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are KLCC (Holdings) Sdn Bhd (“KLCCCH”) 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 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act, 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 2015, 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 Standards Board (“MASB”) as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Basis of Consolidation (Contd.)

Subsidiaries (Contd.)

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

Business Combination

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

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

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

Non-controlling interests

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Basis of Consolidation (Contd.)

Loss of control

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

2.3 Investments

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

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

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

2.4 Associates

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Associates (Contd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.6 Property, Plant and Equipment (Contd.)

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.

2.7 Investment Properties

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

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

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

Where the fair value of the Investment Property Under Construction ("IPUC") is not reliably determinable, the IPUC is measured at cost until either its fair value has been reliably determinable or construction is complete, whichever is earlier.

2.8 Impairment of non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.8 Impairment of non-financial assets (Contd.)

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

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

2.9 Inventories

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

2.10 Cash and Cash Equivalents

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

2.11 Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.11 Financial assets (Contd.)

(i) Loans and receivables (Contd.)

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.

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

2. 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 Instruments: 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. The Group's and the Company's 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.16 Employee Benefits (Contd.)

(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 expense on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is 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:

	2015 RM	2014 RM
United States Dollar	4.29	3.49

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 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.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.21 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 unless collection is in doubt, in which case it is recognised on the receipt basis.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

(ii) 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.

2.22 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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.23 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.

2.24 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

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

(ii) Non-financial assets

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

When measuring the fair value of an asset or a liability, the Group/Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input)

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2015, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the Malaysian Accounting Standards Board (“MASB”) as listed below:

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 119	Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

The adoption of the abovementioned pronouncements did not have any significant financial impact to the Group and the Company.

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 Property* 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:

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

4.2 Key Sources of Estimation Uncertainty (Contd.)

(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.

(iii) Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group had engaged independent professional valuers to determine the fair values and there are no material events that affect the valuation between the valuation date and financial year end.

The determined fair value of the investment properties by the independent professional valuers 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)	
	2015	2014
	RM'000	RM'000
Yield rate		
+ 0.25%	(534,648)	(491,498)
- 0.25%	580,971	541,720
Void rate		
+ 2.5%	(285,428)	(256,784)
- 2.5%	289,133	267,395

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

5. PROPERTY, PLANT AND EQUIPMENT

Group	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
At 31 December 2015								
Cost								
At 1 January 2015	581,791	13,621	116,308	149,286	55,923	1,309	9,155	927,393
Additions	4,573	44,205	3,779	3,042	4,434	35	216	60,284
Transfer within property, plant and equipment	32,850	(43,677)	5,195	(6,733)	12,365	-	-	-
Disposals	(74)	-	(4,960)	(1,723)	(267)	(105)	-	(7,129)
Write off	(3,218)	-	-	-	(648)	-	-	(3,866)
At 31 December 2015	615,922	14,149	120,322	143,872	71,807	1,239	9,371	976,682
Accumulated Depreciation								
At 1 January 2015	104,718	-	76,364	78,535	49,061	1,007	8,033	317,718
Charge for the year (Note 24)	8,472	-	8,334	9,431	3,235	94	926	30,492
Transfer within property, plant and equipment	-	-	-	(4,586)	4,586	-	-	-
Disposals	(74)	-	(4,896)	(1,701)	(267)	(105)	-	(7,043)
Write off	(3,218)	-	-	-	(648)	-	-	(3,866)
At 31 December 2015	109,898	-	79,802	81,679	55,967	996	8,959	337,301
Net Carrying Amount	506,024	14,149	40,520	62,193	15,840	243	412	639,381

5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group	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
At 31 December 2014								
Cost								
At 1 January 2014	571,952	4,205	115,553	148,051	53,027	1,074	8,829	902,691
Additions	5,333	13,832	3,306	1,412	3,226	287	326	27,722
Transfer within property, plant and equipment	4,506	(4,416)	(90)	-	-	-	-	-
Disposals	-	-	(1,596)	(177)	(71)	(52)	-	(1,896)
Write off	-	-	(865)	-	(259)	-	-	(1,124)
At 31 December 2014	581,791	13,621	116,308	149,286	55,923	1,309	9,155	927,393
Accumulated Depreciation								
At 1 January 2014	97,106	-	71,456	68,951	46,492	1,005	5,946	290,956
Charge for the year (Note 24)	7,608	-	7,144	9,760	2,899	54	2,087	29,552
Transfer within property, plant and equipment	4	-	(4)	-	-	-	-	-
Disposals	-	-	(1,540)	(176)	(71)	(52)	-	(1,839)
Write off	-	-	(692)	-	(259)	-	-	(951)
At 31 December 2014	104,718	-	76,364	78,535	49,061	1,007	8,033	317,718
Net Carrying Amount	477,073	13,621	39,944	70,751	6,862	302	1,122	609,675

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 2015					
Cost					
At 1 January 2015	85,889	390,016	13,568	92,318	581,791
Additions	–	–	2,724	1,849	4,573
Transfer	–	–	2,473	30,377	32,850
Disposals	–	(74)	–	–	(74)
Write off	–	–	(3,218)	–	(3,218)
At 31 December 2015	85,889	389,942	15,547	124,544	615,922
Accumulated Depreciation					
At 1 January 2015	–	47,398	6,234	51,086	104,718
Charge for the year	–	5,480	1,999	993	8,472
Transfer	–	–	–	–	–
Disposals	–	(74)	–	–	(74)
Write off	–	–	(3,218)	–	(3,218)
At 31 December 2015	–	52,804	5,015	52,079	109,898
Net Carrying Amount	85,889	337,138	10,532	72,465	506,024
At 31 December 2014					
Cost					
At 1 January 2014	85,889	390,016	6,135	89,912	571,952
Additions	–	–	3,017	2,316	5,333
Transfer	–	–	4,416	90	4,506
At 31 December 2014	85,889	390,016	13,568	92,318	581,791
Accumulated Depreciation					
At 1 January 2014	–	41,982	5,682	49,442	97,106
Charge for the year	–	5,416	552	1,640	7,608
Transfer	–	–	–	4	4
At 31 December 2014	–	47,398	6,234	51,086	104,718
Net Carrying Amount	85,889	342,618	7,334	41,232	477,073

Property, plant and equipment of a subsidiary at carrying amount of RM602,658,000 (2014: RM580,712,000) has been pledged as securities for loan facilities as disclosed in Note 18.

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 2015						
Cost						
At 1 January 2015	7,853	2,119	5	2,202	2,096	14,275
Additions	–	–	–	100	428	528
Transfer	2,474	–	–	–	(2,474)	–
Write off	(3,218)	–	–	(648)	–	(3,866)
At 31 December 2015	7,109	2,119	5	1,654	50	10,937
Accumulated Depreciation						
At 1 January 2015	3,570	1,698	3	2,078	–	7,349
Charge for the year (Note 24)	1,175	211	1	58	–	1,445
Write off	(3,218)	–	–	(648)	–	(3,866)
At 31 December 2015	1,527	1,909	4	1,488	–	4,928
Net Carrying Amount	5,582	210	1	166	50	6,009
At 31 December 2014						
Cost						
At 1 January 2014	3,437	2,965	5	2,405	3,999	12,811
Additions	–	19	–	56	2,513	2,588
Transfer	4,416	–	–	–	(4,416)	–
Write off	–	(865)	–	(259)	–	(1,124)
At 31 December 2014	7,853	2,119	5	2,202	2,096	14,275
Accumulated Depreciation						
At 1 January 2014	3,437	2,099	1	2,294	–	7,831
Charge for the year (Note 24)	133	291	2	43	–	469
Write off	–	(692)	–	(259)	–	(951)
At 31 December 2014	3,570	1,698	3	2,078	–	7,349
Net Carrying Amount	4,283	421	2	124	2,096	6,926

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6. INVESTMENT PROPERTIES

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
Group				
At 31 December 2015				
At 1 January 2015	14,220,096	246,500	29,554	14,496,150
Additions	18,558	–	73,137	91,695
Transfer [#]	(102,400)	102,400	–	–
Fair value adjustments	474,789	104,050	–	578,839
At 31 December 2015	14,611,043	452,950	102,691	15,166,684
At 31 December 2014				
At 1 January 2014	13,864,572	220,300	23,780	14,108,652
(Reversal)/Additions	(4,368)	–	5,774	1,406
Fair value adjustments	359,892	26,200	–	386,092
At 31 December 2014	14,220,096	246,500	29,554	14,496,150

[#] Relates to the fair value of land for the proposed development of Phase 3, Kompleks Dayabumi

The following investment properties are held under lease terms:

	2015 RM'000	2014 RM'000
Leasehold land	170,000	170,000
Building	318,459	308,339
IPUC at cost	80,194	7,057
	568,653	485,396

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

6. INVESTMENT PROPERTIES (CONTD.)

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

	Group	
	2015 RM'000	2014 RM'000
Rental income	1,059,278	1,054,412
Direct operating expenses of income generating investment properties	(78,058)	(81,441)

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
– Office properties	–	–	8,951,693	8,951,693
– Retail property	–	–	5,838,000	5,838,000
– Land	–	–	274,300	274,300
	–	–	15,063,993	15,063,993
2014				
– Office properties	–	–	8,805,096	8,805,096
– Retail property	–	–	5,415,000	5,415,000
– Land	–	–	246,500	246,500
	–	–	14,466,596	14,466,596

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfer between Level 1, 2 and 3 fair values

There is no transfer between Level 1, 2 and 3 fair values during the financial year.

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.)

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

	2015 RM'000	2014 RM'000
At 1 January	14,466,596	14,084,872
Addition/(reversal)	18,558	(4,368)
Re-measurement recognised in profit or loss	578,839	386,092
At 31 December	15,063,993	14,466,596

During the current financial year, the Group had commenced construction on the new Phase 3 of Dayabumi. The valuation of the said land has been changed from investment method to residual method.

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
		2015	2014	
Investment method (refer a)	Office:			The estimated fair value would increase/(decrease) if:
	– Market rental rate (RM/psf/month)			
	– Term	4.50 – 9.95	4.50 – 9.11	– expected market rental growth were higher/(lower)
	– Reversion	5.50 – 12.34	5.30 – 12.00	– expected market rental growth were higher/(lower)
	– Outgoings (RM/psf/month)			
	– Term	1.86 – 1.90	1.76 – 1.90	– expected inflation rate were lower/(higher)
	– Reversion	1.90 – 2.05	1.90 – 1.93	– expected inflation rate were lower/(higher)
	– Void rate (%)	5.00	5.00	– void rate were lower/(higher)
	– Term yield (%)	5.50 – 6.50	5.50 – 6.50	– term yield rate were lower/(higher)
	– Reversionary yield (%)	6.00 – 7.00	6.00 – 7.00	– reversionary yield were lower/(higher)
	Retail:			
	– Market rental rate (RM/psf/month)			
	– Term	4.24 – 308.70	4.24 – 373.80	– expected market rental growth were higher/(lower)
	– Reversion	4.38 – 373.80	4.38 – 373.80	– expected market rental growth were higher/(lower)
	Outgoings (RM/psf/month)			
	– Term	5.30 – 6.58	5.47 – 6.67	– expected inflation rate were lower/(higher)
	– Reversion	5.50 – 6.78	5.98 – 6.87	– expected inflation rate were lower/(higher)
	– Void rate (%)	3.00	3.00	– void rate were lower/(higher)
	– Term yield (%)	6.25 – 6.50	6.25 – 6.50	– term yield rate were lower/(higher)
	– Reversionary yield (%)	6.75 – 7.00	6.75 – 7.00	– reversionary yield were lower/(higher)

6. INVESTMENT PROPERTIES (CONTD.)

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2015	2014	
Residual method (refer b)	- Expected rate of return (%)	17.00	-	- expected rate of return is lower/(higher)
	- Gross Development Value (RM million)	933	-	- gross development value is higher/(lower)
	- Gross Development Costs (RM million)	505	-	- gross development costs is lower/(higher)
	- Financing costs (%)	7.00	-	- financing costs is lower/(higher)
	- Discounting rate (%)	7.00	-	- discounting costs is lower/(higher)

- (a) Investment method entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.
- (b) Residual method is used to value a property that has development potential. The value of the property will be the residual of the potential value less the construction costs and the required profit from the project.

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 the valuation report from the independent professional valuer.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares at cost	4,530,109	4,530,109
Discount on loans to subsidiaries	196,314	196,314
Effects of conversion of amounts due from subsidiaries to investment	546,941	495,991
Capital reduction	(780,916)	(780,916)
Write-down in value*	(3,296,954)	(3,296,954)
	1,195,494	1,144,544

- * The investment in certain subsidiaries have been adjusted to their recoverable amount subsequent to the disposal of their assets and liabilities to KLCC REIT.

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2015 %	2014 %	
Suria KLCC Sdn Bhd ("SKSB")	60	60	Ownership and management of a shopping centre and the provision of business management services
Asas Klasik Sdn Bhd ("AKSB")	75	75	Property investment in a hotel
Arena Johan Sdn Bhd ("AJSB")	100	100	Inactive
KLCC Parking Management Sdn Bhd ("KPM")	100	100	Management of car park operations
KLCC Urusharta Sdn Bhd ("KLCCUH")	100	100	Facilities management
Kompleks Dayabumi Sdn Bhd ("KDSB")	100	100	Property investment
Midciti Resources Sdn Bhd ("MRSB")	100	100	Inactive
Impian Cemerlang Sdn Bhd ("ICSB")	100	100	Property investment
Arena Merdu Sdn Bhd ("AMSB")	100	100	Inactive
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	100	100	Management of a real estate investment trust
KLCC REIT	*	*	To invest in a Shariah compliant portfolio or real estate assets and real estate related assets
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB")*	100	100	To undertake the issuance of Islamic term notes ("Sukuk") under a medium term notes programme and all matters relating to it

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

7. INVESTMENT IN SUBSIDIARIES (CONTD.)

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

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

Non-controlling interests relating to KLCC REIT

	2015	2014
NCI percentage of ownership interest and voting interest	100%	100%
Carrying amount of NCI (RM'000)	7,776,713	7,564,355
Profit allocated to NCI (RM'000)	588,770	479,304

Summarised financial information before intra-group elimination

	2015 RM'000	2014 RM'000
Non-current assets – Investment properties	9,013,234	8,871,757
Non-current assets – Others	286,751	218,418
Current assets	268,597	246,637
Non-current liabilities	(1,680,831)	(1,674,933)
Current liabilities	(111,038)	(97,524)
Net assets	7,776,713	7,564,355

	2015 RM'000	2014 RM'000
Revenue	594,791	592,948
Profit for the year, representing total comprehensive income	588,770	479,304
Cash flows generated from operating activities	476,471	442,521
Cash flows used in investing activities	(5,183)	(214)
Cash flows used in financing activities	(442,915)	(488,421)
Net increase/(decrease) in cash and cash equivalents	28,373	(46,114)
Dividend paid to NCI relating to KLCC REIT	(376,412)	(354,928)

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)

Other non-controlling interests in subsidiaries

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

	SKSB	2015 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,887,173	72,600	1,959,773
Profit allocated to NCI (RM'000)	271,550	117	271,667

	SKSB	2014 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,756,596	65,442	1,822,038
Profit allocated to NCI (RM'000)	217,675	3,785	221,460

Summarised financial information of significant subsidiaries before intra-group elimination

	2015 RM'000	2014 RM'000
SKSB		
Non-current assets – Investment properties	5,288,000	4,870,000
Non-current assets – Others	10,992	25,587
Current assets	177,122	236,147
Non-current liabilities	(600,399)	(600,000)
Current liabilities	(157,782)	(140,244)
Net assets	4,717,933	4,391,490
Revenue	395,280	386,506
Profit for the year, representing total comprehensive income	680,142	540,040
Cash flows generated from operating activities	271,062	263,855
Cash flows used in investing activities	(6,313)	(294,674)
Cash flows used in financing activities	(334,833)	(252,833)
Net decrease in cash and cash equivalents	(70,084)	(283,652)
Dividends paid to other NCI	(133,933)	(101,133)

8. INVESTMENT IN AN ASSOCIATE

	2015 RM'000	2014 RM'000
Group		
Unquoted shares at cost	99,195	99,195
Share of post-acquisition reserves	166,010	161,375
	265,205	260,570
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	
			2015 %	2014 %
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:

	2015 RM'000	2014 RM'000
Non-current assets	760,000	752,000
Current assets	48,523	40,748
Total assets	808,523	792,748
Non-current liabilities	97,304	91,517
Current liabilities	2,562	6,622
Total liabilities	99,866	98,139
Results		
Revenue	45,368	47,058
Profit for the year, representing total comprehensive income	41,412	71,113
Share of results for the year	13,665	(6,734)

In equity accounting the Group's share of results in prior year, an adjustment of RM30,200,000 representing the Group's share on the deferred tax liability of investment property was made.

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8. INVESTMENT IN AN ASSOCIATE (CONTD.)

Reconciliation of net assets to carrying amount as at 31 December

	2015 RM'000	2014 RM'000
Group's share of net assets	233,855	229,220
Goodwill	31,350	31,350
	265,205	260,570

9. DEFERRED TAX

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	34,355	24,227	(706)	(475)
Recognised in profit or loss (Note 27)	6,639	10,128	358	(231)
At 31 December	40,994	34,355	(348)	(706)

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:

	2015 RM'000	2014 RM'000
Deferred tax assets	(536)	(1,530)
Deferred tax liabilities	41,530	35,885
	40,994	34,355

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

9. DEFERRED TAX (CONTD.)

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 2015	46,208	6,277	365	52,850
Recognised in profit or loss	1,896	6,815	382	9,093
At 31 December 2015	48,104	13,092	747	61,943
At 1 January 2014	46,727	3,539	910	51,176
Recognised in profit or loss	(519)	2,738	(545)	1,674
At 31 December 2014	46,208	6,277	365	52,850

Deferred Tax Assets of the Group:

	Unused tax losses and investment tax allowances RM'000	Others RM'000	Total RM'000
At 1 January 2015	(16,620)	(1,875)	(18,495)
Recognised in profit or loss	(2,623)	169	(2,454)
At 31 December 2015	(19,243)	(1,706)	(20,949)
At 1 January 2014	(24,851)	(2,098)	(26,949)
Recognised in profit or loss	8,231	223	8,454
At 31 December 2014	(16,620)	(1,875)	(18,495)

Deferred Tax Liabilities/(assets) of the Company:

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 January 2015	59	(765)	(706)
Recognised in profit or loss	228	130	358
At 31 December 2015	287	(635)	(348)
At 1 January 2014	46	(521)	(475)
Recognised in profit or loss	13	(244)	(231)
At 31 December 2014	59	(765)	(706)

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10. AMOUNT DUE FROM A SUBSIDIARY

	2015 RM'000	2014 RM'000
Long term		
Interest bearing loan	68,000	68,000

The interest rate charged by the Company for the interest bearing shareholder's loan is 5.07% (2014: 5.07%) per annum.

11. INVENTORIES

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

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Other receivables				
Accrued rental income	289,588	219,608	–	–
Current				
Trade receivables	13,654	11,516	–	–
Less: Allowance for impairment	(645)	(815)	–	–
Trade receivables, net of impairment	13,009	10,701	–	–
Other receivables				
Other receivables and deposits	17,791	24,552	5,378	8,256
Amount due from:				
Subsidiaries	–	–	14,126	20,383
Ultimate holding company	9,232	29,273	–	–
Immediate holding company	166	1	159	–
Other related companies	22,723	22,702	9,664	10,555
Total other receivables	49,912	76,528	29,327	39,194
Total	62,921	87,229	29,327	39,194

12. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables	13,009	10,701	–	–
Other receivables	338,141	295,060	29,327	39,194
Add: Cash and bank balances (Note 13)	1,110,857	1,127,072	563,620	565,899
Amount due from a subsidiary (Note 10)	–	–	68,000	68,000
Less: Accrued rental income	(289,588)	(219,608)	–	–
Total loans and receivables	1,172,419	1,213,225	660,947	673,093

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 except for the amount due from a subsidiary of RM68 million as stated in Note 10.

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			
Amount due from ultimate holding company			
2015	10,549	(1,317)	9,232
2014	33,202	(3,929)	29,273

13. CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	37,996	52,434	6,480	6,474
Cash and bank balances	26,188	7,601	3	3
Deposits with licensed banks	1,046,673	1,067,037	557,137	559,422
	1,110,857	1,127,072	563,620	565,899
Less: Deposits restricted	(6,420)	(5,172)	–	–
Cash and cash equivalents	1,104,437	1,121,900	563,620	565,899

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13. CASH AND BANK BALANCES (CONTD.)

The Group's and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC") to enable more efficient cash management for the Group and the Company.

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

Included in cash with IFSSC and cash and bank balances of the Group and the Company are interest bearing balances amounting to RM55,009,000 (2014: RM52,439,000) and RM6,480,000 (2014: RM6,474,000).

The weighted average effective interest rate applicable to the deposits with licensed banks at the reporting date was 3.85% (2014: 3.83%) per annum.

Deposits with licensed banks have an average maturity of 56 days (2014: 48 days).

14. SHARE CAPITAL

	Group and Company			
	Number of Stapled Securities/Shares		← Amount →	
	Ordinary shares	Ordinary shares	Ordinary shares	RPS
	'000	RPS '000	RM'000	RM'000
Authorised:				
At 1 January 2015/31 December 2015	3,194,667	1,805,333	4,981,947	18,053
At 1 January 2014/31 December 2014	3,194,667	1,805,333	4,981,947	18,053

	Group and Company			
	Number of Shares		← Amount →	
	Ordinary shares	Ordinary shares	Ordinary shares	RPS
	'000	RPS '000	RM'000	RM'000
Issued and fully paid:				
At 1 January 2015/31 December 2015	1,805,333	–	1,805,333	–

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. 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.

15. RETAINED PROFITS

As at 31 December 2015, the Company may distribute the entire balance of the retained profits under the single-tier system.

16. DEFERRED REVENUE

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

17. OTHER LONG TERM LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
Security deposit payables	74,658	68,147

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.

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18. BORROWINGS

	Group	
	2015 RM'000	2014 RM'000
Short term borrowings		
Secured:		
Sukuk Murabahah	15,395	13,400
Term loans	1,664	331,742
Unsecured:		
Revolving credit	11,400	11,400
	28,459	356,542

	Note	Group	
		2015 RM'000	2014 RM'000
Long term borrowings			
Secured:			
Sukuk Murabahah			
– KLCC Real Estate Investment Trust		1,555,000	1,555,000
– Other subsidiary		600,000	600,000
Term loans		377,166	–
		2,532,166	2,155,000
Total borrowings			
Secured:			
Sukuk Murabahah	a	2,170,395	2,168,400
Term loans	b	378,830	331,742
Unsecured:			
Revolving credit	c	11,400	11,400
		2,560,625	2,511,542

18. BORROWINGS (CONTD.)

Terms and debt repayment schedule:

	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	3 – 5 years RM'000	Over 5 years RM'000
Group					
2015					
Secured					
Sukuk Murabahah	2,170,395	15,395	300,000	400,000	1,455,000
Term loans	378,830	1,664	–	22,500	354,666
Unsecured					
Revolving credit	11,400	11,400	–	–	–
	2,560,625	28,459	300,000	422,500	1,809,666
2014					
Secured					
Sukuk Musharakah	2,168,400	13,400	–	700,000	1,455,000
Term loans	331,742	331,742	–	–	–
Unsecured					
Revolving credit	11,400	11,400	–	–	–
	2,511,542	356,542	–	700,000	1,455,000

(a) Sukuk Murabahah

On 25 April 2014, a subsidiary of the Group had completed the issuance of Sukuk Murabahah. The Sukuk Murabahah consists of Islamic Commercial Programme (“ICP”) of up to RM500 million and Islamic medium term notes (“IMTN”) of up to RM3,000 million subject to a combined limit of RM3,000 million. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee. The proceeds from the issuance of the Sukuk Murabahah is utilised to early redeem its Sukuk Musharakah. RM1,555 million has been drawdown at the following tranche and profit rates:

Tenure	Value (RM)	Profit rate	Maturity
3 years	300,000,000	3.90%	25 April 2017
5 years	400,000,000	4.20%	25 April 2019
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024

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18. BORROWINGS (CONTD.)

(a) Sukuk Murabahah (Contd.)

On 31 December 2014, a subsidiary of the Group issued Sukuk Murabahah of up to RM600 million. The Sukuk Murabahah consists of ICP of up to RM300 million and IMTN of up to RM600 million subject to a combined limit of RM600 million. It is secured against assignment and charge over the Finance Service Account of the subsidiary. The proceeds from the issuance of the Sukuk Murabahah is utilised to repay the subsidiary's term loan of RM375 million and shareholders advances. RM600 million has been drawdown at the profit rate of 4.73% per annum and repayable in 10 years.

The profit rate is payable semi-annually.

(b) Term loans

In prior year, fixed and floating rates term loans were secured by way of:

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

The interest rate was 4.29% per annum.

On 27 May 2015, a subsidiary of the Group has entered into a Supplemental Agreement with Public Bank Berhad to restructure the term loan with an aggregate sum of RM378 million, comprising of the following:

Type of Facilities	Revised Principal Limit (RM'000)
Term Loan Facility 1	239,540
Term Loan Facility 2	138,460

The term loans are repayable at RM7.5 million per annum for 7 years commencing on the 3rd year with the final bullet payment of the remainder in the final year.

The term loan is secured by way of a fixed charge over the hotel property as well as debenture covering all fixed and floating asset of the hotel property as disclosed in Note 5.

The loan bears an interest rate of 4.60%.

(c) Revolving credit

Interest rate ranges from 4.35% to 4.55% (2014: 3.92%) per annum 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 of 3 years from the date of first disbursement with the profit payable monthly.

Other information on financial risks of borrowings are disclosed in Note 32.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade payables	15,222	13,712	615	248
Other payables				
Other payables	246,513	227,269	4,268	6,429
Amount due to:				
Subsidiaries	–	–	473	–
Ultimate holding company	4,629	13,320	2,636	8,209
Immediate holding company	544	683	–	172
Other related companies	11,539	7,862	1	–
	263,225	249,134	7,378	14,810
Total trade and other payables	278,447	262,846	7,993	15,058
Add: Borrowings (Note 18)	2,560,625	2,511,542	–	–
Other long term liabilities (Note 17)	74,658	68,147	–	–
Total financial liabilities carried at amortised cost	2,913,730	2,842,535	7,993	15,058

Included in other payables of the Group are security deposit of RM107,991,000 (2014: RM107,553,000) 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.

20. REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property investment				
– Office	590,934	594,081	–	–
– Retail	469,840	459,351	–	–
Hotel operations	155,796	183,337	–	–
Management services	123,659	116,747	17,220	16,101
Dividend income from subsidiaries	–	–	258,400	254,621
Dividend income from associate	–	–	9,030	6,450
	1,340,229	1,353,516	284,650	277,172

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21. OPERATING PROFIT

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue (Note 20)	1,340,229	1,353,516	284,650	277,172
Cost of revenue:				
– Cost of services and goods	(201,924)	(204,278)	–	–
Gross profit	1,138,305	1,149,238	284,650	277,172
Selling and distribution expenses	(11,477)	(10,464)	–	–
Administration expenses	(126,182)	(130,006)	(30,968)	(26,689)
Write-down in value		–	–	(1,331)
Other operating income	3,549	3,168	89	87
Operating profit	1,004,195	1,011,936	253,771	249,239

22. INTEREST INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
Deposits	41,280	34,030	21,743	8,334
Amount due from subsidiaries	–	–	–	6,595
Loan to a subsidiary	–	–	3,447	3,447
	41,280	34,030	25,190	18,376

23. FINANCING COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense on:				
Term loans	16,602	50,929	–	–
Revolving credit	526	298	–	–
Profit on Sukuk Murabahah & Sukuk Musharakah	98,727	86,702	–	–
Accretion of financial instruments	3,769	6,936	–	–
	119,624	144,865	–	–

24. PROFIT BEFORE TAX

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Employee benefits expense (Note 25)	88,643	88,749	17,139	17,234
Directors' remuneration (Note 26)	595	611	595	594
Fees for representation on the Board of Directors	92	104	92	101
Management fee in relation to services of key management personnel (Note 26)	1,236	938	1,236	938
Auditors' remuneration				
– Audit fees	557	544	196	187
– Others	15	102	15	102
Valuation fees	1,339	1,367	–	–
Depreciation of property, plant and equipment (Note 5)	30,492	29,552	1,445	469
Rental of land and buildings	3,111	2,122	3,111	2,122
Property, plant and equipment written off	–	173	–	173
Write-down on value on investment in subsidiaries	–	–	–	1,331
Bad debts written off/(recovered)	190	(55)	–	–
Gain on disposal of property, plant and equipment	(2)	(9)	–	–
Loss on realised foreign exchange	–	89	–	–
(Reversal of)/Allowance for impairment losses	(170)	815	–	–

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages, salaries and others	80,483	80,669	15,235	15,495
Contributions to defined contribution plan	8,160	8,080	1,904	1,739
	88,643	88,749	17,139	17,234

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26. DIRECTORS' REMUNERATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company				
Executive*	–	–	–	–
Non-Executive:				
Fees	595	611	595	594
	595	611	595	594
Analysis excluding benefits-in-kind:				
Total non-executive directors' remuneration			595	594

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

	Company	
	2015	2014
Executive director		
RMNil	1	1
Non-executive directors		
RMNil – RM50,000	–	–
RM50,001 – RM100,000	5	3
RM100,001 – RM150,000	1	3

* The remuneration of the Executive Director is paid to KLCCH as disclosed in Note 24.

27. TAX EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current income tax:				
Malaysian income tax	108,422	105,106	6,347	3,363
Under/(over) provision of tax in prior year	105	5,838	(259)	(61)
	108,527	110,944	6,088	3,302
Deferred tax (Note 9):				
Relating to origination and reversal of temporary differences	6,649	11,218	145	(254)
(Over)/under provision of deferred tax in prior year	(10)	(1,090)	213	23
	6,639	10,128	358	(231)
Total tax expense	115,166	121,072	6,446	3,071

Domestic current income tax is calculated at the statutory tax rate of 25% (2014: 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 2015 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:

	2015 RM'000	2014 RM'000
Group		
Profit before taxation	1,518,355	1,280,459
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	379,589	320,115
Expenses not deductible for tax purposes	9,033	11,810
Income not subject to tax	(242,661)	(206,015)
Effects of share of results of associate	(3,416)	1,684
Deferred tax recognised at different tax rates	(27,474)	(11,270)
Overprovision of deferred tax in prior year	(10)	(1,090)
Underprovision of taxation in prior year	105	5,838
Tax expense	115,166	121,072

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27. TAX EXPENSE (CONTD.)

	2015 RM'000	2014 RM'000
Company		
Profit before taxation	278,961	267,615
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	69,740	66,904
Expenses not deductible for tax purposes	3,667	3,133
Income not subject to tax	(66,909)	(66,938)
Deferred tax recognised at different tax rates	(6)	10
Under provision of deferred tax in prior year	213	23
Overprovision of taxation in prior year	(259)	(61)
Tax expense	6,446	3,071

28. EARNINGS PER SHARE/STAPLED SECURITY

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

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

	2015	2014
Profit attributable to equity holders of the Company (RM'000)	542,751	458,623
Profit attributable to NCI relating to KLCC REIT (RM'000)	588,770	479,304
Profit attributable to stapled security holders (RM'000)	1,131,521	937,927
Weighted average number of stapled securities/shares in issue ('000)	1,805,333	1,805,333
Basic earnings per share (sen)	30.1	25.4
Basic earnings per stapled security (sen)	62.7	52.0

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

29. DIVIDENDS

	Dividends Recognised in Year		Net Dividends per Ordinary Share	
	2015 RM'000	2014 RM'000	2015 Sen	2014 Sen
Recognised during the year:				
A fourth interim 3.89% (2014: 3.87%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2014/2013	70,228	69,866	3.89	3.87
A first interim dividend of 3.02% (2014: 3.73%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2015/2014	54,521	67,339	3.02	3.73
A second interim dividend of 3.02% (2014: 3.29%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2015/2014	54,521	59,395	3.02	3.29
A third interim dividend of 2.80% (2014: 3.05%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2015/2014	50,549	55,063	2.80	3.05
	229,819	251,663	12.73	13.94

A fourth interim dividend in respect of the financial year ended 31 December 2015, of 4.13%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM74.6 million will be payable on 29 February 2016.

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 2016.

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30. COMMITMENTS

(a) Capital commitments

	Group	
	2015 RM'000	2014 RM'000
Approved and contracted for		
Property, plant and equipment	27,783	25,982
Investment property	43,544	31,295
	71,327	57,277
Approved but not contracted for		
Property, plant and equipment	183,601	77,041
Investment property	963,446	75,174
	1,147,047	152,215

(b) Operating lease commitments – as lessor

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

	Group	
	2015 RM'000	2014 RM'000
Not later than 1 year	533,277	508,984
Later than 1 year but not later than 5 years	2,060,210	2,088,594
More than 5 years	3,770,257	4,275,150
	6,363,744	6,872,728

31. 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.

31. 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:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Federal Government of Malaysia				
Property licences and taxes	(13,176)	(13,509)	-	-
Goods and Services Tax	(45,016)	-	269	-
Government of Malaysia's related entities				
Purchase of utilities	(14,659)	(24,189)	-	(275)
Hotel revenue	5,950	4,264	-	-
Ultimate Holding Company:				
Rental income	470,229	455,624	-	-
Facilities management and manpower fees	24,581	26,351	-	-
Rental of carpark space	(7,561)	(6,290)	-	-
Fees for representation on the Board of Directors*	(92)	(104)	(92)	(101)
Hotel revenue	1,202	5,890	-	-
Centralised Head Office Services charges	(1,360)	-	(594)	-
Immediate Holding Company:				
General management services fee payables	(2,739)	(1,530)	(1,682)	(791)
General management services fee receivables	2,666	3,272	2,666	3,272
Manpower fees receivables	79	11	-	-

NOTES TO THE FINANCIAL STATEMENTS

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31. RELATED PARTY DISCLOSURES (CONTD.)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Subsidiaries				
Reimbursement of security costs	–	–	(121)	(51)
General management services fee receivables	–	–	7,429	6,607
Interest income arising from MFRS 139	–	–	–	6,595
Interest income from shareholder's loan	–	–	3,447	3,447
Other Related Companies:				
Facilities management and manpower fees	20,970	24,337	–	–
General management services fee receivables	7,125	6,222	7,125	6,222
Management and incentive fees	3,371	4,827	–	–
Chilled water supply	(28,356)	(28,139)	–	–
Project management fees	(10,603)	(1,462)	–	–
Rental of carpark space	(7,274)	(7,614)	–	–

* Fees paid directly to PETRONAS in respect of a director who is an appointee of the ultimate holding company.

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2015 are disclosed in Notes 12 and 19.

(c) Compensation of key management personnel

Directors

The remuneration of Directors is disclosed in Note 26.

Other key management personnel

Datuk Hashim Bin Wahir, Executive Director and Chief Executive Officer of the Company is an employee of KLCCH. KLCCH charges management fees in consideration for his services to the Company as disclosed in Note 24.

32. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

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

Credit Risk

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

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

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32. FINANCIAL INSTRUMENTS (CONTD.)

Credit Risk (Contd.)

Receivables (Contd.)

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

	Group	
	2015 RM'000	2014 RM'000
Property investment		
– Office	1,700	1,436
– Retail	4,404	2,610
Hotel operations	5,571	6,147
Management services	1,979	1,323
	13,654	11,516
Less: Allowance for impairment losses (Retail)	(645)	(815)
	13,009	10,701

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

At net:		
Not past due	5,268	6,947
Past due 1 to 30 days	4,546	1,796
Past due 31 to 60 days	1,111	632
Past due 61 to 90 days	434	307
Past due more than 90 days	2,295	1,834
	13,654	11,516
Less: Allowance for impairment losses (Retail)	(645)	(815)
	13,009	10,701

Movement in allowance account:

At 1 January	815	–
Allowance of impairment	(170)	815
At 31 December	645	815

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2015.

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.

32. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity Risk (Contd.)

Maturity analysis

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

	Carrying amount RM'000	Effective interest rate %	Contractual cash flow* RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2015							
Group							
Financial Liabilities							
Sukuk Murabahah	2,170,395	4.41-4.73	2,788,114	112,393	391,054	630,734	1,653,933
Floating rate secured term loans	378,830	4.60	532,506	19,060	17,350	72,953	423,143
Revolving credit	11,400	4.55	11,527	11,527	-	-	-
Trade and other payables	278,447	-	278,447	278,447	-	-	-
Other long term liabilities	74,658	4.60	115,538	-	9,688	-	105,850
Company							
Financial Liabilities							
Trade and other payables	7,993	-	7,993	7,993	-	-	-

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32. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity Risk (Contd.)

Maturity analysis

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

	Carrying amount RM'000	Effective interest rate %	Contractual cash flow* RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2014							
Group							
Financial Liabilities							
Sukuk Murabahah	2,168,400	4.50	2,869,274	96,169	97,308	953,286	1,722,511
Floating rate secured term loans	331,742	4.70	337,700	337,700	–	–	–
Revolving credit	11,400	4.52	11,917	11,917	–	–	–
Trade and other payables	262,846	–	262,846	262,846	–	–	–
Other long term liabilities	68,147	4.60	115,538	–	–	9,688	105,850
Company							
Financial Liabilities							
Trade and other payables	15,058	–	15,058	15,058	–	–	–

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

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.

32. FINANCIAL INSTRUMENTS (CONTD.)

Interest Rate Risk (Contd.)

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial assets	1,046,673	1,067,037	557,137	559,422
Financial liabilities	(2,170,395)	(2,168,400)	–	–
Floating rate instruments				
Financial liabilities	(390,230)	(343,142)	–	–

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
2015		
KLIBOR	-50	1,943
KLIBOR	+50	(1,943)
2014		
KLIBOR	-70	2,390
KLIBOR	+70	(2,390)

This analysis assumes that all other variables remain constant.

Foreign Currency Risk

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

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

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32. FINANCIAL INSTRUMENTS (CONTD.)

Fair Values

The Group's and the Company's financial instruments consist of cash and bank balances, 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 bank balances, trade and other receivables, trade and other payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of other long term liabilities approximate its fair value amount.

This analysis assumes that all other variables remain constant.

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

	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group					
2015					
Financial liabilities					
Sukuk Murabahah	–	2,138,265	–	2,138,265	2,170,395
Term loans	–	370,527	–	370,527	378,830
Revolving credit	–	10,903	–	10,903	11,400
2014					
Financial liabilities					
Sukuk Musharakah	–	2,138,560	–	2,138,560	2,168,400
Term loans	–	316,850	–	316,850	331,742
Revolving credit	–	10,907	–	10,907	11,400

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, 2 and 3 fair values during the financial year.

33. 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 maximise shareholder value. The Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

33. CAPITAL MANAGEMENT (CONTD.)

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

The debt to equity ratio as at 31 December 2015 and 2014 is as follows:

	2015	2014
Total debt (RM'000)	2,560,625	2,511,542
Total equity (excluding Other NCI) (RM'000)	12,551,281	12,025,991
Debt equity ratio	20:80	17:83

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

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM234 million. The Company has complied with this requirement.

34. 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 and 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.

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34. SEGMENT INFORMATION (CONTD.)

(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.

Business Segments

31 December 2015

	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	590,934	469,840	155,796	123,659	-	1,340,229
Inter-segment revenue	297	16,691	-	56,008	(72,996)	-
Total revenue	591,231	486,531	155,796	179,667	(72,996)	1,340,229
Results						
Operating profit	525,852	401,697	18,213	74,216	(15,783)	1,004,195
Fair value adjustment on investment properties	156,253	422,586	-	-	-	578,839
Financing costs						(119,624)
Interest income						41,280
Share of profit of an associate						13,665
Tax expense						(115,166)
Profit after tax but before non-controlling interests						1,403,189
Segment assets	9,906,305	6,050,221	695,995	79,685	539,669	17,271,875
Investment in an associate	-	-	-	99,195	166,010	265,205
Total assets						17,537,080
Total liabilities	1,867,779	782,466	437,887	36,158	(98,264)	3,026,026
Capital expenditure	92,802	6,314	45,487	7,377	-	151,980
Depreciation	305	2,642	23,453	4,092	-	30,492
Non-cash items other than depreciation	-	19	-	(2)	-	17

34. SEGMENTAL INFORMATION (CONTD.)

Business Segments

31 December 2014

	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	594,081	459,351	183,337	116,747	–	1,353,516
Inter-segment revenue	–	12,738	–	54,582	(67,320)	–
Total revenue	594,081	472,089	183,337	171,329	(67,320)	1,353,516
Results						
Operating profit	526,907	387,730	35,920	320,367	(258,988)	1,011,936
Fair value adjustment on investment properties	95,053	291,039	–	–	–	386,092
Financing costs						(144,865)
Interest income						34,030
Share of loss of associate						(6,734)
Tax expense						(121,072)
Profit after tax but before non-controlling interests						<u>1,159,387</u>
Segment assets	9,582,617	5,688,310	642,229	83,508	546,606	16,543,270
Investment in an associate	–	–	–	99,195	161,375	<u>260,570</u>
Total assets						16,803,840
Total liabilities	1,855,543	768,408	384,590	53,794	(106,524)	2,955,811
Capital expenditure	17,688	2,595	14,954	7,703	–	42,940
Depreciation	1,197	2,119	23,082	3,154	–	29,552
Non-cash items other than depreciation	–	760	–	173	–	933

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

35. PRONOUNCEMENTS YET IN EFFECT

The following 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 in these financial statements:

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Separate Financial Statements: Equity Method in Separate Financial Statements
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after a date to be determined by the MASB

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

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

36. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

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

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 11 MFRS 14	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts
Amendments to MFRS 116	Property, Plant and Equipment – Agriculture: Bearer Plants
Amendments to MFRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141	Agriculture – Agriculture: Bearer Plants

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

37. DISCLOSURE OF REALISED AND UNREALISED PROFIT

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained profits of the Company and its subsidiaries:				
– Realised	736,276	673,160	128,686	85,990
– Unrealised	20,949	18,495	–	–
	757,225	691,655	128,686	85,990
Total share of retained profits from an associate:				
– Realised	93,215	90,586	–	–
Total Group retained profits	850,440	782,241	128,686	85,990
Less: Consolidation adjustments	(677,458)	(628,910)	–	–
Total Group and Company retained profits	172,982	153,331	128,686	85,990

The fair value gain of RM2,778,200,000 (2014: RM2,484,919,000) 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
(INCORPORATED IN MALAYSIA)



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 2015 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 124 to 187.

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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 2015 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD
(INCORPORATED 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 37 on page 188 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

Muhammad Affan bin Daud
No. 3063/02/16(J)
Chartered Accountant

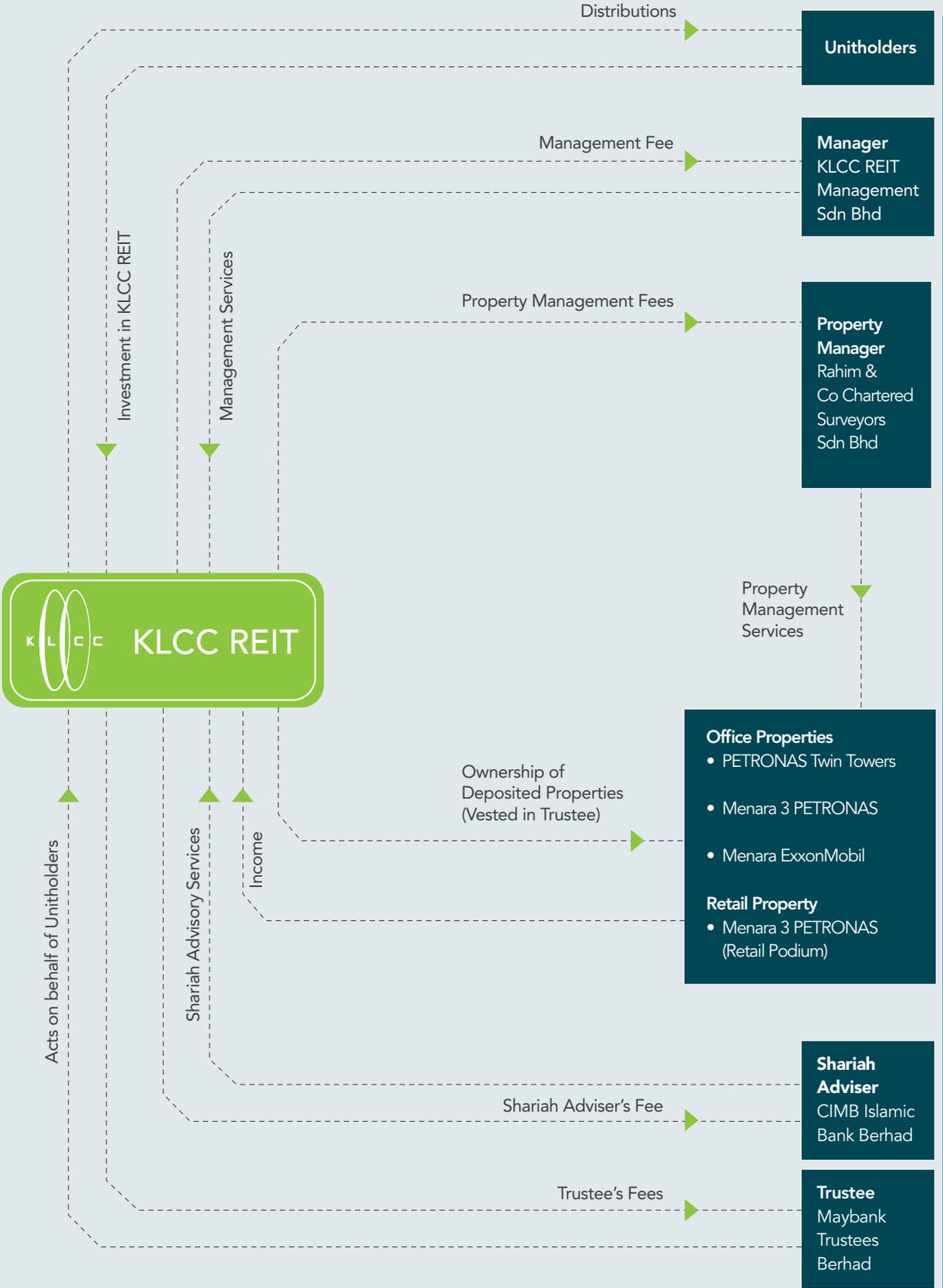
Kuala Lumpur, Malaysia
21 January 2016

KLCC REIT – SALIENT FEATURES



Name of Fund	KLCC Real Estate Investment Trust (KLCC REIT)
Fund Type	Income and Growth
Fund Category	Islamic Real Estate Investment Trust
Duration of Fund/ Termination Date	The earlier of: <ul style="list-style-type: none"> • 999 years falling on 8 April 3012 • The date on which KLCC REIT is terminated by the Trustee or the Manager, in circumstances as set out under provisions of the Trust Deed dated 2 April 2013
Approved Fund Size	1,805,333,085 units
Market Capitalisation	RM12,745,651,580 (as at 31 December 2015)
Investment Objective	To provide the unitholders with regular and stable distributions, improving returns from property portfolio and capital growth, while maintaining an appropriate capital structure
Investment Policy	To invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes in Malaysia and overseas
Distribution Policy	95% of KLCC REIT's distributable income for FY2013 & FY2014 and at least 90% for each subsequent financial year Distributions are made on a quarterly basis
Gearing Policy	Up to 50% of total asset value of the Fund
Listing Date	9 May 2013
Stock Name	KLCC
Stock Code	5235SS

KLCC REIT STRUCTURE



KLCC REIT MANAGER'S FINANCIAL AND OPERATIONAL REVIEW



The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn Bhd ("the Manager"), has pleasure in submitting its financial and operational review for the year ended 31 December 2015.

Principal activity and investment objectives

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

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

Investment strategies

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

1. Active asset management strategy

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

2. Acquisition growth strategy

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

Financial Review

The portfolio of KLCC REIT comprises three unique prime commercial assets with strong stable asset performance – the iconic pride of the country, PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil. The properties have a combined Net Lettable Area of over 4.54 million sq. ft. and are located within the 40-hectre KLCC Development which ranks among the largest real-estate developments in the world.

The stable performance of KLCC REIT highlighted the overall resilience of our large, high quality portfolio and was underpinned by the steady earnings from the office assets, backed by their triple net leases and long term agreements.

For the financial year ended 31 December 2015, KLCC REIT asset portfolio grew marginally in value to RM9.3 billion from RM9.0 billion in 2014, driven by the resilience in office market rentals. Revenue remained stable at RM594.8 million, a marginal growth from RM592.9 million in 2014. Net property income contributed RM569.7 million for the year, in comparison to RM564.7 million the previous year. These three investment properties generated total comprehensive income (excluding fair value adjustment) of RM459.3 million, a contribution of 95% from the office segment and 5% from retail. KLCC REIT distributed 99.9% of the overall distributable income for financial year 2015 registering a total income available for distribution of RM391.4 million. This translated to a DPU of 21.68 sen, an increase of 10% compared to 19.68 sen in 2014.

KLCC REIT MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Financial Highlights

		FY 2015	FY 2014	Performance Variance (%)
Revenue	RM 'million	595	593	+0.3
Net Property Income	RM 'million	570	565	+0.9
Income available for distribution	RM 'million	392	365	+7.4
Income Distribution	RM 'million	391	355	+10.1
Earnings per unit (EPU)	Sen	32.61	26.55	+22.8
Distribution per unit (DPU)	Sen	21.68	19.68	+10.2

	Revenue (RM'million)		Net Property Income (RM'million)		Total Comprehensive Income (excluding Fair Value adjustment) (RM'million)	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
PETRONAS						
Twin Towers	423.5	423.5	422.1	421.4	335.4	318.7
Menara ExxonMobil	42.8	43.3	29.4	29.8	23.7	24.2
Menara 3 PETRONAS	88.1	88.1	87.9	87.6	77.5	66.2
Total for Office Segment	554.4	554.9	539.4	538.8	436.6	409.1
Menara 3 PETRONAS (Retail Podium)	40.4	38.0	30.3	25.9	22.7	18.2
Total for Retail Segment	40.4	38.0	30.3	25.9	22.7	18.2
Total	594.8	592.9	569.7	564.7	459.3	427.3

Despite a rapidly growing supply of office space in Kuala Lumpur and intensifying competition amid a tenant's market, our office segment of KLCC REIT properties continue to deliver a steady earnings stream with minimal risk exposure as the properties are on Triple Net Lease Agreements which require the tenants to meet all outgoing expenses.

PETRONAS Twin Towers remained KLCC REIT's highest revenue contributor at 71.2% or RM423.5 million, with net property income of RM422.1

million, representing 74.1% of total net property income. The three properties in the office segment retained its full occupancy during the year with long term leases to high quality single lessees. PETRONAS Twin Towers and Menara 3 PETRONAS are leased to Petroliam Nasional Berhad ("PETRONAS") whilst ExxonMobil Exploration and Production Malaysia Inc has been the lessee for Menara ExxonMobil since 1997. The high occupancy rates and long term leases underpinned the strong recurring income and cash flow for these properties.

The retail podium of Menara 3 PETRONAS represents the Fund's retail segment which leverages on Suria KLCC's reputation as a premier shopping destination in the country. In 2015, the retail podium of Menara 3 PETRONAS registered a total revenue of RM40.4 million and net property income of RM30.3 million, contributing 6.8% and 5.3% of KLCC REIT's revenue and net property income respectively. The revenue and net property income growth of 6.3% and 17.0% respectively from 2014 was attributable to the positive rental

reversion and rent reviews during the year. With evolving retail mix to attract new international brands and create delightful shopping experiences for the customers, the retail segment is expected to strengthen its contribution to KLCC REIT's performance.

Market Value of Investment Properties

As at 31 December 2015, the properties of KLCC REIT recorded a market value of RM9.3 billion, an increase from RM9.0 billion in 2014.

Property	Market Value @31 Dec 2015 RM'000	Market Value @31 Dec 2014 RM'000
PETRONAS Twin Towers	6,820,000	6,700,000
Menara ExxonMobil	500,000	465,000
Menara 3 PETRONAS	1,980,000	1,875,000
	9,300,000	9,040,000

Whilst the increase in market value was RM260 million, the Fund recognised a fair value adjustment of RM136.3 million. This translates to an improvement in net asset value per unit from RM4.19 to RM4.31 as at 31 December 2015.

OPERATIONAL REVIEW

Asset Management

The Manager is focused on active asset management and continues to support the Triple Net Lessee initiatives, to preserve the pristine condition of the properties for continued future longer tenancy prospects.

Our initiatives towards achieving Green Building Index (GBI) certification for PETRONAS Twin Towers and Menara 3 PETRONAS have yielded results as the properties were accredited with the Provisional Gold Certification and the Provisional

Silver Certification respectively by GBI Malaysia. This is a step closer towards achieving full GBI certification and is in line with our strategy towards sustainable development and operational efficiency of our assets.

KLCC REIT secured a new long term lease with the existing tenant of Menara ExxonMobil upon expiry of the current lease in 2017, thereby ensuring strong recurring income in the future.

KLCC REIT MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

The Manager will continue to ensure asset enhancement initiatives are undertaken to preserve the attractiveness and competitiveness of the properties, improve operational efficiency and retain long term tenancy at competitive market rates to yield rental growth.

Capital Management

The Manager proactively manages its capital position in order to meet capital requirements, expectations from the unitholders and to support KLCC REIT's strategic objectives.

The establishment of the Sukuk Murabahah Programme of up to RM3.0 billion for KLCC REIT in 2014 continued to be well recognised by the industry in 2015. The programme was accorded the Best REIT SUKUK by Asset Asian Awards 2015 and the RAM Ratings BluePrint Award 2014 for New Real Estate Benchmark Deal during the year.

As at 31 December 2015, the borrowings of KLCC REIT stood at RM1.6 billion with an average cost of debt of 4.41%. With average term to maturity of 4.91 years and gearing at 16.4%, there is sizeable debt headroom to fund future acquisitions up to 25-30% of its optimum gearing level.

		FY 2015	FY 2014
Total borrowings	RM 'million	1,570.4	1,568.4
Average Cost of Debt	%	4.41	4.41
Fixed: Floating	ratio	100:0	100:0
Average maturity period	years	4.91	5.91
Gearing ratio	%	16.4	16.8

The Manager will continue to actively manage the utilisation of capital and the cost of funds and refinancing risks to ensure stable dividend pay-out.

Income Distribution

Despite 2015 being a challenging year, the Manager remained committed to enhance value through accretion in distribution to its unitholders. KLCC REIT distributed 99.9% of its distributable income for financial year 2015, surpassing its commitment of at least 90% for FY2015.

With total comprehensive income available for distribution of RM391.9 million, the Manager had recommended, and the Trustee had approved, a total income distribution of 21.68 sen per unit totaling RM391.4 million for the year ended 31 December 2015.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'000)	Remarks
First Interim Distribution	5.32	96,044	Paid on 12 June 2015
Second Interim Distribution	5.32	96,044	Paid on 18 September 2015
Third Interim Distribution	5.35	96,585	Paid on 21 December 2015
Fourth Interim Distribution	5.69	102,723	To be paid on 29 February 2016
Total	21.68	391,396	

Market Review

2015 was a volatile year with the sharp retreat in commodities prices and macroeconomic uncertainties in the global economy. Throughout 2015, expansion of the global economy was at a moderate pace with diverging growth momentum across economies. Global financial market volatility increased, arising mainly from heightened investor concerns over global growth prospects and financial sector volatility.

Domestically, the country grappled with severe headwinds on the economic front in 2015, following unanticipated global commodity and currency shocks, financial market turbulence and sudden reversal of capital flows. The combined effect of the GST implementation in April 2015, various subsidy reductions and the plunge in the Ringgit led to a sharp domestic consumption slowdown with the Malaysian Consumer Sentiment Index hitting a low of 70%. Real GDP growth for 2015 was respectable at close to 5%, considering a weak and uneven global economic recovery, while headline inflation averaged 2.1% for 2015 as a whole (2014: 3.2%). (Source: *Economic and Financial Developments in Malaysia*, Bank Negara Malaysia; *Malaysian Institute of Economic Research*)

The Kuala Lumpur office market remained resilient in 2015 with stable demand for office space while rental and occupancy levels continued to hold steady despite downward pressure. Demand for office space in the Kuala Lumpur market is traditionally driven by the oil and gas and banking and finance sectors, however with current dampened oil prices, the oil and gas players were cautious about expanding or relocating. Prime office buildings with good accessibility and dual compliant features (MSC cybercentre and Malaysia's GBI) continued to perform well and demand is expected to remain strong with limited supply of these existing good grade buildings. The market is expected to see 6.3 million sqft of new office space scheduled for completion in 2016. Scope for rental growth in the commercial property sector in 2016 is expected to be limited though stable yields combined with a positive medium-term outlook should continue to attract investors. New developments in Kuala Lumpur will provide fresh investment grade stock while the growth of services, urbanisation and tourism should create good investment opportunities in the office sector.

KLCC REIT

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

The implementation of the GST coupled with a weak Ringgit had a huge impact on the retail sector and continued to dampen consumer sentiment. The Retail Group Malaysia (RGM), revised their retail sales growth rate for 2015 to 2% in December 2015 from an earlier estimate of 3.1%. Despite the subdued market, the retail sector continued to witness the entry of new international brands as well as the expansion of existing brands and outlets particularly at prime shopping centres in the Klang Valley. Prime and established regional and neighbourhood shopping malls with proven track record of high visitation remained as the preferred choice for expansion, even at high rentals. With approximately 4.5 million sqft of retail space both in the city and suburban areas coming on stream in 2015/2016, heightened competition will further dilute the retail market and exert pressure on vacancy rates of retail outlets. It is expected that the retail markets' next focus will be on affordable fashion and multi-channel retail as the younger generation will form the majority of shoppers, with an increased preference for online retail purchases. (Source: BMI Research – Malaysia Real Estate Report & Malaysia Retail Report, Savills World Research 2H 2015 & Knight Frank Real Estate Highlights)

Outlook

With both external and internal headwinds feeding into a continued volatile period in 2016 and with prospects of a more moderate GDP growth and slower domestic demand due to moderating consumer spending, the defensive REITs sector is expected to see resilience in 2016 on the back of solid fundamentals, strong domestic liquidity in the equity and bond markets and lower volatility in yields.

The Manager will continue to seek long-term value for KLCC REIT's unitholders by maximising returns and minimising risks of its assets. KLCC REIT's Prime A+ assets, with long term locked-in tenancies and stable tenancy profile further confer stability and underpin the steady recurring income. The retail segment is expected to be challenging as consumers will remain cautious with spending. Retail at Menara 3 PETRONAS will continue to leverage on Suria KLCC's network and expertise in leasing to strengthen occupancy and enhance contribution to KLCC REIT's performance and growth.

Material Litigation

The Manager is not aware of any material litigation since the balance sheet date as at 31 December 2015 up to the date of this report.

Circumstances which materially affect the interests of unitholders

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

Directors of the Manager's Benefits

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

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

Manager's Fee

For the financial year ended 31 December 2015, the Manager's fee comprised the following:

1. Base fee of RM27.5 million which is calculated at 0.3% per annum of Total Asset Value
2. Performance fee of RM17.1 million, calculated at 3.0% per annum of Net Property Income

The Manager's total management fee of RM44.6 million represents 0.6% of NAV of KLCC REIT.

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

Soft Commission

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



KLCC REIT PROPERTY PORTFOLIO SUMMARY



PETRONAS TWIN TOWERS

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date Of Acquisition	10 April 2013
Acquisition Price	RM6,500,000,000
Title	GRN 43697, Lot 169, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Tenure	Freehold
Age of building	19 years
Encumbrances	Nil
Lease/Tenancy Profile	Leased to a single lessee, Petroliam Nasional Berhad vide a Triple Net Lease Agreement for a term of 15 years, expiring 30 September 2027
Net Book Value as at 31 December 2015	RM6,597,114,168
Appraised Value	RM6,820,000,000
Date Of Valuation	25 November 2015
Independent Valuer	Cheston International (KL) Sdn Bhd

PETRONAS Twin Towers is a world landmark and the symbol of Malaysia's success and has won numerous awards – FIABCI Malaysia Property Award 2001, FIABCI Prix d'excellence 2002 and the Aga Khan Award for Architecture 2004.

PETRONAS Twin Towers is part of Phase One of the KLCC Development, located at the north-western corner of the 100 acres development. The PETRONAS Twin Towers stand majestically at 452 metres above street level with the pinnacles reaching a height of about 73.575 metres.

PETRONAS Twin Towers is a prime A-Class office building comprising two identical 88-storey office towers (namely, Tower 1 and Tower 2) linked by a 58.4 metre sky-bridge at levels 41 and 42 and a podium. The unique double deck sky bridge which stands at 170 metres above street level is the highest 2-storey bridge in the world. Its arch support forms symbolical gateway to KLCC.

At the podium levels, PETRONAS Twin Towers has the following attractions:

- a 864-seat concert hall known as Dewan Filharmonik PETRONAS;
- PETRONAS Sky Bridge Visit Centre; and
- the PETRONAS Twin Towers Gift Shop.

PETRONAS Twin Towers is designed with intelligent Building Management System (BMS) and Building Control System (BCS) features. PETRONAS Twin Towers is part of Malaysia's Multimedia Super Corridor (MSC) and Tower 2 of PETRONAS Twin Towers has been accorded the Malaysia MSC Cybercentre status.

Ongoing Initiatives

Upgrading initiatives to certify the PETRONAS Twin Towers as a certified green building under Malaysian Green Building Index (GBI) is in progress.

Awarded with Provisional Gold Certification by GBI Malaysia in April 2015.

KLCC REIT PROPERTY PORTFOLIO SUMMARY

MENARA 3 PETRONAS

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date Of Acquisition	10 April 2013
Acquisition Price	RM1,790,000,000
Title	GRN 43699, Lot 171 Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Tenure	Freehold
Age of building	4 years
Encumbrances	Nil
Lease/Tenancy Profile	Office Tower, Menara 3 PETRONAS is leased to a single lessee, Petroliam Nasional Berhad vide Triple Net Lease Agreement for a term of 15 years, expiring on 14 December 2026. Retail Podium, Menara 3 PETRONAS is tenanted to various retailers on a 3 to 5-year term tenancy
Net Book Value as at 31 December 2015	RM1,918,412,424
Appraised Value	RM1,980,000,000
Date Of Valuation	25 November 2015
Independent Valuer	Cheston International (KL) Sdn Bhd

Menara 3 PETRONAS stands majestically at 267 metres above the street level complimenting the 452 metre high 88-storey PETRONAS Twin Towers.

Menara 3 PETRONAS is a 58-storey commercial building with six levels of Retail Podium which are seamlessly integrated with Suria KLCC at all levels and 52 levels of Office Tower. It has four levels of basement car park with 193 parking bays.

The building is equipped with the intelligent Building Management System (BMS) and Building Control System (BCS) features.

Menara 3 PETRONAS was awarded the FIABCI Malaysia Property Award 2013 in the Office Category due to its unique setting, premium office tower facilities with exclusive shopping and dining facilities and an integrated yet self-contained development.

Ongoing initiatives

Upgrading initiatives to certify Menara 3 PETRONAS as a certified green building under Malaysian Green Building Index (GBI) is in progress.

Awarded with Provisional Silver Certification by GBI Malaysia in April 2015.





KLCC REIT PROPERTY PORTFOLIO SUMMARY



MENARA EXXONMOBIL

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date Of Acquisition	10 April 2013
Acquisition Price	RM450,000,000
Title	GRN 43685, Lot 157 Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Tenure	Freehold
Age of building	19 Years
Encumbrances	Nil
Lease/Tenancy Profile	Leased to a single lessee, ExxonMobil Exploration and Production Malaysia Inc on a 5-year term expiring 31 January 2017
Net Book Value as at 31 December 2015	RM497,707,738
Appraised Value	RM500,000,000
Date Of Valuation	25 November 2015
Independent Valuer	Cheston International (KL) Sdn Bhd

Menara ExxonMobil is a 29-storey office building which houses the ExxonMobil group of companies in Malaysia. Menara ExxonMobil is strategically located at the south-eastern portion of the KLCC Development and enjoys uninterrupted view of the PETRONAS Twin Towers and KLCC Park.

The rectangular-shaped building has a central service core and a virtually column free interior. For aesthetic reasons, the north and south elevations are set back at level 5, while the north elevation facing the public park is further set back at levels 22 and 26.

Rising 126 metres above street-level, Menara ExxonMobil has three levels of basement which accommodate car parks and M&E areas.

The ground floor provides the main entrance to the building with areas allotted for, amongst others, the following facilities:

- main lobby and reception area;
- office space and owner’s administration office;
- surau (prayer room);
- control rooms and M&E areas; and
- loading dock, refuse and bin areas.

The first to the fifth floors, together with the basement, provide the 524 parking bays and M&E areas. The sixth floor is used for recreational facilities including two squash courts, a gymnasium, rooms for indoor games and a cafeteria whilst the roof top accommodates M&E areas.

KLCC REIT PROPERTY PORTFOLIO SUMMARY

Property	PETRONAS Twin Towers	Menara 3 PETRONAS	Menara ExxonMobil	Total
Land Area (sq. ft)	234,007.2	46,306.3	43,044.8	323,358.3
Gross Floor Area (sq. ft)	4,693,756	1,500,814	559,520	6,754,090
Gross Floor Area – carpark (sq. ft)	805,712	170,782	240,981	1,217,475
Net Lettable Area (sq. ft)				
Office	3,195,544	812,806	395,851.20	4,404,201.2
Retail	–	132,101	–	132,101
Car Park bays	3,312	193	524	4,029
Occupancy as at 31 December 2015 (%)				
Office	100	100	100	100
Retail	–	93	–	93
Net Property Income (RM million)	422.1	118.2	29.4	569.7
Appraised Value as at 31 December 2015 (RM million)	6,820	1,980	500	9,300
Revenue (RM million)	423.5	128.5	42.8	594.8

FINANCIAL STATEMENTS 2015

KLCC REIT

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MANAGERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn Bhd ("the Manager"), has pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Fund during the financial year are investing directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets.

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

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

CORPORATE INFORMATION

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

RESULTS

	Group	Fund
	RM'000	RM'000
Profit for the year	588,770	588,776

DISTRIBUTION OF INCOME

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

	RM'000
In respect of the financial year ended 31 December 2014:	
Fourth interim income distribution of 4.86% on 1,805,333,083 units, paid on 27 February 2015	87,739

DISTRIBUTION OF INCOME (CONTD.)

	RM'000
In respect of the financial year ended 31 December 2015:	
First interim income distribution of 5.32% on 1,805,333,083 units, paid on 12 June 2015	96,044
Second interim income distribution of 5.32% on 1,805,333,083 units, paid on 18 September 2015	96,044
Third interim income distribution of 5.35% on 1,805,333,083 units, paid on 21 December 2015	96,585
	288,673

A fourth interim income distribution in respect of the financial year ended 31 December 2015, of 5.69%, on 1,805,333,083 units amounting to an income distribution payable of RM102,723,000 will be payable on 29 February 2016.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2016.

No final income distribution in respect of the financial year ended 31 December 2015 will be proposed at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have served on the Board of the Manager since the date of the last report are as follows:

Krishnan C K Menon
 Datuk Ishak Bin Imam Abas
 Datuk Manharlal A/L Ratilal
 Augustus Ralph Marshall
 Datuk Pragasa Moorthi A/L Krishnasamy
 Dato' Halipah Binti Esa
 Datuk Hashim Bin Wahir
 Habibah Binti Abdul

MANAGERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS' OF MANAGER'S INTERESTS

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

Number of Stapled Securities in KLCC Property Holdings Berhad

	Balance as at 1.1.2015	Number of Stapled Securities		Balance as at 31.12.2015
		Bought	Sold	

Direct

Datuk Manharlal A/L Ratilal	5,000	–	–	5,000
Augustus Ralph Marshall	50,000	–	–	50,000

Number of Shares in Petronas Chemicals Group Berhad

	Balance as at 1.1.2015	Number of Shares		Balance as at 31.12.2015
		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 1.1.2015	Number of Shares		Balance as at 31.12.2015
		Bought	Sold	

Indirect

Dato' Halipah Binti Esa [#]	10,000	–	–	10,000
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DIRECTORS' OF MANAGER'S INTERESTS (CONTD.)

Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad

	Balance as at 1.1.2015	Number of Shares		Balance as at 31.12.2015
		Bought	Sold	
Direct				
Dato' Halipah Binti Esa	10,000	–	–	10,000
Indirect				
Dato' Halipah Binti Esa [#]	10,000	–	–	10,000

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

None of the other Directors holding office as at 31 December 2015 had any interest in the units of the Fund and of its related companies during the financial year.

DIRECTORS' OF MANAGER'S BENEFITS

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

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

ULTIMATE HOLDING COMPANY

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

ISSUE OF UNITS

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

OPTIONS GRANTED OVER UNISSUED UNITS

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

MANAGERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Manager, the results of the operations of the Group and of the Fund for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 21 January 2016.

Krishnan C K Menon

Datuk Hashim Bin Wahir

STATEMENT BY THE MANAGER



In the opinion of the Directors of the Manager, the financial statements set out on pages 216 to 258 are drawn up in accordance with the provision of the trust deed dated 2 April 2013, the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2015 and of the results of their financial performance and cash flows for the year ended 31 December 2015.

In the opinion of the Directors, the supplementary information set out in Note 34 on page 259 is prepared in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and directive of Bursa Malaysia Securities Berhad.

For and on behalf of the Manager,
KLCC REIT MANAGEMENT SDN BHD

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 21 January 2016.

Krishnan C K Menon

Datuk Hashim Bin Wahir

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the Officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 216 to 259 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 21 January 2016

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for Oaths

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF KLCC REIT

We have acted as Trustee of KLCC Real Estate Investment Trust ("KLCC REIT") for the financial year ended 31 December 2015. To the best of our knowledge, KLCC REIT Management Sdn. Bhd. ("the Manager") has managed KLCC REIT in the financial year under review in accordance to the following:

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

There are four (4) income distributions made to the unitholders of KLCC REIT in the financial year under review, details of which are stated below:-

- (i) First interim income distribution of 5.32 sen per unit distributed on 12 June 2015;
- (ii) Second interim income distribution of 5.32 sen per unit distributed on 18 September 2015;
- (iii) Third interim income distribution of 5.35 sen per unit distributed on 21 December 2015;
- (iv) Fourth interim income distribution of 5.69 sen per unit for year ended 31 December 2015 declared and will be payable on 29 February 2016.

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

For and on behalf of the Trustee,
MAYBANK TRUSTEES BERHAD
(Company No.: 5004-P)

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia
21 January 2016

SHARIAH ADVISER'S REPORT

TO THE UNITHOLDERS OF KLCC REIT



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

In our opinion, KLCC REIT Management Sdn Bhd has managed and administered KLCC REIT in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the year ended 31 December 2015.

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

- (a) Comprises investment properties and rental income derived from them which complied with the Securities Commission Guidelines for Islamic Real Estate Investment Trust;
- (b) KLCCP Stapled Securities is listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission; and
- (c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For CIMB Islamic Bank Berhad

ABDUL GHANI ENDUT

Group Head, Shariah & Governance Department/Designated Person Responsible for Shariah Advisory

Kuala Lumpur, Malaysia
21 January 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Fund	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	203	263	203	263
Investment properties	6	9,013,234	8,871,757	9,013,234	8,871,757
Trade and other receivables	8	286,548	218,155	286,548	218,155
Investment in subsidiary	7	–	–	*	*
		9,299,985	9,090,175	9,299,985	9,090,175
Current Assets					
Trade and other receivables	8	3,181	9,594	3,181	9,594
Cash and bank balances	9	265,416	237,043	265,167	236,839
		268,597	246,637	268,348	246,433
TOTAL ASSETS		9,568,582	9,336,812	9,568,333	9,336,608
TOTAL UNITHOLDERS' FUND AND LIABILITIES					
Unitholders' Fund					
Unitholders' capital	10	7,212,684	7,212,684	7,212,684	7,212,684
Merger reserve	2.19	6,212	6,212	6,212	6,212
Capital reserve	2.18	248,748	119,268	248,748	119,268
Retained profits		309,069	226,191	309,084	226,200
Total Unitholders' Fund		7,776,713	7,564,355	7,776,728	7,564,364
Non-Current Liabilities					
Other long term liabilities	11	67,950	64,650	67,950	64,650
Amount due to a subsidiary	12	–	–	1,555,000	1,555,000
Long term financings	13	1,555,000	1,555,000	–	–
Deferred tax liability	14	13,092	6,277	13,092	6,277
Other payables	15	44,789	49,006	44,789	49,006
		1,680,831	1,674,933	1,680,831	1,674,933

* Represents RM2 in Midciti Sukuk Berhad

	Note	Group		Fund	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current Liabilities					
Other payables	15	95,643	84,124	95,578	84,066
Amount due to a subsidiary	12	–	–	15,196	13,245
Financings	13	15,395	13,400	–	–
		111,038	97,524	110,774	97,311
Total Liabilities		1,791,869	1,772,457	1,791,605	1,772,244
TOTAL UNITHOLDERS' FUND AND LIABILITIES		9,568,582	9,336,812	9,568,333	9,336,608
Number of units in circulation ('000 units)		1,805,333	1,805,333	1,805,333	1,805,333
Net asset value ("NAV") per unit (RM)					
– before income distribution		4.31	4.19	4.31	4.19
– after income distribution		4.25	4.14	4.25	4.14

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Fund	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	16	594,791	592,948	594,791	592,948
Property operating expenses	17	(25,075)	(28,270)	(25,069)	(28,265)
Net property income		569,716	564,678	569,722	564,683
Fair value adjustment of investment properties	6	136,295	54,757	136,295	54,757
Profit income		8,422	7,708	8,422	7,749
Management fees	18	714,433 (44,602)	627,143 (44,149)	714,439 (44,602)	627,189 (44,149)
Trustee's fees	19	(600)	(600)	(600)	(600)
Financing costs	20	(73,646)	(100,361)	(73,646)	(100,361)
Profit before tax	21	595,585	482,033	595,591	482,079
Tax expense	22	(6,815)	(2,729)	(6,815)	(2,738)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		588,770	479,304	588,776	479,341
Total comprehensive income for the year comprises the following:					
– Realised		459,290	427,276	459,296	427,322
– Unrealised		129,480	52,028	129,480	52,019
		588,770	479,304	588,776	479,341
Basic earnings per unit (sen)	23				
– Realised		25.44	23.67	25.44	23.67
– Unrealised		7.17	2.88	7.17	2.88
		32.61	26.55	32.61	26.55

	Note	Group		Fund	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income Distribution					
Total comprehensive income for the financial year		588,770	479,304	588,776	479,341
Add/(less) Non cash items:					
Accrued rental income		(68,393)	(83,406)	(68,393)	(83,406)
Amortisation of deferred rental income		(4,214)	(4,178)	(4,214)	(4,178)
Amortisation of premium for Sukuk Murabahah/Sukuk Musharakah		1,807	21,745	1,807	21,745
Deferred tax liabilities		6,815	2,738	6,815	2,738
Depreciation		61	37	61	37
Accretion of financial instruments		3,299	3,140	3,299	3,140
Fair value adjustment of investment properties		(136,295)	(54,757)	(136,295)	(54,757)
		(196,920)	(114,681)	(196,920)	(114,681)
Total income available for distribution		391,850	364,623	391,856	364,660
Distribution to unitholders during the year:					
1st interim income distribution of 5.32% (2014: 4.92%) on 1,805,333,083 units		(96,044)	(88,822)	(96,044)	(88,822)
2nd interim income distribution of 5.32% (2014: 4.76%) on 1,805,333,083 units		(96,044)	(85,934)	(96,044)	(85,934)
3rd interim income distribution of 5.35% (2014: 5.14%) on 1,805,333,083 units		(96,585)	(92,794)	(96,585)	(92,794)
4th interim income distribution of 5.69% (2014: 4.86%) on 1,805,333,083 units		(102,723)	(87,739)	(102,723)	(87,739)
Balance undistributed		454	9,334	460	9,371

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	← Non-Distributable →		← Distributable →		Total Funds RM'000
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
As at 1 January 2015	7,212,684	6,212	119,268	226,191	7,564,355
Total comprehensive income for the year	-	-	-	588,770	588,770
Transfer of fair value surplus, net of tax	-	-	129,480	(129,480)	-
Income distribution	-	-	-	(376,412)	(376,412)
Net total comprehensive income for the year attributable to unitholders	-	-	129,480	82,878	212,358
As at 31 December 2015	7,212,684	6,212	248,748	309,069	7,776,713

	← Non-Distributable →		← Distributable →		Total Funds RM'000
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
As at 1 January 2014	7,212,684	6,212	67,249	153,834	7,439,979
Total comprehensive income for the year	-	-	-	479,304	479,304
Transfer of fair value surplus, net of tax	-	-	52,019	(52,019)	-
Income distribution	-	-	-	(354,928)	(354,928)
Net total comprehensive income for the year attributable to unitholders	-	-	52,019	72,357	124,376
As at 31 December 2014	7,212,684	6,212	119,268	226,191	7,564,355

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

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015



	← Non-Distributable →		← Distributable →		Total Funds RM'000
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
As at 1 January 2015	7,212,684	6,212	119,268	226,200	7,564,364
Total comprehensive income for the year	-	-	-	588,776	588,776
Transfer of fair value surplus, net of tax	-	-	129,480	(129,480)	-
Income distribution	-	-	-	(376,412)	(376,412)
Net total comprehensive income for the year attributable to unitholders	-	-	129,480	82,884	212,364
As at 31 December 2015	7,212,684	6,212	248,748	309,084	7,776,728

	← Non-Distributable →		← Distributable →		Total Funds RM'000
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
As at 1 January 2014	7,212,684	6,212	67,249	153,806	7,439,951
Total comprehensive income for the year	-	-	-	479,341	479,341
Transfer of fair value surplus, net of tax	-	-	52,019	(52,019)	-
Income distribution	-	-	-	(354,928)	(354,928)
Net total comprehensive income for the year attributable to unitholders	-	-	52,019	72,394	124,413
As at 31 December 2014	7,212,684	6,212	119,268	226,200	7,564,364

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	531,319	508,214	531,319	509,828
Cash payments to suppliers	(63,341)	(73,725)	(63,386)	(64,542)
	467,978	434,489	467,933	445,286
Profit income received	8,493	8,032	8,493	8,032
Net cash generated from operating activities	476,471	442,521	476,426	453,318
CASH FLOWS FROM INVESTING ACTIVITIES				
Cost incurred for investment property	(5,182)	-	(5,182)	-
Purchase of property, plant and equipment (Note 5)	(1)	(214)	(1)	(214)
Net cash used in investing activities	(5,183)	(214)	(5,183)	(214)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distribution paid	(374,563)	(354,928)	(374,563)	(354,928)
Financing cost paid	(68,352)	(74,412)	(68,352)	(74,412)
Decrease in deposits restricted	-	3,919	-	3,919
Proceed from issuance of Islamic Medium Term Notes ("IMTNs")	-	1,555,000	-	-
Advance received from subsidiary	-	-	-	664,040
Repayment of financings	-	(1,618,000)	-	(738,000)
Net cash used in financing activities	(442,915)	(488,421)	(442,915)	(499,381)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,373	(46,114)	28,328	(46,277)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	237,043	283,157	236,839	283,116
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)	265,416	237,043	265,167	236,839

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 2015



1. CORPORATE INFORMATION

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

The principal place of business of the Manager is located at Level 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

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

The principal activities of the Fund are investing directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes as well as Real Estate-Related Assets.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 January 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Basis of consolidation

Subsidiary

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

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.

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

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

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

2.3 Business combination under common control

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

2.4 Property, plant and equipment

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

Costs are expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Property, plant and equipment (Contd.)

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

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

Building improvements	5 – 6 years
Office equipments	5 years

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

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

2.5 Investment

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

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

2.6 Investment properties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.7 Impairment of non-financial assets

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

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

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

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

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

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

2.8 Cash and cash equivalents

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

2.9 Financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial assets (Contd.)

(i) Financings and receivables

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

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

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

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

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

2.10 Impairment of financial assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.10 Impairment of financial assets (Contd.)

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

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

2.11 Provisions

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

2.12 Financial liabilities

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

(i) Other financial liabilities

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.13 Amortised cost of financial instruments

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

2.14 Offsetting of financial instruments

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

2.15 Financing costs

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

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

2.16 Taxation

Tax expense in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the period, using the statutory tax rate at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.16 Taxation (Contd.)

(ii) Deferred tax (Contd.)

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

2.17 Equity instrument

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

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

2.18 Capital reserve

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

2.19 Merger reserve

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

2.20 Revenue recognition

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

(i) Rental income

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

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation.

(ii) Profit income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.21 Leases

Operating leases – the Fund as lessor

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

2.22 Operating segments

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

2.23 Fair value measurement

The fair value of an asset or a liability, except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

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

(ii) Non-financial assets

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

When measuring the fair value of an asset or a liability, the Group and the Fund use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input)

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.23 Fair value measurement (Contd.)

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2015, the Group and the Fund have adopted the following pronouncements that are applicable and have been issued by the Malaysian Accounting Standards Board (“MASB”) as listed below:

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138 Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

The adoption of the abovementioned pronouncements did not have any significant financial impact to the Group and of the Fund.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

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

Classification between investment properties and property, plant and equipment

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

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:

Fair valuation of investment properties

The Group and the Fund carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Fund had engaged an independent professional valuer to determine the fair value and there are no material events that affect the valuation between the valuation date and financial year end.

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

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

	Fair value Increase/(decrease)	
	2015 RM'000	2014 RM'000
Yield rate		
- 0.25%	377,081	371,504
+ 0.25%	(344,632)	(336,347)
Void rate		
- 2.5%	149,211	143,075
+ 2.5%	(145,576)	(136,199)

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

5. PROPERTY, PLANT AND EQUIPMENT

Group/Fund

	Building Improvement RM'000	Office Equipment RM'000	Total RM'000
At 31 December 2015			
Cost			
At 1 January 2015	257	47	304
Additions	–	1	1
At 31 December 2015	257	48	305
Accumulated Depreciation			
At 1 January 2015	37	4	41
Charge for the year (Note 21)	47	14	61
At 31 December 2015	84	18	102
Net Carrying Amount	173	30	203

	Building Improvement RM'000	Office Equipment RM'000	Total RM'000
At 31 December 2014			
Cost			
At 1 January 2014	90	–	90
Additions	167	47	214
At 31 December 2014	257	47	304
Accumulated Depreciation			
At 1 January 2014	4	–	4
Charge for the year (Note 21)	33	4	37
At 31 December 2014	37	4	41
Net Carrying Amount	220	43	263

6. INVESTMENT PROPERTIES

Group/Fund

	2015 RM'000	2014 RM'000
At 1 January	8,871,757	8,817,000
Addition during the year	5,182	–
Fair value adjustments	136,295	54,757
At 31 December	9,013,234	8,871,757

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

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

Group/Fund

	2015 RM'000	2014 RM'000
Rental income	594,791	592,948
Direct operating expenses	(23,341)	(25,424)
	571,450	567,524

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfer between Level 1, 2 and 3 fair values

There is no transfer between level 1, 2 and 3 fair values during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

6. INVESTMENT PROPERTIES (CONTD.)

Level 3 fair value

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

Fair value of investment properties is classified as Level 3.

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
		2015	2014	
Investment method (refer a)	Office:			The estimated fair value would increase/(decrease) if:
	– Market rental rate (RM/psf/month)			
	– Term	8.0 – 10	7.4 – 9.1	– expected market rental growth were higher/(lower)
	– Reversion	8.3 – 12.3	8.3 – 12.0	– expected market rental growth were higher/(lower)
	– Outgoings (RM/psf/month)			
	– Term	1.9	1.8	– expected inflation rate were lower/(higher)
	– Reversion	2.1	1.9	– expected inflation rate were lower/(higher)
	– Void rate (%)	5.0	5.0	– void rate were lower/(higher)
	– Term yield (%)	5.5 – 6.0	5.5 – 6.0	– term yield rate were lower/(higher)
	– Reversionary yield (%)	6.0 – 6.5	6.0 – 6.5	– reversionary yield were lower/(higher)
	Retail:			
	– Market rental rate (RM/psf/month)			
	– Term	6.3 – 59.9	6.00 – 57.1	– expected market rental growth were higher/(lower)
	– Reversion	6.9 – 65.9	7.3 – 69.2	– expected market rental growth were higher/(lower)
	– Outgoings (RM/psf/month)			
	– Term	6.6	6.7	– expected inflation rate were lower/(higher)
	– Reversion	6.8	6.9	– expected inflation rate were lower/(higher)
	– Void rate (%)	3.0	3.0	– void rate were lower/(higher)
	– Term yield (%)	6.3	6.3	– term yield rate were lower/(higher)
	– Reversionary yield (%)	6.8	6.8	– reversionary yield were lower/(higher)

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

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

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

6. INVESTMENT PROPERTIES (CONTD.)

Description of property	Tenure of land	Existing use	Location	Date of acquisition	Acquisition cost RM'000	Carrying value as at 31.12.2015 RM'000	Fair value as at		Percentage of Net Asset Value as at	
							31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 %	31.12.2014 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10 April 2013	6,500,000	6,597,114	6,820,000	6,700,000	87.7	88.6
Menara 3 PETRONAS	Freehold	Office & Retail	Kuala Lumpur	10 April 2013	1,790,000	1,918,412	1,980,000	1,875,000	25.5	24.8
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10 April 2013	450,000	497,708	500,000	465,000	6.4	6.1
					8,740,000	9,013,234	9,300,000	9,040,000		

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7. INVESTMENT IN A SUBSIDIARY

	Fund	Fund
	2015 RM	2014 RM
Unquoted shares at cost	2	2

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

Name of Subsidiary	Proportion of ownership interest		Principal Activity
	2015 %	2014 %	
Midciti Sukuk Berhad ("MSB")	100	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

8. TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Accrued rental income	286,548	218,155	286,548	218,155
Current				
Trade receivables	867	468	867	468
Other receivables				
Other receivables and deposits	235	7,047	235	7,047
Amount due from a fellow subsidiary	2,079	2,079	2,079	2,079
Total other receivables	2,314	9,126	2,314	9,126
Total	3,181	9,594	3,181	9,594

8. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables	867	468	867	468
Other receivables	2,314	9,126	2,314	9,126
Add: Cash and bank balances (Note 9)	265,416	237,043	265,167	236,839
Total financings and receivables	268,597	246,637	268,348	246,433

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

9. CASH AND BANK BALANCES

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances	853	906	636	733
Deposits with licensed banks	264,563	236,137	264,531	236,106
	265,416	237,043	265,167	236,839

The weighted average effective interest rate applicable to the deposits with licensed banks at the reporting date was 3.48% (2014: 3.27%) per annum.

Deposits with licensed banks have an average maturity of 50 (2014: 63) days.

10. UNITHOLDERS' CAPITAL

	Fund			
	Number of Units		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Issued and fully paid:				
At 1 January/31 December	1,805,333	1,805,333	7,212,684	7,212,684

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10. UNITHOLDERS' CAPITAL (CONTD.)

Stapled Security:

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

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

11. OTHER LONG TERM LIABILITIES

	Group/Fund	
	2015 RM'000	2014 RM'000
Security deposit payables	67,950	64,650

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 profit rates between 4.00% – 5.20% (2014: 4.00% – 5.20%) per annum.

12. AMOUNT DUE TO A SUBSIDIARY

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

13. FINANCING

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short term financing				
Secured:				
Sukuk Murabahah	15,395	13,400	–	–
Long term financing				
Secured:				
Sukuk Murabahah	1,555,000	1,555,000	–	–
Total financing				
Secured:				
Sukuk Murabahah	1,570,395	1,568,400	–	–

13. FINANCING (CONTD.)

Terms and debt repayment schedule

Group

	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	3 – 5 years RM'000	Over 5 years RM'000
31 December 2015					
Secured					
Sukuk Murabahah	1,570,395	15,395	300,000	400,000	855,000
31 December 2014					
Secured					
Sukuk Murabahah	1,568,400	13,400	–	700,000	855,000

(a) Sukuk Murabahah

On 25 April 2014, the Group had completed the issuance of Sukuk Murabahah. Sukuk Murabahah consists of Islamic Commercial Programme (“ICP”) of up to RM500 million and Islamic medium term notes (“IMTN”) of up to RM3,000 million subject to a combined limit of RM3,000 million. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee. The proceeds from the issuance of the Sukuk Murabahah is utilised to early redeem Sukuk Musharakah. RM1,555 million has been drawdown at the following tranche and profit rates:

Tenure	Value (RM)	Profit rate	Maturity
3 years	300,000,000	3.90%	25 April 2017
5 years	400,000,000	4.20%	25 April 2019
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024

The profit rate is payable semi-annually and disclosed as short term financings.

14. DEFERRED TAX LIABILITY

	Group/Fund	
	2015 RM'000	2014 RM'000
At 1 January	6,277	3,539
Recognised in profit or loss (Note 22)	6,815	2,738
At 31 December	13,092	6,277

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

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15. OTHER PAYABLES

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Deferred revenue	44,789	49,006	44,789	49,006
Current				
Other payables				
Other payables	56,571	48,548	56,567	48,547
Security deposit payables	9,805	9,528	9,805	9,528
Amount due to:				
Holding company	3,412	2,140	3,351	2,083
Fellow subsidiaries	23,069	22,032	23,069	22,032
Other related companies	2,786	1,876	2,786	1,876
Total other payables	95,643	84,124	95,578	84,066
Add: Financings (Note 13)	1,570,395	1,568,400	–	–
Amount due to a subsidiary (Note 12)	–	–	1,570,196	1,568,245
Other long term liabilities (Note 11)	67,950	64,650	67,950	64,650
Total financial liabilities carried at amortised cost	1,733,988	1,717,174	1,733,724	1,716,961

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

Security deposits of RM9,805,000 (2014: RM9,528,000) held are in respect of tenancies of retail and office building. The deposits are short term in nature and refundable upon termination of the respective lease agreements.

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

16. REVENUE

	Group/Fund	
	2015 RM'000	2014 RM'000
Investment properties		
– Office	554,410	554,918
– Retail	40,381	38,030
	594,791	592,948

17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Utilities expenses	9,751	12,609	9,751	12,609
Maintenance expenses	5,752	3,148	5,752	3,148
Quit rent and assessment	3,441	3,411	3,441	3,411
Other operating expenses	6,131	9,102	6,125	9,097
	25,075	28,270	25,069	28,265

18. MANAGEMENT FEES

	Group/Fund	
	2015 RM'000	2014 RM'000
Base fee	27,511	27,210
Performance fee	17,091	16,939
	44,602	44,149

The Manager will receive the following fees from KLCC REIT:

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

19. TRUSTEE'S FEE

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

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20. FINANCING COSTS

	Group/Fund	
	2015 RM'000	2014 RM'000
Profit expense:		
Islamic financing	–	14,704
Sukuk Murabahah and Sukuk Musharakah	70,347	82,517
Accretion of financial instruments	3,299	3,140
	73,646	100,361

Financing costs in prior year includes one-off charges amounting to RM26,481,000 due to early settlement of financings.

21. PROFIT BEFORE TAXATION

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

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Audit fees	82	78	78	74
Valuation fees	900	900	900	900
Property manager fee	91	95	91	95
Allowance for impairment losses	–	229	–	229
Depreciation (Note 5)	61	37	61	37

22. TAX EXPENSE

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax:				
Overprovision in prior year	–	(9)	–	–
Deferred tax:				
Relating to origination of temporary difference (Note 14)	6,815	2,738	6,815	2,738
	6,815	2,729	6,815	2,738

22. TAX EXPENSE (CONTD.)

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

As KLCC REIT has declared more than 95% of its distributable income to unitholders for the financial year ended 31 December 2015, no provision for income tax expense has been made during the year.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	595,585	482,033	595,591	482,079
Taxation at Malaysian statutory tax rate of 25%	148,896	120,508	148,898	120,520
Deferred tax recognised at different tax rate	(27,259)	(10,951)	(27,259)	(10,951)
Expenses not deductible for tax purposes	1,367	1,753	1,367	1,753
Income not subject to tax	(116,189)	(108,572)	(116,191)	(108,584)
Overprovision in prior year	-	(9)	-	-
Tax expense	6,815	2,729	6,815	2,738

23. BASIC EARNINGS PER UNIT

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

	2015	2014
Profit attributable to unitholders of the Fund (RM'000)	588,776	479,341
Weighted average number of units in issue ('000)	1,805,333	1,805,333
Basic earnings per unit (sen)	32.61	26.55

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24. INCOME DISTRIBUTION

	Income distribution Recognised in Year 2015 RM'000	Net income distribution per units 2015 Sen	Income distribution Recognised in Year 2014 RM'000	Net income distribution per units 2014 Sen
For the financial year ended 31 December 2015				
A first interim income distribution of 5.32% on 1,805,333,083 units	96,044	5.32	–	–
A second interim income distribution of 5.32% on 1,805,333,083 units	96,044	5.32	–	–
A third interim income distribution of 5.35% on 1,805,333,083 units	96,585	5.35	–	–
For the financial year ended 31 December 2014				
A first interim income distribution of 4.92% on 1,805,333,083 units	–	–	88,822	4.92
A second interim income distribution of 4.76% on 1,805,333,083 units	–	–	85,934	4.76
A third interim income distribution of 5.14% on 1,805,333,083 units	–	–	92,794	5.14
A fourth interim income distribution of 4.86% on 1,805,333,083 units	87,739	4.86	–	–
For the financial year ended 31 December 2013				
A third interim income distribution of 4.84% on 1,805,333,083 units	–	–	87,378	4.84
	376,412	20.85	354,928	19.66

The fourth interim income distribution in respect of the financial year ended 31 December 2015, of 5.69% on 1,805,333,083 units amounting to an income distribution payable of RM102,723,000 will be payable on 29 February 2016.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2016.

24. INCOME DISTRIBUTION (CONTD.)

Distribution to unitholders is from the following sources:

	Group	
	2015 RM'000	2014 RM'000
Net property income	569,716	564,678
Profit income	8,422	7,708
Fair value adjustment of investment properties	136,295	54,757
	714,433	627,143
Less: Expenses	(125,663)	(147,839)
Profit for the year	588,770	479,304
Less: Non cash item	(196,920)	(114,681)
Add: Brought forward undistributed income available for distribution	21,240	11,906
Total available for income distribution	413,090	376,529
Less: Income distributed	(288,673)	(267,550)
Less: Proposed income distribution	(102,723)	(87,739)
Balance undistributed income available for distribution	21,694	21,240
Distribution per unit (sen)	21.68	19.68

25. PORTFOLIO TURNOVER RATIO

	Group	
	2015	2014
Portfolio Turnover Ratio ("PTR") (times)	Nil	Nil

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

PTR is nil for KLCC REIT as there were no new acquisitions and disposals of investments in the portfolio of KLCC REIT since the date of establishment of 9 April 2013 to 31 December 2015 except for the initial acquisition of the investment properties together with the related assets and liabilities which was completed on 3 May 2013.

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

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26. MANAGEMENT EXPENSE RATIO

	Group	
	2015 RM'000	2014 RM'000
Total trust expenses	46,915	47,535
Net asset value at end of financial year	7,776,713	7,564,355
Less: Fourth interim income distribution	(102,723)	(87,739)
Net asset value at end of financial year, after interim income distribution	7,673,990	7,476,616
Management Expense Ratio ("MER")	0.61	0.64

The calculation of MER is based on the total fees and expenses incurred by the Group and the Fund in the financial year, including Manager's fee and Trustee's fee, auditors' remuneration, tax agent's fee, valuation fees and other Trust expenses to the net asset value (after fourth interim income distribution) at end of the respective financial year.

27. COMMITMENTS

(a) Capital commitments

	Fund	
	2015 RM'000	2014 RM'000
Approved but not contracted for		
Property, plant and equipment	230	77
Investment property	11,200	4,250
	11,430	4,327

(b) Operating lease commitments – as lessor

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

	Group/Fund	
	2015 RM'000	2014 RM'000
Not later than 1 year	500,492	476,199
Later than 1 year but not later than 5 years	1,952,735	1,948,334
More than 5 years	3,770,257	4,275,150
	6,223,484	6,699,683

28. RELATED PARTY DISCLOSURES

(a) Controlling related party relationships are as follows:

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

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

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Federal Government of Malaysia				
Goods and Service Tax ("GST")	(21,383)	–	(21,383)	–
Property licenses and other taxes	(3,458)	(3,477)	(3,458)	(3,477)
Government of Malaysia's related entities				
Purchase of utilities	(2,939)	(5,872)	(2,939)	(5,872)
Ultimate Holding Company				
Rental income	437,446	422,840	437,446	422,840
Fellow subsidiaries				
Management fees	(44,602)	(44,149)	(44,602)	(44,149)
Property management fees	(2,682)	(2,861)	(2,682)	(2,861)
Property maintenance fees	(6,010)	–	(6,010)	–
Property advertising and marketing fees	(683)	–	(683)	–
Other related company				
Chilled water supply	(6,355)	(6,606)	(6,355)	(6,606)

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2015 are disclosed in Notes 8 and 15.

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29. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

Credit Risk

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

Receivables

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

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

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

The Group and the Fund use ageing analysis and credit limit review to monitor the credit quality of the receivables. The Fund monitors the results of 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.

29. FINANCIAL INSTRUMENTS (CONTD.)

Credit Risk (Contd.)

Receivables (Contd.)

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

	Group/Fund	
	2015 RM'000	2014 RM'000
At net		
Current	458	430
Past due 1 to 30 days	366	8
Past due 31 to 60 days	–	7
Past due 61 to 90 days	29	5
Past due more than 90 days	14	18
	867	468
Trade receivables (Note 8)	1,096	697
Less: Impairment losses	(229)	(229)
	867	468
Movement in allowance account:		
At 1 January	229	–
Allowance of impairment	–	229
At 31 December	229	229

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2015.

Liquidity Risk

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

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29. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity Risk (Contd.)

Maturity analysis

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

Group	Carrying amount RM'000	Effective profit rate %	Contractual cash flow RM'000	Within			More than 5 years RM'000
				1 year RM'000	1-2 years RM'000	2-5 years RM'000	
31 December 2015							
Group							
Financial Liabilities							
Sukuk Murabahah	1,932,395	4.41	1,932,461	83,935	362,674	545,516	940,336
Other payables	95,643	-	95,643	95,643	-	-	-
Other long term liabilities	112,739	4.60	115,538	-	9,688	-	105,850
Fund							
Financial Liabilities							
Other payables	95,578	-	95,578	95,578	-	-	-
Amount due to a subsidiary	1,570,196	-	1,570,196	15,196	300,000	400,000	855,000
Other long term liabilities	112,739	4.60	115,538	-	9,688	-	105,850
31 December 2014							
Group							
Financial Liabilities							
Sukuk Murabahah	1,985,400	4.41	1,985,242	67,789	68,851	868,146	980,456
Other payables	84,124	-	84,124	84,124	-	-	-
Other long term liabilities	113,656	4.60	115,538	-	-	9,688	105,850
Fund							
Financial Liabilities							
Other payables	84,066	-	84,066	84,066	-	-	-
Amount due to a subsidiary	1,568,245	-	1,568,245	13,245	-	700,000	855,000
Other long term liabilities	113,656	4.60	115,538	-	-	9,688	105,850

29. 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 financings and deposits.

Interest Rate Risk

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

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

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

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial assets	264,563	236,137	264,531	236,106
Financial liabilities	(1,570,395)	(1,568,400)	–	–

Foreign Currency Risk

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

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

Fair Value Information

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

29. FINANCIAL INSTRUMENTS (CONTD.)

Fair Value Information (Contd.)

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

The carrying amount of other long term liabilities approximate its fair value amount.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
2015					
Financial liabilities					
Sukuk Murabahah	–	1,538,077	–	1,538,077	1,570,395
2014					
Financial liabilities					
Sukuk Murabahah	–	1,538,381	–	1,538,381	1,568,400

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

There has been no transfers between Level 1, 2 and 3 fair values during the financial year.

30. CAPITAL MANAGEMENT

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

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

30. CAPITAL MANAGEMENT (CONTD.)

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

	Group	
	2015	2014
Total financings (RM'000)	1,570,395	1,568,400
Total assets (RM'000)	9,568,582	9,336,812
Financings to total assets ratio	16.4%	16.8%

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution year, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of the Group's distributable income. It is the intention of the Manager to distribute at least 90% of the Group's distributable income on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

31. SEGMENT INFORMATION

(a) Reporting format

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

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

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

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

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

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

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

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financings 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 2015

31. SEGMENT INFORMATION (CONTD.)

(b) Allocation basis and transfer pricing (Contd.)

Business Segments

31 December 2015

	Property investment – Office RM'000	Property investment – Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	554,410	40,381	–	594,791
Results				
Net property income	539,434	30,282	–	569,716
Profit income				8,422
Fair value adjustment on investments properties				136,295
Management fees				(44,602)
Trustee's fees				(600)
Financing costs				(73,646)
Tax expense				(6,815)
Profit after tax				588,770
Total assets				9,568,582
Total liabilities				1,791,869
Depreciation				61
Non-cash items other than depreciation				(196,981)

31. SEGMENT INFORMATION (CONTD.)
(b) Allocation basis and transfer pricing (Contd.)
Business Segments (Contd.)
31 December 2014

	Property investment – Office RM'000	Property investment – Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	554,918	38,030	–	592,948
Results				
Net property income	538,716	25,962	–	564,678
Profit income				7,708
Fair value adjustment on investment properties				54,757
Management fees				(44,149)
Trustee's fees				(600)
Financing costs				(100,361)
Tax expense				(2,729)
Profit after tax				479,304
Total assets				9,336,812
Total liabilities				1,772,457
Depreciation				37
Non-cash items other than depreciation				(114,718)

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2015

32. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group and/or the Fund in these financial statements:

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Separate Financial Statements: Equity Method in Separate Financial Statements
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after a date to be determined by the MASB

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

33. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE FUND

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

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116	Property, Plant and Equipment – Agriculture: Bearer Plants
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 138	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141	Agriculture – Agriculture: Bearer Plants

34. DISCLOSURE OF REALISED AND UNREALISED PROFIT

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

	Group		Fund	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained profits				
– Realised	309,069	226,191	309,084	226,200
– Unrealised	–	–	–	–
	309,069	226,191	309,084	226,200

The fair value gain of RM248,748,000 (2014: RM119,268,000) on the remeasurement of investment properties, net of tax, is regarded as an unrealised gain and has been classified under capital reserve in the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of KLCC Real Estate Investment Trust ("KLCC REIT" of the "Fund"), which comprise the statements of financial position as at 31 December 2015 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year ended 31 December 2015 and a summary of significant accounting policies and other explanatory note, as set out on pages 216 to 258.

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

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2015 and of their financial performance and cash flows for the financial year ended 31 December 2015, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 259 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Manager is responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

21 January 2016

Muhammad Affan bin Daud

No. 3063/02/16(J)

Chartered Accountant

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 19 JANUARY 2016

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	:	RM5,000,000,000.00 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	:	RM1,805,333,083.00 divided into 1,805,333,083 Ordinary Shares of RM1.00 each
No. of Shareholders	:	5,298
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	:	5,298
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 Holdings, Directors' Interest in Listed Issuers, Substantial Stapled Securities Holders of the Listed Issuers and Thirty Largest Stapled Securities Holders stated below is based on Stapled Securities structure.

DISTRIBUTION OF STAPLED SECURITIES HOLDINGS

Size of Stapled Securities Holdings	No. of Stapled Securities Held	(%)	No. of Stapled Securities Holders	(%)
Less than 100	6,529	0.000	773	14.590
100 to 1,000	1,512,172	0.083	2,266	42.770
1,001 to 10,000	7,365,192	0.407	1,795	33.880
10,001 to 100,000	10,123,182	0.560	301	5.681
100,001 to less than 5% of issued stapled securities	321,039,025	17.782	159	3.001
5% and above of issued stapled securities	1,465,286,983	81.164	4	0.075
Total	1,805,333,083	100.00	5,298	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	–	–

DIRECTORS' INTERESTS IN RELATED CORPORATIONS

Name	PETRONAS Chemicals Group Berhad			
	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.

Name	MISC Berhad			
	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.

Name	Malaysia Marine and Heavy Engineering Holdings Berhad			
	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.

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 19 JANUARY 2016

SUBSTANTIAL STAPLED SECURITIES HOLDERS OF THE LISTED ISSUERS

Name	Direct		Indirect	
	No. of Stapled Securities Held	(%)	No. of Stapled Securities Held	(%)
1. KLCC (Holdings) Sdn Bhd	1,167,638,804	64.677	–	–
2. CIMB Group Nominees (Tempatan) Sdn Bhd [Exempt AN for Petroliam Nasional Berhad]	194,816,979	10.791	1,167,638,804 [#]	64.677
3. AmanahRaya Trustees Berhad [Skim Amanah Saham Bumiputera]	102,852,600	5.697	–	–

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

THIRTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	%
1.	KLCC (Holdings) Sdn Bhd	617,700,294	34.215
2.	KLCC (Holdings) Sdn Bhd	549,938,510	30.461
3.	CIMB Group Nominees (Tempatan) Sdn Bhd (Exempt AN for Petroliam Nasional Berhad)	194,816,979	10.791
4.	Amanahraya Trustees Berhad (Amanah Saham Bumiputera)	102,831,200	5.695
5.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	37,206,075	2.060
6.	Amanahraya Trustees Berhad (Amanah Saham Wawasan 2020)	26,509,600	1.468
7.	Kumpulan Wang Persaraan (Diperbadankan)	17,078,300	0.945
8.	Permodalan Nasional Berhad	15,046,400	0.833
9.	Maybank Nominees (Tempatan) Sdn Bhd (Maybank Trustees Berhad for Public Ittikal Fund (N14011970240))	13,000,000	0.720
10.	Cartaban Nominees (Tempatan) Sdn Bhd (Exempt AN for Eastspring Investments Berhad)	12,545,100	0.694
11.	Amanahraya Trustees Berhad (AS 1Malaysia)	11,972,200	0.663
12.	HSBC Nominees (Asing) Sdn Bhd (TNTC for The Highclere International Investors Emerging Markets SMID Fund)	11,075,800	0.613

No.	Name	No. of Stapled Securities	%
13.	Amanahraya Trustees Berhad <i>(Amanah Saham Malaysia)</i>	11,000,000	0.609
14.	Amanahraya Trustees Berhad <i>(Public Islamic Dividend Fund)</i>	9,508,300	0.526
15.	Pertubuhan Keselamatan Sosial	8,311,283	0.460
16.	Citigroup Nominees (Tempatan) Sdn Bhd <i>(Exempt AN for AIA Behd)</i>	8,295,600	0.459
17.	HSBC Nominees (Asing) Sdn Bhd <i>(BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund)</i>	7,718,800	0.427
18.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>(BNYM SA/NV for Newton Asian Income Fund)</i>	7,430,600	0.411
19.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>(Yayasan Hasanah (AUR-VCAM))</i>	6,449,900	0.357
20.	Amanahraya Trustees Berhad <i>(Public Islamic Select Enterprises Fund)</i>	5,131,400	0.284
21.	Amanahraya Trustees Berhad <i>(Amanah Saham Didik)</i>	4,832,800	0.267
22.	AmSec Nominees (Tempatan) Sdn Bhd <i>(AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI))</i>	4,764,200	0.263
23.	HSBC Nominees (Asing) Sdn Bhd <i>(Exempt AN for JPMorgan Chase Bank, National Association (U.S.A))</i>	4,509,600	0.249
24.	Amanahraya Trustees Berhad <i>(Amanah Saham Bumiputera 2)</i>	4,301,600	0.238
25.	Amanahraya Trustees Berhad <i>(Public Islamic Equity Fund)</i>	3,499,500	0.193
26.	Citigroup Nominees (Tempatan) Sdn Bhd <i>(Kumpulan Wang Persaraan (Diperbadankan) (VCAM Equity FD))</i>	3,462,900	0.191
27.	Citigroup Nominees (Asing) Sdn Bhd <i>(CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc)</i>	3,272,026	0.181
28.	Maybank Nominees (Tempatan) Sdn Bhd <i>(Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100))</i>	3,217,700	0.178
29.	Amanahraya Trustees Berhad <i>(Amanah Saham Nasional 3 Imbang)</i>	2,963,900	0.164
30.	HSBC Nominees (Tempatan) Sdn Bhd <i>(HSBC (M) Trustee Bhd for AMB Value Trust Fund (4249))</i>	2,488,000	0.137

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2015

(I) 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 31.12.2015 (RM mil)
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town of Kuala Lumpur	14.11.2015 (Freehold)	A 6 storey retail centre (Suria KLCC)/ Shopping Centre	28,160	143,564	17 years	5,288.0*
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town of Kuala Lumpur	14.11.2015 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental, Kuala Lumpur)/Hotel	8,094	92,782.8	17 years	559.4
Impian Klasik Sdn Bhd	Grant 43696 Lot 168, Seksyen 58, Town of Kuala Lumpur	30.11.2015 (Freehold)	A 49 storey purpose built office building with a lower ground concourse level (Menara Maxis)/Office building	4,329	74,874	17 years	760.0*

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 31.12.2015 (RM mil)
Kompleks Dayabumi Sdn Bhd	Lot 38 and Lot 45, all within Seksyen 70, Town of Kuala Lumpur held under title no. PN 2395 and PN 33471	31.12.2015 (Leasehold of 99 years expiring on 27.1.2079)	A 36-storey office building (Menara Dayabumi) and a parcel of vacant contiguous commercial land/Office building	Lot 38: 52 sq m	Net lettable area: 56,403 sq m		
				Lot 39: 2,166 sq m			
				Lot 45: 25,790 sq m			
				Lot 51: 1,331 sq m			
				Total: 29,339 sq m			
	PN 4073, Lot 39, Seksyen 70, Town & District of Kuala Lumpur	31.12.2015 (Leasehold interest for 99 years expiring on 9.11.2081)				33 years	568.7*
	PN 32233, Lot 51, Seksyen 70, Town of Kuala Lumpur	31.12.2015 (Leasehold of 98 years expiring on 21.1.2079)					
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town of Kuala Lumpur	31.12.2015 (Freehold)	Vacant Land	5,726	–	–	296.8*

* Investment Properties stated at fair value

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2015

(II) 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 31.12.2015 (RM mil)
KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town of Kuala Lumpur	25.11.2015 (Freehold)	A 29 storey office building with 3 basement levels (Menara ExxonMobil)/ Office building	3,999	74,312.7	19 years	497.7 *
KLCC Real Estate Investment Trust	Grant 43699 Lot 171, Seksyen 58, Town of Kuala Lumpur	25.11.2015 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park	4,302	155,295	4 years	1,918.4*
KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town of Kuala Lumpur	25.11.2015 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers)/ Office building	21,740	510,901	18 years	6,597.1 *

* Investment Properties stated at fair value

NOTICE OF ANNUAL GENERAL MEETING



KLCC PROPERTY HOLDINGS BERHAD

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



KLCC REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted under the laws of Malaysia)

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of KLCC Real Estate Investment Trust ("**KLCC REIT**") and the Thirteenth Annual General Meeting of KLCC Property Holdings Berhad (the "**Company**" or "**KLCCP**") will be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 13 April 2016 at 10.30 a.m. for the following purposes:

A. KLCC REIT

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 of KLCC REIT together with the Reports attached thereon. *(Please refer to Note 7)*

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without modifications, the following resolution:

2. Proposed Unitholders' Mandate to Issue New Units of up to 10% of the Approved Fund Size of KLCC REIT pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts Issued by the Securities Commission Malaysia ("**REIT Guidelines**").

NOTICE OF ANNUAL GENERAL MEETING

“THAT pursuant to the REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution VIII of KLCCP, approval be and is hereby given to the Directors of KLCC REIT Management Sdn Bhd, the manager for KLCC REIT (the “**Manager**”), to issue new units in KLCC REIT (“**New Units**”) from time to time to such persons and for such purposes and upon such terms and conditions as the Directors of the Manager may in their absolute discretion deem fit, provided that the number of New Units to be issued, when aggregated with the number of units in KLCC REIT issued during the preceding 12 months, must not exceed 10% of the approved fund size of KLCC REIT for the time being and provided further that such corresponding number of new ordinary shares in KLCCP equal to the number of New Units shall be issued and every one New Unit shall be stapled to one new ordinary share upon issuance to such persons (“**Proposed KLCC REIT Mandate**”) and the Directors of the Manager be and are hereby also empowered to obtain the approval for the listing of and quotation for such new stapled securities comprising ordinary shares in KLCCP stapled together with the units in KLCC REIT (“**Stapled Securities**”) on the Main Market of Bursa Securities.

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required by law to be held; or
- (iii) revoked or varied by resolution passed by the unitholders in a unitholders’ meeting,

whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed KLCC REIT Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing units of KLCC REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Units.

THAT authority be and is hereby given to the Directors of the Manager and Maybank Trustees Berhad (the “**Trustee**”), acting for and on behalf of KLCC REIT, to give effect to the Proposed KLCC REIT Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of KLCC REIT and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of KLCC REIT, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCC REIT Mandate.”

Resolution 1

B. KLCCP

AS ORDINARY BUSINESS:

3. To receive the Audited Financial Statements for the financial year ended 31 December 2015 of the Company and the Reports of the Directors and Auditors thereon.
4. To re-elect the following Directors who retire pursuant to the Company's Articles of Association:
 - (i) Datuk Pragasa Moorthi a/l Krishnasamy; and
 - (ii) Dato' Halipah binti Esa.
5. To approve the payment of Directors' fees of RM595,000.00 in respect of the financial year ended 31 December 2015 of the Company.
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration.

(Please refer to Note 9)

Resolution I
Resolution II

Resolution III

Resolution IV

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:

7. Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965:

“THAT Datuk Ishak bin Imam Abas, a Non-Independent Non-Executive Director, who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.”

Resolution V

8. Continuing in Office as Independent Non-Executive Director of the Company:
 - (i) Mr Augustus Ralph Marshall

“THAT Mr Augustus Ralph Marshall who would have served as an Independent Non-Executive Director of the Company for 11 years on 31 August 2016 be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company.”

Resolution VI

NOTICE OF ANNUAL GENERAL MEETING

- (ii) Dato' Halipah binti Esa

"THAT Dato' Halipah binti Esa who would have served as an Independent Non-Executive Director of the Company for 10 years on 28 February 2017 be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

Resolution VII

9. Authority to Issue Shares of the Company pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, Main Market Listing Requirements of Bursa Securities and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution 1 of KLCC REIT, the Directors of the Company be and are hereby authorised to issue ordinary shares in the capital of the Company ("**New Ordinary Shares**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the nominal value of such New Ordinary Shares to be issued, pursuant to this resolution, when aggregated with the nominal value of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the nominal value of the issued and paid-up ordinary share capital of the Company for the time being (excluding any treasury shares) and provided further that such corresponding number of New Units in KLCC REIT equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance to such persons ("**Proposed KLCCP Mandate**") and that the Directors be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such new Stapled Securities on the Main Market of Bursa Securities.

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the New Ordinary Shares to be issued pursuant to the Proposed KLCCP Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing ordinary shares of the Company, except that the New Ordinary Shares will not be entitled to any dividend, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Ordinary Shares.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed KLCCP Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCCP Mandate.”

Resolution VIII

10. To transact any other business for which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the Third Annual General Meeting of KLCC REIT and the Thirteenth Annual General Meeting of KLCCP, the Manager and/or the Trustee and KLCCP shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Trust Deed dated 2 April 2013 entered into between the Manager and the Trustee, Articles 57(1) and 57(2) of KLCCP's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 5 April 2016 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

BY ORDER OF THE BOARD

Abd Aziz bin Abd Kadir (LS0001718)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
29 February 2016

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A holder of the Stapled Securities entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities and in the case of the Company, the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.
3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading "*signed under Power of Attorney which is still in force, no notice of revocation having been received*". A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.

6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.
7. Explanatory Note for Item 1

This agenda item is meant for discussion only as in accordance with the provision of Clause 15.33A(b) of the REIT Guidelines, a formal approval on the Audited Financial Statements of KLCC REIT from the holders of the Stapled Securities is not required. Hence, this item is not put forward to the holders of the Stapled Securities for voting.

8. Explanatory Note for Item 2

Subject to passing of Resolution VIII of the Company, the proposed Resolution 1, if passed, will grant a renewed mandate to the Manager of KLCC REIT to issue New Units from time to time provided that the number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months, must not exceed 10% of the approved fund size of KLCC REIT for the time being and provided further that such corresponding number of new ordinary shares in the Company equal to the number of New Units shall be issued and every one New Unit shall be stapled to one new ordinary share upon issuance. The Proposed KLCC REIT Mandate, unless revoked or varied at a unitholders' meeting, will expire at the conclusion of the next Annual General Meeting of unitholders of KLCC REIT.

The Proposed KLCC REIT Mandate will allow the Manager the flexibility to issue New Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of KLCC REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed KLCC REIT Mandate, delays and further costs involved in convening separate general meetings to approve such issue of units to raise funds can be avoided.

As at the date of this Notice, no New Units have been issued pursuant to the mandate granted to the Directors of the Manager at the Second Annual General Meeting of KLCC REIT.

9. Explanatory Note for Item 3

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the holders of the Stapled Securities for the Audited Financial Statements of the Company. Hence, this item is not put forward to the holders of the Stapled Securities for voting.

10. Explanatory Note for Item 7

The re-appointment of Datuk Ishak bin Imam Abas (who has attained the age of 70 years) as Non-Independent Non-Executive Director of the Company to hold office until the conclusion of the next Annual General Meeting shall take effect if the proposed Resolution V is passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or by proxy at the Thirteenth Annual General Meeting of the Company.

11. Explanatory Note for Item 8(i)

Mr Augustus Ralph Marshall had served as an Independent Non-Executive Director of the Company for 10 years as at 31 August 2015. The holders of the Stapled Securities had at the Annual General Meeting of the Company held on 16 April 2015 approved the continuing in office of Mr Augustus Ralph Marshall as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.

The Board has recommended him to continue to act as an Independent Non-Executive Director. Please refer to page 57 as stated in the Corporate Governance Statement of the Annual Report of KLCCP Stapled Group for detailed information and justification.

12. Explanatory Note for Item 8(ii)

Dato' Halipah binti Esa would have served as an Independent Non-Executive Director of the Company for 10 years as at 28 February 2017. The holders of the Stapled Securities had at the Annual General Meeting of the Company held on 16 April 2015 approved the continuing in office of Dato' Halipah binti Esa as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.

The Board has recommended her to continue to act as an Independent Non-Executive Director. Please refer to page 57 as stated in the Corporate Governance Statement of the Annual Report of KLCCP Stapled Group for detailed information and justification.

13. Explanatory Note for Item 9

Subject to passing of Resolution 1 of KLCC REIT, the proposed Resolution VIII, if passed, will grant a renewed mandate and provide flexibility for the Company to empower the Directors to issue New Ordinary Shares from time to time, provided that the nominal value of such New Ordinary Shares to be issued, when aggregated with the nominal value of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the nominal value of the issued and paid-up ordinary share capital of the Company for the time being (excluding any treasury shares) should the need arise and provided further that such corresponding number of New Units equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of ordinary shares, the approval is a renewed mandate given to the Directors as the Board is always looking into prospective areas and seeking opportunities to broaden the operating base, increase earnings potential of the Company, raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of the Company and/or to refinance existing debt as well as for working capital purposes which may involve the issue of new ordinary shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, the Company did not issue any New Ordinary Shares pursuant to the mandate granted to the Directors at its Twelfth Annual General Meeting.

ADMINISTRATIVE DETAILS

KLCC REIT 3RD ANNUAL GENERAL MEETING AND KLCCP 13TH ANNUAL GENERAL MEETING

- DATE** – 13 April 2016
TIME – 10.30 a.m.
PLACE – Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

REGISTRATION

1. Registration will start at 8.30 a.m. and the Annual General Meeting will start punctually at 10.30 a.m. We strongly encourage you to come early to facilitate registration.
2. Please ascertain which registration counter you should approach to register yourself for the meetings and join the queue accordingly.
3. Please produce your original Identity Card (MyKad) to the registration staff for verification. Please make sure you collect your MyKad thereafter. KLCCP will not be responsible for any lost MyKad.
4. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
5. You will also be given an identification tag. No person will be allowed to enter the meeting room without the identification tag. There will be no replacement in the event that you lose or misplace the identification tag.
6. Once you have collected your identification tag and signed the Attendance List, please leave the registration area immediately and proceed for refreshment at the Ballroom foyer.
7. No person will be allowed to register on behalf of another person even with the original MyKad of that other person.
8. The registration counters will only handle verification for identities and registration. If you have any queries, please proceed to the Help Desk.

REGISTRATION HELP DESK

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

CAR PARK AND PARKING REDEMPTION COUNTER

10. After registration for attendance of the KLCC REIT 3rd AGM and the KLCCP 13th AGM, Stapled Securities holders are advised to approach the Parking Redemption Counter to register your vehicle number for free parking provided by the Company for cars parked only at the following locations in KLCC:

Locations

Mandarin Oriental, Kuala Lumpur
KLCC Basement Car Park
Kuala Lumpur Convention Centre Car Park
Lot D1 Open Car Park
(adjacent to Mandarin Oriental, Kuala Lumpur)
KLCC Multi Storey Car Park
(next to Jalan Binjai)

Enquiry Contact

03-2179 8898
03-2392 8585
03-2333 2945
03-2392 8585
03-2392 8585

(Shuttle bus services are available from multi storey car park to KLCC basement Car park at Level P1 – FOC)



PROXY

11. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the meetings and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.
12. If you wish to attend the meetings yourself, please do not submit the Form of Proxy. You will not be allowed to attend the meetings together with a proxy appointed by you.
13. If you have submitted your Form of Proxy prior to the meetings and subsequently decided to attend the meetings yourself, please proceed to the Registration Help Desk to revoke the appointment of your proxy.
14. Please ensure that the original Form of Proxy is deposited at the office of the Share Registrar, Tricor Investor Services Sdn. Bhd. not less than forty eight (48) hours before the time appointed for holding the meetings.

CORPORATE MEMBER

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

GENERAL MEETING RECORD OF DEPOSITORS

16. For the purpose of determining who shall be entitled to attend the KLCC REIT 3rd AGM and KLCCP 13th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57(1) and 57(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 5 April 2016 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meetings.

REFRESHMENT

17. Light Refreshment shall be served.

AGM ENQUIRY

18. For enquiry prior to the KLCC REIT 3rd AGM and KLCCP 13th AGM, please contact the following during office hours:
 - (a) Investor Relations and Business Development Department, KLCCP (Tel 03-2783 6000) (G/L)
 - (b) Share Registrar – Tricor Investor Services Sdn Bhd (Tel 03-2783 9299) (G/L)

ANNUAL REPORT 2015

19. The KLCCP STAPLED GROUP Annual Report 2015 is available on Bursa Malaysia's website at www.bursamalaysia.com under Company Announcements and also at the KLCC website at www.klcc.com.my.

NOTES

PROXY FORM

No. of stapled securities held	CDS Account No.



KLCC PROPERTY HOLDINGS BERHAD
(Co. No. 641576-U)
(Incorporated in Malaysia)

KLCC REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted under the laws of Malaysia)

FIRST PROXY "A"

I/We* _____
(FULL NAME, NEW NRIC No./Co. No. * IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a holder/holders *of the stapled securities of KLCC PROPERTY HOLDINGS BERHAD ("Company") and KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT"), hereby appoint

(FULL NAME, NEW NRIC No./Co. No. * IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

or failing him _____
(FULL NAME, NEW NRIC No./Co. No. * IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETINGS as my/our* first proxy to vote for me/us* and on my/our* behalf at the Third Annual General Meeting of KLCC REIT and the Thirteenth Annual General Meeting of the Company to be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 13 April 2016 at 10.30 a.m. and at any adjournment thereof.

SECOND PROXY "B"

I/We* _____
(FULL NAME, NEW NRIC No./Co. No. * IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a holder/holders *of the stapled securities of KLCC PROPERTY HOLDINGS BERHAD and KLCC REAL ESTATE INVESTMENT TRUST, hereby appoint

(FULL NAME, NEW NRIC No./Co. No. * IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

or failing him _____
(FULL NAME, NEW NRIC No./Co. No. * IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETINGS as my/our* second proxy to vote for me/us* and on my/our* behalf at the Third Annual General Meeting of KLCC REIT and the Thirteenth Annual General Meeting of the Company to be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 13 April 2016 at 10.30 a.m. and at any adjournment thereof.

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

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

My/our proxy/proxies shall vote as follows:

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

	Resolution	PROXY "A"		PROXY "B"	
		For	Against	For	Against
KLCC REIT					
Proposed unitholders' mandate to issue new units of up to 10% of the approved fund size of KLCC REIT pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts Issued by the Securities Commission Malaysia	1				
KLCCP					
Re-election of Datuk Pragasa Moorthi a/l Krishnasamy	I				
Re-election of Dato' Halipah binti Esa	II				
Approval of payment for Directors' fees	III				
Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to fix the Auditors' remuneration	IV				
Re-appointment of Datuk Ishak bin Imam Abas	V				
Re-appointment of Mr Augustus Ralph Marshall as Independent Non-Executive Director	VI				
Re-appointment of Dato' Halipah binti Esa as Independent Non-Executive Director	VII				
Authority to issue shares of the Company pursuant to Section 132D of the Companies Act, 1965	VIII				

Contact Number: _____

Signature of holder(s) of the stapled securities
or Common Seal

Dated: _____

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

Notes:

1. A holder of the stapled securities comprising ordinary shares in the Company stapled together with the units in KLCC REIT ("Stapled Securities") entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities and in the case of the Company, the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.
3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading "*signed under Power of Attorney which is still in force, no notice of revocation having been received*". A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.

6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.
7. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the Third Annual General Meeting of KLCC REIT and the Thirteenth Annual General Meeting of the Company, KLCC REIT Management Sdn Bhd ("Manager") and/or Maybank Trustees Berhad ("Trustee") and the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Trust Deed dated 2 April 2013 entered into between the Manager and the Trustee, Articles 57(1) and 57(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 5 April 2016 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the said meetings.

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Affix
Stamp
Here

Share Registrar

Tricor Investor Services Sdn Bhd (118401-V)

Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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KLCC Property Holdings Berhad

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC REIT Management Sdn Bhd

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
P.O. Box 13214
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC Parking Management Sdn Bhd

Level P2, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8585
603 2392 8448
Facsimile : 603 2392 8407
Website : www.parking.klcc.com.my
E-mail : klccparking@klcc.com.my

Mandarin Oriental, Kuala Lumpur

Kuala Lumpur City Centre
P.O. Box 10905
50088 Kuala Lumpur
Malaysia
Telephone : 603 2380 8888
Facsimile : 603 2380 8833
Website : www.mandarinoriental.com
E-mail : mokul-sales@mohg.com

KLCC Urusharta Sdn Bhd

Level P1, Tower 2
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8768
Facsimile : 603 2382 1037
Website : www.klcc.com.my
E-mail : info@klcc.com.my

Suria KLCC Sdn Bhd

Level 13, Menara Darussalam
No 12, Jalan Pinang
50450, Kuala Lumpur
Malaysia
Telephone : 603 2382 3434
Facsimile : 603 2382 2838
Website : www.suriaklcc.com.my
E-mail : info@suriaklcc.com.my





KLCC PROPERTY HOLDINGS BERHAD (641576-U)

KLCC REAL ESTATE INVESTMENT TRUST

Levels 33 & 34, Menara Dayabumi, Kompleks Dayabumi,
Jalan Sultan Hishamuddin, 50050 Kuala Lumpur

Telephone : (03) 2783 6000

Facsimile : (03) 2783 7810

E-mail : info@klcc.com.my

www.klcc.com.my