A STATEMENT FROM THE CFO

In 2021, we continued our focus on spending based on prioritisation throughout the year without compromising on security and safety. We undertook rigorous high-level scenario planning and stress-tests to ensure business continuity and liquidity needs were well planned and met.

ANNUAR MARZUKI BIN ABDUL AZIZ

Chief Financial Officer

2021 Highlights

Revenue

5.5%

2021: RM1.17 bil
(2020: RM1.24 bil)

Profit before tax
(excluding fair value adjustments)

3.2%

2021: RM712.5 mil
(2020: RM690.6 mil)

Cashflow from operations

4.2%

2021: RM775.6 mil
(2020: RM808.5 mil)

2021 was a tough year for the Group with the protracted COVID-19 pandemic and the enforced lockdowns and restrictions. Our financial performance reflected the challenges the pandemic had on our business - effectively, we only had approximately 200 clear days of operations, which evidently impacted our retail and hotel segments.

However thankfully, we began to see encouraging signs of recovery from Q3 2021 onwards as the country gradually reopened its economy following higher vaccinated rates, and our performance peaked in Q4 2021 in conjunction with the year-end festive season, culminating in it being the best quarter performance of the year. Despite the tough environment, the Group still distributed 33.60 sen of its distributable income, demonstrating the strength of our financial fundamentals and the resiliency of our capital.

MAINTAINING FINANCIAL DISCIPLINE & LIQUIDITY

In 2020 we took swift and decisive actions to stabilise the businesses of the Group to combat the effects of the unprecedented pandemic - we proactively took hold of the expenditure and re-looked at the cashflows to preserve cash. In 2021, we continued our focus on spending based on prioritisation throughout the year without compromising on security and safety. We undertook rigorous high-level scenario planning and stress-tests to ensure business continuity and liquidity needs were well planned and met. Thorough analysis of all relevant entities, validation of data feeds and review of deviations of actuals to forecast were also conducted. Monitoring the trade receivables on monthly basis was another focus of ours – we closely engaged our customers in identifying a win-win position without burdening them. All these actions enabled us to ensure sufficient liquidity while meeting our financial obligations and working capital.

IMPROVING CAPITAL EFFICIENCY

Prudent capital management continued to be a key focus. In April 2021, the Group refinanced the third tranche of the KLCC REIT Sukuk Murabahah Programme and issued the fourth tranche of RM400 million at a 4.0% rate per annum. We managed to retain our AAA rating for both the KLCC REIT and Suria KLCC Sukuk. As at 31 December 2021, the average debt maturity was 4.29 years with no debt falling due until FY2024. The Group's average cost of debt decreased to 4.3% and we maintained cash & bank balances at RM959.5 million. Our strong balance sheet and sufficient financial headroom enabled the Group to manage the volatility throughout the year and capitalise on the market conditions as it gradually improved towards year end.

ENHANCING CORPORATE VALUE THROUGH DIALOGUE WITH STAKEHOLDERS

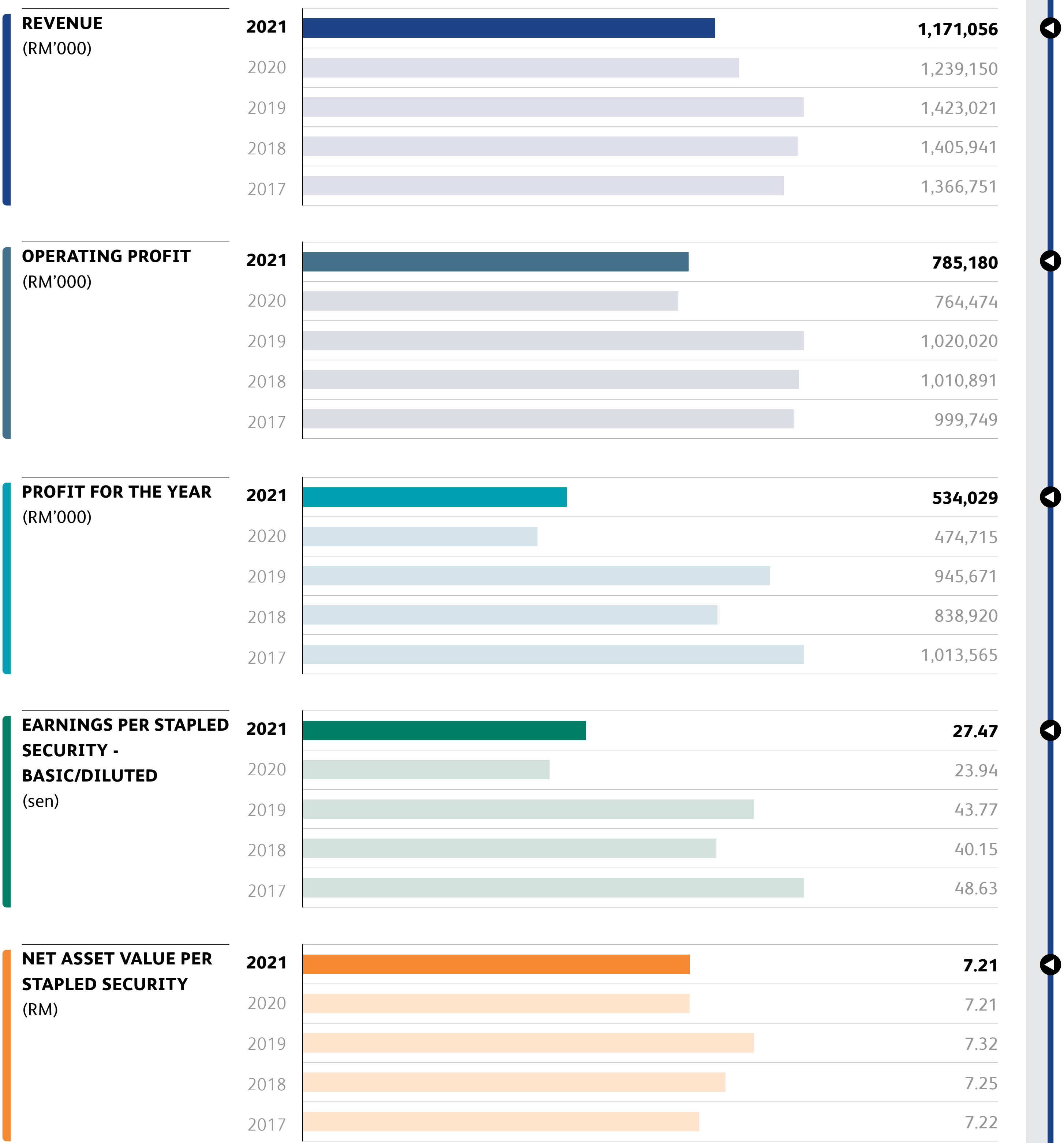
Building strong trust-based relationships was also a priority as we focused on increasing stakeholder value, proactively engaging with our stakeholders and enhancing communication with our bankers, auditors, valuers, investors and retail partners. Given that 2021 saw more lockdowns which affected our retail partners at our Suria KLCC mall and the retail podium of Menara 3 PETRONAS, we worked closely with our retail partners and supported them with RM127.1 million in rental assistance to enable them to ride through the pandemic, sustain their business and survive with us. Our dialogues with stakeholders enabled us to gain stakeholder understanding of the Group's efforts and improve the quality of management based on stakeholder feedback.

COMMITTED TO OUR SUSTAINABILITY EFFORTS

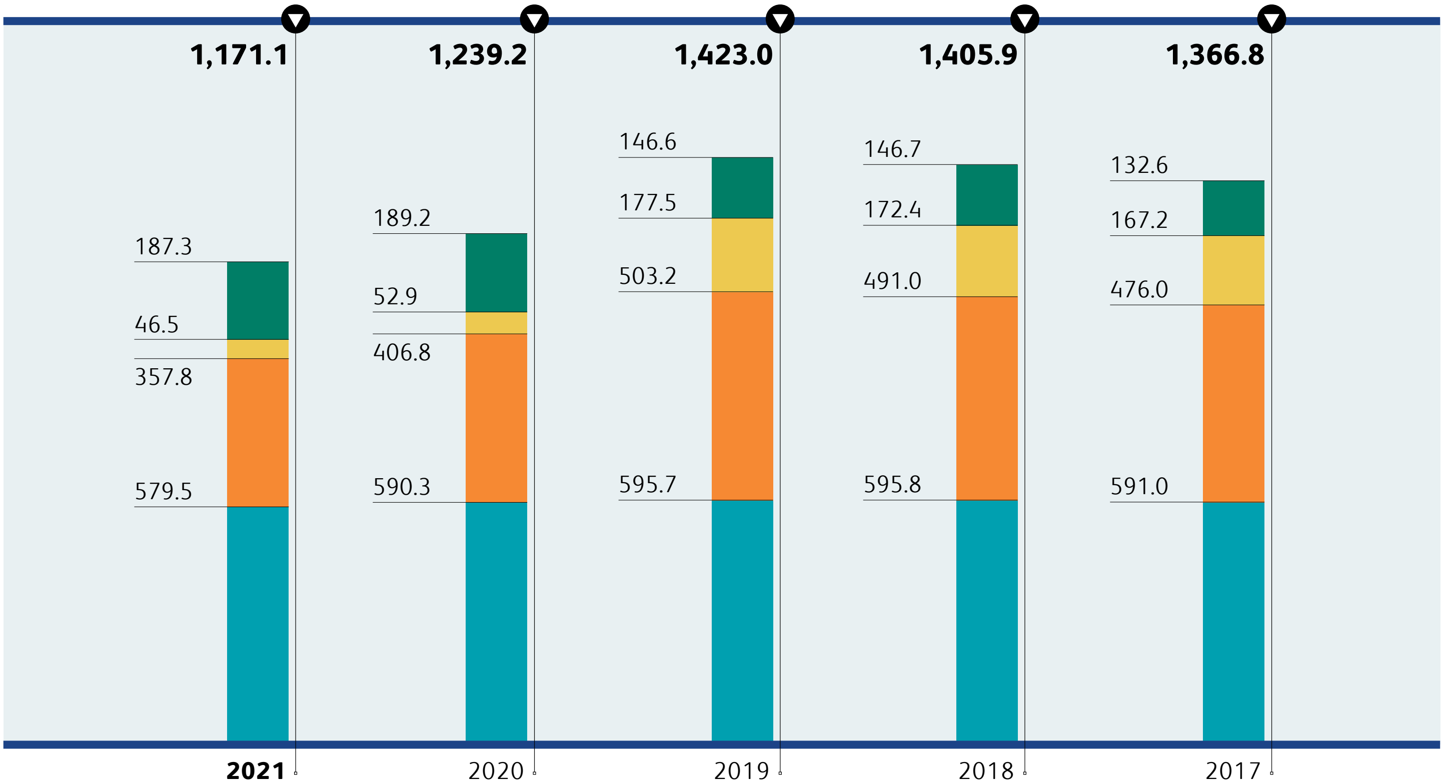
With sustainability issues gaining increased attention from investors, regulators and the media, we remained committed to our robust sustainability reporting on our corporate responsibility and ESG initiatives. The Group is looking to designing and implementing a sustainability dashboard for sustainability-related processes, information exchange, performance tracking and reporting in order to track and report sustainability metrics efficiently to meet both investor and management expectations.

Going into 2022, though there still may be challenges ahead, we will leverage our sound financial base and ability to make new investments, to create corporate value for the long-term. We expect KLCCP Stapled Group to emerge stronger, a more resilient business that is better positioned to deliver value in the years ahead.

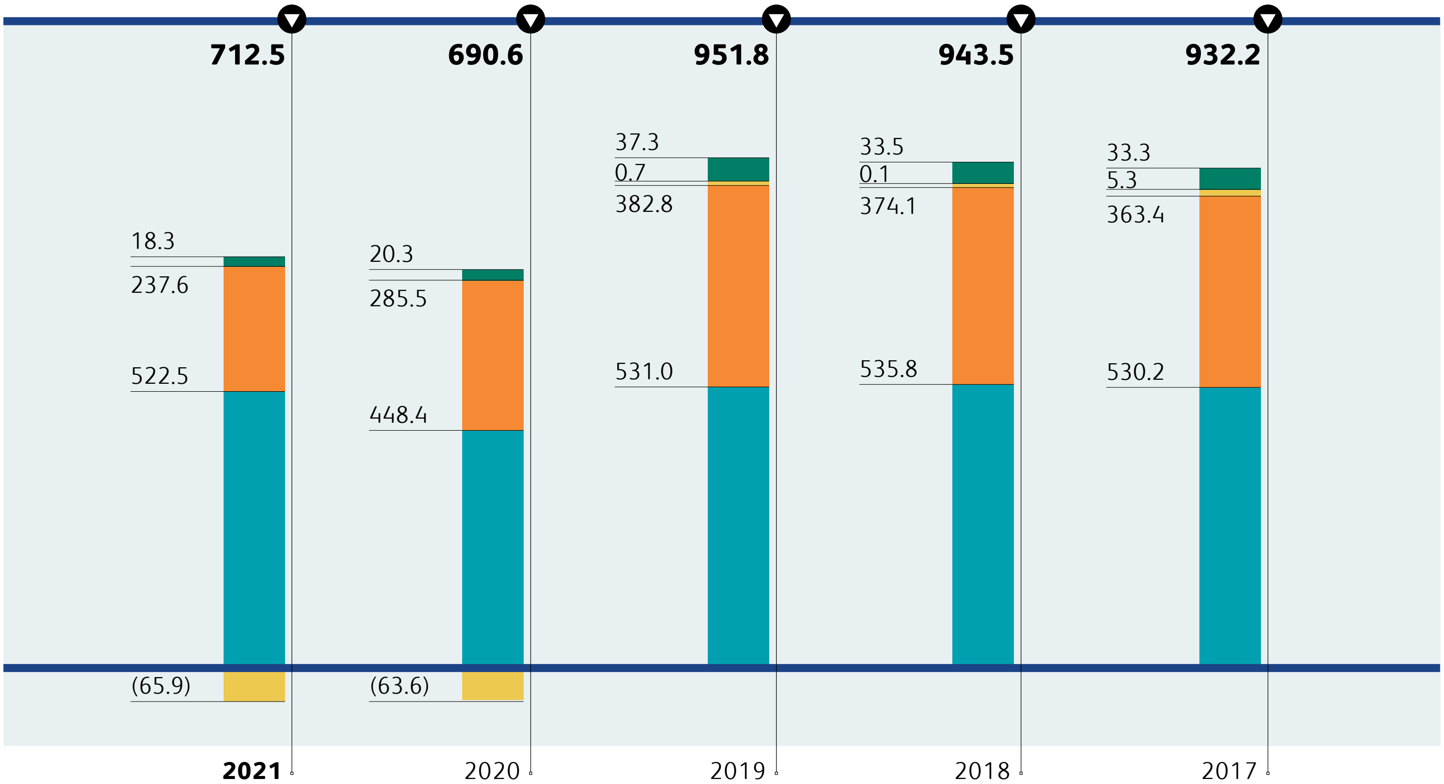
KLCCP STAPLED GROUP
5-YEAR FINANCIAL HIGHLIGHTS



SEGMENTAL REVENUE (RM'MIL)



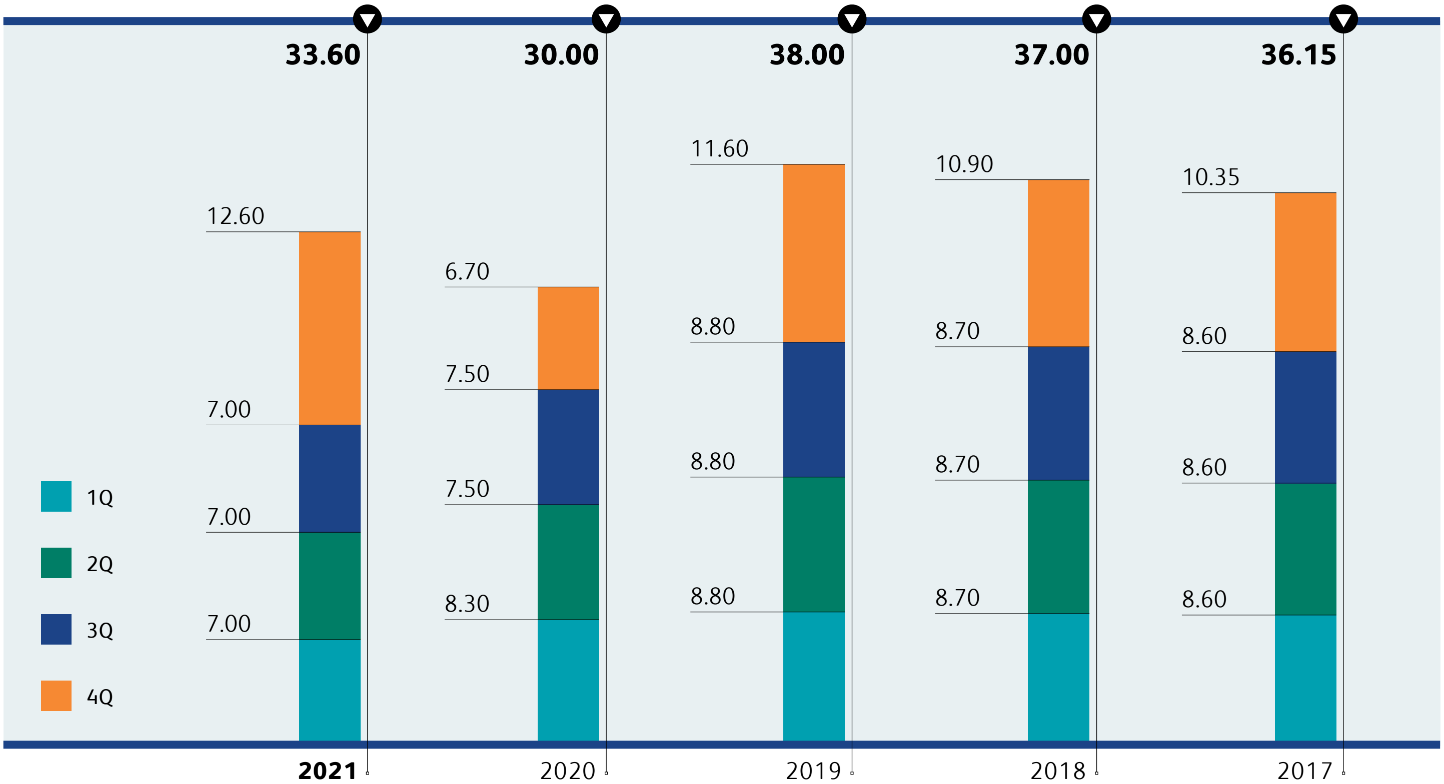
SEGMENTAL PBT EXCLUDING FAIR VALUE ADJUSTMENTS (RM'MIL)



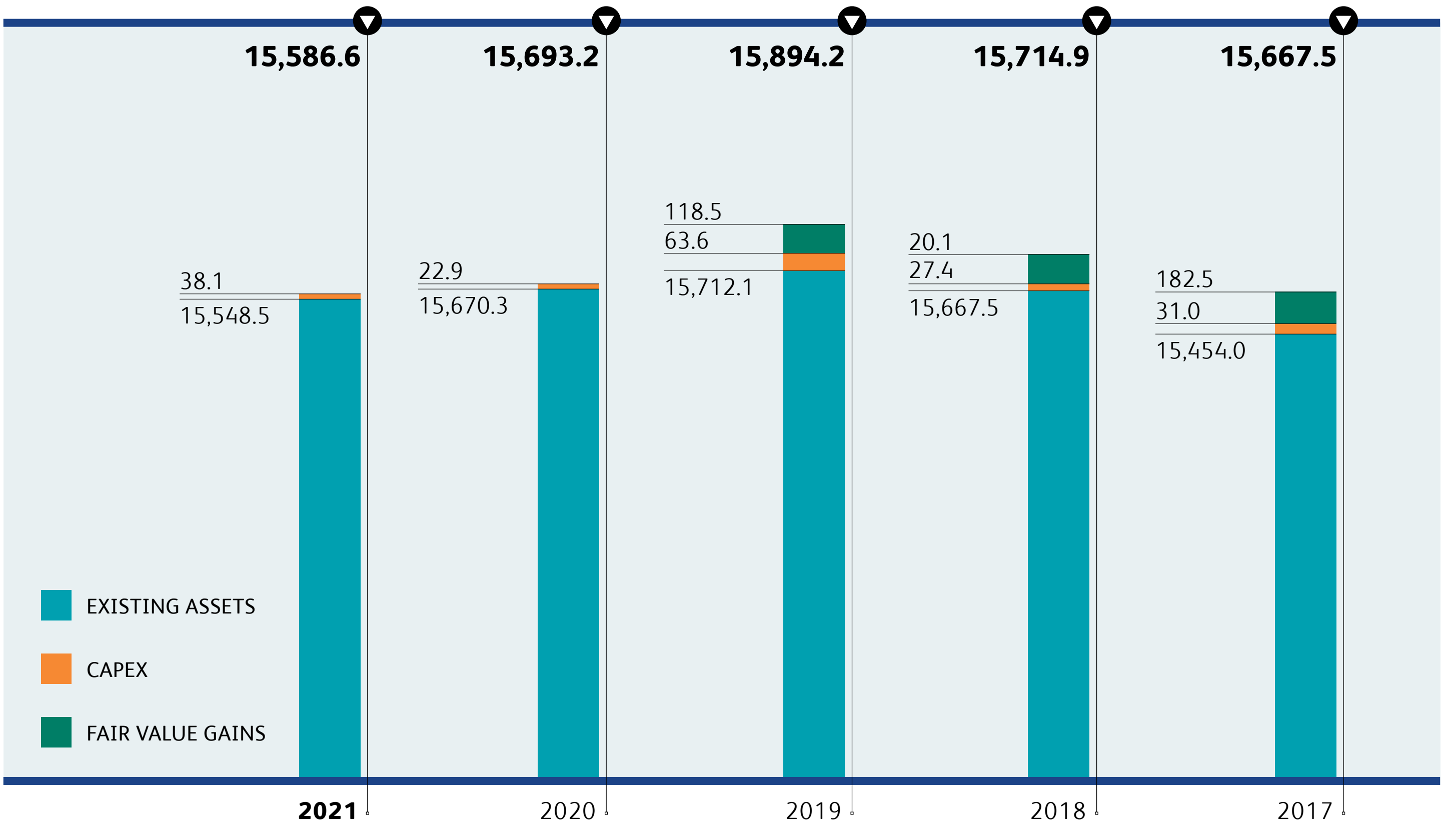
OFFICE RETAIL HOTEL MANAGEMENT SERVICES

KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

DISTRIBUTION PER STAPLED SECURITY (SEN)



PROPERTY VALUE (RM'MIL)



KLCCP STAPLED GROUP 5-YEAR FINANCIAL SUMMARY

	2021	2020	2019	2018	2017
Key Operating Results (RM'mil)					
Revenue	**1,171.1**	1,239.2	1,423.0	1,405.9	1,366.8
Operating Profit	**785.2**	764.5	1,020.0	1,010.9	999.8
Profit Before Tax (PBT)	**565.8**	546.8	1,071.3	964.1	1,115.3
Profit For The Year	**534.0**	474.7	945.7	838.9	1,013.6
Key Statement of Financial Position (RM'mil)					
Investment Properties	**15,586.6**	15,693.2	15,894.2	15,714.9	15,667.5
Total Assets	**17,937.1**	17,995.5	18,211.3	17,860.3	17,792.6
Total Financings	**2,375.9**	2,349.4	2,346.6	2,244.7	2,251.1
Total Liabilities	**2,897.6**	2,917.5	2,917.8	2,735.2	2,745.7
Total Equity Attributable to the Equity Holders of Stapled Securities	**13,009.8**	13,014.1	13,212.0	13,095.3	13,028.5
Stapled Securities Information					
Earnings per Stapled Security - Basic (Sen)	**27.47**	23.94	43.77	40.15	48.63
Net Asset Value per Stapled Security (RM)	**7.21**	7.21	7.32	7.25	7.22
Distribution per Stapled Security (sen)	**33.60**	30.00	38.00	37.00	36.15
Stapled Securities Closing Price as at 31 December (RM)	**6.55**	7.08	7.90	7.66	8.64
Number of Stapled Secuirties (mil)	**1,805.3**	1,805.3	1,805.3	1,805.3	1,805.3
Market Capitalisation (RM'mil)	**11,824.9**	12,781.8	14,261.9	13,828.9	15,598.1
Financial Ratios					
PBT Margin	**48%**	44%	75%	69%	82%
Dividend Payout - Ratio	**95%**	98%	94%	96%	97%
Gearing (times)	**0.18**	0.18	0.18	0.17	0.17

KLCCP STAPLED GROUP VALUE ADDED STATEMENT

	2021 RM'000	2020 RM'000
Total Turnover	**1,171,056**	1,239,150
Interest/profit income	**18,487**	23,004
Operating expenses	**(234,969)**	(326,957)
Value added by the KLCCP Stapled Group	**954,574**	935,197
Share of profits of an associate	**11,763**	12,554
Fair value adjustments on investment properties	**(144,457)**	(142,535)
	821,880	805,216
Reconciliation		
Profit attributable to holders of Stapled Securities	**495,852**	432,166
Add:		
Depreciation & amortisation	**46,668**	50,316
Finance costs	**105,176**	110,662
Staff costs	**104,239**	97,403
Taxation	**31,768**	72,120
Other non-controlling interest	**38,177**	42,549
	821,880	805,216
Value Distributed		
Employees		
Salaries and other staff costs	**104,239**	97,403
Government		
Corporate taxation	**45,900**	77,975
Providers of capital		
Dividends	**500,079**	630,061
Finance costs	**105,179**	110,662
Other non-controlling interest	**38,177**	42,549
Reinvestment and growth		
Depreciation & amortisation	**46,668**	50,316
Capital reserve*	**(44,254)**	(110,313)
Income retained by the Group	**25,895**	(93,437)
	821,880	805,216

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

FINANCIAL REVIEW

The Group proved its resilience in 2021 despite the various phases of the movement and travel restriction with swift and effective strategies, targeted to gain the consumers' confidence in our offices, malls and hotel.

The challenging year affected our retail and hotel as both segments are highly correlated to the lockdown restrictions imposed. However, the segments rebounded steadily when economic activities resumed under Phase 4 of the National Recovery Plan (NRP) in the final quarter of the year.

Nevertheless, the Group recorded commendable revenue of RM1.17 billion, a decrease of 5.5% compared to last year. Profit for the year (excluding fair value adjustments) stood at RM0.67 billion, a 8.9% increase during the year.

	2021 RM'mil	2020 RM'mil	Variance %
Revenue	**1,171.1**	1,239.2	(5.5)
Operating Profit	**785.2**	764.5	2.7
Profit Before Tax*	**712.5**	690.6	3.2
Profit for the Year*	**673.0**	618.0	8.9
Profit Attributable to Equity Holders*	**609.4**	547.1	11.4
Operating Profit Margin*	**67%**	62%	8.1
Profit Before Tax Margin*	**61%**	56%	8.9
Earnings Per Stapled Security* (sen)	**34.2**	30.3	11.4
Distribution Per Stapled Security (sen)	**33.6**	30.0	12.0
Payout Ratio (%)	**95%**	98%	(3.0)

* Excluding fair value adjustments

KEY HIGHLIGHTS

A tough 2021 which saw signs or recovery in the last quarter of the year bringing **improved PBT*** of
3.2%

The office segment remained
resilient
on the back of locked-in, long-term tenancy agreements

Suria KLCC supported its retail tenants with
RM127.1 million
in rental assistance to ensure business continuity and long-term sustainability

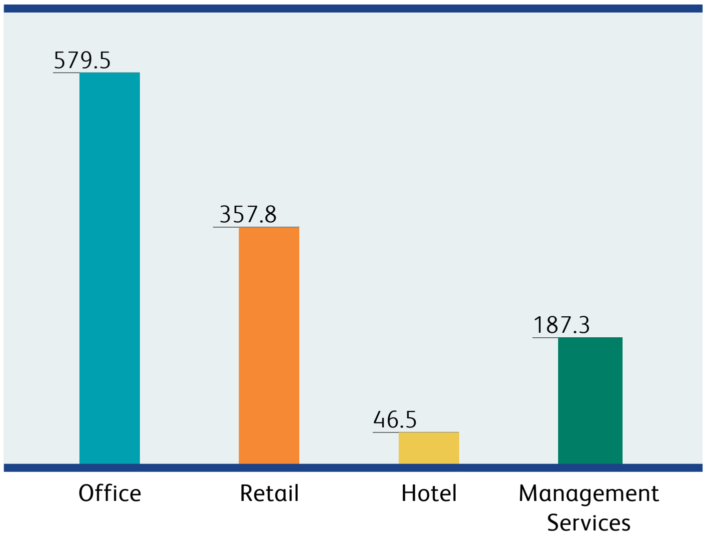
MOKL Hotel saw stronger pick up in pace towards year-end with room occupancy hitting a high of
36.2%
in December 2021

* Excluding fair value adjustments

FINANCIAL REVIEW

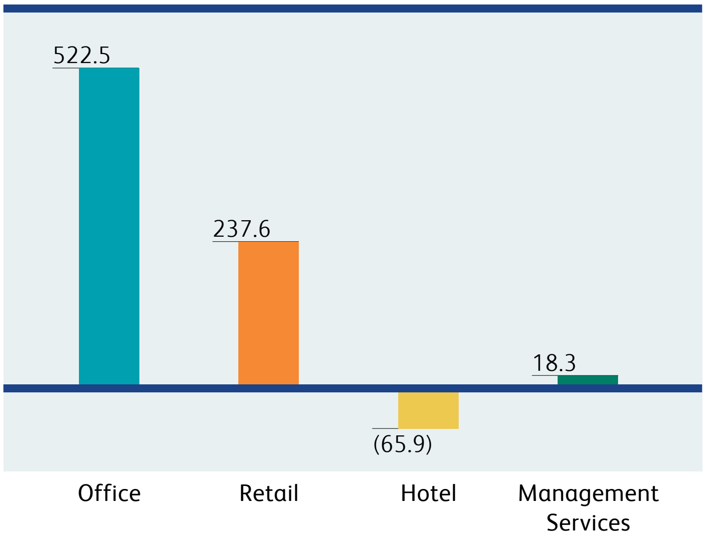
Revenue

RM1,171.1 **million**
(2020: RM1,239.2 million)



Profit before Tax (excluding fair value adjustments)

RM712.5 **million**
(2020: RM690.6 million)



Despite operating the whole year under the COVID-19 environment, PBT (excluding fair value adjustments) remained strong at RM712.5 million, an increase of 3.2% backed by the triple-net-lease and long-term agreements of our offices.

Suria KLCC continued to support its retail tenants with rental assistance since beginning of the year to ensure the tenants sustainability and recovery. During the year, the mall extended a higher rental assistance amounting to RM127.1 million compared to RM92.6 million in 2020 in lieu of tighter restrictions which impacted business operations compared to last year.

Mandarin Oriental restrategised to focus on local leisure market with various promotional packages, tailoring to the guests' profiles. Through cost containment efforts in operation and maintenance, loss before tax was contained at RM65.9 million compared to RM63.6 million in 2020.

The office segment contributed 49% towards the Group's total revenue. Other than a marginal decrease the revenue of 1.9% due to the accounting adjustments to reflect the extension of TNL agreements for PETRONAS Twin Towers and Menara 3 PETRONAS for a further 15 years in the previous year, the segment remained stable during the year.

Management services contributed 16% of the Group's total revenue with marginal decrease in revenue of RM1.9 million or 1% arising from lower carpark income during the year due to the various phases of lockdowns throughout the year.

Profit Before Tax (excluding fair value adjustments)

PBT increased by RM21.9 million to RM712.5 million; a 3.2% improvement compared to a year ago. This improvement was mainly due to the lower finance cost and minimal impairment for the Phase 3 Redevelopment of Kompleks Dayabumi.

Profit for the Year

The effective tax rate for KLCCP Stapled Group was approximately 5.6% with KLCC REIT distributing more than 90.0% of its distributable income and was thus exempted from tax.

During the year, Suria KLCC qualified for a special deduction gazetted by the Government, equivalent to the amount of reduction in rent given to the tenants. In addition, the capital expenditure in respect of the hotel buildings also provided additional investment tax allowance for the deduction against taxable income.

Hence, profit for the year further improved to RM673.0 million by 8.9% during the year.

Distribution per Stapled Security

KLCCP Stapled Group remained committed in delivering value and growth to its holders of Stapled Securities. For FY2021, the Group declared a distribution per Stapled Security of 33.60 sen, a 95% payout of its distributable profit and realised income. This is an increase of 3.60 sen as compared to 2020.

FINANCIAL POSITION REVIEW

	2021 RM'mil	2020 RM'mil	Variance %
ASSETS			
Investment Properties	**15,586.6**	15,693.2	(0.7)
Property, plant and equipment	**605.0**	638.3	(5.2)
Right of use asset	**5.6**	9.5	(41.1)
Receivables	**509.0**	516.5	(1.5)
Cash and Bank Balances	**959.5**	871.7	10.1
Others	**271.4**	266.3	1.9
	17,937.1	17,995.5	(0.3)
LIABILITIES			
Payables	**381.4**	396.2	(3.7)
Financings	**2,375.9**	2,349.4	1.1
Others	**140.3**	171.9	(18.4)
	2,897.6	2,917.5	(0.7)
Total Equity attributable to equity holders of KLCCP and KLCC REIT	**13,009.8**	13,014.1	(0.03)
Net Asset Value per stapled security (NAV) (RM)	**7.21**	7.21	-

As the Group is backed by a solid portfolio of assets, the financial position of the Group remained at a healthy position with sufficient cash and low gearing for future development and long-term stability. The Group's total assets marginally reduced from RM18.0 billion to RM17.9 billion mainly due to the depreciation in fair value of the investment properties during the year.

Net asset value per stapled security (NAV) remained at RM7.21 at the year end whilst total equity attributable to equity holders remained at RM13 billion.

Property	Market Value		Carrying Value	
	31 Dec 2021 RM'mil	31 Dec 2020 RM'mil	31 Dec 2021 RM'mil	31 Dec 2020 RM'mil
KLCC REIT Assets	**9,492.0**	9,599.3	**9,113.6**	9,189.0
Suria KLCC	**5,510.0**	5,565.0	**5,495.3**	5,547.4
Dayabumi*	**562.0**	541.0	**677.0**	655.0
Lot D1*	**278.0**	279.0	**300.7**	301.8
Total	**15,842.0**	**15,984.3**	**15,586.6**	**15,693.2**

* The carrying value of Kompleks Dayabumi and Lot D1 includes the IPUC, which was recognised at cost.

FINANCIAL REVIEW

Investment Properties and Fair Value Adjustments

Investment Properties of KLCCP Stapled Group represents 87% of the Group's total assets and it houses some of the most prestigious and premium assets in Kuala Lumpur. Our assets include PETRONAS Twin Towers, Menara 3 PETRONAS, Menara Exxonmobil, which are included in KLCC REIT, as well as KLCCP's assets, Suria KLCC, Menara Dayabumi, the City Point podium land and the vacant land of Lot D1.

The market value of these properties recorded a marginal dip of 0.9% to RM15.8 billion as at 31 December 2021. This was inevitable given the current market condition.

For retail segment, Suria KLCC took a slight dent in its value by 1.0% or RM55.0 million. The market value for offices were marginally affected with a decrease in value by 1.1% proving the stability of our assets albeit the competitive rates and imbalance in demand and supply.

In contrast, Kompleks Dayabumi comprising both Menara Dayabumi and City Point podium land recognised an increase in value of RM21.0 million mainly due to the extension of the land lease period from 59 years to 99 years.

Under MFRS 140 Investment Properties, accounting adjustments were made to exclude the accrued operating lease income and capital expenditure incurred during the year to avoid double counting of assets. Taking the above into consideration, RM144.5 million was recognised as fair value adjustment in FY2021.

Property, Plant and Equipment

Property, plant and equipment (PPE) for the Group comprise mainly the cost of MOKL Hotel's building.

During the year, KLCCP Stapled Group spent RM9.3 million mostly on the upgrading in KLCC Parking Management's facilities which includes retrofit LED lighting bulb and EV chargers and car finding system in Northwest Development (NWD). The capital expenditure was set-off against depreciation charged and write-offs/disposal of assets no longer in use.

Receivables

Receivables was 1.5% lower this year at RM509.0 million compared to RM516.5 million last year mainly due to the straight lining impact of leases under the accounting standard of MFRS 16 in Suria KLCC and the properties under KLCC REIT.

CASHFLOW REVIEW

	2021 RM'mil	2020 RM'mil
Operating activities	**775.6**	808.5
Investing activities	**(41.2)**	(28.2)
Financing activities	**(647.6)**	(792.1)
Change in cash and cash equivalent	**86.8**	(11.8)
Cash with PETRONAS IFSSC	**644.0**	525.3
Deposits with licensed banks	**292.9**	332.7
Cash and bank balances	**22.6**	13.7
Cash and cash equivalents	**959.5**	871.7

Operating Activities

The lower net cash generated from operating activities of RM775.6 million compared to RM808.5 million was mainly due to lower cash generated from the hotel segment coupled with rental assistance granted to the retail tenants and overall slower collection in receivables.

Investing Activities

Higher investment activities during the year as the Group paid the premium to extend the land lease period from 59 years to 99 years for Kompleks Dayabumi.

Financing Activities

The financing activities of the Group consist of servicing of interest/profit for the KLCC REIT's Sukuk Murabahah Program (Sukuk) and term loan of the hotel. During the year, the Group made a net drawdown of RM42.4 million from existing term loan to finance the operation and capital spending of the hotel. The Group also refinanced its Sukuk in April 2021 with the new tranche due in April 2031.

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

CAPITAL MANAGEMENT

The financial standing of the Group remains fundamentally strong and consistent amidst the continuous pandemic during year.

Gearing ratio as at 31 December 2021 is still low and prudent at 18% even after the Group refinanced the RM400 million Sukuk which was due in April 2021. The extension of the TNL tenure to another 15 years upon the expiry of the existing term bodes well with the Group's capital management strategy; to sync stable income stream to the long-term financings and maturity schedule.

As set out in the KLCC Group Corporate Financial Policy, the Group's objective in managing capital is to maintain an optimal capital structure and ensuring availability of funds for businesses and operations whilst maximising shareholders' value.

As of 31 December 2021, the gearing ratio is also well below the REIT industry benchmark of about 30%, and the threshold set by Security Commission of 50%.

	2021	2020	2019	2018	2017
Total financings (RM million)	**2,370**	2,340	2,335	2,245	2,251
Average cost of debt (%)	**4.3**	4.4	4.6	4.6	4.6
Fixed: Floating ratio	**83**	84	84	84	84
Average maturity period (years)	**4.3**	3.6	4.6	4.1	5.1
Gearing ratio (%)					
- Gross	**18.2**	18.0	17.8	17.1	17.2
- Net	**10.8**	11.3	11.1	11.5	11.5

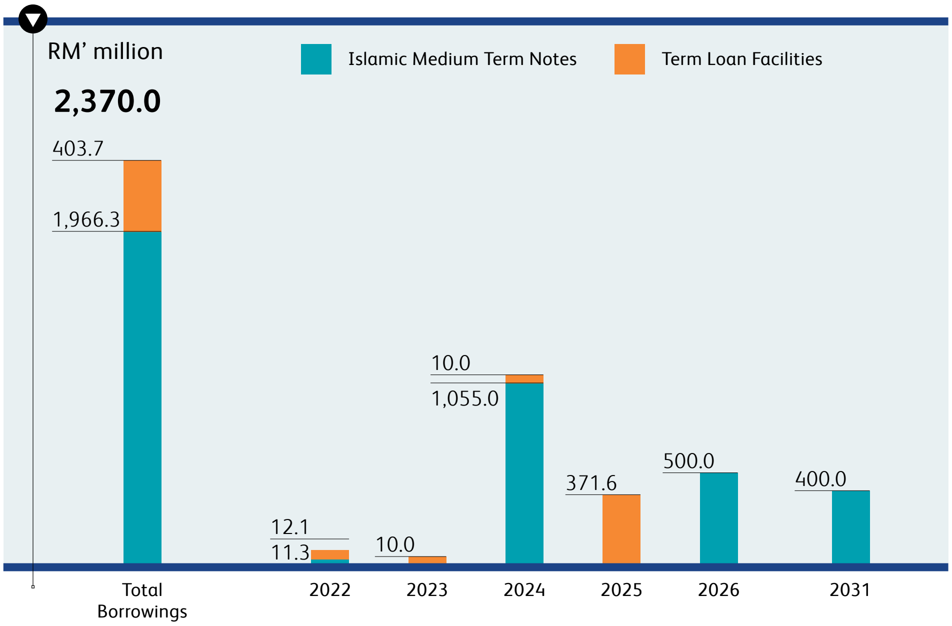
(Note: Total financings is excluding arrangement accounted for as leases under MFRS 16)

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

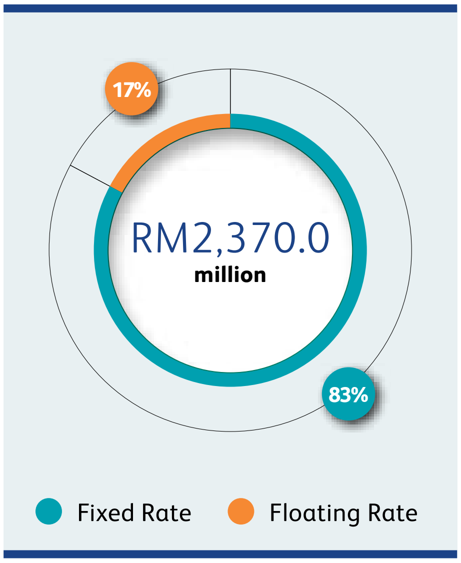
In 2019, KLCC REIT successfully renewed its second and fifth tranches of Sukuk Murabahah with total amounting to RM500 million. While in 2021, KLCC REIT successfully renewed its third tranche of Sukuk Murabahah amounting to RM400 million. As of 2021, the Group's average maturity period lengthened to 4.3 years in line with the renewal of the Sukuk Murabahah.

CAPITAL MANAGEMENT

Debt Maturity Profile



Total Financings



Overall, the Group has sufficient capital support with its RM3.0 billion Sukuk Murabahah. With more than 50% of the unutilised programme together with the mandate granted by the holders of Stapled Securities to issue new shares up to 100% of the approved share capital, the Group has the financial flexibility to tap into the debt equity markets to gear up further, to fund future acquisitions.

CAPITAL EXPENDITURE

The Group has spent RM41.2 million during the year compared to RM28.2 million mainly due to the payment for the extension of lease period for Kompleks Dayabumi from 59 years to 99 years. These expenditure commitments were funded from the available internal cash.

FINANCIAL RISK MANAGEMENT

Guided by the PETRONAS Integrated Financial Risk Management (IFRM) Guideline, the Group is cognisant of the financial risk in the course of its day-to-day business.

As part of prudent financial risks management, the Group has reviewed, appraised and deliberated identified financial risks to its acceptance level, taking into consideration of the impact from the pandemic and current economic factors. The identified risks will be continuously monitored and regulated with proper level of mitigation plans in accordance with the Group's view of the balance between risk and reward.

Credit Risk

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

During the year, credit risk from the retail segment continued to rise as the pandemic impacted some of the businesses of the retail tenants following the implementation of the various phases and the overall abrupt change in consumer behaviour and spending power.

Trade Receivables of the Group as at 31 December 2021 grew 24% from 2020 with ageing profile reflecting the on-going discussions and negotiation in the retail segment.

Trade Receivables' Aging	RM'000
Not past due	1,670
Past due 1 to 30 days	6,389
Past due 31 to 60 days	4,359
Past due 61 to 90 days	3,406
Past due more than 90 days	18,634
	34,458
Less: Allowance for impairment loss on trade receivable	(9,076)
	25,382

To reflect the current credit risk profile and the economic condition, the Group increased the allowance for impairment loss on trade receivable from RM3 million to RM9 million during the year.

Nevertheless, Suria KLCC carried out thorough credit evaluation using qualitative and quantitative criteria on new tenants and continuously followed up with the tenants to ensure collectability. Constant monitoring of the tenants' affordability of the rental charges is also part of the credit risk mitigation.

Similarly, the hotel segment also conducted thorough review and assessment of the credit worthiness of customers who are provided credit limits to ensure timely collection of payment obligation when due falls.

Liquidity Risk

Liquidity risk is the possibility of the Group encountering difficulties in meeting obligations with financial liabilities.

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

As disclosed under the Debt Maturity Profile, KLCCP Stapled Group's outstanding financings are only due within the medium to long-term. In addition, KLCCP Stapled Group has significant headroom which will allow it to tap onto financing as and when required.

Foreign Currency Risk

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

To read more, refer to Understanding our Principal Risks on pages 62 to 69

OPERATIONS REVIEW

THE PLACE TO

REVENUE CONTRIBUTION BY SEGMENTS

49 %

[2020: 48%]

This is the place that inspires creativity and passion

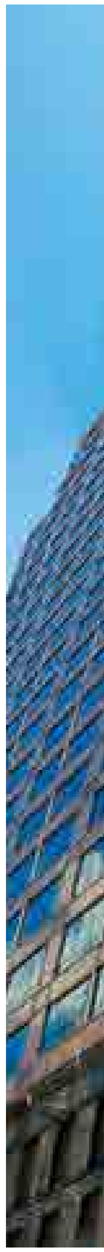
WORK

OPERATIONS REVIEW

KLCCP Stapled Group's revenue was largely anchored by the asset strength in the office segment, underpinned by the full occupancy and long-term lease periods which builds stability as a recurring income generator.

The office segment of KLCCP Stapled Group encompassing premium Grade-A offices located strategically within the Kuala Lumpur City Centre sees PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS held under KLCC REIT whilst Menara Dayabumi, which is located within the former Central Business District of Kuala Lumpur, is held under KLCCP. KLCCP Stapled Group also has a 33% stake in the office tower of Menara Maxis, another prime office building in the KLCC Precinct.

The year saw our office portfolio retaining its 100% occupancy while continuing to drive strength and underpinned by its robust rental profiles. With a defensive lease structure, the long-term locked-in tenancies provides stability to the revenue stream of this segment, protecting the Group from the soft market conditions.



With priority being placed on health and safety, companies have embraced more flexible and adaptive workplace strategies to curtail the risk of transmission. The new norm that takes the form of working from home, rotation schedules and multi-location offices which started from the beginning of the pandemic continued during the year.

INDUSTRY LANDSCAPE AND OPERATING CHALLENGES

Taking on from the year that saw countries around the world battle against the COVID-19 outbreak, ramifications of this calamity continued to pile on the already muted office market. With unending Government efforts to control the widespread of the virus, the various phases of the movement and travel restrictions imposed only added further pressure to building owners. Exacerbating the situation, the mismatch between supply and demand was worsened by the weaker demand with a contracted pool of tenants. Unsurprisingly, this oversupply situation has resulted in adjustments within the office market, with landlords offering attractive incentives in the form of lower rents, longer rent-free periods as well as paying for fit outs to entice and retain tenants. This in turn, added greater weight to rental prices, occupancy rates and the office oversupply woes.

Relatedly, the previous rise in coworking space and flexible working solutions have witnessed a downturn and a corresponding drop in demand for office space in the face of the pandemic. Many businesses and companies looked to downsize wherever possible due to online initiatives and lower business volume, unfavorably affecting rentals of office space and resulting in the corresponding drop in the market value of many office spaces. With priority being placed on health and safety, companies have embraced more flexible and adaptive workplace strategies to curtail the risk of transmission. The new norm that takes the form of working from home, rotation schedules and multi-location offices which started from the beginning of the pandemic continued during the year. Notably however, with the increase in vaccination rates, the country saw the easing of movement restrictions with many companies gradually pushing for its employees to return to the office.

Be that as it may, office building owners need to be agile and nimble in dealing with the opportunities, threats and vulnerabilities of the industry. On this note, KLCCP Stapled Group's office segment remained relatively stable during the year compared to the other segments within the Group largely by virtue of the nature of our leasing strategy. Majority of the Group's assets are strategically located within the heart of Kuala Lumpur City Centre, tenanted by PETRONAS and other major oil and gas corporations. Further backed by the Triple Net Lease arrangement wherein the tenant bears all the property outgoings, the Group is protected from the soft market conditions, with minimal impact to earnings. Nevertheless, we remained vigilant and steadfast in our ongoing efforts to retain quality tenants by ensuring that their needs and requirements are always met. With the full occupancy, existing long-term leases and high-quality tenants at our office buildings, the Group's office portfolio continued to remain resilient and is on very strong footing in maneuvering through these uncertain times.

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

Our game plan for the office segment was premised on the continued pursuit of attracting high quality tenants while delivering an incomparable office experience for our tenants, employees and visitors to our buildings.

Enhancing indoor environment

During the year, the adoption of new ways of working that came with the onset of the pandemic was seen to linger on. With organisations reimagining work and the role of offices as a clean, safe and productive environment for its employees, health and safety continued to be the Group's main focus and priority.

Our buildings continued to operate in the highest level of safety, cleanliness and hygiene with thermal scanners and temperature screening devices installed at all entrances, label markers placed in confined spaces and queueing areas to ensure social distancing practices were complied to. Additionally, hand sanitisers, hand wash and other cleaning agents were regularly replenished with proactive monitoring of workplace safety compliance carried out on a frequent basis.

Expanding efforts to safeguard the wellbeing of tenants and visitors of the building, during the year our facility management services company, KLCCUH undertook several healthy building initiatives, including the launch of the Integrated Building Command Centre (IBCC) and to improve indoor air quality. KLCCUH invested on the air optimisation system across our office portfolio to improve the quality of the air we breathe and reduce the risk of the spread and highly contagious nature of COVID-19. All five office buildings have systems in place to keep the workplace well ventilated, meeting the standards set by World Health Organisation (WHO) and other relevant standards.

With commitment to live up to its premium brand name, the Group continued to uplift and safeguard the health and safety of our tenants and employees as part of our responsibility to create healthy, productive, and safe spaces that appeal to them.

Towards digital adoption

Ramping up efforts to add value to our asset portfolio and for our tenants, the Group has successfully applied for the Multimedia Super Corridor (MSC) status for Menara ExxonMobil, granting a wide range of incentives and privileges to promote continued growth. To ensure that the building met the MSC requirement, the Group had constructed and completed the dual feeder to guarantee the uninterrupted power supply to the building. This ties in with our future-proofing initiative to drive the Group towards digital adoption, digital enterprise and innovation.

Further in line with this, the team also ramped up leasing efforts through digital marketing initiatives. The intensification of online and digital marketing efforts have been strengthened towards gaining competitive advantage and being at the forefront of the market.

Phase 3 Redevelopment of Kompleks Dayabumi

Due to unfavourable market conditions coupled with the challenges brought by the pandemic, during the year, the Group had decided to defer the Phase 3 refurbishment of Kompleks Dayabumi until the market recovers. The area will be preserved with beautification of soft landscaping works that will bode well with the River of Life concept. The beautification works have already started and is expected to complete by the end of 2022.

Various phases of MCO and restrictions has delayed the launching of the 10-metre pedestrian bridge across the Klang river connecting Menara Dayabumi and Central Market. Nevertheless, as the economy reopens, restrictions eased, and we see more people return to the offices; it is expected that the vibrancy in the area will be revived as the heritage tourist attraction in Kuala Lumpur.

Despite the uncertainty in the market, our leasing team continued to intensify efforts in seeking quality retail tenants through pro-active lease management whilst also focusing on redefining an unparalleled and compelling value of properties beyond existing demand. In a bid to deliver an unsurpassed experience to our tenants, the team introduced new tenancy arrangements to ensure tenant retention and the attraction of prospective tenants for its retail spaces.

FINANCIAL REVIEW

PROPERTY	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2021 RM'mil	2020 RM'mil	Variance %	2021 RM'mil	2020 RM'mil	Variance %	2021 %
PETRONAS Twin Towers	**401.2**	416.7	(3.7)	**354.2**	366.2	(3.3)	**68**
Menara 3 PETRONAS	**92.7**	88.3	5.0	**90.3**	84.7	6.6	**17**
Menara ExxonMobil	**44.9**	44.7	0.4	**31.0**	30.0	3.3	**6**
Menara Dayabumi	**40.7**	40.6	0.2	**33.2**	35.0	(5.1)	**6**
Menara Maxis*	**-**	-	-	**14.0**	13.9	0.7	**3**
Total Office Segment	**579.5**	590.3	(1.8)	**522.8**	529.8	(1.3)	**100**
Citypoint Development	**-**	-	-	**(0.3)**	(81.4)	(99.6)	**n.m**
Total	**579.5**	**590.3**	**(1.8)**	**522.5**	**448.4**	**16.5**	**100**

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

In 2020, PETRONAS exercised the option to extend the TNL period for Menara 3 PETRONAS and PETRONAS Twin Towers upon the expiry date of the current term. With the TNL secured for another fifteen (15) years, the office segment is expected to maintain its stability and remain resilient going forward.

Taking into consideration the accounting adjustments upon the TNL extension exercise, the revenue of the segment stood at RM579.5 million. PETRONAS Twin Towers remains the largest contributor at 68% with RM401.2 million, followed by Menara 3 PETRONAS at 17% with RM92.7 million.

PBT of the segment improved by 16.5% with lower impairment of investment under construction (IPUC) during the year.

PROSPECTS

In spite of the growing trend of working from home, office spaces are still expected to remain relevant as a place to foster partnership, connection and innovation. Occupancy is also anticipated to improve with the expected recovery in the endemic phase with more workers returning to the office. In this connection, offices in prime locations with significant public catchment and well-integrated developments offering an array of services and facilities are likely to sustain its occupancy and rental rates even during challenging times. These factors combined would continue to support the demand for office spaces in the long run.

KLCCP Stapled Group will continue its focus on future-proofing its business by creating value in the KLCC Precinct, advancing towards building smart, safe and sustainable precinct. Our office segment secured by the Triple Net Lease Agreements with a defensive long-term locked-in tenancy structure for the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi will continue to reinforce and lend stability to the Group. Our strong fundamentals and core portfolio have demonstrated resilience with ongoing positive income growth, high levels of occupancy and long-term lease periods. Nevertheless, we are poised to continue the pursuit of retaining quality anchor tenants for our office buildings to create office experiences that will facilitate collaboration between employees and companies for our tenants. The Group will continue to see the intensification of efforts prioritising on safety, health and hygiene, while preserving the buildings in utmost pristine condition to ensure long-term value creation.

OPERATIONS REVIEW

NO. OF ASSETS

2

[2020: 2]

NLA SQ. FT.

1.1 million

[2020: 1.1 million]

OCCUPANCY

93 %

[2020: 97%]

THE PLACE TO

REVENUE CONTRIBUTION BY SEGMENTS

31 %

[2020: 33%]

This is the place that inspires the expression of lifestyle and bespoke uniqueness

SHOP

OPERATIONS REVIEW

KLCCP Stapled Group's retail portfolio is represented by Malaysia's landmark mall, Suria KLCC and the retail podium of Menara 3 PETRONAS. Despite facing multiple challenges during the year, from the lingering effects of the COVID-19 pandemic to the rapid transformation taking shape in the retail industry, our retail segment continued to show resilience and versatility in steering through the rough waters.

Reeling from the impact of the COVID-19 pandemic, consumer behaviour and business operations continued to be profoundly transformed to emphasise on health, safety and convenience. Consumer behaviour witnessed a gradual adaption to the new Standard Operating Procedures (SOPs) introduced by the authorities at the start of the outbreak to curb the transmission of the virus. Consequently, the subsequent reduction in the capacity of restaurants and retails stores coupled with the recurrence of movement restrictions which required malls to partially close for a greater duration compared to in 2020, was seen to impact the retail segment of the Group severely.

In spite of the year's ordeals, Suria KLCC remained the country's leading and preferred shopping mall, shaping its retail spaces with the latest offerings and services for established and new brands coming into the market while simultaneously ensuring a safe and seamless shopping experience for customers. Strategically situated within the iconic belt of Kuala Lumpur, Suria KLCC continued to pave the way to differentiate itself with its curation of brands concepts and through its strong brand partnerships, living up to its tagline of "Always Something New".

Undoubtedly, 2021 has been no less a challenging year compared to 2020. The radical changes facing the retail industry have dramatically transformed conventional ideas and created a "new normal" which carries an array of implications to consumer behavior and lifestyles, the operations of businesses, and the digital technologies supporting them.

INDUSTRY LANDSCAPE AND OPERATING CHALLENGES

After a dampening 2020, the country's retail industry had anticipated a good growth for 2021 with the rollout of the vaccination program and the ease in travel restrictions seen underway. This little glimmer of hope for a recovery faded quickly following the lockdowns implemented during the year owing to the sudden upward spiral in the number of COVID-19 cases. The interminable and unprecedented duration of movement restrictions and retail shutdowns further delayed the long-awaited recovery that the industry had expected. Another year facing the existing challenges of heightened competition in an already crowded market was further amplified by a string of pandemic woes wrapped around uncertainty, complexity, and transformation to the industry.

Undoubtedly, 2021 has been no less a challenging year compared to 2020. The radical changes facing the retail industry have dramatically transformed conventional ideas and created a "new normal" which carries an array of implications to consumer behavior and lifestyles, the operations of businesses, and the digital technologies supporting them. The retail segment saw severe implications with the further mandate by the Government to stay indoors during the year, minimising and restricting physical interactions in public areas. Coupled with the shift in the working environment which required many non-essential workers to work remotely from the comfort of their own home, both Suria KLCC and the retail podium of Menara 3 PETRONAS witnessed a substantial decline in the overall sales and footfall during the year.

This unprecedented climate surrounding the pandemic has led to the shift in consumer behaviors, speeding up the adoption of e-commerce and work-from-home arrangements and accelerating the need for retailers to migrate to an omnichannel marketing to complement the existing physical retail malls. The shift in consumer behavior during the pandemic resulted in retailers having to reinvent their business models by incorporating online services to drive businesses in the new normal. Along with the speed and convenience of online purchasing, there is an abundant of product information, reviews and recommendations which consumers are able to easily access and get hold of. This rise in e-commerce and online shopping which provides consumers a viable and relevant substitute to the traditional shopping experience continues to be an increasing threat to malls' physical stores.

With this, the retail industry is witnessing a continued acceleration in digital adoption strategies with the convergence to omnichannel retailing to engage with consumers in both physical stores and virtual platforms. Innovative retail concepts will be a major distinguishing factor for brick-and-mortar stores to remain competitive and offer a distinctive value proposition to drive footfall in this evolving climate. Compounded by the timely response required to changes in consumer behavior concerning social distancing and contactless interactions, physical stores now must gear towards integrating their business models to accommodate to a safe and convenient mode of operating while also customising its shopping experience to meet customer preferences.

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

In a bid to sail through the rough waters of 2021, our malls embarked on a series of tactical initiatives encompassing a strong emphasis on partnership and collaboration with tenants along with a deep understanding and research on shoppers' behavior and preferences. During the year, Suria KLCC furthered its efforts to build customer confidence and gain traction by delivering an exceptional customer experience with great emphasis placed on health and safety.

Ensuring Everyone Makes It for the Long Haul

With sustainability as a key philosophy, Suria KLCC kept the ship steady through the darkest days by rolling out a slew of measures to ensure tenants were able to weather through the toughest moments. With great emphasis placed on providing a holistic, wholesome and overarching strategy to keep the affected retailers afloat, our malls extended RM127.1 million in rental assistance through the deployment of strategic and objective oriented solutions that serves to benefit all parties within the context of financial sustainability. Our efforts and compassionate approach were very well received with tenants not only opting to remain with us, but also committed to expand their stores in some cases.

Despite the retail gloom brought on by the pandemic, Suria KLCC witnessed growth in new tenancy beyond expectations owing to its calculated and swift decision making. Taking heed that refreshment of tenancy mix is pivotal to appeal to the evolving consumers' lifestyle trends, during the year, the mall opened its arms to several new tenants such as the Maxis Experience Centre, Adidas Sneaker Collect, Maje, Sandro, Empire Sushi, Mahnaz, Go Tarbush, Ray-Ban, Subway, Vans, Victoria's Secret, Bonia, Escentials, Under Armour, Playzone, Charles & Keith, Amaris, Evisu, Toast Maker and Tommy Hilfiger. All of which are put forth in strive to enhance the overall vibrancy of the mall to create an elevated and enjoyable shopping experience for our customers.

Rewarding and Attracting Shoppers

In a bid to retain tenants and encourage higher footfall, Suria KLCC introduced an array of promotional offers, incentives and packages through experiential and reward driven campaigns to boost visitor traffic to the mall during the year. Rewarding shoppers has been one of the key strategies adopted by Suria KLCC to generate the desired footfall in the mall. Instead of outright discounts, the mall adopted shopping voucher giveaway campaigns as initiative to boost direct sales for participating tenants. “The Great Giveaway” campaign was curated to encourage spending post-MCO 2.0 and was held from 19 March to 4 April 2021. Staying true to the campaign title, the mall rewarded 17 winners with RM5,000 Suria KLCC shopping vouchers and 34 winners with exclusive luxury prizes as they spent a minimum of RM150 as well as gave away 1,000 skincare gift sets via spending tier of RM600.

Furthering its efforts, Suria KLCC carried on with “The Golden Ticket 2021” campaign which was first launched last year amidst the pandemic. With the aim to stay relevant and garner higher footfall as Klang Valley entered Phase 3 of the National Recovery Plan, the campaign was held from the 8th to 24th October 2021. Making it another one of our mall’s ingenious initiatives, 34 shoppers were rewarded with RM5,000 Suria KLCC shopping vouchers and 2,511 lucky winners with RM50 Suria KLCC shopping vouchers.

Paying attention to the quality and wholesomeness of food beyond the cosmetics of the food court and eateries, Suria KLCC remained one of the few malls in Malaysia with 100% compliance to the requirements of protocols under the Hazard Analysis Critical Control Point (HACCP) system. All eateries operating within the mall must adopt the HACCP management system for food safety, through comprehensive analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling to manufacturing, distribution and consumption of the finished product. These measures are put in place to provide our shoppers with the highest level of hygiene and quality standard in the malls’ offerings.

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

Safe & Easy Shopping

Taking swift actions in response to the pandemic and in efforts to restore shoppers' confidence, both malls were quick to address public concerns about hygiene and safety. Our malls embraced the social responsibility of safeguarding the wellbeing of shoppers, tenants, guests and employees in the premises by adhering to strict SOPs and investing in health, safety, security and environment (HSSE) technologies that enhance screening, cleaning and disinfecting routines.

Giving a special touch to boost confidence, Suria KLCC launched the Safe & Easy Shopping 2.0 video featuring a local celebrity during the year. This video is a sequel to the first Safe & Easy shopping video that was launched in 2020. A video that captures the nostalgia of the good old days featuring Nur Fazura with her baby aiming at sending the message of simply staying positive and optimistic as well as being there for each other during this unprecedented time. Furthering energies to provide a safe, unique and differentiated shopping experience, Suria KLCC took proactive steps by embarking on the research of shoppers' behavior and preferences during the pandemic. This enabled the assembly of tactical marketing campaigns to both address concerns brought on by the findings of the research as well as encourage footfall and spending in the malls.

Taking swift actions in response to the pandemic and in efforts to restore shoppers' confidence, both malls were quick to address public concerns about hygiene and safety.

Scan the QR code to view more on, Safe & Easy shopping video

FINANCIAL REVIEW

PROPERTY	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2021 RM'mil	2020 RM'mil	Variance %	2021 RM'mil	2020 RM'mil	Variance %	2021 %
Suria KLCC	**327.7**	376.2	(12.9)	**223.2**	271.0	(17.6)	**94**
Menara 3 PETRONAS (Retail Podium)	**30.1**	30.6	(1.6)	**14.4**	14.5	(0.7)	**6**
Total Retail Segment	**357.8**	**406.8**	**(12.0)**	**237.6**	**285.5**	**(16.8)**	**100**

The retail segment contributed 31% of the overall KLCCP Stapled Group's revenue. For the year ended 2021, the segment recorded revenue and PBT of RM357.8 million and RM237.6 million respectively. The decrease in performance was mainly due to the rental assistance extended to the tenants of both Suria KLCC and Menara 3 PETRONAS retail in supporting the retail partners during this difficult time.

PROSPECTS

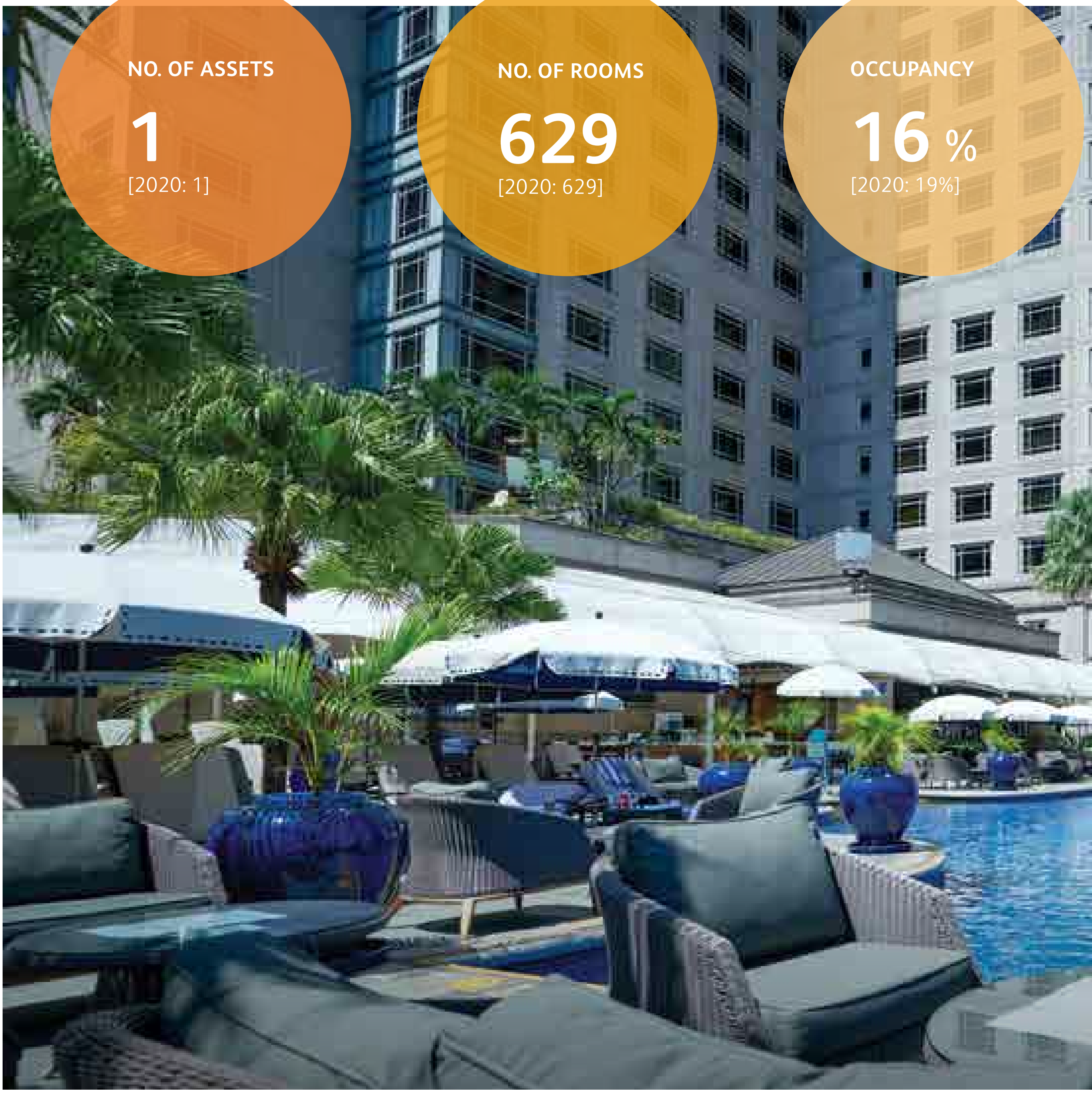
Uncertainties linger in the immediate term considering the impact and development of the ongoing pandemic. Suria KLCC will continue to gear up and drive its strategic initiatives to build a stronger structural growth path as it leverages on its strategic location, proximity and access to customers. As the malls move ahead with the environment of a new norm precipitated by the global pandemic, tactical efforts will be channeled to center around delivering an exceptional customer experience with great emphasis placed on health and safety. Staying lean to prepare for future trends and opportunities, Suria KLCC will adopt in-depth, empathy-focused research using ethnographic research and other qualitative techniques, and "customer-first" content experiences based on research and analytics while curating the mall to offer a safe, convenient and differentiated experience for shoppers. Knowing that the path to recovery is gradual and unpredictable, the segment remains resolute and determined to rise to the challenges ahead.

OPERATIONS REVIEW

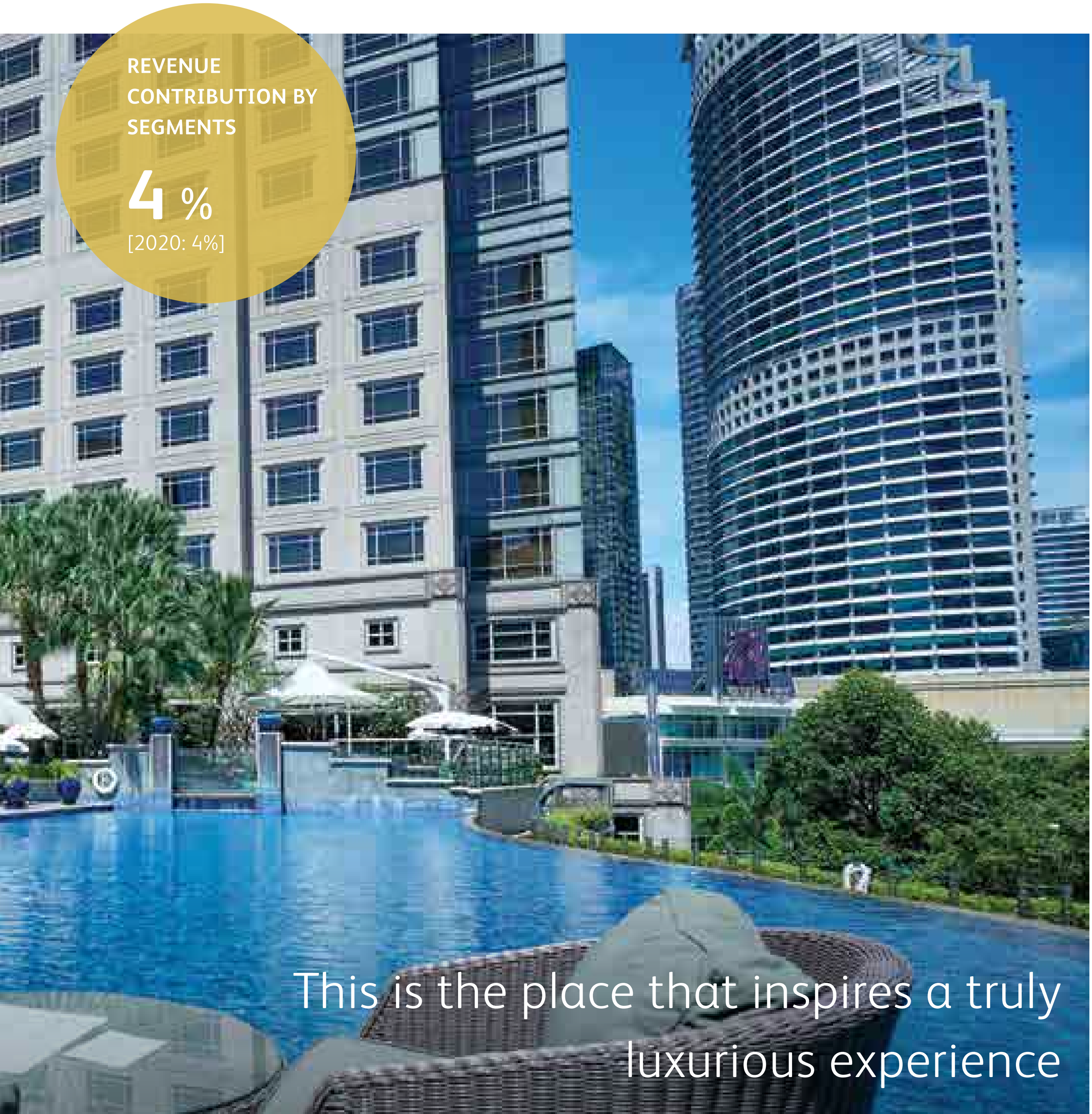
NO. OF ASSETS
1
[2020: 1]

NO. OF ROOMS
629
[2020: 629]

OCCUPANCY
16 %
[2020: 19%]



THE PLACE TO


REVENUE
CONTRIBUTION BY
SEGMENTS
4 %
[2020: 4%]
This is the place that inspires a truly
luxurious experience

STAY

OPERATIONS REVIEW

Known as one of the country's finest hotel establishments, MOKL Hotel represents the hotel segment of KLCCP Stapled Group, offering guests an incomparable experience transcending the typical accommodation.

Notwithstanding the fact that MOKL Hotel is well positioned in the competitive landscape with its rejuvenated guestrooms, the year 2021 saw the Malaysian hospitality and tourism sector severely paralysed by the lingering effects of the COVID-19 pandemic. With further movement restrictions and lockdown orders implemented during the year to thwart the widespread of the virus, the very essence of the sector which revolves around tours, travel, meetings, entertainment, exposition, concerts, sporting events and social gatherings were seen to be drastically impeded. The Hotel was met with another exceedingly onerous year with the pandemic destabilising the overall economic environment of the country and taking its toll on the business operations. MOKL Hotel's main revenue contributors stemming largely from the rooms and food & beverage segments were greatly impacted because of the pandemic led border closures and movement restrictions.

In spite of the turbulent climate and owing to the relentless pursuit of unrivaled guest service, MOKL Hotel continued its award-winning streak and was conferred 7 awards during the year. Adding to its hall of accolades, the awards bestowed include Malaysia's Leading Hotel 2021 by World Travel Awards, Malaysia's Best Hotel Spa by World Spa Awards 2021, Top 10 for Best Hotels in Malaysia by TripAdvisor Travelers' Choice Award 2021, ranked number 19 in Asia by Conde Nast Traveler Readers' Choice Awards 2021, ASEAN Green Award 2020-2022 by ASEAN Tourism Forum and the Hotel 5-star Rating Award by the by Ministry of Tourism, Arts & Culture. The hotel's premium authentic Italian restaurant, Mandarin Grill, was also crowned the T- Dining Best Restaurants 2021 by Tatler Malaysia. The hotel was also bestowed 5 certifications during the year which included the Lloyds Register Hotel Stay Safe Certification / MOHG 'We Care' Program, Bureau Veritas Clean & Safe Certification, Green Hotel Standard 2020-2022 by Ministry of Tourism, ASEAN MICE Venue Standard 2020-2022 by ASEAN Tourism Forum and Halal Certification of Mosaic, banquet and pastry kitchen by Jabatan Kemajuan Islam Malaysia (JAKIM).

The directive on movement restrictions was an unprecedented period where MOKL Hotel focused efforts on containing costs, protecting the assets, taking care of the team while also strategising for the recovery by acclimatising to the new norm.

INDUSTRY LANDSCAPE AND OPERATING CHALLENGES

Over the course of the year, the country continued to grapple with the ongoing challenges of the global pandemic which critically affected the tourism and hospitality industry. 2021 saw the continuation of international border closures, imposition of lockdowns and restrictions with the rise of infection rates early in the year.

The respite of ease in movement restrictions that was seen towards the end of 2020 was short-lived as the country witnessed a surge in the number of cases recorded. To make the matters worse, the year observed new viral infectious strains becoming prevalent and began its spread. The devastating impact of the pandemic coupled with the movement restriction initiative as a preventive measure to curb the spread of the virus has brought about detrimental consequences to the sector among other industries.

This further exacerbated the pre-existing market challenges and stiff competition faced by the hospitality sector. With the area around KLCC Precinct seeing the opening of five new luxury hotels with approximately 1,000 rooms in the past three years, MOKL Hotel now faces a head on competition with these hotels as they are now well established in the market. The hospitality sector has become even more competitive leading to price wars amongst the hotels, contending for the same market share.

Taking on from the repercussions of the pandemic which saw the closure of many hotels and threw a wrench to hopes of international borders opening during the year, hotel operators were forced to tread water under these dire circumstances. With the challenging market environment and stiff competition, MOKL Hotel had to adapt to a new lower price demand with a differentiated offering to remain competitive. The pandemic also brought about a change in client profile from corporate business to local leisure, attracted by price sensitive and great value for money offered. The hotel taking advantage of the unique opportunity presented by the global health crisis embarked to transform and refocused its initiatives towards the domestic market rather than global destinations.

The directive on movement restrictions was an unprecedented period where MOKL Hotel focused efforts on containing costs, protecting the assets, taking care of the team while also strategising for the recovery by acclimatising to the new norm. The team has redefined service operating procedures and prepared the hotel facilities to build the confidence of our guests by adhering and promoting "WE CARE", a Mandarin Oriental's worldwide campaign to ensure the highest cleaning, disinfection and protection standards in the industry. In this regard, thermal cameras were fitted in the hotel entrances, proper social distancing was established in restaurants and public areas and guests were provided with complementary disinfectant gel and masks. MOKL Hotel further made certain that staff members were provided with personal protective equipment as well as comprehensive training to ensure these new norms were observed and actioned.

OPERATIONS REVIEW

2021 was a year of great challenge in comparison with 2020 for MOKL Hotel. The year began on a high note, seeing strong business recovery during the December holiday season with high room occupancy and average room rate. The Hotel's restaurants also outstanding turnouts with full bookings for the new year festivities. The upward trend however, was short-lived as the Government benefited announced a lockdown on January 12th which lasted until early March. A time of suppressed demand, the hotel recorded very low occupancy during this period, only securing its long-term apartment guests.

STRATEGIC INITIATIVES FOR THE YEAR

In view of the stiff competition and to ride through these uncertain times, MOKL Hotel implemented a comprehensive action plan to sustain its operations through various forms of efficiency improvement initiatives.

Capitalising on Domestic Business

In the wake of the pandemic, the hotel saw growth in the local leisure market, driving a new type of clientele base. This market segment is considered highly price sensitive and thus, required a unique touch when it came to crafting the promotional offerings for them.

In the quest to stay ahead and stimulate demand from the local market, the hotel released several offers including and not limited to "Staycations at MO" which offered attractive discounts in both Deluxe and Club & Suites which was the most successful promotion, "Urban Resort" which focused on the hotel's premium inventory targeting guests with a higher spending power, "Suite Treat" attracting guests looking for a pampering retreat, "Club Indulgence" targeting the hotel's high spenders in Club Rooms and Suites as well as "Families by MO" which focused on the hotel's apartment inventory, amongst others.

To further complement the attractive array of packages and promotions offered, the hotel embarked on a journey to transform its former indoor golf into the new MOKL Hotel Kids Club in order to adapt itself to the new demand. Once opened in early quarter 2 2022, the new "Little Explorer Club" located at Level 3 of the hotel, will add a new dimension to the recreational area which currently includes Spa, Fitness and Wellness, two tennis courts, an infinity swimming pool and the AQUA restaurant, a refreshing al fresco restaurant and bar.

As the country's vaccination program began ramping up, the ease in lockdown during March brought new hopes of business recovery. A fleeting optimism which lasted for a brief two months before another lockdown was imposed during the month of Ramadhan. Lasting from May to September 2021, the Hotel was pained by the loss of major revenue contributors from the Ramadhan and Hari Raya period. Aggravating the circumstance, the hotel was forced to cease the operations of its rooms and restaurants which caused a further dent to the performance of the hotel. The hotel however had a bright spot towards the last quarter of the year when restrictions eases as 98% of the country's population were fully vaccinated. This resulted in the hotel having its best performance for the year in December 2021.

Strategic Partnerships and Collaborations

Despite the pandemic, MOKL Hotel continued to embark on strategic partnerships, alliances and collaborations in a bid to expand its clientele base. Tatler House has been one of the key partnerships the hotel has brought to fruition in 2021. A strong ally that not only attracted local attention and demand to our hotel but have also attracted several high-end brands to organise pop-up events, special dinners and cocktails. Some of these prestigious brands included Prada, Martell, Louis Vuitton and BMW.

In an effort to further enhance our digital reach and social media engagement, MOKL Hotel hired renowned London based agency Bourne-in-time, a partnership which showed an immediate increase in the number of followers on social media. Adding to this, the hotel has carefully selected two local artists, Mrs Fazura and Mr Fattah, who have more than 14 million followers combined on Instagram to become our newest local ambassadors (FANS) and promote our hotel on their various digital platforms. These efforts showed increased number of current social media followers for the hotel (Instagram and Facebook) above 154,000.

The hotel also embarked on several partnerships and deployed promotional packages targeting embassies, government agencies, royalties and high net worth individuals. These offerings have been well received and have supported the recovery of the hotel's revenue and average room rates which were gravely affected during the year.

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

Food & Beverages promotions and offerings

It was a creative year for the food & beverage segment as the hotel had to forego key revenue generators of Chinese New Year and Hari Raya resultant of the lockdown imposed. In spite of being dampened by the movement restrictions, the hotel held a successful mooncake campaign which saw fantastic returns and launched an exceedingly innovative promotion named “Wedding to Go” where wedding boxes are distributed to guests of the bride and groom around Kuala Lumpur to celebrate weddings in a distance. Albeit operating at 50% capacity with tables needing to be 2 meters apart and guests 1 meter in each table, during the year, MOKL Hotel hosted 33 weddings and 179 events.

MOKL Hotel’s enhanced online gourmet shop continued to be successful during the lockdown periods, offering traditional cakes and sweets as well as full menus showcasing the hotel restaurants’ best-selling dishes to be delivered directly to the doorstep of our guests. Further augmenting the online shop, the hotel launched its worldwide online shop during the year which allows guests to purchase their most desired product from each Mandarin Oriental hotel, ranging from bed linen to in room amenities, to name a few. The fruition of leveraging on this platform saw improvement in the hotels’ revenue from this initiative which previously recorded most of its revenues through walk-in guests to the hotel. Total revenue recorded from this initiative saw a staggering 149% growth due to its extended offerings. The team also saw increased productivity and scheduling flexibility allowing for multitasking and the efficient running of hotel operations.

FINANCIAL REVIEW

	2021 RM'mil	2020 RM'mil	Variance %
Revenue	**46.5**	52.9	(12.1)
Loss before tax	**(65.9)**	**(63.6)**	**(3.6)**

Similar to last year, the COVID-19 pandemic had impacted the hotel segment the most. The subdued performance from this segment was a resultant of border closure, interstate travel restrictions and prohibition of large social gatherings during the various phases of the MCO.

The hotel focused on local leisure market through various personalised promotions, thus experienced a strong pickup upon the opening of interstate travels towards the end of the year. Room occupancy peaked in December 2021 at 36.2% with great demand in the higher valued inventory of Mandarin's suite rooms.

The hotel segment concluded the year with revenue of RM46.5 million, a decrease of 12.1% compared to last year. However, loss before tax was contained at RM65.9 million.

PROSPECTS

As the current headwinds linger, MOKL Hotel is expected to brave a challenging climate in the throes of uncertainty surrounding the ongoing pandemic and fierce competition from new hotels within the vicinity. Seeing as many countries are similarly affected by the pandemic, the hospitality sector is expected to be largely driven by domestic travel demand in the short term. MOKL Hotel does not expect to see an immediate growth spurt to globetrotting activities once other governments reopen their borders and holds a cautious outlook despite the easing of travel restrictions as a full recovery will still depend on international arrivals in the long run. It is however worth noting that as domestic travels are now permitted with talks of the full opening of international borders underway, the market could see some positive outlook for the future with an increase in the demand for hotel rooms. Notwithstanding, as the turbulence in the hospitality industry is expected to persist factoring on the longevity of the pandemic, the impact of new variants as well as the timing of international borders opening once again, it is critical for the hotel to remain adaptable to adjust to the market conditions. The cost management controls established would serve as a critical pillar to ensure the hotel operates sustainably until tourism fully recovers. Unquestionably, it would be a gradual recovery in the years to come before the hotel expects to see its operations going back to its pre-pandemic performance. Nevertheless, MOKL Hotel will gear to face the challenges ahead with continuous tactical initiatives and prudent cost containment measures, while upholding its reputation of delivering world class hospitality beyond guests' expectations for a luxury hotel experience.

OPERATIONS REVIEW

NO. OF FACILITIES MANAGED

25

[2020: 23]

NO. OF CAR PARKING BAYS MANAGED

13,211

[2020: 11,837]

REVENUE CONTRIBUTION BY SEGMENTS

16 %

[2020: 15%]

THE PLACE TO

This is the place that inspires learning
and captivates the mind

PLAY

OPERATIONS REVIEW

Our management services portfolio which continues to complement the property portfolio of KLCCP Stapled Group comprises predominantly of two broad categories namely – facilities management and car parking management.

KLCC Urusharta (KLCCUH), our facilities management arm undertakes the management of all the office buildings within the KLCCP Stapled Group portfolio, common facilities and common estates which include KLCC Park, all within KLCC Development as well as various PETRONAS and KLCC (Holdings) facilities. The Company provides a comprehensive range of services in the realm of facilities management aimed at meeting the needs and requirements by building owners and tenants.

KLCC Parking Management (KPM) offers leading parking management services with more than 10 years of industry experience, suiting it well for the premium standard required for the assets portfolio within the KLCC Group of Companies. Apart from addressing the parking demands of the facilities, KPM also provides advisory services to owners and operators of old and new properties on the practical, functional and aesthetic aspects of car park facilities and ensures its operations complement the integrated needs of the retail, office tenants, hotel and convention centre.

Taking heed of the everchanging environment while ensuring the customer parking experience is delivered at the highest standards, KPM pivoted to provide flexibility of payment methods, enhanced security features, convenience in finding car park spaces and other ancillary services such as charging stations for hybrid cars.

INDUSTRY LANDSCAPE AND OPERATING CHALLENGES

Since the pandemic took hold, facilities managers have been fighting to explore new opportunities for remote work and socially distant workplaces. The fight rages on as the spread of COVID-19 continues and new facility management practices emerge to combat it. The year again saw the implementation of various phases of movement restrictions and lockdowns which closed many workplaces, reducing the requirement for all but essential maintenance. The requirement for a safe and clean working environment remains a priority, with thermal scanners, hand sanitising stations and social distancing signages installed and maintained to ensure adherence to the new SOPs.

The facilities management industry continued to witness disruptions in the workplace as repercussions of the outbreak turned to normalcy. The key concern of facilities managers prior to the pandemic revolved mostly around battling the rising cost environment and keeping costs at bay while striving to deliver high quality service to its building occupants. Along with these concerns, the emphasis has also now been placed on guaranteeing cleanliness, hygiene and safety as well as lifting the fear and worries of employees returning to the workplace. This everchanging workplace trend, with a great emphasis placed on cost efficiency and resource optimisation, has pushed for enhanced monitoring utilising analytical tools.

The global parking industry was faced with turmoil in the heat of the pandemic. With the issuance of movement restrictions and calls for the public to remain at home by the local authorities in the past two years, the nation saw reduced mobility and an enormous contraction in the overall parking activity. From office buildings and shopping malls to airports, many parking lots were left almost empty and some completely shut. Now more so, with heightened emphasis on safety and cleanliness, it has become pivotal for parking operators to realign their responses for a safe, convenient and seamless parking experience and cater to the needs of the community.

On the flipside, ridesharing and e-hailing services which were on an upward trajectory prior to the pandemic were severely dampened during the past two years as heightened concern over the spread of the outbreak lingers. This unprecedented outbreak has also impacted the opening of MRT Line 2 which serves to make commuting easier and more convenient as commuters who own private vehicles are more inclined to drive instead of resorting to public transport options in the short term. This arguably could result in higher utilisation of parking facilities in the coming period as we witnessed considerable improvement in transient parking during the span where there is ease in movement restrictions. In the long run however, the anxieties ensuing the pandemic will likely alleviate and commuters may readapt to using ridesharing, e-hailing and public transportation again.

With that being said, KPM as the parking management company of the Group continued to uphold its name as a premium car park management service provider through the delivery of quality operations, having robust audit procedures and the requisite knowledge and experience to be in the forefront of the industry. Taking heed of the everchanging environment while ensuring the customer parking experience is delivered at the highest standards, KPM pivoted to provide flexibility of payment methods, enhanced security features, convenience in finding car park spaces and other ancillary services such as charging stations for hybrid cars.

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

In spite of the challenging climate, both KLCCUH and KPM continued to strengthen efforts to boost operational efficiencies and improve delivery of quality services which transcends the needs of its stakeholders.

Safety, Health and Security

Facing yet another year of a dynamic and evolving landscape, KLCCUH as a facility management service provider continued to center its role and priority on creating a clean and safe work environment while also staying on track on delivering quality maintenance services. The year again saw facility management companies' focus and key objectives boiling down to two critical areas, embodying facility cleanliness as well as the safety of employees.

Recognising that safety begins with the internal team, KLCCUH ensured that all staff and in-house contractors are fully vaccinated and are screened fortnightly for COVID-19. Our managed facilities are also prepared in accordance to best practices and highest standards in battling this unprecedented pandemic. Crowd Management was also tested through the Building Readiness Simulation Exercise to ensure that our facilities are ready to welcome our office tenants. The exercise was conducted to assess the building's readiness in terms of COVID-19 control measures in the respective buildings and to identify any potential gaps prior to returning to the office.

Robust efforts ranging from the evaluation of janitorial schedules and daily cleaning practices to spot sterilisation and workplace-specific sanitisation standards as well as disinfection were deployed. Further designing an effective COVID-19 control measure, KLCCUH took proactive steps by ensuring the subscribed approach and execution methods adheres to the latest directive by the Government and related ministries.

Integrated Facilities Management Services

Marking a significant milestone, the Integrated Building Command Center (IBCC) was officially launched in 2021. Forming an integral part of KLCCUH's transformation initiative, the newly built command center serves as a major leap to transform the Company into a future-ready facilities management service provider anchoring on digital ways of working, strong technical capabilities, enhanced operational excellence and world-class health, safety and security standards.

Intensifying efforts to mitigate the underlying risks in hot spots such as the PETRONAS Twin Towers, Suria KLCC and KLCC Park, various initiatives were deployed to fortify the Safety and Security team to safeguard the wellbeing of visitors to the area. Under the Security Enhancement Project, KLCCUH invested in an Integrated Security Operation Center (ISOC) to house the security management team and a new security and surveillance system by way of effectively managing KLCC Precinct's security operations and respond to emergencies.

2021 further saw the levelling up of KLCCUH's security team as it embraces digitalisation with a New Security Operating Model (NSOM) transforming from a "Static Zone-Based Security Guards" to a "Risk-Based Intelligent Patrolling & Rapid Response Auxiliary Police". This strategic mobilisation of Auxiliary Police effectively confers a greater degree of authority and jurisdiction for the team in the realm of enforcement. With these multifaceted enhancements, KLCCUH is able to significantly mitigate its security risks, improve overall safety and ultimately grant users and patrons a peace of mind.

Improving Parking Experience

Acknowledging that the pandemic will continue to shape society into embracing a new normal, KPM was prompt to lay a solid foundation for its services to be safer, convenient and digitally fortified. In a time when great emphasis is placed on safety, health and hygiene, the demand for a frictionless parking is now more than ever. Towards delivering a seamless parking payment experience, during the year, KPM collaborated with Setel Ventures Sdn Bhd to provide alternative cashless payment method at the NWD carpark, leveraging on Setel mobile application.

As a nifty solution to enhance its service offerings during the year, KPM witnessed the successful conversion of 42 new car park bays located at Level P2 to a premium parking area at the NWD car park to promote convenience, safety and security for our patrons. Concurrently, the EV charging stations further serve to support the Malaysian Government Initiative for Green Economy 2050 by minimising carbon footprint.

Undeterred by the arduous environment during the year, KPM successfully secured the operation of three new car park locations in Putrajaya namely, Herriot-Watt University, Lot 5M2 and Lot 2C3. Complementing the operations in these new locations, the Company further embarked on improving convenience to customers with their cashless and ticketless initiative, promising an exceptional level of parking experience for our customers.

KLCCUH and KPM were awarded the prestigious Royal Society for Prevention of Accident (RoSPA) Award with Gold and Silver award respectively

KLCCUH received OSH Gold Class 2 Award for their outstanding Occupational Safety and Health (OSH) performances

FINANCIAL REVIEW

PROPERTY	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2021 RM'mil	2020 RM'mil	Variance %	2021 RM'mil	2020 RM'mil	Variance %	2021 %
Facilities Management	**138.2**	134.7	2.6	**12.2**	13.8	(11.4)	**67**
Car Park Management	**36.7**	39.1	(6.1)	**13.9**	14.8	(6.2)	**76**
Others	**12.4**	15.4	(19.5)	**(7.8)**	(8.4)	(6.7)	**(43)**
Total Segment	**187.3**	**189.2**	**(1.0)**	**18.3**	**20.3**	**(9.7)**	**100**

For the financial year 2021, management services contributed total revenue of RM187.3 million, a marginal decrease from the previous year and constituted 16% of KLCCP Stapled Group's revenue.

Facilities Management reported an escalated growth of 2.6% in revenue from the additional services secured during the year. However, the PBT contracted by 11.4% mainly due to the completion of numerous one-off projects which gave a higher profitability to the segment.

Carpark management revenue reduced by 6.1% to RM36.7 million mainly to the decline in the seasonal parking and transient car counts as a result of movement restrictions as well as flexible working arrangements adopted by the surrounding offices. PBT reduced by 6.2% to RM13.9 million in line with the revenue reduction.

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

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

PROSPECTS

Steering through yet another year with the COVID-19 pandemic, KLCCUH as a progressive facility manager has rooted best practices for health and safety, radically changing existing approaches to accommodate new ways of both doing business and providing a safe workplace.

Looking beyond the pace of the immediate recovery, KLCCUH is at full speed with its transformation initiatives to gear towards becoming a future-ready facilities management company embracing modern digital ways of leveraging on the full completion of systems integration of IBCC in 2022.

Our car parking management company under KPM will continue to drive its efforts towards elevating the service quality and parking experience for its customers through promoting convenience and improving the safety and security of its car parking services with cashless payment and total digital surveillance. With KPM well on the path to be a future ready car parking management company, the enhanced quality standard of car parking from its robust initiatives will best position it to meet customer demands and deliver a parking experience beyond compare.

KLCC REIT FINANCIAL HIGHLIGHTS

TOTAL PORTFOLIO REVENUE
(RM'000)

2021	**569,728**
2020	581,224
2019	591,363
2018	588,523
2017	585,469

TOTAL PORTFOLIO NET PROPERTY INCOME
(RM'000)

2021	**541,475**
2020	551,999
2019	561,565
2018	558,408
2017	555,450

DISTRIBUTION PER UNIT
(sen)

2021	**25.01**
2020	23.50
2019	25.00
2018	23.35
2017	20.95

INVESTMENT PROPERTIES
(RM'000)

2021	**9,113,553**
2020	9,189,014
2019	9,193,989
2018	9,190,831
2017	9,176,045

REVENUE
(RM'000)

	OFFICE	RETAIL	
2021	539,606	30,122	**569,728**
2020	550,650	30,574	581,224
2019	557,486	33,877	591,363
2018	557,500	31,023	588,523
2017	551,735	33,734	585,469

NET PROPERTY INCOME
(RM'000)

	OFFICE	RETAIL	
2021	521,392	20,083	**541,475**
2020	532,141	19,858	551,999
2019	537,786	23,779	561,565
2018	537,823	20,585	558,408
2017	532,412	23,038	555,450

KLCC REIT VALUE ADDED STATEMENT

	2021 RM'000	2020 RM'000
Total Turnover	**569,728**	581,224
Profit income	**2,315**	2,127
Fair value adjustments of investment properties	**(76,979)**	(5,085)
Operating and tax expenses	**(20,555)**	(28,716)
	474,509	549,550
Reconciliation		
Profit for the year	**369,396**	439,671
Finance costs	**59,777**	63,899
Managers fees	**44,736**	45,380
Trustee fees	**600**	600
	474,509	549,550
Value Distributed		
Trust expenses		
Managers fees	**44,736**	45,380
Trustee fees	**600**	600
Providers of capital		
Finance costs	**59,777**	63,899
Income distribution	**431,115**	434,182
Reinvestment and growth		
Undistributed income	**7,562**	10,065
Capital reserve*	**(69,281)**	(4,576)
	474,509	549,550

* 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	2021	2020	2019	2018	2017
Revenue (RM'000)	**569,728**	581,224	591,363	588,523	585,469
Net Property Income (RM'000)	**541,475**	551,999	561,565	558,408	555,450
Total Comprehensive Income: (RM'000)					
- Realised	**438,677**	444,247	454,409	450,362	446,148
- Unrealised	**(69,281)**	(4,576)	(20,761)	(9,701)	81,496
Income Available for Distribution (realised) (RM'000)	**467,655**	447,372	451,569	421,928	397,177
Income Distribution (RM'000)	**451,515**[1]	424,253	451,333	421,545	378,217
Distribution per Unit (DPU) (sen)	**25.01**	23.50	25.00	23.35	20.95
Distribution Yield[2] (%)	**5.13**	4.24	4.81	4.83	4.18
Basic Earnings per Unit (sen)	**20.46**	24.35	24.02	24.41	29.22
Management Expense Ratio[3] (%)	**0.59**	0.59	0.60	0.60	0.60

STATEMENT OF FINANCIAL POSITION

Key Data & Financial Ratios	As at 31 Dec 21	As at 31 Dec 20	As at 31 Dec 19	As at 31 Dec 18	As at 31 Dec 17
Investment Properties (RM'000)	**9,113,553**	9,189,014	9,193,989	9,190,831	9,176,045
Total Assets (RM'000)	**9,604,975**	9,706,139	9,696,441	9,663,354	9,631,719
Total Financings (RM'000)	**1,366,310**	1,368,704	1,370,738	1,371,907	1,371,026
Total Liabilities (RM'000)	**1,587,849**	1,627,294	1,623,085	1,571,952	1,581,455
Total Unitholders' Fund (RM'000)	**8,017,126**	8,078,845	8,073,356	8,091,402	8,050,264
Total Net Asset Value (NAV) (RM'000)	**8,017,126**	8,078,845	8,073,356	8,091,402	8,050,264
Net Asset Value (NAV) per unit:					
- before distribution (RM)	**4.44**	4.47	4.47	4.48	4.46
- after distribution (RM)	**4.37**	4.42	4.41	4.42	4.41
Highest NAV per unit (RM)	**4.50**	4.50	4.52	4.52	4.46
Lowest NAV per unit (RM)	**4.44**	4.45	4.45	4.45	4.37
Gearing ratio (%)	**14.2**	14.1	14.1	14.2	14.2
Average cost of debt (%)	**4.34**	4.50	4.35	4.50	4.50
Debt Service Cover Ratio (times)	**6.5**	8.2	8.6	8.6	9.1

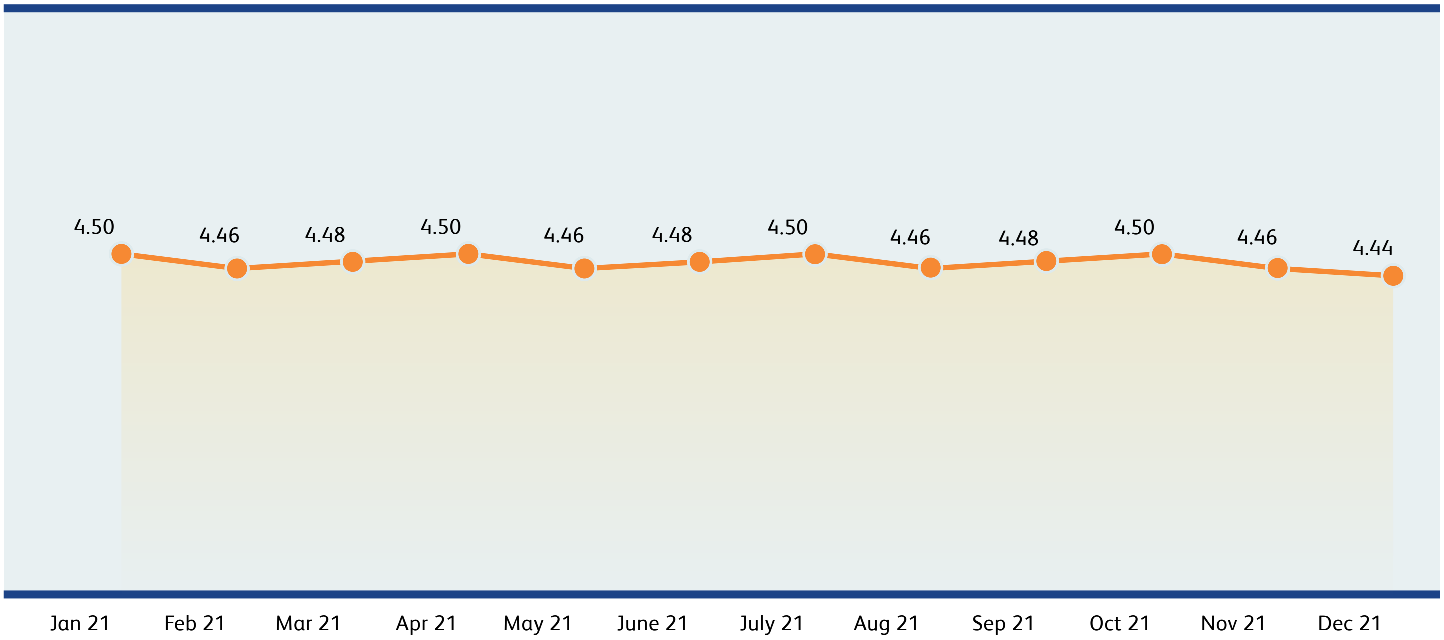
1 Includes the 2021 fourth income distribution payable on 28 February 2022.

2 Based on DPU of KLCCP Stapled Group of 33.6 sen (2020: 30.00 sen) and the closing price of KLCC Stapled Securities of RM6.55 (2020: RM7.08) as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

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

Past performance is not necessarily an indication of future performance as market conditions may change overtime.

NET ASSET VALUE PER UNIT (RM)



TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES[1]

Trading Summary	2021	2020	2019	2018	2017
Stapled Securities Closing Price at 31 December (RM)	**6.55**	7.08	7.90	7.66	8.64
Highest traded price for the year (RM)	**7.17**	8.26	8.40	8.00	8.64
Lowest traded price for the year (RM)	**6.32**	7.08	7.68	6.88	7.70
Capital Appreciation (%)	**(7.5)**	(10.4)	3.1	(11.3)	4.1
Annual Total Return (%)[2]	**(2.4)**	(6.1)	7.9	(6.5)	8.3
Average Total Return (3 years) (%)	**(0.2)**	(1.6)	3.2	7.9	13.4
Average Total Return (5 years) (%)	**0.2**	5.1	8.3	10.7	-
Number of Stapled Securities ('000)	**1,805,333**	1,805,333	1,805,333	1,805,333	1,805,333
Market Capitalisation (RM'000)	**11,824,931**	12,781,758	14,262,131	13,828,851	15,598,077

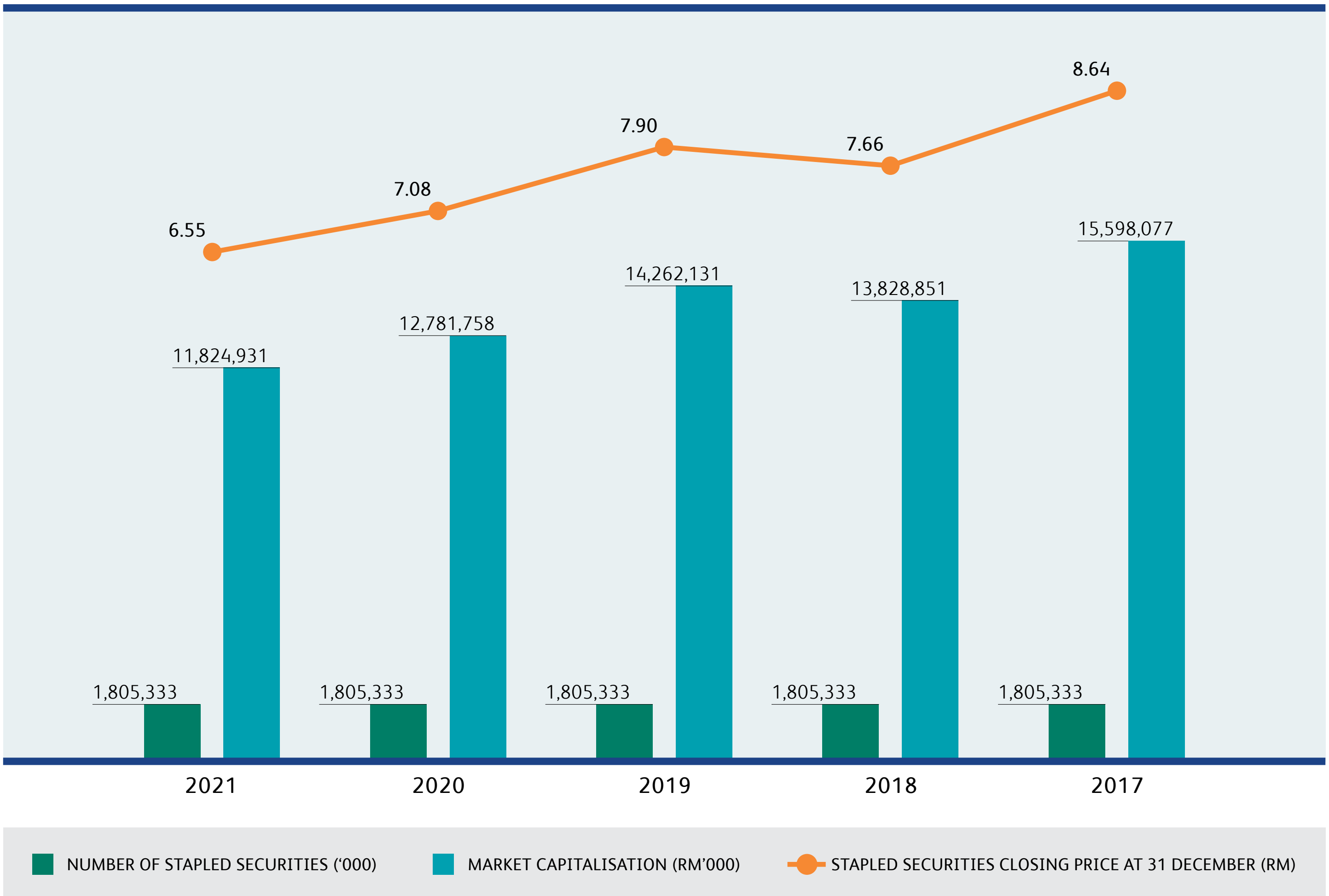
[1] The trading price performance of KLCC REIT is based on the price performance of KLCC Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

[2] Annual total return comprises capital appreciation from 1 January 2021 to 31 December 2021 of (-7.5%) (2020: -10.4%) and distribution yield of KLCCP Stapled Group of 5.13% (2020: 4.24%).

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

KLCC REIT FUND PERFORMANCE

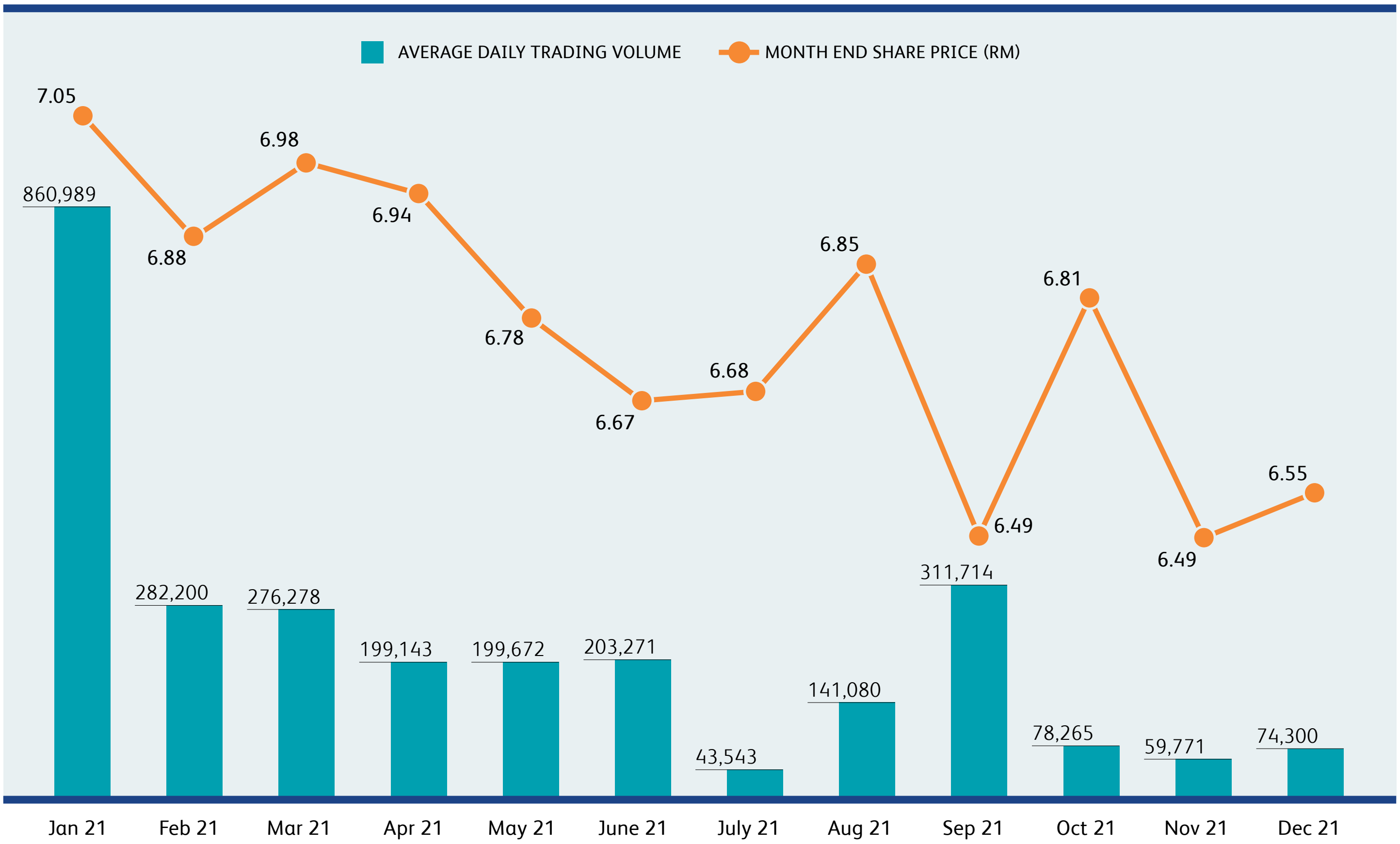
MARKET CAPITALISATION, SHARE PRICE PERFORMANCE AND NUMBER OF STAPLED SECURITIES



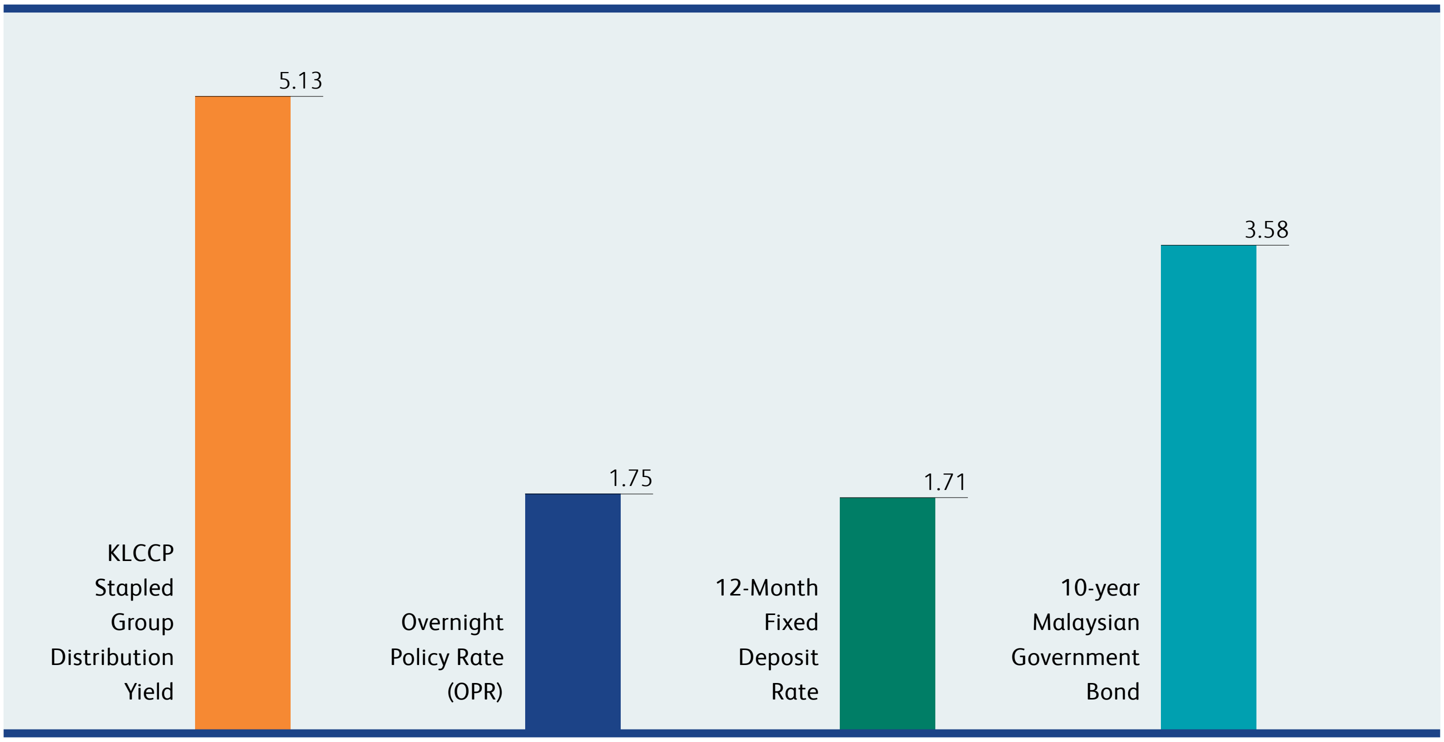
KLCC STAPLED SECURITIES PRICE VS FTSE BURSA MALAYSIA KLCI INDEX PERFORMANCE BENCHMARK

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

KLCC STAPLED SECURITIES MONTHLY TRADING PERFORMANCE



COMPARATIVE YIELDS AS AT 31 DECEMBER 2021 (%)



Source: Bank Negara website

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

STRONG AND STABLE ASSET PERFORMANCE

The Manager of KLCC Real Estate Investment Trust (KLCC REIT or the Fund), KLCC REIT Management Sdn Bhd (the Manager), is pleased to submit the Manager's financial and operational review for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITY AND INVESTMENT OBJECTIVES

KLCC REIT is an Islamic Real Estate Investment Trust established to own and invest primarily in Shariah compliant real estate for office and retail purposes. The Fund was constituted by the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019, entered into between the Manager and Maybank Trustees Berhad (the Trustee). The Amended and Restated Trust Deed was registered and lodged with the Securities Commission (SC) on 16 October 2019 and 17 October 2019 respectively, and the Fund 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 is focused on active asset management and acquisition growth strategy to provide regular and stable distributions to unitholders and ensure capital growth and improved returns from its property portfolio.

Active asset management strategy

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

Acquisition growth strategy

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

OVERVIEW OF PROPERTY PORTFOLIO

KLCC REIT is an office-centric diversified REIT whose portfolio includes three unique prime commercial assets with strong and stable asset performance – the iconic PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS. The retail podium of Menara 3 PETRONAS represents the retail segment of KLCC REIT, which capitalises on Suria KLCC's reputation as a premier shopping destination in Malaysia.

The properties with a combined NLA of over 4.5 million sq. ft. are located in the prime area of Kuala Lumpur City Centre, popularly known as KLCC, within the 100-acre KLCC Development, ranked among the largest real-estate developments in the world. The integrated commercial development within the KLCC Precinct is a combination of prime Grade-A offices, premier retail outlets, 4 to 5 star hotels, high-end residential, MICE (meeting, incentives, convention and exhibition) facilities and world-class entertainment fronting a lush KLCC Park.

Financial Review

KEY HIGHLIGHTS 2021

KLCC REIT's overall performance has proven to be resilient over time, backed by its long-term, locked-in leases contributing **61.6%** of the PBT for KLCCP Stapled Group

The retail segment was challenged during the year with the various phases of MCO implemented by the Government but was able to rebound during the last quarter of the year with increased footfall & tenant sales

Payment of **RM400 million** Islamic Medium Term Notes (IMTN) and reissuance of new IMTN **RM400 million** payable in April 2031, reducing the effective profit rate to **4.16%** from 4.35% and lengthened the average maturity period from 3.2 years to **5.1 years**

	2021 RM'mil	2020 RM'mil	Variance (%)
Revenue	**569.7**	581.2	(2)
Net Property Income	**541.5**	552.0	(2)
Profit for the Year*	**438.7**	444.2	(1)
Income Available for Distribution*	**467.7**	447.4	5
Income Distribution*	**451.5**	424.3	6
Earnings Per Unit* (EPU) (sen)	**24.30**	24.61	(1)
Distribution Per Unit (DPU) (sen)	**25.01**	23.50	6

* Excluding fair value adjustments

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

2021 has been another challenging year as the COVID-19 pandemic continued to shroud the Malaysian economy, and real estate investment trusts (REITs) were not spared, with retail and hospitality the worst hit segments.

The year started with the announcement of the reimposition of Movement Control Order (MCO), dubbed as MCO 2.0 for a few states in Malaysia, before the whole nation came under MCO shortly after. The cases continued to surge, which put the nation's healthcare system under tremendous pressure. Only five essential economic sectors were allowed to operate during the period as they were key drivers of Malaysia's economy. These sectors included factories and manufacturing, construction, services, distribution businesses, and plantations and commodities.

After almost a year of restrictions in going to work, dining, shopping, and other activities, the nation transitioned to a more relaxed phase of MCO in October 2021. The transition was backed by the rapid vaccination and booster rates which saw more pandemic restrictions receded, which eventually led to uplifting of the long-waited interdistrict and interstate travelling.

Despite the bumpy ride in 2021, KLCC REIT has proven to be resilient over time and continues to deliver stable results, reflective of its iconic solid portfolio of assets. For the financial year ended 31 December 2021, KLCC REIT's portfolio of assets reported revenue of RM569.7 million, contributing 48.6% of KLCCP Stapled Group's revenue whilst profit for the year (excluding fair value adjustments) was at RM438.7 million. Net asset value as at 31 December 2021 stood at RM4.44 per unit.

Income available for distribution increased by 4.5% mainly contributed by higher cash arising from the upward rental revisions for PETRONAS Twin Towers and Menara 3 PETRONAS. Correspondingly, the DPU of 25.01 sen was 6.0% higher than 2020, representing a 96.5% pay-out with a total income distribution of RM451.5 million to the unitholders for the financial year 2021.

	Revenue			Net Property Income			Profit for the Year*		
	2021 (RM'mil)	2020 (RM'mil)	Variance %	2021 (RM'mil)	2020 (RM'mil)	Variance %	2021 (RM'mil)	2020 (RM'mil)	Variance %
PETRONAS Twin Towers	**401.2**	416.7	(3.7)	**400.2**	415.6	(3.7)	**321.4**	332.7	(3.4)
Menara ExxonMobil	**45.7**	45.6	0.2	**28.7**	28.4	1.0	**23.4**	22.9	2.2
Menara 3 PETRONAS	**92.7**	88.3	5.0	**92.5**	88.1	5.0	**80.8**	75.3	7.3
Total for Office Segment	**539.6**	550.6	(2.0)	**521.4**	532.1	(2.0)	**425.6**	430.9	(1.2)
Menara 3 PETRONAS (Retail Podium)	**30.1**	30.6	(1.6)	**20.1**	19.9	1.0	**13.1**	13.3	(1.5)
Total for Retail Segment	**30.1**	30.6	(1.6)	**20.1**	19.9	1.0	**13.1**	13.3	(1.5)
Total	**569.7**	581.2	(2.0)	**541.5**	552.0	(1.9)	**438.7**	444.2	(1.2)

* Excluding fair value adjustments

The performance of the three investment properties generated net property income of RM541.5 million, representing a contribution of 96% from the office segment and 4% from retail. PETRONAS Twin Towers remained KLCC REIT's highest revenue contributor at 70%, contributing 74% of total net property income.

Profit for the year (excluding fair value adjustments) of RM438.7 million, recorded a marginal decrease of 1.2% compared to 2020. This was mainly attributable to the accounting adjustments to reflect the extension of the Triple Net Lease agreements for PETRONAS Twin Towers and Menara 3 PETRONAS in December 2020 and the rental assistance accorded to the Menara 3 retail tenants for their business recovery and sustainability.

Menara ExxonMobil's profit for the year improved by 2.2% from lower operating expenses, mainly due to lower utilities expenses.

Office segment

Uncertainties surrounding the pandemic have continued to overshadow the Klang Valley office market. With the lingering oversupplied office spaces and subdued demand, Klang Valley offices continue to be a tenant-led market. Occupiers are still exploring their real estate strategies in a post-pandemic scenario, thus remaining cautious in making new moves. Nevertheless, many major multi-national companies have indicated that they will not permanently adopt a work-from-home arrangement. This signals that the office demand is here to stay.

Amidst the headwinds caused by the COVID-19 pandemic, KLCC REIT office performance remained stable, underpinned by its Triple Net Lease and long lease agreements. The locked-in long-term leases with the Triple Net Lease (TNL) agreements for Menara 3 PETRONAS and PETRONAS Twin Towers which were extended in November 2020 for a further 15 years to 2041 and 2042 respectively, puts KLCC REIT on a strong footing, following the step up rent in Menara 3 PETRONAS in December 2020, upward rental revision to the lease for PETRONAS Twin Towers took effect in October 2021, improving the overall cash position of the REIT.

The lease renewal of Menara ExxonMobil for the next three years of its 18-year lease tenure also proves the stability of the office portfolio.

Our office segment will continue to anchor the Group's overall performance, underpinned by the stable cash flows and resilient rental income with 100% occupancy in our office portfolio, providing stability and visibility to the Group.

Retail segment

The impact brought by the pandemic, with multiple lockdowns and restrictions on non-essential retailers during most of the year, has been profound and led to fundamental shifts in customer shopping behaviour. In addition, work from home arrangements has accelerated the adoption of e-commerce platforms and normalisation of online shopping.

This has inadvertently impacted the retailers. In order to relief business pressures, the mall had extended rental assistance in order to ensure business continuity of our retail partners. As such, occupancy maintained at 92%, similar to last year.

After a subdued nine months of 2021, retail activities rebounded following the transition to Phase 3 and subsequently Phase 4 of the National Recovery Plan (NRP) in October 2021. The retail podium of Menara 3 saw a surge in footfall and tenant sales, reflecting pent-up demand and consumer confidence. The performance of the retail podium of Menara 3 PETRONAS is well-positioned to benefit from the reopening of the economy since October 2021.

Riding on Suria KLCC's reputation as a premier shopping destination and to ensure it has a foothold in the future, the mall will continue to heighten the deep understanding of its customers and adopt in-depth "customer-first" content experiences based on research and analytics. With all these in place, coupled with an exciting and compelling tenant mix and the great physical environment around the KLCC area, the mall is well positioned as **The Place** to shop in the KL city centre.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Assets and Liabilities

KLCC REIT's balance sheet remained in a healthy and robust position with unitholders' funds of RM8.0 billion and net asset per unit of RM4.44.

	2021 RM'mil	2020 RM'mil	Variance (%)
ASSETS			
Investment Properties	**9,113.6**	9,189.0	(0.8)
Receivables	**383.3**	415.6	(7.8)
Cash and Bank Balances	**106.8**	99.4	7.4
Others	**1.3**	2.1	(38.1)
	9,605.0	9,706.1	(1.0)
LIABILITIES			
Financings	**1,366.3**	1,368.7	(0.2)
Others	**221.6**	258.6	(14.3)
	1,587.9	1,627.3	(2.4)
Unitholders Fund	**8,017.1**	8,078.8	(0.8)
Net Asset Value per unit (NAV per unit) (RM)	**4.44**	4.47	(0.7)

The receivables balance primarily comprises accrued operating lease income recognised and varies over the lease term. The accrued revenue is resultant from the straight-lining effect of recognition of the step-up rates in the Triple Net Lease arrangements whereby all future revenue of the tenancy locked-in period is accounted for in constant amounts across the entire lease period.

A higher cash balance was reported at RM106.8 million compared to RM99.4 million, mainly due to the upward rental revision received from PETRONAS Twin Towers and Menara 3 PETRONAS during the year. However, this was partially offset by timing differences in receipts and other payables activities.

NAV per unit decreased to RM4.44 from RM4.47 as a result of the fair value adjustments recorded during the year.

MARKET VALUE OF INVESTMENT PROPERTIES

KLCC REIT's portfolio of investment properties remained strong against the challenging economic backdrop, albeit recording a marginal decrease in value of 0.8% or RM75.4 million.

Market value as of 31 December 2021 stood at RM9.5 billion, adjusted under the requirements of MFRS 140 Investment Property to account for accrued operating lease income and additions during the year. Consequently, RM77.0 million loss on fair value adjustment was recognised in the income statement.

The decrease in market value reflected the current market conditions, however was cushioned with the Triple Net Lease and long lease agreements.

	Market Value		Changes in Value	
Property	31 December 2021 RM'mil	31 December 2020 RM'mil	RM'mil	%
PETRONAS Twin Towers	6,940.0	7,014.0	(74.0)	(1.1)
Menara ExxonMobil	532.0	536.8	(4.8)	(0.9)
Menara 3 PETRONAS	2,020.0	2,048.5	(28.5)	(1.4)
Total	**9,492.0**	**9,599.3**	**(107.3)**	**(1.1)**
Less: Adjustment*			30.3	
Fair value loss FY2021			**(77.0)**	

* Changes in accrued operating lease income and capital expenditure during the year

OPERATIONAL REVIEW

Asset Management

As the Manager for the iconic prime assets, we remained steadfast in ensuring that the health and safety of our tenants and customers were not compromised. With more and more of the office tenants returning to work amidst the lingering pandemic, we observed the requirement and emphasised a "healthy building".

One of the focus was on the indoor air quality, in which the Manager performed a comprehensive review of our buildings' Heating, Ventilation, and Air Conditioning (HVAC) system. We are proud to note that all our offices' ventilation and air quality are meeting the World Health Organisation (WHO) and other relevant standards.

Stringent safety measures were also established to protect our tenants at their workstation. In order to enhance protection of the staff and reduce the risk of COVID-19 transmission, 157 floors of office workstations were installed with protection paneling, a divider barrier to limit direct and indirect contact, on top of the physical distancing requirement.

Crowd Management was conducted through the Building Readiness Simulation Exercise to ensure the readiness of office facilities in accommodating the return of the tenants. All gaps identified during the exercise has been addressed.

Capital Management

As part of our vision to maximise the value of the investment and returns to our unitholders, the Manager maintains a strategy of actively monitoring and maintaining an optimal capital structure.

As at 31 December 2021, KLCC REIT's financing remained at RM1.4 billion, representing a gearing ratio of 14.2%, leaving us with significant debt headroom to support financing for future growth while continuing comfortable well below the 50% gearing cap as imposed by the Securities Commission. To date, KLCC REIT remains one of the lowest geared M-REITs in the country.

	2021	2020
Total financings (RM 'mil)	**1,366.3**	1,368.7
Average Cost of Debt (%)	**4.34**	4.50
Fixed : Floating (ratio)	**100:0**	100:0
Average maturity period (years)	**5.1**	3.2
Debt service cover ratio (times)	**6.5**	8.2
Gearing ratio (%)	**14.2**	14.1
RAM Rating of Sukuk	**AAA**	AAA

Income Distribution

The Manager remained committed to enhance value to its unitholders and distributed 96.5% of its distributable income for the financial year 2021.

Based on the total income available for distribution of RM451.5 million, the Trustee has approved, based on the Manager's recommendation, total per unit of 25.01 sen for the year ended 31 December 2021.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'000)	Remarks
First Interim Distribution	6.01	108,501	17 June 2021
Second Interim Distribution	6.01	108,501	29 September 2021
Third Interim Distribution	6.16	111,209	16 December 2021
Fourth Interim Distribution	6.83	123,304	to be paid on 28 February 2022
Total	**25.01**	**451,515**	

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

MARKET REVIEW

Malaysia's economy was affected by political turmoil and lingering lockdown restrictions for most of 2021. In the first nine months of 2021, the country's GDP climbed by 3.0% compared to a low base in the same period of 2020 due to the economic shutdown since the onset of COVID-19. The subsequent rise of highly infectious Delta variant cases in the second quarter of 2021 led to the Full Movement Control Order, and GDP shrunk by 4.5% year-on-year (YoY) in quarter three of 2021, further dampened the sought after recovery and diminished consumer sentiments, reverting to a more cautious stance.

However, Malaysia's economy is projected to expand with growth between 5.5% and 6.5% in 2022 in tandem with the anticipated reopening of economies, normalisation in economic activities and better consumer confidence.

To read more, refer to the Market Report on pages 34 to 35

Office Market Overview

The office market in KL City remains challenging due to demand lagging behind supply, pressure on rents and the transition to remote working. The pandemic has changed workplace behaviour and impacted office demand from existing occupiers. Nonetheless, the majority of office workers will always require physical office space. A post-pandemic shift to a hybrid work model between remote working and working in the office could be expected.

To read more, refer to the Market Report on pages 36 to 38

Retail Market Overview

The retail market is still recovering from the effects of the COVID-19 pandemic. As consumer confidence increases and travel restrictions are lifted, retail sales have gradually improved. The surge in shopper traffic in major shopping centres in the KL City is encouraging, especially during weekends. Nevertheless, the KL City retail market is expected to face greater competition with upcoming shopping malls such as The Exchange TRX, Mitsui Shopping Park Lalaport @ BBCC and Warisan Merdeka Mall.

To read more, refer to the Market Report on pages 38 to 42

OUTLOOK

While global market volatility and the COVID-19 pandemic may continue to weigh on Malaysia's economic performance, the pandemic situation is generally improving as the country entered into Phase 4 of the NRP with the reopening the economy from 18 October 2021.

Barring any surge in COVID-19 cases, Malaysia's economy is expected to rebound in 2022, in line with the pent-up recovery in the global economy throughout the second half of 2021, particularly as the country steps up its vaccination and booster shot efforts. Malaysia's economy grew at 3.1% in 2021 and is projected to rise further in 2022.

The office segment is expected to remain flat on the back of an oversupply and a potential continuation of the work-from-home trend. However, the retail segment has enjoyed a few months of relatively strong retail sales growth as the appetite for spending remains elevated following the recovery from the reopening of the economy, commensurate with the festive year-end season. Rental relief may still be expected in 2022, albeit lower than 2021, as some tenants are still in survival mode.

As the Manager of KLCC REIT, we are cautious but hopeful about the prospects for the macro-environment ahead. Both the office and retail markets appear to have seen the bottom, although the extent of recovery critically depends on the pace at which COVID-19 recedes and the effectiveness of the measures implemented by the Government to restore economic robustness.

KLCC REIT's offices remain shielded by the changing trends and COVID-19 outbreak due to locked-in, long term leases with high-quality tenants. In the coming year, the Manager will preserve the established stature of KLCC REIT by maintaining the prestige of all three buildings through active asset enhancement initiatives and high-quality asset management services to fulfil our mission of maximising the value of investment of the unitholders.

The retail podium Menara 3 will continue to leverage Suria KLCC's standing as a premier shopping, and shoppers destination in Kuala Lumpur. Additionally, KLCC's retail segment will continue to maintain its standing as a premier mall in the increasingly saturated retail landscape in Klang Valley.

Source: BNM 4th Quarter Bulletin 2021 and The Edge, February 2022

MATERIAL LITIGATION

The Manager is not aware of any material litigation since the balance sheet date as at 31 December 2021 up to the date of this report.

CIRCUMTANCES WHICH MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

The Manager is not aware of any circumstances which materially affect the interests of unitholders.

DIRECTORS OF THE MANAGER'S BENEFITS

During and at the end of the financial period, no Director of the Manager has received or become entitled to receive any benefit, by reason of a contract made by the Fund or a related corporate with the Director or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

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

MANAGER'S FEE

For the financial year ended 31 December 2021, the Manager's fee comprised the following:

1. Base fee of RM28.5 million, calculated at 0.3% per annum of Total Asset Value
2. Performance fee of RM16.2 million, calculated at 3.0% per annum of Net Property Income

The Manager's total management fee of RM44.7 million represents 0.6% of NAV of KLCC REIT.

Except for expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of KLCC REIT.

SOFT COMMISSION

During the year, the Manager did not receive any soft commission from its broker, by virtue of transactions conducted by the Fund.

TOGETHER TOWARDS A

SUSTAINABILITY STRATEGY AND APPROACH

Our aim is to be the most sustainable Stapled Group in Malaysia. It is fundamental to the future value of our business and to lessen our impact on the environment and society that we act now. We have an opportunity to make a meaningful difference and we look forward to working with our tenants, customers, suppliers, communities and sector peers to achieve common goals and provide buildings that are adaptable and resilient to climate change and that promote the health and wellbeing of the occupants and the surrounding areas.

We have set a sustainability strategy which ensures:

- We continue to advance our sustainability journey, aligning to our corporate strategy, culture and values which are deeply embedded in our business model

- We aspire to create long-term sustainable outcomes for our holders of Stapled Securities, customers, and our community

- We responsibly manage our material sustainable matters and the risks and opportunities impacting our business and the industry at large

- We approach our sustainability practices and business operations aligned to the highest principles of governance

- We track our sustainability performance via our 5-Year Sustainability Roadmap (2019-2023) which is aligned to our strategies in future-proofing our purpose under three main goals:

  - Building a Smart, Safe and Sustainable KLCC Precinct
  - Building an Agile, Inclusive and Sustainable Workforce in a VUCA World
  - Combating Climate Change and Reducing Environmental Impact

We chart our sustainability performance against our five prioritised United Nation's Sustainable Development Goals (UNSDGs) to accelerate our commitment in contributing towards environmental sustainability, providing a safe, secure and conducive environment for our community to work, live and enjoy leisure activities, creating growth opportunities, and operating with the highest standard of integrity and respect for human rights.

SUSTAINABLE FUTURE

Scan to read our full
Sustainability Report
2021

SUSTAINABILITY STEERING COMMITTEE CO-CHAIRMAN'S MESSAGE

More than a year after the start of the COVID-19 pandemic, we still find ourselves in challenging, uncertain times. COVID-19 has tested our resilience and forced us all to adapt.

KLCCP Stapled Group officially became a member of the United Nation Global Compact Malaysia (UNGCMY) in June 2021

ANNUAR MARZUKI ABDUL AZIZ
Chief Financial Officer

ZALINA IBRAHIM
Head, Health, Safety and Environment

It has also made many of us reflect on our pre-pandemic lives and questioned established ways of doing things. Nevertheless our commitment to being a leader in Environmental, Social and Governance (ESG) matters, both in the property sector and more broadly, remains unchanged. In our Sustainability Report (the Report), we describe our ESG targets and outline our progress to date.

PROGRESS IN 2021

The continued success of the Group throughout the pandemic has shown that our focus on balancing value and growth for our stakeholders is the correct one. We must continue to evolve, if we intend to remain both relevant and resilient in the coming years. To that end, our 5-year sustainability roadmap continues to guide us on our journey towards our goals of Building a Smart, Safe and Sustainable KLCC Precinct, Building an Agile, Inclusive and Sustainable Workforce in a VUCA World and Combating Climate Change and Reducing Environmental Impact.

Our achievements during the year under review have progressed commendably as we continued our digitalisation push through the establishment of DigiCo to provide oversight on all Digital Projects and ensure a strong governance structure on existing and future initiatives. Two Digital Focus Areas (DFA), namely Facilities Management and the IBCC Integration are towards their completion stage and our Parking Management enhanced its contactless and cashless payment systems.

Our commitment to our People has never been greater as we recognised the need to manage their mental health and wellness. Partnership programmes were instituted and a roll out of the Employee Assistance Programme (EAP) called KLCC MyWellness provided comprehensive and personalised professional coaching to improve their physical and mental health. More on our achievements can be found throughout the Report in our corporate website.

TRANSITION TO A CLEANER WORLD

Stakeholders have significantly raised the spotlight on environment and climate change. As part of our commitment to accelerate the transition to a low-carbon world, and in line with PETRONAS' ambition to reach Net Zero by 2050, we are taking action to better understand our carbon footprint towards a robust and practical strategy. During the year under review, as the Nation gradually reopened and businesses resumed operations, we witnessed an uptick in our environmental numbers.

Although warranted, we will look closely at our sustainability performance once our environmental numbers normalise and we are able to better assess the operating environment. Further, we have taken the decision to begin the groundwork in accessing our readiness towards reporting on the Taskforce on Climate-Related Financial Disclosures (TCFD). We believe these disclosures will increase awareness and understanding of climate-related risks and opportunities

As part of our commitment to accelerate the transition to a low-carbon world, and in line with PETRONAS' ambition to reach Net Zero by 2050, we are taking action to better understand our carbon footprint towards a robust and practical strategy.

within the Group resulting in better risk management and more informed strategic planning. It will additionally, proactively address investors' demand for climate-related information in a framework that investors are increasingly asking for.

We continue to connect actively with our stakeholders both internally and externally and our proud moment came when we clinched the Platinum Award in the Asset ESG Awards 2021, for the second consecutive year for our excellence in ESG practices. We were also awarded the Sustainability Business Awards 2020/2021 Significant Achievement for Supply Chain Management and Business Ethics & Responsibility, The Royal Society for the Prevention of Accidents (RoSPA) Gold and Silver Awards for our Facilities Management and Car Park Management respectively while Mandarin Oriental, Kuala Lumpur was awarded the Green Hotel Standard 2020-2022 by Ministry of Tourism, Arts and Culture.

LEADING THE WAY

Our ambitions to evolve into a sustainability leader is based on integrating sustainability into our culture, so that everybody in the organisation understands sustainability and how we add value to society. We focus on gender diversity not through setting quotas, but by making sure that recruitment opportunities are equally available irregardless of gender. In health and safety, we aim for outstanding performance, staying ahead of the curve in terms of compliance and making sure we are a Group that our stakeholders can trust.

ACTIONING OUR COMMITMENTS

This year we take guidance from the World Economic Forum's Stakeholder Capitalism Metrics (WEF SCM) for our sustainability reporting as best practice for a more focused ESG impact reporting. This is particularly crucial as the call for greater sustainability disclosures are increasingly apparent and it is our commitment to position the Group as a transparent, responsive, and responsible organisation to enhance stakeholders' trust.

The recent update to the Malaysian Code on Corporate Governance (MCCG) issued by Bursa Malaysia, further reaffirmed the importance of ESG matters for an organisation. One of the areas covered is on strengthening Board oversight and integration of sustainability in the company's strategy and operation. This will see sustainability taking a more prominent role as organisations are required to address sustainability risks and opportunities to support its long-term strategy and success. Following this, the Board Risk Committee (BRC) was established on 9 December 2021 to provide direction, guidance, and oversight on Risk Management, ESG compliance and sustainability matters for the Group.

The COVID-19 pandemic has brought a wide range of ESG factors into sharp focus for corporates – including employee wellness and working conditions, access to healthcare, and environmental impact. COVID-19 has also made investment in the SDGs more urgent than ever. Investment in sustainable, innovative and resilient infrastructure is critical to pave the way for an inclusive post-COVID-19 economic recovery. KLCCP Stapled Group aims to play a positive and collaborative role, not only better and greener but with a greater social conscience, building on our deeply held beliefs within society.

SUSTAINABILITY RECOGNITION

The Asset ESG Corporate Awards 2021
- Platinum Award for Excellence in Environmental, Social and Governance (ESG)

MSOSH Occupational Safety & Health (OSH) Award 2021
- Gold Class 2 Award (Services Sectors)

Royal Society for the Prevention of Accidents (RoSPA) Health and Safety Awards 2021
- Gold Award – KLCC Urusharta Sdn Bhd
- Silver Award – KLCC Parking Management Sdn Bhd

Sustainability Business Awards Malaysia 2020/2021
- Supply Chain Management
- Business Ethics and Responsibility

Green Hotel Standard 2020-2022
by Ministry of Tourism, Arts and Culture

TOWARDS SUPPORTING THE UNITED NATION's 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

THIS YEAR WE HAVE TAKEN GUIDANCE FROM THE WORLD ECONOMIC FORUM'S STAKEHOLDER CAPITALISM METRICS (WEF SCM) WHICH IS ALSO ALIGNED TO THE UN'S 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT THAT SHAPE AND REPRESENT THE 17 SUSTAINABLE DEVELOPMENT GOALS

WEF SCM THEMES	OUR PRIORITISED UNSDGs
PEOPLE Ensure our people fulfil their potential in dignity, equality and in a healthy environment	3, 8, 11
PLANET Protecting our planet through responsible environmental management and taking urgent action on Climate Change to support the needs of present and future generations	3, 11, 13
PEACE Embrace a corporate culture encompassing values, exemplary attitude and behavior in all areas of conduct	16
PROSPERITY Ensure all our stakeholders enjoy prosperous and fulfilling lives and that economic, social and technological progress can benefit all in the long run	8, 11

HOW WE ALIGN	VALUES WE CREATE
• We acknowledge the importance of the health and safety of our employees, communities and strive towards creating a safe and secure environment for all • We strongly believe in the importance of developing our people and are committed in our role in promoting diversity, equal opportunity and responsible employment practices • Caring for the community by improving safety measures during the pandemic • Creating a conducive working environment by prioritising employees' wellness • Promoting training and e-Learning to provide continued training and upskilling	• Safe and secure workplace with a strong HSE culture • An empowered, agile and enabled workforce with clear work-life balance • A diverse and inclusive workplace which create a sense of belonging amongst employees • We promote sustainable development for long-term growth and provide our community with a conducive environment to work, live, shop, play, visit and dine
• We practice responsible environmental management through reducing Greenhouse Gas emission, energy consumption, water use and responsible waste management • We protect our planet through sustainable development and environmental conservation efforts	• A greener environment for the well-being of our community through responsible business practices by reducing our carbon footprint • Gained cost savings from reduced energy consumption, water use and use of renewable energy in our operations
• We are committed to upholding our Shared Values and ethical business conduct with zero tolerance to bribery and corruption • We are fully resolved and committed to employing the principles of integrity, transparency and professionalism for continued progress and success to safeguard the interests of stakeholders and enhance shareholders' investment and value and protect the interests of all stakeholders	• Integrity and ethical practices amongst Boards, management, employees, business partners and stakeholders • Sustainable financial performance delivering long-term values and returns to our holders of Stapled Securities • Accountability on control systems which commensurate with the risks involved
• We play an active role in contributing positively to the industry's and nation's growth through nation building and spurring socio economic development • Enriching the lives of our communities - KLCC Precinct is the place where people can converge and enjoy the various experiences through excellent infrastructure, accessibility and connectivity to the attractions within the development	• Spurring economic activities and creating a vibrant place for people from all walks of life • Deliver sustainable returns to our holders of Stapled Securities and generate growth where benefits are broadly shared throughout the society • We connect with our tenants, customers and communities in meeting their needs for seamless experiences

TOWARDS SUPPORTING THE UNITED NATION's 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

PEOPLE

PROGRESSING OUR SOCIAL AGENDA

OUR PRIORITISED UNSDGs:

	OUR APPROACH	FOCUS FOR THE YEAR
SECURITY, SAFETY AND HEALTH Protecting our people, assets, and operating reliably and efficiently, across the Health, Safety and Environment (HSE) spheres	We provide healthy, safe and secure places for our stakeholders to live, work, shop and play, recognising that we can only achieve this through close collaboration with our partners, including our supply chain, investors and enforcing authorities. Our business activities are conducted in accordance with our KLCC HSE Policy and comply with the highest standards of occupational safety and health regulations. This is supported by our HSE Management System (HSEMS), HSE Mandatory Control Framework (MCF) and PETRONAS Technical Standards to strengthen HSE Governance within the KLCCP Stapled Group while providing clear requirements on operational safety, environment and health for consistent and effective implementation. We have also taken the opportunity to embrace innovative construction methods, to realise the full potential of health and safety benefits. This relates to both key design principles and on-site construction risks. We work with design teams to ensure our developments maximise desired operational outcomes while achieving our vision of providing healthy, safe and secure places.	• Shaping a Generative HSSE Culture • COVID-19 preparedness and compliance to Standard Operating Procedures (SOPs) • Security Management with comprehensive security and surveillance system
OUR PEOPLE Creating a safe, diverse and inclusive environment where our employees are inspired and empowered to succeed and grow	Our people are integral to our business and our success. Our ability to attract and retain a diverse workforce, characterised by equal opportunities and prospects for advancement, is fundamental to our ability to operate. We recognise that workforce expectations have evolved considerably over the past years and will continue to do so. Today's talents are looking for growth, opportunities to shine, variety, flexibility, mobility and security. Our strategy aims to prepare our Group for the evolving expectations of future generations of employees. The new flexible ways of working including remote working, have an impact on working processes, knowledge retention and succession planning for the Group, and our strategy reflects this. Our talent management relies on promoting performance management, leadership development, and employee capability building. It is implemented at all levels of the organisation in partnership with our leaders, business managers and operations teams, to support our business priorities and growth strategy.	• Greater inclusivity and women empowerment • Safety and mental wellbeing of our people throughout the pandemic • Upskilling of our people to improve and enhance skillsets and capabilities • Promoting high performance culture by engaging and enriching our employees through work-life balance programmes in building an agile and empowered workforce

KEY HIGHLIGHTS

SPENT RM3 million
on **staff wellness** and **digital tools**

INVESTED RM600,000 on staff learning and development for continuous upskilling of knowledge, technical competencies and digital tools

LAUNCHED
KLCC MyWellness programme
to provide mental health support for our employees

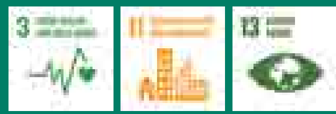
MAINTAINED
an impressive record of
zero incident and **fatalities** during the year

99.74%
fully vaccinated
employees as of December 2021

PLANET

PROTECTING OUR ENVIRONMENT

OUR PRIORITISED UNSDGs:



	OUR APPROACH	FOCUS FOR THE YEAR
ENVIRONMENT Striving to minimize our environmental footprint and delivering sustainable value to our society	The world is facing a climate emergency, and natural resources are being used up faster than they can be replenished. Protecting the environment is an ongoing challenge for businesses of all sizes, in all industries, all over the world. We continue to promote responsible business practices throughout our operations and to support the global Climate Change Agenda, particularly on the call for Net Zero Carbon Emission (NZCE). This year, to strengthen our sustainability performance, we looked to evaluate and manage the risks and opportunities associated with Climate Change and assess our readiness towards supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In line with our commitment in supporting the United Nation Sustainable Development Goals in promoting good health and wellbeing, building sustainable cities and communities and taking measures to address Climate Action, we aim to minimise disruption to the environment and its adverse impact to our community by reducing the environmental footprint of our buildings and to efficiently manage the use of energy, water and resources.	• Strategising the way forward towards achieving low carbon/net zero carbon emission • Assessing our readiness in supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) • Stepping up efforts to achieve 100 percent elimination of single-Use Plastics at MOKL Hotel

KEY HIGHLIGHTS

ACHIEVED
21.5%
reduction in GHG emission
vs 2020 with continued proactive measures in minimising our carbon footprint, reduced occupancy and lesser business activity in our premises during the year

LAUNCHED
Integrated Building Command Centre (IBCC) providing a **centralised monitoring,** and **command base** with digital and intelligent facilities, for efficient management of energy, labour intensity, and cost of managing the buildings

MOKL HOTEL
100% elimination of Single-Use plastics throughout its operation

Replacement for Single-Use plastics

KPM LAUNCHED their **Environmental Campaign** with the theme, "The Earth Day" where a total of 100 tree seedlings were planted at our open car park

TOWARDS SUPPORTING THE UNITED NATION's 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

PEACE

EMBODYING GOOD GOVERNANCE

OUR PRIORITISED UNSDGs:

	OUR APPROACH	FOCUS FOR THE YEAR
GOVERNANCE Upholding the highest standards of ethical practices in business operations	We have a strong corporate governance framework, reflecting our commitment to safeguarding the interests of our stakeholders. The corporate governance framework comprise the governing bodies, the corporate governance policies and procedures that define the competencies of the governing bodies and other corporate governance rules, in line with regulations and best practice standards. Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust. We have a strong culture of entrenched values, which form the cornerstone of our behaviour towards stakeholders and against which we measure practices and activities to assess the characteristics of good governance. Directors and employees are required to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour that promotes trust. This commitment to good corporate governance is reflected in the CoBE, our foundation in fulfilling our business obligations with utmost integrity and transparency. Our culture of openness, transparency and accountability are strengthened with the adoption of the No Gift Policy and Whistle Blowing Policy and our adherence to the Anti-Bribery and Corruption Policy and Guidelines (ABC manual). In managing the risk, the Group has a robust KLCC Resiliency Model which provides an integrated view on our overall strategy in managing risks.	• Establishment of the Board Risk Committee (BRC) by taking guidance from the relevant best practices set out in the revised Malaysian Code on Corporate Governance (MCCG) published in April 2021 • Diversifying the Boards composition to ensure good governance and productive Boards by way of evaluating appointment based on merit with due consideration given to diversity in terms of higher women representation in Boards and increase representation of Independent Directors. • Heightening communication on integrity and anti-bribery among employees across the Group

KEY HIGHLIGHTS

ACHIEVED
56% women Directors and
67% Independent Non-Executive Directors
on Boards, reflecting diverse and inclusive Boards

ESTABLISHMENT
of **Board Risk Committee**
by taking guidance from the relevant best practices set out in the revised Malaysian Code on Corporate Governance (MCCG)

Zero
bribery and corruption cases reported

PROSPERITY

ADVANCING ECONOMIC RESILIENCE

OUR PRIORITISED UNSDGs:

	OUR APPROACH	FOCUS FOR THE YEAR
ECONOMIC Committed to sustainable social and economic development across our business, operations and communities	The way we manage the business – through the life cycle of our assets, reflects our financial, physical, and social approach and priorities. We constantly look to strengthen our portfolio to ensure it meets the changing needs of our customers and communities. We always bring social, economic, and environmental benefits to the areas where we operate. Great design increases efficiency, encourages people to spend time in our spaces and enables buildings to adapt to changing customer needs. We design with long-term value in mind. We design our buildings to support wellbeing and productivity. From office occupiers to brands and shoppers, we aim to provide our customers with exceptional experiences – creating value for our shareholders. We invest to attract and develop great people who add value to our business. We take engagement, wellbeing, diversity, and reward seriously and conduct regular reviews. We help those furthest from the jobs market access opportunities in our industry. We believe that everyone who works on our behalf must be treated and paid fairly and our business should reflect and support our diverse communities. We strive to maintain a high standard of health, safety and security in all the working environments we control and partner to help raise standards in our industry.	• Strengthening business resilience and continuity through close monitoring of our cash flow and cost optimisation • Supporting the Government's effort in economic recovery by providing rental assistance to our retail tenants and through corporate social investment programmes • Enhancing customer and tenant communication in building trust and elevating experience • Progressing social agenda through community programmes for the needy and underprivileged

KEY HIGHLIGHTS

SPENT
RM128.3 million
on **community investment** and **retail tenant assistance**

WELCOMED
17 new retail tenants
providing a wider mix of retail offerings to meet current demands

LAUNCHED
Safe Space @ Suria KLCC,
a platform to promote engaging activities in relation to mental health

STRATEGIC PARTNERSHIP
between
MOKL Hotel and Tatler House
– first of its kind in Malaysia, where the Presidential Suite was converted into space for exclusive events and guests

MOKL HOTEL MAINTAINED
guest satisfaction score
of **87%** for its unique offerings and experiences

INTRODUCED
a new Digital Project Management Framework (DPMF), setting standard procedures to guide Business Units embarking on digital projects