

SUSTAINABILITY AT THE HEART OF OUR BUSINESS

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SUSTAINABILITY STATEMENT



WE ENDEAVOUR TO PROGRESS OUR SUSTAINABILITY JOURNEY IN BROADER PERSPECTIVES WITH THE AIM OF MAINTAINING A ROBUST BUSINESS MODEL WHICH EMBODIES OUR COMMITMENT AND FOCUS ON THE SUSTAINABILITY PRIORITY AREAS BY BALANCING THE ECONOMIC, ENVIRONMENT AND SOCIAL NEEDS OF OUR STAKEHOLDERS IN DELIVERING LONG-TERM VALUE AND CONTRIBUTING TO THE WELL-BEING OF OUR COMMUNITY

Sustainability and Strategy

KLCCP Stapled Group champions sustainability development through the creation of sustainable values economically, environmentally and socially, embedding sustainable strategies across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders.

Our business strategy takes into perspective the risks and opportunities impacting the industry and organisation, while keeping abreast of current expectations of stakeholders in the discipline of sustainability, such as climate change and social risks including human rights. This year, we continued our focus

in addressing our material sustainable matters across our five sustainability pillars – Corporate Governance, Environmental Stewardship, Security, Safety and Health, Our People and Reliable Partner to further strengthen our approach to sustainability.

With Values Redefined as our theme this year, KLCCP Stapled Group had set out to create differentiation in the spaces we have, redefining the “place to be of choice”, creating engaging, sustainable environment which brings the community together. This supports and strengthens our business sustainability in the way we make choices and deliver lasting outcomes to all our stakeholders. Reflecting on our sustainability journey thus far, we have been putting the building blocks in place to gear ourselves towards sustainability operational excellence. It has been a

notable achievement year for us with KLCCP Stapled Group being awarded the Best Strategic Corporate Social Responsibility for Malaysia at Southeast Asia’s Corporate-Institutional Awards and The Asset Corporate Awards for Excellence in Environmental, Social and Corporate Governance. We were also recognised as a ‘Shortlisted Report’ at the ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2017.

We endeavour to progress our sustainability journey in broader perspectives with the aim of maintaining a robust business model which embodies our commitment and focus on the sustainability priority areas by balancing the economic, environment and social needs of our stakeholders in delivering long-term value and contributing to the well-being of our community.

SUSTAINABILITY STATEMENT

Context

The real estate and construction sector is one of the largest contributors to the Malaysian economy. In spite of Malaysia’s economic and political uncertainties led by external factors, the local real estate market has been stable. This important element of the economy has nevertheless been evolving rapidly, reacting to macroeconomic trends such as interest rates hikes, population growth, and economic strength. With technological evolution and innovative disruptions, the real estate landscape has been moving towards lifestyle needs, new-age real estate investments, ranging from design to materials used and sustainable operational efficiency of buildings. Despite higher GDP growth in 2017 and recovery in crude oil prices, the real estate industry continued to be hampered by various factors.

- Overhang and oversupply in the commercial sector – office and retail
- Growing mismatch between supply and demand in the commercial sector exerting pressure on occupancy and rental rates

- Cautious retail market due to continuous weak consumer sentiment
- Intense competition for retail tenants due to changing consumer behaviour
- Growing appeal of e-commerce activities disrupting traditional brick and mortar consumer business
- Intensifying competition of incoming supply of hotels impacting market share
- Sharing economy disrupting traditional channels in hotels i.e. Airbnb
- The emergence of co-working spaces challenging established commercial office locations

The real estate industry is at the heart of important and far reaching issues with resource constraints, demographic change, environmental impact, urbanization and emerging technologies. The design, building materials used and operation of the buildings drive and potentially mitigate the impact on tenants, owners, communities and society at large. Environmental sustainability has taken on increased importance with Malaysia’s keen interest in stepping up its pledge to the

environment and long-term sustainability in the 11th Malaysia Plan and the country’s commitment in combating global climate change in the 2015 Paris Agreement. This has seen real estate companies now giving more focused attention towards green investment to compete at global level. With continued challenges in the global economic front, financial landscape and the volatility in commodity prices, sustainability of companies is more so critical to position themselves to benefit for the next decade whilst creating value for its stakeholders.

Approach

At KLCCP Stapled Group, we create long-term stakeholder value by having business strategies that consider every dimension of how our business operates in the ethical, social, environmental and economic spheres. We believe that to create, deliver and capture value, we need to be future ready and be part of a sustainable society. As such, our business model is anchored on sustainability strategies to achieve value and satisfy stakeholder expectations.

In 2016, upon the establishment of our governance structure, we framed our KLCC Corporate Sustainability Journey in three stages:



Awareness and Gearing Up
Setting up of sustainability team, outlining top management commitment, framework endorsement, formulation of policies, guidelines, systems and processes, conducting awareness campaigns, inventory of existing sustainable practices and identifying and developing capabilities in Sustainable Development (SD)



Sustainability Operational Excellence
Integrating SD as part of business planning, prioritising SD projects e.g. reducing emission, energy efficiency and waste reduction, identification of SD flagship projects, validating results against targets, and preparing supplier networks for SD innovation opportunities



Strategically Proactive
Internalisation of sustainability, positioning as SD product leader through strategic partnership in the value chain and contributing to ecological and community regeneration

SUSTAINABILITY STATEMENT

Subsequently, we launched our Sustainability Roadmap with targets and measures as mile markers, towards our sustainability journey. The Sustainability Roadmap is focused on:

ECONOMIC

- Strengthening occupancy rate of our assets to optimum levels

ENVIRONMENT

- Driving down energy consumption in our operations
- Minimising quantities of waste generated at our assets
- Influencing suppliers/contractors on commitment in conserving the environment

SOCIAL

- Building leadership pipeline
- Promoting safe environment

GOVERNANCE

- Board Diversity
- Compliance & Transparency

Over a 3-year horizon, the Sustainability Roadmap sets out specific targets from 2016 to 2018 against a 2015 baseline target, defining concrete measures to be undertaken which are measured and monitored on a bi-annual basis. This represents our conscious commitment through which the organisation as a whole is continuously improving societal and economic performance.

As an integrated property developer and investor, KLCCP Stapled Group is in a position to create engaging and sustainable spaces, from office towers to retail malls, hotels and community precincts. We also own and manage our buildings and use our insights into the customers' needs to deliver value, lifestyle experiences and collaborate for the long-term. With rapid advancements in technology changing the way we work, live and communicate, connectivity, safety and security have also come to the forefront of our focus. By integrating sustainable features into our development, we are focused on maximising performance of our assets and investments, managing expectations of our stakeholders and driving positive change in the communities where we operate.

Our sustainability approach focuses on the five sustainability pillars, reflecting the FTSE4Good themes and indicators for the Real Estate Holding and Development sector where KLCCP Stapled Group is categorised and taking into consideration our unique business requirements, the global and domestic industry landscape and also the needs of our stakeholders.

We embed sustainability in all our business operations and believe participation by top management and employees is vital to the successful implementation of the strategies for sustainable development. We aim to deliver financial value and societal benefits by balancing the commercial objectives with the environment and social needs of our stakeholders, underpinned by solid governance and ethical business practices.

**CORPORATE GOVERNANCE**

Upholding transparency in our actions and disclosures to ensure the highest standards of governance, business ethics and integrity in our operations

**ENVIRONMENTAL STEWARDSHIP**

Striving for improved environmental practices and operational sustainability

**SECURITY, SAFETY & HEALTH**

Protecting our assets, operating reliably, effectively and efficiently, across the Health, Safety and Environment (HSE) societal spheres

**OUR PEOPLE**

Nurturing a diverse and talented workforce to drive business growth strategies

**RELIABLE PARTNER**

Strengthening financial position, business competitiveness and spurring socio-economic growth

SUSTAINABILITY STATEMENT

SCOPE OF REPORTING

KLCCP Stapled Group’s Sustainability Report underlines the Group’s sustainability performance as well as its strategies and practices, while highlighting the economic, environmental and social impacts of our business activities. This report is based on KLCCP Stapled Group’s financial year from 1 January to 31 December 2017.

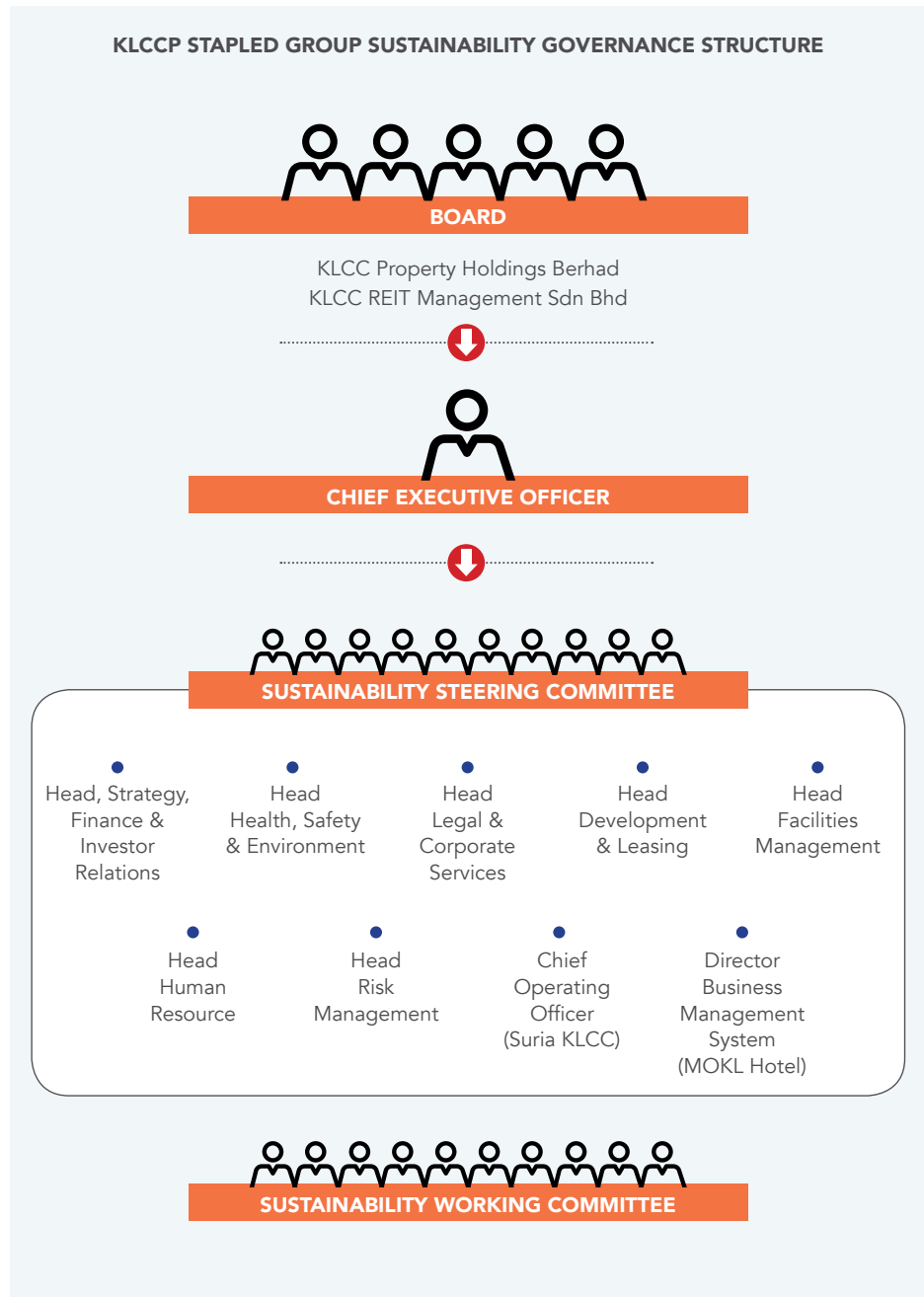
Our scope of reporting for the year covers all of KLCCP Stapled Group’s operations in Malaysia comprising office, retail and hotel assets as well as our operations in facility management and car parking management. The scope is in accordance with the reporting scope of our Annual Report.

GOVERNANCE STRUCTURE

In the course of our journey towards sustainability, our sustainability governing body, the KLCCP Stapled Group’s Sustainability Steering Committee (SSC) plays a very important role in driving sustainability within the organisation. The SSC ensures accountability, oversight and review in the identification and management of sustainability matters within the Group and have the overall responsibilities in overseeing the corporate sustainability strategy and progress of KLCCP Stapled Group’s sustainability performance, identifying and prioritising material sustainability matters, reviewing and endorsing policies, practices, targets and achievements for key sustainability issues and ensures regulatory sustainability requirements and reporting are met.

The Sustainability Steering Committee is supported by a working committee in ensuring sustainability is considered and integrated throughout our business operations. The SSC reports on a bi-annual basis to the Chief Executive Officer (CEO) who is responsible for driving the implementation of sustainability strategies for KLCCP Stapled Group and reports the progress to the Boards of KLCCP and KLCCRM (the Boards). The Boards represent the highest authority and is ultimately accountable for managing sustainability matters in KLCCP Stapled Group.

KLCCP STAPLED GROUP SUSTAINABILITY GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT

SUSTAINABILITY FRAMEWORK

The KLCCP Stapled Group’s Corporate Sustainability Framework (CSF) outlines our principles on sustainability and aligns to our five sustainability pillars. It serves as a guide in managing the strategic and operational risks and opportunities which supports our business strategies, sustainability approach and objectives.

During the year, FTSE Russell made several changes to the sustainability reporting methodology. One of which was the applicability of biodiversity as a theme exposure for the Real Estate Holding and Development sector. Although the impact of biodiversity is nominal for KLCCP Stapled Group as our investments and developments are centred within the city centre, however on the basis that Malaysia is identified as one of the Primary Impact Country, and with the Group being categorised under the Real Estate Holding

and Development sector, we have now included biodiversity into our CSF, in line with best practices.

As such KLCCP Stapled Group’s CSF now embodies nine focused areas, comprising Shareholder Value, Corporate Social Investment, Climate Change, Natural Resource Use, Biodiversity, Security, Health, Safety and Environment, Workforce Development, Human Rights and Governance and Business Ethics.

KLCCP STAPLED GROUP SUSTAINABLE DEVELOPMENT

To deliver financial value and societal benefits in a responsible and holistic manner, by balancing the economic, environment and social needs of our stakeholders, steered by solid governance and ethical business practices



KLCCP STAPLED GROUP CORPORATE SUSTAINABILITY FRAMEWORK

Governance and Business Ethics Safeguarding the organisation’s integrity and trustworthiness in delivering value through strong governance mechanisms and ethical business practices	Climate Change Strengthening our assets’ resilience against climate impacts and managing energy efficiency	Security, Health, Safety & Environment Ensure our properties and services are in accordance with all legal requirements and industry best practices to safeguard the health, safety and well-being of employees, contractors, tenants, shoppers, hotel guests, communities and local environment	Workforce Development Equipping our workforce with skills and mindset to deliver sustained high performance	Shareholder Value Delivering returns to our Stapled Security holders through long-term creation of economic value
	Natural Resource Use Promoting optimum use of environmentally-friendly materials in our properties, operations through efficient processes and application of technology		Human Rights Respecting human rights in our areas of operations, complying to our code of conduct and business ethics and all legal requirements	Corporate Social Investment Investing in sustainable initiatives to contribute to the well-being of society
	Biodiversity Ensuring projects and operations do not have significant effect on biodiversity and local ecosystems			

OUR FIVE SUSTAINABILITY PILLARS



CORPORATE GOVERNANCE Upholding transparency in our actions and disclosures to ensure the highest standards of governance, business ethics and integrity in our operations	ENVIRONMENTAL STEWARDSHIP Striving for improved environmental practices and operational sustainability	SECURITY, SAFETY & HEALTH Protecting our assets, operating reliably, effectively and efficiently, across the Health, Safety and Environment (HSE) societal spheres	OUR PEOPLE Nurturing a diverse and talented workforce to drive business growth strategies	RELIABLE PARTNER Strengthening financial position, business competitiveness and spurring socio-economic growth
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SUSTAINABILITY STATEMENT

ALIGNING OUR SUSTAINABILITY PRACTICES TO THE UNITED NATION'S SUSTAINABILITY DEVELOPMENT GOALS

The National Transformation 2050 (TN50) introduced by the Government is setting a new vision for the Nation. It is a clear agenda that Malaysia is committed to sustainable development as evident through its Sustainability Development Framework where it encapsulates the vision towards addressing basic necessities, tackling people's well-being and catalysing key economic sectors for wealth creation.

Aligned to Malaysia's commitment in 2015 to adopt the United Nation's Sustainable Development Goals (UNSDG) for sustainable development, KLCCP Stapled Group aspires to support the Nation's commitment towards achieving the 17 Sustainable Development Goals. The UNSDGs framework highlights the needs of billions of people and by aligning our practices with these needs for development, we hope that our small act will help make an impact to the communities and the world we live in by looking beyond our businesses.

In this year's Sustainability Report, we have mapped our sustainability practices to the UNSDGs priority areas that are most strategically aligned with our sustainable matters and where we can have the greatest impact.



MATERIALITY ASSESSMENT

Identification

In our efforts to determine the top material sustainable matters for 2017, we revisited our material sustainable matters for the 2016 financial year. The team comprising of employees from cross-functional business units collaborated to review feedback from KLCCP Stapled Group's key stakeholders through their observation and enquiries received in the course of their daily operations. We also considered internal factors as well as industry megatrends such as oversupply of offices, changing landscape of the retail market, intensifying competition, consumer trends and climate change. We also reviewed source documentation to understand how the stakeholders viewed us, the perception of where business is heading, and what challenges and opportunities they anticipated ahead. Based on these feedback and findings, we identified potential risks and opportunities, both generally and in terms of our ESG goals, and any emerging issues that could affect KLCCP Stapled Group's business success and stakeholder relationships in the future.

We also benchmarked against our real estate and REIT players, both globally and locally to identify the material sustainable matters that are common to the Real Estate Holding and Construction sector. Being a constituent of FTSE4Good Bursa Malaysia Index and FTSE4Good Emerging Index, our identification of sustainable material matters were also based on the FTSE4Good themes and indicators for the Real Estate Holding and Construction sector which we are categorised under. The identification step was also aligned to the boundaries in which we operate in and determined if the issues were within or outside our direct operational control. Following the identification process, we arrived at a list of 12 material sustainable matters under which there are 26 priority areas.

Identified Material Sustainable Matters

SEGMENT	MATERIAL SUSTAINABLE MATTERS	PRIORITY AREAS	KEY INDICATORS
 Governance	Corporate Governance and Business Ethics	<ul style="list-style-type: none"> • Corporate Governance & Compliance • Business Ethics, Integrity & Corruption Management 	<ul style="list-style-type: none"> • Compliance of regulatory requirements • Promote transparency and disclosure • Committed to ethical practices guided by the corporate governance principle
	Risk Management	<ul style="list-style-type: none"> • Risk & Crisis Management 	<ul style="list-style-type: none"> • Reference made to external standards to inform the risk management system and reporting transparency • Describes the risk management framework • Prepares for major Environmental, Social and Governance (ESG) catastrophic events and incidents
 Economic	Financial Sustainability	<ul style="list-style-type: none"> • Sustained Returns & Profitable Growth 	<ul style="list-style-type: none"> • Commitment in delivering stable and sustainable returns to holders of Stapled Securities and endeavour to stay competitive and resilient
	Economic, Social & Industry Growth	<ul style="list-style-type: none"> • Promoting Economic, Social & Industry Growth 	<ul style="list-style-type: none"> • Current or expected impact on communities and local economies

SUSTAINABILITY STATEMENT

Identified Material Sustainable Matters

SEGMENT	MATERIAL SUSTAINABLE MATTERS	PRIORITY AREAS	KEY INDICATORS
 Environment	Climate Change	<ul style="list-style-type: none"> GHG Emissions Reduction Efficient Energy Management Renewable Energy 	<ul style="list-style-type: none"> To reduce GHG emissions To promote and support energy saving initiatives To reduce energy consumption and to seek new technologies/innovation with low carbon footprint for our business operations Amount of energy reduction consumption achieved as a result of conservation and efficiency initiatives Cost saved from renewable energy
	Environmental Management	<ul style="list-style-type: none"> Water Management Waste Management Green Buildings Responsible Material Use Biodiversity 	<ul style="list-style-type: none"> Total water consumed and amount of water reduction achieved as a result of efficiency initiatives Total volume of hazardous waste generated and disposed Total waste intensity and waste diversion Total waste recycled To achieve full GBI Certification for PETRONAS Twin Towers and Menara 3 PETRONAS To promote the use of eco-friendly materials in our business operations Conservation of the ecosystem
 Social	Security, Safety & Health	<ul style="list-style-type: none"> Safety & Health Management Security Management 	<ul style="list-style-type: none"> Awareness programme for employees and contractors Ensuring safety work culture at workplace Amount of workers undergoing safety and health training per annum Rate of work-related injuries per annum, number of work-related fatalities To ensure safe environment within and surrounding our premises for our guests, tenants, customers and visitors
	Our People	<ul style="list-style-type: none"> Equality, Diversity & Inclusion Skills & Capability Development Talent Management Workforce Engagement 	<ul style="list-style-type: none"> Number of employees by gender, age group, ethnicity and position Leadership training conducted and succession ratio Number of training per annum for employees & amount invested on learning & development programmes
	Human Rights & Labour Practices	<ul style="list-style-type: none"> Responsible Employment Practices Non-Discrimination 	<ul style="list-style-type: none"> Equality in employment Compliance to Malaysian Labour Laws and Minimum Wage regulation Number of discrimination incidents, number of child/forced labour incidents Measures taken to support freedom of association Addressing and monitoring grievance and complaints
	Supply Chain Management	<ul style="list-style-type: none"> Local Procurement Management Responsible Product Sourcing 	<ul style="list-style-type: none"> Assessment of new and existing suppliers to identify potential negative social impact, results of supplier monitoring/audit, action on supplier's non-compliance to social impacts assessment To encourage procurement from responsible and reputable suppliers
	Corporate Social Investment	<ul style="list-style-type: none"> Societal Well-being 	<ul style="list-style-type: none"> Amount of contribution towards the well-being of the society
	Customer & Tenant Management	<ul style="list-style-type: none"> Tenant Engagement Customer Satisfaction 	<ul style="list-style-type: none"> Improvement in customer service Meeting the needs of guests, tenants and customers Committed to provide the highest standard of product and services to our guests, tenants and customers

Note: Key indicators are with reference to Bursa & FTSE4Good reporting guidelines as well as benchmarked against industry's best practices.

SUSTAINABILITY STATEMENT

Materiality Assessment

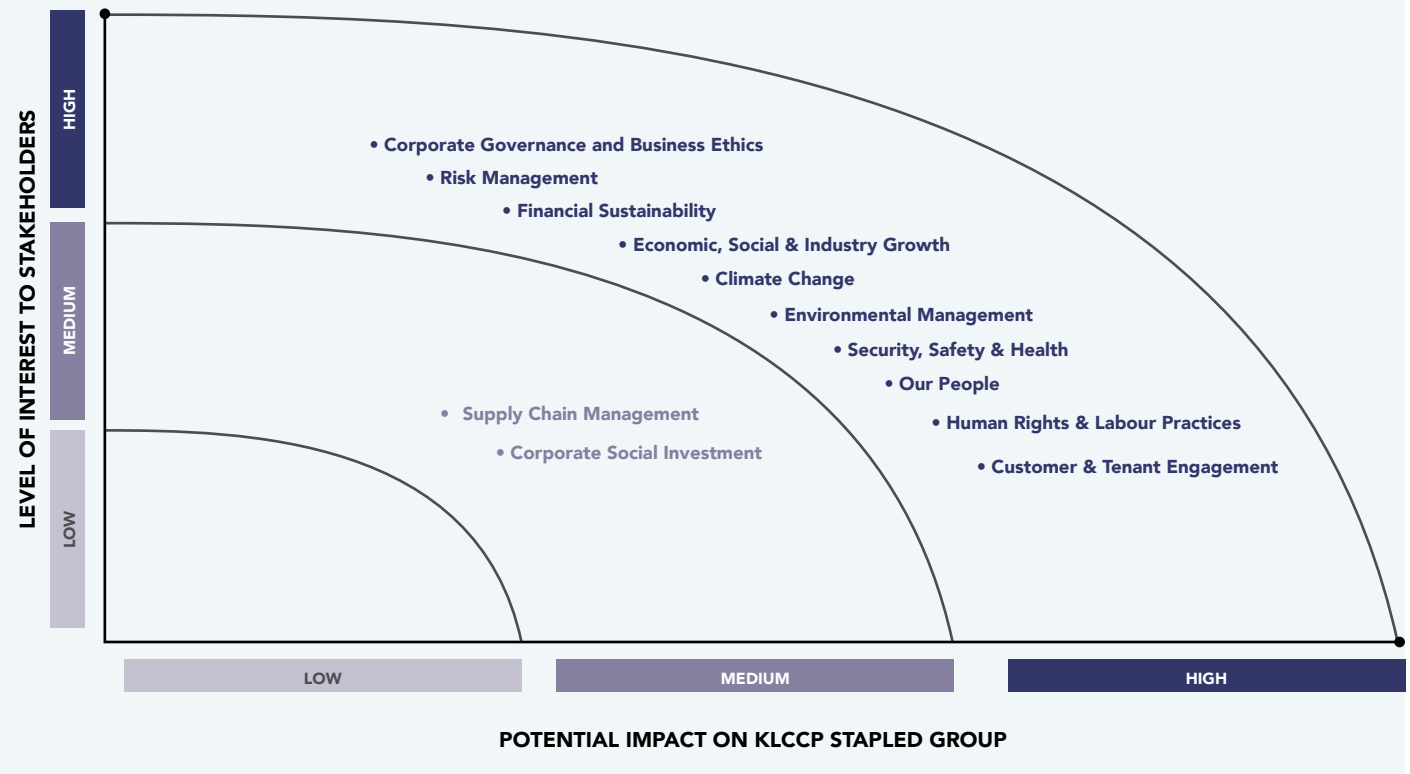
At our Sustainability Working Committee (SWC) meeting, we organised for the members of the SWC who represented facets of KLCCP Stapled Group’s business operations namely, Development and Leasing, Facilities Management, Health, Safety and Environment, Procurement, Legal, Corporate Communications, Investor Relations and Business Development as well as our retail and hotel operations, to break-out into groups and conduct the process of ranking the 12 material sustainable matters identified in accordance to the impact on the external and internal stakeholders as high, medium and low. This was also facilitated by the team from the Group Health, Safety, Security and Environment (GHSSE) PETRONAS.

Review and Feedback

The materiality assessment conducted by the SWC was then presented and tabled at the SSC meeting subsequently for review and feedback. The SSC reviewed the 12 material sustainable matters and undertook the materiality assessment where they ranked them in similar manner as the SWC, in accordance to the impact on the external and internal stakeholders as high, medium and low. Both the assessments by SWC and SSC were then rationalised and averaged to arrive at our final materiality assessment for 2017. This was subsequently presented to the CEO and also Board for endorsement.

Results of our materiality assessment

Pursuant to the materiality assessment undertaken, 10 material sustainable matters were ranked high whilst two were ranked medium.



In our reporting for the Sustainability Report 2017, we have reported on the 10 material sustainable matters which were ranked as high impact. Nevertheless we feel that the sustainable matters identified as medium to our organisation are in line with our stakeholders' expectations and as such we still included and reported on these initiatives and performances within this Sustainability Report, in line with best practices.

STAKEHOLDER MANAGEMENT

KLCCP Stapled Group recognises stakeholder management as an important aspect to ensure transparency and accountability. Communication with stakeholders is imperative in understanding and managing their expectations and provide new perspectives in generating positive impact to the organisation.

With expectations changing rapidly in the real estate industry, investors, community, regulators and other stakeholders are continuously seeking for greater levels of transparency with respect to the economic, environment and social issues. We continue to engage and manage our stakeholders' needs and expectations, taking into consideration their viewpoints towards more tangible business value creation.

KLCCP Stapled Group has a diverse group of stakeholders comprising both internal and external stakeholders. Engagements with our stakeholders takes many forms including face to face meetings, media interactions and surveys to identify and understand the issues that are most important to them. We endeavour to build a stronger relationship with our stakeholders and we are guided by our principles to create value for all our stakeholders through innovative development and growth.



SUSTAINABILITY STATEMENT

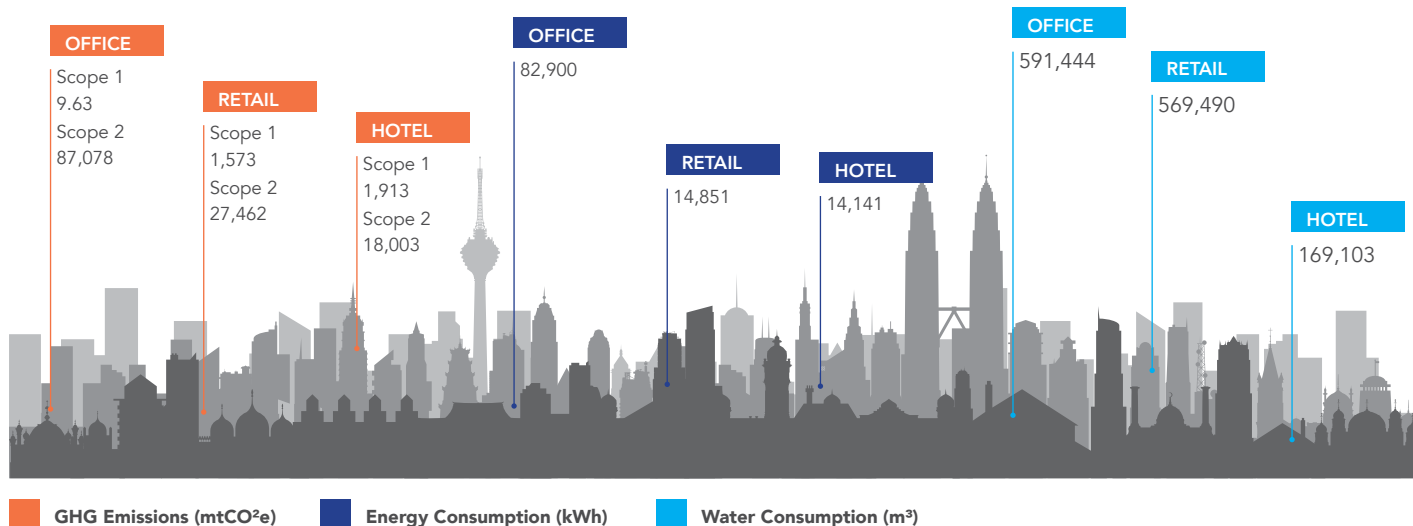
Our key stakeholder groups were identified by their significance and potential impact to our business. The following table demonstrates our key stakeholder groups, our engagement approach and their areas of interest and how we addressed their concerns

	STAKEHOLDER GROUP						
	SHAREHOLDERS/ INVESTORS/ BUSINESS PARTNERS	EMPLOYEES	GOVERNMENT/ LOCAL AUTHORITIES/ REGULATORS	CUSTOMERS & CONSUMERS	SUPPLIERS & SERVICE PROVIDERS	COMMUNITY	MEDIA
ENGAGEMENT APPROACH	<ul style="list-style-type: none"> Annual General Meeting One-on-one/ small group meetings Website Investor relations events Quarterly reports Annual report 	<ul style="list-style-type: none"> Townhall sessions Dialogue and engagement Intranet portal Employee satisfaction survey Annual dinner Recreational and sports club events 	<ul style="list-style-type: none"> Emails/letters Discussions on government initiatives Formal meetings Inspections 	<ul style="list-style-type: none"> Customer Feedback Management – hotline, surveys, email queries Loyalty programmes Events Dialogue and engagement Social Media 	<ul style="list-style-type: none"> Face-to-face meetings Evaluation/ Performance Review Corporate presentations Supplier training programmes Signing ceremonies 	<ul style="list-style-type: none"> Community engagement activities Annual reports Website/ Information leaflet/kiosks 	<ul style="list-style-type: none"> Press release/ media invites Press conferences, question and answer sessions Media coverage Media engagement
AREAS OF INTEREST	<ul style="list-style-type: none"> Distribution per Stapled Security Annual Total Return Efficient operations leading to sustainable profitability Long-term growth and stability Board and governance sustainability 	<ul style="list-style-type: none"> KLCCP Stapled Group's long-term growth, strategies and performance Staff safety and well-being Employee benefits Training and career development Employee performance 	<ul style="list-style-type: none"> Governance compliance Construction and Building By-Laws compliance Industrial and workplace relations Environmental management and compliance Security and Safety management 	<ul style="list-style-type: none"> Standards of customer relations Safety and Security KLCCP Stapled Group's competitive edge and differentiating factor in the marketplace Innovative and trend setting practices 	<ul style="list-style-type: none"> Fair practices Transparent tender processes Compliance with laws and regulations 	<ul style="list-style-type: none"> Health and safety impact Environmental impact 	<ul style="list-style-type: none"> Financial performance Growth strategies, new projects and prospects Operational issues and financial impact Board and governance Corporate responsibility
HOW WE ADDRESSED THEIR INTEREST	<ul style="list-style-type: none"> Sharing of information at meetings/ events/property tours Responding to general queries on KLCCP Stapled Group's performance Improved information on corporate website to cater to investors' needs 	<ul style="list-style-type: none"> Conducted HR open days Conducted face-to-face informal session Enhancement of employment benefits Offered strategic training programmes 	<ul style="list-style-type: none"> Conducted programmes to support Government initiatives Conducted face-to-face meeting to provide updates Provided Group's operation and financial information through email 	<ul style="list-style-type: none"> Carried out customer satisfaction surveys Heightened security measures within the precinct Providing a wider range of tenant mix and trend setting concept stores 	<ul style="list-style-type: none"> Supplier training workshops Pre-Tender briefing 	<ul style="list-style-type: none"> Conducted CSR programmes Provided Group's information through website & print and electronic media 	<ul style="list-style-type: none"> Responding to media queries on KLCCP Stapled Group's on quarterly reports and programmes

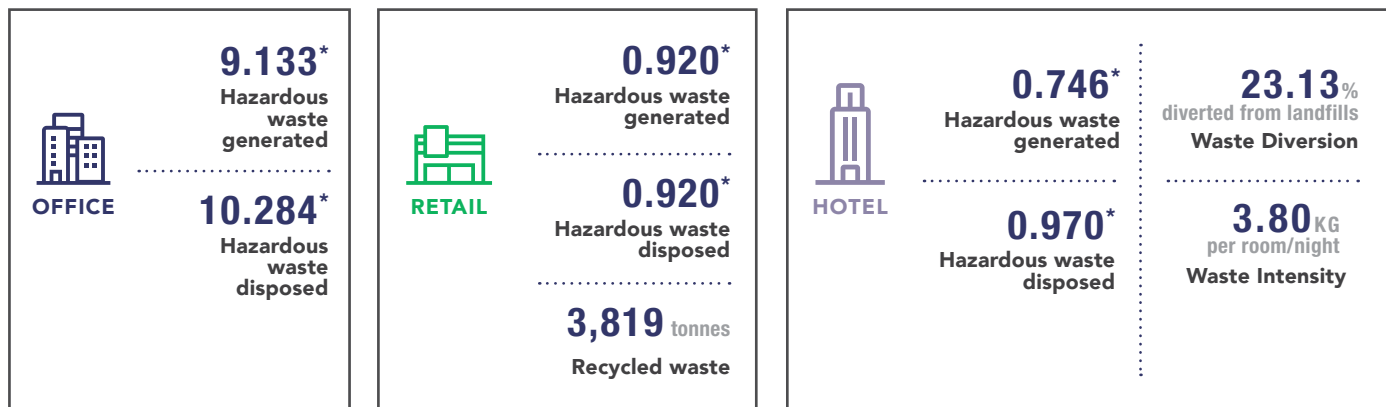
2017 PERFORMANCE OVERVIEW



ENVIRONMENTAL STEWARDSHIP



■ GHG Emissions (mtCO₂e)
 ■ Energy Consumption (kWh)
 ■ Water Consumption (m³)



* metric tonnes



SAFETY AND HEALTH

Loss Time Injury (LTI)

9

cases

Loss Time Injury Frequency (LTIF)

1.19

man-hours

Number of Fatalities

ZERO

Loss of Primary Containment (LOPC)

ZERO



OUR PEOPLE

Workforce Diversity

61%

Male

39%

Female

Staff sent for Training



96%
of the total population

Spent on Learning & Development



RM2.1
million



RELIABLE PARTNER



Community Investment

RM2.0 million

BENCHMARKS AND AWARDS

SOUTHEAST ASIA'S CORPORATE- INSTITUTIONAL INVESTOR AWARDS 2017

Recognition by our institutional investors for Best Strategic Corporate Social Responsibility

THEEDGEPROPERTY.COM MALAYSIA'S BEST MANAGED PROPERTY AWARDS 2017

PETRONAS Twin Towers was awarded the Gold Award in the Non-Strata Commercial category for Best Managed Property and the Editor's Choice Award for Iconic Innovation

THE ASSET CORPORATE AWARDS 2017

Gold Award for excellence in Environmental, Social and Corporate Governance recognising our efforts in upholding our commitment and accomplishment towards the journey of socially responsible and sustainable investment

ASIA PACIFIC BEST OF THE BREEDS REITs AWARDS 2017

Awarded Best of the Breeds REIT in Retail [Malaysia] and Best of the Breeds REIT in Office [Malaysia] in recognition of our excellence in portfolio management and financial performance whilst maintaining the highest standards of corporate governance

MOSHPA OSH EXCELLENCE AWARD 2017

KLCC Parking Management (KPM) received the Platinum Award for its commendable achievement in occupational, health and safety management in its car park operations

THE MALAYSIA BOOK OF RECORDS

KPM was listed in the Malaysia Book of Records as the first parking management company to receive the integrated ISO certifications of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 in 2016

ASEAN GREEN HOTEL AWARD 2016-2018

Awarded to MOKL Hotel for meeting the green requirement set by Ministry of Tourism Green Award in terms of environmental policy, use of green products and collaboration with community on green initiatives



CORPORATE GOVERNANCE



GOOD GOVERNANCE PRACTICES REPRESENT A CRITICAL BENCHMARK IN DETERMINING AN ORGANISATION'S SUCCESS AND MANAGEMENT STABILITY. OUR BOARDS FORM THE PILLARS OF A ROBUST CORPORATE GOVERNANCE FRAMEWORK IN SETTING THE TONE FROM THE TOP AND DRIVING A CULTURE OF STRONG GOVERNANCE



Sustainability Matters

- Corporate Governance and Business Ethics
- Risk Management

Context

The growth of institutional investors, their improved organisation and focus, and the regulatory and legislative initiatives in recent years have generated significant change to the corporate governance landscape. The widespread public criticism of boards of directors arising from the financial crisis, and the ensuing governance reform initiatives, are part of a series of developments in the evolving relationship between shareholders and their boards.

Investors have also become more organised and focused on exerting the influence inherent in their substantial ownership stakes, accelerating shift in the "balance of authority" exercised by boards and shareholders in the corporate decision-making process.

In Malaysia, the Malaysian Institute of Corporate Governance (MICG) continues to raise the bar of corporate governance in Malaysia for greater transparency and accountability with less scope of corruption and bribery.

KLCCP Stapled Group is subject to the corporate governance mandatory requirements set out by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and by virtue of being a listed entity, the Group in turn has to comply with the requirements of the Malaysian Code on Corporate Governance (MCCG) 2017, which was recently updated from MCCG 2012.

OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE IS REFLECTED IN OUR CODE OF CONDUCT AND BUSINESS ETHICS (CoBE), WHICH GUIDES THE ORGANISATION IN FULFILLING ITS BUSINESS OBLIGATIONS WITH UTMOST INTEGRITY AND TRANSPARENCY

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MCCG 2017 is the result of a comprehensive review undertaken by the Securities Commission (SC) in 2016 drawing inputs from domestic and international stakeholders, lessons from past and recent governance failures and changes in market structures and business needs. The code, which was first introduced in 2000 following the recommendations made by the High Level Finance Committee in 1999, had been reviewed twice by the SC in 2007 and 2012.

With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance that will ultimately secure the confidence and support of the Group's holders of Stapled Securities.

Approach

KLCCP Stapled Group takes a proactive approach in observing high standards of corporate conduct with good corporate governance policies and practices in ensuring the sustainability of the organisation and safeguarding the interests of the holders of Stapled Securities and maximising long-term stakeholder value.

Our commitment to good corporate governance is reflected in our Code of Conduct and Business Ethics (CoBE), which guides the organisation in fulfilling its business obligations with utmost integrity and transparency.

Key Initiatives for the Year

Board Composition and Diversity	<ul style="list-style-type: none"> • Outlining strategy to increase quota for women on Board • Identifying women candidates to fill Board positions • To comply with the minimum requirement of MCCG 2017 in respect to a majority of independent directors
Compliance and Transparency	<ul style="list-style-type: none"> • Enhancement of Board Charter and Terms Of Reference (TOR), approved by Board Committees and Boards of Directors
Development of Integrity Action Plan	<ul style="list-style-type: none"> • To manage integrity risk within KLCCP Stapled Group in ensuring our commitment to do business with integrity and to support the Group's zero tolerance against all forms of bribery and corruption • Organised a talk on Institutionalising Integrity - An Introduction of Corruption Risk Management attended by all management personnel • Conducted a 3-day workshop on integrity compliance risk assessment attended by all management personnel of the Group
Anti-Bribery and Corruption	<ul style="list-style-type: none"> • The Corruption-Free Pledge event was held in December 2017 involving managerial staff and the signing of the Corruption-Free Pledge document by the Management Leadership Team

Overseeing the overall strategic and operational business performance are KLCCP's and KLCCRM's Board of Directors. The Board Governance and Risk Committee as well as the Board Audit Committee were established to assist the Boards in discharging its functions in relation to internal controls, risk management, compliance with applicable laws and regulations, as well as reviewing internal policies and procedures. Together, they are entrusted to further fortify the levels of accountability and integrity in KLCCP Stapled Group.

CORPORATE GOVERNANCE AND COMPLIANCE

Our Boards take pride and places importance on a strong governance culture and implementing international best practices across the business segments. In conducting our business operations, we are guided by the KLCC Shared Values to uphold integrity

CORPORATE GOVERNANCE

in fulfilling our obligations in an ethical, responsible and transparent manner. We strictly conform to the respective laws, rules and regulations in the country where we operate.

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

On 13 November 2017, following the issuance of MCCG 2017, the Boards reviewed and approved revisions to the Board Charter, which included updating various provisions to ensure the document remains relevant and consistent with applicable rules, regulations and recommended best practices. The Board Charter is periodically reviewed to determine its appropriateness to the needs of KLCCP Stapled Group and to reflect the changing regulatory environment.

During the year, KLCCP Stapled Group was recognised in the top 100 public-listed companies at the MWSG-ASEAN Corporate Governance Recognition 2017 for demonstrating corporate governance practices based on the ASEAN Corporate Governance Scorecard methodology. KLCCP Stapled Group was ranked 31st for good corporate governance disclosures and ranked 36th for excellent overall corporate governance and performance. KLCCP Stapled Group was also a recipient of the Gold Award for excellence in corporate governance practices under the Environmental, Social and Corporate Governance category at The Asset Corporate Awards 2017.

Board Composition and Diversity

KLCCP and KLCCRM Boards of Directors comprise eight members respectively, one of whom is a Chief Executive Officer, three Independent Non-Executive Directors, fulfilling the requirement of the MMLR on independence, while the remaining four Non-Executive Directors are Non-Independent Directors. Currently, there are two female Directors on each Board which accounts for 25% women representation on board. The Boards are responsible for overseeing the overall management of KLCCP and KLCCRM and responsible for providing oversight and stewardship of the organisation. Harnessing strength from a variety of backgrounds and experiences, the Boards bring diversity and add depth to deliberations.

MCCG 2017 recommended for the formulation and disclosure of gender diversity policies and targets to be mandatory, where companies must disclose in their Annual Reports policies and targets with respect to composition of women on their boards. The Group's Diversity Policy, which was rolled out in August 2016, aspires to ensure a diverse and inclusive board that will leverage on differences in thoughts, perspectives, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender, to achieve effective stewardship and management which will lead to its competitive advantage.

In the year under review, the Boards have taken steps to identify female candidates based on meritocracy with the optimum mix of skills, knowledge and experience to fill board positions and outline strategies to increase this quota, in line with the country's aspirational target of 30% representation of women directors. The KLCCP and KLCCRM Boards are working towards increasing the participation of women at the Boards as well as in senior roles and functions throughout the Group.

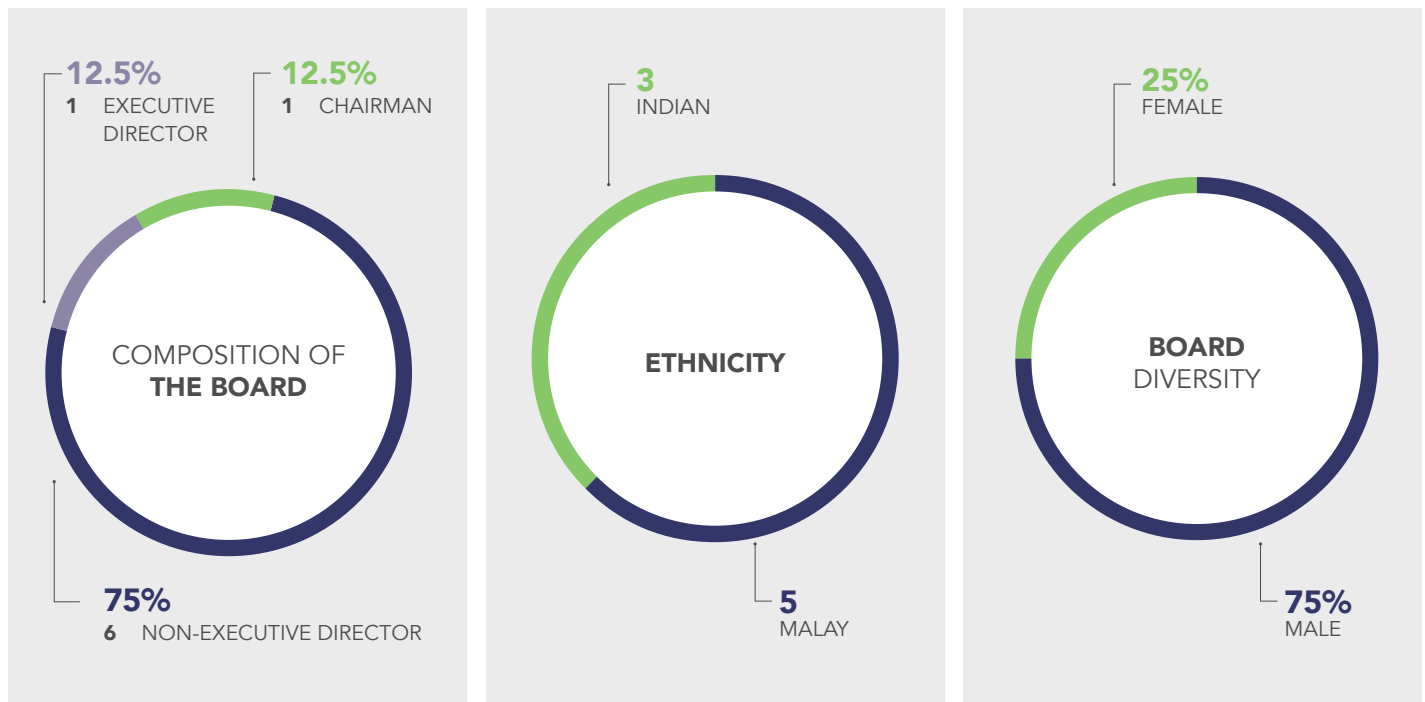
BUSINESS ETHICS AND INTEGRITY

The Board of Directors of KLCCP and KLCCRM are guided by the corporate governance principles, CoBE and charters for each board committee and is committed to representing the long-term interests of all holders of Stapled Securities.

KLCCP Stapled Group's commitment to good corporate governance is reflected through its effort in promoting compliance, integrity and transparency through the adoption of KLCCP Stapled Group's Shared Values, PETRONAS' Code of Business Ethics (CoBE), Anti-Bribery & Corruption (ABC), No Gift Policy and Whistleblowing Policy.

	Employees	Supply Chain
Communication Channels	<ul style="list-style-type: none"> • KLCC Shared Values • PETRONAS Code of Conduct & Business Ethics • PETRONAS Anti-Bribery & Corruption Manual • No Gift Policy • Gift Register • Asset Declaration • PETRONAS Integrity Compliance Framework • PETRONAS Whistleblowing Policy • Induction Trainings 	<ul style="list-style-type: none"> • Imposed provision in all contracts requiring third parties to comply with CoBE • Imposed provision of Anti-bribery and corruption clauses in all contracts requiring third parties to comply with • Continuous engagement with third parties to ensure compliance with CoBE and ABC Manual
Feedback Channels	<ul style="list-style-type: none"> • Whistleblowing Reporting Platform 	

CORPORATE GOVERNANCE



Code of Business Ethics (CoBE)

At KLCCP Stapled Group, we adhere to the PETRONAS' Code of Business Ethics (CoBE) which contains detailed policy statements on the standards of behavior and ethical conduct expected of each individual. The CoBE which was rolled out to the KLCC Group in 2012, serves as a guiding principle on how every employee, management and directors are expected to conduct his or her work. The CoBE applies to all employees and directors within the KLCCP Stapled Group and we continue to pursue good business ethics amongst the employees and stakeholders and endeavour to achieve the highest standards of integrity through the adherence to the CoBE.

The CoBE is benchmarked to international standards and outlines the behaviour and ethical conduct expected of employees, directors and other stakeholders in the way we do business which is reflected by the policies and procedures which deals with confidentiality, conduct and work discipline and corporate gifts and workplace harassment. It not only promotes legal and procedural compliance, but also provides guidance to ensure individual behavior is in line with the KLCC Shared Values.



For the year under review, KLCCP Stapled Group continued to communicate the CoBE to all employees as well as third parties performing work for or on behalf of KLCCP Stapled Group through its corporate website, meetings, corporate events and inclusion of CoBE in all new employees induction programme. During the year, 51 new employees were introduced to the CoBE and were required to sign a declaration of adherence to the CoBE. Our Human Resource also organised the CoBe WEEK with the topic of the day focusing on fighting corruption and ethical practices covering matters relating to solicitation, bribery and corruption, gifts, entertainment and corporate hospitality and money laundering. Among the activities conducted include the CoBE conversation and knowledge sharing with employees, CoBE Refresher on selected topic, CoBE e-Learning and CoBE Feedback Survey from staff on the superior in supporting CoBE.

Anti-Bribery and Corruption (ABC)

The Anti-Bribery and Corruption (ABC) Manual and the No Gift Policy, as adopted from PETRONAS has been KLCCP Stapled Group's reference in dealing with unethical conduct and is now part of the culture in our efforts to eliminate all forms of bribery and corruption within the organisation. The ABC Manual was developed to supplement the general policy statements set out in the CoBE on fighting corruption and unethical practices and outlines detailed explanation on procedures for dealing with improper solicitation, bribery and corruption and addressing of ethical issues. New initiatives will continue to be rolled out to create greater awareness on integrity as prescribed in the ABC Manual.

CORPORATE GOVERNANCE

KLCCP Stapled Group's strong stance of zero-tolerance against bribery and corruption extends to its business dealings with third-party service providers and vendors. Pursuant to the ABC Manual, KLCCP Stapled Group requires that its agreements with third-party service providers and vendors incorporate anti-bribery and anti-corruption provisions. In line with this commitment, every reported case has been dealt with meticulously, with all fairness and according to lawful practices. In the past two years, we have had 11 cases reported and investigated which resulted in either termination of services, resignation or non-renewal of contract.

To further strengthen our efforts in promoting ethical practices across the organisation, KLCCP Stapled Group continued to communicate and engage with employees at all levels through displays of posters at all office sites as well as conducted talks on integrity to uphold the core values and not engage in corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity at work and in all business dealings.

Assets Declaration and Gift Register

The KLCC Group's Assets Declaration and Gift Register was launched in December 2017. This Assets Declaration is for the Group to ensure Management and employees do not abuse their power for personal gain or acquire assets through unlawful means or dealings. This Assets Declaration will be a means to anchor the issue of ethics and integrity within the Group. Employees will be required to declare their assets to the organisation through the Human Resource Division via sealed envelopes to ensure confidentiality.

KLCC Group also subscribes to the *No Gift Policy* which we have implemented since 2012. Under this policy, employees are prohibited to give or receive gifts of any kind from any parties it has dealings with. With the launch of the Gift Register and in accordance to the *No Gift Policy*, all gifts received by employees would need to be registered and returned to the sender to ensure adherence to this policy.

Whistleblowing Policy

The KLCCP Stapled Group adopts a zero tolerance policy against all forms of bribery and corruption. The Whistle-Blowing Policy facilitates as a communication and feedback channel for employees to report on any misconduct within the organisation. This reflects our commitment and strong stance against any misconduct within this organisation. The Whistleblowing policy, as adopted from PETRONAS provides an avenue for employees and members of the public to disclose any misconduct or malpractices within KLCCP Stapled Group. It encourages openness and transparency and heightens ethical business conduct and provides trusted and accessible channels to report corruption, fraud and dishonest practices at the workplace.

Employees and members of the public who raise or disclose any malpractices can do so without doubt or fear of reprisals as the whistleblower is assured confidentiality of identity, to the extent reasonably practicable, even post completion of investigation, so long as the disclosure is made in good faith. Whistleblowers are also kept updated on outcomes of the disclosure made, adhering to procedures in place.



i The Corruption-Free Pledge signing by the Group's Management Leadership Team

CORPORATE GOVERNANCE



As part of the PETRONAS Group, all reported whistleblowing incidents are escalated to the PETRONAS Whistleblowing Committee set up to deliberate upon the disclosures made, determine next course of action and monitor progress until case closure. The Committee meets at least once a month and provides updates to the Internal Audit Management Committee as well as Board Audit Committee.

The organisation's ongoing efforts to promote the Whistleblowing Policy and its established platforms entailed displaying communication collateral at strategic locations within KLCCP Stapled Group's office premises such as at the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi.



Our Whistleblowing Policy is available at <http://www.klcc.com.my/sustainability/governance.php>

Dealings in Stapled Securities

KLCCP Stapled Group adopts the Dealings in Stapled Securities policy, a Memorandum of Insider Trading, for Directors and employees which advocates best practices pursuant to the MMLR. It sets out prohibitions against dealing in the Stapled Securities when in possession of unpublished price sensitive information and knowledge of facts or materials. The directors are issued guidelines and are notified in advance of the closed period for trading in Stapled Securities and are regularly reminded of the laws of insider trading and to refrain from dealing in Stapled Securities on short-term basis.

RISK MANAGEMENT

Risk management is an integral part of KLCCP Stapled Group's business at both strategic and operational levels. An effective and sound risk management system is important for KLCCP Stapled Group to achieve its business strategies and objectives. KLCCP Stapled Group has an established KLCC Group Enterprise Risk Management Governance Framework which outlines the risk policy, risk governance and structure, risk measurement and risk operations and system.

The Risk Management Oversight Structure which consists of the Boards, Audit Committees, Management Committee and Risk Management Committee sets out the structure used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards.

KLCCP and KLCCRM Boards developed an integrated robust risk management system for business resiliency focusing on three key areas.

Enterprise Risk Management

KLCCP Stapled Groups' Enterprise Risk Management (ERM) Framework is a structured and holistic approach to identify, assess, treat and monitor risk aimed to reduce the likelihood and impact of all identified risks to enhance ability to achieve strategic objectives. It sets out the six key elements comprising Governance, Context Setting, Risk Assessment, Risk Treatment, Risk Monitoring and Review and Continual Improvement which enable KLCCP Stapled Group to manage risks in an integrated, systematic and consistent manner.

CORPORATE GOVERNANCE

The framework provides a standard and consistent approach across KLCCP Stapled Group in achieving the following key attributes in risk management:

- Full accountability in managing risk at respective entity
- Application of risk management in decision making
- Continuous communication with external and internal stakeholders, including comprehensive and frequent reporting on risk management performance
- Risk management as part of KLCCP Stapled Group's management processes and culture in achieving the organisation's objective.

This is to provide a balanced view for informed decision making through richer risk conversations and considerations of risk reward trade-off. Risk assessment is carried out prior to any decision point using the risk assessment guideline which is aligned to ISO 31000.

Annually, the Group Enterprise Risk Management Department facilitates and coordinates the Group-wide Risk Profiling exercise that requires business and corporate executive leaders to proactively identify, assess and document material risks and the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed at KLCCP Stapled Group level before they are presented to the Risk Committee, Audit Committee and the KLCCP and KLCCRM Boards.

KLCCP Stapled Group utilises the INTERISK system as a risk tool to effectively manage and monitor risk profiles. It embeds the industry standard risk management process of ISO 31000. The INTERISK system drives active risk conversations and analysis monitoring through a dashboard, reinforces effective risk governance and assurance practices and provides a seamless flow of information and processes along the risk management value chain.

Crisis Management

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

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

During the year, KLCCP Stapled Group conducted Fire Drill and Evacuation exercises for tenants at PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi to test the effectiveness and robustness of the Crisis Management Plan. A demonstration on proper usage of Fire Extinguishers was also conducted for tenants at PETRONAS Twin Towers to promote awareness of the dangers of fire hazards and the proper and effective operation of fire extinguishers within the workplace.

At MOKL Hotel, the Crisis Management Team members have responsibility with reference to their sections based on time sequence and direct responsibilities. The Hotel Manager and General Manager chair monthly meetings to outline simulation schedules and participate in the simulations. The local police authorities work with the hotel during the simulations to reflect a "real time authentic" scenario. Our hotel staff are trained yearly on the Business Continuity Management Plans and simulations are held yearly to ensure that we are prepared for any eventualities.

Business Continuity Management

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

Annual BCP Simulation Exercises are carried out to test the recovery strategy at virtual office and the effectiveness of identified Primary and Alternate Workforce for business resumption of the Critical Business Functions.

At MOKL Hotel, BCP is demonstrated in an organisational chart that outlines the Crisis Management Team, Emergency Response Team and Business Recovery Team who are responsible in dealing with incidents and crisis related to hotel operations.

Senior leadership and other department heads are part of this structure led by the Deputy Crisis Management team member and Crisis Management Leader. They conducted over 24 Emergency Response Plan scenarios and simulations involving hotel leadership and staff participation to increase the hotels readiness. All simulations are documented and then audited by senior leadership and an independent auditor on an annual basis.

Integrity Action Plan

During the year, KLCCP Stapled Group embarked on the journey to develop the KLCC Integrity Action Plan to manage integrity risk within the KLCCP Stapled Group in ensuring our commitment to do business with integrity and to support the Group's zero tolerance against all forms of bribery and corruption.

CORPORATE GOVERNANCE

The aim of the KLCCP Stapled Group's Integrity Action Plan is to strengthen the existing system and procedures to address the root causes of integrity issues resulting from poor enforcement, weak internal control and acceptance culture. The Integrity Action Plan is also aligned to the requirements governed under ISO 37001 Anti-Bribery Management System.

THE 6 PRINCIPLES SAFEGUARDING OUR BUSINESSES

<p>1 PROPORTIONATE PROCEDURES to prevent potential integrity issues through clear, practical, accessible, effectively implemented and enforced procedures.</p>	<p>4 DUE DILIGENCE in respect of the entities who will perform services for or on behalf of the Group in order to mitigate potential issues</p>
<p>2 TOP LEADERSHIP COMMITMENT to fight corruption and foster the culture of zero tolerance against all forms of bribery and corruption</p>	<p>5 COMMUNICATION AND TRAINING to ensure good understanding and effective implementation of anti-corruption and bribery policy</p>
<p>3 RISK ASSESSMENT on internal and external factors to identify potential integrity issues</p>	<p>6 MONITORING AND REVIEWING procedures and integrity programmes for effective implementation</p>

An online survey was also conducted to gauge the level of awareness and understanding of the whole integrity management system. This included assessing the extent of the institutionalised integrity compliance standard in the Group's daily operations, the response to integrity issues and issues and insights into corporate integrity based on the experiences and perception of the employees. About 440 employees participated in the survey and the result concluded that majority of participants are fully aware and familiar with the KLCC Shared Values, the Culture Beliefs and the CoBE.

Another initiative which we undertook during the year as part of our integrity journey was the Corruption-Free Pledge event held in December 2017. The event was attended by the managerial staff of the Group which witnessed members of the Management Leadership Team led by the Chief Executive officer signing the Corruption-Free Pledge document in the presence of representatives from the Malaysian Anti-Corruption Commission (MACC).

The Integrity Action Plan addresses five categories of integrity risk concerns.

Category	Description
Bribery	Offering, promising, giving, accepting, or soliciting of an advantage as an inducement for an action, which is illegal, unethical, or a breach of trust or to refrain from acting.
False Claim	False/fraudulent claim is a financial fraud scheme whereby contractors make unentitled claims (i.e. approve claim beyond progress payment); falsify financial statement to qualify for bidding process; and fraudulent claims by staff.
Non-compliance	Non-compliance to standard operating procedures (SOP) occurs when employees collude with other employee/external parties to override administrative procedures and internal controls
Abuse of Power	Abuse of power occurs when employees misuse their position for personal gains such as procuring favours/gifts from contractors.
Misappropriation	Misappropriation of funds involving fake invoices, forged signatories and duplicate invoices occurs due to weakness in internal controls.

This Integrity Action Plan will be implemented across the key critical business units during the course of 2018 and will enable KLCCP Stapled Group to identify potential corruption risk and the appropriate mitigation to further strengthen our resiliency model.



ENVIRONMENTAL STEWARDSHIP



KLCCP STAPLED GROUP'S SUSTAINABLE ENVIRONMENTAL INITIATIVES ARE FOCUSED ON ENHANCING A SUSTAINABLE SOCIETY AND CULTIVATING A GREEN AND SAFE CORPORATE CULTURE

3 GOOD HEALTH AND WELLBEING	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITY AND COMMUNITIES	13 CLIMATE ACTION	15 LIFE ON LAND

Sustainability Matters

- Climate Change
- Environmental Management

We continue to take proactive measures in improving environmental performance and efficiency of the assets we manage in the areas of Greenhouse Gas emissions (GHG), energy efficiency, responsible water and waste management.

Our retail and hotel properties and asset management company continue to support and step up KLCCP Stapled Group's efforts in responsible energy management, water efficiency and environmental

conservation programmes in its many areas of operations to make a positive difference and ensure that the best practices have minimum adverse effects on the general well-being of customers, guests and employees.

Context

Whilst it is far from sustainable, there is a growing level of environmental awareness for the need to sustainably manage our planet's resources and ecosystems. This paradigm shift is exerting pressure on many day-to-day actions routinely undertaken by corporations, government agencies and non-profit organisations, along with behaviours seen in communities and households. The change in private organisations can be evident as people assert the need to protect the environment along with typical corporate goals such as profit, market share and return to equity. Hence, critical business needs for energy, water and raw materials must coincide and be balanced with care for the stakeholders and environment.

ENVIRONMENTAL STEWARDSHIP

In the 11th Malaysia Plan, Malaysia has stepped up its pledge to the environment, marching towards green growth in the efficient use of natural resources, minimising pollution and environmental impact and environmental management. The Government's 2018 Budget also saw the push for green technology in support of Malaysia's pledge to cut carbon emission intensity.

With the growing awareness of environmental concerns, particularly in relation to climate change, it is imperative to address and mitigate the adverse effect resulting from business operations worldwide and the risks aggressively. The alarming rate of ozone depletion, chemical pollution and biodiversity loss among others, call for the need to have in place initiatives for environmental conservation to ensure a safe and healthy environment for the future generations.

Our Approach

At KLCCP Stapled Group, we acknowledge our responsibility and emphasise the needs in raising awareness and understanding of environmental sustainability amongst our business units, stakeholders and the broader community. In line with our CoBe and as a real estate owner, developer and manager, we aim to minimise disruptions to the community and the environment by lowering the environmental footprint of our buildings and use energy, water and resources more efficiently.

With inherent focus on mitigating the environmental related challenges, and in achieving operational sustainability, KLCCP Stapled Group has embarked to strengthen its foothold in the areas of energy efficiency and waste management in all its assets and operations. In our 3-year Sustainability Roadmap, we have identified our baseline and targets for improving our environmental sustainability performance in these areas.

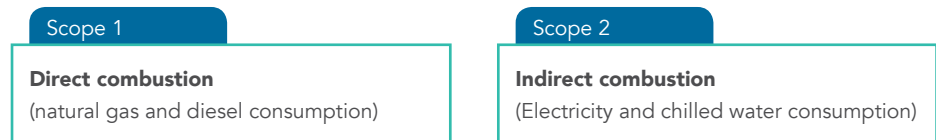
We strive to ensure our decisions contribute to improvements in environmental sustainability, working in-tandem with our tenants in green building initiatives, the local authority, Government and other stakeholders in achieving our targets.

KLCCP STAPLED GROUP IS COMMITTED IN ACHIEVING ITS ASPIRATION TO BE RECOGNISED AS A RESPONSIBLE ORGANISATION THAT PLACES GREAT IMPORTANCE TO ENVIRONMENTAL BEST PRACTICES THROUGHOUT ITS OPERATIONS

CLIMATE CHANGE

Climate change results in adverse weather and global warming which will have impact on our wear and tear of assets and cost associated with repair and maintenance. Increased demand on ventilation and air-conditioning will also result in higher energy consumption. With climate change fast becoming a global agenda, Malaysia has committed to combating global climate change with a pledge to cut its greenhouse gas emissions by 45% by 2030. In support of this initiative, KLCCP Stapled Group is committed to address climate change risks through reduction of its energy consumption and carbon emissions in its business operations and externally certified Environmental Management System (EMS) 14001 certification. To-date, our facility management company, KLCC Urusharta Sdn Bhd, our car parking operations and our hotel, MOKL Hotel are ISO 14001 EMS certified.

KLCCP Stapled Group anticipates, mitigates and develops adaptation strategies to face the upcoming carbon risks or opportunities, which may affect our tenants, users, guests and community. We monitor our GHG emissions based on:



Measuring Carbon Emissions

Carbon management in our business operations is in relation to utilities (electricity, natural gas, chilled water) and diesel. In compliance with the PETRONAS Technical Standards, we have developed a carbon inventory to establish our emission baseline and monitor our carbon emissions on a quarterly basis and track our progress. The consumption of each business based on utilities and diesel are compiled with a GHG emission factor assigned and thereafter monitored. Energy reduction initiatives are then put in place to drive our action towards our reduction target.

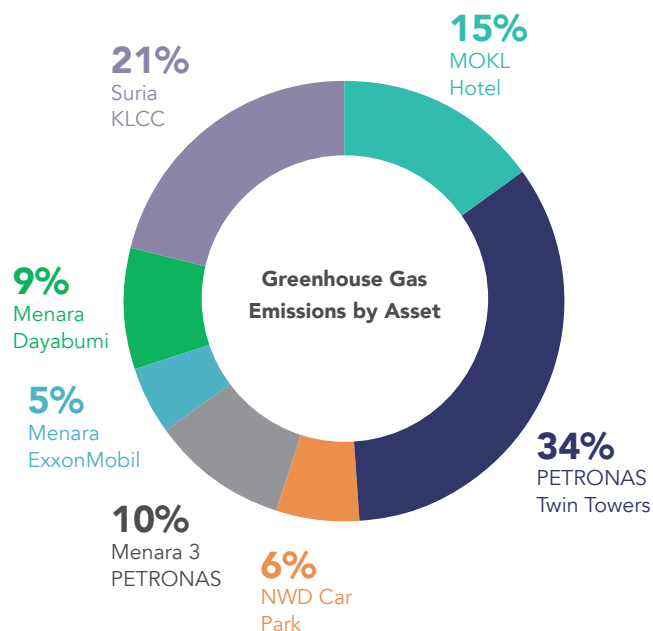
At our hotel, the tracking of GHG emissions in the dry cleaning operations reported a lower airborne concentration while the ergonomic assessment for steward, laundry and housekeeping operation reported no concern of high risk exposure. Our hotel also complies with the Clean Air Regulation 2014 and by 2018/2019 for boilers and generators.

ENVIRONMENTAL STEWARDSHIP

PERFORMANCE FOR THE YEAR

Greenhouse Gas Emissions by Segments

	2017	2016	2015	2014
Scope 1 (mt CO₂-e)				
OFFICE & CAR PARK	9.63	5.47	5.47	8.32
RETAIL	1,573	1,540	1,540	1,537
HOTEL	1,913	1,925	1,946	1,892
Scope 2 (mt CO₂-e)				
OFFICE & CAR PARK	87,078	90,214	90,138	90,699
RETAIL	27,462	33,103	32,819	21,422
HOTEL	18,003	17,511	17,330	17,924



Overall, KLCCP Stapled Group's GHG emissions for 2017 totalled 136,039 metric tonnes, a decrease of 6% as compared to 2016. The reduction was contributed by the continued installation of the LED lighting, lighting and motion sensors in staircases of Menara 3 PETRONAS, Suria KLCC and MOKL Hotel.

During the year, PETRONAS Twin Towers recorded the highest emission at 34% whilst Menara ExxonMobil and North West Development (NWD) Car Park recorded the lowest at 5% and 6% respectively. Scope 2 emissions from electricity and chilled water account for 97% whilst Scope 1 recorded minor emissions totaling 3,496 metric tonnes, recording a slight reduction of less than 1% as compared to 2016.

Energy Management and Efficiency

As one of our sustainability agendas and a pillar to our carbon emissions reduction strategy, we continue to implement energy management actions to consistently achieve energy performance improvements across our business operation. We monitor and track our energy consumption and continued to install energy saving fixtures in our effort to reduce energy consumption in our office, retail and hotel properties as it is vital to achieve KLCCP Stapled Group's energy efficiency goals and impact on overhead, cost, return on investment and the commensurate reduction of GHG emissions.

During the year, the Group worked towards establishing an Energy and Asset Audit Committee to monitor and maximise the reduction on energy consumption via coordinated energy savings initiatives without compromising on the operational comfort and quality aspect of the buildings. We continued our efforts in ensuring the Green Building Index (GBI) requirements are fulfilled for the year as we geared towards attaining the full GBI certification for PETRONAS Twin Towers and Menara 3 PETRONAS by 2018.

ENVIRONMENTAL STEWARDSHIP

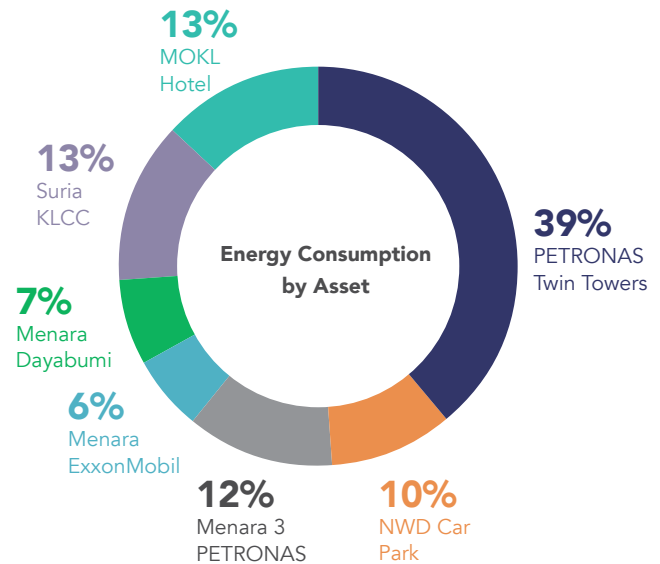
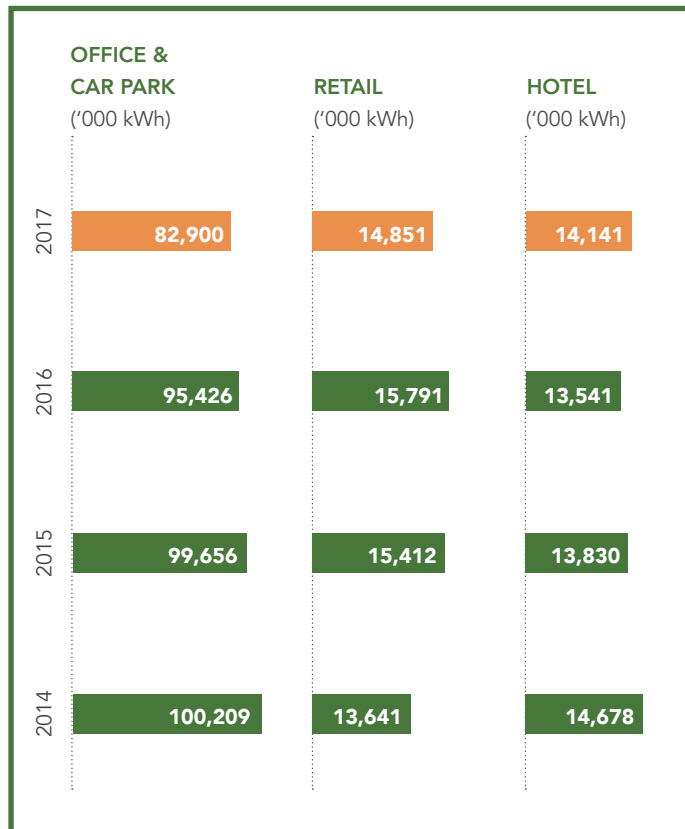
Key Initiatives for the Year

PETRONAS Twin Towers	<ul style="list-style-type: none"> Establishment of an Energy and Asset Audit Committee to monitor and identify solution to maximise the reduction of energy consumption Implementation of Energy Management System (EMS) consisting of hardware and software modules to ensure real time energy management i.e. monitoring and identification of power leakages
Menara 3 PETRONAS	<ul style="list-style-type: none"> Implementation of EMS consisting of hardware and software modules to ensure real time energy management i.e. monitoring and identification of power leakages Implementation of LED lighting replacement at common areas - levels 4, 5, 5M and the sky lobby at level 6 Installation of lighting and motion sensors in the staircases Continuous commissioning of electrical and air conditioning mechanical ventilation
Menara Dayabumi	<ul style="list-style-type: none"> Implementation of LED lighting at common area Engagement of an Energy Manager to identify energy saving initiatives
Suria KLCC	<ul style="list-style-type: none"> Upgrading of Fire Alarm System Replacement of all recess lights from normal tubes to LED lights Replacement of Fan Coil Unit (FCU) in several retail outlets Escalators modernization at Park Mall under Phase 1 & 2
MOKL Hotel	<ul style="list-style-type: none"> Installation of LED lights in the renovated rooms as per design specifications, resulting in a 32% reduction in wattage per room Upgrading of InnCom (Integrated room management system i.e. interfaces and energy savings software and hardware) in all guest rooms to improve guest comfort and energy saving Room occupancy detection for air-conditioner set back and room lighting power supply cut off during unoccupied status Use of induction hobs with 90% input energy efficiency compared with gas range of 55% Utilisation of cloud based application for emails, eliminating the need for servers and energy required for running the servers

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PERFORMANCE FOR THE YEAR

Energy Consumption by Segments



Energy consumption registered a 10% decrease from 124,758,000 kWh in 2016 to 111,892,000 kWh in 2017 contributed by intensive efforts in replacement of old fixtures in Suria KLCC and the GBI initiatives in PETRONAS Twin Towers and Menara 3 PETRONAS. MOKL Hotel recorded a marginal increase in consumption from 11% in 2016 to 13% in 2017 whilst Menara Dayabumi, Menara ExxonMobil and Menara 3 PETRONAS recorded a total of 25% decrease in consumption.

ENVIRONMENTAL STEWARDSHIP

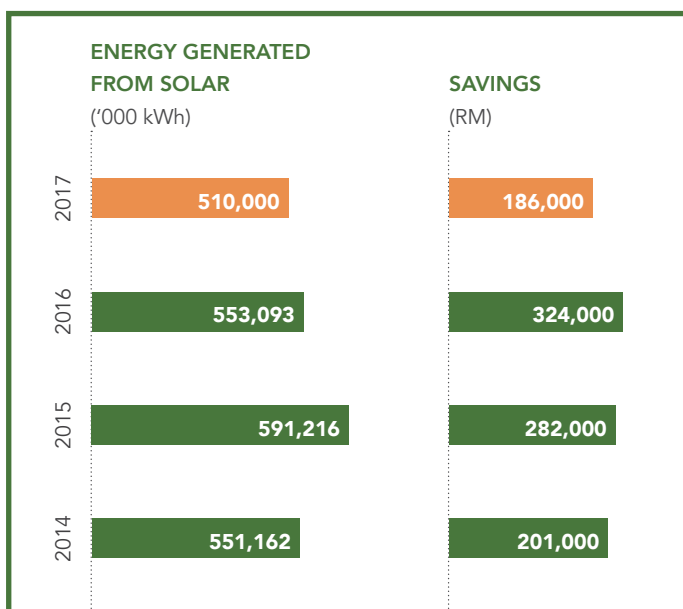


↑ Solar Photovoltaic panels on the rooftop of Suria KLCC

Renewable Energy

Suria KLCC's photovoltaic system located at the rooftop has contributed towards the mall's electricity saving of approximately RM1.4 million since it was installed in 2012. It generates about 30% of Suria KLCC's power requirement per month and contributes to the GHG emission reduction by approximately 360,000 kg carbon dioxide (CO₂) per year.

Solar Energy 5-Year Performance



WATER MANAGEMENT

Water is a key element of life on our planet. More than 71% of the Earth's surface is covered with water, yet millions of people the world over are facing water scarcity due to lack of availability, uneven distribution and access, and contamination. Rapid industrialisation, deforestation, unsustainable agricultural practices and fast growing population are putting pressure on companies to understand how water issues can destabilise, radically alter, or halt business performance.

Despite having over 907 billion cubic metres of rainfall a year, Malaysia is still faced with water shortages in some states for certain periods each year. Water rationing and unscheduled interruptions over recent years have adversely affected various industries and investor confidence.

Though our business operations are located within water abundance areas, effective and efficient management of our water resources is critical to our business sustainability and investments. As a real estate owner, developer and manager, we aim to keep consumption to a minimum, reuse water and prevent water pollution. Efficient water management also translates to less energy which reduces the carbon footprint and in-turn lowers our operational cost.

As part of our target to achieve full GBI certification for PETRONAS Twin Towers and Menara 3 PETRONAS, KLCCP Stapled Group continued to enhance our implementation of initiatives in reducing our water consumption.

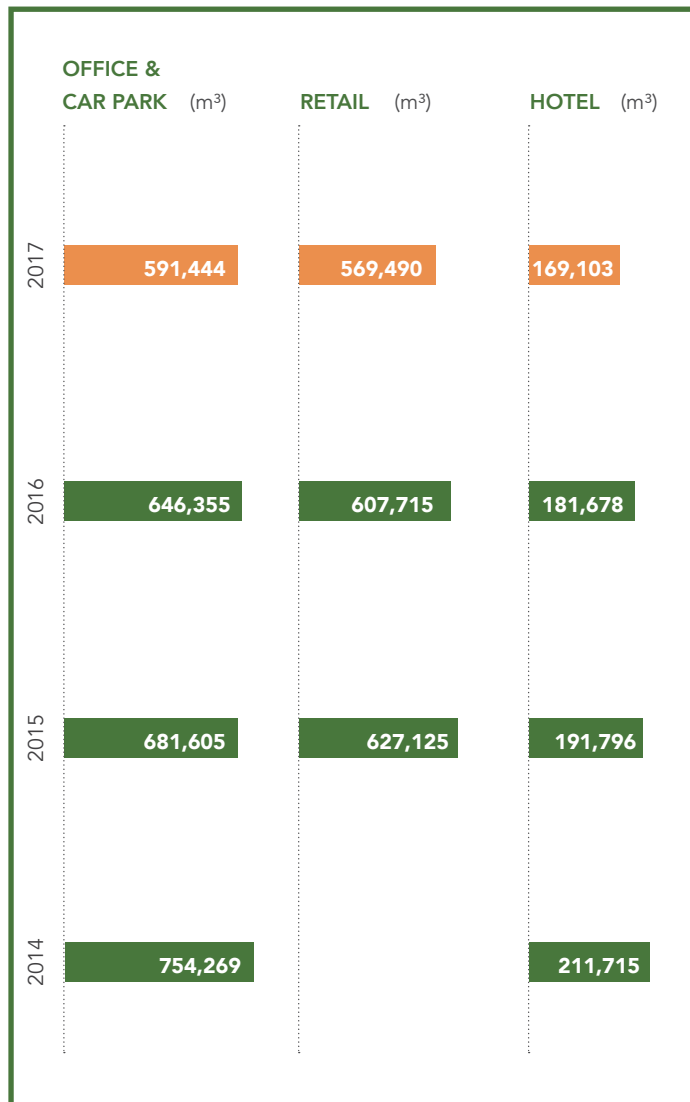
ENVIRONMENTAL STEWARDSHIP

Key Initiatives for the Year

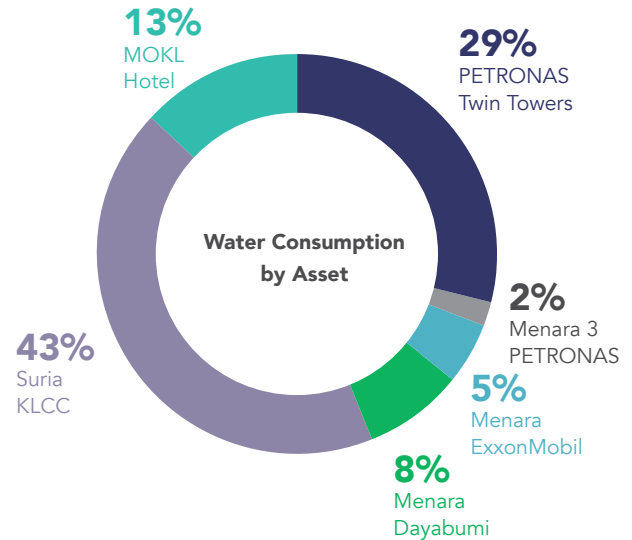
Office	<ul style="list-style-type: none"> Individual isolating valve to control water flow rate and acting as emergency isolation valve during pipe burst to prevent excessive water usage and loss of treated water Installation of water aerators at hand basin taps Installation of water leak detection at strategic area i.e. sump pit area to prevent flooding occurrence at common area
Retail	<ul style="list-style-type: none"> Installation of water meter in all F&B outlets to track consumption Replacement of old water pipes to avoid leakage
Hotel	<ul style="list-style-type: none"> Installation of water restrictors in all renovated rooms to manage flow rates Installation of water restrictors at all kitchens to the concealed type and use of "seat" between pipe and faucet to stop drips in the kitchens Installation of new tunnel washer for batch washer in Laundry

PERFORMANCE FOR THE YEAR

Water Consumption by Segments



Water Consumption by Assets



With our ongoing initiatives, overall water consumption for 2017 reduced by 7% being largely contributed by the installation of water aerators, water leak detectors and individual isolating valve at the PETRONAS Twin Towers and the replacement of old water pipes at Suria KLCC.

ENVIRONMENTAL STEWARDSHIP



WASTE MANAGEMENT

KLCCP Stapled Group continued to encourage responsible practices in waste management to ensure the well-being of our tenants, guests, customers and the community at large. Besides being one of the key platforms in which we create sustainability awareness among employees, it is also part of our commitment and contribution towards our environment for the benefit of our future generation.

As a real estate owner and developer, our approach to waste management covers construction waste produced during development and renovation of our buildings, municipal waste produced during operation of our buildings by the various users and occupants, which includes domestic and hazardous waste. Domestic waste comprises solid waste, compostable materials, recyclable materials and reusable materials waste whilst hazardous waste generated include used fluorescent bulbs, used batteries, spent lubricating oil, spent organic solvents and electronic wastes.

In respect to hazardous waste, KLCCP Stapled Group complies with the Scheduled Wastes Regulation 2005 (Environmental Quality Act 1974) by the Department of Environment (DOE), Malaysia. All the generated hazardous waste from our respective assets are disposed to the waste facility managed by Kualiti Alam, Sdn Bhd, registered and licensed with DOE. All scheduled waste will be weighed and inventory will be tracked on a monthly basis. Collection of scheduled waste are undertaken within 180 days by Kualiti Alam, and e-consignment note are filed into DOE's eSwis website.

At our offices, as part of our sustainability practices and in line with our targets of achieving the full GBI certification for PETRONAS Twin Towers and Menara 3 PETRONAS, we have a Waste Management and Recycling Plan (WMP&R) in place which outlines measures to achieve our identified goals on waste management.

Short Term Goals	Long-term Goals
Identification of the type of waste produced for identified area	Minimising generation of unnecessary waste
Establishing the amount of waste for every type of waste produced	Minimising the quantities of waste generated ending up as landfill
Generate statistical database for deriving a custom and successful waste management and recycling plan	Recovering, reusing and recycling waste generated onsite where possible
Establishing baseline waste production	

At our hotel, segregation of waste has been implemented at source — at kitchens, guestrooms and engineering sections. Other areas of segregation which has helped the environment is the reuse of coffee beans in compost. This recycling campaign which was launched by MOKL Hotel and staff, recycles the coffee grounds as compost for their gardens.

Waste for landfill or recycled waste are submitted by the waste vendor and tracked on a monthly basis. The data is collected and trended for any abnormalities prior to corrective actions being taken. The waste vendor uses a weighing machine at the Waste Management Center to obtain a more accurate data on recycled waste.

ENVIRONMENTAL STEWARDSHIP

Key Initiatives for the Year

Recycling	<ul style="list-style-type: none"> Ongoing awareness training for employees and suppliers on smart purchasing and diligent practices of reuse, reduce and recycle Waste bins for recycle wastes placed at office floors, NWD car park and kitchens
Waste segregation	<ul style="list-style-type: none"> Waste bins allocated for segregation of hazardous waste at office floors of the PETRONAS Twin Towers and NWD basement car park Implementation of e-waste disposal processes to authorised landfill
Waste reduction	<ul style="list-style-type: none"> Analysis and monitoring or tracking of waste collection data Awareness training for all tenants and staff through emails, posters and briefings Collaboration with local authorities – conducted talks to create awareness on responsible waste management by relevant authorities Award recognition to employees or tenants involved in responsible waste management

PERFORMANCE FOR THE YEAR

Waste Generation and Disposal by Segments



ENVIRONMENTAL STEWARDSHIP

In 2017, KLCCP Stapled Group generated approximately 10.80 metric tonnes of hazardous waste from its office and hotel operations. This significant increase was mainly due to the ongoing initiative of changing fluorescent tubes to LED lights under our GBI initiatives for PETRONAS Twin Towers and Menara 3 PETRONAS whilst at Menara Dayabumi it was from the disposal of electronic equipment such as old computers and printers. Of the hazardous waste generated, almost 100% was disposed to approved facilities. We commenced the collection of hazardous waste data for our retail segment during the year.

As at December 2017, MOKL Hotel's Waste Intensity (landfill waste per overall guests' room nights) was at 3.8kg per room compared to 4.7 kg per room in 2016. This decrease was mainly due to the ongoing campaign on educating guests to reduce waste, implementation of Electronic Direct Marketing and MO Digital Library where guests are able to download newspapers and magazines eliminating print flyers and hard copy newspapers. MOKL Hotel's focus on the requirement to practice the 3R of Reduce, Reuse and Recycle paid off when the hotel's waste diversion increased to 23.13% from 22.39% in 2016 which contributed less to landfill waste.

Our Waste Management Best Practices

Recycling	<ul style="list-style-type: none"> • Guest rooms items such as garment bags, laundry bags, etc are made from non-woven materials which can be washed and reused • Recycle toners used for printers • Reuse of photocopying paper and printing on both sides before waste paper are shredded for recycling • Recycled newsprint body pencils are used for guests and offices • Slightly damaged linen and towels are turned into smaller items such as tray mats, pillow protectors, rags, etc • Reusable material placemats which are durable and do not need to be laundered
Waste segregation	<ul style="list-style-type: none"> • Waste bins and recycled containers of old drums allocated for segregation of hazardous waste • Collection of batteries and light bulbs extended to the homes of hotel staff to encourage the staff and their families to be responsible for toxic waste disposal • Implementation of e-waste disposal processes to authorised landfill • Minimise e-waste with eliminating servers by having cloud based storage data
Waste reduction	<ul style="list-style-type: none"> • Paperless e-leave for all leave applications, schedules and rosters, payroll sheets, etc. This eliminated tonnes of manually generated forms. Processes are also streamlined by having approvals on-line • Show kitchens as an alternative to buffet spread in our hotel's 24-hour restaurant which produces food on demand thus reducing wastage • Paperless e-folios are encouraged when guests check out of the hotel • Flyers for hotel guests information take the form of EDM (Electronic Direct Marketing) and Electronic Direct Mailers broadcasted to over 13,000 email addresses • Glass bottled water (<i>Natura</i> – patented three-step filtration process with high grade long-lasting carbon filter) in hotel meeting and function rooms • Digital Library for all in-house guests which allows them to digitally download newspapers and magazines, in various languages, reduce wastage of hard copy newspapers

ENVIRONMENTAL STEWARDSHIP

Construction Waste Management

As part of our sustainability practices, KLCCP Stapled Group is committed to ensuring responsible waste management at our construction sites. We require our main contractor to implement responsible waste management procedures to reduce the negative environmental impact arising from construction activities. The contractor is required to submit the designated location of the dumping sites and proof of authority approval prior to disposing the waste from our construction sites.

At our construction site, generated waste is segregated for recycling purposes in order to reduce the waste disposal to landfill. The diversion of waste is carried out according to the waste management hierarchy that prioritises reducing waste, reusing and recycling before it is disposed to landfill or incinerated.

Reduce	<ul style="list-style-type: none"> Excess concrete from concrete sampling test were used to patch holes on project site to reduce waste generated
Reuse	<ul style="list-style-type: none"> Temporary formwork, framing and structures were reused during construction Crushed waste concrete from demolition works were used to build ramp on project site
Recycle	<ul style="list-style-type: none"> Various forms of construction waste were recycled and segregated Domestic waste bin and scrap metal waste bin are located at project site
Composting	<ul style="list-style-type: none"> Domestic waste generated were segregated in separate bins for plastic, paper, cardboard, glass, food waste and general waste Food waste were composted on project site to be reused as fertiliser
Disposal of Hazardous Materials	<ul style="list-style-type: none"> Schedule waste at project site were collected and disposed by DOE's licensed scheduled waste contractor

Other responsible practices at our construction site

Pollution control	<p>Water, noise, vibration and air quality at construction site were monitored and audited. All monitoring results complied with the relevant Malaysian standards</p> <ul style="list-style-type: none"> <i>Noise Pollution:</i> noise monitoring devise are installed at prime locations and the reports are analysed monthly and highlighted during site progress meetings for any necessary action <i>Water Pollution:</i> water pollution is controlled by monitoring the quality of water through water test sampling at identified locations. Water is sampled for total suspended solid (TSS), pH value, Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) <i>Air Pollution:</i> handling of air pollution is mainly through prohibition of open burning at site. Other practices include spraying water on tyres of trucks exiting the site and on localised hacking to reduce dust. Air sampling and monitoring were carried out in compliance with the Malaysian Air Quality Guidelines. The parameters used for air quality test are Total Suspended Particles (TSP), Sulfur Dioxide and Nitrogen Dioxide <i>Ground & Soil Pollution:</i> handling of potential oil leak from machines help prevent the pollution of soil and water at site. Electricity generator and portable diesel tank are provided with drip tray. Diesel skid tank are provided with a proper bundwall with concrete containment
Erosion sedimentation control	<p>A measure to help prevent destruction of property and natural resources caused by soil erosion and sedimentation resulting from construction activities. Practices implemented at our construction site include:</p> <ul style="list-style-type: none"> building a temporary earth drain to prevent water and silt seeping to building basement drainage system cleaned periodically mechanical silt trapped allows water to be reused on site slope covered with plastic sheets to prevent erosion
Site environmental awareness	<p>Staff trainings and campaigns were conducted to create awareness on recycling, health & hygiene and no smoking policy at site office and workers' rest area. Site inspections are regularly carried out to check if there is stagnant water and presence of mosquito larvae, cleanliness of site and to observe waste handling. Visit to construction waste diversion site are also conducted to ensure responsible waste handling.</p>

ENVIRONMENTAL STEWARDSHIP

RESPONSIBLE MATERIAL USE

As a real estate owner, developer and manager, KLCCP Stapled Group takes pride in ensuring our assets and facilities are managed diligently to ensure they are always in pristine condition and cater to the comforts of our users and occupants whilst adhering to environmental friendly products and material use in their maintenance.

The use of sustainable building and fit out materials in our assets and the eco-friendly products which we promote throughout our operations play a part in influencing environmental values and behaviours within the organisation and delivering environmental, social and business benefits.

Promoting the use of Eco-Friendly Products

At KLCCP Stapled Group, we continue to promote the use of eco-friendly products throughout our business operations in our effort towards minimising adverse impact to the environment and for the safety and health of our employees and customers.

Eco-friendly products and initiatives in our operations

PETRONAS Twin Towers	<ul style="list-style-type: none"> • Carpet flooring and adhesive used for fit out are from recycled materials and low in Volatile Organic Compound (VOC) • Materials for ceiling insulation were of recycled content materials and non-toxic • All wiring outlet plates are PVC free to minimise outgassing of toxic substances and the lifecycles issues are also consideration in terms of production and disposal
MOKL Hotel	<ul style="list-style-type: none"> • Sourced from locally farmed fish, and locally grown vegetables, fruits, herbs and spices • Photocopying paper purchased from Forest Stewardship Council (FSC) approved paper • Bedroom amenities such as shampoo, body wash, conditioner and body lotion tubes are made of Polyethylene (PE) which are recyclable. The ingredients are derived from natural plants and with essential oils • The Mandarin Oriental Spa utilises all oils, fragrances and essences which contain 100% natural ingredients. All treatment oils come in recyclable glass bottles • Packaging and literature are sourced to cause as little damage as possible to the environment. Cartons and brochures are from FSC accreditation stock • Housekeeping rooms has implemented Ecolab's range of chemicals called Oasis Pro with Earth Friendly formulas that does not contain Alkylphenol Ethoxylates (APE) for more sustainable cleaning • Chemicals that are biodegradable are given first priority for testing and implementation - Food and Beverage (11 chemicals); Housekeeping and Laundry (5 and 6 chemicals respectively) • Chemical containers/drums are returned to suppliers to be recycled or reused • Biodegradable chemicals (Phosphorous free, APE free and Nitrilotriacetic Acid (NTA) free) used in laundry under the Ecolab's Ensure Program - uses much lower temperatures - only 40 degrees Celcius for effective wash and contribute to longevity of towels and linen

BIODIVERSITY

Protecting and improving biodiversity is an integral part of our well-being as well as the environment and the eco-system surrounding us. KLCCP Stapled Group acknowledges the critical need to conserve our environment for our current and future generations. Over the years, we continue to upscale our efforts in maintaining and conserving our ecosystem and biodiversity through landscaping, native species and habitat protection and tree planting to leave a positive and lasting legacy in the areas where we operate.

Our biodiversity efforts are reflected through our KLCC Park, which is located in the centre of the 100-acre KLCC Development. The land where the KLCC Park is located was originally part of the Selangor Turf Club. Under the KLCC Masterplan, the area was designated for a green lung in the city centre to provide city dwellers and foreign and local visitors a sanctuary where one can relax and enjoy the lush greenery and calm environment of a beautifully landscaped park.

The KLCC Park was designed by world renowned landscape artist, the late Roberto Burle Marx from Brazil. Transplanting of trees that were originally located at the Selangor Turf Club was also undertaken. This was part of our effort to conserve the original species grown in the area. With the planting and transplanting of more than 1,600 trees and palms which were sourced throughout the country showcasing the country's rich heritage, we are proud to have completed the project with the ecosystem fully restored.

A section of the park was also designed to attract migratory birds where a selection of fruit trees were planted. Some of the bird species identified include the Black-naped Oriole, Eurasian Tree Sparrow, Purple-backed Starling and Asian Glossy Starling.

ENVIRONMENTAL STEWARDSHIP



↑ Envirocomm 2017 at Royal Belum promotes awareness among employees on the importance of environmental conservation

INCULCATING ECO-MINDS

Our environmental sustainability involves KLCCP Stapled Group playing its part as a good corporate citizen and encourage our employees to develop environmental and community outreach initiatives to appreciate and inculcate the back-to-nature awareness. Through such activities, we endeavour to make a difference and inspire others to do the same in our quest for a sustainable future.

Envirocomm 2017

As an environmentally and socially responsible organisation, KLCCP Stapled Group carried out its annual Envirocomm 2017 as part of its effort in promoting environmental conservation and reaching out to the native community. Envirocomm also encourages employees’ participation to create environmental awareness among them.

This annual activity was successfully held at the Taman Negara Pahang from 7th to 9th September 2017, focusing on environmental conservation and supporting the local communities. The programme started off with outreach services to the natives of the Batek tribe who reside in *Kampung Atok*, a settlement located 45 minutes boat ride from *Kuala Tahan*. Around 170 people of this tribe lives in this village. This recreational programme has included teamwork activities such as telematch and coloring contest for the children. Employees of the Group also planted 20 fruit trees at the surrounding village area. In this year’s programme, KLCCP Stapled Group donated basic needs such as food, clothing and

solar lamp to the native community. The participating employees also helped to paint the “*Bumbun*” which is the animal observation hut, managed and maintained by PERHILITAN of Pahang.

Envirocomm 2017 marked our support towards environment conservation and the well-being of the communities. It has also become a programme that promotes healthy lifestyle as well as addressing various social objectives, establishing a cohesive relationship among corporates, our employees, customers and also the underprivileged community surrounding us.

Other Community Programmes

Waste Not Want Not Sale	<ul style="list-style-type: none"> • The objective was to raise funds for CSR initiatives in 2017 and to encourage employees to Reuse, Recycle and Reduce • A total of RM9,846.00 was raised with items donated from employees for sale
Earth Hour	<ul style="list-style-type: none"> • The objective was to create awareness on the need to conserve the natural resources of our planet by being responsible for our actions as well as understand the impact to our environment • Shut-down of non-essential lights and equipment in the commercial and retail space and at the hotel • To engage and educate our tenants, guests and visitors and encourage participation • Concerted effort made to identify and eliminate electricity usage resulting in savings
Give a Book, Take a Book	<ul style="list-style-type: none"> • Encouraged employees to read more. Promote environment conservation by allowing employees to borrow or donate books from the library located in the staff cafeteria
Raja Musa Forest Reserve, Selangor — Canal blocking	<ul style="list-style-type: none"> • The Canal blocking is part of the peat swamp forest rehabilitation activity to increase the natural water table in Raja Musa Forest Rehabilitation Programme

SAFETY IS THE PRE-REQUISITE FOR SUSTAINABLE OPERATIONS EXCELLENCE AND INTEGRITY. KLCCP STAPLED GROUP HAS ROBUST HEALTH, SAFETY AND ENVIRONMENT (HSE) POLICIES AND PRACTICES IN PLACE THAT MINIMISES AND PREVENT WORKPLACE INJURIES, ACCIDENTS, MEDICAL ILLNESSES AND FATALITIES



SECURITY, SAFETY AND HEALTH



Sustainability Matters

- Safety & Health Management
- Security Management

Protecting our people and caring for their well-being is essential to our business operations. As a property owner, developer and manager, KLCCP Stapled Group imposes strict adherence to the Group's HSE Policy in all areas of our operations. Our leadership's commitment in enhancing and improving HSE is testament to this. Regular HSE programmes are conducted to strengthen our HSE culture and capability and ensure our operations are carried out with the highest safety standards.

SECURITY, SAFETY AND HEALTH



1 Top Management HSE Walkabout at a project site

Context

Safety at worksite is of utmost importance for the real estate and construction industry as it has one of the highest safety issues due to the increasing number and rate of work-related injuries, illnesses and inherent risks associated with working in the industry. There is an ever-present chance of serious injury not only for workers but also site visitors and those travelling and working around sites or even at the workplace. Safety considerations are embedded and given the highest priority in all that we do at KLCCP Stapled Group be it at the workplace or project sites and every person is entrusted to take collective ownership in upholding safety at all times.

Our Approach

KLCCP Stapled Group is committed to conducting business in a manner that protects the health, safety and security of our employees, tenants, contractors, suppliers and the community who visit our properties and is compatible with environmental and economic needs of the communities in which we operate. Our business activities are conducted in accordance with our policies on Health, Safety and Environment and comply with the highest standards of occupational safety and health regulations.

We place utmost importance on safety management to prioritise safe work practices, building HSE capability and culture within our organisation and occupational health in sustaining ideal health levels of our employees and visitors to our properties and at project sites.

We believe continuous improvement of our HSE and engagement with our stakeholders is essential to create a leading organisation and to make it the responsibility of every employee, ensuring accountability within the organisation. We measure and track our performance against industry best practices in our effort to raise the bar on HSE.

SECURITY, SAFETY AND HEALTH

HSE Governance

HSE at KLCCP Stapled Group is driven from both top down and bottom up through the various HSE committees within the organisation. At the Group level, the HSE Management Review is chaired by the CEO and its members comprise heads of business units and representatives from our joint ventures and hotel operations. The HSE Management Review which is a requirement under ISO 14000, OHSAS 18000 and the PETRONAS Management System (HSEMS), oversees all HSE matters, review of HSE performance and all ongoing improvement efforts.

In compliance with OSHA 1994, the entities under KLCCP Stapled Group have their respective HSE Committees. The HSE Committees are chaired by the respective Division Heads and comprise representatives from the Employer and Employee. These committees meet every quarter to proactively discuss on mitigating potential HSE risks and investigate root causes of incidents, and are reported back to Group level. The members of the committee actively undergo training on the roles and responsibilities of the National Institute of Occupational Safety and Health.

With this governance structure, KLCCP Stapled Group ensures effective practice and implementation of HSE culture.

SAFETY AND HEALTH MANAGEMENT

Managing the safety of our people, assets and the environment is KLCCP Stapled Group's top priority. Our emphasis is to develop effective controls on identified HSE risks. We are committed to conducting our business activities in accordance with our policies on

HSE and complying to the highest standards of occupational safety and health regulations.

KLCCP Stapled Group has a robust safety system in place, demonstrating our strong commitment to uphold the KLCC HSE Policy which governs and reinforces our commitment towards safeguarding the employees, preserving the reliability of assets, facilities and operations. This is supported by our HSE Management System, HSE Mandatory Control Framework 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.

Our employees, and third party personnel serving at our properties and development sites are mandated to comply with our standards and rules on HSE. We comply to the Zero Tolerance (ZETO) Rules, a principle to ensure all activities are carried out in a safe manner and where any non-compliance is not tolerated.

KLCCP Stapled Group have the responsibilities in providing a safe workplace and healthy working environment for its employees. Ergonomics, stress, and anxiety can have significant impact on job performance, employee satisfaction, and retention, which ultimately affect organisational goals and objectives. In this regard, our facilities management company, KLCC Urusharta Sdn Bhd conducted a workplace health assessment in accordance to the Department of Safety and Health's (DOSH) requirement where chemical health risk, chemical exposure, noise exposure and Indoor air quality were assessed and monitored.



↑ KLCCP Stapled Group's HSE team participated in a HSE visit to a project site

SECURITY, SAFETY AND HEALTH

Key Initiatives for the Year

<p>HSE MS Assurance Tier 2 Audits</p>	<ul style="list-style-type: none"> • KLCCP adopts the PETRONAS HSEMS. HSEMS integrates the Business Controls, Quality Management System & Risk Management into a single management system. It consists of 88 elements with 36 sub-elements • The governance of HSEMS is done through tier 2 assurance, a cross business assurance exercise which is conducted on an annual basis
<p>KLCC Safety Leadership Workshop</p>	<ul style="list-style-type: none"> • Two sessions were conducted • The objectives of the workshop was to internalise ownership and nurture HSE values in the KLCC Management Leadership Team • It helps to condition KLCC leaders on expected leadership roles, mind-set and behavior in driving safety within the organisation • This programme will be continued in years to come as part of the HSE awareness programmes and to be extended to all Management with the aim to establish common understanding on HSE towards achieving operational sustainability
<p>Top Management HSE Walkabout</p>	<ul style="list-style-type: none"> • In 2017 a total of 40 leadership walkabouts were conducted group wide by the Management Leadership Team – from project sites to plant environment and from buildings to parking management sites. • The main objective of the walkabout was to promote leadership visibility in driving HSE at our workplace and provide clarity to staff and contractors that they are not alone in preventing fatalities and accidents at workplace.
<p>Workplace Health Assessment</p>	<ul style="list-style-type: none"> • The workplace health assessment was conducted in accordance to DOSH requirements as minimum (industrial hygiene) identified workplace health risk through: <ul style="list-style-type: none"> • Chemical health risk assessment • Chemical exposure monitoring • Noise exposure monitoring • Indoor air quality <ul style="list-style-type: none"> - Monitoring and tracking were followed through in HSE committee meetings and monitored in Tier 2 HSEMS assurance exercise - No health incidents recorded for the Group in year 2017
<p>Emergency Preparedness</p>	<ul style="list-style-type: none"> • Fire and evacuation drills held in all premises • Simulation exercises held for our offices, hotel and car park operations to test the effectiveness of the Emergency Response Plan, Crisis Management Plan and Business Continuity Plan
<p>Safety Engagement with Contractors</p>	<ul style="list-style-type: none"> • KLCC Urusharta Sdn Bhd's Safety Engagement with Contractors was held at Dayabumi Auditorium. The programme on safe work practices towards achieving zero LTI included sharing on HSE best practices, lessons learnt and safety pledge on working safely. A total of 20 employees and 60 contractors attended the programme
<p>Investigations and Findings of Reported Incidents/Action Taken</p>	<p>In cases of injuries or fatalities:</p> <ul style="list-style-type: none"> • All incidents are investigated with proper accident and root cause methodology to identify the cause of the incident • The action items from incidents were discussed at various platforms i.e. within the HSE team, OPU level and tracked accordingly by corporate HSE • Major incidents which involved lost time injury and property damage were tracked and monitored by PETRONAS Group HSSE • Lessons learnt and any LTI incidents and dangerous occurrence/ near miss incidents were published and shared for reflective learning

SECURITY, SAFETY AND HEALTH

Strengthening HSE Capability and Culture

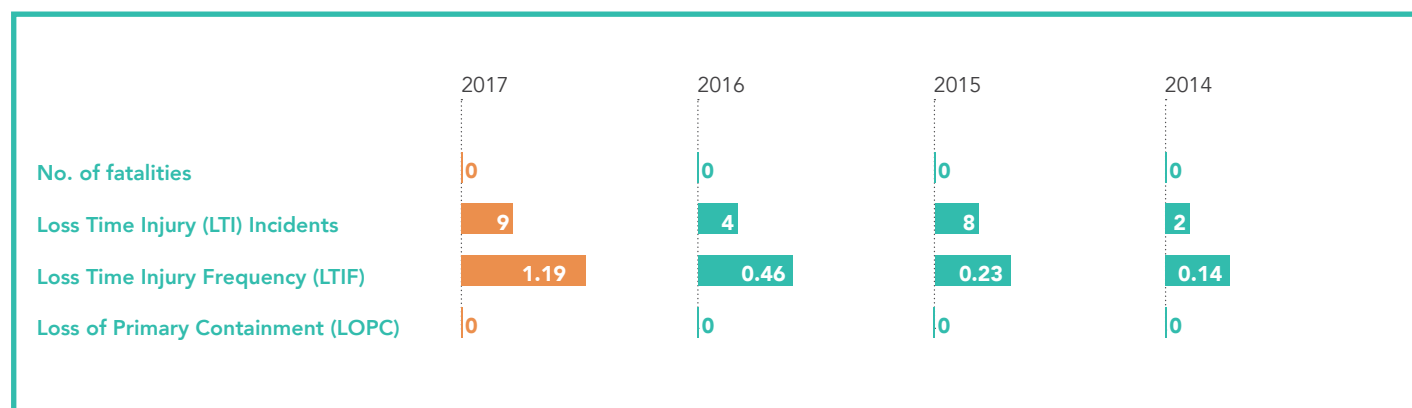
KLCCP Stapled Group continued to drive efforts towards values, attitudes, goals and proficiency of the organisation's health and safety programmes to strengthen HSE capability and culture among its employees and contractors. Our Management is committed to workplace safety and encourages the safety culture with everyone playing a part in keeping themselves and others safe.

For workplace safety, we continued our initiatives in ensuring strict adherence to ZETO Rules, safety management systems, enforcing safety culture, compliance and leadership and lessons learnt. In 2017, numerous HSE programmes were conducted:

Key Initiatives for the Year

Instilling HSE in each employee via Key Performance Indicators in Employee Performance Contract	<ul style="list-style-type: none"> Reporting on Potential Incident/Near Miss (PI/NM) of potential hazards or incidents at our properties or sites to prevent injury/illness or recurring of similar incidents In 2017, 528 PI/NM were reported and corrective actions were identified, implanted, monitored and reviewed for effectiveness
HSE Awareness and Training Programmes	<ul style="list-style-type: none"> HSE Awareness Session with Staff – Theory and practical. To elevate HSE awareness among staff, value-add information on safety reaction and emergencies – basic first-aid response, basic fire emergency response and fire extinguisher hands-on training HSE Briefings conducted for new hire on-boarding programme
HSE Communication	<ul style="list-style-type: none"> Regular updates on HSE news and events and lessons learnt in KLCC Group intranet portal HSE alerts on HSE incidents within the PETRONAS Group communicated to all employees for awareness HSE sharing sessions with business units facilitated by the HSE team on environmental awareness & conservation and basic hazards and risk at workplace

KLCCP Stapled Group's HSE performance monitoring includes both full-time and part-time employees involved in the daily operations and project sites.



KLCCP Stapled Group maintained its impressive zero fatal incidents rate in 2017, stretching its record to five years. This was contributed by stringent safety measures implemented throughout our business operations. This achievement was also the result of employees' and leadership awareness and commitment towards the importance of upholding and embracing safety culture in all aspects of their work be it at site or offices.

During the year, KLCCP Stapled Group recorded nine LTI incidents with a LTIF of 1.19 contributed by manual handling, kitchen activities and housekeeping chores at MOKL hotel and incidents at car park areas. LOPC was maintained at zero.

SECURITY, SAFETY AND HEALTH

Independent verification by Third Party for HSE Data/ international assurance used

- KLCC Urusharta Sdn Bhd successfully received ISO 9001:2015, ISO 14 001:2015 and OHSAS 18 001:2004 certification (renewal) on 21st July 2017 by Llyod’s Register
- KPM received its ISO 14001:2015 in 2016. In September 2017, KPM completed its 1st surveillance audit by Llyod’s Register

SECURITY MANAGEMENT

At KLCCP Stapled Group we have the responsibility of keeping our guests, tenants, customers and visitors safe by strengthening our security measures in light of the rising global security threats. It is even more so critical that we put in place the best security measures within and surrounding our premises as the KLCC Development is located in the iconic belt and receives millions of visitors each year.

Our facility management company, KLCC Urusharta Sdn Bhd reviewed the KLCC Precinct Security Master Plan to enhance the Security Surveillance System and HELP Points within the KLCC Precinct Common Area. We continued to collaborate with the Police and PETRONAS Group Security to manage the customers and visitors’ safety and security across all asset classes. We also reviewed various measures to ensure security standards of all our assets in relation to monitoring systems, physical controls, emergency and crisis management plans and administrative systems are intact.

Precinct Security Initiatives within our Premises

<p>KLCC Precinct & PETRONAS Twin Towers</p>	<ul style="list-style-type: none"> • Implementation of Integrated Command Centre for the KLCC Precinct to enhance the Precinct Security command, control and communication through technology enhancement. Communication for all Security offices within the precinct is linked for a more efficient and effective operation • Setting up of the Police Beat Base equipped with X-Ray machine manned by auxiliary police to screen suspected character, prior to their entrance into densely occupied premises • Adopted the “Crime Prevention through Environmental Design” principles into premise design to mitigate threats and potential attacks using vehicles or other means through surveillance and physical check • Development of the Security Management System for a holistic approach for managing security, human resource and technologies systematically
<p>MOKL Hotel</p>	<ul style="list-style-type: none"> • Business Continuity Management (BCM) Plan, Crisis Management Team Alert System, Key Management System, Management of Lost and Found, Deployment of Walkie Talkie for Security Communication, Management of Assets with Gate Pass System, Management of Fire Fighters and First Aid Equipment, Security Deployment System, Installation of Panic Button System, Fire Alarm Control Room, Addressable Fire Alarm Panel and Audit exercise <p><i>To ensure effective roll-out of best practices on building safety and asset integrity:</i></p> <ul style="list-style-type: none"> • 24 hours coverage of hotel security • Deployment of security personnel on Route Assignment • Visitor Management System • CCTVs coverage and maintenance system • Deployment of Team Forced Guards for Building Parameter Security • Security Assessment by Intelligent Risk Private Limited • Public Announcement System • Bomb threat training with Polis Diraja Malaysia • Fire fighting training • BCM training & simulation on security risk
<p>Suria KLCC</p>	<ul style="list-style-type: none"> • Upgrade of CCTV at control room • Tightened security at all mall entrances • Daily briefing to all security personnel



OUR PEOPLE ARE OUR CORE STRENGTH AND OUR ORGANISATION'S SUCCESS HIGHLY DEPENDS ON THEIR CAPABILITIES AND COMMITMENT. OUR EMPLOYEES STAND GUIDED BY A STRICT COMPLIANCE TO CoBE WITHOUT ANY COMPROMISE TO THE ORGANISATION'S INTEGRITY

OUR PEOPLE



3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH

Material Sustainable Matters

- Our People
- Human Rights & Labour Practices

At KLCCP Stapled Group, we embrace the Cultural Beliefs which unleash potential in our employees to deliver excellent results while creating better day-to-day experiences.

Context

Every company aspires to promote greater inclusiveness and retain best talent, develop and nurture a highly engaged and capable workforce to form an efficient organisation. As part of the Government's initiatives under the Economic Transformation Plan (ETP), Malaysia has made significant progress in the past years in increasing the number of women in the workforce and in leadership roles to enhance the contribution of women to Malaysia's economy and promote inclusiveness in the workforce. Under the plan, our country has also taken proactive steps in attracting and nurturing the millennials who are motivated to take ownership of their work and empowered by the 'work hard, play hard' culture, and demand quick career progression.

OUR PEOPLE

Acknowledging this, we elevate the robustness of our workforce to deliver superior performance against these challenges in the pursuit of continued sustainability of our organisation and making our workforce the capital driver for success.

Our Approach

At KLCCP Stapled Group, our key focus for employees is to build the most diverse and inclusive workplace with appropriate capability development efforts and fair employment practices for our people to make better and informed decisions for superior business performance against the challenges in the real estate and property sector. We believe human capital is fundamental for us and we are guided by a high performance culture based on meritocracy, performance and delivery subscribing to our KLCC Shared Values of Innovative, Cohesiveness, Loyalty, Integrity, and Professionalism which are reflected in our daily work practices. Our Human Resource policies adhere to the strict guidelines on non-discrimination and fairness.

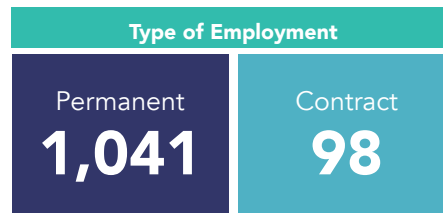
EQUALITY, DIVERSITY AND INCLUSION

We view equality, diversity and inclusion within our workplace as a business imperative and continuously strive to provide equal

opportunity in recruitment, career development, promotion, training and reward for all employees regardless of age, gender, race, religion, sexual orientation or disability. We value the diversity of our employees and treat all with respect and dignity and provide equal opportunities for employees to contribute to the organisation based on their expertise, experience and talent. As at 31 December 2017, KLCCP Stapled Group has a total of 1,139 employees.

Type of Employment

Close to 91% of our workforce constitute permanent employees. This demonstrates KLCCP Stapled Group's commitment to provide opportunities and nurture local talent by promoting talent retention within the organisation and ensuring that employees make the best of our organisation.

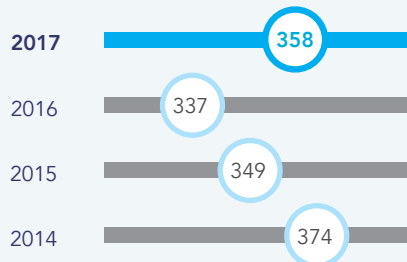


i Divisional Away Day brought employees together in fostering stronger teamwork

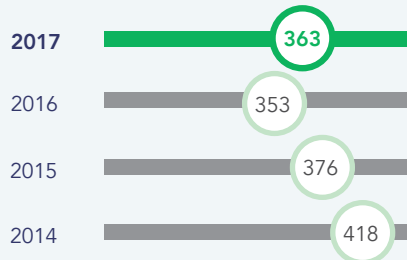
Age Profile

We have a diversified workforce across all age-groups. In 2017, about 31% fall below the age group of 30 while about 69% range from 30-60 years old.

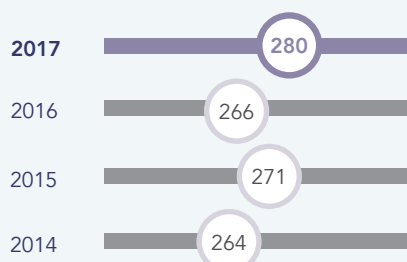
Below 30



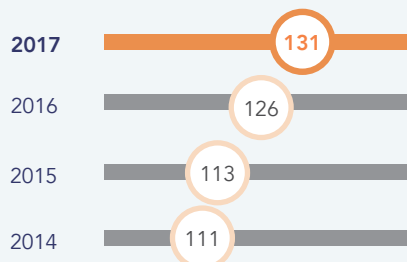
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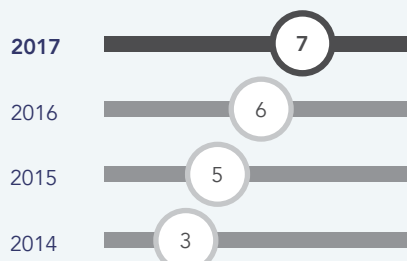
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50 – 59

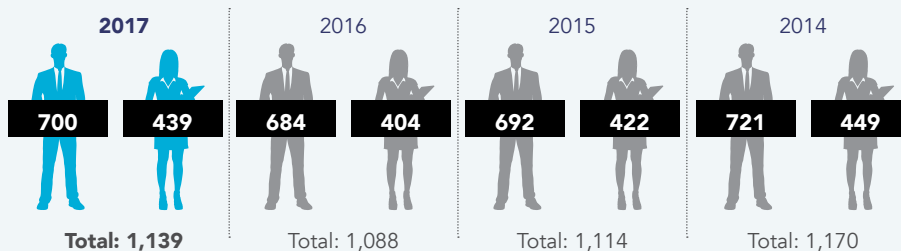


60 above

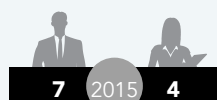


Gender Diversity

KLCCP Stapled Group is committed to provide equal employment opportunities and practices merit-based promotion regardless of gender. Out of all our employees, 61% are male while 39% are female. The share of women employees has grown about 9% in 2017 compared to 2016. For managerial position and above, male account for 59% with female at 41%.



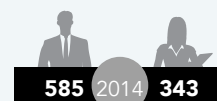
Top Management



Senior & Mid Management

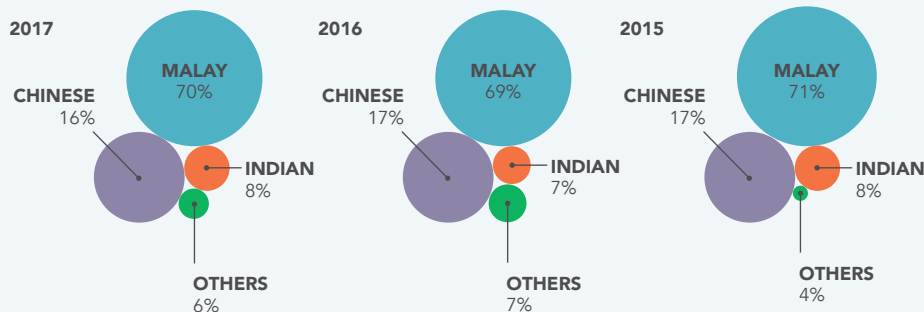


Other Levels



Ethnicity and Disability Inclusion

KLCCP Stapled Group embraces an inclusive workplace practices by having a diverse racial workforce. Our workforce is inclusive of the three major races in the country with the remaining being the natives of Sabah and Sarawak, East Malaysia. We also provide fair employment opportunities for the disabled. As at 2017, we have two employees who collectively have been with the organisation for 29 years.



OUR PEOPLE



1 The KLCC Group Townhall provides a platform for employees to engage with the Management Leadership Team

SKILLS & CAPABILITY DEVELOPMENT

Workforce Training and Investment

KLCCP Stapled Group strongly believes in investing in training and development initiatives as this leads our organisation towards gaining competitive advantage for future growth and success. Our training and development strategy is results driven in order to meet the needs of the business. We are focused on developing talent with the right competencies, knowledge and leadership skills at all levels. We groom and grow our internal talents by setting high standards of expectations and encourage employees to take personal ownership of their career that is reinforced through the 70:20:10 learning philosophy wherein 70% is experiential learning, 20% through coaching, mentoring and networking while the 10% is through formal classroom training.

In our efforts of enhancing the functional and technical competencies of employees, in 2015, we embarked on the development of Skill Group (SKG) competencies to assess the baseline competency levels of employees. In 2016, the SKG competencies for the Finance fraternity was completed whereby employees underwent an assessment to identify gaps for closure. The effort is continued this year with the SKG assessment for the Legal and Corporate Services and the Human Resource fraternity.

In 2017, KLCCP Stapled Group continued its leadership development programmes in order to help prepare its new and existing leaders for successful performance in future roles. The programmes bring together leaders across the entire organisation in a learning context where they are faced with business and leadership concepts, allowing them to position themselves and get better equipped for current and future leadership roles. For the executive levels, the programmes are intended towards the fundamentals of leadership in order to prepare themselves into future leadership roles whereas for managerial levels and above, the programme is tailored towards

enhancing the effectiveness of their current leadership roles. In 2017, 131 employees were given the opportunity to attend various leadership programmes – Leap Strategic Excellence, Maximising Your Leadership Values, Coaching for Action and Women in Leadership to name a few.

During the year, the Human Resource division introduced the “brown bag” learning series sessions where the learning is facilitated during the lunch hour to ensure time is well spent. This voluntary learning session encourages employees to attend as it is organised at the workplace, making it hassle-free and non-disruptive to other work engagements. In relation to the Group’s effort of supporting the Government’s initiative in providing employment opportunity for young graduates in the country, KLCCP Stapled Group participated in the *Skim Latihan 1 Malaysia* (SL1M) whereby candidates were interviewed in December 2017 for the 2018 intake. A total of 20 SL1M trainees are expected to join various business units within our organisation in the coming year.

In MOKL Hotel, the approach to learning and development also emphasises on continuous and experiential learning over traditional classroom methods. Training for competency rather than hours of training continues to be their option to ensure success. Their training is personalised rather than a ‘one-size-fits-all’ approach and focuses on the skills and abilities needed for each position. On-the-job



2 Sporting activities held annually to promote work-life balance for employees



↑ Employees participated in a cooking class organised by MOKL Hotel

training and Group Training Techniques are the programmes developed for our hotel employees to enhance the department's trainer skills in order for them to conduct training according to the hotel standards. Trainings conducted are divided into two categories – Generic Quality Trainings and Fire Life, Health, Safety, Security and Environment trainings. The hotel also undergoes training with the Malaysian Employers Federation that covers the entire spectrum of Industrial Relations, Human Resources Management and Development and Occupational Safety & Health (OSH).

Our retail employees continued their Competency Based Learning Curriculum with a focus on Customer Experience Excellence for Concierge and Front Liners, English programmes for Front Liners, Objective Setting and Planning, Standard Operating Procedures Drafting Guide, Procurement Optimisation workshops and Specialised Trainings for competent handling of Photovoltaic Solar Panel.

For KLCCP Stapled Group, the high performance culture remains a big agenda as it is merit-based where top performers are rewarded for their contributions whilst poor performers will be required to undergo a performance improvement plan to give them an opportunity to improve and get back on track.

In 2017, we invested RM2.1 million on learning and development which saw 96% of employees undergoing training programmes that were planned for the year with an average of 31 hours per employee. This saw a total of close to 900 man-days for a total of 500 training programmes provided by the Group.

Student Internship Programme

KLCCP Stapled Group also partners with local tertiary education institutions to offer student internship opportunities for students interested in the real estate sector. In 2017, there were 15 interns assigned to various departments within the organisation.

At MOKL Hotel, a structured 6-month global internship programme for key operational departments is available in line with the hotel school internship schedule. Successful interns will be given an opportunity to apply for the Management Development Programs upon their graduation. During the year, five students who have shown outstanding performance during the internship training were absorbed into employment at the hotel.

TALENT MANAGEMENT

Dynamic, talented and dedicated employees play a crucial role in our organisation's long-term success. KLCCP Stapled Group continues to retain experienced and skilled employees for long-term and aspires to attract highly qualified and motivated new generation professionals as it is becoming more and more difficult to attract and retain talented young employees. We see the recruitment, promotion and retention of young talents as a key strategic task. This requires flexible talent management that meets the current challenges of the labour market and transparent career opportunities. We have in place a Talent Strategy Blueprint detailing the strategies on attracting, retaining and developing talents, spanning a 5-year horizon. The blueprint outlines the HR roadmap and milestones focusing on three strategic thrusts – getting the right talents, putting them in the right environment and building credible leaders.

OUR PEOPLE

KLCCP Stapled Group identifies talent from within the organisation as well as externally. In 2017, our Human Resource Division participated in two career fairs – Mega Career and Study Fair and Malaysia’s 100 Career Fair 2017 to attract potential candidates to be part of the Group. Our talent management programmes covers all stages from entry-level talent development programmes to top-tier executive programmes which are varied year-on-year to remain relevant to the changing needs of our employees and business while being impactful and meaningful.

We recognise that a systematic approach is necessary in ensuring leadership continuity. Hence, we constantly strengthen our performance management system, engaging our high-performing employees to set stretched key performance indicators and assume bigger roles and responsibilities. Career development planning based on employees’ development needs and the input of their superiors are also important for us to build our pool of future leaders. Our Human Resource Planning and Development Committee (HRPDC) also continuously reviews our succession planning strategy on an annual basis to identify and develop high potential employees to ensure sufficient talent pool for future succession and leadership needs. In 2017, KLCCP Stapled Group identified 8 critical positions with 18 successors to fill the next leadership roles within the organisation. The succession management ratio for the Group as at 31 December 2017 stands at a ratio of 1 to 2.3. KLCCP Stapled Group was also recognised in Malaysia’s 100 Leading Graduate Employers, the most popular employers to work for, voted by Malaysian students and fresh graduates.

Performance Appraisals

As KLCCP Stapled Group is committed to meritocracy, our rewards and compensation policies emphasise on employees’ performance, taking into account the challenges faced and efforts put in. Our employees’ performance management was reviewed periodically and incorporated into a well-structured appraisal system through the Online Employee Management System (EMS) which covers all levels of employees. The EMS comprises of 3 stages – goal setting, periodic review and year-end review. Following the year-end review, a challenge session at division level with the Heads of Department and Heads of Division ensues, followed by a challenge session at organisation level prior to the final round of challenge at the HRPDC. In 2017, 100% of our employees completed their performance appraisals via the EMS.

Our hotel performance appraisal system for the Management team supports the Mandarin Oriental Hotel Group (MOHG) Performance Management process, called “PROFILE”. The annual performance and succession planning reviews were completed at all levels of the organisation and feedback were given to ensure that employees are aware of their potential career progress.

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📌 The KLCC Group’s Long Service Award recognised the long-serving employees, their commitment and loyalty to the Group

WORKFORCE ENGAGEMENT

Our employees play pivotal roles in advancing our business towards sustainable growth with the unique and valuable skill sets that they bring. To that end, we consistently engage our employees and empower our Management to interact transparently with their teams. Close employee relation is critical in maintaining employee motivation while fulfilling their needs. KLCCP Stapled Group engage with its employees in a myriad of ways – informal interaction through occasional activities such as birthday celebrations get together, or a more formal annual retreat, annual dinner or open days. We constantly come up with new initiatives to foster valuable relationships with our people.

Our engagements focuses on employees' well-being, performances, results and outlooks, and recognition. During the year, we continued our proactive engagement with our workforce through various avenues for effective flow of information and alignment to business goals and strategies across our operations.

In 2017, 84% of employees participated in the Employee Feedback Questionnaire (EFQ) achieving a satisfaction score of 85%, an improvement of 5% from 2016. As at year end, the attrition rate for KLCCP Stapled Group stood at 6.7% compared to the property and development industry average of 11%.

Key Initiatives for the Year

Recognition of employees' loyalty and contribution to organisation	<ul style="list-style-type: none"> • Long Service Awards – provision of additional reward for retirees and service for 10-35 years • Laureate Awards and Annual Dinner
Promote camaraderie, teamwork and cohesiveness	<ul style="list-style-type: none"> • CEO Townhall • HR Open Day • CoBE Week
Encourage stronger interpersonal networks and improved communication	<ul style="list-style-type: none"> • HR Roadshow • A Coffee Date with HR • Leadership Development Workshop & Teambuilding • Cultural Exchange Ambassador • Induction for new employees • Round Table Conference • Employees Briefing • Management Retreat • Divisional Away Day • Social & Recreational Day • Health Talks
Employees' feedback on organisational culture	<ul style="list-style-type: none"> • Peer Review Survey • Online Employee Engagement Survey • PETRONAS Organisation Climate Survey (POCS)
Promote work-life balance	<ul style="list-style-type: none"> • Talent competition • Cooking Class for hotel employees • Sports and Games

Enhancing Service Delivery to Employees

In an effort of improving service delivery to employees, our Human Resource Division embraced digitalisation by continuing its efforts to relook at its current processes for automation. The journey started in 2012 via the outsourcing of its administrative and transactional activities through a shared services company, PETRONAS Human Resource Centralised Services ("PETRONAS HRCS"). In 2017, our HR Division embarked on several digitalisation initiatives namely the eRecruitment system and the eLearning modules which promote self-learning and learning on-the-go. The year also saw the revamp of the intranet portal which serves as a communication and engagement platform between employees and Management with interactive features to align to current trends.

OUR PEOPLE

KLCC Young Professional Executive Club (YPEXC)

Nurturing young talents is an agenda of KLCCP Stapled Group as our young professionals constitute 27% of the workforce. In developing our future leaders, we provide an avenue for them to unlock their potential and leadership capabilities. Young Professional Executive Club (YPEXC) is a platform for the young executives to elevate their talent and focus on promoting KLCC values, work-life balance and breakthrough performance culture.

Key Initiatives for the Year

YPEXC Clan Jumpa	<ul style="list-style-type: none"> • Address concerns and issues on YPEXC activities and its members • Encourage camaraderie among members and strengthen YPEXC community ties
YPEXC Away Day	<ul style="list-style-type: none"> • Held at the Avillion Port Dickson between 7-8 April 2017 • Enabled members to interact in a different setting and to spur creative thinking to improve personal and professional skills
Help the Homeless	<ul style="list-style-type: none"> • During the month of Ramadhan, 60 YPEXC members in collaboration with Traders Hotel Kuala Lumpur contributed blankets and pillows to the homeless in the city • Donated mats, clothes, toys, bags and food • Collaborated with Prince Court Medical Centre (PCMC) and provided free glucose and blood pressure checkup and medical advice • Efforts in engaging with and giving back to society
Sampul Raya	<ul style="list-style-type: none"> • Distributed a total of 1,200 <i>sampul raya</i> to the employees of KLCC Group, in the month of Ramadhan for the <i>Hari Raya</i> Festive season
Bubur Lambuk Distribution	<ul style="list-style-type: none"> • A total of 1,200 packed <i>Bubur Lambuk</i> were distributed to KLCC Group's of employees in an effort to foster effective teamwork as well as promoting the presence of YPEXC
Property Games & Wellness Carnival 2017	<ul style="list-style-type: none"> • Collaborated with the HR Division and KLCC Sports and Recreational Club (KSRC) to organise several activities for KLCC Group of employees and their children • Activities held were 3km Fun-Run and 400metre Sprint, Petanque and Tug of War, <i>Sukan Rakyat</i>, Wellness Challenge and kids event such as face painting, colouring competition, sand art and bouncy castle • This event achieved its objective of promoting healthy lifestyle amongst our employees and families
HR Open Day	<ul style="list-style-type: none"> • Collaborated with HR Division in organising activities during the CoBE Week to alleviate the understanding of CoBE among employees • Activities organised were "CoBE Mannequin Challenge" and "Keva Plank Challenge" which fostered teamwork and improving teamwork performance

Employee Wellness

The ability to provide a healthy life that includes work-life balance is a vital part of our commitment to our employees. We believe that investing in employees' health and well-being benefits both the employees and organisation. Healthy employees show better productivity, improved morale, positive contribution to work environment, and drive down overall healthcare costs. We are committed to creating a healthy workplace that encourages our employees to stay healthy and engage in a wide range of health programmes and initiatives.

Workforce Health

KLCCP Stapled Group acknowledges the importance of its employees' well-being and encourage all its employees to live a healthy lifestyle by providing entry passes to the Twin Towers Fitness Centre (TTFC) which includes gym facilities, squash and badminton courts and studios for group fitness classes and sports activities. Our Group also registered itself with the Malaysia's Healthiest Workplace Survey conducted by AIA Malaysia and RAND Europe, a leading research organisation with counsel from an Advisory Board. This is the first survey in Asia and Malaysia that examines employees' health as well as workplace health strategies and initiatives. Employees were required to complete the Employee Health Survey online and upon completion they received a personal health report covering topics on Body Mass Index (BMI), cholesterol, glucose, blood pressure, physical activities, nutrition, mental well-being and age vitality.

OUR PEOPLE

Our HR division also encouraged all employees to attend the various Health Talks and Medical Helpdesk held during the year e.g. Nutrition and Your DNA Talk in order to promote knowledge sharing, gain better understanding of our current state of health and maintaining a healthier and productive workplace. During the year, our hotel participated in the Blood Donation Campaign held in collaboration with the National Blood Bank and also organised MOHG Global Employees' Wellness Week with programmes on health talks, grooming classes, wellness class, sports and social activities as well as healthy food offerings.

Sports and Recreational Activities

Employees of KLCCP Stapled Group are also encouraged to participate in sports, recreational and social activities held annually. During the year, KLCC Group organised a Property Games and Wellness Carnival for the employees as part of the efforts in promoting wellness and sports development. This was also complimented with a fitness programme called Fit4Life 2.0 which aims to provide an avenue for all employees to participate in physical exercise activities after working hours. This programme is conducted by professional trainers and is a highly effective programme for those who aim to get an ideal weight with an appropriate diet plan and physical exercise.

MOKL Hotel has its own in-house committee to organise social and recreational activities for their employees. Activities are carried out almost every month and this includes invitations to participate in external activities organised by external hotels and other organisations. Regular activities organised by the team are

volleyball, takraw, football, futsal, fishing, table tennis, snooker, paintball, bowling, badminton and KARAOKE challenge. Some of their external activities participated are Inter-Hotel Bowling Tournament by Melia Hotel & Malaysian Association of Hotels (MAH), Inter-Hotel British Pool Championship by St Giles Premier Hotel & MAH, PETRONAS Sports Carnival and Inter-Hotel Football/Futsal/Veteran Football. Our retail employees organise quarterly get-togethers, jogs in the KLCC Park, movie outings and bowling to encourage bonding and understanding between managers and their teams.

HUMAN RIGHTS AND LABOUR PRACTICES

A strong commitment to human rights is an integral part of KLCCP Stapled Group's business etiquette. We also demonstrate responsible workplace practices with respect to employment and fully comply with the legislations on the welfare and rights of our employees and workers as well as our service providers at our project sites. In 2017, there were no incidents and grievances of discrimination, child labour and forced labour reported in KLCCP Stapled Group.

RESPONSIBLE EMPLOYMENT PRACTICES

KLCCP Stapled Group is a performance-driven organisation, adopting fair and responsible employment practices. We abide by the Malaysian Labour Laws encompassing the Employment Act 1955 (ACT 265), Trade Union Act 1959 (ACT 262), Industrial Relation Act 1967 (ACT 177), amongst others, together with all related regulations and guidelines which promote fair and



↑ Outdoor activities that promote camaraderie among employees of the Group

OUR PEOPLE

responsible employment practices. We also benchmarked against the property development and management industry wherein the Group's policy is above the 50th percentile of the property development and management industry. As part of the PETRONAS Group, we keep abreast with the compliance or adoption of policies in PETRONAS through quarterly meetings with the PETRONAS Group Human Resource Management in order to align ourselves with our parent company whilst taking into account the relevance of the industry KLCCP Stapled Group is operating in. We also focus on the areas of leadership and talent management where best practices from PETRONAS are shared and implemented in KLCCP Stapled Group.

During the year, we participated in the quarterly Property and Construction Industry Networking HR Meeting to benchmark against industry best practices in the areas of remuneration and benefits. For the same purpose, we also participated in the annual Korn Ferry Hay Group's Market Remuneration Survey and Willis Towers Watson Remuneration Survey to benchmark ourselves within and other industries. Our remuneration packages comply with Malaysia's Minimum Wage regulation while the overtime compensation, working hours and fatigue management are in accordance with the Employment Act. Our benefits typically exceed the requirements stipulated within the Employment Act. We offer fair and competitive remuneration packages based on employees' competencies and expected roles and responsibilities which are aligned to industry's best practices and market benchmarks with review conducted annually. This is to ensure our competitiveness in attracting talent for sustained growth.

In an effort to foster responsible employment practices whilst enhancing employee welfare and catering to the growing needs of our people, KLCCP Stapled Group during the year has enhanced several benefits by extending flexible optical or dental benefits for employees as well as their dependents, increasing maternity leave to three months, and introduction of half day leave. Our Group also provides flexible work arrangements (FWA) for employees with special family needs to manage their personal and work commitments more effectively giving a well-balanced lifestyle.

Our HR Division had also introduced a "HR Dashboard" to highlight to the respective heads of business units in respect to their division employees' statistics in terms of gender composition, manpower costs, attrition rate and disciplinary issues. This information helps the superiors to make necessary analysis on fair contribution of employees in terms of gender, manpower cost, acceptable attrition rate and disciplinary acts. This ensures the respective heads make better business decisions on human capital.

Anti-Child and Anti-Forced Labour

In Malaysia, risks and incidents of child and forced labour is mitigated through various legislations, for example the Employment Act 1955 (ACT 265), Minimum Retirement Age Act 2012 (ACT 753), Occupational Safety and Health Act 1994 (ACT 514), Factories and Machinery Act 1967 (ACT 139), Merchant Shipping Ordinance 1952, and the Children And Young Persons (Employment) Act 1966 (ACT 350). The Children And Young Persons (Employment) Act 1966 prohibits employment of children below 18 years of age. The legislations has a clear set of laws for the employment of children below 15 years and between 15 and 18 years old, including their number of working days, working hours and type of work to be engaged in. KLCCP Stapled Group ensures that all employees are issued employment contracts specifying clear employment terms and conditions.

Respect for Freedom of Association

KLCCP Stapled Group respects all employees' fundamentals rights to freedom of association and the rights to be members of trade unions. Although KLCC Stapled Group is not a unionised organisation, we stand guided by the Industrial Relations Act which allows trade unions to act on behalf of employees for collective bargaining, providing them with an additional avenue to seek redress for disputes.

Grievance Mechanism

We aim to address any grievance or complaints amongst employees or third party fairly and effectively. The grievance mechanism that we have in place enables employees to raise issues such as dissatisfaction regarding conditions of employment, relationship with colleagues or supervisor, or discrimination. In our efforts to establish fairness in the workplace, our employees can voice their grievances through multiple communication channels such as submission of official grievance form or even through face to face conversation with HR representative. When a grievance report is filed, our HR team will closely monitor any concerns and conduct an investigation with due process which may include disciplinary actions within the framework of local laws and practices, if necessary.



RELIABLE PARTNER



KLCCP STAPLED GROUP IS COMMITTED TO TAKING AN ACTIVE AND LONG-TERM ROLE IN MANAGING THE RELATIONSHIP WITH OUR STAKEHOLDERS AND WORKING AS A RELIABLE PARTNER WITH THE COMMUNITIES, TO ENGAGE BOTH CITIZENS AND COMMUNITY PARTNERS TO ENSURE CONTINUOUS IMPROVEMENT IN OUR APPROACH TO SUSTAINABILITY AND IN GIVING BACK TO THE COMMUNITY



Material Sustainable Matters

- Financial Sustainability
- Economic, Social & Industry Growth
- Customer & Tenant Engagement
- Supply Chain Management
- Corporate Social Investment

We are conscious of our role in promoting economic, social and industry betterment to ensure the interest and well-being of our stakeholders is optimised.

Context

As a property investment and development group, creating value and delivering lasting impact to the community is integral to our role as a reliable partner. We believe that building dynamic, long-lasting partnerships help us achieve our sustainability goals and be a supporter of the community, strategically, financially and socially.

RELIABLE PARTNER



f Workplace For Tomorrow at the PETRONAS Twin Towers

A number of growing agenda recognises the importance of diverse development pathways in achieving an environmentally and socio-economically better world. Integrated development incorporates the well-being of all citizens through economic development, social development and environmental protection. This is achieved by stepping-up necessary efforts at the educational, economic, social, political, technological and environmental levels for a better living.

Our Approach

Our objective as a reliable property investment and development group is to make meaningful contributions economically and socially and grow with our stakeholders which includes our suppliers, customers, tenants and business partners to maintain long-term partnerships across our business portfolios. We also invest in community and sustainable development programmes in the areas of education, health, environment and special community needs. Our contributions include the development of infrastructure, the support for charity associations through fundraising activities, as well as education and environmental initiatives.

FINANCIAL SUSTAINABILITY

The year saw an upswing in the market sentiment from the confluence of recovering inflation, higher employment and improved sentiments providing a positive backdrop for corporate earnings. With this, KLCCP Stapled Group continued to focus its priority to drive sustainable growth and create significant value for its stakeholders through various repositioning efforts in our portfolio during the year.

We successfully reverted the office segment back to 100% occupancy through the lease transition at Menara ExxonMobil generating a stable income for the office portfolio. Taking the cue of unfolding new demands for more efficient office space, we worked closely with our tenant, PETRONAS in undertaking a revamp of their office space under their "Workplace For Tomorrow" (WFT) project. This transformation does not only encourage more collaborative interaction among employees but at the same time saves costs for employers and building owners by enabling them to right-size their office space and operate buildings more efficiently.

Despite the ongoing challenges faced in the retail sector, Suria KLCC has seen good results from its tenant remixing exercise in meeting the customers' demand as well as its intensive research and engagement with tenants. Suria KLCC together with the adjacent retail podium of Menara 3 PETRONAS achieved RM2.6 billion in Total Moving Annual Turnover with customer footfall exceeding 48 million annually.

RELIABLE PARTNER

The performance of our hotel segment also saw stronger performance during the year backed by higher occupancy for its newly refurbished Club Rooms and Suites, supported by the improved demand in the banqueting and F&B segment. The hotel had also redirected its efforts to leverage on its newly refurbished ballroom and function rooms, boosting the revenue growth in 2017 compared to 2016.

Our strategy and focus to deliver stable and sustainable returns to the holders of Stapled Securities remained paramount during the year. We distributed 97% of our overall distributable income with a distribution per stapled security of 36.15 sen, an increase of 1.4% from 2016. This is in line with our continued quest in delivering value and growth to the holders of Stapled Securities.

PROMOTING ECONOMIC, SOCIAL AND INDUSTRY GROWTH

KLCCP Stapled Group has been involved in Nation building, realising the vision of making Kuala Lumpur a world class city.

The development within KLCC Precinct has marks a milestone in the growth of Kuala Lumpur and is the benchmark for the urban spatial planning and development in Malaysia. Designed to be a city-within-a-city, the KLCC Development sits on a 100-acre precinct and is an integrated mixed development with residential, hotel, convention, retail and leisure components. Our properties within the KLCC Precinct have bridged people together and built a stronger sense of community where people can work, live, shop, play, meet, visit and eat. Our development within the KLCC Precinct has also created significant value enhancements to the properties surrounding and in the periphery of the KLCC Precinct.

KLCCP Stapled Group is committed to building and managing our properties to ensure safety, accessibility and vibrancy to meet social integration and enhance lives of its tenants, shoppers, guests and community.

Malaysia's Iconic Experience in Kuala Lumpur (MIEKL)	<p>MIEKL is KLCCP's 'Iconic Malaysia' project in collaboration with its business partners to promote the Kuala Lumpur City Centre precinct as a must visit destination</p> <p>To create awareness and promote the attractions in KLCC Precinct as well as provide convenient access to information on the places of interest to further boost the tourism industry</p> <p>Various communication modes such as website, touch-screen kiosks, product pamphlets and digital screen advertisement have been established to ensure easy access of information to both local and international visitors</p>
KLCC Park	<p>The KLCCP Stapled Group continued to promote public awareness on environmental protection and the importance of environmental conservation and this is reflected through its exemplary efforts in the upkeep and maintenance of the 50-acre KLCC Park</p> <p>The park signifies the Group's contribution towards social and community well-being by providing a green, convenient, tranquil and conducive destination in the midst of a bustling and dynamic city centre</p> <p>KLCCP Stapled Group also collaborates with local authorities and the KLCC community to observe effective compliance for provision of local facilities. The common cost sharing management policy between landowners of commercial properties known as the Common Estate Committee for the upkeep and maintenance of the park continues to promote positive impact on the commercial environment for local and foreign tourists</p> <p>In 2017, KLCCP Stapled Group incurred approximately RM1.7million for the upkeep and maintenance of KLCC Park</p>
Pedestrian walkways	<p>KLCCP Stapled Group continues to maintain the pedestrian walkways of Kompleks Dayabumi and the National Mosque, and Kompleks Dayabumi to Pasar Seni Light Rail Transit (LRT) for the benefit of the pedestrians' convenient access to surrounding areas</p> <p>In 2017, KLCCP Stapled Group incurred approximately RM40,000 for the costs of maintenance of the pedestrian walkways</p>
As Syakirin Mosque	<p>The As Syakirin Mosque, also known as "The Jewel in the Park", is one of the Group's contributions to the Muslim community living and working around and within the KLCC Precinct, accommodating a congregation of 12,000 people</p> <p>The mosque is being maintained by KLCCP Stapled Group as part of our continuous CSR initiatives involving the community around us</p>
Accessibility in Built Environment	<p>KLCCP Stapled Group places great care and attention to providing convenient accessibility within our properties for children, the elderly and the disabled</p> <p>In addressing the needs of these groups, we have made available child-friendly and disabled-friendly amenities within and surrounding our precinct such as ramps for wheelchairs, disabled-friendly washrooms for our customers, tenants and guests, baby strollers and wheelchair services, elevators at the pedestrian bridge and designated parking bays on every floors of the basement car park as well as other car parks within the KLCC Precinct</p> <p>At our hotel, three disabled rooms are made available on the 9th floor. There are also public toilets with disabled facilities and ramps around public areas for ease of mobility</p> <p>In our basement car park, a total of 43 disabled parking bays are allocated for handicapped drivers, spread over four floors. Ladies parking is also allocated at Level P1 of our North West Development car park to provide a convenient and much safer parking facility for our female customers. A total of 142 parking bays constituting 7% of the total visitor parking bays is allocated under this initiative</p>

RELIABLE PARTNER

<p>KLCC Property Holdings Berhad (KLCCP)</p>	<p>Council of Tall Buildings and Urban Habitat (CTBUH) KLCCP has been a member of the Council at Patron Level since 1996 and has been actively participating as participants and speakers in conferences organised by the Council. Our contribution has helped put the latest information from research and advanced design practice into the hands of professionals throughout the world.</p> <p>Federation Internationale des Administrateurs de Bien-Conselis Immobiliers (FIABCI) Malaysian Chapter KLCCP is a member of FIABCI Malaysian Chapter and supports the Federation through its various events, seminars and talks organised annually. We also receive updates from FIABCI through their newsletter and emails.</p> <p>Malaysian Investor Relations Association (MIRA) KLCC Property Holdings Berhad registered as a member since 2014. MIRA is the first and only professional association committed to developing and advancing the status and integrity of IR professional. KLCCP participated in 7 MIRA seminars, workshops, networking session and awards ceremony that enable us to reach out to network with IR professionals in the industry.</p>
<p>KLCC REIT</p>	<p>Malaysian REIT Managers Association (MRMA) MRMA represents its members’ interests through engagement with the Malaysian Government and regulators for functional regulations, viable structures and tax harmonisation. This ensures Malaysian REITs remain competitive within the region and internationally.</p>
<p>Suria KLCC</p>	<ul style="list-style-type: none"> • Persatuan Pengurusan Kompleks Malaysia (PPK) • International Council of Shopping Centres (ICSC) <p>Suria KLCC has been a member of PPK Malaysia since 1995 and a member of the ICSC since 2003. Suria KLCC is able to network with the management of other shopping centres and benchmark with the retail industry best practices worldwide. Suria KLCC also receives information pertaining to the shopping centre industry, statistical data and other statistical research from the ICSC.</p>
<p>Mandarin Oriental, Kuala Lumpur (MOKL Hotel)</p>	<p>American Malaysian Chamber of Commerce KLCC Business Events Alliance Malaysian Employers Federation Jactim Foundation Malaysian Association of Hotel Owners Malaysian International Chamber of Commerce & Industry The Japanese Chamber of Commerce Persatuan Hotel Malaysia</p> <p>MOKL Hotel’s membership in these associations enables them to expand their business networking, leverage on the Association’s database and solicit for potential business. MOKL Hotel participates in initiatives and surveys carried out by the associations from time to time, contribute opinions and comments.</p>

Membership and Roles

KLCCP Stapled Group seeks to promote industry growth through the various industry associations it supports that are aligned with our shared values. Our memberships enable us to contribute towards the development of the real estate, retail and hotel industries, directly or indirectly through our participation in event, discussions and working groups network with our industry peers. Through the memberships, we are also able to promote professionalism as well as share best practices in the industry.

SUPPLY CHAIN MANAGEMENT

Managing our supply chain effectively is integral to our business strategy. This means having a robust system in place to continuously review our supply chain, taking concrete actions to enhance the quality of services and products we procure, and working closely with our suppliers to improve their sustainable performances.

KLCCP Stapled Group maintains a list of registered suppliers/ vendors. Due diligence of contractors and suppliers are undertaken prior to them being registered/licensed with KLCCP Stapled Group. Suppliers are selected in accordance with established procurement processes and are determined through a tender engagement process. Factors influencing supplier selection include cost, performance and project experience. Suppliers’ performance evaluation is performed in a frequent and consistent manner to measure the post award performance of a vendor against defined performance criteria. The evaluation includes discussion on the performance results and identification of improvement opportunities.

LOCAL PROCUREMENT MANAGEMENT

KLCCP Stapled Group practices sustainable procurement by ensuring its entire procurement process takes into account the economic, environmental and social impacts of our business practices. Our procurement department ensures that we uphold responsible procurement practices and our initiatives start right at the supplier selection process till the procurement of supplies or services, where various sustainability considerations including fair labour practices and safety requirements are embedded into our terms and conditions. In ensuring that our supplies and services are ethically sourced, we work towards meeting the standards of ethics and business integrity on both social and environmental criteria. Our procurement team prioritises on minimising any non-compliance risks in the supply chain and encourage our business partners to make continuous improvement towards sustainable business conduct.

Sustainable Supply Chain and Ethical Behaviour

Procurements are made through tendering and bidding process that screens the bidders' capability and credibility through transparent procurement guidelines, processes and procedures to ensure bidders are evaluated fairly. All contracts with our contactors, consultants and suppliers have imposed provisions requiring them to adhere to and comply with CoBE. Contractors, consultants or suppliers performing works and services for KLCCP Stapled Group are expected to abide by the relevant sections of CoBE. Non-compliance by them shall result in legal consequence which may include termination of contract.

Supplier's Code of Conduct

To ensure transparent and fair practices by vendors, the bid documents includes a provision in the contract terms and conditions on:

Conflict of interest and fighting corruption and unethical practices	<ul style="list-style-type: none"> • The contractor shall comply with all relevant requirements and policies throughout the contract period • Promptly report any request or demand for undue financial or other advantage of any kind received in connection with the performance of the contract
Business Ethics	<ul style="list-style-type: none"> • The contractor shall take no action on behalf of the employer in the performance of the works or rendition of the works or the conduct of operation that would subject either party to liability or penalty under any laws, rules, regulations or decrees of any governmental authority • All invoices, financial settlements, reports and billings by the contractor shall properly reflect the facts about all activities and transactions handled for the employer's accounts • The contractor agrees to notify the employer promptly upon discovery of any instance where the contractor has not complied with the requirements of the contract
Health, Safety and Environment (HSE)	<ul style="list-style-type: none"> • HSE policy, targets and requirements • Prevailing laws and regulations • Risk assessment including preventing and mitigating measures • Emergency response plan • Incident reporting and investigation

Supplier Diversity and Local Procurement

At KLCCP Stapled Group, we recognise that our suppliers are an extension of our organisation. We are committed to collaborating with a diverse supplier base and improve our collective environmental sustainability efforts. We also encourage sourcing of local products among the suppliers. In 2017, 97% of our products were sourced locally with a contract value of approximately RM750million, contributing positively to the local economy.

RESPONSIBLE PRODUCT SOURCING

We work together with our suppliers to develop a shared commitment to quality and safety of our product and services and ensure that all of our suppliers abide by our quality performance standards, requirements, processes and procedures. We source responsibly and apply rigorous systems to ensure our products meet or exceed the highest standards of quality and safety. It is part of our sustainability strategy to promote efforts towards prioritising on quality.

Supplier Audits

As food and beverage contributes approximately 40% of our hotels' revenue, food hygiene and safety is critical in sustaining MOKL Hotel's revenue. MOKL Hotel's Supplier Chain Management focuses on food and beverage suppliers in respect to compliance to food safety requirements. This is also in line with our certification in ISO 22000 – Food Safety Management and Halal Assurance Management System. We have in place a policy and the procedures include supplier audits for local F&B suppliers. These local suppliers are classified into "High Risk" or "Low Risk", depending on product type supplied. The audits are conducted yearly for "High Risk" and conversely once every 2 years for "Low Risk". Suppliers are encouraged to obtain accreditation (HACCP – MS 1480/ISO 22000) and accredited suppliers are preferred and given "nominated supplier" status. The premises of the suppliers are audited based on food safety management, raw materials, product and materials, structure and facilities, pest control, cleaning and housekeeping. There are a total of 58 local F&B suppliers out of which 39 are "High Risk" and 19 "Low Risk" which is scheduled to be audited. This year in MOKL Hotel, a total of 29 suppliers were audited.

Purchasing Policy and Scope

In MOKL Hotel, the Materials Management Department has a purchasing policy and procedures in place and spearheads the placement of orders for all goods and services required in the daily operations of the hotel. The department will ensure that there are competitive quotes from nominated or preferred suppliers capable of meeting the specifications in terms of quality, timely delivery, adherence to Food Safety, Environmental and OSH requirements and providing competitive price. This policy and procedure covers the requirements of the purchase requisition to the execution of the purchase order and was further enhanced to include green purchasing within the supplier chain.

RELIABLE PARTNER



KLCCP Stapled Group promotes fun learning for students at the “Sahabat Pintar” programme

Green Procurement

KLCCP Stapled Group acknowledges the increasing importance of green procurement and is further enhancing its efforts to move towards a more responsible procurement practice. We continue to expand our procurement scope by procuring products and services to support the green building initiatives especially at the PETRONAS Twin Towers, Menara Dayabumi and the Car Park.

MOKL Hotel further enhanced green purchasing within our supplier chain to comply and raise awareness of procurement as a pollution prevention tool and facilitate continual improvement in environmental performance through proactive green purchasing and contracting activities. In compliance with the hotel's certification in ISO 14001 – Environment Management System, consideration of products that are environmentally friendly will be given priority and accredited suppliers are given “preferred” status. Special attention is paid on ozone depleting materials. The policy further covers guidelines for Safety and Health requirements.

Our hotel team continues to seek-out suppliers who have accreditations in Hazard Analysis and Critical Control Point (HACCP) - ISO 22000 or certifications and who can provide quality products at competitive prices. The team continues to provide guidance to nominated F&B suppliers in food safety requirements by performing scheduled value added audits and inspections of their premise. Supplier audit findings were communicated to vendors

via the Food Supplier Action Report for future improvement and guidance. In 2017, 36% of MOKL Hotel's nominated suppliers have accreditation or certification in food safety requirement.

Other sustainable practices by our hotel team include sourcing from locally farmed or grown products — farmed fishes, vegetables and fruits, herbs and spices and non-serving of shark's fin in the hotel's Chinese restaurant and banquet. Our retail partner at Suria KLCC places high priority for suppliers who have proven track record, credentials and certification. Performance of service providers are guided and monitored through scheduled audit checks and inspections.

CONNECTING WITH OUR COMMUNITY, TENANTS AND CUSTOMERS

Connecting with our stakeholders especially with our community, tenants and customers is becoming more prominent, particularly in expanding the outreach and quality of service to build a shared sense of responsibility and societal development. Efforts to promote social betterment, building strong tenant relationship and managing customer expectations are conducted through extensive engagement with these stakeholders. This is in line with the 11th Malaysia Plan where the Government aspires Malaysia to become more citizen-centric and focus on enhancing programmes, services and platforms for greater interaction, engagement, and collaboration among Malaysians.

CORPORATE SOCIAL INVESTMENT

We recognise the importance in contributing towards the welfare of the community in which we operate in and continue to engage with the communities surrounding us to foster goodwill towards their well-being and social development. Being part of the society within which KLCCP Stapled Group operates in, we are conscious of our role in promoting social betterment of the community around it. We support various stakeholder engagement activities which include environmental sustainability, health and safety, social integration as well as reaching out to the underprivileged community.

Key Initiatives for the Year

EDUCATION

"Sahabat Pintar" programme

- Sekolah Kebangsaan Felda Kg. Sertik, Karak, Pahang was selected for the programme
- Selection of school focused on the underprivileged and those deprived of opportunities to experience fun learning outside their classrooms
- A Creative Science Workshop was conducted at Petrosains to bring science to life with experimental activities and discovery programme designed to complement and support the maths and science curriculum
- A total of 40 students & 4 teachers attended the visit

- Visit to Petrosains and Aquaria KLCC for underprivileged school children

- Visit to Sekolah Kebangsaan Sungai Dua, Bentong, Pahang on 5 May 2017
- To create awareness and develop interest among students (tertiary level) in the field of Science, Technology, Engineering, Arts and Mathematics (STEAM)
- A science workshop was conducted where students learned about pressure and the force of gravity
- A total of 70 students of the native community participated in this programme

- Visit to school to promote learning in the field of STEAM

- Focusing on students majoring in engineering, architecture, facilities management and other related courses
- In 2017, 5 students were on board the programme from University of Malaya (UM) and University Kuala Lumpur (UniKL)

"Projek Apprentice" programme

- Student Training Placement within KLCC Group

- Focusing on students majoring in engineering, architecture, facilities management and other related courses
- In 2017, 5 students were on board the programme from University of Malaya (UM) and University Kuala Lumpur (UniKL)

ENVIRONMENT

Environmental Conservation

- Visited Eco Rhimba Bukit Nanas to improve condition of public areas – 49 employees participated in the painting of the open gym area and road curbs

SOCIETAL WELL-BEING

Charity/ Donation Drives/ Fundraising/ Community Service

- Donated RM13,000 for the Bursa Bull Charge Run. Funds were channeled to 34 deserving beneficiaries
- Participated in "Wish a Grant for Fikri" – Sponsored a night stay at the MOKL Hotel, 3D Lego Welcome Cake, lunch at Lai Po Heen, and dinner at the KL Revolving Tower for a terminally-ill boy and his family
- Contributed RM5,000 to the PETRONAS' Orchid Run & Ride 2017. Funds were channeled to three charitable bodies – Pediatric & Congenital Heart Centre of the National Heart Institute (IJN), Institut Telinga Pendengaran dan Pertuturan (Institute HEARS) and the Spastic Children's Association of Selangor & Federal Territory. 100 employees participated in the 5km run
- Involved in Reach Out Program – donation of food to the homeless
- Conducted car wash activity to foster camaraderie amongst staff whilst raising RM6,497 for charitable initiatives
- Visited Rumah Kirtash (handicap and orphanage) to help clean, tidy and organise their burnt down home in Rawang. Donated essential items and foodstuff and repainted the interior and exterior of the home

Festive Celebrations with the underprivileged community

- MOKL Hotel
 - Invited three Old Folks Homes' residents to a Deepavali buffet lunch at Mosaic Restaurant and provided them with goodie bags
 - Christmas Party held at MOKL Hotel with the underprivileged children from House of Joy, Sunbeams Home & Rumah Charis
- Suria KLCC
 - Chinese New Year charity programme in collaboration with the Shelter Homes to raise funds for the orphanages
 - Hari Raya charity programme called "Tabung BersamaMu" in collaboration with Media Prima to raise funds for needy homes
 - Christmas Charity programme in collaboration with We Care Journey organisation

HEALTH & SAFETY

Awareness campaigns

- Supported Breast Cancer Awareness with Breast Cancer Welfare Association Malaysia
- Visit to Maahad Tahfis Al-Quran Ibnu Nafis, Kulai Johor to raise awareness on fire safety, evacuation procedure. Conducted practical session on handling fire extinguishers and fire-fighting and fire safety audit

RELIABLE PARTNER



Premium services for our valued tenants and customers

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

Despite the rapid transformation taking place in the retail landscape, Suria KLCC takes pride in understanding its customers' changing needs by enhancing and uplifting the quality of services it delivers. During the year, Suria KLCC brought in exclusive brands that offer exclusive services and differentiation namely, "Customisation Atelier", "personalisation station" and the offerings of several new concepts. Suria KLCC also enhanced its facilities with the replacement of the two Centre Court bubble lifts with three brand new glass lifts, catering to larger customer volumes and improving the visibility of shops behind the lifts. They also commenced with the modernization of the escalators with more reliable and safety features, in several phases. Being in the era where social media and digital revolution is the trendsetter, Suria KLCC launched its new website with interactive features and upgraded all its mall directories with targeted search content. Suria KLCC also introduced media advertising screens and panels within the mall to facilitate retailers' promotions. This digitalisation effort allows our mall to engage with the larger community whilst evolving to stay relevant and embracing the challenges moving ahead.

During the year, KPM embarked on several initiatives to enhance the level of customer satisfaction whilst providing an excellent parking experience. For customers' convenience and to reduce cash handling, 7 autopay machines located at strategic areas within the Suria KLCC parking were equipped with debit/credit card facilities. For season card holders, KPM provided an alternative payment mode via online payment at the KPM website covering Visa, Mastercard and Debit card transactions. To assist customers in locating their cars, KPM implemented a Car Finding System (CFS) by installing the license plate recognition (LPR) camera at all the entry and exit barrier gates of the North West development car park. This provides an avenue for customers to seek their vehicles via the CFS kiosk with location map features. This initiative is currently at 95% completion. KPM also enhanced their digital and directional LED signages to improve visual messaging to customers and to guide them to the vacant parking bays creating a smooth and efficient traffic flow.

Delighting Guests with Quality Service

The quality service at our MOKL Hotel underpins everything that we do, and we are committed to exceeding guests' expectations on a daily basis. Our hotel focuses on providing personalised service to every guest every day, and on the sincerity of the people who deliver it. We encourage colleagues to know our guests, to anticipate what they want, in order to provide them with the best experience throughout their stay at MOKL Hotel.

RELIABLE PARTNER

During the year, the hotel completed the first phase of guestroom renovations transforming the 157 Club Rooms and Suites and a further 116 rooms of the Deluxe Rooms and Park Suites to meet guests' expectations for a luxury hotel experience. MOKL Hotel stepped up its service quality and innovative signature offerings across all its food and beverage outlets and growing its banqueting business by leveraging on the renovated ballrooms and function rooms facilities. Complimentary high speed internet access at MOKL Hotel has also been enhanced to offer guests a mobile and safe digital experience with multi-device availability throughout the hotel, making it easy for guests to access and use the technologies. These new enhancements will keep the hotel's guests and patrons engaged as the hotel improves its offerings.

Feedback from our guests is also vital to our success. MOKL Hotel conducts an annual customer satisfaction and loyalty survey with the help of a third-party organisation that sends an online questionnaire following a guest's stay. In 2017, our hotel received approximately 2,800 guest satisfaction surveys with an overall satisfaction rate of 85%. MOKL Hotel's overall satisfaction ratings indicate a consistently high level of guest satisfaction and loyalty to the brand.



SUSTAINABILITY PERFORMANCE DATA

ECONOMIC IMPACT

	2017	2016	2015	2014
Distribution per Stapled Security (sen)	36.15	35.65	34.65	33.64
Property Value (RM'mil)	15,667.5	15,454.0	15,166.7	14,496.2
Fair Value Gain (RM'mil)	182.5	171.1	578.8	386.1
Infrastructure Maintenance (RM'mil)	1,799.0	1,238.0	-	-

ENVIRONMENTAL IMPACT

Energy Used (kWh)				
Office & Car Park	82,900,000	95,426,000	99,656,000	100,209,000
Retail	14,851,000	15,791,000	15,412,000	13,641,000
Hotel	14,141,000	13,541,000	13,830,000	14,678,000
Total Energy Used	111,892,000	124,758,000	128,898,000	128,528,000

GHG Emissions (mt CO _{2-e})				
Scope 1				
Office	9.63	5.47	5.47	8.32
Retail	1,573	1,540	1,540	1,537
Hotel	1,913	1,925	1,946	1,892
Total Scope 1 Emissions	3,496	3,471	3,491	3,437

Scope 2				
Office & Car Park	87,078	90,214	90,138	90,699
Retail	27,462	33,103	32,819	21,422
Hotel	18,003	17,511	17,330	17,924
Total Scope 2 Emissions	132,543	140,828	140,287	130,045

Energy Generated from Solar (kWh)				
Retail	510,000	553,093	591,216	551,162

Water Used (m ³)				
Office & Car Park	591,444	646,355	681,605	754,269
Retail	569,490	607,715	627,125	-
Hotel	169,103	181,678	191,796	211,715
Total Water Used	1,330,037	1,435,748	1,500,526	965,984

Waste Management				
Hazardous Waste Generated (metric tonnes)				
Office & Car Park	9.133	2.173	4.640	3.975
Retail	0.920	-	-	-
Hotel	0.746	0.903	0.903	0.901

SUSTAINABILITY PERFORMANCE DATA

Waste Management	2017	2016	2015	2014
Hazardous Waste Disposed (metric tonnes)				
Office & Car Park	10.284	1.750	4.122	1.920
Retail	0.920	-	-	-
Hotel	0.970	0.903	0.903	0.901
Waste Intensity (kg per room)				
Hotel	3.80	4.70	4.08	3.52
Waste Diversion (%)				
Hotel	23.13	22.39	17.06	14.16

SOCIAL IMPACT

Our Workforce				
Workforce by age group				
Below 30	358	337	349	374
30 - 39	363	353	376	418
40 - 49	280	266	271	264
50 - 59	131	126	113	111
60 above	7	6	5	3
Total workforce	1,139	1,088	1,114	1,170
Workforce by gender				
Male	700	684	692	721
Female	439	404	422	449
Employee Position & Gender Profile				
Top Management : Male	20	27	7	10
Female	6	18	4	6
Senior Management : Male	151	151	93	126
Female	115	124	78	100
Other Levels : Male	529	506	592	585
Female	318	262	340	343
Workforce by ethnicity				
Malay	797	750	794	795
Chinese	185	182	191	222
Indian	86	81	88	89
Others	71	75	41	64
Health & Safety				
Number of fatalities	0	0	0	0
Loss Time Injury (LTI) Incidents	9	4	8	2
Loss Time Injury Frequency (LTIF)	1.19	0.46	0.23	0.14
Loss of Primary Containment (LOPC)	0	0	0	0

SUSTAINABILITY PERFORMANCE DATA

SUSTAINABILITY BENCHMARKS AND CERTIFICATIONS

Sustainability benchmarks	2017	2016	2015	2014
FTSE4Good Bursa Malaysia Index	Constituent since 2015			
FTSE4Good Emerging Index	Constituent since 2016			

Sustainability certifications				
KLCC Urusharta Sdn Bhd				
National Occupational Health and Safety Excellence Award 2014				Achieved in 2014
ISO 9001:2015 (Quality Management System)	Achieved since 2014 (latest recertification in 2017)			
ISO 14001:2015 (Environmental Management System)	Achieved since 2014 (latest recertification in 2017)			
OHSAS 18001:2007 (Occupational Health and Safety Management System)	Achieved since 2014 (latest recertification in 2017)			
Mandarin Oriental, Kuala Lumpur				
ISO 14001:2004 (Environmental Management System)	Achieved since 2003 (latest recertification in 2015)			
ISO 22000:2005 (Food Safety Management Systems)	Achieved since 2008 (latest recertification in 2015)			
OHSAS 18001:2007 (Occupational Health and Safety Management Systems)	Achieved since 2003 (latest recertification in 2015)			
KLCC Parking Management				
ISO 9001:2015 (Quality Management System)	Achieved in 2016			
ISO 14001:2015 (Environmental Management System)	Achieved in 2016			
OHSAS 18001:2007 (Occupational Health and Safety Management System)	Achieved in 2016			
MOSHPA OSH Excellence Award - Platinum - Gold	2017	Awarded in 2015 & 2016		

A FRAMEWORK OF TRUST

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT (“STATEMENT”) OF KLCCP STAPLED GROUP DEMONSTRATES CONTINUOUS COMMITMENT BY THE BOARDS OF DIRECTORS OF:

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

to high standards of corporate governance in discharging their responsibilities to protect and enhance interests of the holders of Stapled Securities through the application of best practices of corporate governance at all times.

In this Statement, the respective Boards report on the manner in which KLCCP Stapled Group has adopted and applied the principles and best practices as set out in the Malaysian Code on Corporate Governance (“MCCG”), the governance standards prescribed in the Main Market Listing Requirements (“MMLR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”), and the Guidelines on Real Estate Investment Trusts (“REIT Guidelines”) issued by Securities Commission Malaysia (“SC”), as well as the requirements under the Companies Act 2016, in connection with all activities conducted by KLCCP Stapled Group throughout the year under review.

The detailed application by KLCCP Stapled Group for each practice as set out in the MCCG during the financial year ended 31 December 2017 (“FY 2017”) is disclosed in the Corporate Governance Report (“CG Report”) which is available on KLCCP’s

corporate website at www.klcc.com.my. The Boards are of the opinion that KLCCP Stapled Group has, in all material aspects, complied with the principles and practices set out in the MCCG.

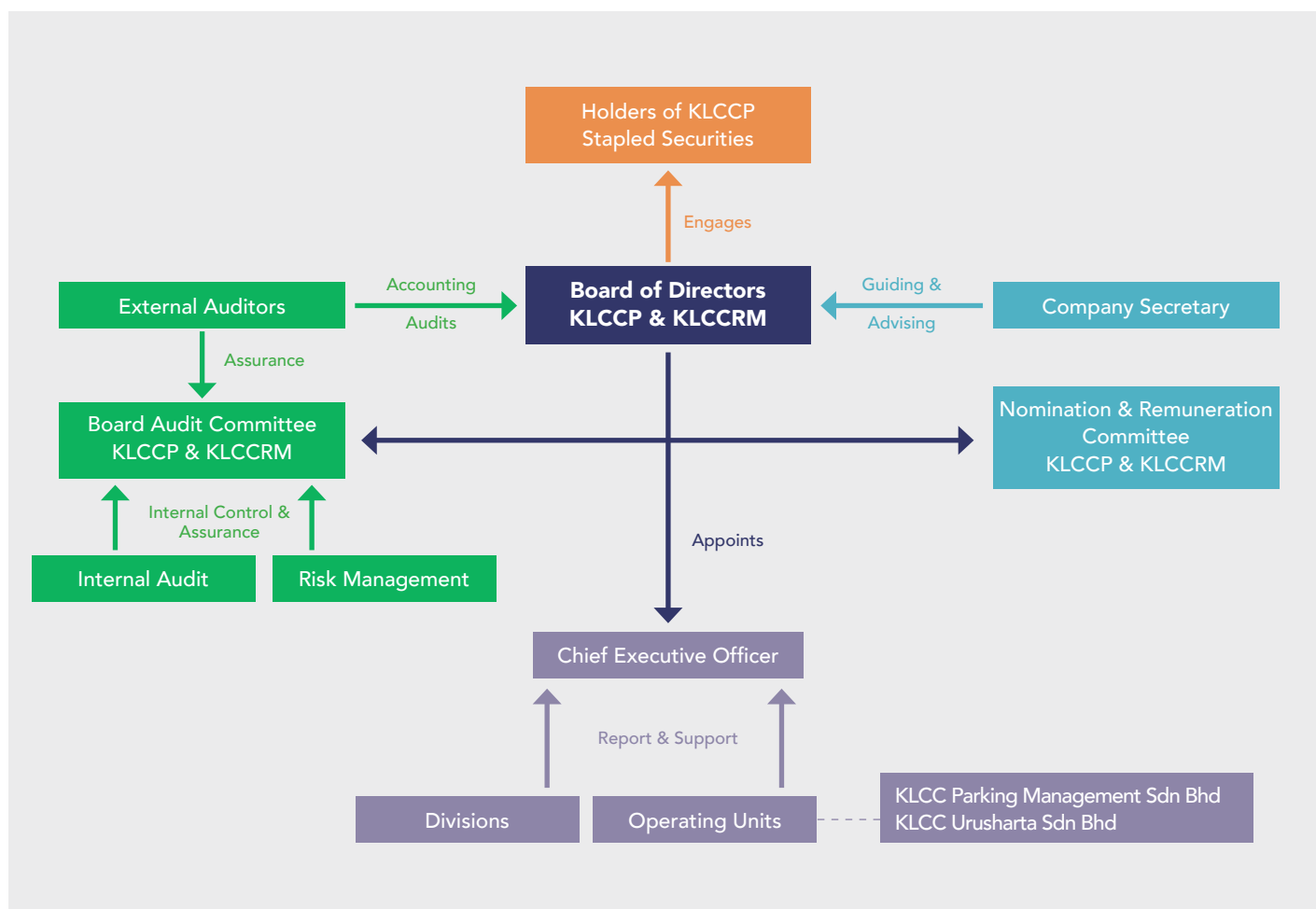
KLCCRM holds a valid Capital Market Service Licence (“CMSL”) issued by the SC. It has 2 licensed representatives who are:

- (a) Datuk Hashim bin Wahir, Chief Executive Officer (“CEO”), and
- (b) Datin Faudziah binti Ibrahim, Head of Leasing/Asset Manager.

KLCCRM has experienced and qualified personnel to handle its day-to-day operations.

KLCCP Stapled Group has established numerous governance documents such as Constitutions, Trust Deed, Board Charter, Terms of Reference of Board Committees, Enterprise Risk Management Framework, and Internal Audit Charters as part of its corporate governance framework to identify all the key participants in good governance and the ways in which they relate to each other and contribute to the application of the effective governance policies and processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



BOARDS OF DIRECTORS

Board Charter

The Board of KLCCP has adopted its Board Charter on 27 November 2012. Pursuant to the issuance of the new MCCG, the Board had on 13 November 2017, reviewed and approved specific revisions to the Board Charter of KLCCP to ensure the document remains relevant and consistent with the recommended best practices, and applicable rules and regulations. The Board Charter will be periodically reviewed as and when necessary.

The Board Charter, which clearly sets out the roles and responsibilities of the Board, its Committees ("Board Committees"), Chairman and CEO, is available on the corporate website of KLCCP for easy access by the holders of Stapled Securities and the public alike.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ROLES AND RESPONSIBILITIES OF THE BOARDS

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

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

For KLCCP:

- (a) reviewing and adopting the strategic plans for KLCCP Stapled Group;
- (b) overseeing the proper conduct of KLCCP Stapled Group's business (including budgetary approval and all other financial matters);
- (c) ensuring that sound policies, procedures and practices are implemented;
- (d) overseeing the development and implementation of a communication policy for KLCCP Stapled Group;
- (e) ensuring KLCCP Stapled Group's principal risks are identified and mitigated, and appropriate measures implemented to manage these risks;
- (f) formulating and ensuring the implementation of an appropriate succession policy for senior management positions;
- (g) overseeing the business operations of KLCCP Stapled Group and evaluating whether they are being properly managed;
- (h) reviewing the adequacy and integrity of KLCCP Stapled Group's management information and internal control system, compliance with relevant laws and regulations; and
- (i) determining and approving the dividends to the holders of Stapled Securities.

For KLCCRM:

- (a) reviewing and adopting the strategic plans for KLCC REIT;
- (b) overseeing the proper conduct of KLCC REIT's business (including budgetary approval and all other financial matters);
- (c) ensuring that sound policies, procedures and practices are implemented;
- (d) overseeing the development and implementation of a communication policy for KLCC REIT;
- (e) ensuring KLCC REIT's principal risks are identified and mitigated, and appropriate measures implemented to manage these risks;
- (f) formulating and ensuring the implementation of an appropriate succession policy for senior management positions;
- (g) overseeing the business operations of KLCC REIT and evaluating whether they are being properly managed;
- (h) reviewing the adequacy and integrity of KLCC REIT's management information and internal control system;
- (i) guiding the corporate strategies and directions of the Manager (including acquisition and divestment of the total assets of KLCC REIT);
- (j) overseeing the proper conduct of KLCCRM (including budgetary approval and all other financial matters);
- (k) ensuring compliance with all relevant laws and regulations; and
- (l) determining and approving income distributions to the holders of Stapled Securities and payments of management fees to the Manager.

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

Board Composition and Balance

Each Board currently consists of 8 members, one of whom is an Executive Director while the other 7 are Non-Executive Directors. Three of the Non-Executive Directors fulfill the criteria of independence, as defined in the MMLR, while the remaining 4 Non-Executive Directors are Non-Independent Directors.

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

The Non-Executive Directors ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interests of the stakeholders and the overall KLCCP Stapled Group's strategies and direction. They also contribute to the formulation of policies and procedures

based on their expertise and experience. Being independent of the Management, they ensure that no single individual or group dominates the Board's decision-making process.

During FY 2017, the Boards and the Nomination and Remuneration Committees ("NRCs") had deliberated and reviewed the current composition of the Board members in order to have a majority of Independent Non-Executive Directors in the Boards by 2020.

Key Roles of Chairman and CEO

There is a clear division of roles and responsibilities between the Chairman, CEO and Non-Executive Directors of the respective Boards. The Chairman, a Non-Executive Director of the Company and KLCCRM, is primarily responsible for the orderly conduct and function of the Boards.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The CEO is responsible for the day-to-day running of KLCCP Stapled Group's businesses, implementation of the Board's policies and decision-making related to operational matters. In managing the business affairs, he is assisted by the Management of KLCCP Stapled Group. The tasks of the CEO are described in his performance scorecard, which are reviewed and evaluated annually by a special committee comprising representatives from both Boards. Details on the roles and responsibilities of Chairman and the CEO are provided in the Board Charter which is available in KLCCP's corporate website at www.klcc.com.my.

Senior Independent Director

Dato' Halipah binti Esa, who chairs both the NRCs of KLCCP and KLCCRM, is designated as the Senior Independent Non-Executive Director. The Senior Independent Non-Executive Director's roles are as follows:

- (a) to act as a sounding board for the Chairman;
- (b) to be the point of contact between the Independent Directors and Chairman on sensitive issues; and
- (c) to be identified as a designated point of contact to whom shareholders' and other stakeholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders.

Board Diversity Policy

KLCCP Board had approved the Board Diversity Policy in August 2016 which is also applicable to KLCCRM. The Policy aspires to ensure the mix and profiles of the Board members of KLCCP and KLCCRM, in terms of age, ethnicity and gender, provide the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management. With a truly diverse and inclusive board, the Board members will leverage on differences in thoughts, perspectives, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender which will ensure that KLCCP retains its competitive advantage. The Boards are committed to achieve the target of 30% women directors on both Boards in 2018. Currently, there are 2 female Directors on each Board.

The NRCs are tasked to determine the benefits of diversity underpinned by meritocracy in order to maintain an optimum mix of skills, knowledge and experience of the Boards.

The Board Diversity Policy is available in KLCCP's corporate website at www.klcc.com.my.

Independence

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

Practice 4.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of 9 years. However, an Independent Director may continue to serve the Boards subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Boards intend to retain the Director as independent after a cumulative term of 9 years, justifications from the Boards and shareholders' approval at a general meeting are required. An Independent Director who continues to serve the Boards after the 12th year of appointment will now require shareholders' approval at a general meeting through a 2-tier voting process as prescribed under the MCCG .

The Boards stand guided by the principles and practices of the MCCG in adhering to the best corporate governance practices.

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

Board Meetings

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

DIRECTORS	NO. OF MEETINGS ATTENDED	
	KLCCP	KLCCRM
Executive		
Datuk Hashim Bin Wahir	5/5	4/4
Non-Executive		
Tan Sri Mohd Sidek bin Hassan (Chairman) (Appointed w.e.f 22 May 2017)	2/2	2/2
Datuk Manharlal a/l Ratilal	4/5	3/4
Datuk Ishak bin Imam Abas	5/5	4/4
Augustus Ralph Marshall	3/5	3/4
Dato' Halipah binti Esa	4/5	3/4
Habibah binti Abdul	4/5	3/4
Datuk Pragasa Moorthi a/l Krishnasamy	4/5	3/4
Krishnan C K Menon (Chairman) (Retired/Resigned w.e.f 6 April 2017)	2/2	1/1

Supply and Access to Information

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

The agenda and Board meetings' papers, including progress reports on business operations, details of business propositions, quarterly reports and new guidelines are circulated to the Boards 6 days before a Board meeting is convened to allow sufficient time for perusal. Minutes of all Board meetings are also circulated to the Boards within 7 days upon conclusion of the Board meetings.

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

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

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

Company Secretaries

In order to ensure effective functioning of the Boards, the Company Secretaries play an advisory role to the Boards in relation to KLCCP's and KLCCRM's Constitutions, policies and procedures, and compliance with the relevant legislations, and regularly update the Boards on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

The Company Secretaries also ensure that the Boards and the Board Committees function effectively based on the Board Charter and the respective Terms of Reference ("TORs"). Every member of the Boards has ready and unrestricted access to the advice and services of the Company Secretaries.

The Company Secretaries attend all Board meetings and ensure that the deliberations and decisions made by the Boards are accurately minuted, and the records of the proceedings of the Board meetings are properly kept.

During the year under review, the Company Secretaries have attended relevant development and training programmes to enhance their ability in discharging their duties and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Committees

The Boards of KLCCP and KLCCRM have established Board Committees, namely the ACs and NRCs, which are entrusted with specific responsibilities to oversee KLCCP Stapled Group's affairs. The Board Committees are granted the authorities to act on each Board's behalf in accordance with their respective TORs which are available on KLCCP's corporate website at www.klcc.com.my. Details of the activities of these Board Committees are provided on pages 194 to 196 and pages 198 to 202 of this Annual Report.

Training and Development of Directors

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

In this regard, the Company Secretaries provide assistance in the Directors' training and development, and to facilitate the induction programme of any new appointment of Directors.

During the year under review, the Directors have attended relevant development and training programmes according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively which are as follows:

DIRECTORS	TRAININGS ATTENDED
Tan Sri Mohd Sidek bin Hassan	<ul style="list-style-type: none"> • Khazanah Megatrends Forum 2017 • 19th Asia Oil and Gas Conference • Oil and Gas Asia 2017 • Economic Governance: Public Sector Governance by Malaysian Economic Association • PETRONAS Board Excellence Programmes
Datuk Hashim bin Wahir	<ul style="list-style-type: none"> • Invest ASEAN 2017, Singapore organised by Maybank Kim Eng • 4th Edition REITs Asia Pacific 2017 Conference, Singapore • PETRONAS Board Excellence Engagement • Advance Business Management: Managing Business Transformation in Uncertain Times by Securities Industry Development Corporation • ASEAN Capital Market Conference by the Securities Commission Malaysia
Datuk Manharlal a/l Ratilal	<ul style="list-style-type: none"> • World Economic Forum 2017 • PETRONAS Top Leadership Dialogue • 19th Asia Oil and Gas Conference • Digital Learning Expedition/Workshop organised by PETRONAS • PETRONAS Leadership Dialogue
Datuk Ishak bin Imam Abas	<ul style="list-style-type: none"> • Integrating on Innovation Mindset with Effective Governance by the Securities Commission Malaysia
Augustus Ralph Marshall	<ul style="list-style-type: none"> • Khazanah Megatrends Forum 2017
Dato' Halipah binti Esa	<ul style="list-style-type: none"> • Sustainability Forum for Directors/ CEOs –The Velocity of Global Change & Sustainability: The New Business Model by Bursa Malaysia Securities Berhad • Boards in the Digital Economy by Securities Industry Development Corporation • PNB Investment Series 2017-The Future of Globalisation & Liberalisation: Are We Losing The Battle? • Workshop on Talent to Value by Permodalan Nasional Berhad • MICS Berhad Annual Directors Training 2017
Datuk Pragasa Moorthi a/l Krishnasamy	<ul style="list-style-type: none"> • Risk Management Implementation Plan by Mapletree
Habibah binti Abdul	<ul style="list-style-type: none"> • Board and C Level Executive: Balancing Trust and Constructive Tension • Making Wise Decision organised by The Iclif Leadership and Governance Centre • PETRONAS Cultural Beliefs Upskilling Program • Tax Seminar organised by Ernst & Young

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Appointment, Reappointment and Re-election

The appointment, reappointment and re-election of Directors are governed by the Companies Act 2016, MMLR, REIT Guidelines, and other applicable rules and regulations.

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

Details on the appointment, reappointment and re-election of Directors effected during the year under review are provided in the NRC Report on page 199.

Board Effectiveness Evaluation

The evaluation on the effectiveness of the Boards and Board Committees ("Boards Evaluation") is conducted on an annual basis, which includes Directors' Self and Peer Evaluation. The purpose of the Evaluation is to measure the effectiveness of the performance of the Boards and the Board Committees as a whole, the Directors individually, as well as to address any areas of concern which may require improvements for the Boards and Board Committees.

The Boards Evaluation is assisted by an external company secretarial firm. The findings from the Evaluation are presented to the NRCs for deliberation and making appropriate recommendations to the Boards.

Guided by Practice 5.1 of the MCCG, steps have been taken by the NRCs to engage an independent expert to facilitate objective and candid board evaluations. With the assistance of the proposed independent expert, Directors of KLCCP and KLCCRM will have the opportunity to respond to the evaluation from a different perspective and help to propel board towards effective performance and function. The first external review by such independent expert is expected to be undertaken within 3 years.

Details on the process and criteria of the Boards Evaluation carried out during the year under review are provided in the NRCs Report on page 200.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

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

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

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

Details of Directors Remuneration and remuneration of key management for the year under review are provided in the NRC Report on pages 201 to 202.

RELATIONSHIP WITH HOLDERS OF STAPLED SECURITIES AND INVESTORS

Communication between KLCCP, KLCCRM and Investors

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

In addition the mandatory disclosure requirements by Bursa Securities, as well as other required corporate disclosures, information on KLCCP Stapled Group and minutes of general meetings of KLCCP and KLCC REIT are accessible through KLCCP's corporate website at www.klcc.com.my.

Annual General Meeting

The Boards regard the AGM as the important forum for effective communication and proactive engagement with the holders of Stapled Securities. Holders of Stapled Securities will be informed at the commencement of the AGMs that all resolutions set out in the notice of the AGMs will be voted by poll. Holders of Stapled Securities will be accorded ample opportunity and time to raise questions and concerns, and the Directors and Managements of KLCCP and KLCCRM will provide appropriate answers and clarifications. A detailed presentation of KLCCP Stapled Group's operations and financial results is undertaken by the CEO prior to the commencement of the proceedings of the AGMs. The external auditors of KLCCP and KLCC REIT will also be present during the AGMs to provide their professional and independent advice.

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

The notice of AGMs of KLCCP and KLCC REIT together with the Form of Proxy are given to the holders of Stapled Securities more than 28 days before the AGMs, which give them sufficient time to prepare themselves to attend the AGMs or to appoint a proxy to attend and vote on their behalf. Any item of special business included in the notices of the AGMs will be accompanied by an explanation of the effects of the proposed resolution. Separate resolutions are tabled for different transactions and the Chairman declares the outcome of the resolutions voted upon.

Voting for all resolutions at the AGMs was conducted by e-polling to facilitate greater shareholders' participation after taking into consideration its reliability, applicability, cost and efficiency.

The Company Secretaries ensure that the process and proceedings of the AGMs comply with the relevant laws, guidelines, and rules and regulations.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

The ACs also review the aptness of KLCCP Stapled Group's accounting policies and the changes thereto as well as the implementation of these policies.

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

The Boards are responsible for ensuring that KLCCP Stapled Group's audited financial statements comply with the Malaysian Financial Reporting Standards, the Companies Act 2016 and the MMLR, and any other applicable legislations and regulations.

The Statement by the Directors, the Manager's Report, and the Statement by the Manager in relation to the preparation of the financial statements of KLCCP Stapled Group are set out on page 212 and pages 296 to 300 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Related Party Transactions

All related party transactions (“RPTs”) or potential conflict of interest situations of KLCCP Stapled Group are subject to regular periodic review by the ACs prior to recommendation to the Boards to ensure compliance of the MMLR and/or the REIT Guidelines.

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

Risk Management and Internal Control

The Boards have overall responsibility for maintaining a sound system of risk management and internal controls of KLCCP Stapled Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations, as well as internal procedures and guidelines.

During the quarterly meetings, the ACs review the effectiveness of the system of risk management and internal controls of KLCCP Stapled Group. The review covers financial, operational and compliance controls as well as risk management functions.

The Statement on Risk Management and Internal Control, which provides an overview of the state of the internal control within KLCCP Stapled Group, is set out on pages 186 to 193 of this Annual Report.

Relationship with External Auditors

KLCCP Stapled Group has established transparent and appropriate relationship with the external auditors through the respective ACs. From time to time, the external auditors will highlight matters that require further attention of the respective ACs and the Boards. The Boards have obtained assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

The respective ACs meet with the external auditors to discuss their audit plans, fees, audit findings and their reviews of KLCCP Stapled Group’s financial statements. The meetings are also attended by the CEO and the Management.

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

A summary of the work of the ACs during the year under review, including the evaluation of the independent audit process, are set out in the AC Report on pages 194 to 196 of this Annual Report.

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

	KLCCP Stapled Group RM'000 *	KLCCP RM'000	KLCC REIT RM'000 #
Fees paid/payable to Messrs. Ernst & Young:			
Statutory Audit	586	206	86
Non-Audit Fee	16	16	-
Total	602	222	86

* inclusive of fees paid by subsidiaries of KLCCP

inclusive of fees paid by Midciti Sukuk Berhad

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

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

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Internal Audit Division (“GIAD”) of KLCC (Holdings) Sdn Bhd (“KLCCCH”) which provides assurance on the efficiency and effectiveness of the internal control systems implemented by KLCCP Stapled Group. To support the ACs in discharging their responsibilities, the Head of GIAD of KLCCCH reports directly to the ACs.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The appointment of the Head of GIAD is reviewed and endorsed by the ACs. The Head of GIAD has unrestricted access to the ACs, the Boards and the Managements. The Head of GIAD and a majority of internal auditors under GIAD are members of The Institute of Internal Auditors Malaysia.

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

INTEGRITY AND ETHICS

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

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

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

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

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

SUSTAINABILITY STATEMENT

A statement of KLCCP Stapled Group's management of material economic, environmental and social risks and opportunities is set out in the Sustainability Statement on pages 114 to 174 of this Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors on 24 January 2018.

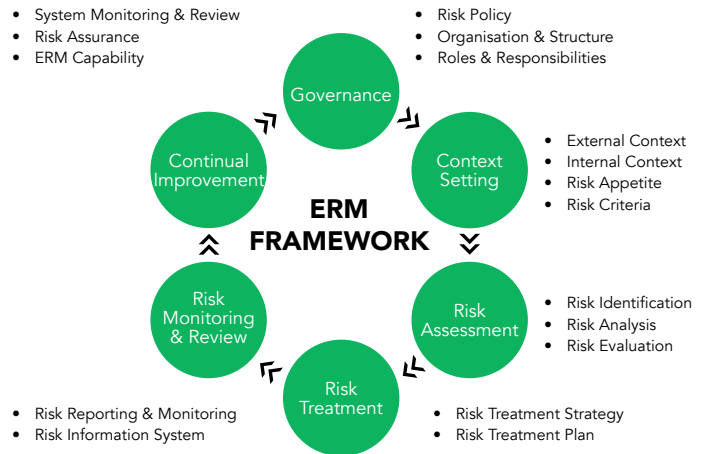
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

WE DELIVER ON OUR COMMITMENT TO RESPONSIBLE BUSINESS PRACTICES THROUGH OUR ROBUST AND EFFECTIVE RISK MANAGEMENT SYSTEM, WHICH CONTINUES TO EVOLVE IN STEP WITH OUR BUSINESS, AND RESULTS IN SUSTAINABLE, LONG-TERM GROWTH

OUR RISK MANAGEMENT FRAMEWORK

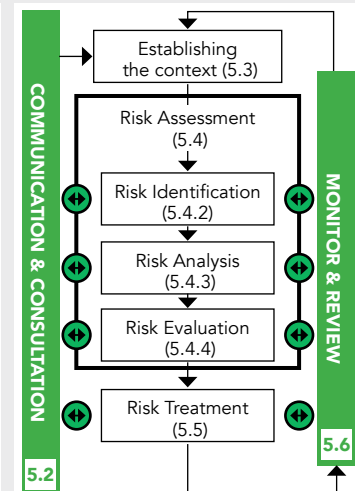
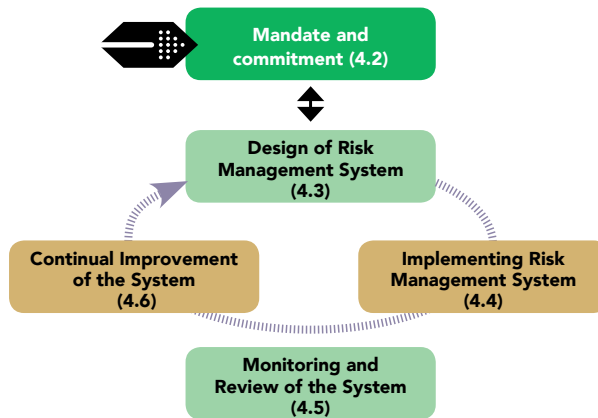
The Boards have established sound risk management practices to safeguard KLCCP Stapled Group's business interest from risk events that may impede the achievement of its business strategies and growth opportunities besides providing assurances to all stakeholders.

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



KLCC GROUP FRAMEWORK ALIGNS TO ISO 31000:2009 RISK MANAGEMENT

- Creates and protects value
- Integral part of organisational processes
- Part of decision making
- Explicitly addresses uncertainty
- Systematic structured and timely
- Based on the best available information
- Tailored to align to organisation's internal & external context and risk profile
- Takes human and cultural factors into account
- Transparent and inclusive
- Dynamic, iterative and responsive to change
- Facilitates continual improvement and enhancement of organisation



PRINCIPLES (CLAUSE 3)

FRAMEWORK (CLAUSE 4)

PROCESS (CLAUSE 5)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK OVERSIGHT STRUCTURE

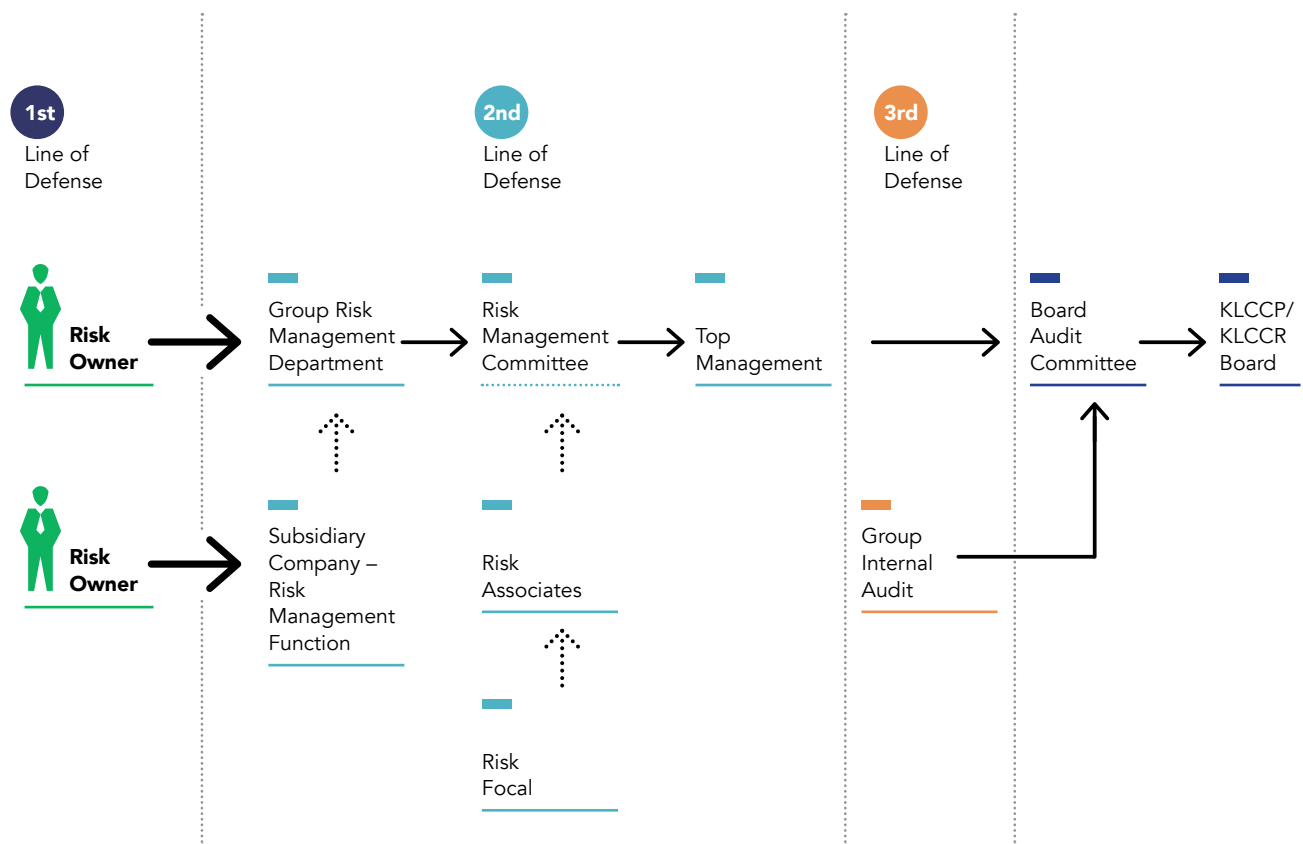
In supporting the risk governance structure and effective implementation of the ERM, KLCCP Stapled Group has established appropriate risk operations mechanism covering the areas of system, processes, reporting of risks, knowledge management and assurance activities.

risk issues from operational levels to the Boards. The structure consists of the Boards, ACs and the Risk Management Committee ("RMC"). The structure allows for effective strategic risk communication to take place between the Boards, ACs and the Management on a quarterly basis.

The Risk Management Oversight Structure sets out the structure used to assign responsibility for risk management and facilitates the process for assessing and communicating

KLCC adopts the Three Lines of Defense Concept which propagates clear demarcation of roles, responsibility & accountability in KLCC. 1st (first) line of defense is the risk owners, 2nd (second) lines of defense is risk management function and 3rd (third) line of defense is the internal audit.

KLCC RISK OVERSIGHT STRUCTURE



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The RMC serves as a central platform of KLCCP Stapled Group to assist the Management in identifying principal risks, reviewing and recommending frameworks, methodologies, measurement, providing guidance and direction in the implementation and institutionalisation of risk management practices and providing

assurance on effective implementation of risk management on a group wide basis.

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

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

RISK PROFILING

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

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

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

Annual review of its risk profile in compliance with the ERM Framework where the risk profile was reviewed, assessed and updated to safeguard KLCCP Stapled Group's investment and key business activities and to ensure the risk exposures are relevant and up to date taking into account emerging risks;

Annual review of risk profile for entities under KLCCP Stapled Group such as KLCC Parking Management Sdn Bhd and KLCC Urusharta Sdn Bhd; and

Risk assessment on project basis to identify all potential risks that may impact the implementation and completion of the projects.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK PROFILING

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

No.	Principal Risks	Risk Management Strategy
1.	Human Capital	<p>This relates to effective succession plan for key positions and critical portfolios in order to enhance and retain qualified and competent talent for business sustainability.</p> <p>HR policy encompasses the three area of strategic thrust:</p> <ul style="list-style-type: none"> • Right talent that deliver values • Right Environment which is inclusive and enabling • Right leaders that walk the talk
2.	Security	<p>This relates to safeguarding our assets and people against crime.</p> <p>Our KLCC Precinct Security Master Plan details out the overall precinct security overlay where security control and crisis response measures are identified and implemented to safeguard our assets. The Security Master Plan was updated in 2017 to suit the current security risk environment.</p> <p>We also successfully implemented the CPTED (Crime Prevention Through Environment Design) in our design maintenance and use of our buildings and environment to enhance quality of life and to reduce incidence of crime.</p> <p>In addition, our security team also works closely with the respective security team of each building, PETRONAS Group Security and Polis DiRaja Malaysia (PDRM) for security intelligence updates.</p>
3.	Finance	<p>This relates to potential financial risk exposures which may impair the ability to provide adequate return on investment.</p> <p>We have an established Integrated Financial Risk Management (IFRM) Guidelines consisting 7 principles financial risks.</p> <ul style="list-style-type: none"> • Proactively identify and integrate financial risks with business decision making • To be guided by common policies • Appropriate risk controls – establish risk management processes, tools and methodology • All exposures shall be reported and aggregated at entity level • Perform the risk assessment • Perform the risk re-assessment – new exposures or changes to existing risk exposures • Clear identification of responsibility of managing risks – line & functional managers
4.	Market	<p>This relates to viability of potential investment proposal in line with the Group's business plan.</p> <p>A structured process for new investment and ventures is in place covering the following area:</p> <ul style="list-style-type: none"> • Feasibility and Market studies • Analysis report • Term and conditions for negotiation • Execution of agreement
5.	Asset Management	<p>This relates to the management of properties and assets with the aim of creating value and maximising returns.</p> <p>A robust procedures and guidelines for selection of operators and assets management are in place and currently all our assets are managed by well accredited international operators.</p>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK PROFILING

No.	Principal Risks	Risk Management Strategy
6.	Project Management (KLCCP only)	<p>This relates to the performance of projects delivery in meeting its development commitments in terms of time, cost and quality.</p> <p>All our projects are managed by a qualified and competent project management company with accreditation of ISO14001, ISO9001 and OSHAS18001.</p> <p>Risk assessments are required to be carried out for all projects undertaken.</p>
7.	Supplier	<p>This relates to the performance of supplier in meeting the deliverables commitment.</p> <p>We have a stringent selection of suppliers/contractors guidelines and an established tendering management system consisting of:</p> <ul style="list-style-type: none"> • Overall contracting strategy • Tender plan • Invitation to Bid • Technical and Commercial evaluation • Contractor Risk Assessment <p>In addition, annual review of supplier's performance/contractors is carried out for continual improvement.</p>
8.	Health, Safety & Environment (HSE)	<p>This relates to major fire or explosion and power disruption that could lead to damage of assets and business disruption.</p> <p>A robust and institutionalised HSE culture is in place to ensure safe working environment through the establishment of HSE Management Systems (HSEMS) which cover 10 HSE elements:</p> <ol style="list-style-type: none"> 1. Capability 2. Health 3. Environment 4. Safety & Transportation 5. Process Safety & Asset Integrity 6. Management of Change 7. Safe Operations 8. Contractor HSE Management 9. Design and Engineering 10. Incident Management & Emergency Response <p>Scheduled HSE assurance audit (tier 1-yearly, tier 2 –yearly, tier 3- once every 5 years) is conducted to ensure compliance to DOSH and PETRONAS Technical Standard (where applicable)</p>
9.	Facilities Management	<p>This relates to effectiveness and efficiency of the performance and integrity sustenance of assets.</p> <p>Our facility management arm is accredited with ISO14001, ISO9001 and OSHAS18001.</p> <p>In addition to this, our facility management team are involved in the design and construction stage (Day 1 and 2) in ensuring the practicality of lay out design and appropriate system and technology used will function effectively and efficiently upon building completion.</p> <p>The facility management team also conducts annual building technical audits for continual improvement and provide assurance that the buildings are maintained at pristine condition.</p>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

INTERISK

INTERISK IS A RISK MANAGEMENT SYSTEM TO MANAGE AND MONITOR RISK ACTIVITIES



INTERISK is a dedicated Risk Management tool that:-

- Is aligned with Risk Profiling process
- Embeds the industry standard risk management processes of ISO 31000
- Is web-enabled and directly accessible from Internet

KEY FEATURES AND BENEFITS



QUICK ACCESS TO RISK INFORMATION FROM THE DASHBOARD



REPORTS IN RISK INFORMATION DIRECTLY GENERATED FROM THE SYSTEM



ASSURANCE SIGN-OFF BY RISK OWNERS THROUGH CORPORATE DIGITAL ASSURANCE (CDA)



PERIODIC NOTIFICATION ON SCORECARD ACTIVITIES AND KRI TRIGGERING MECHANISM



RISK LIBRARY TO FACILITATE IDENTIFICATION OF RISKS

A consolidated platform for risk profiles across KLCC Group

Drive active risk conversation/analysis through easy monitoring of risks through dashboard

Reinforce effective risk governance and assurance practices

Systematic sign off by the respective owners ensuring full accountability on risk information

Seamless flow of information and process along the risk management value chain

BUSINESS CONTINUITY PLAN

The Business Continuity Plan ("BCP") was established with the aim to provide guidance in resuming key business functions in the event of a crisis occurring which has a major or severe impact on business in terms of financial, operations or reputational damage.

During the year under review, BCP simulation exercises for specific identified scenarios were carried out to ensure practicality of the BCP for its implementation during crisis. The BCP simulation exercises include testing of the recovery strategy at virtual office and the effectiveness of identified Primary and Alternate Workforce for business resumption of the Critical Business Function.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL PROCESS

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

The Boards meet at least quarterly and have set a schedule of matters, which is required to be deliberated and approved by the Boards, thus ensuring that the Boards maintain full and effective supervision over the control processes;

The CEO of KLCCP and KLCCRM leads the presentation of board papers and provides comprehensive information and explanation for each discussion paper. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Boards is a prerequisite;

Updates on KLCCP Stapled Group's operations and performance are provided to the Boards at every meeting and the CEO also reports on any significant changes in the business operations and risk profiles of KLCCP Stapled Group. In addition, the CEO and the Chief Financial Officer/Chief Investment Officer ("CFO") of KLCCP (who is also the Head of Investment/Head of Finance ("Head of Investment") of KLCCRM) assure the Boards that adequate processes and controls are in place for the preparation of quarterly and annual financial statements;

KLCCP Stapled Group has an organisational structure with defined lines of responsibilities, delegation of authority and accountability. A hierarchical reporting structure has been established to provide documentary and auditable trail of accountability. In this respect, Limits of Authority Manuals are in place to define the lines of accountability and responsibility in relation to KLCCP Stapled Group's operations and functions;

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

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

KLCCP Stapled Group undertakes annual planning and budgeting exercise including development of business strategies for forthcoming years and establishes key performance indicators for each business segment to achieve. Variance against budgets are analysed and reported on a quarterly basis to the Boards;

KLCCP Stapled Group's strategic directions are also reviewed annually taking into consideration changes in market conditions and significant business risks;

The CFO and Head of Investment report to the AC of KLCCP and AC of KLCCRM respectively that the accounting policies and procedures as set out in the Accounting Procedures Manual are in place and applied consistently to ensure that the financial statements are in compliance with the Malaysian Financial Reporting Standards and the relevant regulatory disclosure requirements; and

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL PROCESS

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

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

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

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") in accordance with *Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.*

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

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

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

This Statement is made in accordance with the resolution of the Board of Directors on 20 January 2017.

AUDIT COMMITTEES REPORT

(A) FORMATION

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

(B) COMPOSITION

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

- (i) **Augustus Ralph Marshall**
Chairman/Independent Non-Executive Director
- (ii) **Datuk Manharlal a/l Ratilal**
Member/Non-Independent Non-Executive Director
- (iii) **Dato' Halipah Binti Esa**
Member/Senior Independent Non-Executive Director
- (iv) **Habibah Binti Abdul**
Member/Independent Non-Executive Director

(C) MEETINGS AND ATTENDANCE

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

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

COMMITTEE MEMBERS	NO. OF MEETINGS ATTENDED	
	KLCCP	KLCCRM
Augustus Ralph Marshall (Chairman)	4/4	4/4
Datuk Manharlal a/l Ratilal	3/4	3/4
Dato' Halipah Binti Esa	3/4	3/4
Habibah Binti Abdul	4/4	4/4

Meetings of the ACs were attended by the CEO, CFO and Head of Investment, GIAD of KLCCCH, and the external auditors as and when required.

(D) SUMMARY OF THE WORK OF THE AUDIT COMMITTEES

The ACs are collectively responsible in assisting the Boards in corporate governance and compliance matters of KLCCP Stapled Group. A summary of the work and key matters considered by the ACs during the financial year ended 31 December 2017 are described below:

- (1) Internal Audit:
 - (a) Reviewed and approved the annual audit plans prepared by GIAD of KLCCCH for activities to be undertaken for FY 2018;
 - (b) Reviewed the quarterly internal audit status reports prepared by GIAD, which highlighted the audit issues and recommendations, as well as the Management's responses thereto.

Discussed with the Management on actions to be taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.

Further, the ACs also monitored and reviewed the progress of agreed corrective action items on audit findings to ensure all audit issues are resolved within the agreed stipulated period;

- (c) During the first quarter of FY 2017, KLCCP AC reviewed the results of the Balanced Scorecard of GIAD for FY 2016 and approved the Balanced Scorecard of GIAD for FY 2017. The Mid-Year Performance Review of GIAD for the first 6 months of FY 2017 was presented to KLCCP AC.

AUDIT COMMITTEES REPORT

- (2) Financial Statements and Reporting:
- (a) Reviewed and discussed the unaudited quarterly financial results of KLCCP Stapled Group with the Management and recommended the same for the Boards' consideration and approval before releasing to Bursa Securities. The review was to ensure compliance with the MMLR, Malaysian Financial Reporting Standards, Companies Act 2016, REIT Guidelines, and any other applicable legislations and regulations;
 - (b) Reviewed and discussed the audited financial statements with the external auditors and the Management. Having satisfied that the financial statements and reports complied with the relevant accounting standards and other applicable laws and regulations, the ACs recommended the same for the Boards' consideration and approvals;
 - (c) The ACs discussed the key audit matters raised by the external auditors with the Management and the disclosure thereof in the Auditors' Report for the financial year ended 31 December 2017 for KLCCP Stapled Group, which is in line with the requirements of the new International Standards on Auditing 701; and
 - (d) Recommended to the Boards of KLCCP and KLCCRM (as approved by the Trustee) for approvals on dividends and income distributions respectively for payment to the holders of Stapled Securities.
- (3) Risk Review:
- (a) Reviewed the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by KLCCP Stapled Group;
 - (b) Reviewed KLCCP Stapled Group's risk exposures on an annual basis to ensure the risk exposures are properly mitigated and updated in the Corporate Risk Profile and recommended the same for the Boards' consideration and approvals; and
 - (c) Reviewed the quarterly key risk indicators' results for the identified risks and recommended the same for Boards' endorsement.
- (4) External Audit:
- (a) Reviewed the external auditors' scope of work, audit plans and fees for the year under review. Prior to the audit, representatives from the external auditors presented their audit strategies and plans;
 - (b) Discussed with the external auditors on the Audited Financial Statements for the financial year ended 31 December 2017, particularly on major issues that arose during the course of the audit and their resolution, key accounting and audit adjustments as well as the unadjusted differences identified during the audit;
 - (c) Discussed issues arising from financial audits and any other matters the external auditors may wish to discuss (in the absence of the Management where necessary); and
 - (d) Reviewed the independence and objectivity of the external auditors and their services rendered including non-audit services:
 - (i) For KLCCP, the AC made recommendations to the Board for the reappointment of the external auditors and approvals of their audit and non-audit fees; and
 - (ii) In respect of KLCCRM, the AC recommended the appointment and remuneration of the external auditors of KLCC REIT upon the approval of the Trustee of KLCC REIT.
- (5) Related Party Transactions and Conflict of Interest:
- (a) Reviewed, the potential conflict of interest, related party transactions and recurrent related party transactions entered into by KLCCP Stapled Group based on the following requirements and practices:
 - (i) The MMLR, REIT Guidelines, and other applicable laws and regulations;
 - (ii) On arm's-length basis and under normal commercial terms;
 - (iii) In the best interest of the holders of Stapled Securities;
 - (iv) Interested Directors abstained from voting at Board Meetings;

AUDIT COMMITTEES REPORT

- (v) Disclosed to the holders of Stapled Securities via Bursa Announcements, Quarterly Reports and Annual Report (if applicable); and
- (vi) Approved by the Trustee (for KLCC REIT only).

- (b) The AC of KLCCP took note that there were no conflict of interest situations for operational matters as reported in the recurrent related party transactions of KLCCP Group by the Management at its quarterly meetings.

(E) TERMS OF REFERENCE (“TOR”)

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

(F) INTERNAL AUDIT FUNCTION

The ACs are supported by GIAD of KLCCCH in discharging the internal audit function of KLCCP Stapled Group. Governed by the respective KLCCP and KLCCRM Internal Audit Charters, GIAD of KLCCCH maintained their independence, impartiality, and proficiency and due professional care by having their plans and reports directly under the purview of the ACs.

The internal audits were undertaken to provide independent assessments on the adequacy, efficiency and effectiveness of the internal control systems to manage risk exposures of KLCCP Stapled Group. GIAD of KLCCCH adopts risk-based approach in executing the planning, reviews and assessments, steered by internal policies, procedures and the Internal Control – Integrated Framework issued by COSO (The Committee of Sponsoring Organisations of the Treadway Commission).

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

During the financial year ended 31 December 2017, GIAD of KLCCCH has executed the following internal audit works:

- (1) Conducted reviews and assessments based on the approved FY2017 annual audit plans covering the areas of:
 - (i) Facility management, building technical audit, commercial leasing, parking management, finance and procurement for PETRONAS Twin Towers;
 - (ii) Overall controls and activities of KLCCP Human Resource Division;
 - (iii) Finance and account services activities for KLCCP Stapled Group under KLCCP Strategy, Finance & Investor Relations Division; and
 - (iv) Cash management and car park management activities of KLCC Parking Management Sdn Bhd.
- (2) Conducted regular follow-up with the Management on agreed corrective action items taken on outstanding audit issues to ensure key risks and weaknesses were addressed effectively and timely, where the status of implementation of the said agreed corrective action items are reported to the ACs on quarterly basis; and
- (3) Prepared annual audit plans for FY2018 to ensure that all high risk areas in significant businesses and support units were identified and audited for the ACs’ deliberations and approvals;

The resulting reports from GIAD of KLCCCH, including the findings, recommendations and Management’s responses, were presented to the ACs.

Both Managements of KLCCP and KLCCRM are responsible to ensure that necessary agreed corrective action items are taken and resolved within the required timeframe.

The total costs incurred for the internal audit activities of KLCCP Stapled Group for the year was RM504,000.00.

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

This Statement is made in accordance with the resolution of the Board of Directors on 24 January 2018.

NOMINATION AND REMUNERATION COMMITTEES REPORT

Formation

The Nomination and Remuneration Committees (“NRCs”) of KLCCP and KLCCRM were established on 27 November 2012 and 21 August 2013, respectively.

Roles and Functions

- (i) To assess and recommend new appointments to the Boards and Board Committees;
- (ii) To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors, including the criteria to assess their independence. Periodic assessment of Directors is to be facilitated by a professional, experienced and independent party by providing unbiased perspective on a Director’s performance and his/her ability to contribute effectively to the Boards;
- (iii) To review the succession plans for Directors and senior management and to ensure and maintain an appropriate balance of skills and experience necessary for KLCCP Stapled Group’s business;
- (iv) To evaluate the re-appointment of any Non-Executive Director at the conclusion of their specific term of office;
- (v) To assist the Boards in reinforcing its independence:
 - (a) where the tenure of an Independent Director has exceeded a cumulative term of 9 years, then to provide relevant justifications when seeking shareholders’ approval in the event the Committee’s recommendation is to retain the individual as an Independent Director serving more than 9 years; and
 - (b) If the Boards continue to retain the Independent Director after the 12th year, shareholders’ approval will be sought through a 2 tier voting process at the general meetings of KLCCP and KLCCRM;
- (vi) To regularly review the structure, size and composition (including skills, knowledge, experiences and other criteria) of the Boards and make recommendations to the Boards for any changes required;
- (vii) To review and recommend suitable training programmes for the Board members, including board induction and training for new directors;
- (viii) To establish a formal and transparent remuneration policy to be adopted by the Boards and the policy shall also include procedures to attract and retain Executive Directors;
- (ix) To recommend to the Boards the remuneration packages for senior management and executive staff, which is aligned to the property industry, and to review changes thereto as necessary;
- (x) In establishing the remuneration package for Directors, to be fair and aligned with the business strategy and long-term objectives of KLCCP Stapled Group, and should reflect the Boards’ responsibilities, expertise and the complexity of KLCCP Stapled Group’s activities;
- (xi) To ensure that no Director other than the Chief Executive Officer and Executive Directors shall have a service contract with KLCCP Stapled Group;
- (xii) To undertake a formal independent review of the Directors’ remuneration once in every 3 years.

Composition

The members of the NRCs of KLCCP and KLCCRM are the same and each NRC comprises a majority of Independent Non-Executive Directors. The composition of the NRCs is as follows:

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

NOMINATION AND REMUNERATION COMMITTEES REPORT

Meetings and Attendance

During the year under review, a total of 3 meetings of the NRCs of KLCCP and KLCCRM were held respectively.

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

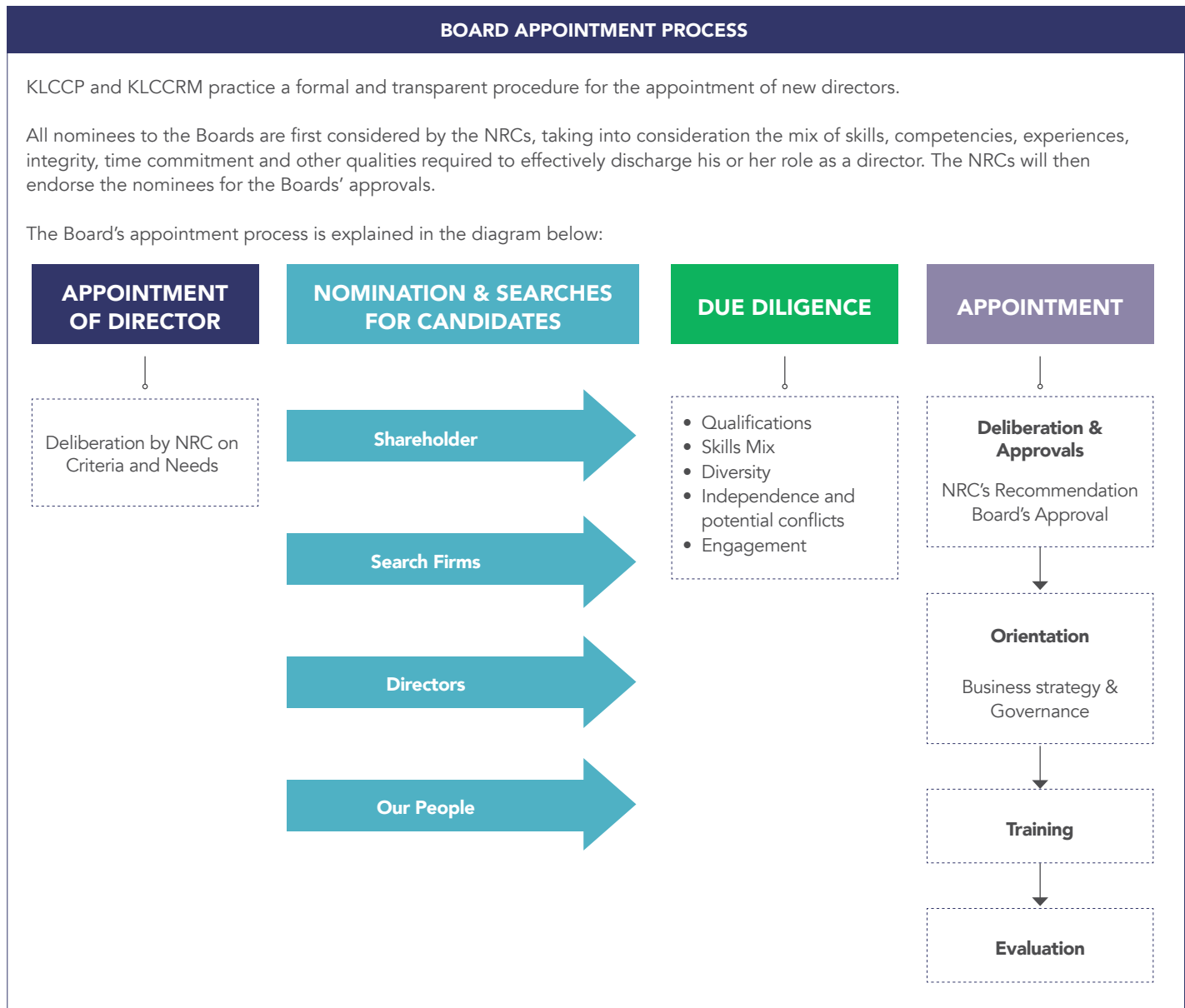
COMMITTEE MEMBERS	NO. OF MEETINGS ATTENDED	
	KLCCP	KLCCRM
Dato' Halipah Binti Esa (Chairperson)	3	3
Datuk Manharlal a/l Ratilal	3	3
Habibah Binti Abdul	3	3

Meetings of the NRCs were attended by the Chief Executive Officer ("CEO").

Terms of Reference

Both NRCs' roles and functions are governed by their respective Terms of Reference. On 13 November 2017, the Boards had reviewed and approved the specific revisions to both Terms of Reference to ensure the documents remain relevant and consistent with recommended best practices, and applicable rules and regulations.

The respective Terms of Reference of the NRCs are available on the corporate website of KLCCP for easy access by the holders of Stapled Securities and the public alike.



NOMINATION AND REMUNERATION COMMITTEES REPORT

Appointment, Reappointment and Re-Election of Directors

During the AGM of KLCCP held on 6 April 2017, Mr Krishnan CK Menon retired from his office as Chairman/Independent Non-Executive Director of KLCCP at the conclusion of the AGM. As a result of his retirement, Mr Krishnan CK Menon resigned from his office as Chairman/Independent Non-Executive Director of KLCCRM effective 6 April 2017.

Following Mr Krishnan CK Menon's retirement and resignation, YBhg Tan Sri Mohd Sidek Hassan was nominated to be the new Chairman of KLCCP and KLCCRM Boards.

The NRCs deliberated the proposed appointment of YBhg Tan Sri Mohd Sidek Hassan as the new Chairman of KLCCP and KLCCRM Boards on 11 May 2017, which recommendations were subsequently approved by the Boards on 22 May 2017.

During the year under review, the Boards with the recommendation of the NRCs believe each Director standing for re-election at the 2018 AGM continue to fulfil effectively and remains committed to their role within KLCCP Stapled Group. The Board of KLCCP on 24 January 2018, approved the NRC's recommendations that the following Directors who are subject to retirement to seek for re-election at the forthcoming AGM of KLCCP:

1. Tan Sri Mohd Sidek Hassan;
2. Datuk Manharlal Ratilal; and
3. Mr Augustus Ralph Marshall.

Subsequently, Mr. Augustus Ralph Marshall has indicated his intention of not seeking re-election as a Director of KLCCP at the forthcoming AGM.

Dato' Halipah binti Esa would have served as an Independent Non-Executive Director of the Company for 12 years as at 28 February 2019. The holders of Stapled Securities had, at the 14th AGM of KLCCP held on 6 April 2017, approved the continuing in office of Dato' Halipah binti Esa as an Independent Non-Executive Director of KLCCP until the conclusion of the next AGM of KLCCP.

The NRC of KLCCP has recommended Dato' Halipah binti Esa to continue to act as an Independent Non-Executive Director with the following justifications:

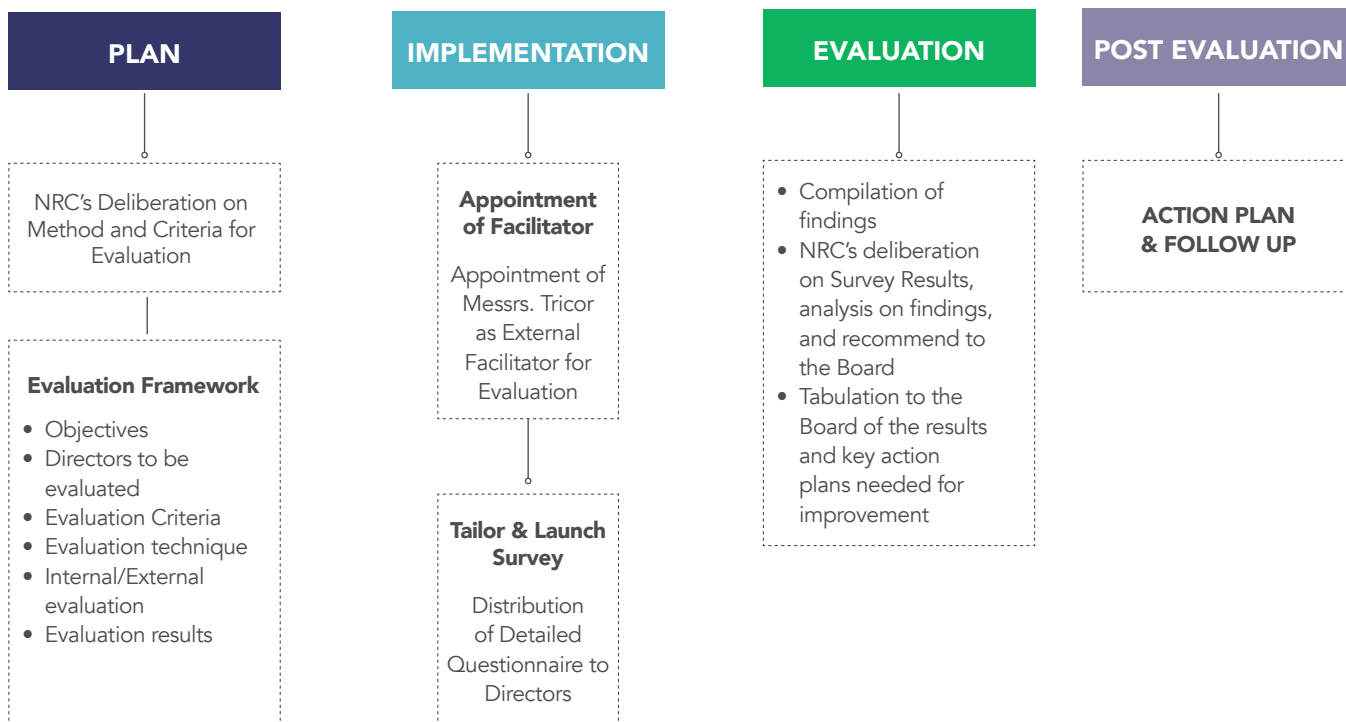
- (a) She has fulfilled the criteria under the definition of Independent Director as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- (b) She has ensured effective check and balance in the proceedings of the Board;
- (c) She has actively participated in the Board's deliberations, and provided objectivity in decision-making and independent opinion to the Board;
- (d) She has vast experience in a diverse range of businesses and therefore would be able to provide constructive opinion. She has provided objectivity in decision-making processes through unbiased and independent views;
- (e) Her considerable expertise in the property sector and financial literacy are an important part of the mix of skills and experience on KLCCP Board and Audit Committee;
- (f) She has exercised due care during her tenure as Independent Director of KLCCP and carried out her duties in the best interests of the holders of Stapled Securities; and
- (g) She has devoted sufficient time and attention to her responsibilities as an Independent Director of KLCCP.

NOMINATION AND REMUNERATION COMMITTEES REPORT

BOARD EFFECTIVENESS EVALUATION

Board Effectiveness Evaluation

During the year under review, a Board Evaluation exercise was carried out with the assistance of an external company secretarial firm. Following the implementation of the new MCCG, the NRCs had deliberated and recommended that future Board Evaluation will be facilitated by an independent expert. The first external review by an independent expert is expected to be undertaken within 3 years.



The 2017 Performance Assessment on Board and Board Committees of both KLCCP and KLCCRM were carried out based on the following criteria:

Board	<ul style="list-style-type: none"> Structure; Operations and Interaction; Communication; and Roles and Responsibilities
Audit Committee	<ul style="list-style-type: none"> Terms of Reference and Composition; Skills and Competencies; Meeting Administration and Conduct; Board Communication; Internal Audit; and External Audit
Nomination & Remuneration Committee	<ul style="list-style-type: none"> Terms of Reference and Composition; Skills and Competencies; Meeting Administration and Conduct; Board Communication; Nominating Matters; and Remuneration Matters

The performance assessment also includes evaluating the performance of individual Directors as well as assessing the independence of Independent Directors.

Succession Planning

During the year under review, the NRC of KLCCP had deliberated and approved the Succession Management Framework of KLCC Group which enables critical positions across the Group to be identified according to the clustering of positions in various categories.

The Succession Management Framework also provides the criteria and consideration in determining the potential talents and successors for the critical positions.

NOMINATION AND REMUNERATION COMMITTEES REPORT

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

The holders of Stapled Securities at the 2017 AGM of KLCCP had approved the following amounts for payment of Directors Remuneration to Non-Executive Directors:

- (a) RM692,000.00 for the financial year ended 31 December 2016; and
- (b) RM972,000.00 from 1 January 2017 until the conclusion of the next AGM in 2018.

For the financial year ended 31 December 2017, a total of RM667,703 was paid to the Board members of KLCCP.

Datuk Hashim Wahir, the Executive Director cum CEO of KLCCP and KLCCRM, is an employee of KLCC (Holdings) Sdn Bhd ("KLCCH"). KLCCP will reimburse KLCCH for the services rendered by the CEO in the form of management fees. During the year under review, KLCCP reimbursed KLCCH an amount of RM999,000 for his services.

The Directors Remuneration for the Non-Independent Non-Executive Director, Datuk Manharlal a/l Ratilal, who is also an employee of PETRONAS, is paid directly to PETRONAS as fees for his representation at KLCCP and KLCCRM Boards.

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

	Director's Fee (RM)	Board Meeting Allowance* (RM)	Audit Committee Meeting Allowance* (RM)	Nomination & Remuneration Meeting Allowance* (RM)	Total (RM)
Executive Director					
Datuk Hashim bin Wahir	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors					
Tan Sri Mohd Sidek bin Hassan (appointed w.e.f 22 May 2017)	65,903.20	8,000.00	n/a	n/a	73,903.20
Datuk Manharlal a/l Ratilal	72,000.00	12,000.00	6,000.00	6,000.00	96,000.00#
Datuk Ishak bin Imam Abas	72,000.00	15,000.00	n/a	n/a	87,000.00
Augustus Ralph Marshall	72,000.00	9,000.00	12,000.00	n/a	93,000.00
Dato' Halipah binti Esa	72,000.00	12,000.00	6,000.00	9,000.00	99,000.00
Datuk Pragasa Moorthi a/l Krishnasamy	72,000.00	12,000.00	n/a	n/a	84,000.00
Habibah binti Abdul	72,000.00	12,000.00	8,000.00	6,000.00	98,000.00
Krishnan CK Menon (retired w.e.f 6 April 2017)	28,800.00	8,000.00	n/a	n/a	36,800.00
Total	526,703.20	88,000.00	32,000.00	21,000.00	667,703.20

* Meeting allowances depend on the number of meetings attended by the Board/Audit Committee/NRC members.

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

For the year under review, no meeting allowance was paid to the members of the Board, AC and NRC of KLCCRM as their meetings were held on the same date as the meeting of the Board, AC and NRC of KLCCP. Hence, the remuneration for services rendered by the Directors to KLCCP as a Group remain unchanged as tabulated above.

NOMINATION AND REMUNERATION COMMITTEES REPORT

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

During the year in review, NRCs had recommended and endorsed by the Boards, revisions to the Directors Remuneration to Non-Executive Directors. At the forthcoming AGM to KLCCP, approval of the holders of Stapled Securities will be sought for the new NEDs Remuneration package to be effective from 1 January 2018 until the next AGM in 2019 as follows:

Category	Non-Executive Chairman	Non-Executive Directors
	(RM per annum)	(RM per annum)
KLCCP		
Directors' Retainer Fees	240,000.00	120,000.00
Petrol Allowance	6,000.00	6,000.00
	(RM per attendance)	(RM per attendance)
Attendance Fee or Tele-Conferencing Fee	3,500.00	3,500.00
KLCCRM		
	(RM per attendance)	(RM per attendance)
Attendance Fee or Tele-Conferencing Fee	3,500.00	3,500.00

The MCCG requires the Boards to disclose on a named basis the top 5 senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.00. The analysis of remuneration of the top 5 senior management personnel of KLCCP in successive bands of RM50,000.00 is as follows:

	(RM) <500,000	(RM) 500,000 – 550,000	(RM) 550,001 – 600,000	(RM) 600,001 – 650,000	(RM) 650,001 – 700,000	(RM) > 700,000
Annuar Marzuki Abdul Aziz			NIL		NIL	/
Abd Aziz Abd Kadir			NIL	/	NIL	
Datin Faudziah Ibrahim		/	NIL		NIL	
Ho Mei Ling	/		NIL		NIL	
Sulaiman Ab Hamid	/		NIL		NIL	

SUMMARY OF ACTIVITIES OF THE NRCs

The following activities were carried out by the NRCs during the year under review:

- (a) Reviewed and endorsed the re-election and re-appointment of Directors;
- (b) Reviewed and approved the Succession Management Framework of KLCC Group;
- (c) Reviewed and endorsed the nomination of Tan Sri Mohd Sidek Hassan as the Chairman of the Boards;
- (d) Reviewed and endorsed proposals on revision to the Boards composition;
- (e) Reviewed the MCCG gap analysis on Board Charter and the respective Terms of Reference of the NRCs;
- (f) Assessment on the effectiveness of the Boards, Board Committees and individual Directors through Board Effectiveness Evaluation;
- (g) Reviewed and endorsed proposals on performance reward and salary increment for KLCC Group; and
- (h) Reviewed and endorsed enhancements to KLCC Group Employee Benefits.

ADDITIONAL COMPLIANCE INFORMATION

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

(i) Material Contracts

There were no material contracts or loans entered into by KLCCP, KLCCP's subsidiaries or KLCC REIT involving the interests of the Directors or major Stapled Securities holders or the management company of KLCC REIT, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous year, except as disclosed in the Prospectus of KLCCP Stapled Securities dated 7 May 2013 and the respective audited financial statements of KLCCP and KLCC REIT.

(ii) Utilisation of Proceeds

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

(iii) Sanctions and/or Penalties

During the financial year, there were no sanctions and/or penalties imposed by the relevant authorities on KLCC REIT, the management company of KLCC REIT as well as its directors pursuant to the Guidelines on REIT issued by Securities Commission Malaysia.

(iv) Recurrent Related Party Transaction ("RRPT")

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



KLCC PROPERTY HOLDINGS BERHAD

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

CORPORATE INFORMATION

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

Upon the completion of the listing of stapled securities on 7 May 2013, the Group now comprises:

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,013,565	257,529
Attributable to:		
Equity holders of the Company	350,256	257,529
Non-controlling interests relating to KLCC REIT	527,644	-
Other non-controlling interests	135,665	-
	1,013,565	257,529

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

RESERVES AND PROVISIONS

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the Directors' Report in that year:	
A fourth interim dividend of 4.17%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 20 January 2017 and paid on 28 February 2017.	75,282
In respect of the financial year ended 31 December 2017:	
A first interim dividend of 3.10%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 22 May 2017 and paid on 5 July 2017.	55,965
A second interim dividend of 3.16%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 15 August 2017 and paid on 4 October 2017.	57,049
A third interim dividend of 3.64%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 13 November 2017 and paid on 28 December 2017.	65,714
	254,010

A fourth interim dividend in respect of the financial year ended 31 December 2017, of 5.30%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM95,683,000 will be payable on 28 February 2018.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2018.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS OF THE COMPANY

Directors who served during the financial year end and up to the date of this report are:

Tan Sri Mohd Sidek Bin Hassan (appointed w.e.f. on 22 May 2017)
 Datuk Ishak Bin Imam Abas
 Datuk Manharlal A/L Ratilal
 Augustus Ralph Marshall
 Datuk Pragasa Moorthi A/L Krishnasamy
 Dato' Halipah Binti Esa
 Datuk Hashim Bin Wahir
 Habibah Binti Abdul
 Krishnan C K Menon (retired w.e.f. on 6 April 2017)

The Directors who held in office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Charles Stuart Dickie
 Mohaineer Binti Tahir
 Annuar Marzuki Bin Abdul Aziz
 Peter James Holland Riley
 Richard Daniel Baker (Alternate Director to Charles Stuart Dickie)
 Rossana Annizah binti Ahmad Rashid (Alternate Director to Peter James Holland Riley)
 Abd Aziz Bin Abd Kadir
 Kevin William Whan (Alternate Director to Charles Stuart Dickie)
 Rashidah Binti Alias @ Ahmad
 Shamsudin Bin Ishak
 Brian Lap Wei Hung
 Richard Thomas Gairdner Price
 Andrew William Brien
 Harold Alan Schwartz III
 Datin Faudziah Binti Ibrahim
 Muhmat Hilme Hassan

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interest in the shares of the Company and its related corporations other than wholly-owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Stapled Securities of KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust			Balance as at 31.12.2017
	Balance as at 1.1.2017	Number of Stapled Securities		
		Bought	Sold	
Direct				
Datuk Manharlal A/L Ratilal	5,000	-	-	5,000
Augustus Ralph Marshall	50,000	-	-	50,000

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS' INTERESTS (CONTD.)

The Directors in office at the end of the year who have interests and deemed interest in the shares of the Company and its related corporations other than wholly-owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows: (Contd.)

	Number of Shares in PETRONAS Chemicals Group Berhad			
	Balance as at 1.1.2017	← Number of Shares Bought	→ Number of Shares Sold	Balance as at 31.12.2017

Direct

Datuk Manharlal A/L Ratilal	20,000	-	-	20,000
Dato' Halipah Binti Esa	10,000	-	-	10,000
Datuk Hashim Bin Wahir	16,000	-	-	16,000

Indirect

Dato' Halipah Binti Esa [#]	13,100	-	-	13,100
--------------------------------------	--------	---	---	--------

	Number of Shares in MISC Berhad			
	Balance as at 1.1.2017	← Number of Shares Bought	→ Number of Shares Sold	Balance as at 31.12.2017

Indirect

Dato' Halipah Binti Esa [#]	10,000	-	-	10,000
--------------------------------------	--------	---	---	--------

	Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad			
	Balance as at 1.1.2017	← Number of Shares Bought	→ Number of Shares Sold	Balance as at 31.12.2017

Direct

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

Dato' Halipah Binti Esa [#]	10,000	-	-	10,000
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[#] Deemed interest by virtue of Director's family member's shareholding.

None of the other Directors holding office as at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 26 to the financial statements or the remuneration received by the Directors from certain related corporations), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

ULTIMATE HOLDING COMPANY

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

ISSUE OF SHARES

There were no issuance of new shares during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNIFICATION TO DIRECTORS AND OFFICERS

During the financial year, PETRONAS and its subsidiaries, including the Company, maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM300,000,000 per occurrence and in the aggregate. The insurance premium for the Company is RM1,000.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young during or since the financial year.

OTHER STATUTORY INFORMATION

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

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

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017****OTHER STATUTORY INFORMATION (CONTD.)**

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration is disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 January 2018.

Tan Sri Mohd Sidek Bin Hassan

Datuk Hashim Bin Wahir

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 213 to 274 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the results of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 January 2018.

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Tan Sri Mohd Sidek Bin Hassan

Datuk Hashim Bin Wahir

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 213 to 274 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 24 January 2018.

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for Oaths

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	667,237	636,674	3,253	4,729
Investment properties	6	15,667,475	15,454,001	-	-
Investment in subsidiaries	7	-	-	1,369,760	1,368,623
Investment in an associate	8	256,441	255,016	99,195	99,195
Held-to-maturity investment	9	-	-	100,000	-
Deferred tax assets	10	690	247	311	72
Trade and other receivables	12	388,842	339,106	-	-
		16,980,685	16,685,044	1,572,519	1,472,619
Current Assets					
Inventories	11	1,743	1,930	-	-
Trade and other receivables	12	57,888	79,919	12,873	37,305
Tax recoverable		1,984	12	1,973	-
Cash and bank balances	13	750,262	1,015,220	403,995	478,538
		811,877	1,097,081	418,841	515,843
TOTAL ASSETS		17,792,562	17,782,125	1,991,360	1,988,462
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	14	1,823,386	1,805,333	1,823,386	1,805,333
Capital redemption reserve	14	-	18,053	-	18,053
Capital reserve	2.20	2,929,350	2,854,041	-	-
Retained profits	15	225,492	204,555	161,562	158,043
		4,978,228	4,881,982	1,984,948	1,981,429
Non-controlling interests ("NCI") relating to KLCC REIT	7	8,050,264	7,912,211	-	-
Stapled Securities holders interests in the Group		13,028,492	12,794,193	1,984,948	1,981,429
Other NCI	7	2,018,364	1,983,832	-	-
Total Equity		15,046,856	14,778,025	1,984,948	1,981,429

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONTD.)**

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current Liabilities					
Deferred revenue	16	41,934	41,639	-	-
Other long term liabilities	17	133,945	78,477	-	-
Long term borrowings	18	2,225,666	2,233,166	-	-
Deferred tax liabilities	10	27,935	29,728	-	-
		2,429,480	2,383,010	-	-
Current Liabilities					
Trade and other payables	19	268,346	280,996	6,412	6,824
Borrowings	18	25,411	319,264	-	-
Taxation		22,469	20,830	-	209
		316,226	621,090	6,412	7,033
Total Liabilities		2,745,706	3,004,100	6,412	7,033
TOTAL EQUITY AND LIABILITIES		17,792,562	17,782,125	1,991,360	1,988,462
Net asset value ("NAV")		13,028,492	12,794,193		
Less: Fourth interim distribution		(95,683)	(75,282)		
Net NAV after distribution		12,932,809	12,718,911		
Number of stapled securities/shares in circulation ('000)		1,805,333	1,805,333		
NAV per stapled security/share (RM)					
- before distribution		7.22	7.09		
- after distribution		7.16	7.05		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	20	1,366,751	1,343,546	277,331	275,325
Operating profit	21	999,749	999,342	242,537	243,769
Fair value adjustments of investment properties	6	182,483	171,143	-	-
Interest income	22	30,597	42,552	16,225	22,295
Financing costs	23	(110,963)	(121,220)	-	-
Share of profit of an associate	8	13,465	10,881	-	-
Profit before tax	24	1,115,331	1,102,698	258,762	266,064
Tax expense	27	(101,766)	(91,671)	(1,233)	(5,083)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		1,013,565	1,011,027	257,529	260,981
Profit attributable to:					
Equity holders of the Company		350,256	339,038	257,529	260,981
NCI relating to KLCC REIT	7	527,644	546,933	-	-
		877,900	885,971	257,529	260,981
Other NCI	7	135,665	125,056	-	-
		1,013,565	1,011,027	257,529	260,981
Earnings per share attributable to equity holders of the Company (sen):					
Basic	28	19.40	18.78		
Earnings per stapled security (sen):					
Basic	28	48.63	49.08		

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

STATEMENTS OF INCOME DISTRIBUTION TO STAPLED SECURITIES HOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 RM'000	2016 RM'000
Overall distributable income is derived as follows:		
Profit attributable to the equity holders of the Company	350,256	339,038
Less: Unrealised fair value adjustment attributable to the equity holders	(75,969)	(75,841)
	274,287	263,197
Distributable income of KLCC REIT	397,177	411,451
Total available for income distribution	671,464	674,648

Distribution to equity holders of the Company in respect of financial year ended 31 December 2017/2016:

First interim dividend of 3.10% (2016: 2.85%)	(55,965)	(51,452)
Second interim dividend of 3.16% (2016: 2.91%)	(57,049)	(52,535)
Third interim dividend of 3.64% (2016: 2.94%)	(65,714)	(53,077)
Fourth interim dividend of 5.30% (2016: 4.17%)	(95,683)	(75,282)
	(274,411)	(232,346)

Distribution to KLCC REIT holders in respect of financial year ended 31 December 2017/2016:

First interim income distribution of 5.50% (2016: 5.75%)	(99,293)	(103,807)
Second interim income distribution of 5.44% (2016: 5.69%)	(98,210)	(102,723)
Third interim income distribution of 4.96% (2016: 5.66%)	(89,545)	(102,182)
Fourth interim income distribution of 5.05% (2016: 5.68%)	(91,169)	(102,543)
	(378,217)	(411,255)
Balance undistributed	18,836	31,047

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	← Attributable to Equity Holders of the Company →								
	Note	← Non-Distributable →			← Distributable →		Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000	Other NCI RM'000
Share Capital RM'000		Capital Redemption Reserve RM'000	Retained Profits RM'000	Capital Reserve RM'000					
At 1 January 2017		1,805,333	18,053	204,555	2,854,041	4,881,982	7,912,211	1,983,832	14,778,025
Total comprehensive income for the year		-	-	350,256	-	350,256	527,644	135,665	1,013,565
Transfer of fair value surplus		-	-	(75,309)	75,309	-	-	-	-
Dividends paid	29	-	-	(254,010)	-	(254,010)	(389,591)	(101,133)	(744,734)
Total transactions with equity holders of the Company		1,805,333	18,053	225,492	2,929,350	4,978,228	8,050,264	2,018,364	15,046,856
Transfer in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime	14	18,053	(18,053)	-	-	-	-	-	-
At 31 December 2017		1,823,386	-	225,492	2,929,350	4,978,228	8,050,264	2,018,364	15,046,856
At 1 January 2016		1,805,333	18,053	172,982	2,778,200	4,774,568	7,776,713	1,959,773	14,511,054
Total comprehensive income for the year		-	-	339,038	-	339,038	546,933	125,056	1,011,027
Transfer of fair value surplus		-	-	(75,841)	75,841	-	-	-	-
Dividends paid	29	-	-	(231,624)	-	(231,624)	(411,435)	(100,997)	(744,056)
At 31 December 2016		1,805,333	18,053	204,555	2,854,041	4,881,982	7,912,211	1,983,832	14,778,025

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Non-Distributable		Distributable	Total Equity RM'000
		Share Capital RM'000	Capital Redemption Reserve RM'000	Retained Profits RM'000	
At 1 January 2017		1,805,333	18,053	158,043	1,981,429
Total comprehensive income for the year		-	-	257,529	257,529
Dividends paid	29	-	-	(254,010)	(254,010)
Total transactions with equity holders of the Company		1,805,333	18,053	161,562	1,984,948
Transfer in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime	14	18,053	(18,053)	-	-
At 31 December 2017		1,823,386	-	161,562	1,984,948
At 1 January 2016		1,805,333	18,053	128,686	1,952,072
Total comprehensive income for the year		-	-	260,981	260,981
Dividends paid	29	-	-	(231,624)	(231,624)
At 31 December 2016		1,805,333	18,053	158,043	1,981,429

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,115,331	1,102,698	258,762	266,064
Adjustments for:				
Interest income	(30,597)	(42,552)	(13,424)	(22,295)
Profit income from Sukuk subscription	-	-	(2,801)	-
Financing costs	110,963	121,220	-	-
Accrued rental income	(54,987)	(54,087)	-	-
Depreciation of property, plant and equipment	33,152	33,146	1,592	1,799
Dividend received	-	-	(256,300)	(255,565)
Property, plant and equipment written off	-	2,720	-	-
Loss on disposal of property, plant and equipment	359	508	(2)	-
Net gain on fair value adjustments of investment properties	(182,483)	(171,143)	-	-
Bad debts written off	6	186	-	-
Allowance for impairment losses	214	468	-	-
Share of profit of an associate	(13,465)	(10,881)	-	-
Operating cash flows before changes in working capital	978,493	982,283	(12,173)	(9,997)
Changes in working capital:				
Trade and other receivables	(4,589)	(7,473)	31	1,595
Amount due from subsidiaries	-	-	3,639	10,151
Amount due from related companies	3,924	(2,350)	415	3,662
Amount due from immediate holding company	(663)	(598)	(695)	(108)
Amount due to ultimate holding company	(2,429)	9,907	(1,416)	846
Trade and other payables	50,618	(764)	1,115	(1,444)
Inventories	187	(93)	-	-
Cash generated from/(used in) operations	1,025,541	980,912	(9,084)	4,705
Interest/profit income received	32,943	42,294	15,058	19,595
Tax paid	(104,353)	(106,853)	(3,654)	(6,526)
Tax refund	18	-	-	-
Net cash generated from operating activities	954,149	916,353	2,320	17,774

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)**

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	33,110	-	277,370	234,495
Subscription of Sukuk	-	-	(100,000)	-
Purchase of property, plant and equipment	(63,723)	(43,788)	(225)	(618)
Subsequent expenditure on investment properties	(37,556)	(97,727)	-	-
Proceeds from disposal of property, plant and equipment	199	206	2	-
Net cash (used in)/generated from investing activities	(67,970)	(141,309)	177,147	233,877
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	-	1,000	-	-
Repayment of borrowings	(300,000)	(11,400)	-	-
Dividends paid to shareholders	(254,010)	(231,624)	(254,010)	(231,624)
Dividends paid to other NCI	(101,133)	(100,997)	-	-
Dividends paid to NCI relating to KLCC REIT	(388,158)	(413,284)	-	-
Interest/profit expenses paid	(107,836)	(114,376)	-	-
Advances to subsidiaries	-	-	-	(105,109)
(Increase)/decrease in deposits restricted	(10,016)	3,191	-	-
Net cash used in financing activities	(1,161,153)	(867,490)	(254,010)	(336,733)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(274,974)	(92,446)	(74,543)	(85,082)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,011,991	1,104,437	478,538	563,620
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	737,017	1,011,991	403,995	478,538
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	78,504	127,272	225	519
Accruals	16,767	22,775	-	-
	95,271	150,047	225	519
Cash paid for additions in prior years	22,775	14,243	-	99
Cash paid for additions in current year	78,504	127,272	225	519
Total cash paid for investment properties and property, plant and equipment	101,279	141,515	225	618

The Group has changed its presentation for the Statements of Cash Flows from direct to indirect method in order to provide relevant information for the readers of the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

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

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

As of 1 January 2017, the Group and the Company had adopted new, amendments and revised MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Basis of Consolidation****Subsidiaries**

Subsidiaries are entities controlled by the Company.

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

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

Business combination

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

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

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

Non-controlling interests

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Basis of Consolidation (Contd.)

Loss of control

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

2.3 Investments

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

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

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

2.4 Associates

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Associates (Contd.)

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

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

2.5 Goodwill

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

2.6 Property, Plant and Equipment

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

The estimated useful life are as follows:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.6 Property, Plant and Equipment (Contd.)

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

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

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

2.7 Investment Properties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.8 Impairment of Non-Financial Assets**

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

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

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

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

2.9 Inventories

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

2.10 Cash and Cash Equivalents

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

2.11 Financial Assets

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

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

The Group and the Company determine the classification of their financial assets at initial recognition. The Group's and the Company's financial assets are classified as loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.11 Financial Assets (Contd.)

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables. The Group's and the Company's loans and receivables include trade receivables, other receivables and deposits with licensed banks.

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

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

(ii) Held-to-maturity investment

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised costs using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non current assets, except for those having maturity within 12 months after the reporting date which are classified as current. The Company's held-to-maturity investment represents its investment in the Sukuk Murabahah of its subsidiary as disclosed in Note 9.

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

2.12 Impairment of Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.12 Impairment of Financial Assets (Contd.)****(i) Trade and other receivables and other financial assets carried at amortised cost (Contd.)**

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

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

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

2.13 Provisions

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

2.14 Financial Liabilities

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

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group's and the Company's financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.14 Financial Liabilities (Contd.)

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

2.15 Financing Costs

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

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

2.16 Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

2.17 Taxation

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

(i) Current tax

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.17 Taxation (Contd.)****(ii) Deferred tax**

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is expected to be realised or the liability is expected to be settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The expected manner of recovery of the Group's investment properties held by KLCC REIT is through sale after holding the properties for more than five years.

The expected manner of recovery of the Group's other investment properties that are not within KLCC REIT is through sale to a real estate investment trust ("REIT"). No deferred tax is recognised on the fair valuation of these properties as chargeable gains accruing on the disposal of any chargeable assets to a REIT is tax exempted.

2.18 Foreign Currencies**(i) Functional and Presentation Currency**

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

(ii) Foreign Currency Transactions

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

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.18 Foreign Currencies (Contd.)

(ii) Foreign Currency Transactions (Contd.)

The principal exchange rates used for each respective unit of foreign currency ruling at the reporting date are as follows:

	2017 RM	2016 RM
United States Dollar	4.06	4.48

2.19 Share Capital

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

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

2.20 Capital Reserve

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

2.21 Revenue Recognition

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

(i) Rental income

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

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

(ii) Interest income

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

(iii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.21 Revenue Recognition (Contd.)****(iv) Revenue from management services**

Revenue from management services rendered is recognised when the services are performed. The revenue comprises:

(a) Building and facilities management services

Revenue from building and facilities management services is recognised when the services are performed.

(b) Car park operations

Revenue from car park operations is recognised on the accrual basis.

(v) Hotel operations

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

2.22 Leases**Operating Leases - the Group as lessor**

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

2.23 Operating Segments

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

2.24 Fair Value Measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.24 Fair Value Measurement (Contd.)****(i) Financial instruments**

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

(ii) Non-financial assets

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

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

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

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2017, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4.2 Key Sources of Estimation Uncertainty

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

Fair value of investment properties

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

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

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

	Fair value Increase/(decrease)	
	2017 RM'000	2016 RM'000
Yield rate		
+ 0.25%	(405,458)	(368,386)
- 0.25%	438,795	397,374
Discount rate		
+ 0.25%	(160,430)	(173,095)
- 0.25%	166,057	186,588

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

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5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2017								
Cost								
At 1 January 2017	621,791	19,162	123,458	153,069	73,836	1,387	9,160	1,001,863
Additions	1,344	52,323	7,528	797	1,642	42	604	64,280
Transfer within property, plant and equipment	22,012	(48,567)	16,909	-	9,646	-	-	-
Disposals	(89)	-	(7,565)	(326)	(2,267)	(10)	-	(10,257)
Write off	(13,382)	-	(8,954)	-	(2,131)	-	(51)	(24,518)
At 31 December 2017	631,676	22,918	131,376	153,540	80,726	1,419	9,713	1,031,368
Accumulated Depreciation								
At 1 January 2017	120,545	-	83,325	90,023	61,245	1,036	9,015	365,189
Charge for the year (Note 24)	10,028	-	8,532	9,052	5,197	138	205	33,152
Transfer within property, plant and equipment	(372)	-	396	-	(24)	-	-	-
Disposals	(14)	-	(7,142)	(259)	(2,267)	(10)	-	(9,692)
Write off	(13,382)	-	(8,954)	-	(2,131)	-	(51)	(24,518)
At 31 December 2017	116,805	-	76,157	98,816	62,020	1,164	9,169	364,131
Net Carrying Amount	514,871	22,918	55,219	54,724	18,706	255	544	667,237

NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2016								
Cost								
At 1 January 2016	615,922	14,149	120,322	143,872	71,807	1,239	9,371	976,682
Additions	2,375	26,893	3,874	1,344	833	214	-	35,533
Transfer within property, plant and equipment	4,255	(20,220)	5,493	9,202	1,270	-	-	-
Transfer to investment properties (Note 6)	-	(1,660)	-	-	-	-	-	(1,660)
Disposals	-	-	(1,669)	(1,195)	(74)	(66)	-	(3,004)
Write off	(761)	-	(4,562)	(154)	-	-	(211)	(5,688)
At 31 December 2016	621,791	19,162	123,458	153,069	73,836	1,387	9,160	1,001,863
Accumulated Depreciation								
At 1 January 2016	109,898	-	79,802	81,679	55,967	996	8,959	337,301
Charge for the year (Note 24)	10,698	-	7,600	9,125	5,350	106	267	33,146
Disposals	-	-	(1,426)	(726)	(72)	(66)	-	(2,290)
Write off	(51)	-	(2,651)	(55)	-	-	(211)	(2,968)
At 31 December 2016	120,545	-	83,325	90,023	61,245	1,036	9,015	365,189
Net Carrying Amount	501,246	19,162	40,133	63,046	12,591	351	145	636,674

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
At 31 December 2017					
Cost					
At 1 January 2017	85,889	389,942	18,953	127,007	621,791
Additions	-	-	81	1,263	1,344
Transfer	-	-	-	22,012	22,012
Disposals	-	(89)	-	-	(89)
Write off	-	-	-	(13,382)	(13,382)
At 31 December 2017	85,889	389,853	19,034	136,900	631,676
Accumulated Depreciation					
At 1 January 2017	-	58,221	8,567	53,757	120,545
Charge for the year	-	5,415	3,345	1,268	10,028
Transfer	-	-	-	(372)	(372)
Disposals	-	(14)	-	-	(14)
Write off	-	-	-	(13,382)	(13,382)
At 31 December 2017	-	63,622	11,912	41,271	116,805
Net Carrying Amount	85,889	326,231	7,122	95,629	514,871
At 31 December 2016					
Cost					
At 1 January 2016	85,889	389,942	15,547	124,544	615,922
(Reversal)/Additions	-	-	(32)	2,407	2,375
Transfer	-	-	3,438	817	4,255
Write off	-	-	-	(761)	(761)
At 31 December 2016	85,889	389,942	18,953	127,007	621,791
Accumulated Depreciation					
At 1 January 2016	-	52,804	5,015	52,079	109,898
Charge for the year	-	5,417	3,552	1,729	10,698
Write off	-	-	-	(51)	(51)
At 31 December 2016	-	58,221	8,567	53,757	120,545
Net Carrying Amount	85,889	331,721	10,386	73,250	501,246

Property, plant and equipment of a subsidiary at carrying amount of RM 638,478,000 (2016: RM607,910,000) has been pledged as securities for loan facilities as disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Project in progress RM'000	Total RM'000
At 31 December 2017						
Cost						
At 1 January 2017	7,052	2,240	13	1,731	420	11,456
Additions	-	84	-	32	-	116
Transfer	-	-	-	420	(420)	-
Disposal	-	-	(5)	-	-	(5)
At 31 December 2017	7,052	2,324	8	2,183	-	11,567
Accumulated Depreciation						
At 1 January 2017	3,019	2,109	5	1,594	-	6,727
Charge for the year (Note 24)	1,430	62	2	98	-	1,592
Disposal	-	-	(5)	-	-	(5)
At 31 December 2017	4,449	2,171	2	1,692	-	8,314
Net Carrying Amount	2,603	153	6	491	-	3,253
At 31 December 2016						
Cost						
At 1 January 2016	7,109	2,119	5	1,654	50	10,937
(Reversal)/Additions	(57)	121	8	27	420	519
Transfer	-	-	-	50	(50)	-
At 31 December 2016	7,052	2,240	13	1,731	420	11,456
Accumulated Depreciation						
At 1 January 2016	1,527	1,909	4	1,488	-	4,928
Charge for the year (Note 24)	1,492	200	1	106	-	1,799
At 31 December 2016	3,019	2,109	5	1,594	-	6,727
Net Carrying Amount	4,033	131	8	137	420	4,729

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6. INVESTMENT PROPERTIES

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
Group				
At 31 December 2017				
At 1 January 2017	14,768,580	494,300	191,121	15,454,001
Additions	13,335	-	17,656	30,991
Transfer within investment properties	1,060	-	(1,060)	-
Fair value adjustments	161,283	21,200	-	182,483
At 31 December 2017	14,944,258	515,500	207,717	15,667,475

At 31 December 2016

At 1 January 2016	14,611,043	452,950	102,691	15,166,684
Additions	26,084	-	88,430	114,514
Transfer from property, plant and equipment (Note 5)	1,660	-	-	1,660
Fair value adjustments	129,793	41,350	-	171,143
At 31 December 2016	14,768,580	494,300	191,121	15,454,001

The following investment properties are held under lease terms:

	Group	
	2017 RM'000	2016 RM'000
Completed investment property	344,063	330,095
IPUC land at fair value	232,000	220,000
IPUC at cost	184,949	168,353
	761,012	718,448

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

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES (CONTD.)

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

	Group	
	2017 RM'000	2016 RM'000
Rental income	1,066,961	1,066,263
Direct operating expenses of income generating investment properties	(83,465)	(80,486)
	983,496	985,777

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
- Office properties	-	-	9,225,624	9,225,624
- Retail properties	-	-	5,950,634	5,950,634
- Land	-	-	283,500	283,500
	-	-	15,459,758	15,459,758
2016				
- Office properties	-	-	9,121,939	9,121,939
- Retail properties	-	-	5,866,641	5,866,641
- Land	-	-	274,300	274,300
	-	-	15,262,880	15,262,880

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENT PROPERTIES (CONTD.)

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

	2017 RM'000	2016 RM'000
Valuation per valuers' report	15,848,600	15,601,986
Less: Accrued rental income (Note 12)	(388,842)	(339,106)
	15,459,758	15,262,880
Adjusted valuation on 1 January	15,262,880	15,063,993
Additions	13,335	26,084
Transfer within investment properties	1,060	-
Transfer from property, plant and equipment	-	1,660
Re-measurement recognised in profit or loss	182,483	171,143
At 31 December	15,459,758	15,262,880

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2017	2016	
Investment method (refer a)	Office:			The estimated fair value would increase/(decrease) if:
	- Market rental rate (RM/psf/month)			
	- Term	4.92 - 9.95	4.50 - 9.95	- expected market rental growth were higher/(lower)
	- Reversion	5.50 - 13.80	5.50 - 13.80	- expected market rental growth were higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	1.80 - 2.00	1.75 - 1.90	- expected inflation rate were lower/(higher)
	- Reversion	1.80 - 2.00	1.85 - 1.90	- expected inflation rate were lower/(higher)
	- Void rate (%)	5.00	5.00	- void rate were lower/(higher)
	- Term yield (%)	5.50 - 6.50	5.50 - 6.50	- term yield rate were lower/(higher)
	- Reversionary yield (%)	6.00 - 7.00	6.00 - 6.75	- reversionary yield were lower/(higher)
	- Discount rate (%)	6.50	6.50	- discount rate is lower/(higher)
	Retail:			
	- Market rental rate (RM/psf/month)			
	- Term	4.73 - 451.28	4.25 - 424.20	- expected market rental growth were higher/(lower)
	- Reversion	4.73 - 451.28	4.43 - 451.28	- expected market rental growth were higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	5.27 - 6.88	5.27 - 6.88	- expected inflation rate were lower/(higher)
	- Reversion	5.00 - 6.56	5.00 - 5.98	- expected inflation rate were lower/(higher)
	- Void rate (%)	7.00 - 10.00	5.00 - 10.00	- void rate were lower/(higher)
	- Term yield (%)	6.50	6.50	- term yield rate were lower/(higher)
	- Reversionary yield (%)	7.00	7.00	- reversionary yield were lower/(higher)
	- Discount rate (%)	6.50 - 7.00	6.50 - 7.00	- discount rate is lower/(higher)

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES (CONTD.)

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2017	2016	
Residual method (refer b)	- Expected rate of return (%)	17.00	17.00	The estimated fair value would increase/(decrease) if: - expected rate of return is lower/(higher)
	- Gross Development Value (RM million)	933	933	- gross development value is higher/(lower)
	- Gross Development Costs (RM million)	614	614	- gross development costs is lower/(higher)
	- Financing costs (%)	7.00	7.00	- financing costs is lower/(higher)
	- Discount rate (%)	7.00	7.00	- discount rate is lower/(higher)

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

Based on the current development plans, the said property is currently valued based on land at fair value with actual construction costs incurred to date.

Valuation processes applied by the Group for Level 3 fair value

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

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares at cost	4,530,109	4,530,109
Discount on loans to subsidiaries	196,314	196,314
Effects of conversion of amounts due from subsidiaries to investment	721,207	720,070
Capital reduction	(780,916)	(780,916)
Write-down in value*	(3,296,954)	(3,296,954)
	1,369,760	1,368,623

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

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2017 %	2016 %	
Suria KLCC Sdn Bhd ("SKSB")	60	60	Ownership and management of a shopping centre and the provision of business management services
Asas Klasik Sdn Bhd ("AKSB")	75	75	Property investment in a hotel
Arena Johan Sdn Bhd ("AJSB")	100	100	Inactive
KLCC Parking Management Sdn Bhd ("KPM")	100	100	Management of car park operations
KLCC Urusharta Sdn Bhd ("KLCCUH")	100	100	Facilities management
Kompleks Dayabumi Sdn Bhd ("KDSB")	100	100	Property investment
Midciti Resources Sdn Bhd ("MRSB")	100	100	Inactive
Impian Cemerlang Sdn Bhd ("ICSB")	100	100	Property investment
Arena Merdu Sdn Bhd ("AMSB")	100	100	Inactive
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	100	100	Management of a real estate investment trust
KLCC REIT	*	*	To invest in a Shariah compliant portfolio or real estate assets and real estate related assets
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB")*	100	100	To undertake the issuance of Islamic term notes ("Sukuk") under a medium term notes programme and all matters relating to it

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

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)

- * Whilst the Group has no ownership interests in KLCC REIT, the Directors have deemed it to be a subsidiary as:
- (i) the Group exercises power over KLCC REIT by virtue of its control over KLCC REIT Management, the manager of KLCC REIT; and
 - (ii) KLCC REIT units are stapled to the ordinary shares of the Company such that the shareholders of the Company are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT.

Non-controlling interests relating to KLCC REIT

	2017	2016
NCI percentage of ownership interest and voting interest	100%	100%
Carrying amount of NCI (RM'000)	8,050,264	7,912,211
Profit allocated to NCI (RM'000)	527,644	546,933

Summarised financial information before intra-group elimination

	2017 RM'000	2016 RM'000
Non-current assets - Investment properties	9,176,045	9,092,344
Non-current assets - Others	380,916	330,965
Current assets	74,758	259,793
Non-current liabilities	(1,481,168)	(1,367,000)
Current liabilities	(100,287)	(403,891)
Net assets	8,050,264	7,912,211
Revenue	585,469	591,015
Profit for the year, representing total comprehensive income	527,644	546,933
Cash flows generated from operating activities	469,129	472,238
Cash flows used in investing activities	(3,266)	(167)
Cash flows used in financing activities	(653,634)	(481,825)
Net decrease in cash and cash equivalents	(187,771)	(9,754)
Dividend paid to NCI relating to KLCC REIT	(389,591)	(411,435)

NOTES TO THE FINANCIAL STATEMENTS
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7. INVESTMENT IN SUBSIDIARIES (CONTD.)**Other non-controlling interests in subsidiaries**

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

	SKSB	2017 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,945,766	72,598	2,018,364
Profit allocated to NCI (RM'000)	134,353	1,312	135,665

	SKSB	2016 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,912,042	71,790	1,983,832
Profit allocated to NCI (RM'000)	125,866	(810)	125,056

Summarised financial information of significant subsidiary before intra-group elimination

SKSB	2017 RM'000	2016 RM'000
Non-current assets - Investment properties	5,424,149	5,346,141
Non-current assets - Others	13,477	12,350
Current assets	202,658	170,269
Non-current liabilities	(638,924)	(601,325)
Current liabilities	(136,945)	(147,330)
Net assets	4,864,415	4,780,105
Revenue	454,709	451,417
Profit for the year, representing total comprehensive income	335,882	314,666
Cash flows generated from operating activities	303,133	266,166
Cash flows used in investing activities	(15,177)	(15,666)
Cash flows used in financing activities	(252,833)	(252,492)
Net increase/(decrease) in cash and cash equivalents	35,123	(1,992)
Dividends paid to other NCI	(101,133)	(100,997)

NOTES TO THE FINANCIAL STATEMENTS
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8. INVESTMENT IN AN ASSOCIATE

	2017 RM'000	2016 RM'000
Group		
Unquoted shares at cost	99,195	99,195
Share of post-acquisition reserves	157,246	155,821
	256,441	255,016
Company		
Unquoted shares at cost	99,195	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest	
			2017 %	2016 %
Impian Klasik Sdn Bhd ("IKSB")*	Malaysia	Property investment	33	33

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

The summarised financial statements of the associate are as follows:

	2017 RM'000	2016 RM'000
Non-current assets	762,000	760,000
Current assets	18,442	79,766
Total assets	780,442	839,766
Non-current liabilities	97,664	97,664
Current liabilities	681	64,324
Total liabilities	98,345	161,988
Results		
Revenue	50,722	41,423
Profit for the year, representing total comprehensive income	40,804	32,969
Share of profit for the year	13,465	10,881
Other information		
- Share of dividends	12,040	21,070

NOTES TO THE FINANCIAL STATEMENTS
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8. INVESTMENT IN AN ASSOCIATE (CONTD.)

Reconciliation of net assets to carrying amount as at 31 December

	2017 RM'000	2016 RM'000
Group's share of net assets	225,091	223,666
Goodwill	31,350	31,350
	256,441	255,016

9. HELD-TO-MATURITY INVESTMENT

	Company	
	2017 RM'000	2016 RM'000
Investment in Sukuk Murabahah of a subsidiary	100,000	-

The details of the Sukuk Murabahah are disclosed in Note 18(a).

10. DEFERRED TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	29,481	40,994	(72)	(348)
Recognised in profit or loss (Note 27)	(2,236)	(11,513)	(239)	276
At 31 December	27,245	29,481	(311)	(72)

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

	Group	
	2017 RM'000	2016 RM'000
Deferred tax assets	(690)	(247)
Deferred tax liabilities	27,935	29,728
	27,245	29,481

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
10. DEFERRED TAX (CONTD.)

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

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2017	52,911	-	2,047	54,958
Recognised in profit or loss	4,627	-	176	4,803
At 31 December 2017	57,538	-	2,223	59,761
At 1 January 2016	48,104	13,092	747	61,943
Recognised in profit or loss	4,807	(13,092)	1,300	(6,985)
At 31 December 2016	52,911	-	2,047	54,958

Deferred Tax Assets of the Group:

	Unused tax losses and investment tax allowances RM'000	Others RM'000	Total RM'000
At 1 January 2017	(24,116)	(1,361)	(25,477)
Recognised in profit or loss	(5,461)	(1,578)	(7,039)
At 31 December 2017	(29,577)	(2,939)	(32,516)
At 1 January 2016	(19,243)	(1,706)	(20,949)
Recognised in profit or loss	(4,873)	345	(4,528)
At 31 December 2016	(24,116)	(1,361)	(25,477)

Deferred Tax Liabilities/(Assets) of the Company:

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 January 2017	407	(479)	(72)
Recognised in profit or loss	(44)	(195)	(239)
At 31 December 2017	363	(674)	(311)
At 1 January 2016	287	(635)	(348)
Recognised in profit or loss	120	156	276
At 31 December 2016	407	(479)	(72)

NOTES TO THE FINANCIAL STATEMENTS
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11. INVENTORIES

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

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Other receivables				
Accrued rental income (Note 6)	388,842	339,106	-	-
Current				
Trade receivables				
Trade receivables	11,485	11,415	-	-
Less: Allowance for impairment	(603)	(1,113)	-	-
Trade receivables, net of impairment	10,882	10,302	-	-
Other receivables				
Other receivables and deposits	25,377	45,005	1,657	24,393
Amount due from:				
Subsidiaries	-	-	4,667	6,642
Ultimate holding company	6,278	6,327	-	-
Immediate holding company	985	322	961	266
Other related companies	14,366	17,963	5,588	6,004
Total other receivables	47,006	69,617	12,873	37,305
Total	57,888	79,919	12,873	37,305

NOTES TO THE FINANCIAL STATEMENTS

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12. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	10,882	10,302	-	-
Other receivables	435,848	381,219	-	16,235
Add: Cash and bank balances (Note 13)	750,262	1,015,220	403,995	478,538
Less: Accrued rental income	(388,842)	(339,106)	-	-
Total loans and receivables	808,150	1,067,635	403,995	494,773

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

Offsetting of financial assets and financial liabilities

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

Group	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount RM'000
Amount due from ultimate holding company			
2017	13,055	(6,777)	6,278
2016	13,300	(6,973)	6,327

13. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	430,197	55,791	403,983	9,471
Cash and bank balances	16,244	5,062	12	8
Deposits with licensed banks	303,821	954,367	-	469,059
	750,262	1,015,220	403,995	478,538
Less: Deposits restricted	(13,245)	(3,229)	-	-
Cash and cash equivalents	737,017	1,011,991	403,995	478,538

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

13. CASH AND BANK BALANCES (CONTD.)

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

Included in cash with IFSSC and cash and bank balances of the Group and of the Company are interest bearing balances amounting to RM432,062,000 (2016: RM55,916,000) and RM403,995,000 (2016: RM9,471,000) respectively.

The weighted average effective interest rates applicable to the deposits with licensed banks of the Group was 3.80% (2016: 3.77%). The Company no longer place deposits with licensed bank in 2017.

Deposits with licensed banks of the Group has an average maturity of 35 days.

14. SHARE CAPITAL

	Group and Company			
	Number of Stapled Securities/Shares		← Amount →	
	Ordinary shares '000	RPS '000	Ordinary shares RM'000	RPS RM'000
Authorised:				
At 1 January 2017/31 December 2017	-	-	-	-
At 1 January 2016/31 December 2016	3,194,667	1,805,333	4,981,947	18,053
			Number of shares Ordinary shares '000	Amount Ordinary shares RM'000
Issued and fully paid:				
At 1 January 2017			1,805,333	1,805,333
Transfer of capital redemption reserve in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime			-	18,053
At 31 December 2017			1,805,333	1,823,386
At 1 January 2016/31 December 2016			1,805,333	1,805,333

On 31 January 2017, pursuant to Section 74 of the Companies Act 2016, the concepts of "par value" and "authorised share capital" were abolished and on that date, the shares of the Company ceased to have a par value.

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14. SHARE CAPITAL (CONTD.)

Capital Redemption Reserve

Capital Redemption Reserve was created as a result of redemption of Redeemable Preference Shares in prior years.

In accordance with the transitional provision set out in Section 618 of the Companies Act 2016, the capital redemption reserve now becomes part of the Company's share capital.

Stapled security:

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

15. RETAINED PROFITS

As at 31 December 2017, the Company may distribute the entire balance of the retained profits under the single-tier system.

16. DEFERRED REVENUE

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

17. OTHER LONG TERM LIABILITIES

	Group	
	2017 RM'000	2016 RM'000
Security deposit payables	133,945	78,477

Security deposit payables are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on interest rates of 4.52% to 5.20% per annum.

18. BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
Short term borrowings		
Secured:		
Sukuk Murabahah	16,026	317,478
Term loans	9,385	1,786
	25,411	319,264

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

18. BORROWINGS (CONTD.)

	Note	Group	
		2017 RM'000	2016 RM'000
Long term borrowings			
Secured:			
Sukuk Murabahah			
- KLCC Real Estate Investment Trust		1,355,000	1,255,000
less: Sukuk Murabahah subscribed		(100,000)	-
		1,255,000	1,255,000
- Other subsidiary		600,000	600,000
Term loans		370,666	378,166
		2,225,666	2,233,166
Total borrowings			
Secured:			
Sukuk Murabahah		1,971,026	2,172,478
less: Sukuk Murabahah subscribed	(a)	(100,000)	-
		1,871,026	2,172,478
Term loans	(b)	380,051	379,952
		2,251,077	2,552,430

Terms and debt repayment schedule:

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2017					
Secured					
Sukuk Murabahah	1,871,026	16,026	400,000	400,000	1,055,000
Term loans	380,051	9,385	8,500	22,500	339,666
	2,251,077	25,411	408,500	422,500	1,394,666
2016					
Secured					
Sukuk Murabahah	2,172,478	317,478	-	800,000	1,055,000
Term loans	379,952	1,786	7,500	23,500	347,166
	2,552,430	319,264	7,500	823,500	1,402,166

(a) Sukuk Murabahah

On 25 April 2014, a subsidiary of the Group had completed the issuance of Sukuk Murabahah. The Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3,000 million subject to a combined limit of RM3,000 million. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

18. BORROWINGS (CONTD.)

(a) Sukuk Murabahah (Contd.)

The Group had paid its RM300 million Sukuk Murabahah upon maturity on 25 April 2017 and on the same date issued RM100 million of Sukuk Murabahah with a profit rate of 4.09% per annum and maturing on 25 April 2019. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
2 years	100,000,000	4.09%	25 April 2019
5 years	400,000,000	4.20%	25 April 2019
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024

The profit rate is payable semi-annually.

(b) Term loans

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

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

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

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

The loan bears an interest rate of 4.44%.

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

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Sukuk Murabahah RM'000	Term loans RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2017	2,172,478	379,952	-	2,552,430
Changes from financing cash flows				
Repayment Sukuk Murabahah	(300,000)	-	-	(300,000)
Dividend paid	-	-	(743,301)	(743,301)
Interest/profit paid	(90,977)	(16,859)	-	(107,836)
Total changes from financing cash flows	(390,977)	(16,859)	(743,301)	(1,151,137)
Other changes				
Liability-related				
Interest/profit expenses	89,525	16,958	-	106,483
Dividend payable	-	-	743,301	743,301
Total liability-related other changes	89,525	16,958	743,301	849,784
Balance at 31 December 2017	1,871,026	380,051	-	2,251,077

NOTES TO THE FINANCIAL STATEMENTS
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19. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	14,958	16,275	258	78
Other payables				
Other payables	156,494	137,835	4,088	3,262
Security deposits	89,192	117,033	-	-
Amount due to:				
Ultimate holding company	3,500	5,321	2,066	3,482
Immediate holding company	121	102	-	-
Other related companies	4,081	4,430	-	2
	253,388	264,721	6,154	6,746
Total trade and other payables	268,346	280,996	6,412	6,824
Add: Borrowings (Note 18)	2,251,077	2,552,430	-	-
Other long term liabilities (Note 17)	133,945	78,477	-	-
Deferred revenue (Note 16)	41,934	41,639	-	-
Total financial liabilities carried at amortised cost	2,695,302	2,953,542	6,412	6,824

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

20. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property investment				
- Office	591,011	590,941	-	-
- Retail	475,950	475,322	-	-
Hotel operations	167,200	149,493	-	-
Management services	132,590	127,790	21,031	19,760
Dividend income from subsidiaries	-	-	244,260	234,495
Dividend income from associate	-	-	12,040	21,070
	1,366,751	1,343,546	277,331	275,325

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

21. OPERATING PROFIT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue (Note 20)	1,366,751	1,343,546	277,331	275,325
Cost of revenue:				
- Cost of services and goods	(219,917)	(207,284)	-	-
Gross profit	1,146,834	1,136,262	277,331	275,325
Selling and distribution expenses	(11,073)	(10,960)	-	-
Administration expenses	(139,617)	(132,542)	(34,795)	(31,596)
Other operating income	3,605	6,582	1	40
Operating profit	999,749	999,342	242,537	243,769

22. INTEREST INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest and profit income from:				
Deposits	30,597	42,552	13,424	19,135
Investment in Sukuk Murabahah	-	-	2,801	-
Loan to a subsidiary	-	-	-	3,160
	30,597	42,552	16,225	22,295

23. FINANCING COSTS

	Group	
	2017 RM'000	2016 RM'000
Interest/profit expense on:		
Term loans	16,958	18,086
Revolving credit	-	318
Sukuk Murabahah	89,525	99,003
Accretion of financial instruments	4,480	3,813
	110,963	121,220

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

24. PROFIT BEFORE TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits expense (Note 25)	104,026	91,633	21,183	18,726
Directors' remuneration (Note 26)	668	714	668	692
Management fee in relation to services of Executive Director (Note 26)	999	1,107	999	1,107
Auditors' remuneration				
- Audit fees	586	586	206	206
- Others	16	16	16	16
Valuation fees	927	1,006	-	-
Depreciation of property, plant and equipment (Note 5)	33,152	33,146	1,592	1,799
Rental of land and buildings	3,388	3,296	2,695	2,610
Rental of plant and machinery	464	662	249	306
Property, plant and equipment written off	-	2,720	-	-
Bad debts written off	6	186	-	-
Loss/(gain) on disposal of property, plant and equipment	359	508	(2)	-
Allowance for impairment losses	214	468	-	-

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and others	95,220	83,614	18,950	16,676
Contributions to defined contribution plan	8,806	8,019	2,233	2,050
	104,026	91,633	21,183	18,726

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

26. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Executive*	-	-	-	-
Non-Executive:				
Fees	668	714	668	692
	668	714	668	692

Included in Directors' remuneration is the fee paid directly to PETRONAS in respect of a Director who is an appointee of the ultimate holding company.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysis excluding benefits-in-kind:				
Total Non-Executive Directors' remuneration	668	714	668	692

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

	Group		Company	
	2017	2016	2017	2016
Executive Director				
RMNil	1	1	1	1
Non-Executive Directors				
RMNil - RM50,000	1	-	1	-
RM50,001 - RM100,000	7	4	7	4
RM100,001 - RM150,000	-	3	-	3

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

27. TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax:				
Malaysian income tax	104,641	103,285	1,233	5,015
(Over)/under provision of tax in prior year	(639)	(101)	239	(208)
	104,002	103,184	1,472	4,807
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	(4,362)	(11,597)	(56)	162
Under/(over) provision of deferred tax in prior year	2,126	84	(183)	114
	(2,236)	(11,513)	(239)	276
Total tax expense	101,766	91,671	1,233	5,083

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2017 RM'000	2016 RM'000
Group		
Profit before taxation	1,115,331	1,102,698
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	267,679	264,648
Expenses not deductible for tax purposes	8,490	9,389
Income not subject to tax	(164,662)	(163,687)
Effects of share of profit of an associate	(3,231)	(2,611)
Deferred tax recognised at different tax rates	-	(13,092)
Deferred tax assets recognised on investment tax allowances	(7,997)	(2,959)
Under provision of deferred tax in prior year	2,126	84
Over provision of taxation in prior year	(639)	(101)
Tax expense	101,766	91,671

NOTES TO THE FINANCIAL STATEMENTS

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27. TAX EXPENSE (CONTD.)

	2017 RM'000	2016 RM'000
Company		
Profit before taxation	258,763	266,064
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	62,103	63,855
Expenses not deductible for tax purposes	3,453	2,685
Income not subject to tax	(64,379)	(61,363)
(Over)/under provision of deferred tax in prior year	(183)	114
Under/(over) provision of taxation in prior year	239	(208)
Tax expense	1,233	5,083

28. EARNINGS PER SHARE/STAPLED SECURITY

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

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

	2017	2016
Profit attributable to equity holders of the Company (RM'000)	350,256	339,038
Profit attributable to NCI relating to KLCC REIT (RM'000)	527,644	546,933
Profit attributable to stapled securities holders (RM'000)	877,900	885,971
Weighted average number of stapled securities/shares in issue ('000)	1,805,333	1,805,333
Basic earnings per share (sen)	19.4	18.8
Basic earnings per stapled security (sen)	48.6	49.1

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

29. DIVIDENDS

	Dividends		Net Dividends	
	Recognised in Year		per Ordinary Share	
	2017 RM'000	2016 RM'000	2017 Sen	2016 Sen
Recognised during the year:				
A fourth interim 4.17% (2016: 4.13%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2016/2015	75,282	74,560	4.17	4.13
A first interim dividend of 3.10% (2016: 2.85%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2017/2016	55,965	51,452	3.10	2.85
A second interim dividend of 3.16% (2016: 2.91%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2017/2016	57,049	52,535	3.16	2.91
A third interim dividend of 3.64% (2016: 2.94%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2017/2016	65,714	53,077	3.64	2.94
	254,010	231,624	14.07	12.83

A fourth interim dividend in respect of the financial year ended 31 December 2017, of 5.30%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM95,683,000 will be payable on 28 February 2018.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2018.

30. COMMITMENTS

(a) Capital commitments

	Group	
	2017 RM'000	2016 RM'000
Approved and contracted for		
Property, plant and equipment	67,176	100,169
Investment property	55,389	105,439
	122,565	205,608
Approved but not contracted for		
Property, plant and equipment	44,771	87,606
Investment property	129,133	72,834
	173,904	160,440

NOTES TO THE FINANCIAL STATEMENTS

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30. COMMITMENTS (CONTD.)

(b) Operating lease commitments - as lessor

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

	Group	
	2017 RM'000	2016 RM'000
Not later than 1 year	899,325	503,420
Later than 1 year but not later than 5 years	2,590,021	2,086,076
More than 5 years	2,696,207	3,247,923
	6,185,553	5,837,419

31. RELATED PARTY DISCLOSURES

(a) Controlling related party relationships are as follows:

- (i) PETRONAS, the ultimate holding company, and its subsidiaries.
- (ii) Subsidiaries of the Company as disclosed in Note 7.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Federal Government of Malaysia:				
Property licences and taxes	(13,552)	(13,311)	-	-
Goods and Services Tax	(59,763)	(58,496)	(103)	(4)
Government of Malaysia's related entities:				
Purchase of utilities	(20,523)	(20,653)	-	-
Hotel revenue	4,723	3,145	-	-
Ultimate Holding Company:				
Rental income	512,028	494,876	-	-
Facilities management and manpower fees	24,604	24,123	-	-
Rental of car park spaces	(8,065)	(7,811)	-	-
Fees for representation on the Board of Directors*	(90)	(99)	(90)	(96)
Hotel revenue	1,784	2,299	-	-
Centralised Head Office Services charges	(2,931)	(629)	(441)	(468)
Immediate Holding Company:				
General management services fee payables	(1,460)	(1,977)	(674)	(922)
General management services fee receivables	3,107	2,864	3,107	2,864

NOTES TO THE FINANCIAL STATEMENTS
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31. RELATED PARTY DISCLOSURES (CONTD.)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subsidiaries:				
Reimbursement of security costs	-	-	(107)	(86)
General management services fee receivables	-	-	7,403	7,129
Interest income from shareholder's loan	-	-	-	3,160
Interest income from Sukuk Murabahah	-	-	2,801	-
Other Related Companies:				
Facilities management and manpower fees	20,265	16,658	-	-
General management services fee receivables	10,507	9,767	10,507	9,767
Management and incentive fees	2,651	2,800	-	-
Chilled water supply	(28,777)	(30,739)	-	-
Project management fees	(3,293)	(3,918)	-	-
Rental of car park spaces	(6,543)	(5,900)	-	-

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

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Notes 12 and 19.

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

The remuneration of Directors is disclosed in Note 26.

Other key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

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

Credit Risk

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

Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Company may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Company, a significant portion of these receivables are related companies.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS (CONTD.)

Credit Risk (Contd.)

Receivables (Contd.)

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

	Group	
	2017 RM'000	2016 RM'000
Property investment		
- Office	1,363	1,419
- Retail	2,263	3,022
Hotel operations	7,195	4,661
Management services	664	2,313
	11,485	11,415
Less: Allowance for impairment losses (Retail)	(603)	(1,113)
	10,882	10,302

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

At net:		
Not past due	8,658	7,247
Past due 1 to 30 days	740	1,546
Past due 31 to 60 days	279	401
Past due 61 to 90 days	325	555
Past due more than 90 days	1,483	1,666
	11,485	11,415
Less: Allowance for impairment losses (Retail)	(603)	(1,113)
	10,882	10,302

Movement in allowance account:

At 1 January	1,113	645
Allowance for impairment	214	468
Allowance written off	(724)	-
At 31 December	603	1,113

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity Risk

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

Maturity analysis

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

	Carrying amount RM'000	Effective interest rate %	Contractual cash flow* RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2017							
Group							
Financial Liabilities							
Sukuk Murabahah	1,871,026	4.41 - 4.73	2,284,512	85,376	476,797	577,945	1,144,394
Term loans	380,051	4.44	494,828	25,973	24,728	69,166	374,961
Trade and other payables	268,346	-	268,346	268,346	-	-	-
Other long term liabilities	161,880	4.60	130,255	-	14,613	-	115,642
Company							
Financial Liabilities							
Trade and other payables	6,412	-	6,412	6,412	-	-	-
31 December 2016							
Group							
Financial Liabilities							
Sukuk Murabahah	2,172,478	4.41 - 4.73	2,693,278	408,454	85,376	1,004,600	1,194,848
Term loans	379,952	4.42	511,006	18,501	24,021	71,002	397,482
Trade and other payables	280,996	-	280,996	280,996	-	-	-
Other long term liabilities	120,116	4.60	123,734	9,688	-	8,196	105,850
Company							
Financial Liabilities							
Trade and other payables	6,824	-	6,824	6,824	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS (CONTD.)

Market Risk

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

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

Interest Rate Risk

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

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	303,821	954,367	-	469,059
Financial liabilities	(1,871,026)	(2,172,478)	-	-
Floating rate instruments				
Financial liabilities	(380,051)	(379,952)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS (CONTD.)

Interest Rate Risk (Contd.)

Cash flow sensitivity analysis for floating rate instruments

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

	Change in interest rate b.p.s.	Group Profit or loss RM'000
2017		
KLIBOR	-40	1,513
KLIBOR	+40	(1,513)
2016		
KLIBOR	-40	1,513
KLIBOR	+40	(1,513)

This analysis assumes that all other variables remain constant.

Foreign Currency Risk

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

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

Fair Values

The Group's and the Company's financial instruments consist of cash and bank balances, trade and other receivables, borrowings, and trade and other payables.

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

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

This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS (CONTD.)

Fair Values (Contd.)

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

	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group					
2017					
Financial liabilities					
Sukuk Murabahah	-	1,824,633	-	1,824,633	1,871,026
Term loans	-	369,951	-	369,951	380,051
2016					
Financial liabilities					
Sukuk Murabahah	-	2,137,485	-	2,137,485	2,172,478
Term loans	-	371,328	-	371,328	379,952

For financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the reporting date. There has been no transfer between Level 1, 2 and 3 fair values during the financial year.

33. CAPITAL MANAGEMENT

The Group and the Company define capital as total equity and debt of the Group and the Company. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximise shareholder value. The Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

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

The debt to equity ratio as at 31 December 2017 and 31 December 2016 is as follows:

	Group	
	2017	2016
Total debt (RM'000)	2,251,077	2,552,430
Total equity (excluding Other NCI) (RM'000)	13,028,492	12,794,193
Debt equity ratio	17:83	20:80

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

34. SEGMENTAL INFORMATION

(a) Reporting Format

Segment information is presented in respect of the Group's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

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

The Group comprises the following main business segments:

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

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

(b) Allocation Basis and Transfer Pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

34. SEGMENTAL INFORMATION (CONTD.)

Business Segments

31 December 2017

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	591,011	475,950	167,200	132,590	-	1,366,751
Inter-segment revenue	828	12,494	-	60,168	(73,490)	-
Total revenue	591,839	488,444	167,200	192,758	(73,490)	1,366,751
Results						
Operating profit	522,994	397,894	19,824	74,229	(15,192)	999,749
Fair value adjustment on investment properties	103,106	70,177	-	9,200	-	182,483
Financing costs						(110,963)
Interest income						30,597
Share of profit of an associate						13,465
Tax expense						(101,766)
Profit after tax but before non-controlling interests						1,013,565
Segment assets	10,204,534	6,170,352	705,821	71,333	384,081	17,536,121
Investment in an associate	-	-	-	99,195	157,246	256,441
Total assets						17,792,562
Total liabilities	1,589,079	796,435	445,704	36,750	(122,262)	2,745,706
Capital expenditure	18,236	15,180	54,296	7,559	-	95,271
Depreciation	622	2,588	23,172	6,770	-	33,152
Non-cash items other than depreciation	-	220	358	1	-	579

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

34. SEGMENTAL INFORMATION (CONTD.)

Business Segments (Contd.)

31 December 2016

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	590,941	475,322	149,493	127,790	-	1,343,546
Inter-segment revenue	363	12,987	-	57,354	(70,704)	-
Total revenue	591,304	488,309	149,493	185,144	(70,704)	1,343,546
Results						
Operating profit	524,255	400,337	11,574	76,904	(13,728)	999,342
Fair value adjustment on investment properties	157,420	13,723	-	-	-	171,143
Financing costs						(121,220)
Interest income						42,552
Share of profit of an associate						10,881
Tax expense						(91,671)
Profit after tax but before non-controlling interests						1,011,027
Segment assets	10,220,212	6,060,422	694,986	71,211	480,278	17,527,109
Investment in an associate	-	-	-	99,195	155,821	255,016
Total assets						17,782,125
Total liabilities	1,785,143	769,046	440,116	33,724	(23,929)	3,004,100
Capital expenditure	101,524	15,833	30,621	2,069	-	150,047
Depreciation	745	3,309	21,933	7,159	-	33,146
Non-cash items other than depreciation	-	654	3,246	(18)	-	3,882

35. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Revenue from Contracts with Customers: Clarifications
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 140	Investment Property: Transfers to Investment Property

The adoption of MFRS 9 and MFRS 15 are expected to have the following impact on initial application:

(a) MFRS 15

78% of the revenue of the Group is derived from rental income which is excluded under MFRS 15. In assessing the revenue recognition under MFRS 15, the principles currently applied by the Group and the Company are consistent with that of the requirements of MFRS 15. Other than the enhanced disclosures required, the impact on initial application of MFRS 15 is expected to be not material to the Group.

(b) MFRS 9

Receivables of the Group and the Company are mainly represented by accrued revenue of which MFRS 9 does not apply. Intercompany balances are settled within a stipulated timeline as determined by intercompany settlement policy. Trade receivables, as disclosed in Note 32, represents 0.1% of the total assets of the Group. It is expected that the impact of MFRS 9 upon initial application is not material to the Group.

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
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Effective for a date yet to be confirmed

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

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

The adoption of the amendments to MFRS 128 and amendments to MFRS 140 does not impact the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

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

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 3	Business Combinations: Previously Held Interest in a Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 11	Joint Arrangements: Previously Held Interest in a Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 123	Borrowing Costs: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRSs 2015-2017 Cycle)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KLCC Property Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 213 to 274.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Key audit matters (Contd.)

Valuation of investment properties

As at 31 December 2017, the carrying value of the Group's investment properties carried at fair value amounts to RM15,459,758,000 which represents 87% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged external valuers to determine the fair value of the investment properties at the reporting date.

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

For investment properties under construction ("IPUC"), the Group's policy is to measure them at cost until their fair value can be reliably determined or construction is completed, whichever is earlier, as disclosed in Note 2.7 to the financial statements. As at 31 December 2017, the IPUC carried at cost by the Group amounts to RM207,717,000. Our audit procedures included, amongst others, assessing the appropriateness of amounts capitalised as IPUC.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRS, IFRS and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (Contd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

24 January 2018

Ismed Darwis bin Bahatiar

No. 2921/04/18(J)

Chartered Accountant

KLCC REIT

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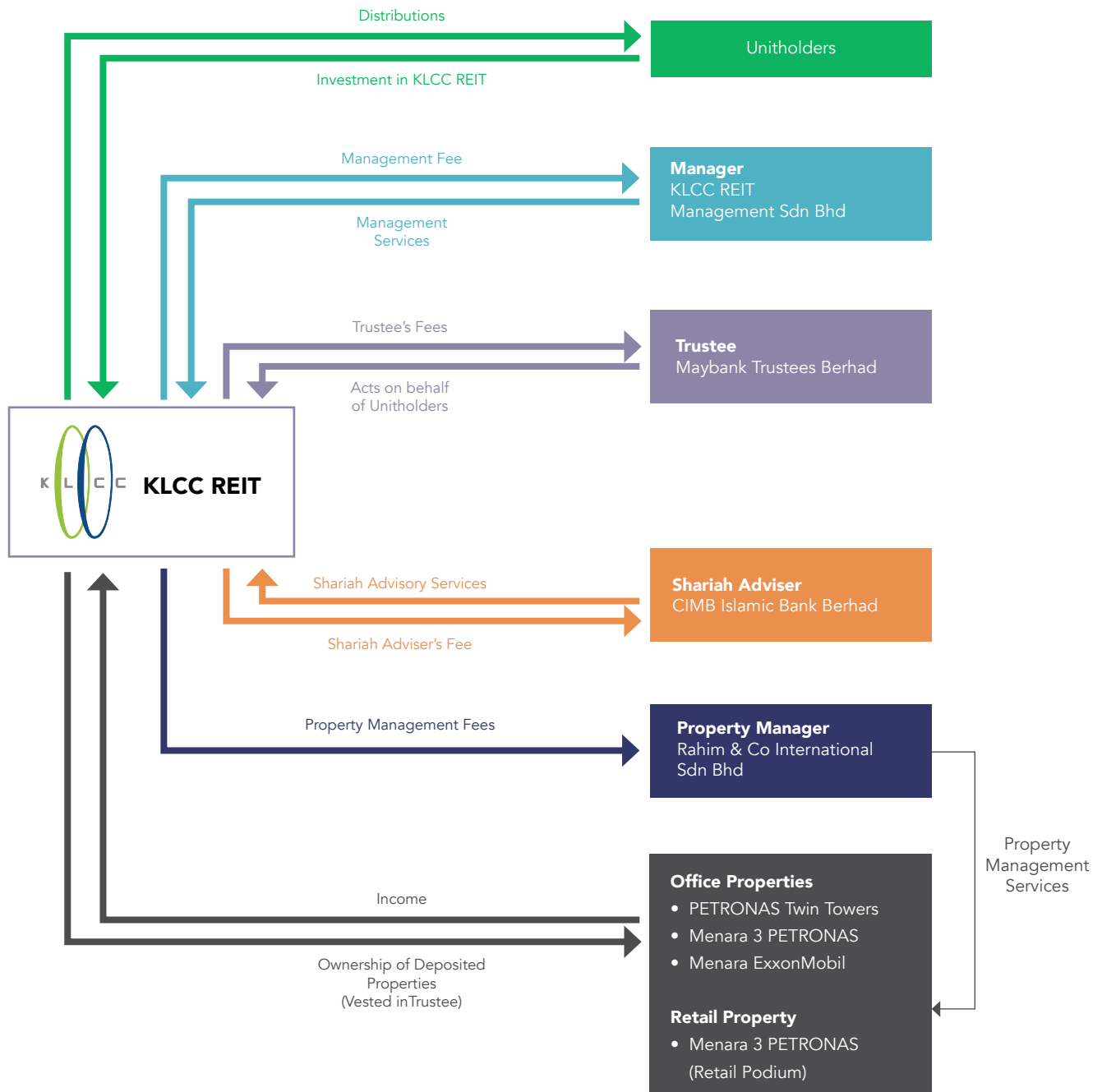


KLCC REIT

SALIENT FEATURES

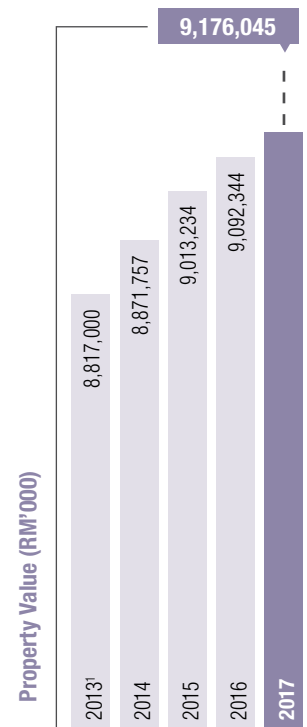
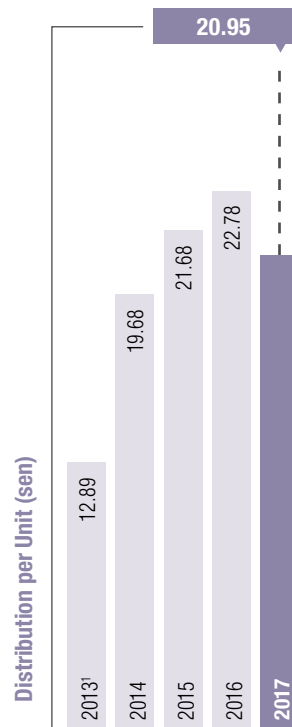
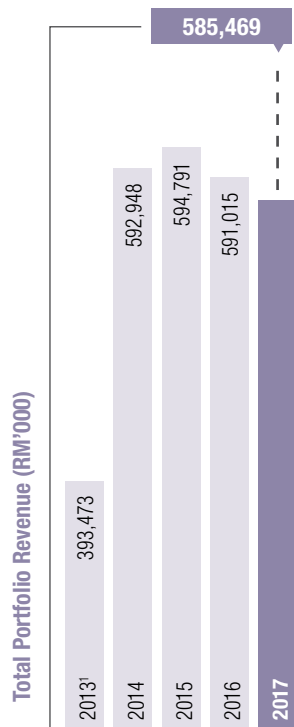
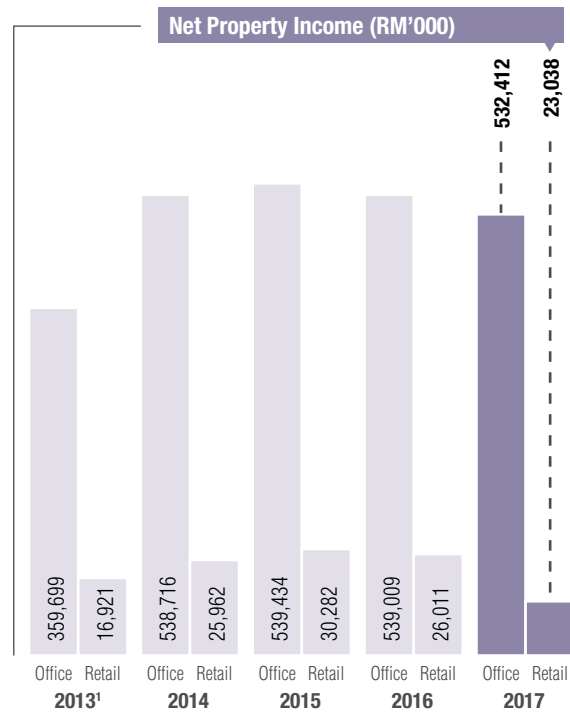
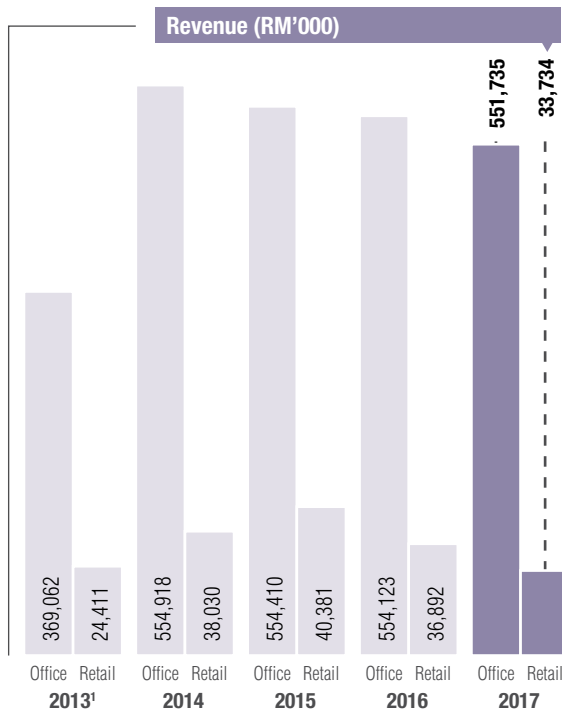
Name of Fund	KLCC Real Estate Investment Trust (KLCC REIT)
Fund Type	Income and Growth
Fund Category	Islamic Real Estate Investment Trust
Duration of Fund/Termination Date	<p>The earlier of:</p> <ul style="list-style-type: none"> • 999 years falling on 8 April 3012 • The date on which KLCC REIT is terminated by the Trustee or the Manager, in circumstances as set out under provisions of the Trust Deed dated 2 April 2013
Approved Fund Size	1,805,333,085 units
Market Capitalisation	RM15,598,077,854 (as at 31 December 2017)
Investment Objective	To provide the unitholders with regular and stable distributions, improving returns from property portfolio and capital growth, while maintaining an appropriate capital structure
Investment Policy	To invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes in Malaysia and overseas
Distribution Policy	<p>95% of KLCC REIT's distributable income for FY2013 & FY2014 and at least 90% for each subsequent financial year</p> <p>Distributions are made on a quarterly basis</p>
Gearing Policy	Up to 50% of total asset value of the Fund
Listing Date	9 May 2013
Stock Name	KLCC
Stock Code	5235SS

KLCC REIT STRUCTURE



KLCC REIT FINANCIAL HIGHLIGHTS

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

KLCC REIT

VALUE ADDED STATEMENT

	2017 RM'000	2016 RM'000
Total turnover	585,469	591,015
Profit income	4,733	9,685
Fair value adjustments of investment properties	81,496	79,492
Operating and tax expenses	(30,019)	(12,903)
	641,679	667,289
Reconciliation		
Profit for the year	527,644	546,933
Finance costs	68,080	74,091
Managers fees	45,355	45,665
Trustee fees	600	600
	641,679	667,289
Value distributed		
Trust expenses		
Managers fees	45,355	45,665
Trustee fees	600	600
Providers of capital		
Finance costs	68,080	74,091
Income distribution	389,591	411,435
Reinvestment and growth		
Undistributed income	56,557	42,914
Capital reserve*	81,496	92,584
	641,679	667,289

* 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	2017	2016	2015	2014	2013 ¹
Revenue (RM'000)	585,469	591,015	594,791	592,948	393,473
Net Property Income (RM'000)	555,450	565,020	569,716	564,678	376,620
Total Comprehensive Income: (RM'000)					
- Realised	446,148	454,349	459,290	427,276	299,163
- Unrealised	81,496	92,584	129,480	52,028	67,249
Income Available for Distribution (realised) (RM'000)	397,177	411,451	391,850	364,623	244,163
Income Distribution	378,217²	411,255	391,396	355,289	232,707
Distribution per Unit (DPU) (sen)	20.95	22.78	21.68	19.68	12.89
Annualised (DPU) (sen)	20.95	22.78	21.68	19.68	19.34
Distribution Yield ³ (%)	4.18	4.30	4.91	5.01	4.95
Basic Earnings per Unit (sen)	29.22	30.30	32.61	26.55	20.3
Management expense ratio ⁴ (%)	0.60	0.61	0.61	0.64	0.42

STATEMENT OF FINANCIAL POSITION

Key Data & Financial Ratios	As at 31 Dec 17	As at 31 Dec 16	As at 31 Dec 15	As at 31 Dec 14	As at 31 Dec 13
Investment Properties (RM'000)	9,176,045	9,092,344	9,013,234	8,871,757	8,817,000
Total Assets (RM'000)	9,631,719	9,683,102	9,568,582	9,336,812	9,244,295
Total Financings (RM'000)	1,371,026	1,572,478	1,570,395	1,568,400	1,608,591
Total Liabilities (RM'000)	1,581,455	1,770,891	1,791,869	1,772,457	1,804,316
Total Unitholders' Fund (RM'000)	8,050,264	7,912,211	7,776,713	7,564,355	7,439,979
Total Net Asset Value (NAV) (RM'000)	8,050,264	7,912,211	7,776,713	7,564,355	7,439,979
Net Asset Value (NAV) per unit:					
- before distribution (RM)	4.46	4.38	4.31	4.19	4.12
- after distribution (RM)	4.41	4.33	4.25	4.14	4.07
Highest NAV per unit (RM)	4.46	4.38	4.31	4.19	4.12
Lowest NAV per unit (RM)	4.37	4.29	4.16	4.09	4.03
Gearing Ratio (%)	14.2	16.2	16.4	16.8	17.4
Average Cost of Debt (%)	4.61	4.41	4.41	4.41	4.26
Debt Service Cover Ratio (times)	9.1	8.7	9.7	3.8	9.9

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

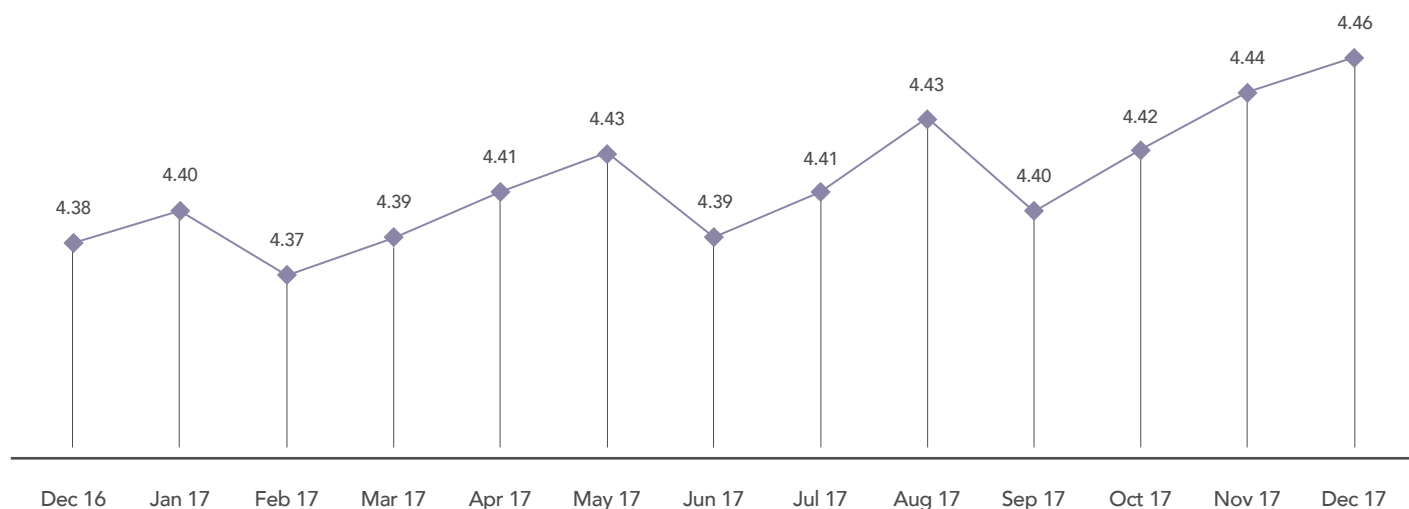
² Includes the 2017 fourth income distribution payable on 28 February 2018.

³ Based on DPU of KLCCP Stapled Group of 36.15 sen (2016: 35.65 sen) and the closing price of KLCC Stapled Securities of RM 8.64 (2016: RM8.30) as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

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

KLCC REIT FUND PERFORMANCE

NET ASSET VALUE PER UNIT (RM)

TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES¹

Trading Summary	2017	2016	2015	2014	2013 ²
Stapled Securities Closing Price at 31 December (RM)	8.64	8.30	7.06	6.71	5.85
Highest traded price for the year (RM)	8.64	8.30	7.30	7.00	7.68
Lowest traded price for the year (RM)	7.70	6.80	6.62	5.47	5.72
Capital Appreciation (%)	4.1	17.6	5.2	14.7	(7.1) ³
Annual Total Return (%) ⁴	8.3	21.9	10.1	19.7	(2.2)
Average Total Return (3 years) (%)	13.4	17.2	9.2	-	-
Number of Stapled Securities ('000)	1,805,333	1,805,333	1,805,333	1,805,333	1,805,333
Market Capitalisation (RM'000)	15,598,077	14,984,264	12,745,651	12,113,784	10,561,198

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

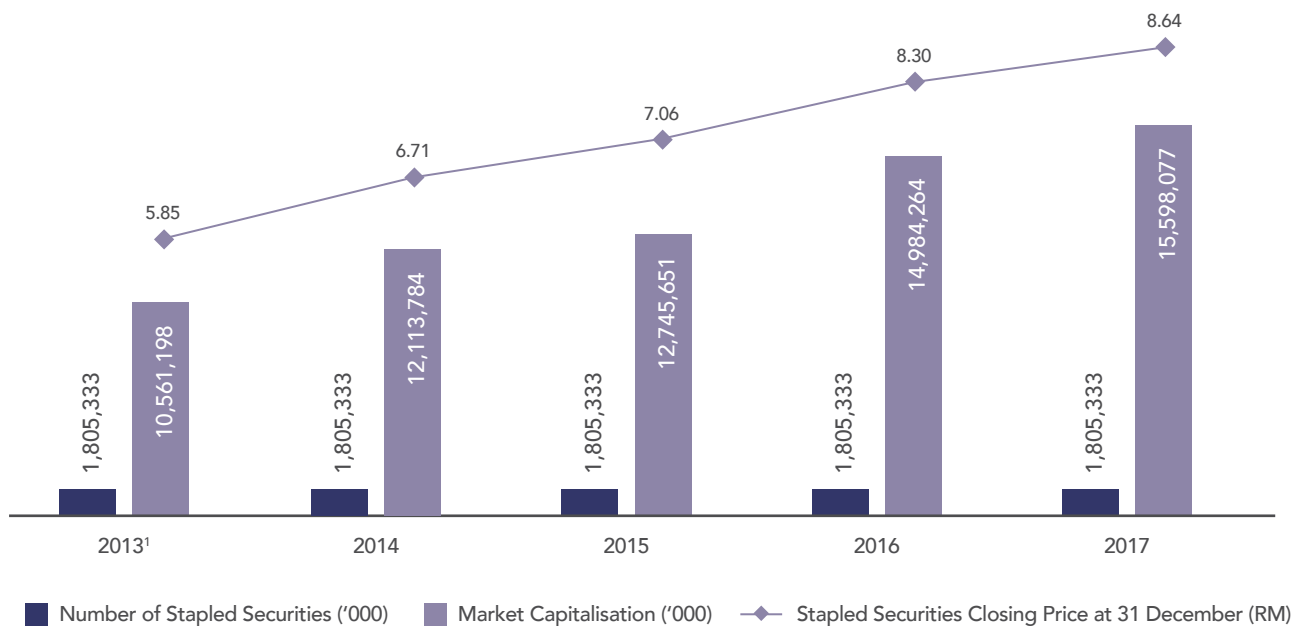
² KLCC REIT was established on 9 April 2013 and the acquisition of the properties was completed prior to the date of 9 May 2013. The financial results reported refers to the period from 9 April 2013 to 31 December 2013.

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

⁴ Annual total return comprise capital appreciation from 31 December 2016 to 31 December 2017 of 4.1% (2016: 17.6%) and distribution yield of KLCCP Stapled Group of 4.18% (2016: 4.30%).

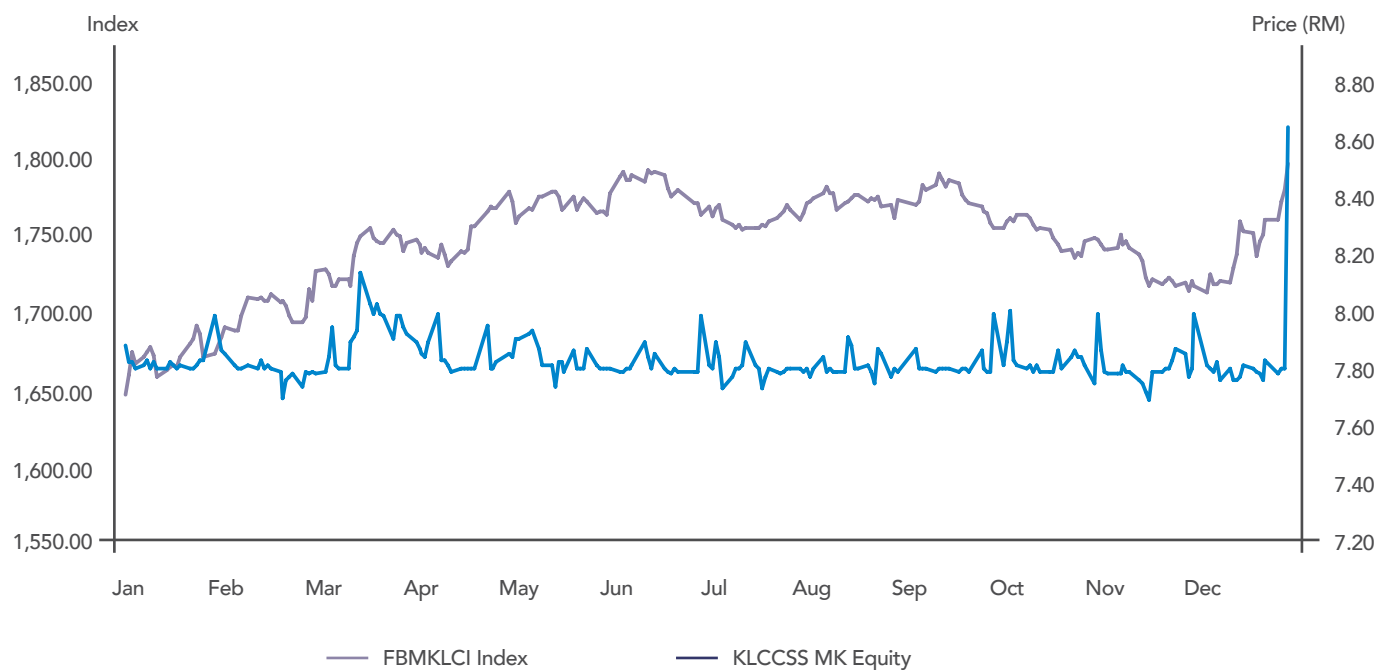
KLCC REIT FUND PERFORMANCE

MARKET CAPITALISATION, SHARE PRICE PERFORMANCE AND NUMBER OF STAPLED SECURITIES



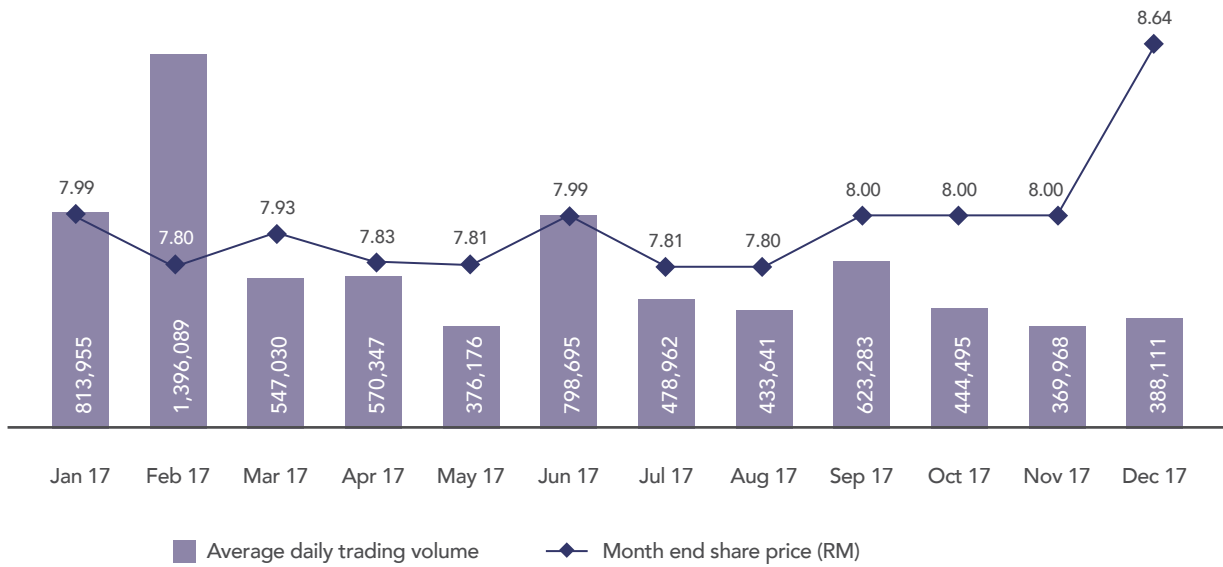
¹ KLCC REIT was established on 9 April 2013 and the acquisition of the properties was completed prior to the listing date of 9 May 2013. The financial results reported refers to the period from 9 April 2013 to 31 December 2013.

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



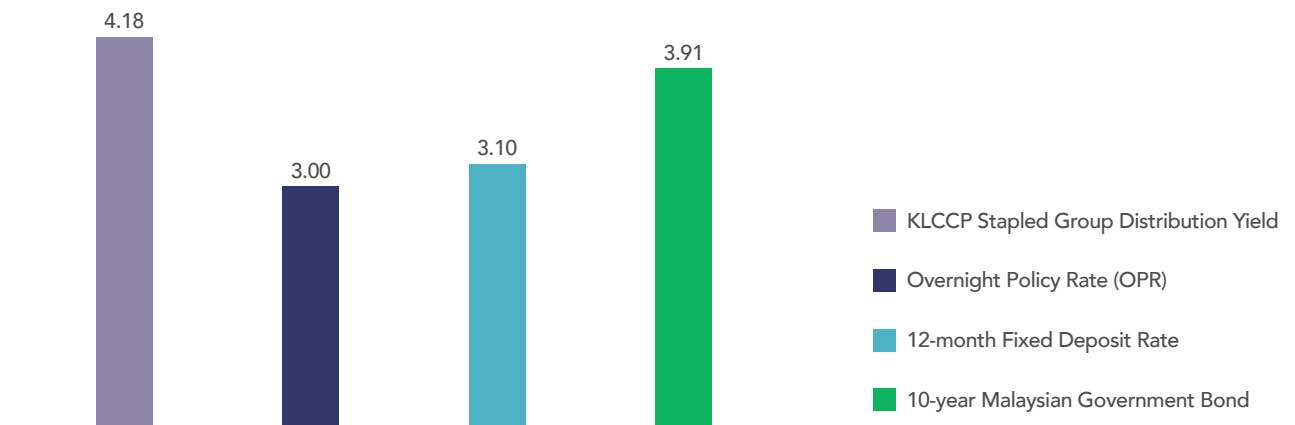
KLCC REIT FUND PERFORMANCE

KLCC STAPLED SECURITIES MONTHLY TRADING PERFORMANCE



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COMPARATIVE YIELD AS AT 31 DECEMBER 2017 (%)



Source: Bank Negara website

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

THE MANAGER OF KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT OR THE FUND"), KLCC REIT MANAGEMENT SDN BHD ("THE MANAGER"), HAS PLEASURE IN SUBMITTING THEIR FINANCIAL AND OPERATIONAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL ACTIVITY AND INVESTMENT OBJECTIVES

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

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

INVESTMENT STRATEGIES

The Manager 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-focused diversified REIT with a high profile and well established office and retail property portfolio. KLCC REIT comprise three unique prime office assets - 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 leverages Suria KLCC's reputation as a premier shopping destination in the country.

The properties are located within the Kuala Lumpur City Centre, popularly known as KLCC, the Central Business District of the bustling Kuala Lumpur City. With a combined NLA of over 4.54 million sq ft within the 100-acre KLCC Development, the properties rank among the largest real-estate developments in the world. The integrated commercial development within the KLCC Precinct is a combination of prime A-Class offices, premier retail outlets, 4 to 5 star hotels, high-end residential, M.I.C.E (meeting, incentives, convention and exhibition) facilities and world-class entertainment fronting a lush KLCC Park.

FINANCIAL REVIEW

		2017 (RM'mil)	2016 (RM'mil)	Growth (%)
Revenue		585.5	591.0	(0.9)
Net property income		555.5	565.0	(1.7)
Profit for the year*		446.1	454.3	(1.8)
Income available for distribution*		397.2	411.5	(3.5)
Income distribution*		378.2	411.3	(8.0)
Earnings per unit* (EPU)	Sen	24.70	25.20	(2.0)
Distribution per unit (DPU)	Sen	20.95	22.78	(8.0)
Net asset value (NAV) per unit	RM	4.46	4.38	1.8

* Excluding fair value adjustment

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Key highlights:

- Renewal of the lease for ExxonMobil Exploration and Production Malaysia Inc (EMEPMI) at Menara ExxonMobil, which expired in January 2017, for a tenure of 18 years for the occupancy of 13 floors
- Securing of a new tenant, PETRONAS, for the remaining 11 floors vacated by EMEPMI at Menara ExxonMobil in April 2017 for a tenure of 18 years
- Rental revision upward to the lease for the office tower of Menara 3 PETRONAS took effect in December 2017
- Repayment of RM200 million of the Sukuk Murabahah borrowings by utilising internal cash available and reducing the overall interest costs to KLCC REIT

For the financial year ended 31 December 2017, KLCC REIT portfolio of assets reported revenue of RM585.5 million contributing 43% of KLCCP Stapled Group's revenue whilst profit for the year represented 48% of the PBT for KLCCP Stapled Group. The decline in revenue and net property income compared to 2016 was attributable to the downtime in the tenant transitioning at Menara ExxonMobil and the interim vacancies in the retail podium of Menara 3 PETRONAS.

Net asset value improved from RM4.38 per unit as at 31 December 2016 to RM4.46 per unit as at year end, after taking into account the fair value adjustment of RM81.5 million. Despite the overall results in 2017, KLCC REIT distributed 20.95 sen to the holders of Stapled Securities with 95% distribution of distributable income for the financial year 2017.

	Revenue (RM'mil)		Net Property Income (RM'mil)		Profit for the Year * (RM'mil)	
	2017	2016	2017	2016	2017	2016
PETRONAS Twin Towers	424.2	423.5	422.7	422.4	336.8	334.7
Menara ExxonMobil	39.8	42.5	22.1	28.9	16.6	22.8
Menara 3 PETRONAS	87.8	88.1	87.6	87.7	75.6	78.3
Total for Office Segment	551.8	554.1	532.4	539.0	429.0	435.8
Menara 3 PETRONAS (Retail Podium)	33.7	36.9	23.1	26.0	17.1	18.5
Total for Retail Segment	33.7	36.9	23.1	26.0	17.1	18.5
Total	585.5	591.0	555.5	565.0	446.1	454.3

* Excluding fair value adjustment

The performance of the three investment properties generated total net property income (excluding fair value adjustment) of RM555.5 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 72% or RM424.2million, with net property income of RM422.7 million, representing 76% of total net property income. The office segment continues to be the cornerstone of stability for KLCC REIT.

Office segment

The Kuala Lumpur skyline is poised to change as more skyscrapers are completed over the next three years, raising the benchmark premium grade office space in the city. This increased availability in the office sector is expected to exert near term pressure on occupancy and rental rates in Greater Kuala Lumpur.

The locked-in 15-year Triple Net Lease tenancies for PETRONAS Twin Towers and Menara 3 PETRONAS shields KLCC REIT from these softer market conditions. The lease arrangement also enhances the quality of earnings as all property expenses and outgoings are borne by the tenants. Both these leases contributed to 96% of the office segment, delivering steady earning streams for the REIT, boosted by their full occupancy.

This year saw the lease by EMEPMI for Menara ExxonMobil expire in January 2017 after 20 years. The Asset Manager successfully executed a new long-term lease arrangement with EMEPMI with effect from February 2017 for a tenure for 18 years. EMEPMI retained 13 floors of their office following the disposal of a business unit. With just a two-month downtime period, the Asset Manager successfully secured and executed a long-term lease agreement with PETRONAS for PETRONAS ICT Sdn Bhd to occupy the remaining 11 floors with effect from April 2017 for a period of 18 years. The building still retains its name as Menara ExxonMobil. With both these leases in place, the office segment is on a strong footing with occupancy back to 100%.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Retail segment

The retail podium of Menara 3 PETRONAS which represents the Fund's retail segment, registered a total revenue of RM33.7 million and net property income of RM23.1 million. The dampened performance compared to 2016 was mainly due to the drop in average occupancy from 89% in 2016 to 80% in 2017, following the exit of several tenants, namely Kentucky Fried Chicken, French Sole and Giorgio Armani and the ongoing tenant remixing at the retail mall to better reflect the current shopping trends to enhance customer experience.

Suria KLCC as the retail manager continued its focus on delivering value for its retailers in its efforts to strengthen tenant sales and customer footfall. With global brands consolidating and exiting the country and e-commerce activities disrupting traditional brick and mortar consumer business, Suria KLCC is continuously attuned to the changes in the retail landscape and on-hand in engaging and communicating with its tenants and retailers on the ever changing consumer needs and demands to deliver value.

During the year, Texas Chicken opened their flagship restaurant on the concourse floor with the world's first "Tex Café" corner. The introduction of valet parking at the ground floor main entrance of the retail podium of Menara 3 PETRONAS in 2017 also resulted in a significant growth in patronage and overall awareness. DeBeers' only presence in Malaysia is currently constructing its exclusive flagship store at the retail podium entrance with a double-storey façade, due to open in Quarter 1, 2018.

The retail podium is expected to gradually strengthen its contribution to KLCC REIT's performance with the retail team's efforts in improving occupancy via the introduction of new concepts to spur vibrancy. With Suria KLCC being adjacent to the retail podium of Menara 3 PETRONAS and undergoing a remixing exercise, it is expected that the overall enhanced customer experience at the mall will complement the retail podium and optimise the right traffic and retail spend.

Assets and Liabilities

The Fund continues to maintain a strong balance sheet with unitholders' funds growing to RM8.1 billion and net assets per unit improving to RM4.46.

	2017 (RM'mil)	2016 (RM'mil)	Variance (%)
ASSETS			
Investment properties	9,176.0	9,092.3	(0.9)
Receivables	386.5	334.8	15.4
Cash and bank balances	67.9	255.7	(73.4)
Others	1.3	0.3	>100.0
	9,631.7	9,683.1	(0.5)
LIABILITIES			
Borrowings	1,371.0	1,572.5	(12.8)
Others	210.5	198.4	6.0
	1,581.5	1,770.9	(10.7)
Unitholders Fund	8,050.2	7,912.2	1.8
Net asset per unit (NAV)	RM 4.46	4.38	1.8

The trade receivables are primarily accrued operating lease income recognised which continues to increase over the term of the lease. The accrued revenue was as a result of 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.

The decrease in cash and bank balances of RM187.8 million or 73.4% mainly corresponds to the reduction in borrowings of RM200 million or 12.7% from the repayment of the Sukuk Murabahah of RM300 million that was due in April 2017, further referred to under "Capital Management" of this report.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

MARKET VALUE OF INVESTMENT PROPERTIES

Property valuations as at 31 December 2017, recorded an increase in market value of RM132.7 million as compared to the previous year. In line with MFRS 140 Investment Property, adjustments need to be made to accrued operating lease income and additions during the year to avoid double counting of assets, hence only RM81.5 million is recognised as fair value adjustment.

Property	Market Value		Carrying Value	
	31 Dec 2017 RM'mil	31 Dec 2016 RM'mil	31 Dec 2017 RM'mil	31 Dec 2016 RM'mil
PETRONAS Twin Towers	6,973.0	6,918.0	6,672.7	6,656.4
Menara ExxonMobil	533.7	505.0	531.2	504.8
Menara 3 PETRONAS	2,049.0	2,000.0	1,972.1	1,931.7
Total	9,555.7	9,423.0	9,176.0	9,092.3

OPERATIONAL REVIEW

Asset Management

With active asset management part of our investment strategy for KLCC REIT, we continued to maintain the iconic stature and performance of our premium grade-A portfolio of assets to keep our properties in pristine condition for longer term tenancy prospects. Management's efforts were recognised at the EdgeProperty.com – Malaysia's Best Managed Property Awards 2017, where a Gold Award was received for the PETRONAS Twin Towers.

Towards achieving our full Green Building Index Certification for PETRONAS Twin Towers and Menara 3 PETRONAS by 2018, during the year, we continued with the enhancements to the Energy Management System at both the properties. Key initiatives included the implementation of LED lighting replacement at the common areas and commissioning of the electrical and Heating, Ventilation and Air Conditioning (HVAC) system at Menara 3 PETRONAS.

The Manager also successfully transitioned the robust portfolio through the cycles of demand by keeping the downtime of the lease transition at Menara ExxonMobil to only two months, and reverting of the office segment back to 100% occupancy. With the emergence of co-working space impacting office demand and in keeping with the latest office trends, we worked closely with our tenant, PETRONAS to create a "Workplace For Tomorrow", transforming the office spaces into a more collaborative workspace for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil. This enabled them to right-size and transform their office space to create workplaces that cater to personalised needs and promote productivity and in-turn builds efficiency. Menara ExxonMobil also saw enhancements and upgrades to its main lobby, basement, podium, restrooms and security features to cater towards tenant service improvements and maintaining long-term tenancy prospects.

Capital Management

The Manager continues to adopt a prudent capital management strategy to meet funding requirements and to support KLCC REIT's strategic objectives. In April 2017, KLCC REIT repaid the first tranche of the Islamic Medium Term Notes under KLCC REIT's Sukuk Murabahah Programme amounting to RM300.0 million utilising RM200.0 million from internal cash and raising the balance RM100.0 million through utilising the existing RM3.0 billion Sukuk Murabahah, which was fully subscribed by KLCC Property Holdings Berhad. This has effectively reduced the interests cost of KLCC REIT from RM70.6 million as at 2016 to RM64.0 million in 2017.

As at 31 December 2017, KLCC REIT's borrowings stood at RM1.3 billion with an average cost of debt of 4.5%. With gearing at 14.2%, KLCC REIT has significant debt headroom to support cost-effective financing for future growth and capitalise on the investment opportunities as they arise.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

		2017	2016
Total borrowings	RM'mil	1,371.0	1,572.5
Average cost of debt	%	4.5	4.4
Fixed: Floating	ratio	100:0	100:0
Average maturity period	years	3.6	3.9
Debt service cover ratio	times	9.1	8.7
Gearing ratio	%	14.2	16.2
RAM Rating of Sukuk		AAA	AAA

KLCC REIT continues to maintain a well-staggered debt maturity profile to 2024 with an average maturity period of 3.6 years and 100% of the borrowings on fixed cost.

Income Distribution

Despite the challenges faced during the year, the Manager remained committed to enhance value to its unitholders and distributed 95% of its distributable income for the financial year 2017.

Based on the total income available for distribution of RM397.2 million, the Manager had recommended and the Trustee had approved a total income distribution of 20.95 sen for the year ended 31 December 2017.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'mil)	Remarks
First Interim Distribution	5.50	99.3	Paid on 5 July 2017
Second Interim Distribution	5.44	98.2	Paid on 4 October 2017
Third Interim Distribution	4.96	89.5	Paid on 28 December 2017
Fourth Interim Distribution	5.05	91.2	To be paid on 28 February 2018
Total	20.95	378.2	

MARKET REVIEW

The world economy is showing encouraging signs of recovery, with GDP growth accelerating to 3.5% in 2017. Growth is also projected to increase next year in both emerging market and developing economies, supported by controlled levels of inflation, continued economic and corporate earnings growth and improving employment levels. Despite expectations of more robust global growth going forward, an environment of high policy uncertainty, lower than expected commodity prices and geopolitical tensions could take a toll on market confidence and pose uncertainties to future growth prospects.

Domestically, Malaysia is expected to ride along the positive momentum in the global environment by benefiting from stronger world trade growth, higher commodity prices and buoyed external demand which has revived exports.

Malaysia's economy gained momentum throughout the year with GDP expanding to 6.2% in the third quarter of 2017. Due to the strong performance during this period, for the first time growth has exceeded 6.0% since 2014 with full-year expansion on track to register at the upper end of official projections of between 5.2% and 5.7%. Inflation remained stable this year mainly due to lower domestic fuel prices, which underpinned the stronger household consumption.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Despite growth recovery in the financial economy, 2017 was a challenging year for Malaysia's real estate investment trusts' (MREITs) sector. MREITs underperformed the FBMKLCI by 9.0% in 2017. Underperformance reflected MREITs moderation in unit prices, partly attributed to their 2016 outperformance for the resilient earnings and on cautious corporate earnings outlook across selected sectors. In 2017, broad property oversupply, which led to further compression in occupancy and rental rates, also impacted investor sentiment on the REITs.

On a positive note, during the year we saw an entrance of a new REIT listing on Bursa – KIP Real Estate Investment Trust which listed in February 2017, adding up to a total of 18 MREITs listed on Bursa Malaysia. Another factor that has spurred investor interest this year is the newly launched REIT Index by Bursa Malaysia. The REIT Index, which will track all listed REITs on Bursa Malaysia, is aimed at increasing the profile of the listed REITs and serves as a benchmark to gauge their overall performance.

Office Market Overview

The Kuala Lumpur and Beyond Kuala Lumpur (Selangor) office markets remained lackluster in 2017 with demand lagging supply. The total supply of office space reached 119.0 million sq ft at the end of 1H 2017, with Greater Kuala Lumpur being the largest office space (in terms of floor space) in Southeast Asia. Supply will continue to outgrow demand at a rapid rate, especially within the KL City with the completion of more than 6.0 million sq ft in the period of 2019 to 2021. Some of these major incoming developments include the Merdeka PNB, three plots within KLCC Precinct, as well as several plots in the Tun Razak Exchange (TRX).

Demand has been outpaced by supply over the past five years, which has resulted in stagnant rental growth in most submarkets. The overall occupancy levels for KL City continued to decline to 80.7% as at 1H2017 (2H2016:82.8%) as the high supply pipeline and weak demand from its traditional occupiers oil and gas and banking sectors limited absorption rates. Vacancy rates are expected to trend upwards, owing to slower take-up of office space resulting from existing tenants who are seeking for cheaper alternatives.

The completion of the Sungai Buloh–Kajang (SBK) mass rapid transit line (MRT Line 1), with full operations (for both Phases 1 and 2) since 17 July 2017, together with the existing LRT and KTM lines are expected to boost positive demand for office space in established and upcoming decentralised locations along the rail transportation routes.

With changes in technology supporting flexible working culture, the serviced office and co-working segments are gaining popularity. With strong government-led initiatives by Malaysia Digital Economy Corporation (MDEC), leading to the launch of Malaysia Digital Hub and the Malaysia Tech Entrepreneur Programme (MTEP), demand for serviced office and co-working spaces are expected to grow across a diverse mix of industries and professions such as technology start-ups and small medium enterprises (SMEs). Greater Klang Valley continues to see the expansion of global as well as the emergence of local co-working operators.

Retail Market Overview

Two years after the implementation of the Goods and Service Tax (GST) in 2015, the performance of the retail industry continues to remain lackluster. Retail Group Malaysia revised its projection of retail sales growth to 2.2% for 2017 as consumers continued to tighten their belts amid rising cost of living and a weaker job market. The MIER Consumer Sentiment Index (CSI) remains weak despite improving in Q2 2017, from 80.7 points in Q2 2017 to 77.1 points in Q3 2017. Notwithstanding, the CSI remained below the threshold of 100 points, reflecting the cautious sentiments of consumers.

The cumulative retail supply of retail space in Klang Valley stood at circa 56.6 million sq ft as of the end of 1H 2017. Klang Valley retail supply continues to expand rapidly despite growing challenges in the industry. The retail market expects another 12.6 million sq ft of NLA (8.5% of current retail space) in the Klang Valley in 2018, including notable names such as Paradigm KL, Pavilion 2 and Eko Cheras.

Given the oversupply of retail space and subdued growth in retail sales, rental reversion will likely remain flat. Less popular suburban and secondary shopping centres, faced with heightened competition and market dilution, will likely see lower rental levels and negative rental reversion. Occupancy for prime and regional centres within Kuala Lumpur is expected to be resilient with high occupancy levels of 95% and above.

The economic recovery with higher GDP posting in 3Q 2017 and the recent strengthening of local currency is anticipated to lift consumer sentiment and improve retail sales going forward.

Source: Knight Frank, Real Estate Highlights 1st Half 2017, Savills World Research, Asian Cities Report Kuala Lumpur Office 2H 2017 and The BNM Quarterly Bulletin

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

OUTLOOK

Looking ahead, the momentum in the Malaysian economy is expected to be sustained albeit at a slower pace. Four key themes to lookout for in 2018 are the impending 14th general election, the China-proposed Belt and Road Initiative, a firmer Ringgit and the potential rate hike. These events are expected to position the country to achieve the official growth target of 5.0 to 5.5 percent in 2018.

Despite the resiliency of the economy and the optimistic 2018 economic growth, the property sector will remain flat and challenging. The risks for the property market supply and demand imbalance is still far from over. The Government initiative effective from 1 November 2017 on the freeze of development approvals of offices, retail malls, serviced apartments and luxury residential apartments exceeding RM1.0 million in Kuala Lumpur will help to ease the oversupply and affordability challenges in the market.

Our office and retail portfolios continued to perform well and remain resilient despite the influx of office space and malls in KL City. Our quality office assets with full occupancy, backed by the locked-in long-term leases, underpins KLCC REIT's stability to weather the supply and demand imbalance in the office sector. The Manager will concentrate its efforts in maintaining the office assets in pristine condition and adopt new workplace strategies to attract and retain tenants.

Retail at Menara 3 PETRONAS will continue to leverage Suria KLCC as a leading shopping destination and offer a selected range of specialty retail stores, new food & beverage concepts and the latest digitalisation experience. Value added services such as advertising screens are available throughout the mall which can allow retailers to advertise within 1 hour of receipt of the advertising material by the mall operators. To improve comfort for the shoppers, upgrading of car park facilities is underway to allow shoppers to use the main directory to locate their cars.

Building on our strong foundation, The Manager will continue to proactively manage our assets, embark on new asset enhancement initiatives to fulfill our mission of creating value and delivering stable, sustainable returns to our holders of Stapled Securities.

MATERIAL LITIGATION

The Manager is not aware of any material litigation since the balance sheet date as at 31 December 2017 up to the date of this report.

CIRCUMSTANCES WHICH MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

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

DIRECTORS OF THE MANAGER'S BENEFITS

During and at the end of the financial 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 2017, the Manager's fee comprised the following:

1. Base fee of RM28.7 million which is calculated at 0.3% per annum of Total Asset Value
2. Performance fee of RM16.7 million, calculated at 3.0% per annum of Net Property Income

The Manager's total management fee of RM45.4 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.

KLCC REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS

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MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn Bhd ("the Manager"), has pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Fund during the financial year are investing directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for office and retail purposes as well as real estate related assets.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 entered between the Manager and Maybank Trustees Berhad ("the Trustee") and was registered with the Securities Commission Malaysia on 9 April 2013. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Manager is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

RESULTS

	Group RM'000	Fund RM'000
Profit for the year	527,644	527,641

DISTRIBUTION OF INCOME

The amount of income distributions paid by the Fund were as follows:

	RM'000
In respect of the financial year ended 31 December 2016:	
Fourth interim income distribution of 5.68% on 1,805,333,083 units, paid on 28 February 2017	102,543
In respect of the financial year ended 31 December 2017:	
First interim income distribution of 5.50% on 1,805,333,083 units, paid on 5 July 2017	99,293
Second interim income distribution of 5.44% on 1,805,333,083 units, paid on 4 October 2017	98,210
Third interim income distribution of 4.96% on 1,805,333,083 units, paid on 28 December 2017	89,545
	<u>389,591</u>

MANAGER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

DISTRIBUTION OF INCOME (CONTD.)

A fourth interim income distribution in respect of the financial year ended 31 December 2017, of 5.05% on 1,805,333,083 units amounting to an income distribution payable of RM91,169,000 will be payable on 28 February 2018.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2018.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have served on the Board of the Manager during the financial year and up to the date of this report are:

Tan Sri Mohd Sidek Bin Hassan (appointed w.e.f. on 22 May 2017)

Datuk Ishak Bin Imam Abas

Datuk Manharlal A/L Ratilal

Augustus Ralph Marshall

Datuk Pragasa Moorthi A/L Krishnasamy

Dato' Halipah Binti Esa

Datuk Hashim Bin Wahir

Habibah Binti Abdul

Krishnan C K Menon (resigned w.e.f. on 6 April 2017)

DIRECTORS OF MANAGER'S INTERESTS

The Directors in office at the end of the year who have interests in the units of the Fund and its related corporations as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Stapled Securities in KLCC Property Holdings Berhad			
	Balance as at 1.1.2017	← Number of Stapled Securities Bought	→ Sold	Balance as at 31.12.2017
Direct				
Datuk Manharlal A/L Ratilal	5,000	-	-	5,000
Augustus Ralph Marshall	50,000	-	-	50,000

	Number of Shares in PETRONAS Chemicals Group Berhad			
	Balance as at 1.1.2017	← Number of Shares Bought	→ Sold	Balance as at 31.12.2017
Direct				
Datuk Manharlal A/L Ratilal	20,000	-	-	20,000
Dato' Halipah Binti Esa	10,000	-	-	10,000
Datuk Hashim Bin Wahir	16,000	-	-	16,000
Indirect				
Dato' Halipah Binti Esa [#]	13,100	-	-	13,100

**MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**
DIRECTORS OF MANAGER'S INTERESTS (CONTD.)

	Number of Shares in MISC Berhad			Balance as at 31.12.2017
	Balance as at 1.1.2017	← Number of Shares → Bought	Sold	

Indirect

Dato' Halipah Binti Esa [#]	10,000	-	-	10,000
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	Number of Shares in Malaysia Marine and Heavy Engineering Holdings Berhad			Balance as at 31.12.2017
	Balance as at 1.1.2017	← Number of Shares → Bought	Sold	

Direct

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

Dato' Halipah Binti Esa [#]	10,000	-	-	10,000
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[#] Deemed interest by virtue of Director's family member's shareholding.

None of the other Directors holding office as at 31 December 2017 had any interest in the units of the Fund and of its related companies during the financial year.

DIRECTORS OF MANAGER'S BENEFITS

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

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

ULTIMATE HOLDING COMPANY

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

ISSUE OF UNITS

There were no changes in the issued and paid up units of the Fund during the financial year.

OPTIONS GRANTED OVER UNISSUED UNITS

No options were granted to any person to take up unissued units of the Fund during the year.

MANAGER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION

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

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

At the date of this report, the Manager is not aware of any circumstances:

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

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

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

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

In the opinion of the Manager, the results of the operations of the Group and of the Fund for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration are disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 24 January 2018.

Tan Sri Mohd Sidek Bin Hassan

Datuk Hashim Bin Wahir

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 303 to 344 are drawn up in accordance with the provision of the Trust Deed dated 2 April 2013, the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2017 and of the results of their financial performance and cash flows for the year ended 31 December 2017.

For and on behalf of the Manager,

KLCC REIT MANAGEMENT SDN BHD

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 24 January 2018.

Tan Sri Mohd Sidek Bin Hassan

Datuk Hashim Bin Wahir

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the Officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 303 to 344 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 24 January 2018

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman

Commissioner for Oaths

TRUSTEE'S REPORT

To the unitholders of KLCC REIT

We have acted as Trustee of KLCC Real Estate Investment Trust ("KLCC REIT") for the financial year ended 31 December 2017. To the best of our knowledge, KLCC REIT Management Sdn Bhd ("the Manager") has managed KLCC REIT in the financial year under review in accordance to the following:

- (a) the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Markets & Services Act 2007 and other applicable laws; and
- (b) the valuation of KLCC REIT is carried out in accordance with the Deed and other regulatory requirements.

There are four (4) income distributions to the unitholders of KLCC REIT in the financial year under review, details of which are stated below:

- (i) First interim income distribution of 5.50 sen per unit distributed on 5 July 2017;
- (ii) Second interim income distribution of 5.44 sen per unit distributed on 4 October 2017;
- (iii) Third interim income distribution of 4.96 sen per unit distributed on 28 December 2017;
- (iv) Fourth interim income distribution of 5.05 sen per unit for year ended 31 December 2017 declared and will be paid on 28 February 2018.

We are of the view that the distributions are consistent with the objectives of KLCC REIT.

For and on behalf of the Trustee,
MAYBANK TRUSTEES BERHAD
(Company No.: 5004-P)

BERNICE K M LAU

Head, Operations

Kuala Lumpur, Malaysia

SHARIAH ADVISER'S REPORT

To the unitholders of KLCC REIT

We have acted as the Shariah Adviser of KLCC REIT. Our responsibility is to ensure that the procedures and processes employed by KLCC REIT Management Sdn Bhd and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, KLCC REIT Management Sdn Bhd has managed and administered KLCC REIT in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2017.

In addition, we also confirm that the investment portfolio of KLCC REIT:

- (a) Comprises investment properties and rental income which complied with the Securities Commission Guidelines for Islamic Real Estate Investment Trust;
- (b) KLCCP Stapled Securities is listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission;
- (c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For CIMB Islamic Bank Berhad

ASHRAF GOMMA ALI

Director/Regional Head, Shariah & Governance Department/Designated Person
for Shariah Advisory

Kuala Lumpur, Malaysia

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Fund	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	1,262	309	1,262	309
Investment properties	6	9,176,045	9,092,344	9,176,045	9,092,344
Trade and other receivables	8	379,654	330,656	379,654	330,656
Investment in subsidiary	7	-	-	*	*
		9,556,961	9,423,309	9,556,961	9,423,309
Current Assets					
Trade and other receivables	8	6,867	4,131	6,867	4,131
Cash and bank balances	9	67,891	255,662	67,794	255,476
		74,758	259,793	74,661	259,607
TOTAL ASSETS		9,631,719	9,683,102	9,631,622	9,682,916
TOTAL UNITHOLDERS' FUND AND LIABILITIES					
Unitholders' Fund					
Unitholders' capital	10	7,212,684	7,212,684	7,212,684	7,212,684
Merger reserve	2.19	6,212	6,212	6,212	6,212
Capital reserve	2.18	422,828	341,332	422,828	341,332
Retained profits		408,540	351,983	408,571	352,017
Total Unitholders' Fund		8,050,264	7,912,211	8,050,295	7,912,245
Non-Current Liabilities					
Other long term liabilities	11	85,074	71,425	85,074	71,425
Amount due to a subsidiary	12	-	-	1,355,000	1,255,000
Financings	13	1,355,000	1,255,000	-	-
Deferred tax liability	14	-	-	-	-
Other payables	15	41,094	40,575	41,094	40,575
		1,481,168	1,367,000	1,481,168	1,367,000

* Represents RM2 in Midciti Sukuk Berhad

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONTD.)**

	Note	Group		Fund	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current Liabilities					
Other payables	15	84,261	86,413	83,439	86,333
Amount due to a subsidiary	12	-	-	16,720	317,338
Financings	13	16,026	317,478	-	-
		100,287	403,891	100,159	403,671
Total Liabilities		1,581,455	1,770,891	1,581,327	1,770,671
TOTAL UNITHOLDERS' FUND AND LIABILITIES		9,631,719	9,683,102	9,631,622	9,682,916
Number of units in circulation ('000 units)		1,805,333	1,805,333	1,805,333	1,805,333
Net asset value ("NAV") per unit (RM)					
- before income distribution		4.46	4.38	4.46	4.38
- after income distribution		4.41	4.33	4.41	4.33

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Fund	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	16	585,469	591,015	585,469	591,015
Property operating expenses	17	(30,019)	(25,995)	(30,022)	(25,976)
Net property income		555,450	565,020	555,447	565,039
Fair value adjustment of investment properties	6	81,496	79,492	81,496	79,492
Profit income		4,733	9,685	4,733	9,685
		641,679	654,197	641,676	654,216
Management fees	18	(45,355)	(45,665)	(45,355)	(45,665)
Trustee's fees	19	(600)	(600)	(600)	(600)
Financing costs	20	(68,080)	(74,091)	(68,080)	(74,091)
Profit before tax	21	527,644	533,841	527,641	533,860
Tax income	22	-	13,092	-	13,092
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		527,644	546,933	527,641	546,952
Basic earnings per unit (sen)	23	29.22	30.30	29.22	30.30
Income Distribution					
Total comprehensive income for the financial year		527,644	546,933	527,641	546,952
Add/(less) Non cash items:					
Accrued rental income		(48,999)	(44,108)	(48,999)	(44,108)
Amortisation of deferred rental income		(4,832)	(4,214)	(4,832)	(4,214)
Amortisation of premium for Sukuk Murabahah		696	1,895	696	1,895
Deferred tax liabilities		-	(13,092)	-	(13,092)
Depreciation		108	61	108	61
Accretion of financial instruments		4,056	3,468	4,056	3,468
Fair value adjustment of investment properties		(81,496)	(79,492)	(81,496)	(79,492)
		(130,467)	(135,482)	(130,467)	(135,482)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)**

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income Distribution (Contd.)				
Total income available for distribution	397,177	411,451	397,174	411,470
Distribution to unitholders in respect of financial year 2017:				
1 st interim income distribution of 5.50% (2016: 5.75%) on 1,805,333,083 units	(99,293)	(103,807)	(99,293)	(103,807)
2 nd interim income distribution of 5.44% (2016: 5.69%) on 1,805,333,083 units	(98,210)	(102,723)	(98,210)	(102,723)
3 rd interim income distribution of 4.96% (2016: 5.66%) on 1,805,333,083 units	(89,545)	(102,182)	(89,545)	(102,182)
4 th interim income distribution of 5.05% (2016: 5.68%) on 1,805,333,083 units	(91,169)	(102,543)	(91,169)	(102,543)
Balance undistributed	18,960	196	18,957	215

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2017

	Non-Distributable		← Distributable →		Total Funds RM'000
	Unitholders' Capital	Merger Reserve	Capital Reserve	Retained Profits	
	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2017	7,212,684	6,212	341,332	351,983	7,912,211
Total comprehensive income for the year	-	-	-	527,644	527,644
Transfer of fair value surplus	-	-	81,496	(81,496)	-
Income distributions	-	-	-	(389,591)	(389,591)
Net total comprehensive income for the year attributable to unitholders	-	-	81,496	56,557	138,053
As at 31 December 2017	7,212,684	6,212	422,828	408,540	8,050,264
As at 1 January 2016	7,212,684	6,212	248,748	309,069	7,776,713
Total comprehensive income for the year	-	-	-	546,933	546,933
Transfer of fair value surplus	-	-	92,584	(92,584)	-
Income distributions	-	-	-	(411,435)	(411,435)
Net total comprehensive income for the year attributable to unitholders	-	-	92,584	42,914	135,498
As at 31 December 2016	7,212,684	6,212	341,332	351,983	7,912,211

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

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2017

	Non-Distributable		← Distributable →		Total Funds RM'000
	Unitholders' Capital	Merger Reserve	Capital Reserve	Retained Profits	
	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2017	7,212,684	6,212	341,332	352,017	7,912,245
Total comprehensive income for the year	-	-	-	527,641	527,641
Transfer of fair value surplus	-	-	81,496	(81,496)	-
Income distributions	-	-	-	(389,591)	(389,591)
Net total comprehensive income for the year attributable to unitholders	-	-	81,496	56,554	138,050
As at 31 December 2017	7,212,684	6,212	422,828	408,571	8,050,295
As at 1 January 2016	7,212,684	6,212	248,748	309,084	7,776,728
Total comprehensive income for the year	-	-	-	546,952	546,952
Transfer of fair value surplus	-	-	92,584	(92,584)	-
Income distributions	-	-	-	(411,435)	(411,435)
Net total comprehensive income for the year attributable to unitholders	-	-	92,584	42,933	135,517
As at 31 December 2016	7,212,684	6,212	341,332	352,017	7,912,245

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	527,644	533,841	527,641	533,860
Adjustments for:				
Profit income	(4,733)	(9,685)	(4,733)	(9,685)
Financing costs	68,080	74,091	68,080	74,091
Accrued rental income	(48,480)	(48,322)	(48,480)	(48,322)
Depreciation of plant, property, and equipment	108	61	108	61
Fair value adjustments on investment properties	(81,496)	(79,492)	(81,496)	(79,492)
Reversal of accruals for investment properties	-	382	-	382
Operating cash flows before changes in working capital	461,123	470,876	461,120	470,895
Changes in working capital:				
Trade and other receivables	(3,111)	(2,426)	(3,111)	(2,441)
Trade and other payables	6,009	(5,311)	6,101	(5,252)
Cash generated from operations	464,021	463,139	464,110	463,202
Profit income received	5,108	9,099	5,108	9,099
Net cash generated from operating activities	469,129	472,238	469,218	472,301

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTD.)**

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions for investment property	(2,205)	-	(2,205)	-
Purchase of property, plant and equipment (Note 5)	(1,061)	(167)	(1,061)	(167)
Net cash used in investing activities	(3,266)	(167)	(3,266)	(167)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distributions paid	(388,158)	(413,285)	(388,158)	(413,285)
Financing cost paid	(65,476)	(68,540)	(65,476)	(68,540)
Proceeds from issuance of Islamic Medium Term Note ("IMTN")	100,000	-	100,000	-
Repayment of IMTN	(300,000)	-	(300,000)	-
Net cash used in financing activities	(653,634)	(481,825)	(653,634)	(481,825)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(187,771)	(9,754)	(187,682)	(9,691)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	255,662	265,416	255,476	265,167
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)	67,891	255,662	67,794	255,476

The Group has changed its presentation for the Statement of Cash Flows from direct to indirect method in order to provide relevant information for the readers of the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 (“the Deed”) entered into between the Manager and Maybank Trustees Berhad (“the Trustee”) and was registered with the Securities Commission Malaysia on 9 April 2013. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Manager is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

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

The immediate, penultimate and ultimate holding companies are KLCC Property Holdings Berhad (“KLCCP”), KLCC (Holdings) Sdn Bhd (“KLCCCH”) and Petroliam Nasional Berhad (“PETRONAS”) respectively, all of which are incorporated and domiciled in Malaysia.

The principal activities of the Fund are investing directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for office and retail purposes as well as real estate related assets.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager on 24 January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”), applicable provisions of the Deed and the Securities Commission’s Guidelines on Real Estate Investment Trusts in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.2 Basis of consolidation****Subsidiary**

Subsidiary is an entity controlled by the Fund. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Business combination

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

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

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

A subsidiary is an entity controlled by the Fund. Control exists when the Fund has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

2.3 Business combination under common control

KLCC REIT applies merger accounting to account for business combinations under common control. Under the merger accounting, assets and liabilities acquired are not restated to their respective fair values but at their carrying amounts in the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as merger reserve. No additional goodwill is recognised. The acquired business' results and the related assets and liabilities are recognised prospectively from the date on which the business combination between entities under common control occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Property, plant and equipment

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

Costs are expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

Building improvements	5 - 6 years
Office equipments	5 years

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

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

2.5 Investment

Investment in subsidiary is stated at cost less impairment loss, if any, in the Fund's financial statements. The cost of investment includes transaction cost.

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

2.6 Investment properties

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.6 Investment properties (Contd.)**

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

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

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

2.7 Impairment of non-financial assets

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

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

A CGU is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

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

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

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of 3 months or less.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.9 Financial assets**

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

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

The Group and the Fund determine the classification of their financial assets at initial recognition. The Group's and the Fund's financial assets are classified as financings and receivables.

(i) Financings and receivables

The Group's and the Fund's financings and receivables include trade receivables, other receivables and deposits with licensed banks.

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

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

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

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

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

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

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

2.10 Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.10 Impairment of financial assets (Contd.)**

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

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

2.11 Provisions

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

2.12 Financial liabilities

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

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, are recognised in the statement of financial position when, and only when, the Group and the Fund become a party to the contractual provisions of the financial instrument. The Group's and the Fund's financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

The Group's and the Fund's other financial liabilities include trade payables, other payables and financings.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.13 Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

2.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.15 Financing costs

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

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

2.16 Taxation

Tax expense in the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

(i) Current tax

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

(ii) Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is expected to be realised or the liability is expected to be settled, based on statutory tax rates and the tax laws that have been enacted at the reporting date.

The expected manner of recovery of the Group's investment properties is through sale after holding the properties for more than five years.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.17 Equity instrument**

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

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

2.18 Capital reserve

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

2.19 Merger reserve

KLCC REIT adopts merger accounting as its accounting policy to account for business combination under common control. In accordance with its policy, the difference between the fair value of the units issued as consideration and the aggregate carrying amount of assets and liabilities acquired as of the date of business combination is included in equity as merger reserve.

2.20 Revenue recognition

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

(i) Rental income

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

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

(ii) Profit income

Profit income is recognised on an accrual basis using the effective profit method.

2.21 Leases**Operating leases - the Fund as lessor**

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.22 Operating segments

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

2.23 Fair value measurement

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

(i) Financial instruments

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

(ii) Non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2017, the Group and the Fund have adopted the following new, amended and revised MFRSs that are applicable and have been issued by the Malaysian Accounting Standards Board ("MASB") as listed below:

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical judgement made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's and the Fund's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4.2 Key sources of estimation uncertainty

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

Fair valuation of investment properties

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

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

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate, discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease)	
	2017 RM'000	2016 RM'000
Yield rate		
- 0.25%	250,040	186,000
+ 0.25%	(229,326)	(173,000)
Discount rate		
- 0.25%	142,401	163,820
+ 0.25%	(136,676)	(153,004)

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

5. PROPERTY, PLANT AND EQUIPMENT

	Building Improvements RM'000	Office Equipments RM'000	Group/Fund Work-in Progress RM'000	Total RM'000
At 31 December 2017				
Cost				
At 1 January 2017	422	50	-	472
Additions	508	1	552	1,061
At 31 December 2017	930	51	552	1,533
Accumulated Depreciation				
At 1 January 2017	135	28	-	163
Charge for the year (Note 21)	98	10	-	108
At 31 December 2017	233	38	-	271
Net Carrying Amount	697	13	552	1,262
At 31 December 2016				
Cost				
At 1 January 2016	257	48	-	305
Additions	165	2	-	167
At 31 December 2016	422	50	-	472
Accumulated Depreciation				
At 1 January 2016	84	18	-	102
Charge for the year (Note 21)	51	10	-	61
At 31 December 2016	135	28	-	163
Net Carrying Amount	287	22	-	309

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. INVESTMENT PROPERTIES

	Group/Fund	
	2017 RM'000	2016 RM'000
At 1 January	9,092,344	9,013,234
Fair value adjustments	81,496	79,492
Additions/(reversal of accruals) during the year	2,205	(382)
At 31 December	9,176,045	9,092,344

The investment properties are stated at fair value, which have been determined based on valuations performed by an independent professional valuer. The valuation method used in determining the valuations is the investment method.

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

	Group	
	2017 RM'000	2016 RM'000
Rental income	585,469	591,015
Direct operating expenses	(30,019)	(25,995)
	555,450	565,020

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

Fair value of investment properties is classified as Level 3.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

6. INVESTMENT PROPERTIES (CONTD.)

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2017	2016	
Investment method (refer below)	Office: Market rental rate (RM/psf/month)			The estimated fair value would increase/(decrease) if:
	- Term	8.50 - 9.95	8.20 - 9.95	- expected market rental growth were higher/(lower)
	- Reversion	9.00 - 13.80	9.00 - 13.80	- expected market rental growth were higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	2.00	1.75	- expected inflation rate were lower/(higher)
	- Reversion	2.00	1.85	- expected inflation rate were lower/(higher)
	Void rate (%)	5.00	5.00	- void rate were lower/(higher)
	Term yield (%)	5.50 - 6.00	5.50 - 6.25	- term yield rate were lower/(higher)
	Reversionary yield (%)	6.00 - 6.50	6.00 - 6.75	- reversionary yield were lower/(higher)
	Discount rate (%)	6.50	6.50	- discount rate is lower/(higher)
	Retail: Market rental rate (RM/psf/month)			The estimated fair value would increase/(decrease) if:
	- Term	9.60 - 94.50	8.68 - 90.00	- expected market rental growth were higher/(lower)
	- Reversion	25.00	25.00	- expected market rental growth were higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	5.65	5.40	- expected inflation rate were lower/(higher)
	- Reversion	6.23	6.25	- expected inflation rate were lower/(higher)
	Void rate (%)	10.00	10.00	- void rate were lower/(higher)
	Term yield (%)	6.50	6.50	- term yield rate was lower/(higher)
	Reversionary yield (%)	7.00	7.00	- reversionary yield were lower/(higher)
	Discount rate (%)	6.50	6.50	- discount rate is lower/(higher)

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

Valuation processes applied by the Group and the Fund for Level 3 fair value

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

Description of property	Tenure of land	Existing use	Location	Date of acquisition	Acquisition	Carrying value as at	Fair value as at	Fair value as at	Percentage of Net Asset Value as at	
					cost RM'000	31.12.2017 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 %	31.12.2016 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10.04.2013	6,500,000	6,672,752	6,973,000	6,918,000	86.6	87.4
Menara 3 PETRONAS	Freehold	Office & retail	Kuala Lumpur	10.04.2013	1,790,000	1,972,100	2,049,000	2,000,000	25.5	25.3
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10.04.2013	450,000	531,193	533,700	505,000	6.6	6.4
					8,740,000	9,176,045	9,555,700	9,423,000		

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7. INVESTMENT IN A SUBSIDIARY

	Fund	
	2017 RM	2016 RM
Unquoted shares at cost	2	2

Details of the subsidiary which is incorporated in Malaysia is as follows:

Name of Subsidiary	Proportion of ownership interest		Principal Activity
	2017 %	2016 %	
Midciti Sukuk Berhad ("MSB")	100	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

8. TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current				
Accrued rental income	379,654	330,656	379,654	330,656
Current				
Trade receivables	712	556	712	556
Other receivables				
Other receivables and deposits	6,114	3,555	6,114	3,555
Amount due from ultimate holding company	-	15	-	15
Amount due from a fellow subsidiary	41	5	41	5
Total other receivables	6,155	3,575	6,155	3,575
Total	6,867	4,131	6,867	4,131

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8. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	712	556	712	556
Other receivables	6,155	3,575	6,155	3,575
Add: Cash and bank balances (Note 9)	67,891	255,662	67,794	255,476
Total financings and receivables	74,758	259,793	74,661	259,607

Amount due from a fellow subsidiary which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

9. CASH AND BANK BALANCES

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	151	492	87	339
Deposits with licensed banks	67,740	255,170	67,707	255,137
	67,891	255,662	67,794	255,476

The weighted average effective profit rate applicable to the deposits with licensed banks at the reporting date was 3.61% (2016: 3.85%) per annum.

Deposits with licensed banks have an average maturity of 25 (2016: 56) days.

10. UNITHOLDERS' CAPITAL

	Fund			
	Number of Units		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Issued and fully paid:				
At 1 January/31 December	1,805,333	1,805,333	7,212,684	7,212,684

Stapled Security:

Stapled security means one unit in KLCC REIT is stapled to one ordinary share in KLCCP. Holders of KLCCP Group stapled securities are entitled to receive distributions and dividends as declared from time to time and are entitled to one vote per stapled security at Unitholders' and Shareholders' meetings.

Accordingly, the Fund does not have authorised unitholders' capital, or par value in respect of its issued units.

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11. OTHER LONG TERM LIABILITIES

	Group/Fund	
	2017 RM'000	2016 RM'000
Security deposit payables	85,074	71,425

Security deposit payables are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on profit rates between 4.52% - 5.20% (2016: 4.00% - 5.20%) per annum.

12. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary relates to Sukuk undertaken by the subsidiary but utilised by the Fund. The profit expenses incurred on the financing is charged to the Fund. The short term amount due is unsecured and is repayable on demand. The long term amount due is unsecured and is not repayable within the next 12 months.

13. FINANCINGS

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short term financing				
Secured:				
Sukuk Murabahah	16,026	317,478	-	-
Long term financing				
Secured:				
Sukuk Murabahah	1,355,000	1,255,000	-	-
Total financing				
Secured:				
Sukuk Murabahah	1,371,026	1,572,478	-	-

Terms and debt repayment schedule

Group

	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31 December 2017					
Secured					
Sukuk Murabahah	1,371,026	16,026	500,000	400,000	455,000
31 December 2016					
Secured					
Sukuk Murabahah	1,572,478	317,478	-	800,000	455,000

NOTES TO THE FINANCIAL STATEMENTS
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13. FINANCINGS (CONTD.)**(a) Sukuk Murabahah**

Sukuk Murabahah consists of Islamic Commercial Programme (“ICP”) of up to RM500 million and Islamic medium term notes (“IMTN”) of up to RM3,000 million subject to a combined limit of RM3,000 million. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

The Group had paid its RM300 million Sukuk Murabahah upon maturity on 25 April 2017 and on the same date issued RM100 million of Sukuk Murabahah with a profit rate of 4.09% per annum and maturing on 25 April 2019. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
2 years	100,000,000	4.09%	25 April 2019
5 years	400,000,000	4.20%	25 April 2019
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024

The profit rate is payable semi-annually and disclosed as short term financings.

Reconciliation of the movement of liabilities to cash flows arising from financing activities

	Sukuk Murabahah RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2017	1,572,478	-	1,572,478
Changes from financing cash flows			
Repayment of IMTN	(300,000)	-	(300,000)
Proceeds from issuance of IMTN	100,000	-	100,000
Interest paid	(65,476)	-	(65,476)
Income distribution paid	-	(388,158)	(388,158)
Total changes from financing cash flows	(265,476)	(388,158)	(653,634)
Other changes			
Liability-related			
Interest expense	64,024	-	64,024
Dividend payable	-	388,158	388,158
Total liability-related other changes	64,024	388,158	452,182
Balance at 31 December 2017	1,371,026	-	1,371,026

14. DEFERRED TAX LIABILITY

	Group/Fund	
	2017 RM'000	2016 RM'000
At 1 January	-	13,092
Recognised in profit or loss (Note 22)	-	(13,092)
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS
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15. OTHER PAYABLES

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current				
Deferred revenue	41,094	40,575	41,094	40,575
Current				
Other payables				
Other payables	62,417	58,367	62,414	58,363
Security deposit payables	3,029	11,201	3,029	11,201
Amount due to:				
Holding company	1,805	537	986	461
Fellow subsidiaries	15,506	15,452	15,506	15,452
Other related companies	1,504	856	1,504	856
Total other payables	84,261	86,413	83,439	86,333
Add: Financings (Note 13)	1,371,026	1,572,478	-	-
Amount due to a subsidiary (Note 12)	-	-	1,371,720	1,572,338
Other long term liabilities (Note 11)	85,074	71,425	85,074	71,425
Total financial liabilities carried at amortised cost	1,581,455	1,770,891	1,581,327	1,770,671

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

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

16. REVENUE

	Group/Fund	
	2017 RM'000	2016 RM'000
Investment properties		
- Office	551,735	554,123
- Retail	33,734	36,892
	585,469	591,015

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17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Utilities expenses	10,630	11,750	10,630	11,750
Maintenance expenses	10,084	5,346	10,084	5,346
Quit rent and assessment	3,441	3,441	3,441	3,441
Other operating expenses	5,864	5,458	5,867	5,439
	30,019	25,995	30,022	25,976

18. MANAGEMENT FEES

	Group/Fund	
	2017 RM'000	2016 RM'000
Base fee	28,692	28,714
Performance fee	16,663	16,951
	45,355	45,665

The Manager will receive the following fees from KLCC REIT:

- i) a base fee of 0.3% per annum of the total asset value of KLCC REIT (excluding cash and bank balances) at each financial year end.
- ii) a performance fee of 3.00% per annum of KLCC REIT's net property income in the relevant financial year.

19. TRUSTEE'S FEE

In accordance with the Deed, an annual trusteeship fee of up to 0.025% per annum of the net asset value of KLCC REIT at each financial year end, subject to a maximum cap of RM600,000 per annum is to be paid to Trustee.

20. FINANCING COSTS

	Group/Fund	
	2017 RM'000	2016 RM'000
Profit expense:		
Sukuk Murabahah	64,024	70,623
Accretion of financial instruments	4,056	3,468
	68,080	74,091

NOTES TO THE FINANCIAL STATEMENTS

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21. PROFIT BEFORE TAX

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

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Audit fees	86	86	82	82
Valuation fees	523	523	523	523
Property manager fee	90	90	90	90
Depreciation (Note 5)	108	61	108	61
Reversal of impairment loss on trade receivables (Note 29)	-	(35)	-	(35)

22. TAX INCOME

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax:				
Relating to origination of temporary difference (Note 14)	-	(13,092)	-	(13,092)

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of KLCC REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the unitholders' in the basis period of KLCC REIT for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of KLCC REIT financial year which forms the basis period for a year of assessment, KLCC REIT will be subject to income tax at the prevailing statutory rate on its total taxable income. Income which has been taxed at the KLCC REIT level will have tax credits attached when subsequently distributed to unitholders.

As at the date of this financial statements, KLCC REIT has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2017 accordingly. No provision for income tax expense has been made for the year.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	527,644	533,841	527,641	533,860
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	126,635	128,122	126,634	128,126
Deferred tax recognised at different tax rate	-	(13,092)	-	(13,092)
Expenses not deductible for tax purposes	1,269	1,779	1,269	1,779
Income not subject to tax	(127,904)	(129,901)	(127,903)	(129,905)
Tax income	-	(13,092)	-	(13,092)

NOTES TO THE FINANCIAL STATEMENTS
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23. BASIC EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing profit for the year attributable to unitholders of the Fund by the weighted average number of units in issue during the financial year.

	2017	2016
Profit attributable to unitholders of the Fund (RM'000)	527,641	546,952
Weighted average number of units in issue ('000)	1,805,333	1,805,333
Basic earnings per unit (sen)	29.22	30.30

24. INCOME DISTRIBUTION

	Income distribution recognised in year	Net income distribution per unit	Income distribution recognised in year	Net income distribution per unit
	2017 RM'000	2017 Sen	2016 RM'000	2016 Sen

For the financial year ended 31 December 2017

A first interim income distribution of 5.50% on 1,805,333,083 units	99,293	5.50	-	-
A second interim income distribution of 5.44% on 1,805,333,083 units	98,210	5.44	-	-
A third interim income distribution of 4.96% on 1,805,333,083 units	89,545	4.96	-	-

For the financial year ended 31 December 2016

A first interim income distribution of 5.75% on 1,805,333,083 units	-	-	103,807	5.75
A second interim income distribution of 5.69% on 1,805,333,083 units	-	-	102,723	5.69
A third interim income distribution of 5.66% on 1,805,333,083 units	-	-	102,182	5.66
A fourth interim income distribution of 5.68% on 1,805,333,083 units	102,543	5.68	-	-
A fourth interim income distribution of 5.69% on 1,805,333,083 units	-	-	102,723	5.69
	389,591	21.58	411,435	22.79

The fourth interim income distribution in respect of the financial year ended 31 December 2017, of 5.05% on 1,805,333,083 units amounting to an income distribution payable of RM91,169,000 will be payable on 28 February 2018.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

24. INCOME DISTRIBUTION (CONTD.)

Distribution to unitholders is from the following sources:

	Group	
	2017 RM'000	2016 RM'000
Net property income	555,450	565,020
Profit income	4,733	9,685
Fair value adjustment of investment properties	81,496	79,492
	641,679	654,197
Less: Expenses	(114,035)	(107,264)
Profit for the year	527,644	546,933
Less: Non cash item	(130,467)	(135,482)
Add: Brought forward undistributed income available for distribution	21,890	21,694
Total available for income distribution	419,067	433,145
Less: Income distributed	(287,048)	(308,712)
Less: Income to be distributed on 28 February 2018	(91,169)	(102,543)
Balance undistributed income available for distribution	40,850	21,890
Distribution per unit (sen)	20.95	22.78

25. PORTFOLIO TURNOVER RATIO

	Group	
	2017	2016
Portfolio Turnover Ratio ("PTR") (times)	Nil	Nil

The calculation of PTR is based on the average of the total acquisitions of investments by the Group for the year to the average net asset value during the financial year.

PTR is nil for KLCC REIT as there were no new acquisitions and disposals of investments in the portfolio of KLCC REIT since the date of establishment of 9 April 2013 to 31 December 2017 except for the initial acquisition of the investment properties together with the related assets and liabilities which was completed on 3 May 2013.

Since the basis of calculating PTR can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of KLCC REIT's PTR against other REITs.

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26. MANAGEMENT EXPENSE RATIO

	Group	
	2017 RM'000	2016 RM'000
Total trust expenses	47,770	47,847
Net asset value at the end of the financial year	8,050,264	7,912,211
Less: Fourth interim income distribution	(91,169)	(102,543)
Net asset value at the end of the financial year, after interim income distribution	7,959,095	7,809,668
Management Expense Ratio ("MER")	0.60	0.61

The calculation of MER is based on the total fees and expenses incurred by the Group and the Fund in the financial year, including Manager's fee and Trustee's fee, auditors' remuneration, tax agent's fee, valuation fees and other Trust expenses to the net asset value (after the fourth interim income distribution) at the end of the respective financial year.

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

	Group/Fund	
	2017 RM'000	2016 RM'000
Approved but not contracted for		
Property, plant and equipment	3,400	-
Investment properties	1,200	6,000
	4,600	6,000

(b) Operating lease commitments - as lessor

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

	Group/Fund	
	2017 RM'000	2016 RM'000
Not later than 1 year	521,540	465,278
Later than 1 year but not later than 5 years	2,128,778	2,009,791
More than 5 years	2,696,207	3,247,923
	5,346,525	5,722,992

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28. RELATED PARTY DISCLOSURES

(a) **Controlling related party relationships are as follows:**

- (i) PETRONAS, the ultimate holding company, and its subsidiaries
- (ii) KLCCH, the penultimate holding company, and its subsidiaries
- (iii) KLCCP, the immediate holding company, and its subsidiaries
- (iv) Subsidiary of the Fund as disclosed in Note 7.

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

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Federal Government of Malaysia:				
Goods and Service Tax ("GST")	(27,819)	(28,671)	(27,819)	(28,671)
Property licenses and other taxes	(3,441)	(3,441)	(3,441)	(3,441)
Government of Malaysia's related entities:				
Purchase of utilities	(4,342)	(4,706)	(4,342)	(4,706)
Ultimate Holding Company:				
Rental income	473,599	461,739	473,599	461,739
Fellow subsidiaries:				
Management fees	(45,355)	(45,665)	(45,355)	(45,665)
Property management fees	(2,116)	(2,310)	(2,116)	(2,310)
Property maintenance fees	(8,151)	(5,291)	(8,151)	(5,291)
Property advertising and marketing fees	(660)	(649)	(660)	(649)
Carpark income	327	-	327	-
Other related company:				
Chilled water supply	(6,070)	(6,822)	(6,070)	(6,822)

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Notes 8 and 15.

29. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

Credit Risk

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

Receivables

The Group and the Fund minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Fund may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Fund are represented by the carrying amount of each financial asset.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Fund, a significant portion of these receivables are related companies.

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

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS (CONTD.)

Credit Risk (Contd.)

Receivables (Contd.)

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment losses as at the end of the reporting period is analysed below:

	Group/Fund	
	2017 RM'000	2016 RM'000
At net		
Current	579	528
Past due 1 to 30 days	87	2
Past due 31 to 60 days	3	4
Past due 61 to 90 days	18	1
Past due more than 90 days	25	21
	712	556
Trade receivables	712	750
Less: Impairment losses	-	(194)
Net trade receivable (Note 8)	712	556

Movement in allowance account:

At 1 January	194	229
Impairment written off	(194)	-
Reversal of impairment loss on trade receivables (Note 21)	-	(35)
At 31 December	-	194

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2017.

Liquidity Risk

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

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29. FINANCIAL INSTRUMENTS (CONTD.)

Liquidity Risk (Contd.)

Maturity analysis

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

	Carrying amount RM'000	Effective profit rate %	Contractual cash flow RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2017							
Group							
Financial Liabilities							
Sukuk Murabahah	1,371,026	4.61	1,535,893	16,026	546,622	489,464	483,781
Other payables	84,261	-	84,261	84,261	-	-	-
Other long term liabilities	126,168	5.01	122,499	-	-	5,013	117,486
Fund							
Financial Liabilities							
Other payables	83,439	-	83,439	83,439	-	-	-
Amount due to a subsidiary	1,371,720	-	1,371,720	16,720	500,000	400,000	455,000
Other long term liabilities	126,168	5.01	122,499	-	-	5,013	117,486
31 December 2016							
Group							
Financial Liabilities							
Sukuk Murabahah	1,572,478	4.41	1,866,004	380,152	56,840	919,382	509,630
Other payables	86,413	-	86,413	86,413	-	-	-
Other long term liabilities	112,000	4.60	115,538	9,688	-	-	105,850
Fund							
Financial Liabilities							
Other payables	86,333	-	86,333	86,333	-	-	-
Amount due to a subsidiary	1,572,338	-	2,072,338	317,338	500,000	800,000	455,000
Other long term liabilities	112,000	4.60	115,538	9,688	-	-	105,850

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

29. FINANCIAL INSTRUMENTS (CONTD.)

Market Risk

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

Financial instruments affected by market risk include financings and deposits.

Profit Rate Risk

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

The Group's and the Fund's profit rate risk arises primarily from profit-bearing financings. Financings at variable rates expose the Group to cash flow profit rate risk. Financings obtained at fixed rates expose the Group and the Fund to fair value profit rate risk. The Group and the Fund manage their profit expense rate exposure through a balanced portfolio of fixed and variable rate financings.

The profit rate profile of the Group's and the Fund's profit-bearing financial instruments based on carrying amount as at reporting date was:

	Group		Fund	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	67,740	255,170	67,707	255,137
Financial liabilities	(1,371,026)	(1,572,478)	-	-

Foreign Currency Risk

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

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

Fair Value Information

The Group's and the Fund's financial instruments consist of cash and cash equivalents, investments and financings, trade and other receivables, financings, other payables and various debt.

The carrying amounts of cash and cash equivalents, trade and other receivables, other payables and short term financings approximate their fair values due to the relatively short term nature of these financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

29. FINANCIAL INSTRUMENTS (CONTD.)**Fair Value Information (Contd.)**

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
2017					
Financial liabilities					
Sukuk Murabahah	-	1,224,369	-	1,224,369	1,371,026
2016					
Financial liabilities					
Sukuk Murabahah	-	1,537,366	-	1,537,366	1,572,478

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

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

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to provide unitholders with regular and stable distributions which is supported by the Group's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure. The Manager intends to continue with the strategies currently adopted by the Group to increase the income and consequently, the value of its property portfolio for continued growth through (i) active asset management strategy and (ii) acquisition growth strategy.

The Group's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on the Group is to ensure it maintains a healthy gearing ratio of maximum 50% of the total asset value at the time the financing is incurred, in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing ratio that will provide an ideal financing to total assets ratio that also complies with regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

30. CAPITAL MANAGEMENT (CONTD.)

The financings to total assets ratio as at 31 December 2017 is as follows:

	Group	
	2017	2016
Total financings (RM'000)	1,371,026	1,572,478
Total assets (RM'000)	9,631,719	9,683,102
Financings to total assets ratio	14.2%	16.2%

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution year, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of the Group's distributable income. It is the intention of the Manager to distribute at least 90% of the Group's distributable income on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

31. SEGMENT INFORMATION

(a) Reporting format

Segment information is presented in respect of the Group's and the Fund's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

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

The Group and the Fund comprises the following main business segments:

Property investment - Office	Rental of office space and other related activities.
Property investment - Retail	Rental of retail space and other related activities.

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

(b) Allocation basis and transfer pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

31. SEGMENT INFORMATION (CONTD.)**(b) Allocation basis and transfer pricing (Contd.)****Business Segments****31 December 2017**

	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	551,735	33,734	-	585,469
Results				
Net property income	532,412	23,038	-	555,450
Profit income				4,733
Fair value adjustment on investment properties				81,496
Management fees				(45,355)
Trustee's fees				(600)
Financing costs				(68,080)
Profit after tax				527,644
Depreciation				108
Non-cash items other than depreciation				(130,575)
Total assets	8,978,676	653,043	-	9,631,719
Total liabilities	1,560,888	20,567	-	1,581,455

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

31. SEGMENT INFORMATION (CONTD.)

(b) Allocation basis and transfer pricing (Contd.)

Business Segments (Contd.)

31 December 2016

	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	554,123	36,892	-	591,015
Results				
Net property income	539,009	26,011	-	565,020
Profit income				9,685
Fair value adjustment on investment properties				79,492
Management fees				(45,665)
Trustee's fees				(600)
Financing costs				(74,091)
Tax expense				13,092
Profit after tax				546,933
Depreciation				61
Non-cash items other than depreciation				(135,543)
Total assets	9,040,892	642,210	-	9,683,102
Total liabilities	1,638,690	132,201	-	1,770,891

32. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Fund in these financial statements:

Effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Revenue from Contracts with Customers: Clarifications
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 140	Investment Property: Transfers to Investment Property

The adoption of MFRS 9 and MFRS 15 are expected to have the following impact on initial application:

(a) MFRS 15

The revenue of the Group is derived from rental income which is excluded under MFRS 15. In assessing the revenue recognition under MFRS 15, the principles currently applied by the Group and the Fund are consistent with that of the requirements of MFRS 15. Other than the enhanced disclosures required, the impact on initial application of MFRS 15 is expected to be not material.

(b) MFRS 9

Receivables of the Group and the Fund are mainly represented by accrued revenue of which MFRS 9 does not apply. Intercompany balances are settled within a stipulated timeline as determined by intercompany settlement policy. Trade receivables ageing, as disclosed in Note 29, represents only 0.74% of the total assets of the Group and the Fund, respectively. It is expected that the impact of MFRS 9 upon initial application is not material.

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
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Effective for a date yet to be confirmed

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

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

The adoption of the amendments to MFRS 128 and amendments to MFRS 140 does not impact the Group and the Fund.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

33. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE FUND

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

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 3	Business Combinations: Previously Held Interest in a Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 11	Joint Arrangements: Previously Held Interest in a Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 123	Borrowing Costs: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRSs 2015-2017 Cycle)

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KLCC Real Estate Investment Trust ("KLCC REIT" or the "Fund"), which comprise the statements of financial position as at 31 December 2017 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 303 to 344.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Fund in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Fund. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Key audit matters (Contd.)

Valuation of investment properties

As at 31 December 2017, the carrying value of the Group's investment properties amounts to RM9,176,045,000 which represents 95% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged an external valuer to determine the fair value of the investment properties at the reporting date.

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund that give a true and fair view in accordance with MFRS, IFRS and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Fund, the Manager is responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or the Fund or to cease operations, or has no realistic alternative to do so.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST**

Auditors' responsibilities for the audit of the financial statements (Contd.)

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

24 January 2018

Ismed Darwis bin Bahatiar

No. 2921/04/18(J)

Chartered Accountant

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

As at 19 JANUARY 2018

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

Listed Issuer	: KLCC Property Holdings Berhad
Issued Share Capital	: 1,805,333,083 Ordinary Shares
No. of Shareholders	: 5,557
Voting Rights	: One vote for each share

Listed Issuer	: KLCC Real Estate Investment Trust
Approved Fund Size	: 1,805,333,085 Units
Total Issued Units	: 1,805,333,083 Units
No. of Unitholders	: 5,557
Voting Rights	: One vote for each unit

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

DISTRIBUTION OF STAPLED SECURITIES HOLDINGS

Size of Stapled Securities Holdings	No. of Stapled Securities Held	(%)	No. of Stapled Securities Holders	(%)
Less than 100	7,359	0.000	875	15.745
100 to 1,000	1,552,678	0.086	2,481	44.646
1,001 to 10,000	6,954,796	0.385	1,735	31.221
10,001 to 100,000	10,344,993	0.573	311	5.596
100,001 to less than 5% of issued stapled securities	331,697,974	18.373	151	2.717
5% and above of issued stapled securities	1,454,775,283	80.582	4	0.071
Total	1,805,333,083	100.000	5,557	100.000

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

DIRECTORS' INTERESTS IN THE LISTED ISSUERS

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

DIRECTORS' INTERESTS IN RELATED CORPORATIONS

Name	PETRONAS Chemicals Group Berhad			
	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Datuk Manharlal a/l Ratilal	20,000	0.000	-	-
Dato' Halipah binti Esa	10,000	0.000	13,100*	0.000
Datuk Hashim bin Wahir	16,000	0.000	-	-

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

Name	MISC Berhad			
	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Dato' Halipah binti Esa	-	-	10,000*	0.000

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

Name	Malaysia Marine and Heavy Engineering Holdings Berhad			
	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Dato' Halipah binti Esa	10,000	0.000	10,000*	0.000

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

SUBSTANTIAL STAPLED SECURITIES HOLDERS OF THE LISTED ISSUERS

Name	Direct		Indirect	
	No. of Stapled Securities Held	(%)	No. of Stapled Securities Held	(%)
1. KLCC (Holdings) Sdn Bhd	1,167,638,804	64.677	-	-
2. CIMB Group Nominees (Tempatan) Sdn Bhd [Exempt AN for Petroliaam Nasional Berhad]	194,816,979	10.791	1,167,638,804#	64.677
3. AmanahRaya Trustees Berhad [Amanah Saham Bumiputera]	93,908,700	5.202	-	-

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

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

THIRTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	(%)
1.	KLCC (HOLDINGS) SDN BHD	617,700,294	34.215
2.	KLCC (HOLDINGS) SDN BHD	549,938,510	30.461
3.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD (EXEMPT AN FOR PETROLIAM NASIONAL BERHAD)	194,816,979	10.791
4.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM BUMIPUTERA)	92,319,500	5.113
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD)	55,979,475	3.100
6.	VALUECAP SDN BHD	37,488,800	2.076
7.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM MALAYSIA)	18,236,200	1.010
8.	PERMODALAN NASIONAL BERHAD	15,115,000	0.837
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240))	13,000,000	0.720
10.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM DIDIK)	12,971,200	0.718
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EXEMPT AN FOR AIA BHD)	11,724,200	0.649
12.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM WAWASAN 2020)	10,750,000	0.595
13.	AMANAHRAYA TRUSTEES BERHAD (AS 1MALAYSIA)	9,842,300	0.545
14.	HSBC NOMINEES (ASING) SDN BHD (BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND)	8,852,900	0.490
15.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC DIVIDEND FUND)	8,285,800	0.458
16.	PERTUBUHAN KESELAMATAN SOSIAL	7,318,083	0.405
17.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM GEMILANG FOR AMANAH SAHAM KESIHATAN)	7,242,900	0.401
18.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ITTIKAL SEQUEL FUND)	6,819,800	0.377
19.	HSBC NOMINEES (ASING) SDN BHD (JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND)	5,392,900	0.298
20.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC SELECT ENTERPRISES FUND)	5,309,400	0.294
21.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (PAMB FOR PRULINK EQUITY FUND)	5,061,700	0.280
22.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM BUMIPUTERA 2)	5,000,000	0.276
23.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC OPTIMAL GROWTH FUND)	3,734,500	0.206

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

No.	Name	No. of Stapled Securities	(%)
24.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD (GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3))	3,651,500	0.202
25.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC EQUITY FUND)	3,650,300	0.202
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (AMUNDI))	3,500,000	0.193
27.	CITIGROUP NOMINEES (ASING) SDN BHD (CBNY FOR DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO OF DFA INVESTMENT DIMENSIONS GROUP INC)	3,498,100	0.193
28.	AMSEC NOMINEES (TEMPATAN) SDN BHD (MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB- DALI))	3,299,700	0.182
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100))	3,003,900	0.166
30.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM NASIONAL)	2,975,700	0.164

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

As at 31 December 2017

1) KLCC Property Holdings Berhad

Registered Owner	Particulars of land title	Date of Revaluation (Tenure)	Description/ Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2017 (RM mil)
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town of Kuala Lumpur	08.11.2017 (Freehold)	A 6 storey retail centre (Suria KLCC)/ Shopping Centre	28,160	143,564	19 years	5,424.1*
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town of Kuala Lumpur	09.11.17 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental, Kuala Lumpur)/Hotel	8,094	92,782.8	19 years	638.5
Impian Klasik Sdn Bhd	Grant 43696 Lot 168, Seksyen 58, Town of Kuala Lumpur	30.11.2017 (Freehold)	A 49 storey purpose built office building with a lower ground concourse level (Menara Maxis)/ Office building	4,329	74,874	19 years	762.0*
Kompleks Dayabumi Sdn Bhd	Lot 38 and Lot 45, all within Seksyen 70, Town of Kuala Lumpur held under title no. PN 2395 and PN 33471	31.12.2017 (Leasehold of 99 year expiring on 27.1.2079)	A 36-storey office building (Menara Dayabumi) and a parcel of vacant contiguous commercial land/ Office building	Lot 38:	129,147.22	35 years	761.0*
				52 sq m			
				Lot 39:			
2,166 sq m							
PN 4073, Lot 39, Seksyen 70, Town & District of Kuala Lumpur	31.12.2017 (Leasehold for 99 years expiring on 9.11.2081)		Lot 45:				
			25,790 sq m				
PN 32233, Lot 51, Seksyen 70, Town of Kuala Lumpur	31.12.17 (Leasehold of 98 years expiring on 21.1.2079)		Lot 51:				
			1,331 sq m				
			Total:				
			29,339 sq m				
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town of Kuala Lumpur	31.12.17 (Freehold)	Vacant Land	5,726	-	-	306.3*

*Investment Properties stated at fair value

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

2) KLCC REAL ESTATE INVESTMENT TRUST

Registered Owner	Particulars of land title	Date of Revaluation (Tenure)	Description/ Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2017 (RM mil)
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town of Kuala Lumpur	31.12.17 (Freehold)	A 29 storey office building with 3 basement levels (Menara ExxonMobil) /Office building	3,999	74,312.7	21 years	531.2*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43699 Lot 171, Seksyen 58, Town of Kuala Lumpur	31.12.17 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park/ Office building & retail podium	4,302	155,295	6 years	1,972.1*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town of Kuala Lumpur	31.12.17 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers) /Office building	21,740	510,901	20 years	6,672.8*

*Investment Properties stated at fair value

NOTICE OF ANNUAL GENERAL MEETING

KLCC PROPERTY HOLDINGS BERHAD

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

KLCC REAL ESTATE INVESTMENT TRUST

(A real estate investment trust constituted under the laws of Malaysia)

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting ("5th AGM") of KLCC Real Estate Investment Trust ("KLCC REIT") and the Fifteenth Annual General Meeting ("15th AGM") of KLCC Property Holdings Berhad (the "Company" or "KLCCP") will be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on 12 April 2018, Thursday at 10.30 a.m. for the following purposes:

A. KLCC REIT

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 of KLCC REIT together with the Reports attached thereon.

(Please refer to
Note 7)

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without modifications, the following resolution:

2. Proposed Unitholders' Mandate to Issue New Units of up to 10% of the Approved Fund Size of KLCC REIT pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts Issued by the Securities Commission Malaysia ("**REIT Guidelines**").

"THAT pursuant to the REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution VI of KLCCP, approval be and is hereby given to the Directors of KLCC REIT Management Sdn Bhd, the manager for KLCC REIT (the "**Manager**"), to issue new units in KLCC REIT ("**New Units**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors of the Manager may in their absolute discretion deem fit, provided that the number of New Units to be issued, when aggregated with the number of units in KLCC REIT issued during the preceding 12 months, must not exceed 10% of the approved fund size of KLCC REIT for the time being and provided further that such corresponding number of new ordinary shares in KLCCP equal to the number of New Units shall be issued and every one New Unit shall be stapled to one new ordinary share upon issuance to such persons ("**Proposed KLCC REIT Mandate**") and the Directors of the Manager be and are hereby also empowered to obtain the approval for the listing of and quotation for such new stapled securities comprising ordinary shares in KLCCP stapled together with the units in KLCC REIT ("**Stapled Securities**") on the Main Market of Bursa Securities.

NOTICE OF ANNUAL GENERAL MEETING

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the unitholders held after the approval was given;
- (ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required to be held after the approval was given; or
- (iii) revoked or varied by resolution passed by the unitholders in a unitholders' meeting,

whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed KLCC REIT Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing units of KLCC REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Units.

THAT authority be and is hereby given to the Directors of the Manager and Maybank Trustees Berhad (the "**Trustee**"), acting for and on behalf of KLCC REIT, to give effect to the Proposed KLCC REIT Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of KLCC REIT and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of KLCC REIT, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCC REIT Mandate."

Resolution 1

B. KLCCP

AS ORDINARY BUSINESS:

- 3. To receive the Audited Financial Statements for the financial year ended 31 December 2017 of the Company and the Reports of the Directors and Auditors thereon.
- 4. To re-elect the following Directors who retire pursuant to the Company's Articles of Association, constituting part of the Constitution of the Company ("Constitution"):
 - (i) Tan Sri Mohd Sidek bin Hassan
 - (ii) Datuk Manharlal a/l Ratilal
 - (iii) Mr Augustus Ralph Marshall (Please refer to Note 10)

**(Please refer to
Note 9)**

**Resolution I
Resolution II**

NOTICE OF ANNUAL GENERAL MEETING

5. To approve the payment of the following Directors' fees and benefits payable to Non-Executive Directors with effect from 1 January 2018 until the next Annual General Meeting held in 2019 of the Company:

Resolution III

Category	Non-Executive Chairman	Non-Executive Directors
The Company	(RM per annum)	(RM per annum)
Directors' Retainer Fees	240,000	120,000
Petrol Allowance	6,000	6,000
	(RM per attendance)	(RM per attendance)
Attendance fee/ Tele-Conferencing fee	3,500	3,500
The Manager	(RM per attendance)	(RM per attendance)
Attendance fee/ Tele-Conferencing fee	3,500	3,500

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration.

Resolution IV

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:

7. Continuing in Office as Independent Non-Executive Director of the Company:

- (i) Dato' Halipah binti Esa

"THAT Dato' Halipah binti Esa who would have served as an Independent Non-Executive Director of the Company for 12 years on 28 February 2019 be and is hereby re-appointed as an Independent Non-Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

Resolution V

8. Authority to Issue Shares of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Main Market Listing Requirements of Bursa Securities and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution 1 of KLCC REIT, the Directors of the Company be and are hereby authorised to issue ordinary shares in the capital of the Company ("**New Ordinary Shares**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the total number of such New Ordinary Shares to be issued, pursuant to this resolution, when aggregated with the total number of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being (excluding any treasury shares) and provided further that such corresponding number of New Units in KLCC REIT equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance to such persons ("**Proposed KLCCP Mandate**") and that the Directors be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such new Stapled Securities on the Main Market of Bursa Securities.

NOTICE OF ANNUAL GENERAL MEETING

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is the earlier.

THAT the New Ordinary Shares to be issued pursuant to the Proposed KLCCP Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing ordinary shares of the Company, except that the New Ordinary Shares will not be entitled to any dividend, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Ordinary Shares.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed KLCCP Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCCP Mandate."

Resolution VI

9. To transact any other business for which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 5th AGM of KLCC REIT and the 15th AGM of KLCCP, the Manager and/or the Trustee and KLCCP shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Trust Deed dated 2 April 2013 entered into between the Manager and the Trustee, Articles 57(1) and 57(2) of KLCCP's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 4 April 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

BY ORDER OF THE BOARD

Abd Aziz bin Abd Kadir (LS0001718)
Yeap Kok Leong (MAICSA 0862549)
 Company Secretaries

Kuala Lumpur
 28 February 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A holder of the Stapled Securities entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities. There shall be no restriction as to the qualification of the proxy.
2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.
3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or rubber stamp (if the corporation does not have a common seal) or under the hand of its attorney.

If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading "*signed under Power of Attorney which is still in force, no notice of revocation having been received*". A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.
6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.
7. Explanatory Note for Item 1

This agenda item is meant for discussion only as in accordance with the provision of Clause 15.33A(b) of the REIT Guidelines, a formal approval on the Audited Financial Statements of KLCC REIT from the holders of the Stapled Securities is not required. Hence, this item is not put forward to the holders of the Stapled Securities for voting.
8. Explanatory Note for Item 2

Subject to passing of Resolution VI of the Company, the proposed Resolution 1, if passed, will grant a renewed mandate to the Manager of KLCC REIT to issue New Units from time to time provided that the number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months, must not exceed 10% of the approved fund size of KLCC REIT for the time being and provided further that such corresponding number of New Ordinary Shares in the Company equal to the number of New Units shall be issued and every one New Unit shall be stapled to one New Ordinary Share upon issuance. The Proposed KLCC REIT Mandate, unless revoked or varied at a unitholders' meeting, will expire at the conclusion of the next Annual General Meeting of unitholders of KLCC REIT.

The Proposed KLCC REIT Mandate will allow the Manager the flexibility to issue New Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of KLCC REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed KLCC REIT Mandate, delays and further costs involved in convening separate general meetings to approve such issue of units to raise funds can be avoided.

As at the date of this Notice, no New Units have been issued pursuant to the mandate granted to the Directors of the Manager at the 4th AGM of KLCC REIT.
9. Explanatory Note for Item 3

This agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1) of the Companies Act, 2016 does not require a formal approval of the holders of the Stapled Securities for the Audited Financial Statements of the Company. Hence, this item is not put forward to the holders of the Stapled Securities for voting.

NOTICE OF ANNUAL GENERAL MEETING

10. Explanatory Note for Item 4 (iii)

Mr. Augustus Ralph Marshall who retires pursuant to the Constitution of the Company, has indicated to the Company that he would not seek re-election at the 15th AGM of the Company. Therefore, Mr. Augustus Ralph Marshall shall cease to be a Director of the Company at the conclusion of the 15th AGM.

11. Explanatory Note for Item 5

The holders of the Stapled Securities at the last Annual General Meeting held on 6 April 2017 approved RM972,000.00 as Non-Executive Directors' ("NEDs") fees and benefits from 1 January 2017 until next Annual General Meeting of the Company held in 2018 i.e. 15th AGM.

A total of RM667,703.20 of Non-Executive Directors' fees and benefits were incurred for the Company for the financial year ended 31 December 2017 and the details of payment are enumerated on page 201 of the Annual Report 2017 of KLCCP Stapled Group.

Nomination and Remuneration Committees ("NRCs") of the Company and the Manager (a wholly-owned subsidiary of the Company) had reviewed and recommended revisions to the Directors' Remuneration for the NEDs with effect from 1 January 2018. The revised Directors' fees and benefits were subsequently endorsed by the respective Boards of Directors of the Company and the Manager.

Resolution III on the proposed Directors' fees and benefits to be approved by the holders of Stapled Securities is pursuant to Section 230(1)(b) of the Companies Act, 2016.

The members of the Board and Board Committees of the Manager are only remunerated for Attendance fee/Tele-Conferencing fee when the meetings of the Manager are held on a different date than the meetings of the Board and Board Committees of the Company.

12. Explanatory Note for Item 7(i)

Dato' Halipah binti Esa would have served as an Independent Non-Executive Director of the Company for 12 years as at 28 February 2019. The holders of the Stapled Securities had at the 14th AGM of the Company held on 6 April 2017 approved the continuing in office of Dato' Halipah binti Esa as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.

The Board, with the NRC's recommendation, has recommended her to continue to act as an Independent Non-Executive Director. Please refer to page 199 as stated in the Nomination and Remuneration Report of the Annual Report of KLCCP Stapled Group for detailed information and justifications.

13. Explanatory Note for Item 8

Subject to passing of Resolution 1 of KLCC REIT, the proposed Resolution VI, if passed, will grant a renewed mandate and provide flexibility for the Company to empower the Directors to issue New Ordinary Shares from time to time, provided that the total number of such New Ordinary Shares to be issued, when aggregated with the total number of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being (excluding any treasury shares) should the need arise and provided further that such corresponding number of New Units equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of ordinary shares, the approval is a renewed mandate given to the Directors as the Board is always looking into prospective areas and seeking opportunities to broaden the operating base, increase earnings potential of the Company, raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of the Company and/or for working capital purposes which may involve the issue of new ordinary shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, the Company did not issue any New Ordinary Shares pursuant to the mandate granted to the Directors at its 14th AGM.

ADMINISTRATIVE DETAILS

KLCC REIT 5th Annual General Meeting and KLCCP 15th Annual General Meeting

DATE - 12 April 2018

TIME - 10.30 a.m.

PLACE - Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

Registration

1. Registration will start at 8.15 a.m. and the Annual General Meetings (AGMs) will start punctually at 10.30 a.m. We strongly encourage you to come early to facilitate registration.
2. Please ascertain which registration counter you should approach to register yourself for the meetings and join the queue accordingly.
3. Please produce your original Identity Card (MyKad) to the registration staff for verification. Please make sure you collect your MyKad thereafter. The Company will not be responsible for any lost MyKad.
4. Upon verification and registration:
 - Please sign on the Attendance List. A **passcode slip** (for voting purpose) will be issued to you. Please retain the passcode for voting; and
 - An identification wristband will be given once you have registered. If you are attending the AGMs as a member as well as proxy, you will be registered once and will only be given one identification wristband to enter the meeting hall. No person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event that you lose/misplace the identification wristband.
5. Once you have collected your **identification tag, passcode slip** (for voting purpose) and signed the Attendance List, please leave the registration area immediately and proceed for refreshment at the Ballroom foyer.
6. No person will be allowed to register on behalf of another person even with the original MyKad of that other person.
7. The registration counters will only handle verification for identities and registration. If you have any queries, please proceed to the Help Desk.

Registration Help Desk

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

Car Park and Parking Redemption Counter

9. After registration for attendance of the KLCC REIT 5th AGM and the KLCCP 15th AGM, you are advised to approach the Parking Redemption Counter to exchange your parking ticket for free parking provided by the Company for cars parked only at the following locations in KLCC:

<u>Locations</u>	<u>Enquiry Contact</u>
Mandarin Oriental, Kuala Lumpur	03-2179 8898
KLCC Basement Car Park	03-2392 8585
Kuala Lumpur Convention Centre Car Park	03-2333 2945
Lot D1 Open Car Park (adjacent to Mandarin Oriental, Kuala Lumpur)	03-2392 8585

ADMINISTRATIVE DETAILS

Proxy

10. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the meetings and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.
11. If you wish to attend the meetings yourself, please do not submit the Form of Proxy. You will not be allowed to attend the meetings together with a proxy appointed by you.
12. If you have submitted your Form of Proxy prior to the meetings and subsequently decided to attend the meetings yourself, please proceed to the Registration Help Desk to revoke the appointment of your proxy.
13. Please ensure that the original Form of Proxy is deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd not less than forty eight (48) hours before the time appointed for holding the meetings.

Corporate Member

14. Any corporate member who wishes to appoint a representative instead of a proxy to attend the meetings should lodge the certificate of appointment under the seal of the corporation or rubber stamp (if the corporation does not have a common seal), at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd not less than forty eight (48) hours before the time appointed for holding the meetings.

General Meeting Record of Depositors

15. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 5th AGM of KLCC REIT and the 15th AGM of the Company, KLCC REIT Management Sdn Bhd ("Manager") and/or Maybank Trustees Berhad ("Trustee") and the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Trust Deed dated 2 April 2013 entered into between the Manager and the Trustee, Articles 57(1) and 57(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 4 April 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

Refreshment

16. Light Refreshment shall be provided.

AGM Enquiry

17. For enquiry prior to the KLCC REIT 5th AGM and KLCCP 15th AGM, please contact the following during office hours:

(a) Investor Relations and Business Development Department, KLCCP	(Tel 03-2783 6000) (G/L)
(b) Share Registrar – Tricor Investor & Issuing House Services Sdn Bhd	(Tel 03-2783 9299) (G/L)

Annual Report 2017

18. The KLCCP STAPLED GROUP Annual Report 2017 is available on Bursa Malaysia's website at www.bursamalaysia.com under Company Announcements and also at the KLCC website at www.klcc.com.my.



PROXY FORM



KLCC PROPERTY HOLDINGS BERHAD

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

KLCC REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted under the laws of Malaysia)

No. of Stapled Securities held	CDS Account No.

*I/We _____
(Full Name as per NRIC/Certificate of Incorporation in capital letters)

Company No./NRIC No. (new) _____ (old) _____

of _____

(FULL ADDRESS)

being a *holder/holders of the stapled securities of KLCC PROPERTY HOLDINGS BERHAD ("Company") and KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT"), hereby appoint:

1. PROXY "A"

Full Name (In Block)	NRIC/Passport No.	Proportion of shareholdings	
		No. of Stapled Securities	%
Address			

* and/or failing him (*delete as appropriate)

2. PROXY "B"

Full Name (In Block)	NRIC/Passport No.	Proportion of shareholdings	
		No. of Stapled Securities	%
Address			

or failing him/them, the CHAIRMAN OF THE MEETINGS as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Fifth Annual General Meeting (5th AGM) of KLCC REIT and the Fifteenth Annual General Meeting ("15th AGM") of the Company to be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on 12 April 2018, Thursday at 10.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

Resolution	PROXY "A"		PROXY "B"	
	For	Against	For	Against
KLCC REIT				
Proposed unitholders' mandate to issue new units of up to 10% of the approved fund size of KLCC REIT pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia	1			
KLCCP				
Re-election of Tan Sri Mohd Sidek bin Hassan	I			
Re-election of Datuk Manharlal a/l Ratilal	II			
Directors' fees and benefits payable to Non-Executive Directors with effect from 1 January 2018 until the next Annual General Meeting held in 2019 of the Company	III			
Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to fix the Auditors' remuneration	IV			
Re-appointment of Dato' Halipah binti Esa as Independent Non-Executive Director	V			
Authority to issue shares of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016	VI			

Contact Number: _____

Signature of holder(s) of the Stapled Securities or
Common Seal

Dated: _____

* Strike out whichever is not desired.

Notes:

1. A holder of the stapled securities comprising ordinary shares in the Company stapled together with the units in KLCC REIT ("Stapled Securities") entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities. There shall be no restriction as to the qualification of the proxy.
2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.
3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or rubber stamp (if the corporation does not have a common seal) or under the hand of its attorney.
If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.
6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.
7. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 5th AGM of KLCC REIT and the 15th AGM of the Company, KLCC REIT Management Sdn Bhd ("Manager") and/or Maybank Trustees Berhad ("Trustee") and the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Trust Deed dated 2 April 2013 entered into between the Manager and the Trustee, Articles 57(1) and 57(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 4 April 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

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Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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CORPORATE DIRECTORY

KLCC PROPERTY HOLDINGS BERHAD

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
P.O. Box 13214
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC PARKING MANAGEMENT SDN BHD

Level P2, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8585
603 2392 8448
Facsimile : 603 2392 8407
Website : www.parking.klcc.com.my
E-mail : klccparking@klcc.com.my

KLCC URUSHARTA SDN BHD

Level P1, Tower 2
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8768
Facsimile : 603 2382 1037
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC REIT MANAGEMENT SDN BHD

Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
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Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

MANDARIN ORIENTAL, KUALA LUMPUR

Kuala Lumpur City Centre
P.O. Box 10905
50088 Kuala Lumpur
Malaysia
Telephone : 603 2380 8888
Facsimile : 603 2380 8833
Website : www.mandarinoriental.com
E-mail : mokul-sales@mohg.com

SURIA KLCC SDN BHD

Level 13, Menara Darussalam
No 12, Jalan Pinang
50450, Kuala Lumpur
Malaysia
Telephone : 603 2382 3434
Facsimile : 603 2382 2838
Website : www.suriaklcc.com.my
E-mail : info@suriaklcc.com.my

www.klcc.com.my

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

Levels 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin,
50050 Kuala Lumpur
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