Operating Landscape

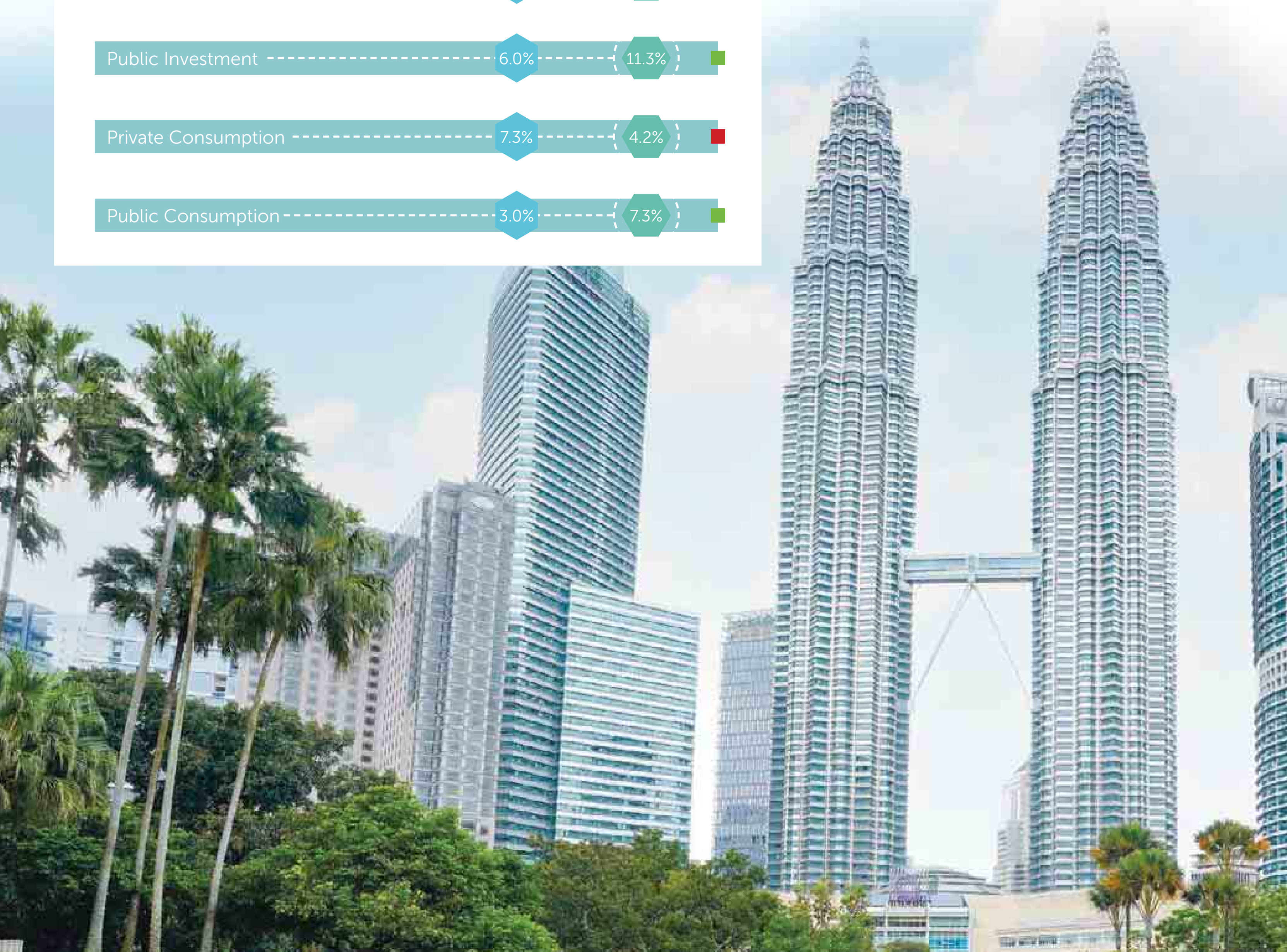
Economic & Market Review and Outlook

ECONOMY OVERVIEW

	Q1-Q4/2022	**Q1-Q4/2023**
Gross Domestic Product (GDP)	8.7%	3.7%

	Q4/2022	**Q4/2023**
Consumer Price Index (CPI)	3.9%	1.6%
Unemployment rate	3.6%	3.3%
Overnight Policy Rate (OPR)	2.75%	3.0%
Private Investment	10.3%	4.0%
Public Investment	6.0%	11.3%
Private Consumption	7.3%	4.2%
Public Consumption	3.0%	7.3%

MALAYSIA'S ECONOMIC GROWTH FOR 2023 NORMALISED TO 3.7%, FOLLOWING STRONG GROWTH IN THE PREVIOUS YEAR DUE TO CHALLENGING GLOBAL ECONOMIC CONDITIONS.



OFFICE MARKET OVERVIEW

Kuala Lumpur (KL) City's office market performance has consistently improved in 2023, supported by active leasing activities. In terms of supply, KL City's total office space was stagnant at 53.8 million sq ft in 2023, with no new completion observed since last year. Meanwhile, occupancy rates improved slightly to 69.1% in Q3/2023, a 1.6% year-on-year (Y-o-Y) increase (Q3/2022: 68.0%). Moving forward, demand for high-quality, green-rated office buildings is expected to grow, sustained by demand from rightsizing and flight-to-quality tenant movements and by organisations seeking to embrace their internal or external Environmental, Social and Governance (ESG) obligations. Meanwhile, landlords continuously offer leasing incentives to maintain rental revenue.

KL City Office Supply

53.8
million sq. ft.
(2022: 53.8 million sq. ft.)

Average Occupancy Rate

69.1%

2023	69.1%
2022	68.0%

RETAIL MARKET OVERVIEW

The retail industry in Malaysia had a solid start for 2023 with a convincing number of retail sales and a more exciting retail scene. Shopping malls constantly host events and festive celebrations throughout the year to increase footfall. However, the second half of the year showed moderate retail sales, mainly attributed to economic factors. In 2023, the total retail supply in KL City was 13.7 million sq ft with the addition of The Exchange TRX mall. The average occupancy rate of shopping malls in KL City increased from 72.3% in 2022 to 77.5% in 2023, indicating a growing demand and vibrancy in the city's retail market. KL City continues to be a premier shopping destination with a diverse retail landscape with a blend of local and international brands.

KL City Retail Supply

13.7
million sq. ft.
(2022: 12.3 million sq. ft.)

Average Occupancy Rate

77.5%

2023	77.5%
2022	72.3%

HOTEL MARKET OVERVIEW

The tourism industry has rebounded, surpassing pre-pandemic levels with a notable increase in tourist arrivals. The hospitality sector is set for resurgence, driven by factors such as a depreciated Ringgit attracting international travellers and a surge in tourism. The number of 5-star hotels in Kuala Lumpur increased from 35 in 2022 to 40 in 2023, with new hotels strategically entering the market and improving travel policies. The Average Occupancy Rate (AOR) increased from 34.3% in H1/2022 to 53.6% in H1/2023, indicating a positive trend. The industry anticipates a thriving market, offering a cost-effective and seamless experience for visitors, with hotel performance expected to improve in the coming future gradually.

KL City 5-Star Hotel Supply

40 hotels
16,008 rooms
(2022: 35 hotel, 14,661 rooms)

Average Occupancy Rate

53.6%

2023	53.6%
2022	34.3%

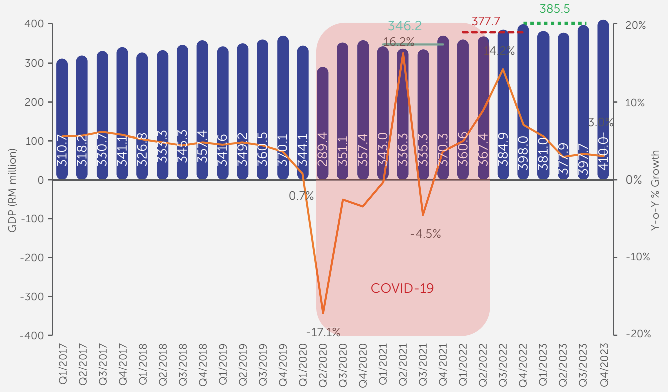
Operating Landscape
Economic & Market Review and Outlook

ECONOMY OVERVIEW

Gross Domestic Product (GDP)

Figure 1.1

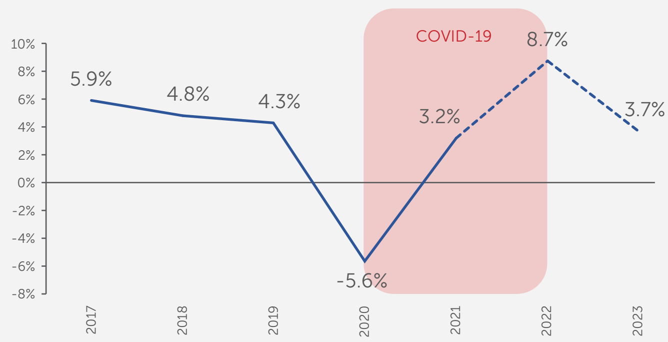
Quarterly GDP, Y-o-Y % Growth (2017-23) & Average Yearly GDP (2021-23)



Source: Bank Negara Malaysia (BNM) & Department of Statistics Malaysia (DOSM)

Figure 1.2

GDP Growth Projection 2022-2023



Source: Bank Negara Malaysia (BNM), World Bank & Department of Statistics Malaysia (DOSM)

Malaysia's economy grew by 3.0% in the fourth quarter of 2023, slightly lower than the previous quarter's 3.3%. Household spending remained robust, supported by improving labour market conditions and easing cost pressures. The unemployment rate declined to pre-pandemic levels of 3.3%, while the labour force participation rate reached a historic high.

Investment activity saw growth, driven by multi-year projects and capacity expansions by firms, although exports remained subdued due to weak external demand. Malaysia's position as a global electronics hub has attracted substantial investments from multinational companies. For example, Intel invested RM30 billion into a new semiconductor packaging plant in Penang, slated for completion by 2024. Similarly, Infineon Technologies constructed a cutting-edge wafer fab module in Kulim with an investment of approximately RM8 billion. This initiative is expected to enhance the manufacturing capacity of power semiconductors upon its completion in 2024.

In 2023, significant initiatives such as the Madani Economic Framework (MEF), the Mid-Term Review of the 12th Malaysia Plan (MTR of 12MP), the National Energy Transition Roadmap (NETR), and the New Industrial Master Plan (NIMP) 2030, have all been introduced. Together, these initiatives present extensive investment opportunities in the trillions of Ringgits, reinforcing Malaysia's standing in the regional investment landscape. In 2024, a startup fund worth RM200 million will be allocated to act as a catalyst in accelerating the mission of establishing the New Industrial Master Plan (NIMP).

The continuous multi-year investment projects are positioned to offer supplementary assistance for economic growth. Moreover, there is a gradual recovery in tourism-related activities involving both domestic and international travellers. The growth in foreign tourist arrivals and spending is anticipated to continue. Investments are being reinforced by the ongoing progress of multi-year infrastructure projects and the implementation of catalytic initiatives. The measures outlined in the 2024 budget will contribute to additional stimulation of economic activity.

The government's efforts to enhance the country's tourism are evident through attractive strategies, including initiatives such as the revised and more flexible Malaysia My Second Home (MM2H) scheme. Furthermore, the initiative to provide visa-free entry to China for Malaysians reflects a deliberate attempt to encourage increased travel among Malaysians and individuals from mainland China. In 2022, Malaysia saw a decline of -61.4% in tourist arrivals, totalling 10,070,964, and a -67.2% decrease in tourism receipts, amounting to RM28.23 billion, compared to the corresponding period in 2019.

Launching the New Industrial Master Plan (NIMP) 2030 aims to drive industrialisation and position Malaysia as a regional economic leader, with a targeted total investment of up to RM95 billion. Several states have demonstrated appeal to investors, notably Kuala Lumpur, Penang, Selangor, Kedah, and Johor. These states collectively represent a substantial 79.1% of the total committed investments. Besides that, the 2024 Budget aims to foster domestic economic growth by offering cash assistance to alleviate the cost of living to the public and provisional aid to micro, small, and medium enterprises. This approach aims to inject economic stimulus directly into the domestic economy. An example is the Rahmah Cash Aid (STR), which is one of the most beneficial incentives provided by the government as the public currently needs cash for daily necessities.

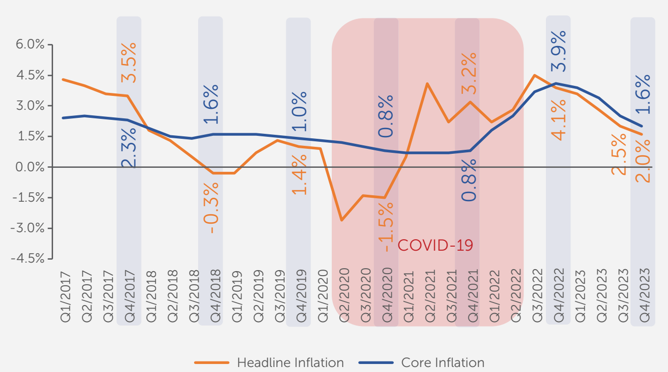
The Malaysian government has also anticipated establishing the Central Database Hub (PADU) initiative, representing a crucial step towards enhancing the monitoring of individual and household data through a centralised, near real-time database. This initiative is anticipated to strengthen the distribution of subsidies and facilitate monitoring activities at intervals over the medium to long term.

Overall, Malaysia's economic growth for 2023 normalised to 3.7%, following strong growth in the previous year. Growth moderated due to challenging global economic conditions, including geopolitical tensions, ongoing disruptions in the supply chain, the implementation of stringent monetary policies to counteract global inflation, and the varied growth outlooks of major economies—several of which are key trading partners for Malaysia. Domestically, despite the tapering of large policy support as the economy reopened in 2022, the growth in 2023 stems from the expansion of domestic demand, bolstered by stable employment and income prospects, particularly in industries oriented toward the domestic market. This growth trajectory, coupled with other favourable economic trends, is anticipated to contribute to the strengthening of the value of the ringgit.

Headline & Core Inflation

Figure 1.3

Headline & Core Inflation



Source: Bank Negara Malaysia (BNM)

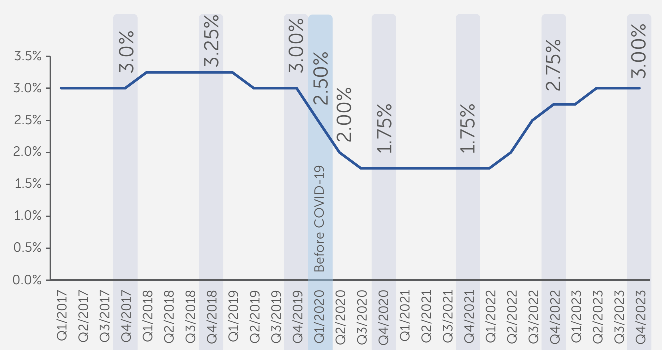
Note: p=preliminary

Both headline and core inflation decreased throughout 2023 (Figure 1.3), primarily influenced by more favourable cost conditions. The declining trajectory of headline inflation continued, reaching 1.6% in the fourth quarter of 2023, marking a decrease from the third quarter's 2.0%. This diminishing trend was observed in both non-core and core inflation. The reduction in non-core inflation was influenced by declines in fresh food and fuel prices. Core inflation also experienced a decrease to 2.0% (compared to 2.5% in Q3/2023), stabilising at its long-term average observed during 2011-2019, with an average of 2%. The moderation in core inflation was primarily attributed to specific services, including spending on food away from home, dining in restaurants and cafés, and personal transport repair and maintenance. Inflation is projected to remain modest in 2024, subject to changes in domestic policy and global commodity prices.

Overnight Policy Rate (OPR)

Figure 1.4

Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia (BNM)

With the improvement in Malaysia's economic activities buoyed by domestic expenditure, low unemployment and wage growth coupled with the convalescence in trade surpluses and the moderation of inflationary pressures, Bank Negara Malaysia (BNM) has opted to keep the overnight policy rate (OPR) unchanged.

As of 31st December 2023, OPR is maintained at 3.0%. This commitment is made with the assurance that the monetary policy stance is geared towards supporting sustainable economic growth while upholding price stability.

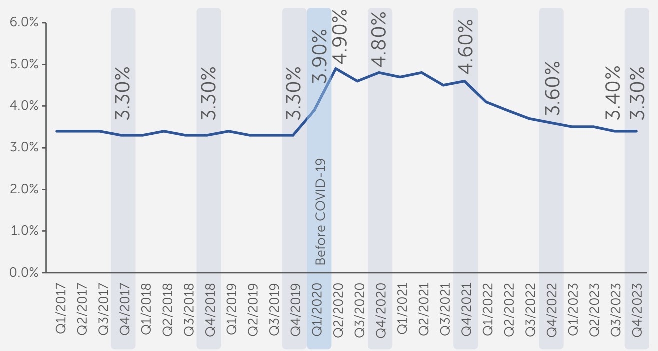
The central bank also forecasts modest inflation whilst anticipating sustained investment activities from infrastructure projects and national masterplans in 2024. The government's review of price controls and subsidies and BNM's commitment to safeguard the orderly functioning of the foreign exchange market will also complement the improvement of economic activities.

Operating Landscape
Economic & Market Review and Outlook

Unemployment Rate

Figure 1.5

Unemployment Rate



Source: Department of Statistics Malaysia (DOSM)

Note: p=preliminary

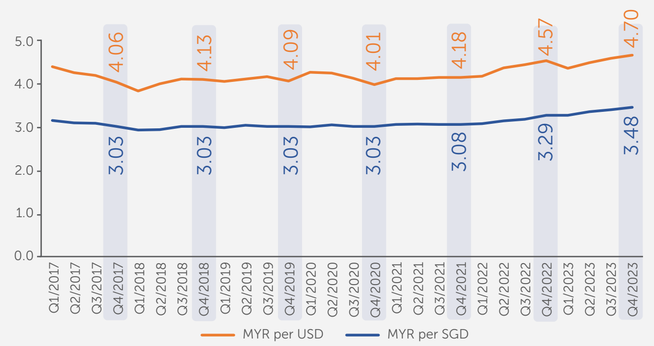
Labour market conditions have consistently improved since the government declared the transition to the endemic phase in April 2022. In the fourth quarter of 2023, the unemployment rate returns to pre-Covid levels, stabilising at 3.3%. This rate is also the lowest recorded since the onset of the pandemic, aligning with pre-pandemic figures that ranged between 3.3% and 3.4% (refer to Figure 1.5).

The services sector has consistently experienced growth in terms of employment, especially in the food and beverage sector, wholesale and retail trade, and administrative and support service activities. As we transition into 2024, the labour market is anticipated to persist in maintaining its recovery momentum in alignment with positive economic trends. The Employees Provident Fund (EPF) has revealed that the Progressive Wage Policy (PWP) trial phase will take place from June to September 2024, with the official implementation expected at the earliest in late 2024. The introduction of the Progressive Wage Policy (PWP) is intended to supplement the existing minimum wage and Productivity-Linked Wage System.

Exchange Rate (USD & SGD)

Figure 1.6

Exchange Rate



Source: Bank Negara Malaysia (BNM) & Department of Statistics Malaysia (DOSM)

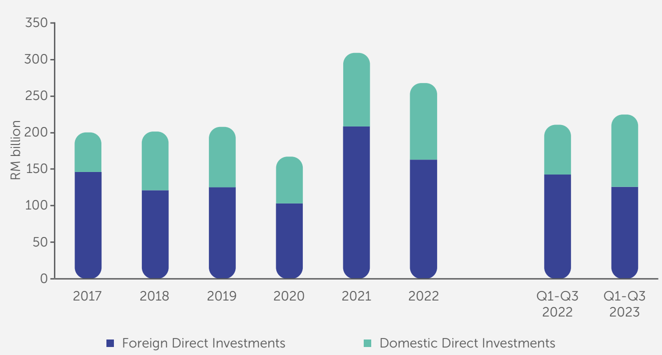
The ringgit has consistently followed a downward trajectory, influenced by the inflation outlook in developed countries (refer to Figure 1.6). By Q4/2023, the value of the Ringgit against the US dollar and Singapore Dollar dropped to its lowest to RM4.70 and RM3.48, respectively.

The US Federal Reserve has re-adjusted the policy rate by a total of 100 bps in the last nine months. The Malaysian Ringgit (MYR) is facing pressure due to anticipations of prolonged elevated interest rates set by the U.S. Federal Reserve. The decline in the value of the Ringgit against the Singapore Dollar can be attributed to variances in economic growth, inflation, and interest rate differentials.

Approved Investment

Figure 1.7

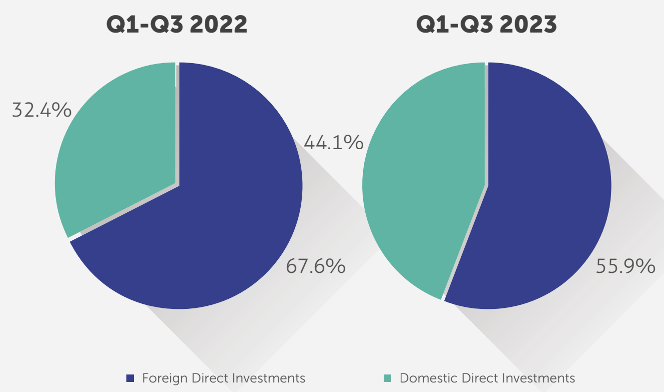
Approved Investments



Source: Malaysian Investment Development Authority (MIDA)

Malaysia attracted RM225.0 billion of approved investments in the primary, manufacturing and services sectors involving 3,949 projects in January-September 2023, an increase of 6.7% compared to the same period in 2022 (RM210.9 billion) (Figure 1.7).

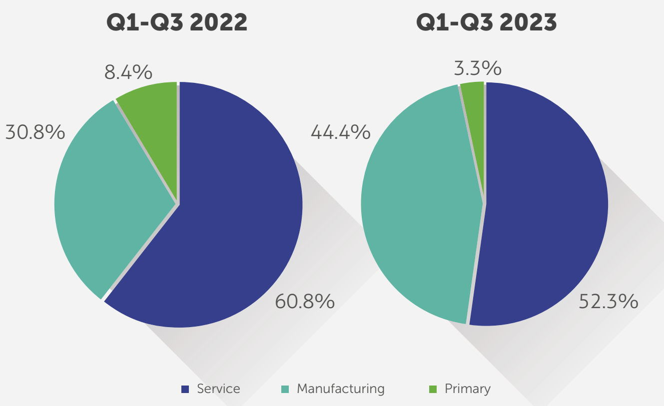
Figure 1.8



Source: Malaysian Investment Development Authority (MIDA)

Foreign Direct Investments (FDI) remained the major contributor to the total approved investments (55.9% or RM125.7 billion) between Q1/2023 and Q3/2023. A decrease of 12% compared to the same period in the previous year in 2022 (Figure 1.8). In comparison, Domestic Direct Investment (DDI) contributed 44.1% or RM99.3 billion.

Figure 1.9



Source: Malaysian Investment Development Authority (MIDA)

Between January and September 2023, the majority share of approved investments in Malaysia was predominantly towards the service sector (see Figure 1.9). Specifically, the services sector garnered 52.3%, amounting to RM117.7 billion, while the manufacturing and primary sectors secured 44.4% (RM99.8 billion) and 3.3% (RM7.4 billion), respectively.

Among the significant approved investments, the Netherlands took the lead in foreign investments with a total of RM35 billion, followed by Singapore with RM20.4 billion, the United States with RM18.9 billion, China with RM11.6 billion, and Japan with RM11.2 billion.

OFFICE MARKET OVERVIEW

The demand for office space in KL City has steadily improved in 2023. Office leasing activities have maintained momentum in the post-pandemic market as business activities return to normal. This trend is supported by stable rental rates and flight-to-quality tenant movements, driving demand for high-quality office spaces with sustainable building features. Overall, strong demand for newer, green-rated buildings is anticipated to be the main driver of office market activity.

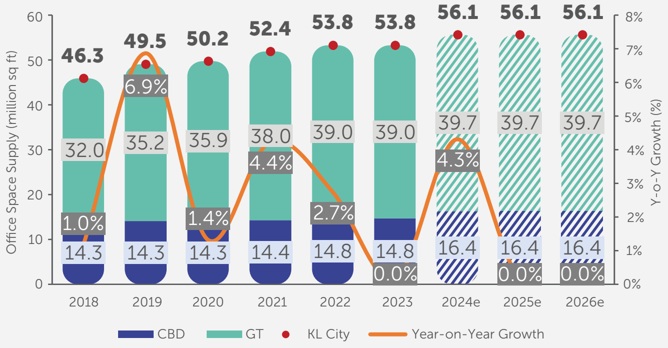
As of 2023, KL City recorded a cumulative office space of 53.8 million sq ft, with no new office completions noted in the region this year. Current future supply projections expect another 2.3 million sq ft of office space in KL City by 2024, indicating a 4.3% Year-on-Year (Y-o-Y) growth from this year. Notable office development in the future supply pipeline includes Merdeka 118 in the Central Business District (CBD) area, with an estimated net lettable area (NLA) of 1.65 million sq ft, which accounts for about three-quarters of KL City's future office space.

Collectively, the Golden Triangle area hosts the highest share of office space in KL City, as illustrated in Figure 2.2, which amounts to 72.5% (39.0 million sq ft) of the total space in 2023. Moving forward, the Golden Triangle area expects another 0.68 million sq ft of office space by 2024, most of which are green-rated, Grade A office buildings, equipped with state-of-the-art sustainable building features.

Operating Landscape

Economic & Market Review and Outlook

Figure 2.1: Cumulative Office Supply in KL City

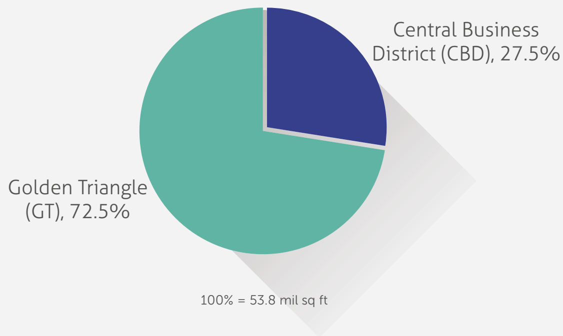


Source: Savills Malaysia

Note: e = estimate

Note: KL City Region consists of two areas, i.e., Golden Triangle (GT) and Central Business District (CBD)

Figure 2.2: Distribution of Office Supply in KL City by Area, 2023



Source: Savills Malaysia

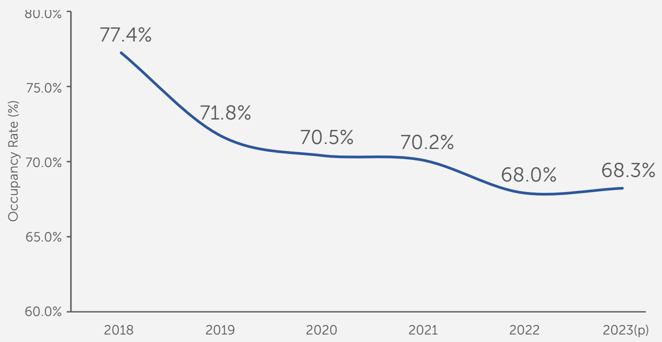
Selected Upcoming Office Developments in KL City

Selected Major Office Buildings	Area	Location	Estimated Net Lettable Area (NLA) (sq ft)	Expected Completion Year
PNB 1194	GT	Jalan Sultan Ismail	169,000	2024
The Exchange TRX Campus Office	GT	Tun Razak Exchange (TRX)	197,000	2024
Merdeka 118	CBD	Jalan Hang Jebat	1,650,000	2024
Office @ Oxley Tower, KLCC	GT	Jalan Ampang	315,700*	2024

Note: *Oxley Tower 3 KLCC forms part of the mixed-use Oxley Rising development situated along Jalan Ampang. Comprising a 29-storey building, Oxley Tower 3 features strata offices spanning from levels 6 to 29, with NLA of 315,700 sq ft. Additionally, there are 4 retail lots on the Ground and Level 1, covering a total NLA of 9,569 sq ft, along with some hotel units on Level 5. The building also includes a car park facility, extending from Basement 5 to Level 4.

Source: Savills Malaysia

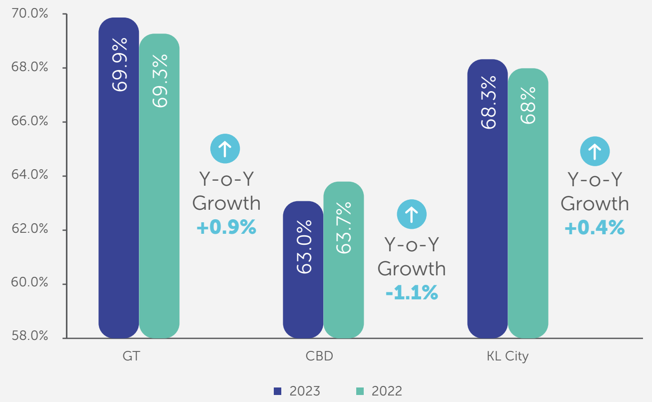
Figure 2.3: Office Occupancy Rates in KL City



Source: Savills Malaysia

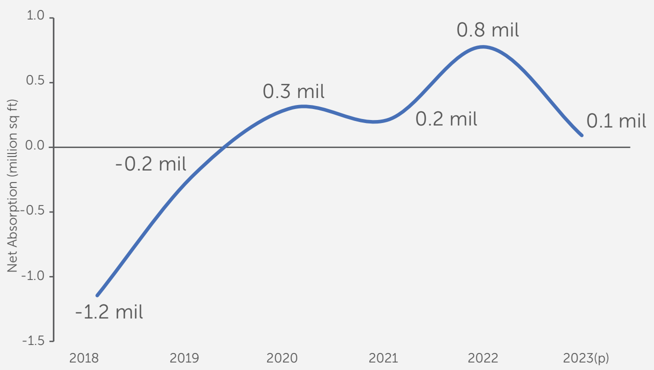
The KL City office market recorded about 68.3% occupancy rate as of 2023 (Figure 2.3), which is a slight Y-o-Y increase of about 0.4% (2022: 68.0%) (Figure 2.4). This slight improvement can be attributed to the relatively active office leasing market, driven by tenants' demand for high-quality and green-rated office space. Exchange 106 at Tun Razak Exchange (TRX), with about 2.4 mil sq ft of NLA, noted a series of new set-ups and relocation movements, including expansions from existing tenants, mainly by tenants from the Financial Services sector. As a result, the premium Grade A GBI Gold office development achieved approximately 45% of the occupancy rate so far this year.

Figure 2.4: Year-on-Year Comparison of Office Occupancy Rates in KL City



Source: Savills Malaysia

Figure 2.5: Office Net Absorption in KL City

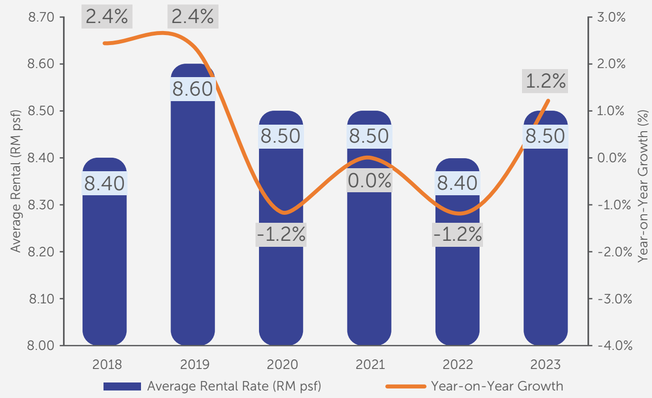


Source: Savills Malaysia

The office net absorption in KL City maintained a positive figure since 2020, with a record of about 0.1 million sq ft of net absorbed space in 2023 (Figure 2.5). Given the absence of new office completions in KL City this year, the net absorbed space decreased by about 88% compared to last year (2022: 0.8 mil sq ft). Although certain individual office buildings, particularly new Grade A offices, have shown improved occupancy rates, the overall net absorbed space in KL City was hindered by low occupancy rates observed in older buildings within the region.

A notable instance of flight-to-quality tenant movement this year involved the rightsizing and consolidation of Liberty Insurance with AmGeneral Insurance. Liberty Insurance vacated its older HQ Office at Jalan Sultan Ismail. It consolidated the new office with AmGeneral at a newer, green-rated office building in Pusat Bandar Damansara, located in the KL Suburban region.

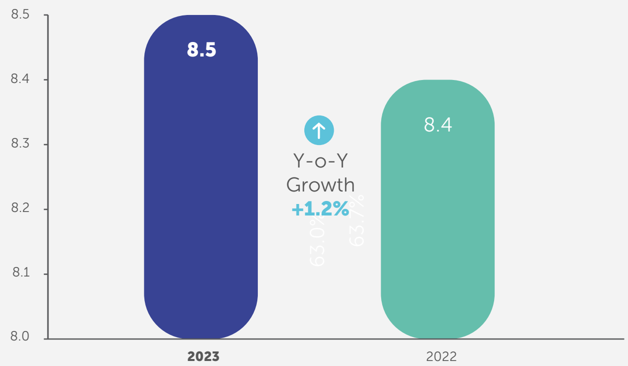
Figure 2.6: Average Asking Rental of Prime Offices in KL City



Source: Savills Malaysia

KL City's prime office market has maintained stable gross asking rentals since 2018, averaging about RM8.40 per sq ft (Figure 2.6). Minimal Y-o-Y changes have been observed in recent years. The stability in average gross asking rentals within the prime office market is attributed to landlords' motivation to offer competitive rental rates and leasing incentives—mainly in the form of rent-free periods, albeit to a lesser extent than those offered during the pandemic, to maintain rental revenue.

Figure 2.7: Year-on-Year Comparison of KL City's Prime Office Average Rental Rate



Source: Savills Malaysia

As of 2023, the prime offices in KL City recorded an average gross asking rental of RM8.50 per sq ft, reflecting a slight yearly increase of 1.2% from RM8.40 per sq ft in 2022 (Figure 2.7). With the availability of newer, high-quality office buildings on the rise, landlords of older buildings are expected to continually seek upgrades in functionality, façades, amenities, and more to maintain a competitive edge. However, many will be constrained by the limits of what is both cost-effective and feasible within the confines of these older developments.

Operating Landscape
Economic & Market Review and Outlook

Major Office Transactions in 2023

Year	Quarter	Region	Buildings	Location	NLA	Price (RM mil)	Price (RM psf)	Buyer
2023	Q1	KL City	Menara HSBC	Leboh Ampang	173,000 sf	RM55 mil	RM318	Pact REIT Managers Sdn. Bhd.
2023	Q3	KL Sub	Menara TM Semarak	Jalan Raja Muda Abdul Aziz	324,158 sf	RM72 mil	RM222	Titijaya Land Berhad
2023	Q4	KL City	Oxley Tower 3, KLCC	Jalan Ampang	315,700 sf	RM406 mil*	n.a.	Alliance Bank Malaysia Berhad
2023	Q4	KL Sub	Wisma Rapid	Desa Sri Hartamas	60,884 sf	RM32 mil	RM532	Segi Permai Sdn. Bhd.

Source: Savills Malaysia

Note: *Transaction value includes 4 adjoining retail lots on levels G and 1 at The Boulevard (a 2-Storey retail podium), with NLA of 9,569 sq ft and 24 floors of office suites at Oxley Tower 3 (29-storey office tower), with NLA of 315,700 sq ft

Kuala Lumpur's office market showed some signs of improvement in 2023 after a relative period of quiet since the onset of the pandemic. Four en-bloc office transactions were noted in 2023. Notable transactions within the KL City and KL Suburban sub-markets include the purchase of Menara TM Semarak at RM222 psf by a developer to be reused as a data centre. Additionally, Alliance Bank acquired 24 floors of office suites (Levels 6 to 29) at Oxley Tower 3, along with four retail units spanning 9,569 sq ft, for RM406 million. The 0.32 mil sq ft of office suites purchased will serve as their future headquarters upon completion by Oxley Holdings in Q4/2023.

Office Market Key Trends

The office market has proven resilient, showcasing continuous improvements since the onset of the pandemic. The gradual improvements are attributed to the adaptability of landlords and developers who have aligned with key trends observed in the office market, influenced by the evolving habits, awareness levels, and preferences of office occupiers.

As for KL City's supply market, office occupiers have developed a distinct preference for ESG-compliant office buildings equipped with state-of-the-art green technology and health and wellness features. This is to ensure their choice of workspace is aligned with the business practices' ESG goals and incorporate well-being as a talent management strategy. The upcoming Merdeka 118 office development is designed to comply with three platinum green ratings—Leadership in Energy and Environmental Design (LEED), Green Real Estate (GreenRE) and Green Building Index (GBI). It also targets to achieve the WELL certification, as the development is designed to create a healthy work environment for its occupants. This building is on track to establish new standards for the next generation of Grade A office buildings.

Conversely, older office buildings lacking sustainable features and amenities may struggle to attract or retain tenants. Hence, efforts are being made to refurbish or repurpose these buildings to maintain a competitive edge in the market. Landlords are exploring initiatives to enhance the façades, amenities, and sustainability features of older office buildings to keep competitive rental rates.

Moreover, office market demand trends show a great deal of remote working culture being adopted by organisations. Consequently, landlords have begun offering flexible office leasing options with short-term leases and multifunctional office spaces to support organisations adopting hybrid work models.

Market outlook

Kuala Lumpur Office Market Outlook

As office leasing activities maintain momentum in 2023, prospects for KL City's office market indicate a positive outlook. With sustainability and health and wellness trends shaping business practices, the demand for high-quality, green-rated, and sustainable buildings is expected to remain strong and become the primary driver of market activity. Flight-to-quality tenant movements are expected to persist as newer office buildings with sustainable features become more prevalent in the office market, aligning with most corporations embracing their internal or external Environmental, Social and Governance (ESG) obligations.

At present, remote working habits, such as hybrid models and work-from-home arrangements, have become the norm for employees — a cultural shift that originated with the onset of the Covid-19 pandemic. Consequently, many corporations have embraced this trend, aiming to creatively enhance their employees' work experience, among other objectives. While the demand for office space persists, more rightsizing movements from older buildings are anticipated. Organisations are looking to adopt hybrid working models while occupying smaller office spaces equipped with state-of-the-art green features and other health and wellness elements. This underscores the sustained demand for office spaces with ESG-compliant features.

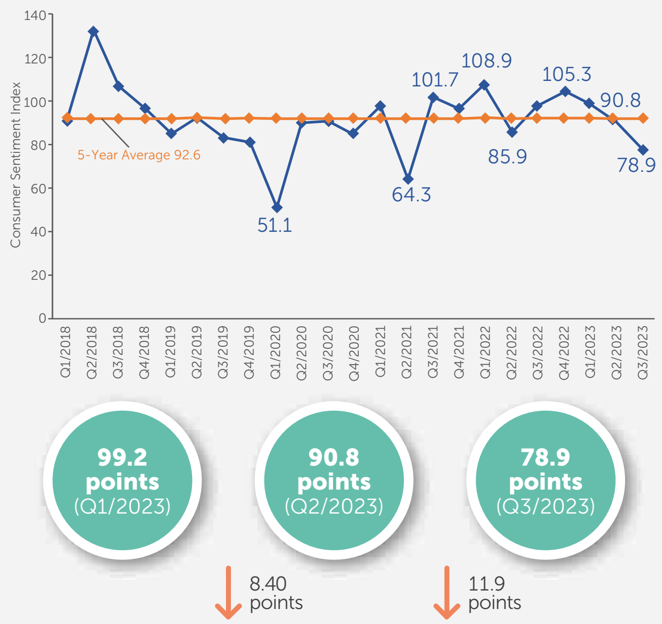
In 2023, KLCCP Stapled Group's office portfolio exhibited stability and remained a significant contributor to the Group's revenue. This is primarily attributed to the offices' excellent occupancy and rental rates, which are maintained above KL City's prime office market average. Part of KLCCP's office portfolio success is owed to the office's prime location within the Golden Triangle in KL City, along with the offices' accreditations, namely MD-status and Green Building Index certifications, that have proven to be beneficial in attracting high-quality tenants with long-term lease arrangements, particularly for the PETRONAS Twin Towers, Menara 3 Petronas, and Menara ExxonMobil.

Overall, KL City's office market is expected to progress steadily towards achieving a more balanced office supply and demand levels. Concurrently, more green-rated, ESG-compliant office buildings will continue to be in demand, sustained by rightsizing and flight to quality tenant movements from older buildings. Furthermore, landlords will continue to offer leasing incentives to maintain rental revenue. Meanwhile, efforts to upgrade older buildings' facilities, amenities, and sustainability credentials will be undertaken but will be limited to the necessary budget and structural constraints.

RETAIL MARKET OVERVIEW

The Consumer Sentiment Index (CSI) in Malaysia has experienced a notable decline over the first three quarters of the year, reflecting a shifting landscape of consumer confidence (Figure 3.1). In the first quarter, the CSI stood at a relatively optimistic 99.2 points, suggesting a positive consumer outlook. However, a discernible downturn became apparent in the second quarter, with the index plummeting to 90.8, indicating a considerable drop in confidence. As of Q3/ 2023, the CSI witnessed a further decline, reaching a notable low of 78.9 points in relation to future job opportunities, income growth and inflation worries.

Figure 3.1: Malaysia Consumer Sentiment Index



Source: Malaysia Institute of Economic Research (MIER)

The Department of Statistics Malaysia (DOSM) reported that Malaysia's retail sales registered a growth of 10.0% Y-o-Y to RM597.0 billion in the first 10 months of 2023 (Figure 3.3, a slight, albeit small, increase compared to the same period of 2022. In response to the changing market dynamics from the previous year's sales, the total retail sales seem stagnant, with only slight changes.

According to the Retail Group Malaysia (RGM), the retail industry achieved a growth rate of 2.7% in retail sales compared to the previous period – the same period last year saw the retail industry increase by 96%. The vast difference in growth rates also indicates that the market is undergoing a correction, as the previous year's growth rate was attributed to a low base rate. Spending power was also observed to be weak, partly from the higher cost of living. RGM estimates a 2.8% growth rate in retail sales for 2023.

Operating Landscape
Economic & Market Review and Outlook

Figure 3.2: Top 5 Retail Trade Categories with Highest Total Sales

1. Retail Sale in Non-specialised store
   38.1% (of total retail sales)
   Total sales: **RM227,727**

2. Retail Sale of Other Goods in Specialised Store
   20.5% (of total retail sales)
   Total sales: **RM122,464**

3. Retail Sale of Other Household Equipment in Specialised Stores
   11.7% (of total retail sales)
   Total sales: **RM69,906**

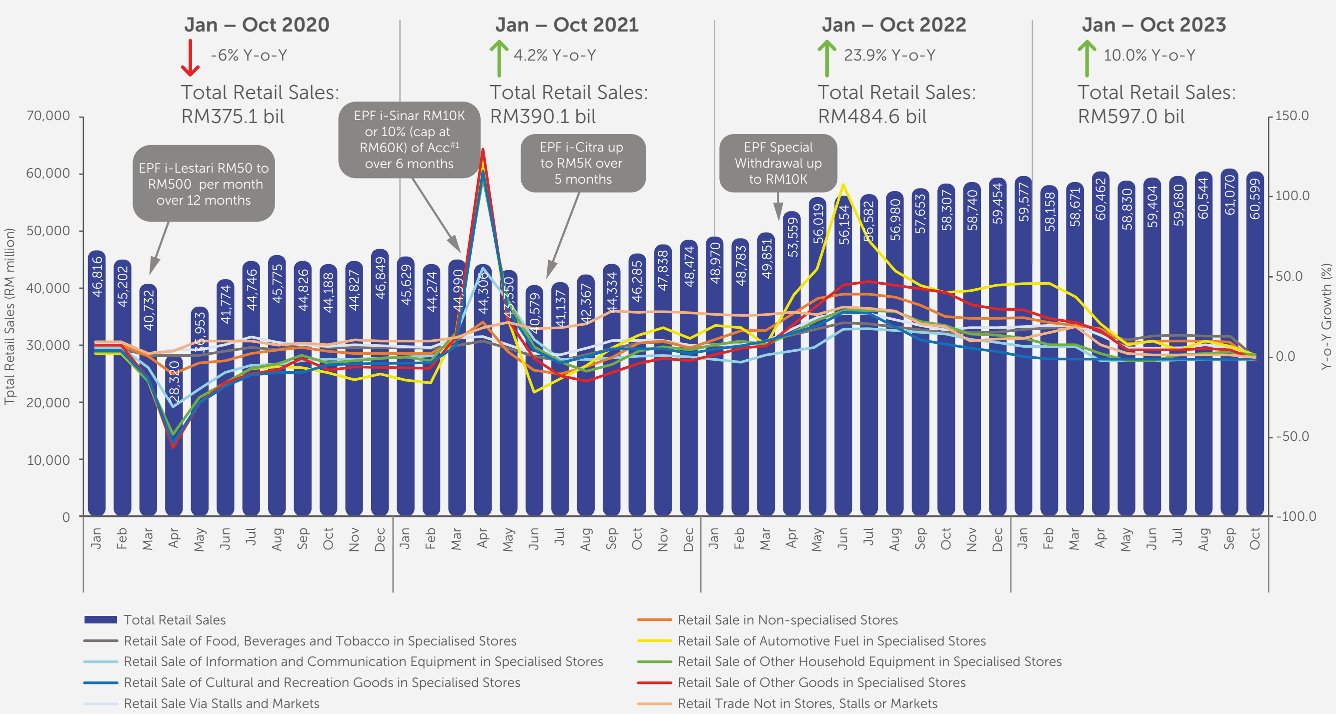
4. Retail Sale of Automotive Fuel in Specialised Stores
   9.3% (of total retail sales)
   Total sales: **RM55,566**

5. Retail Sale of Information and Communication Equipment in Specialised Stores
   8.4% (of total retail sales)
   Total sales: **RM49,853**

Source: Department of Statistic Malaysia (DOSM)

Figure 3.3: Total Retail Sales by Trade Categories

Total Retail Sales by Trade Categories, Y-o-Y Growth (%)



Source: Department of Statistic Malaysia (DOSM)

As of Q4/2023, the cumulative retail space supply in KL City is registered at 13.7 million sq ft of net lettable area (NLA) spread across about 30 retail malls (Figure 3.4). Given the increasing premium of land in KL City, developers are inclined towards upscale malls, resulting in a longer construction period and a slower growth of retail spaces in KL City.

Opened during the last quarter of the year is The Exchange TRX mall with an NLA of approximately 1.35 mil sq ft, which houses several new-to-market brands such as Gentle Monster, Alo Yoga, Maison Kitsune and a department store, Seibu. Moving forward, the expected completion of Warisan Merdeka Mall with an NLA of 900,000 sq ft will be a new addition to the exciting retail scene in KL City.

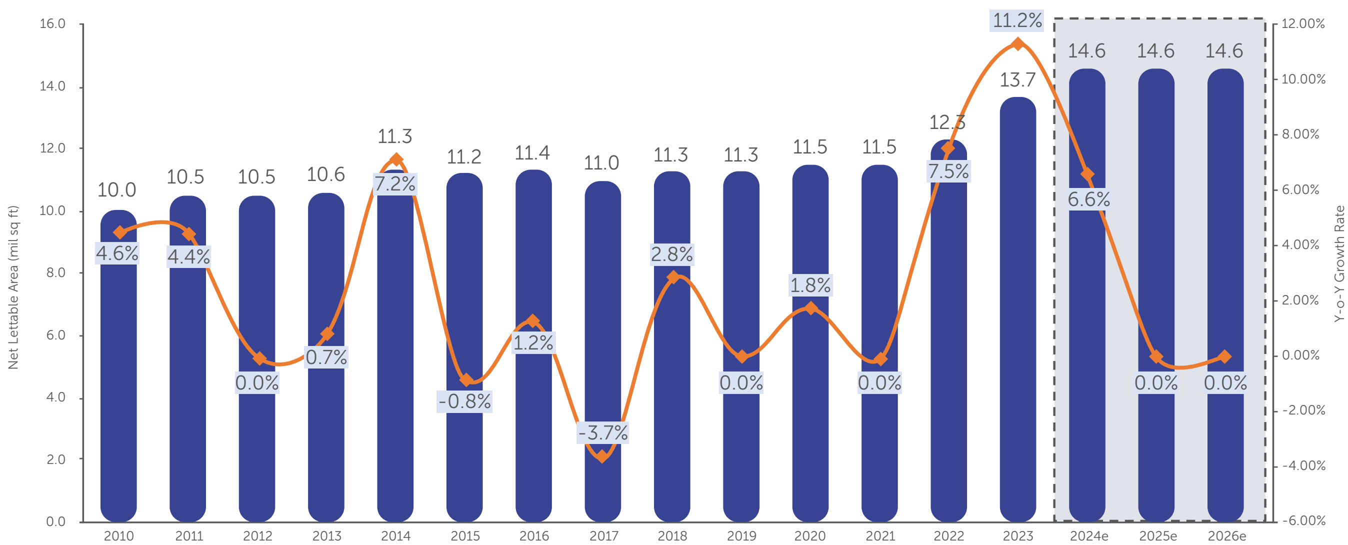
Figure 3.4: **Cumulative Retail Space Supply in KL City**

The cumulative retail space in KL city increased to
13.7 mil sq ft
spread across a total of about 30 malls

An addition of
1,350,000 sq ft
from the opening of **The Exchange TRX**

A total of **0.9 mil sq ft** of retail space is anticipated by the **end of 2024**

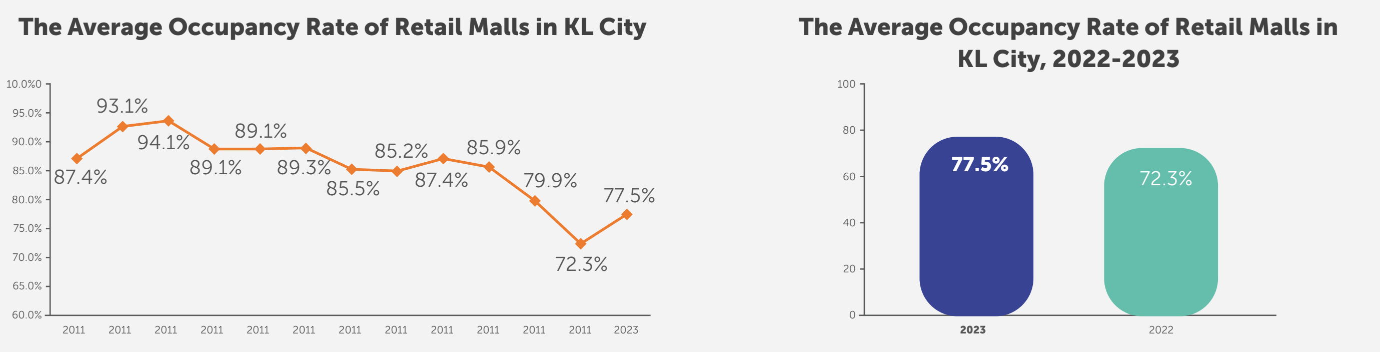
Warisan Merdeka Mall
(900,000 sq ft)



Source: Savills Malaysia
Note: e = estimate
Note: KL City Region consists of two areas, i.e., Golden Triangle (GT) and Central Business District (CBD)

Operating Landscape
Economic & Market Review and Outlook

Figure 3.5: **The Average Occupancy Rate of Retail Malls in KL City**

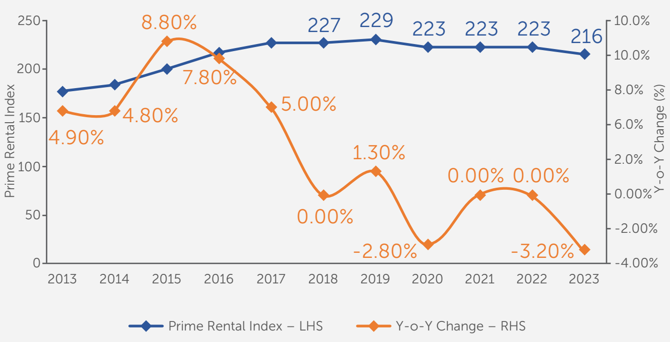


Source: Savills Research

The increase in average occupancy rates in KL City from 72.3% (2022) to 77.5% (Figure 3.5) is attributed to several business expansions and increases in business confidence. The increasing trend positions KL City as an attractive retail hub, reflecting a belief in the sustained growth of the local economy. Occupancy in prime malls such as Suria KLCC and Pavilion KL remains high, whilst Sungei Wang Plaza, Berjaya Times Square and Mitsui Lalaport have shown an improvement in occupancy rates.

On the other hand, the vacancy rate for retail malls has seen a substantial decrease to 22.5% in reduction, a drop from 27.7% in 2022. The observed decline in vacancy rates indicates an increased occupancy and a more robust utilisation of retail spaces in KL City.

Figure 3.6: **Prime Rental Index Movement, Q4/2005=100**



Source: Savills Research

The rental index has shown a slight decline in 2023, possibly due to the opening of new malls, which have put downward pressure on rental rates (Figure 3.6). The availability of more retail spaces will provide more choices for retailers, hence giving them an upper hand in negotiating rentals.

Retail Market Key Trends

In the ever-evolving world of retail, staying ahead of the curve is not just a strategy; it's an imperative. Navigating challenges like the pandemic has proven that retailers are innovative and quick to adapt to changes and meet the ever-changing consumer preferences.

The exclusivity and quality of malls in KL City have allowed movie retail partnerships to increase sales and encourage collaboration. Shopping malls with cinemas have taken the chance to organise events and premiere of certain movies, where local influencers will be invited to the premiere. Brands have also leveraged social media marketing, engaging with local influencers to promote their products. Another noteworthy trend involves fashion brands integrating coffee bars into their retail spaces, transforming the act of shopping into a captivating and immersive experience. Uniqlo in Fahrenheit Mall has recently undergone renovation and revealed its café concept.

Recently completed malls have demonstrated that shopping malls serve not only as shopping destinations but also as lifestyle and experiential spaces for consumers. These malls provide open areas for the public and organise events, enhancing the overall consumer experience.

Kuala Lumpur Retail Market Outlook

As the retail market adapts to changing consumer preferences and embraces technology and the changing economic dynamics, KL City continues to have sustained growth and a vibrant retail landscape. The pre-pandemic energy is resonating once again, and the retail market is observed to undergo a market correction, especially in retail sales.

Generally, the retail industry pivots towards a moderate growth in total retail sales as we enter the second half of 2023, mainly attributed to lower domestic consumption due to rising costs and the absence of major festival celebrations. Consumers are also holding back unnecessary spending as the interest rates increase. However, the moderate growth in total retail sales is more significant for mid/ mass segments than for luxury and premium segments. KL City, known to cater primarily to high-end luxury brands, is less likely to be affected.

The average occupancy rate in KL City has shown improvement as businesses expand, especially within the Food & Beverages sector. It is foreseeable that the occupancy rate will experience a slight increase as there are retail spaces yet to be filled up from the opening of new malls (Ie, The Exchange TRX and Warisan Merdeka Mall). Rental rates are also predicted to remain stable in the coming months.

The opening of The Exchange TRX mall will intensify competition within the KL City retail scene, especially with Suria KLCC and Pavilion KL, considering the proximity and high accessibility by public transport (MRT). However, Suria KLCC will remain resilient, considering its exclusive tenant mix and strategic location as one of Kuala Lumpur's primary landmarks.

The retail market outlook for KL City is characterised by a blend of challenges and opportunities. As announced in Budget 2024, the increment of service tax to 8% (excluding F&B and telecommunications) will result in more cautious consumer spending. Higher electricity tariffs and labour shortages will result in higher business costs, posing a threat to retailers.

HOTEL MARKET OVERVIEW

In the wake of the pandemic, the hospitality market is witnessing a dynamic resurgence of tourism arrivals. A pivotal factor contributing to this trend is the current depreciation of the Malaysian ringgit, making the country an even more attractive destination for international travellers seeking value for their currency.

In the unveiling of Budget 2024, Visit Malaysia has been postponed to 2026 from 2025. This extension provides ample opportunity for planning and execution of promotional strategy. The targeted tourist arrivals and receipts for 2026 align with pre-pandemic levels in 2019 at 26.1 million but with a higher anticipated receipt of RM86.1 billion, reflecting a 13% increase.

As Malaysia gears up for the Visit Malaysia Year in 2026, the hospitality industry adopts a forward-thinking strategy, introducing a streamlined visa-free policy and improving flight connectivity to ensure smooth travel experiences for the anticipated influx of tourists.

Figure 4.1: Tourist Arrivals & Receipts

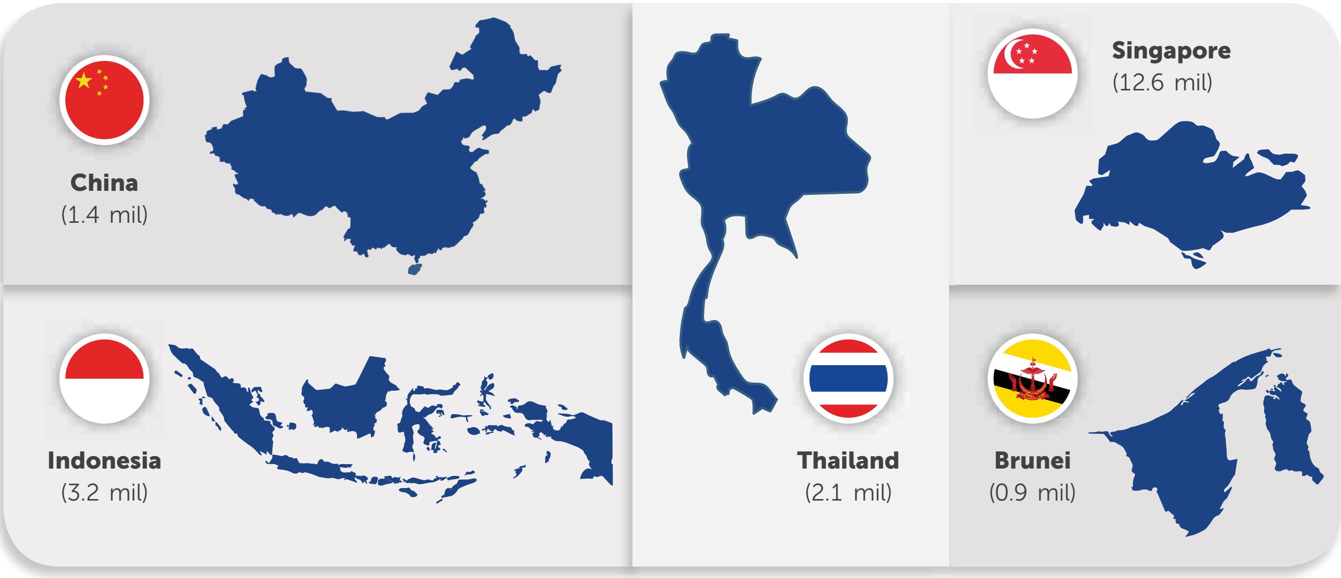
Source: Tourism Malaysia
Note: e = estimate

As of Jan-Sep 2023, Malaysia welcomed 14.5 million tourists, with Singapore, Indonesia, Thailand, China and Brunei as the top five contributors, collectively representing 75% of the total international arrivals. The tourism sector's recovery aligns with the pre-pandemic levels, reaching 72% of the Jan-Sep 2019 figures (14.5 million vs 20.1 million). Following a significant increase to 14.5 million arrivals in the first nine months of 2023, Malaysia has upwardly revised its full-year forecast by 18.63% to 19.1 million. (Figure 4.1).

As of Jan-Nov 15, 2023, tourist arrivals have exceeded the revised year-end target of 19.1 million, reaching 26.1 million. Singapore leads with 12.6 million arrivals, followed by Indonesia at 3.2 million, Thailand at 2.1 million, China at 1.4 million, Brunei at 0.9 million, and India at 0.8 million, with the remaining arrivals from various countries. The current depreciation of the Malaysia ringgit against the US dollar, coupled with robust connectivity and infrastructure, is driving increased tourism, particularly from neighbouring countries like Singapore and Brunei. (Figure 4.2).

Operating Landscape
Economic & Market Review and Outlook

Figure 4.2: **Top 5 countries with the highest number of visitors to Malaysia**

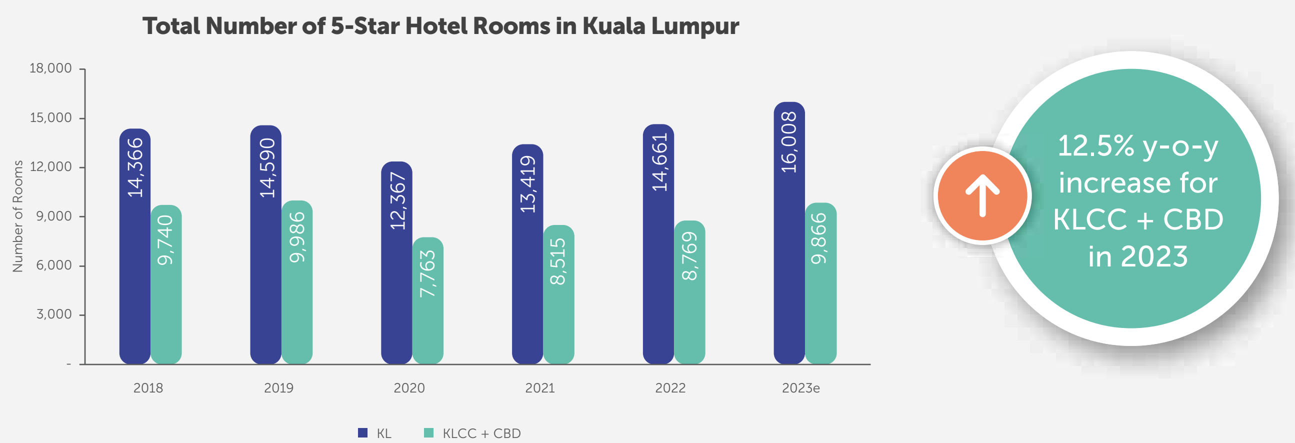


Source: Tourism Malaysia

As of 2023, the overall 5-star hotel rooms in Golden Triangle and CBD area increased to 9,866 rooms, marked by the completion of new establishments, namely Crowne Plaza KL (318 rooms), Hotel Indigo on the Park (180 rooms), Imperial Lexis (272 rooms) and The Face Style (327 rooms) (Figure 4.3).

In addition to these new developments, the Renaissance Hotel, which has undergone refurbishment and rephasing, now operate under two brands, the Renaissance and Four Points by Sheraton.

Figure 4.3: **Total Number of 5-Star Hotel Rooms**



Source: Savills Research
Note: e = estimate

Figure 4.4: Future Supply of 5-Star Hotels in KL City

Future Supply of 5-Star Hotels in KL City

Expected Completion, 2024

- Hyatt Regency @ KL Metropolis (410 rooms)
- Core Hotel @ TRX (Wyndham Hotel) (120 rooms)

Expected Completion, 2025

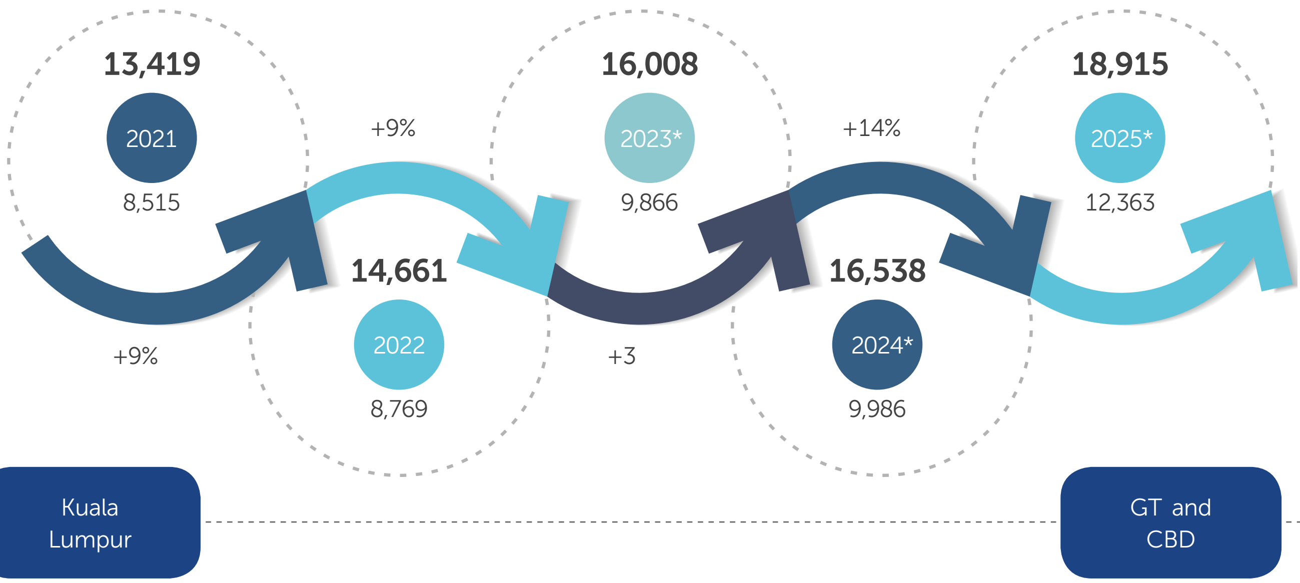
- Jumeirah Hotel (181 rooms)
- SO Sofitel Kuala Lumpur (207 rooms)
- Kempinski Hotel (260 rooms)
- Kimpton Hotel (471 rooms)
- Park Hyat Kuala Lumpur (232 rooms)
- Regent Kuala Lumpur (259 rooms)
- Conrad Kuala Lumpur (488 rooms)
- Waldorf Astoria Hotels & Resorts (279 rooms)

Source: Savills Research

The resurgence in hotel room supply is poised to accelerate, with the bulk of upcoming developments in the pipeline slated for completion in 2025. The overall supply of 5-star hotel rooms in Golden Triangle + CBD is anticipated to grow to 12,363 rooms by 2025. (Figure 4.5).

Figure 4.5: Cumulative Supply of 5-Star Hotel Rooms in Kuala Lumpur

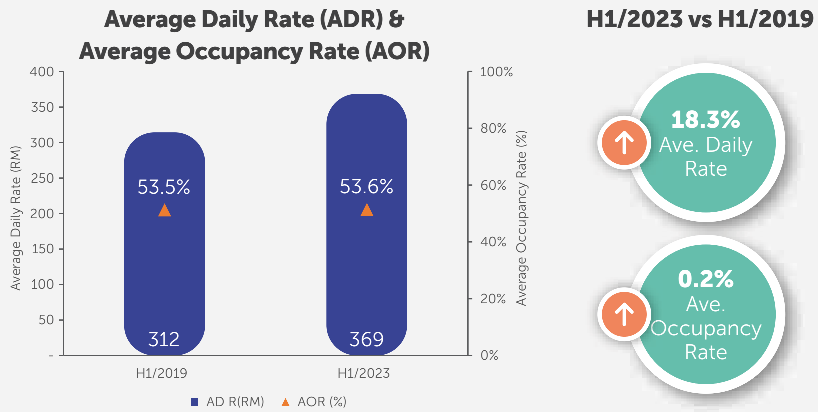
Cumulative Supply of 5-Star Hotel Rooms in Kuala Lumpur



Source: Savills Research
Note: e = estimate

Operating Landscape
Economic & Market Review and Outlook

Figure 4.6: Average Daily Rate & Average Occupancy Rate in Kuala Lumpur



Source: MAH
Note: The chart for ADR and AOR includes only 5-star hotels in KL

The Average Daily Rate (ADR) for 5-star hotels in Kuala Lumpur has seen a positive trajectory, reaching RM369 in H1/2023 compared to the pre-pandemic level of RM312 in H1/2019. This growth represents an uptick of 18.3%, reflecting both recovery and possibly a shift in demand for 5-star accommodations.

The Average Occupancy Rate (AOR) in H1/2023 stands at a commendable 53.6%, marginally surpassing the pre-pandemic level of 53.5% recorded in H1/2019. This growth signifies a modest increase of 0.2%. The recovery momentum will likely be sustained into 2024 with positive tourism figures.

Hotel Market Key Trend

In the unfolding landscape of the hospitality market trend, more new completions are set to resume post-Covid period, with mixed developments making the bulk of it. The hospitality sector is experiencing market growth and expansion with the emergence of new brands making their debut in Malaysia including Kempinski, Kimpton and Waldorf Astoria.

Another noteworthy international chain is the expansion of Thailand-based operator Onyx Hospitality Group. The group will operate over 50 properties by 2025, up from 44 and target 70 properties by 2028. It currently hosts all three ONYX brands in Malaysia – Amari (upscale hotel), OZO (hotel) and Shama (serviced apartments).

The Covid-19 pandemic, coupled with a shortage of workers and rising costs, has accelerated technology adoption in the hospitality sector, i.e: contactless check-in, mobile keys, mobile payments and ordering, as well as adoption of social media and online reputation management tools to leverage for customer engagement and feedback.

Nimble restaurants and green initiatives have also been incorporated within the hotel developments and have made it to the centre stage. These include innovative green initiatives, from sustainable sourcing ingredients to energy-efficient practices. Hotels and restaurants of all sizes are also prioritising eco-friendly practices in all aspects of their operations, from eco-friendly packaging to energy-efficient lighting and waste reduction initiatives.

Hotel Market Outlook

The tourism industry is witnessing a dynamic resurgence, marked by a substantial uptick in tourist arrivals surpassing pre-pandemic levels. The current depreciation of the Malaysian ringgit has added an enticing allure for international travellers, making the country an even more cost-effective destination.

This favourable currency dynamic and a surge in tourist arrivals sets the stage for a thriving hospitality market. Adding to this optimistic outlook are new hotels that are swiftly emerging and strategically positioned to capitalise on the anticipated surge in demand.

The positive momentum is further reinforced by introducing a new streamlined visa-free policy and enhanced flight connectivity, signalling a concerted effort to facilitate seamless travel experiences for visitors.

Mandarin Oriental, Kuala Lumpur Hotel (MOKUL Hotel) experienced a notable upturn, achieving a 55% occupancy rate for 2023. This growth was fuelled by the return of Chinese tourists, its MICE market leadership, recognised luxury brand value and strategic collaboration with Suria KLCC mall for a unique "shop & stay" experience.

MOKUL Hotel has further solidified its standing in the industry. In 2023, the World Travel Award awarded MOKUL Hotel as Malaysia's Leading City Hotel 2023 and Malaysia's Leading Hotel Suite 2023. Additionally, the hotel has received Forbes Travel Guide 2023 as the Forbes Four-Star Spa.

The convergence of favourable currency dynamics heightened tourism interest, a surge in new hotel developments, and a forward-looking approach to accommodate the Visit Malaysia 2026 collectively creates an optimistic outlook for the hospitality market.

This section is intended to delineate areas within the report, emphasising boundaries in Kuala Lumpur and KL City.

KL City includes the Golden Triangle (GT) and Central Business District (CBD). The Golden Triangle (GT) is bounded by Jalan Tun Razak, AKLEH and Bukit Bintang area, while the Central Business District (CBD) is bounded by Jalan Yew, Jalan Istana and Jalan Kuching.

These areas are visually distinguished in shades of violet for the Golden Triangle (GT) and fuchsia for the Central Business District (CBD), respectively. Kuala Lumpur is represented by a hue of pale yellow.

savills

Operating Landscape

Key Market Trends

ACCELERATED DIGITAL TRANSFORMATION

DESCRIPTION

The year saw continuation of innovation and development in transformative technologies – artificial intelligence (AI), the internet of things (IoT), virtual and augmented reality (VR/AR), cloud computing, blockchain and super-fast network protocols like 5G, which will enable new solutions for augmented working, hybrid and remote working, business decision-making and automation of manual, routine workloads.

Businesses worked towards embedding the right technology throughout their processes and area of operations to drive growth, streamline operations and increase competitive edge. Technology was integrated with business models to drive innovation, creating new types of customer experiences focused on convenience, value, and efficiency.

POTENTIAL IMPACT:

Businesses must be agile and adapt to changes or lose their competitive edge. Digital transformation lays the foundation for long-term resilience in this day and age. From modernising supply chains to prioritising cybersecurity, digital has become a necessity and a license to operate in today's market, ultimately adding value for its customers.

HOW WE RESPONDED:

- Implemented SMART GEP, a one-stop procurement platform, which has contributed to man hour savings of up to 33%
- Implemented an Integrated Workplace Management System, to track the performance of operational-related processes
- Implemented Disaster Recovery for business continuity in the Parking Management System to ensure minimal service disruption
- Implemented security baselines across KLCC Group Digital systems for new and existing ICT infrastructure to prevent cyber security attacks
- Implemented strategic digital marketing at MOKUL Hotel. Marketing is targeted to drive business from focused emerging markets with relevant apps for each market e.g. Fliggy and WeChat for China market
- KPM implemented cashless payment for motorcycle at NWD, Lot D1 and other lots at KLCC

LINKS TO

Strategy: MC EB SO

Capitals: FC MC HC IC SR NC

Material Sustainability Matters: M9 M10 M11 M12

OUTLOOK:

As digital technologies advance, the benefits they offer will increase, making them indispensable to any organisation. The Government's support for digital transformation in various sectors will further contribute to this trend.

The outcome will be improved efficiencies, increased transparency and an enhanced customer experience across all sectors.

EXPERIENTIAL AND IMMERSIVE CUSTOMER EXPERIENCE

DESCRIPTION

Frontier technologies are propelling customers into an immersive, adaptive, and world beyond screens. The blurring of boundaries between the real world and the digital world will enable companies to interact with customers in powerful new ways. Brands are leveraging technology to integrate different and modern types of experiences at various touchpoints – engagements that are personalised but go above and beyond in terms of convenience and sensory appeal. Immersive experiences are becoming a key differentiator for brands to stand out from the competition and strengthen customer loyalty, even as engagement platforms and customer expectations keep changing.

POTENTIAL IMPACT:

By effectively blending digital innovations with physical spaces, businesses can create deeply engaging, memorable encounters that resonate with customers. These experiences go beyond mere transactions, they foster emotional connections, build brand loyalty, and set businesses apart in a competitive market. In embracing these digital transformations, businesses are not only meeting current customer expectations but are also paving the way for future innovation and growth.

HOW WE RESPONDED:

- Suria KLCC seamlessly integrated entertainment, events, and interactive installations which drove foot traffic and extended the duration of customer visits, amplifying sales opportunities for retailers
  - Unparalleled shopping experience through Picnic in the Park campaign which won the Best Experiential Marketing Award 2022-2023;
  - Inaugural Arty Inflatable Experience, immersive wonderland of illuminating inflatable flowers, reinforcing the mall's commitment to mental health
  - Experiential festive decoration set-up to delight shoppers and drive footfall
  - Engaging pop-up events offering exciting experiences
- MOKUL Hotel collaborated with Michelin-starred celebrity chefs and prominent beauty brands, curated seasonal holiday celebrations, and various culinary festivities throughout the year
- MOKUL Hotel became the proud host of one of Malaysia's two Peter Burwash International tennis centers, specialising in coaching beginners and as part of the Kuala Lumpur Lawn Tennis Association Development Program
- Lighted up of PETRONAS Twin Towers and the illumination of KLCC Park at national & festive events
- Expanded the Parking Management System to enable seamless entry into Suria KLCC parking, utilising Licence Plate Recognition (LPR), to enhance customer experience and extended unified parking system for seamless experience across all parking facilities within the Group

LINKS TO

Strategy: MC EB SO

Capitals: FC MC HC IC SR NC

Material Sustainability Matters: M10 M11 M12

OUTLOOK:

As the digital landscape undergoes continuous evolution, businesses are compelled to adapt their strategies for customer engagement. The move towards immersive and interactive customer experiences is not merely a passing trend but a strategic imperative. This signifies a shift from conventional approaches to more engaging, hands-on methods of interaction between businesses and their customers. Embracing experiential and immersive customer experiences becomes essential for staying relevant and competitive in an ever-changing digital landscape. This strategic shift enhances customer engagement and positions businesses to create lasting and memorable connections with their customers.

Operating Landscape
Key Market Trends

SUSTAINABILITY – THE NET ZERO RACE

DESCRIPTION

Climate disaster will pose an even bigger challenge than the challenges faced during the Covid-19 pandemic. Many countries have committed to reaching net zero by 2050, aligning with the Paris Agreement's goal to limit global warming to well below 2 degrees Celsius. And businesses across various sectors are setting rigorous sustainability goals, investing in renewable energy sources and developing innovative solutions to reduce their carbon footprint.

Investors and consumers are preferring businesses with the right ESG credentials and conscious consumers are driving purchasing trends. Companies need to ensure their ESG processes move to the centre of their strategy, measuring business impact on society and the environment and towards increasing transparency, reporting and accountability.

POTENTIAL IMPACT:

Businesses are no longer viewing sustainability as a burdensome obligation but rather as a long-term catalyst for cost-efficiency. Sustainability promotes trust, and companies that create truly sustainable brands that make good on their promises to people and the planet, will seize the advantage from those who have not invested sufficiently in sustainability.

HOW WE RESPONDED:

- Strengthened culture of sustainability through robust governance and nurturing sustainability mindset – series of talks, communications, activities, e-learning modules
- Towards our Climate Action aspiration, we established a Carbon Reduction Strategy based on energy efficiency and the adoption of renewable energy. We are also establishing reduction targets for each operating and business unit, ensuring a higher level of responsibility and accountability Group-wide
- Conducted comprehensive materiality assessment which the Boards validated, culminating in the establishment of the group's materiality matrix
- Complied with Bursa Malaysia's Enhanced Sustainability Disclosure requirements – enhanced disclosures on common sustainability indicators, and the incorporation of a Statement of Assurance within this year's Sustainability Report
- Launched Sustainable September Campaign, designed to interconnect sustainability and ESG related activities across the Group to position KLCC Precinct as Malaysia's first SDG Hub
- Expanded our reduction initiatives to encompass Scope 3 indirect emissions
- Embarked on our Taskforce on Climate-related Financial Disclosures (TCFD) journey, to put in place mitigation and adaptation measures and report our performance transparently

LINKS TO

Strategy: MC EB SO

Capitals: FC HC SR NC

Material Sustainability Matters: M5 M6 M10 M11 M13

OUTLOOK:

As the global push for net-zero emissions gains momentum, the property business is experiencing a profound transformation. Sustainable practices are becoming integral to property development, impacting various aspects of the industry. Green building certifications, energy-efficient designs, and the integration of renewable energy sources are becoming standard practices. Investors and tenants increasingly prioritise environmentally conscious spaces, influencing property values and demand. Moreover, sustainability considerations extend to the entire life cycle of a property, from construction materials to operational efficiency and eventual decommissioning. Embracing these trends not only aligns with the broader environmental goals but also positions property businesses for long-term success in a world focused on achieving sustainability targets.

THE TALENT CHALLENGE

DESCRIPTION

The industry has seen huge movements of talented people as workers reassessed both the impact of work and their life goals. This put pressure on employers to ensure they are able to provide attractive careers, opportunities to grow and learn, value-oriented workplaces and desirable company culture. New standards of workplace culture and rapid technological advancements make hiring, training and retaining top talents even more complex for Human Capital.

POTENTIAL IMPACT:

Investing in people can create a virtuous cycle that improves the ability to attract, advance and retain talent. Fostering a growth mindset among leaders and employees, by providing training and internal advancement opportunities is a cornerstone of effective organisations.

HOW WE RESPONDED:

- Established a structured capability framework. Designed individual capability development programmes for executives and managers in technical positions
- Rolled out the EDGE Leadership Competencies Program, Capability Development workshops, and the Lean Six Sigma program to build strong talent capabilities
- Intensified assessment and development to ensure competent and credible talents are recognised
- Acquired new talent through hiring and secondment to strengthen capabilities from the market into the Group
- Empowered our talents to self-drive their own performance and growth, aligned to individual aspirations and organisational goals to ensure fair and equitable matching of opportunities
- Drove staff towards digital native mindset with online learning platforms such as MyLearningX and SWITCH
- Teambuilding – Instilled sense of belonging to leverage each other's strength and deepening understanding & collaboration in KLCC Integrated Team Alignment programme (CeritaKITA)
- Strengthened senior management capabilities in applying the new leadership competencies as part of evaluating staff performance and progression
- Conducted talent assessment to ascertain potential matching and readiness in enriching pool of successors
- Implemented Hackathon, a generative solution environment based on crowdsourcing by leveraging internal capabilities and creativity
- Achieved an increased engagement score of 78, surpassing the 73 (2022) recorded in the Organisational Culture Survey, highlighting a thriving work environment and robust organisational health across various dimensions

LINKS TO

Strategy: MC EB SO

Capitals: FC HC IC SR NC

Material Sustainability Matters: M1 M3

OUTLOOK:

As industries rapidly evolve in response to technological advancements, globalisation, and changing consumer behaviors, talent challenges have emerged as a critical trend. The demand for highly skilled professionals across various sectors is intensifying leading to increased competition for top talent. Technological disruption is reshaping the skill sets required, creating skills gap that organisations must address through upskilling and reskilling initiatives. Remote work and flexible arrangements are becoming more prevalent, altering traditional notions of workplace dynamics and necessitating effective strategies for talent management in virtual environments. Diversity, equity, and inclusion are also gaining prominence, with organisations recognising the importance of fostering diverse and inclusive workplaces to attract and retain the best talent. The talent challenge is not only about recruitment but also about creating an environment that nurtures continuous learning, adaptability, and innovation, ensuring organisations thrive in an ever-changing landscape.

Understanding Our Principal Risks

The country's economic growth momentum continues for 2023 albeit at a slower rate as compared to 2022 after rebounding from the pandemic induced economic shock. With the current global situation, the World Bank has in October 2023 cut its economic growth projection for Malaysia to 3.9% from 4.3% previously. The downward revision was due to sustained weakness in external demand as the global economy continues to decelerate owing to prolonged monetary tightening and China's fragile recovery exacerbated by the stress in the real estate sector. Malaysia's export contracted by 3.3% and 9.4% in the Q1 and Q2 2023.

Amidst easing of inflation and moderating growth outlook, the overnight policy rate was maintained at 3.0% in July and September 2023. However, the weakening of the ringgit against the US Dollar drives up the price of imported goods and services which impacts the cost of running a business and adversely affects local spending power. The weakened ringgit may nevertheless spur the coming of international tourists. The labour market will continue to strengthen based on encouraging momentum in the domestic economy.

Global growth continues to slow down and projected at 2.9% for 2024 by the IMF. Inflationary pressure exacerbated by Russia's invasion of Ukraine last year is rekindled by the Gaza war. If this conflict widens into neighbouring countries, commodity prices could become more volatile again amid climate and geopolitical shocks which will drive up gasoline prices, higher inflation, and slower growth.

The Malaysian property market is anticipated to remain challenging with continuous oversupply concerns for office, retail and hospitality sectors.

The Work From Home trend has weakened demands for offices and also created a competitive environment in the search for better office quality. In the current challenging economic situation, tenants are more concerned about the cost of running their businesses, leading to a search for more competitive rental rates. This puts pressure on building owners to achieve occupancy targets.

Although the retail segment has recovered back to pre-pandemic level, the sustenance of performance remains to be seen due to the potential opening of new malls in the Klang Valley with floor space of over 3 million sq.ft, the introduction of revised service tax rate from 6% to 8%, new luxury tax and targeted subsidy for diesel commencing next year.

The revival of international travel is key for the hospitality segment to reach its pre-pandemic level. However, the arrival of tourists is below expectation since the reopening of the economy and cumbered by the oversupply, the price wars are still prevailing. This could be overcome by the announcement of a '30 day travel visa free exemption' by the Government for travellers from China and India from 1 December 2023. This could increase tourism potential from those countries and boost the hospitality industry.

KLCCP Stapled Group's risk assessment has taken into consideration the challenges and their impact to the business objectives especially to the hospitality and retail sectors.

Our overall strategy of managing risks covers three areas of business resiliency:

01 Reducing the likelihood and impact of potential risks on our business operation;

02 Responding to and managing crisis impacting our people, environment, assets and reputation;

03 Recovering to ensure business continuity, which helps reinforce our resiliency in this dynamic economic landscape moving forward.

OUR APPROACH TO RISK MANAGEMENT

Risk is a key strategic tool which forms an integral part of the management of the KLCCP Stapled Group's business that supports delivery of our strategy and underpins our business model. Our risk management policy and procedures are designed to embrace best practices for risk management, reduce the potential of financial and non-financial risk exposure and to protect our assets and reputation.

The principal risks and opportunities in managing KLCCP Stapled Group are assessed and evaluated against our risk appetite and tolerance levels whilst mitigation plans and key risk indicators are identified to reduce the risk exposure and monitor performance of the risks.

RISK STRATEGY AND APPROACH

Our risk strategy is based on the belief that risk management is everyone's responsibility and that it must be integrated into strategy formulation, capital allocation, decision making and day-to-day operations.

Our Management is fully committed to fostering a robust risk culture, setting the appropriate tone from the top, and demonstrating strong support for risk management. KLCCP and KLCC REIT risk policy is to equip KLCCP Stapled Group towards the next level of preparedness in facing the volatility, uncertainty and complexity of the industry. The risk policy is imperative for risk management to be in line with the organisation's aspirations for the future and evolving industry landscape.

KLCCP Stapled Group is committed towards becoming a risk resilient organisation, and we strive to implement risk management best practices as well as risk-based decision making, to protect and create value within the set boundaries.

Governance, Risk and Assurance Department is committed towards inculcating risk management knowledge and concepts by conducting training and upskilling programmes for all levels and functions. This is to promote a culture of risk awareness and embed risk management principles in decision making and business processes.

RISK APPETITE

KLCCP Stapled Group's risk appetite reflects the nature and extent of risks the Group is willing to pursue to achieve its strategic objectives. The approved risk appetite covers 5 main areas which flows across our business.

Strategic	Financial	Operational	Reputational	Legal and Regulatory Compliance
This measures the degree of variability in investment returns and capital efficiency that the Group is willing to take in ensuring achievement of business objectives.	This measures capital, profitability and liquidity position in pursuing the Group's business objectives.	This measures the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external event which affects the achievement of Group's business objectives.	This measures the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction of the Group that may form negative view towards the Group by stakeholders.	This measures the risk of non-compliance with prevailing laws and regulations governing the business.

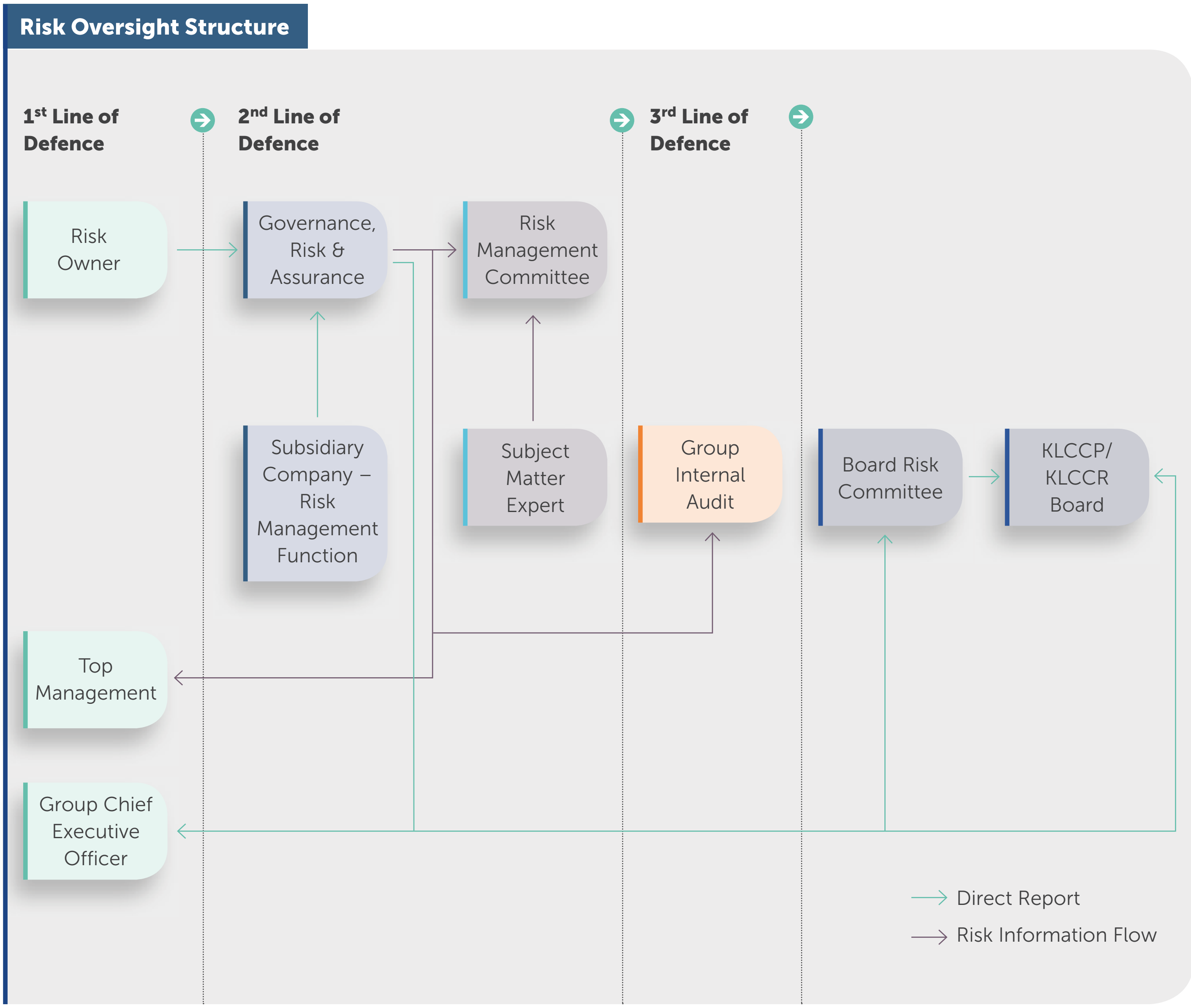
Risk appetite is reviewed annually to ensure the risk exposure and type of risk to pursue or retain by the Company in achieving its strategic objectives are reflective to the internal and external changes. Upon review, the risk appetite statement, risk tolerances and risk threshold are presented to the Risk Management Committee, Board Risk Committee and the Boards of KLCC Property Holdings Berhad and KLCC REIT Management Sdn. Bhd. by Governance, Risk & Assurance Department.

Understanding Our Principal Risks

RISK GOVERNANCE STRUCTURE

The risk governance structure is organised such that risk management is institutionalised and becomes a culture. The mechanism ensures that the risk information flow is comprehensive and timely for each respective authority to manage risks effectively at all levels.

KLCCP Stapled Group takes on a three-line of defense model which propagates clear demarcation of roles, responsibility and accountability, as displayed in the Risk Oversight Structure.



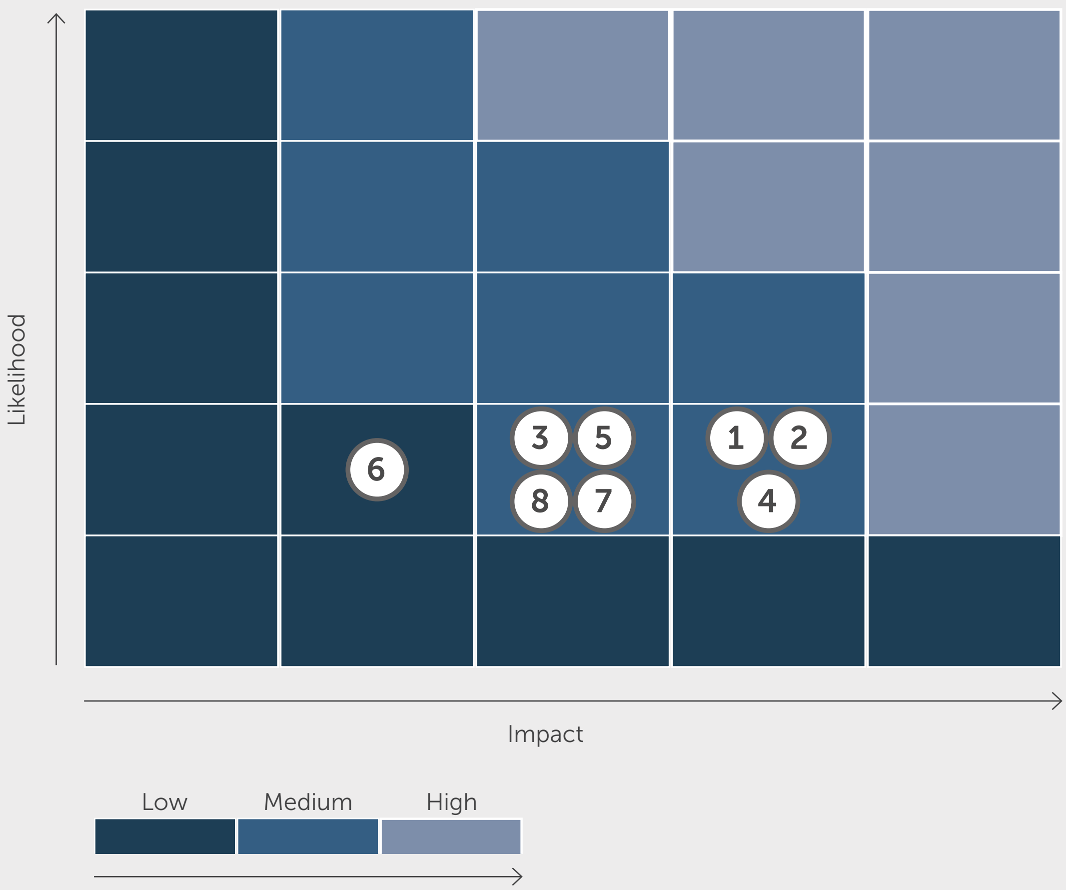
PRINCIPAL RISKS AND ASSESSMENT

We actively review and manage the risks faced by our businesses over the short, medium and long-term duration, under the guidance of the Risk Management Committee and Board Risk Committee.

The principal risks and opportunities for KLCCP Stapled Group are assessed by the Boards and evaluated against our risk appetite and tolerance levels whilst mitigation plans and key risk indicators are identified to reduce the risk exposure and monitor performance of the risks. The risk management is operationalised through the Enterprise Risk Management Framework and is monitored via our Interisk system, a dedicated web-based risk management tool.

In this section we outline our key risks, KLCCP Stapled Group's approach in responding to them, the opportunities arising from the identified risk as well as how the key risks link to our material matters and key resources.

KLCC Risk Heat Map



Principal Risks

1. Financial
2. Market
3. Human Capital
4. Health, Safety and Environment (HSE)
5. Security
6. Asset Management
7. Facility Management
8. Supplier

Understanding Our Principal Risks

1 FINANCIAL

Change in Impact | Change in Likelihood

links to: M10

Risk Management Strategy

We have put in place all practical measures to ensure any potential financial risk exposures which may impair the ability to provide adequate return on investment.

We have an established Integrated Financial Risk Management Guidelines consisting of 5 principles of financial risks.

Opportunities Arising from this Risk

Our ability to keep our financing cost low despite the increase in Overnight Policy Rate ("OPR") in May 2023 to 3.00% from 2.75% is due to the fact that a significant portion of KLCCP Stapled Group's debt is fixed and not subjected to any OPR hikes.

Principal mitigation

We maintain strong capital, profitability and liquidity position in pursuit of business objectives to support sustainability and growth of the business operation and activities.

Our gearing ratio is one of the lowest in the Malaysian REIT industry which provides us a sizeable debt headroom and greater financial flexibility, as excessive debt could lead to financial risk exposure.

We maintain adequate cash and bank balances to meet the working capital requirements. We maximise the return from cash balances via fund placements in the money market whilst minimising counterparty risk exposure. We diligently manage trade receivables to avoid trapped liquidity. We deal with approved counterparties with minimum A-rating for fund investment on best terms and limits.

Key Initiatives 2023

- Continued diligence on monitoring our financial, operational and cost optimisation efforts towards driving sustainability of our business.
- Available funds are placed with financial institutions that are financially sound and spread across various financial institution to mitigate concentration risk.

2 MARKET

Change in Impact | Change in Likelihood

links to: M7 M10 M13

Risk Management Strategy

We undertake a comprehensive and robust study on the viability of potential investment proposals in line with the Group's business plan.

A structured process for new investment and ventures is in place, encapsulating feasibility and market studies, analysis report, development of terms and conditions and execution of agreement.

Opportunities Arising from this Risk

Our vigorous marketing strategy in getting the right tenant mix, and collaboration with tenants on robust promotional activities resulted in an upward trajectory performance despite operating in a dynamic market condition.

Principal mitigation

A structured risk assessment process as part of decision making is to be carried out prior to any decision point to allow decision makers to have richer risk reward trade-off conversations resulting in better informed decision making.

All proposed capital investment shall meet the business return risk appetite threshold and maximise capital efficiency through a healthy portfolio distribution.

Key Initiatives 2023

- Continue to unlock value through the repositioning of our assets, taking into consideration the tougher market conditions and operating landscape, the change in tenant-customer dynamics and the need to stay ahead of intensifying competition.
- Continue to seek yield accretive assets for opportunistic acquisitions.

3 HUMAN CAPITAL

Change in Impact | Change in Likelihood

links to: M1 M2 M3

Risk Management Strategy

Enhance KLCCP talent pool availability and readiness to support the succession planning for key and critical positions.

Opportunities Arising from this Risk

Our extensive talent development program, as well as the enhancement of the company's branding and perception as best employer, contribute to the acceleration of the readiness of available talent pool and talent retention.

Principal mitigation

- Formulate HR Strategic Workforce Planning in acquiring high potential and competent talents towards meeting business' goals.
- Rigorous succession management to ensure consistent and timely supply of leaders to sustain operation and meet business growth requirements.
- Intensify capability building by enhancing talents' readiness through various capability development programs.
- Foster a positive work culture that promotes engagement and prioritises employee well-being. This involves crafting various wellness programs, and implementing strategies to elevate overall employee satisfaction, contributing to a thriving work environment.
- Annual review of compensation and benefits to maintain the level of competitiveness against competitors. This is to ensure the ability to continuously attract external and retain internal talents.

Key Initiatives 2023

- 67 nos. of talents were assessed during the year 2023, of which 13% of them have been identified as potential top talent. Talent review is continuously being conducted to ascertain their potential matching and readiness in enriching the successor pools.
- Skills gaps were identified, and intervention plans were developed through the Technical Competencies Assessments (TCAs).
- Various talent development programs and initiatives were conducted such as Career Management, Industrial Relation for Leaders and Leadership EDGE competencies upskilling to enhance talent capability and leadership with desired competencies, values, and behaviour.
- Holistic compensation and benefits review in 2023 that includes the philosophy and policy for the group to address challenges in attracting and retaining talents across industries.
- Proactively championed employee well-being by spearheading a series of impactful initiatives featuring bi-monthly Pound Fit sessions, sports competitions, informative wellness webinars and periodical congregational prayers.

Understanding Our Principal Risks

4 HEALTH, SAFETY AND ENVIRONMENT (HSE)

Change in Impact | Change in Likelihood | links to: M4 M5 M6

Risk Management Strategy

Zero tolerance towards fatality and major fire that could lead to damage of assets and business disruption.

A progressive HSE program in place to maintain HSE performance and steer towards Generative HSSE Culture, ensuring safe working environment for KLCC workforce through the governance of HSE Management Systems (HSEMS).

Opportunities Arising from this Risk

Our comprehensive HSE Management System which is integrated into various stages of KLCC Group value chain in assuring, safeguarding and mitigating HSE Risk minimises any potential disruption to business operation.

Principal mitigation

Scheduled HSE assurance program (first line assurance-compliance functional and management system) to ensure compliance to the relevant HSE regulatory requirements such as Department of Occupational Safety & Health (DOSH), Department of Environment, Energy Commission and other HSE related regulatory bodies.

Undertake all reasonable, practicable and proactive steps to prevent and eliminate the risk of injuries, occupational illness, damage to properties and to protect the environment wherever we operate.

Key Initiatives 2023

- Conducted KLCC internal HSE Culture Maturity Survey to assess the baseline Cultural Maturity for KLCC.
- Conducted Call-to-Action on focused HSE subject for KLCCUH, KPM, MOKUL Hotel, and Suria KLCC to boost compliance on legal requirements.
- Established and rolled-out KLCC Technical Standards (KTS) as a customised and fit-for-purpose governance document for KLCC businesses.
- Eliminated the use of single-use plastic items such as disposable cups, plates, utensils, and water bottles at company meetings and events, with a quantifiable reduction in the amount of plastic waste generated.

5 SECURITY

Change in Impact | Change in Likelihood | links to: M4

Risk Management Strategy

We put in place all practical and precautionary steps to safeguard our assets and people against crime.

Our KLCC Precinct Site Security Plan 2022 details out the overall precinct security overlay where security control and crisis response measures are identified and implemented to safeguard our assets.

Implementation of 'Crime Prevention Through Environmental Design (CPTED)' in the design maintenance of our buildings as an additional security measure.

Close networking with the respective security team of each building, PETRONAS Group Security and Polis DiRaja Malaysia (PDRM) for security intelligence updates.

Opportunities Arising from this Risk

Our continuous enhancement of building & surrounding area security as well as close liaison with the authorities have created a safe environment in KLCC precinct and Dayabumi area, which in turn contribute to positive public perception and encourages footfall.

Principal mitigation

KLCC Precinct Security Management Working Group sits every quarter to discuss and co-ordinate security matters with all stakeholders.

KLCC Precinct Security Management Centre was established as a security focal point for all facilities within the KLCC Precinct, in collaboration with Local Authorities.

Key Initiatives 2023

- Establishment of KLCC Group Security Management System (SeMS), a Level 2 governance document which describes how security risk is to be governed and managed at all levels as well as providing clear line of sight through top down – bottom up approach by managing compliance and exercising governance.
- Standardisation of Staff ID card across KLCC Group which enables controlled access to company premises.

6 ASSET MANAGEMENT

Change in Impact

Change in Likelihood

links to: M11

Risk Management Strategy

As it is our office triple net lease (TNL) represents 93% of the total space of the office portfolio of KLCCP Stapled Group.

Our properties and assets are properly managed with the aim of creating value and maximising returns.

Robust procedures and guidelines for selection of operators and asset management are in place and currently all our assets are managed by well accredited international operators to ensure tenant sustainability.

Opportunities Arising from this Risk

Our ability to continuously secure good tenants via Triple Net Lease and long term lease agreements resulted in generation of steady income stream for the Company.

Principal mitigation

- The majority of the lease and tenancies are with renewal options at market rates. For PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi, the lessee has agreed to renew the triple net lease.
- Constant engagement with our retailers and tenants to understand their needs and keep them updated on the evolving trends.

Key Initiatives 2023

- Dynamic review and enhancement of tenant mix and placement to ensure a balance of retail spaces between the new brands with younger market appeal and luxury brands with exclusive services.

Understanding Our Principal Risks

7 FACILITY MANAGEMENT

Change in Impact ▼ **Change in Likelihood** ◀▶

links to: M4 M5 M11

Risk Management Strategy

Our assets are professionally managed to ensure effectiveness and efficiency of the performance and integrity sustenance of the assets.

Our facility management arm is accredited with ISO 9001, ISO 14001, ISO 45001, ISO 37001 and ISO 41001.

Our facility management team is involved in the implementation of operations & maintenance programs and subscribe to continuous efforts on improvement measures as a risk mitigation to ensure the long-term sustainability of the assets for preservation of its value.

The facility management team also conducts annual building technical audits for continual improvement and provides assurance that the buildings are maintained in pristine condition.

Opportunities Arising from this Risk

Our prudent cost optimisation exercises allow us to continue providing superior facilities management services despite the rising cost.

Principal mitigation

Implementation of predictive, preventive, and corrective maintenance strategies and initiatives to provide high level of service standard with minimal service interruption.

100% compliance with agreed Service Level Agreement (SLA) with customers:

- **Emergency Power Supply Availability:**
  To provide alternate power supply during disruption from service provider by using generator.
- **Mechanical system for Air-Conditioning:**
  To control Indoor Air Quality for room temperature, humidity, and airflow, not only for the comfort of the tenants/occupants but also to protect sensitive electronic equipment at data center, electrical and telecommunication rooms.
- **Vertical Transportation:**
  To facilitate smooth movement of building occupants.
- **Mechanical Systems for Domestic Water:**
  To ensure 24 hours supply for drinking, domestic use, and fire-fighting system by utilising water storage tank.
- Compliance to statutory and regulatory requirements.

Key Initiatives 2023

- Establishment of Reliability Centered Maintenance (RCM).
- Enhancement of asset/equipment performance through Centralised Performance Monitoring.
- Embarking on digitalisation initiatives towards technology enhancement in FM.
- Continuous cost reduction initiative through energy conservation measures.
- Asset Rejuvenation – Modernisation of assets/systems.

8 SUPPLIER

Change in Impact | Change in Likelihood

links to: M7 M8 M12

Risk Management Strategy

The performance of supplier in meeting the deliverables commitment is important to mitigate disruption and support sustainability of the business.

For supplier registration, the prospective suppliers are encouraged to register with the Group by furnishing information that is needed as a potential supplier in a particular category. Suppliers must comply with the registration prerequisite before they can be considered for registration. Supplier's eligibility to be determined via the evaluation process based on the set criteria.

Procurement of goods and/or services shall be sourced through suppliers that are registered with the Group.

The tender participation for the recommended suppliers shall be reflected in the Screening/Pre-qualification exercise, Overall Contracting Strategy (if required), Tender Plan, Invitation to Bid, Technical Evaluation Report, Contractor Risk Assessment (if required) and Techno-Commercial Evaluation & Award Recommendation Report.

Opportunities Arising from this Risk

Our effort to explore alternative suppliers, negotiate for better terms, discover the "best-fit" supplier based on category, diversifying the supply chain and improving overall resilience through innovation and strategic partnerships.

Principal mitigation

Review of suppliers' performance on bi-annual basis for continual improvement.

Monitor supplier performance and conduct regular evaluations to ensure compliance with contractual obligations and meet quality standards.

Maintain a record of registered suppliers based on category according to product and/or services.

Implement effective digital tools in work process such as tender documents submission by Bidders through Supplier Management Module in SMART GEP.

Carry out Third Party Risk Management assessment as part of due diligence process to enable detection of possible red flags of our potential third-party business.

Key Initiatives 2023

- Established SMART GEP as an end-to-end digital procurement systems for the Group. All registered suppliers are able to view and act on the Request for Information/Quotation/Proposal, Contracts and PO which are applicable to them. This leads to visibility of supplier base and efficiency in transaction processing.
- Supplier Management Module in SMART GEP is capable to simplify, streamline the supplier registration process and create a centralised database.
- Implemented standard Contractors/Consultants Performance Appraisal assessment criteria.
- Implemented Consequence Management Framework for the management of non-performing contractors/consultants and non-compliance to the Group registration requirement criteria.
- Implemented Appeal Management Framework to cater to the reinstatement of blacklisted/suspended supplier's registration.
- Tightened procurement policies in shortlisting bidders and implemented guidelines for separate tender evaluation teams for Technical and Commercial Evaluation.
- Implemented Anti-Bribery assessment for Contractor's Risk Assessment for all projects.
- Assessed all suppliers' (including service providers) preparedness on the measures to be taken in managing crisis for continuous support to the Group business operation without disruption.
- Assessed existing and potential suppliers to meet standards of operational excellence.
- Established pool of suppliers based on category/trade.

Our Strategy

Our 3-Pronged Growth Strategy has guided and aligned us to deliver on our Group's purpose and create sustainable value for our customers and stakeholders. This strategy is underpinned by our Winning Formula focusing on customer centric mindset and approach to value creation supported by Commercial Excellence, Project Excellence and Operational Excellence as we strengthen our portfolio to future-proof our organisation and ensure the Group's long-term survivability.

3-PRONGED GROWTH STRATEGY

Maximising Cash Generator

Our high-quality investment portfolio provides strong and stable cashflows. Protecting and maximising these assets provide a solid base for profitability and a foundation for growth.

Sustain investments to maximise our current cash generators

Expanding Core Business

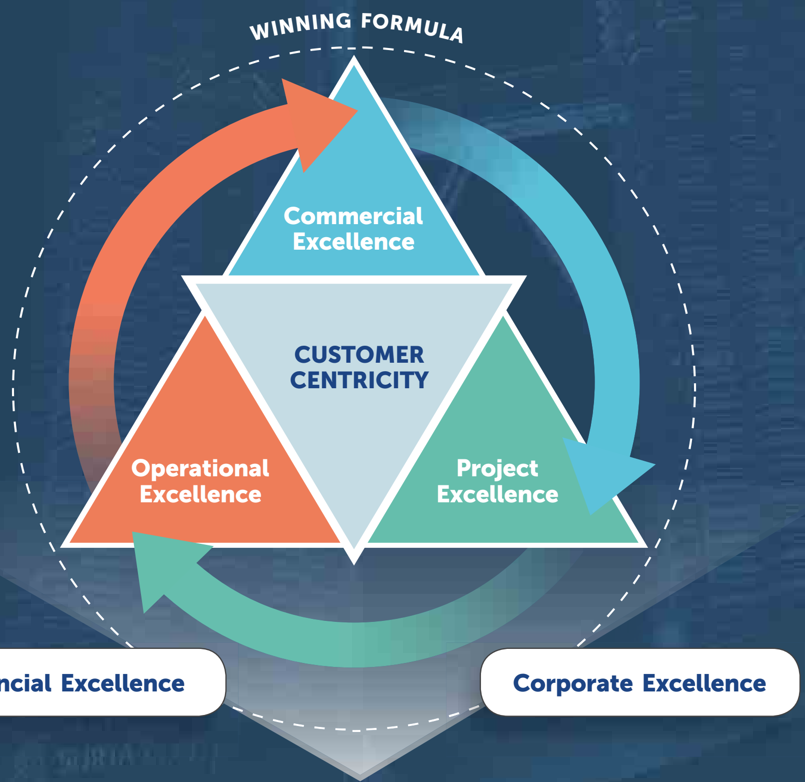
Property investment and development remain our core business. We are defining opportunities for further growth and value enhancement.

Invest to broaden the resource base and build the next line of cash generators

Stepping Out

Accelerated key global and industry trends are reshaping the real estate landscape, customer behaviour and expectations. We continue to build our capabilities in order to allocate resources to better position ourselves for the future.

Invest to future proof our overall portfolio



STRATEGIC FOUNDATION

- Culture
- Capability
- Digital
- HSE
- Sustainability (ESG)

SUSTAINABILITY ASPIRATION: CLIMATE ACTION

2023

- Craft carbon reduction strategy
- Establish carbon targets for business units
- Institutionalisation of sustainability in KLCC business units

2023 - 2030

- Decarbonisation:
  - Reduce energy consumption in assets
  - Energy efficient equipment
  - Use renewable energy
- Green/low carbon investment portfolio
- Circular economy

2030

25% Reduction in Carbon Emissions

Note:
- *2019 as reference base year*
- *Targets are set on equity based approach for scope 1 and 2 emissions*

2030 - 2050

- Continue decarbonisation
- Circular economy
- Plant electrification
- Carbon offset (2040 onwards)

2050

Net Zero Carbon Emissions

MEASURING OUR STRATEGIC PROGRESS IN 2023

COMMERCIAL EXCELLENCE

PILLAR 01

KEY PRIORITIES/ FOCUS AREAS

Increase value through:

- Optimising business portfolio to improve business performance and adapt to ever-changing market needs
- Pursuit of growth agenda
- Strengthening capabilities

RESOURCE ALLOCATION

- Financial: Allocate financial resources efficiently for strategic initiatives that enhance commercial performance.
- Manufactured: Portfolio of diverse iconic assets in office, retail, hotel and management services in facilities and car park.
- Intellectual: Promote a culture of continuous learning to stay relevant in the market.
- Human Capital: Empower commercial teams via training and development.
- Social and Relationship: Collaborate with strategic partners to optimise asset performance, business growth and engage in community and corporate social responsibility to enhance the Group's reputation.
- Natural: Align business strategies with environmental stewardship to meet evolving market expectations.

INITIATIVES	ACHIEVEMENTS	HEADLINE KPIs	PRIORITIES FOR 2024
1. Optimise asset performance to enhance profitability	• Experiential retail experience and increased foot traffic at Suria KLCC with refreshed tenant mix • Asset modernisation (upgraded escalators and mall-wide facilities) • Strengthened offerings, capitalised on business, leisure and MICE segments at MOKUL Hotel contributed to a record high > 50% RevPar YoY growth • Enhanced customer experience through KLCC Parking Management's licence plate recognition (LPR) • KLCC Park activation spurring business and economic activities in KLCC Precinct (e.g. New Year's Eve and Merdeka celebrations, Sustainable September)	• Revenue • Profit Before Tax • Net Yield	• Curate tenant partnerships for future success • Modernise asset aesthetics and functional improvements to heighten shopping experience • Focus on key markets in leisure, business and MICE segments to drive MOKUL Hotel's RevPar growth • Intensify KLCC Park activation to foster a sense of community and spur economic activities within KLCC Precinct
2. Expansion of facilities management and car park management services	• Secured additional revenue from facilities management and car park management services	• Revenue growth	• Secure new business
3. Strengthen capabilities to enhance commercial excellence	• Completed competency inventories review and achieved 100% completion of capability assessment of target executive population	• % completion of capability assessment	• Establish pool of competent Subject Matter Experts (SMEs) that contribute to business excellence

Short to Medium Priorities | Focus Areas

- Sustain investments to maximise current cash generators

Long-Term Priorities | Focus Areas

- Build next line of cash generators

Map to

Capitals: FC MC HC IC SR NC

Key Risks: R1 R2 R4

Material Sustainability Matters: M1 M10 M11 M12

Stakeholders: S1 S2 S3 S4 S5 S6 S7

Our Strategy

PROJECT EXCELLENCE

PILLAR 02

KEY PRIORITIES/ FOCUS AREAS

Managing project deliverables through:

- Achieving 100% on time, on budget, on scope (OTOBOS) in all projects
- Enhancing customer satisfaction through quality and timely delivery

RESOURCE ALLOCATION

- Financial: Allocate manpower resources efficiently in projects.
- Manufactured: Portfolio of diverse, iconic assets in office, retail, hotel and management services in facilities and car park.
- Natural: Sustainable resource utilisation and environmental conservation.
- Intellectual: Leverage culture of continuous improvement to improve deliverables.
- Social and Relationship: Build strong relationships with contractors and clients.

INITIATIVES	ACHIEVEMENTS	HEADLINE KPIs	PRIORITIES FOR 2024
1. Ensure projects align with business goals, are delivered on time, within budget and scope, enhancing customer value	• Achieved 100% OTOBOS in projects e.g. Workplace For Tomorrow (WFT) in PETRONAS Twin Towers and Menara 3 PETRONAS, PETRONAS Twin Towers external LED lighting installation	• All projects meet OTOBOS	• Sustain 100% OTOBOS for all projects under KLCCP and KLCC REIT

Short to Medium Priorities | Focus Areas

- Streamlining Project Execution Processes: Workflows and operational procedures will be refined to enhance efficiency, reduce waste, and accelerate project delivery

Long-Term Priorities | Focus Areas

- Strive to lead in sustainable and innovative project delivery

Map to

Capitals: FC MC IC SR NC

Key Risks: R1 R2 R3 R8

Material Sustainability Matters: M6 M10 M11 M12

Stakeholders: S1 S2 S3 S4 S5

OPERATIONAL EXCELLENCE

PILLAR 03

KEY PRIORITIES/ FOCUS AREAS

Effective and efficient operations through:

- Strong focus on HSE and adherence to ESG practices
- Optimum resource utilisation
- Innovative technologies and solutions

RESOURCE ALLOCATION

- Financial: Allocate resources for cost optimisation through cost containment and cost reduction initiatives.
- Manufactured: Portfolio of diverse, iconic assets in office, retail, hotel and management services in facilities and car park.
- Human Capital: Training and development programmes for operations teams.
- Natural: Sustainable resource utilisation and environmental conservation.
- Intellectual: Leverage culture of continuous improvement to improve operational efficiencies.
- Social and Relationship: Build strong relationships with customers, contractors and clients.

INITIATIVES	ACHIEVEMENTS	HEADLINE KPIs	PRIORITIES FOR 2024
1. Strong commitment to Health, Safety and Environment (HSE) best practices and adherence to HSE rules and regulations	• Zero fatalities and fire incidents • Achieved ROSPA Gold Award for KLCCUH and KPM	• Zero fatalities and fire incidents	• Institutionalise and enhance HSE Generative Culture
2. Cost containment/cost reduction	• Prudent spending and cost management	• % cost reduction	• Operate cost optimisation and cost containment initiatives
3. Digital initiatives to enhance operational excellence	• Implemented and rolled out SMART GEP procurement to enhance procurement and sourcing efficiencies	• Completion as per milestone	• Completion of digital initiatives planned in 2024
4. Strengthen capabilities to enhance operational excellence	• Completed competency inventories review and achieved 100% completion of capability assessment of target executive population	• % completion of capability assessment	• Establish pool of competent Subject Matter Experts (SMEs) that contribute to operational excellence

Short to Medium Priorities | Focus Areas

- Implement digital solutions that improve operational efficiency and productivity

Long-Term Priorities | Focus Areas

- Expand our commitment to embedding sustainability within our operations with energy-efficient initiatives to reduce our carbon emissions

Map to

Capitals: FC MC HC IC SR NC

Key Risks: R1 R2 R3 R4 R6 R7 R8

Material Sustainability Matters: M1 M4 M5 M6 M10 M11 M12

Stakeholders: S1 S2 S3 S4 S5

CLEAN, Open SPACES to THRIVE and Stay CONNECTED...

Beyond just THE PLACE to work

Business Review

OFFICE

WHO WE ARE AND WHAT WE DO

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

Three of our buildings have high Green Building Index (GBI) credentials – PETRONAS Twin Towers (Gold), Menara 3 PETRONAS (Silver) and more recently Menara Maxis (Silver), affirming our dedication to environmentally sustainable practices. Additionally, PETRONAS Twin Towers and Menara ExxonMobil have been recognised with Malaysia Digital Status, underscoring our commitment to embracing digital innovation and technology.

The strength of these premium assets together with our defensive lease structure, which affords future cashflow visibility and solid full occupancy in all the office buildings, anchors the office segment as our secured income generator. The Triple Net Lease arrangement for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi also shields us from soft market conditions, with minimal impact on earnings.

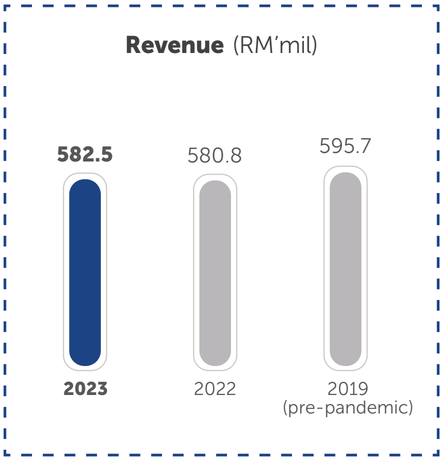
PERFORMANCE REVIEW

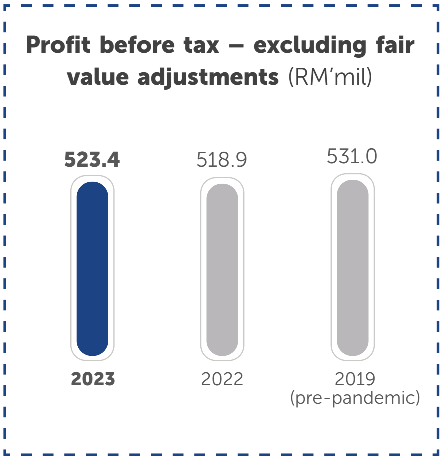
No. of Assets
5
2022: **5**

Net Lettable Area (NLA) sq. ft.
5.6 mil
2022: **5.6 mil**

Average Occupancy
100%
2022: **100%**

Revenue Contribution by Segment
36%
2022: **40%**





2023 KEY FOCUS AREAS

1. Enhance tenants' experience and satisfaction
2. Improve operational efficiency
3. Digitalisation and automation of processes

BUSINESS PERFORMANCE REVIEW

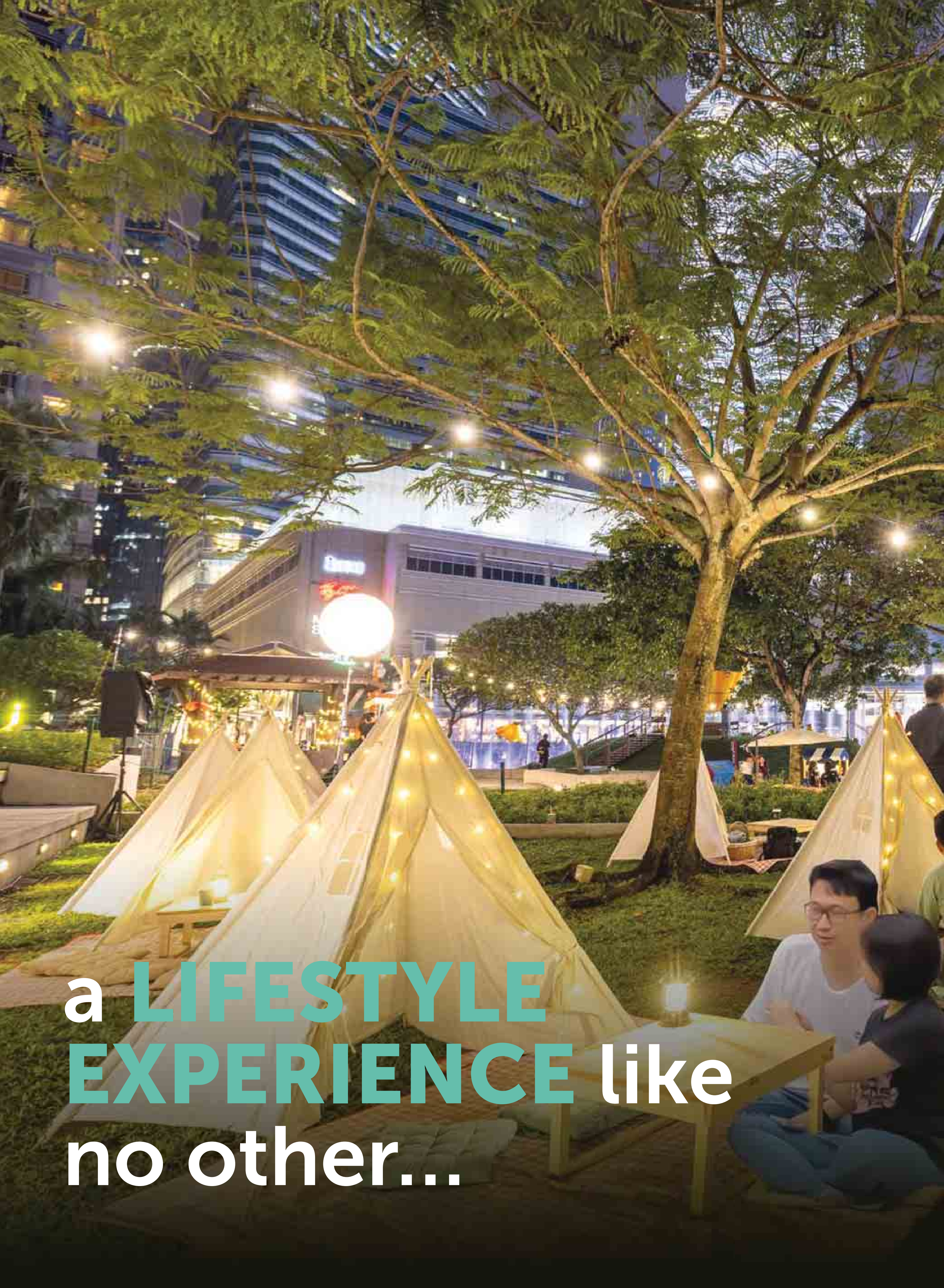
Initiatives	Results
Tenant-focused strategies to enhance workplace experience	• Completed Workplace for Tomorrow for our tenants to promote collaborative work spaces as a strategic lever for innovation and idea generation. • Achieved 96% tenant satisfaction score.
Continued commitment to sustainable operations	• Monitored energy and water consumption through IBCC for sustainable and resource-efficient operations. • Completed the installation of LED lights in common areas and mechanical floor at PETRONAS Twin Towers. • Completed the installation of LED lights with motion sensors in Menara Dayabumi staircase.
Digitalisation of work order and complaint management system	• Launched STREAM-X (digitalised automated dashboard) for PETRONAS Twin Towers and Menara 3 PETRONAS to optimise service delivery, ensuring timely responses and providing personalised interactions. • Equipped Menara Dayabumi and Menara ExxonMobil with a digitalised complaint management system, providing a streamlined platform for tenants to submit and track issues while ensuring effective communication and accountability.

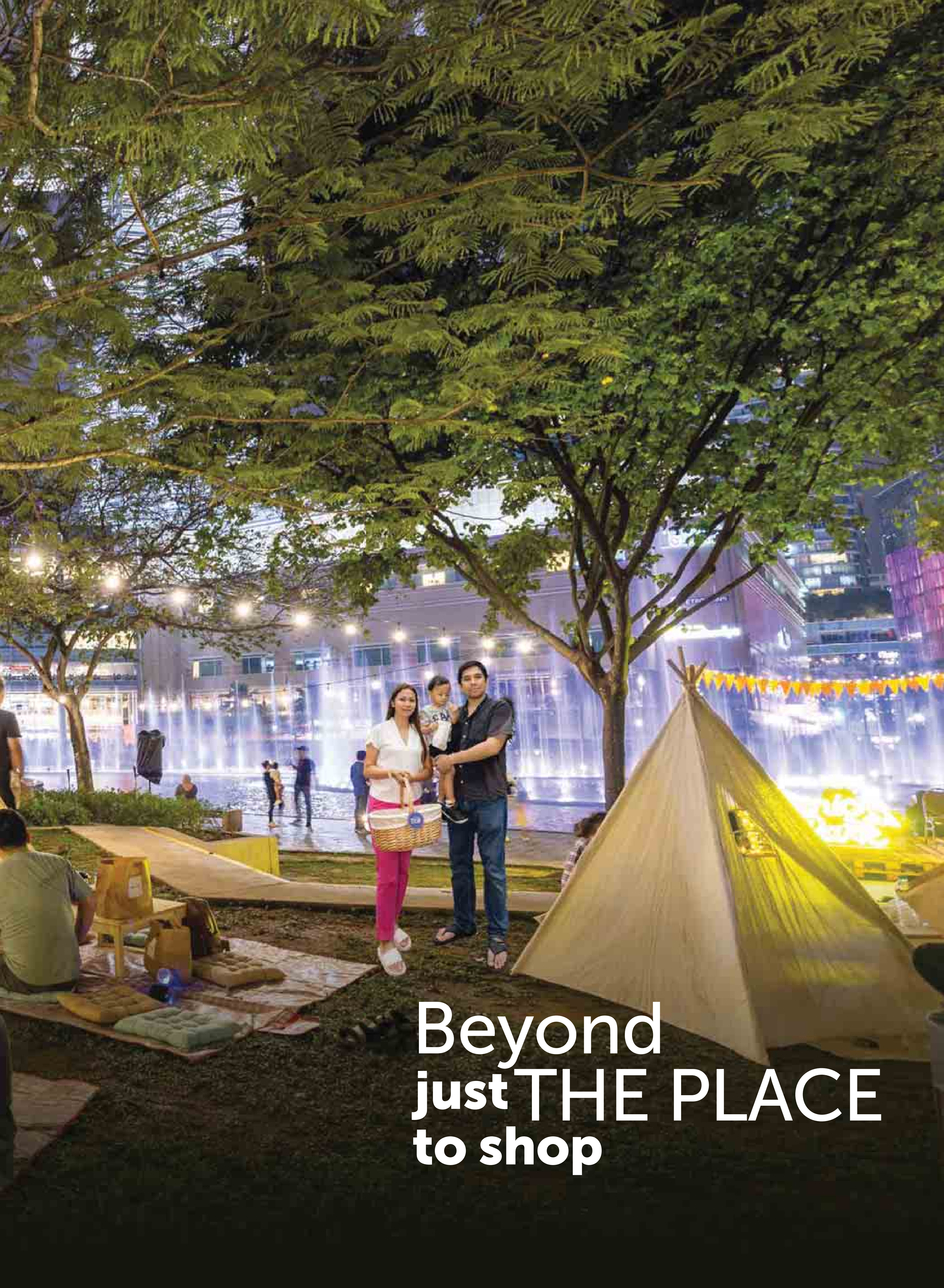
AWARDS & ACHIEVEMENTS

- Green Building Index – Silver (Menara Maxis)

OUTLOOK & PROSPECTS

- A gradual increase in activity is anticipated in the office sector despite the oversupply in Kuala Lumpur putting pressure on rent levels. The return-to-office observed in 2023 is expected to persist. Nevertheless, we recognise the importance of ensuring that office spaces cater to flexible work arrangements by incorporating collaborative areas and suitable meeting spaces for both in-person and hybrid use. This strategic approach would allow our office spaces and our tenants to adapt seamlessly to the evolving dynamics of the new world of work.
- At KLCC, our commitment extends to continually enhancing and differentiating our office buildings through targeted asset management initiatives. With a specific focus on value, amenities, quality, efficiency and sustainability, we provide tenants with exceptional workspaces in amenity-rich settings, supported by excellent service. By embracing sustainability as a core element of our strategy, we aim not only to meet the immediate needs of our tenants but also to contribute to a greener and more resilient future. Deeply committed to collaborating with our tenants, we strive to deliver workspaces that engage and inspire, supporting our tenants' prosperity.


a LIFESTYLE
EXPERIENCE like
no other...



Beyond just THE PLACE to shop

RETAIL

WHO WE ARE AND WHAT WE DO

KLCCP Stapled Group's retail portfolio is represented by Malaysia's landmark mall, Suria KLCC, and the retail podium of Menara 3 PETRONAS. Nestled in the heart of Kuala Lumpur, Suria KLCC, Malaysia's iconic experiential shopping destination, boasts a diverse array of tenants with over 350 specialty stores that cater to a broad spectrum of brand preferences. From global fashion brands to flagship stores to beloved local hangouts, there is always something for everyone.

Successfully overcoming pandemic challenges, our retail segment has not just rebounded, it has fortified its standing, reinforcing its prominence and momentum towards pre-pandemic vibrancy. Throughout the years, Suria KLCC has continually transformed, taking the lead in the retail industry by adapting to customer needs and orchestrating engaging shopping experiences in harmony with its tagline, "Always Something New."

The mall remains the preeminent destination for shopping, dining and socialising and, with its unique mix of tenants, location, facilities and atmosphere, will continue to be a strong contender for retail dollars well into the future.

PERFORMANCE REVIEW

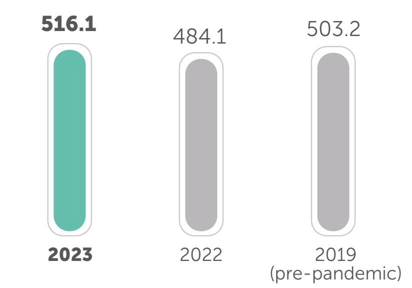
No. of Assets
2
2022: **2**

Net Lettable Area (NLA) sq. ft.
1.1 mil
2022: **1.1 mil**

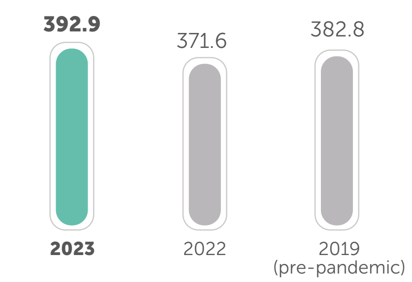
Average Occupancy
96%
2022: **92%**

Revenue Contribution by Segment
32%
2022: **33%**

Revenue (RM'mil)



Profit before tax – excluding fair value adjustments (RM'mil)



2023 KEY FOCUS AREAS

1. Curated tenant mix
2. Experiential retail
3. Intensify efforts on ESG

BUSINESS PERFORMANCE REVIEW

Initiatives

New, varied and exciting tenants infusing the mall with fresh and diverse offerings that contribute to an enriched and vibrant shopping experience

Results

- Attracted 35 new tenants in 2023, adding to the almost 600 new tenants introduced since its opening.
  - Bacha Coffee – Malaysia's first full concept outlet of the Moroccan brand featuring a boutique, takeaway counter, and coffee room, all within a single captivating space.
  - Lojel, Marimekko & Camper and Sushi Azabu (a distinguished Michelin-starred brand) and The Oriental Park by ISETAN.

  - Reconfigured the previous food court at Level 4, creating 12,000 sq. ft. of additional space with new dining options – Tien, the world's first Muslim-friendly restaurant by Putien Group, TGI Fridays, Pak John Steamboat & BBQ Restaurant and famous local eatery, Cili Kampung.

Business Review

RETAIL

BUSINESS PERFORMANCE REVIEW

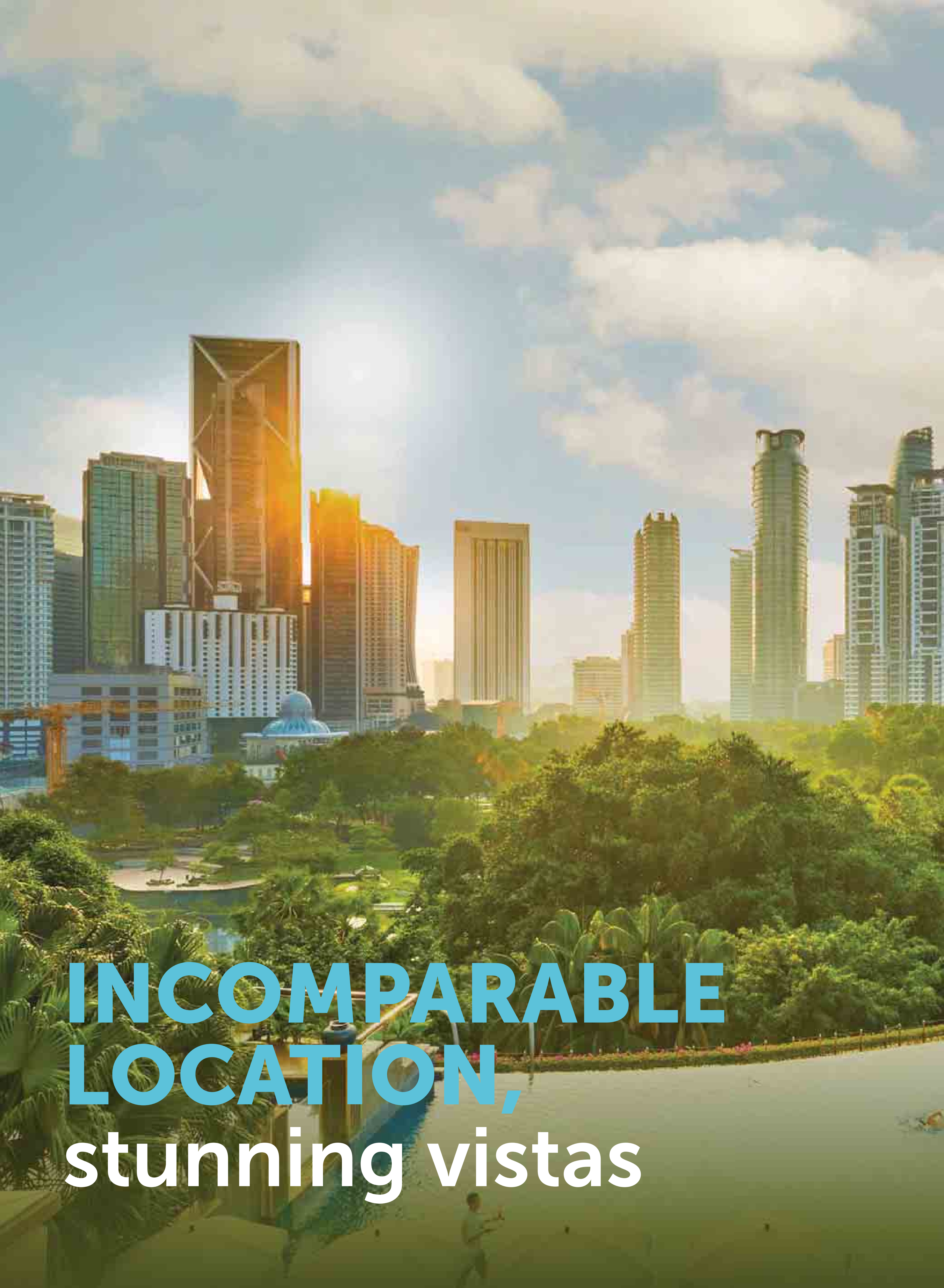
Initiatives	Results
Enhanced marketing with immersive experience embodying the spirit of "Always Something New"	• Rewarded shoppers with an elevated experience, boosting footfall and enhancing overall business. – Presented the first-ever Picnic in the Park experience exclusively for Suria KLCC Shoppers. This unique event took place against the breathtaking backdrop of the PETRONAS Twin Towers and the enchanting musical fountains of KLCC Lake Symphony. – Ran the Golden Ticket Campaign for the fourth consecutive year, rewarding lucky shoppers with Suria KLCC vouchers worth RM5,000 or the Purple Ticket worth RM50 each. Over the past years, Suria KLCC has given away over RM1.0 million in shopping vouchers. • Delighted shoppers with experiential festive decoration set-ups, complemented by engaging pop-up events that offered exciting experiences and drove footfall. • Footfall improved by 29.6%, and tenant sales grew by 12.3%, marking its highest tenant sales ever. 
Prioritising ESG through community wellbeing	• Safe Space @ Suria KLCC – Your Mind, Your Journey campaign – The mall's Centre Court offered a myriad of engaging and interactive activities for holistic well-being, supported by Suria KLCC's valued tenants and partners. – Collaborated with NGOs namely Green Ribbon Group, Malaysian Mental Health Association, Befrienders KL, Mental Illness Awareness Support Association, and Nyawa Organisation on the mental health awareness campaign. – The sale of "Suria Ribbon Pin" with over RM50,000 proceeds contributing to this cause. – 'Arty Inflatable' Experience – Giant inflatable flowers symbolising different aspects of mental health were displayed at Esplanade KLCC, creating a novel and engaging experience for shoppers.

AWARDS & ACHIEVEMENTS

- Picnic in the Park won the Platinum Award for Best Experiential Marketing in the 2022-2023 Malaysia Shopping Malls Association Awards, recognising its excellence and contribution to enhancing the shopper experience at Suria KLCC.

OUTLOOK & PROSPECTS

- The retail segment's outlook has been positively influenced by increasing inbound tourism. However, recent announcements including an 8% service tax hike, higher electricity tariffs and ongoing labour shortages, pose challenges.
- Suria KLCC is dedicated to constant evolution for enhanced experiences, aligning with customer expectations and global retail partners. Isetan KLCC, a major anchor tenant, initiated a 24-month renovation project in July 2023, including opening a Japanese fusion cuisine restaurant. TGV Cinemas, another anchor tenant, also plans a significant revamp to offer movie-goers a premium cinematic experience with state-of-the-art facilities and technology.
- Leveraging its proven success and high footfall, Suria KLCC will continue to selectively curate tenant partnerships, embracing both established and innovative brands. The aim is to cultivate a thriving retail ecosystem for future success.
- Beyond shopping, Suria KLCC will be taking the lead in the retail industry by orchestrating engaging shopping experiences, seamlessly integrating entertainment, events and interactive installations.



INCOMPARABLE LOCATION,
stunning vistas

Beyond just THE PLACE to stay

Business Review

HOTEL

WHO WE ARE AND WHAT WE DO

The hotel segment for KLCCP Stapled Group is represented by Mandarin Oriental, Kuala Lumpur (MOKUL Hotel). MOKUL Hotel is a luxurious urban resort with unrivalled location, next to the iconic PETRONAS Twin Towers, Kuala Lumpur Convention Centre, and the prestigious Suria KLCC shopping mall.

The hotel's stylishly appointed rooms, suites and executive apartments overlook the city's magnificent skyline and KLCC Park. MO Club facilities and suites offer access to MO Club Lounge, a sophisticated venue that combines prestige, convenience and impeccable service.

The hotel's accommodation is complemented by several award-winning restaurants as well as state-of-the-art meeting and event facilities, including one of the largest pillarless ballrooms in the city. Guests can also enjoy spectacular leisure and recreation facilities, including tennis courts, an award-winning spa, a kids club and an infinity swimming pool that overlooks the lush 50-acre KLCC Park.

PERFORMANCE REVIEW

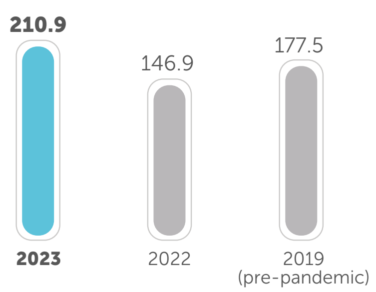
No. of Assets
1
2022: **1**

No. of Rooms
629
2022: **629**

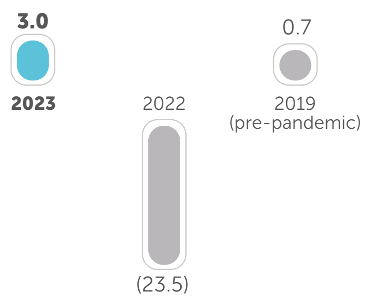
Average Occupancy
55%
2022: **44%**

Revenue Contribution by Segment
13%
2022: **10%**

Revenue (RM'mil)



Profit/(loss) before tax (RM'mil)



2023 KEY FOCUS AREAS

1. Capture emerging markets and customer segments
2. Tailored guest experience
3. Strategic digital marketing

BUSINESS PERFORMANCE REVIEW

Initiatives	Results
Maintain competitiveness and strengthen market position	• Remarkable rebound following three consecutive years of losses to deliver a stellar performance with PBT of RM3.0 million, capitalising on group stays, driven by the return of corporate and MICE events as well as leisure bookings. • Focused on emerging market segments, leveraging from the visa-free entry. International travellers composition improved to 66.1% vs 52.6% last year, mainly from Singapore, China and the United Kingdom. • Achieved more than 50.0% growth in revenue per available room (RevPar) compared to 2022, even surpassing pre-Covid levels by 22.7%. • Expanded banquet and catering through outside catering and room services with revenue close to RM2.0 million. • Achieved sales over RM2.0 million from Mooncake promotion, highest revenue since the hotel's opening. • Hosted over 600 events, including 29 weddings, and was panel of listed hotels for 23 events/ exhibitions held within KLCC Precinct.
Creating tailored exceptional offerings to elevate guest experience	• Created virtual rooms that combine Park Suite rooms with the connecting unit, for families and used as alternative to apartments. Since its introduction in August 2023, MOKUL Hotel has generated the equivalent of 333 room-nights in additional revenue. • Houses one of only two Peter Burwash International (PBI) tennis centers that adds distinctive touch to the hotel offerings, enticing customers to explore more unique experiences that define MOKUL Hotel. • Collaborated with celebrity chefs of award-winning Michelin Star Restaurants and prominent beauty brands.




BUSINESS PERFORMANCE REVIEW

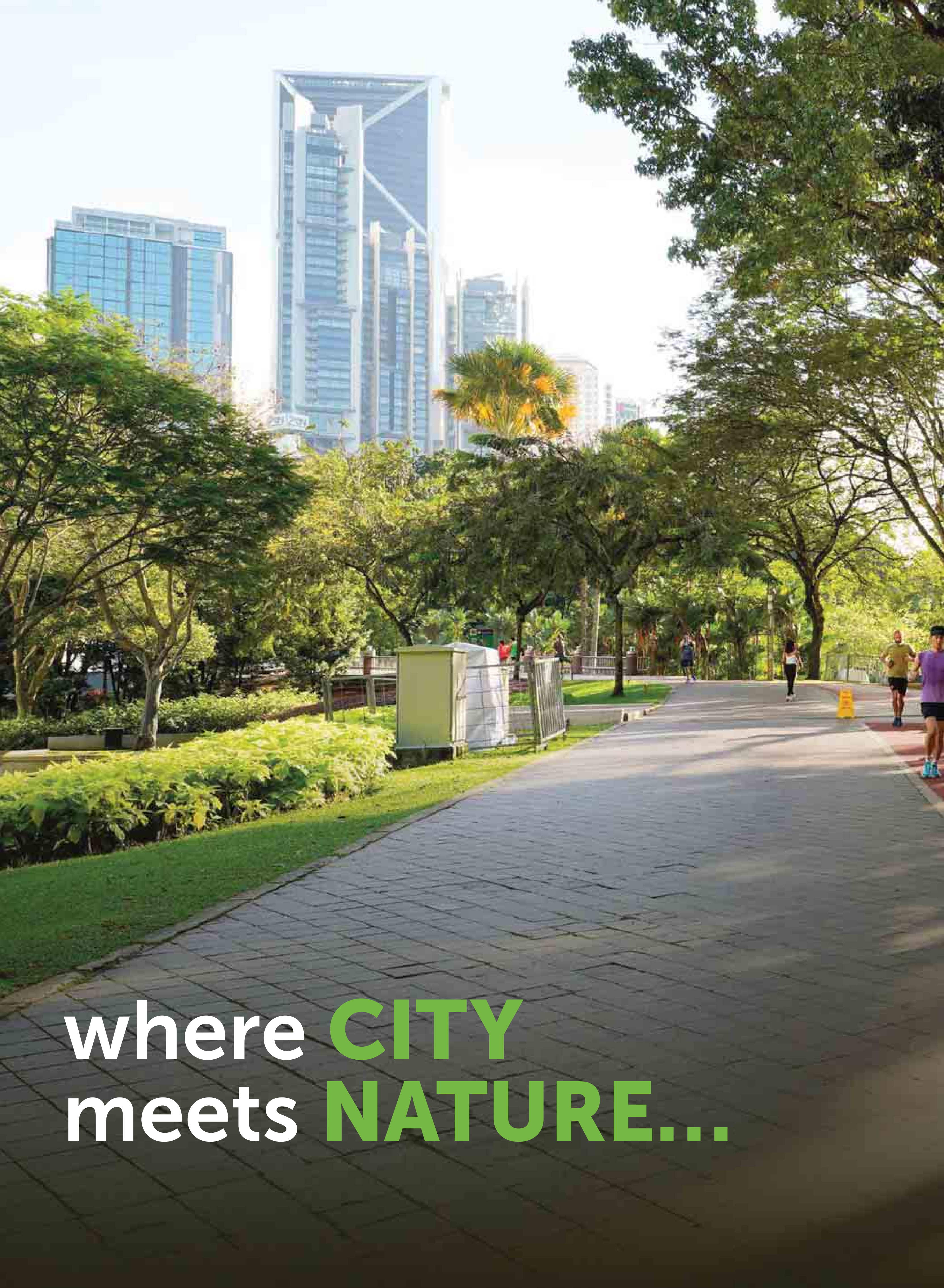
Initiatives	Results
Technology-driven marketing approach for targeted growth segments	• Targeted emerging customer segments – families and premium holiday seekers through MO.com and OTA channels yielded remarkable results. Notably bookings via MO.com improved by 53.0% yoy. • Leveraged Mandarin Oriental Hotel Group's (MOHG) distribution channel to drive more business from focused markets – India, Australia, Indonesia, Middle East and United States, with China market through MOHG's official stores-Fliggy and WeChat apps. • MOKUL Hotel exceeded expectations by securing an impressive 22,000 enrollment for "Fans of MO", the hotel's recognition program, surpassing the target by 40%.

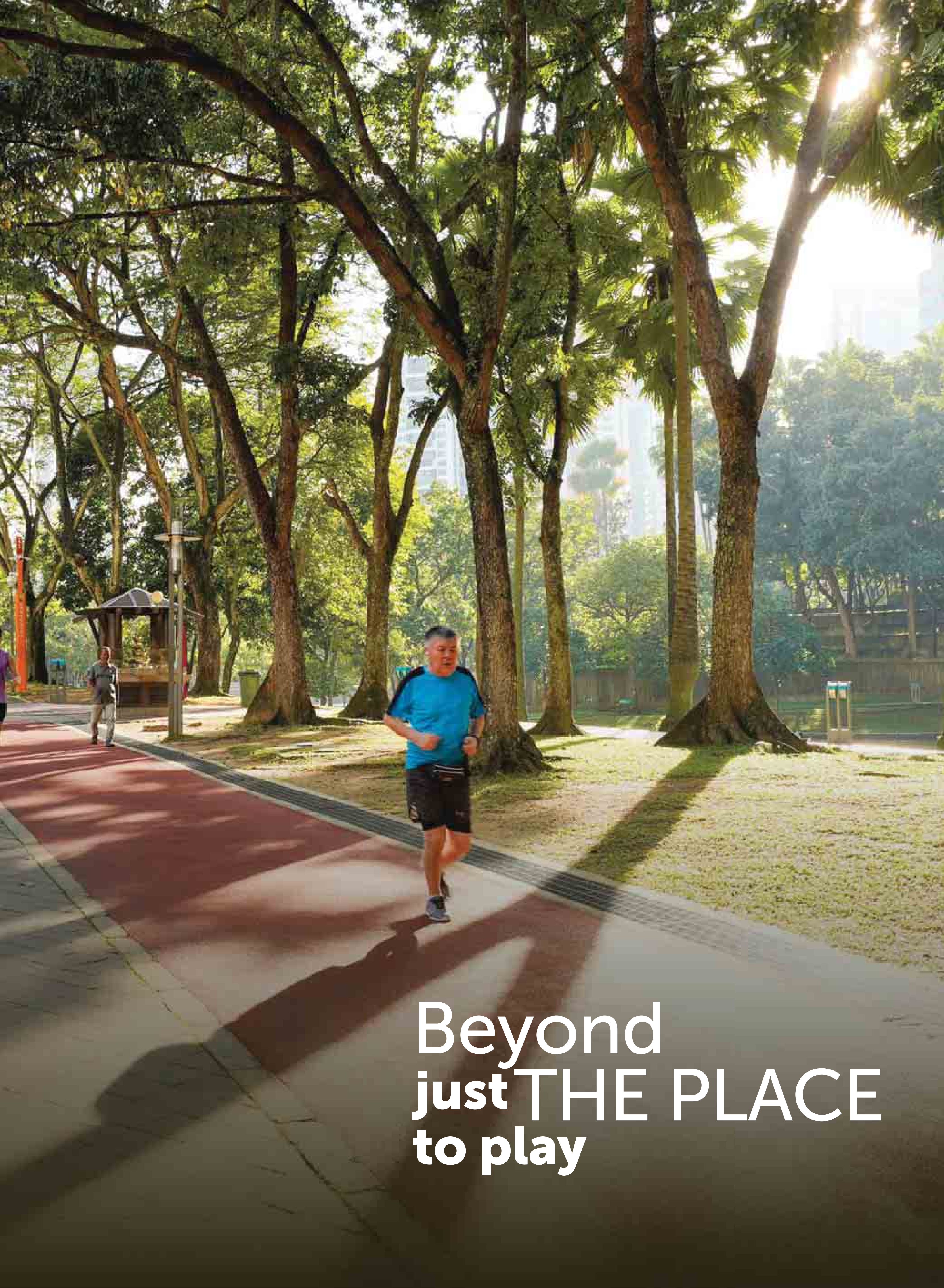
AWARDS & ACHIEVEMENTS

- Voted the 2nd Best Hotel in Malaysia in DestinAsian Readers' Choice Awards 2023.
- Named one of 2023 Most Preferred Graduate Employers to Work For at the Graduates' Choice Award.
- Rated Four Stars by Forbes Travel Guide Rating Evaluation for Hotels and Spas.

OUTLOOK & PROSPECTS

- The tourism industry is experiencing a dynamic resurgence, evident in a substantial increase in tourist arrivals surpassing pre-pandemic levels. The current depreciation of the Malaysian ringgit adds an enticing dimension for international travellers, enhancing the country's appeal as a cost-effective destination.
- Leveraging technology, MOKUL Hotel will strategically deploy personalised digital marketing efforts to promote retail and package offers, highlighting distinct local offerings that reflect our destination's vibrant essence and unique experiences.
- The hotel will also prioritise the renovation of the Grand Ballroom and MO Club Lounge to refresh its offerings and maintain its competitive edge.


where CITY
meets NATURE...



Beyond just THE PLACE to play

Business Review

MANAGEMENT SERVICES

WHO WE ARE AND WHAT WE DO

The Management Services segment comprises facilities management and car park management, which serve to complement the property portfolio of KLCCP Stapled Group.

KLCC Urusharta (KLCCUH), our facilities management company, oversees a portfolio of over 25 diverse assets within KLCC Development, including the 50-acre KLCC Park and various facilities under PETRONAS and KLCC (Holdings). KLCCUH is committed to meeting the complete spectrum of owner and user needs via a comprehensive suite of facilities management services. With over 25 years of expertise, KLCCUH stands proud as an industry leader in assets and facilities management. Exemplary service delivery at the PETRONAS Twin Towers sets a benchmark for other skyscrapers, solidifying our reputation for excellence in the field.

KLCC Parking Management (KPM) specialises in managing and operating parking facilities, extending its expertise to encompass advisory services covering practical, functional and aesthetic aspects of parking operations. This comprehensive approach ensures KPM covers all bases related to parking solutions, providing users with an enhanced and streamlined parking experience. Reflecting its commitment to meeting evolving demands, KPM has expanded its parking services beyond the KLCC Precinct to include areas such as Putrajaya. This enables KPM to address the parking needs of a broader geographical region, showcasing its adaptability and responsiveness to the growing demands of different communities.

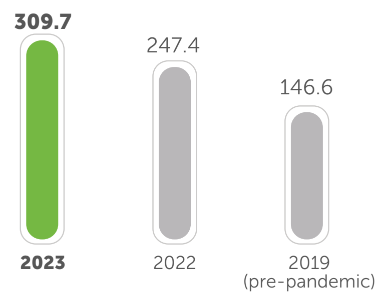
PERFORMANCE REVIEW

No. of facilities managed
25
2022: **25**

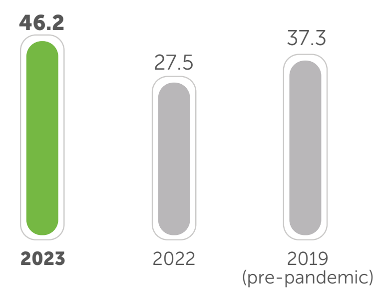
No. of car park bays managed
16,495
2022: **14,815**

Revenue Contribution by Segment
19%
2022: **17%**

Revenue (RM'mil)



Profit before tax – excluding fair value adjustments (RM'mil)



2023 KEY FOCUS AREAS

1. Expansion of carpark footprint
2. Delivering customer-centric solutions
3. Digital technology acceleration

BUSINESS PERFORMANCE REVIEW

Initiatives	Results
Expand carpark footprint and revenue optimisation	• KPM successfully secured operations of 1,680 car park bays within Kuala Lumpur and Putrajaya. • Space rental of open carpark for events and activities, contributing to an additional increase in overall revenue.

Initiatives	Results
Integrated workplace transformation	• Completed Workplace for Tomorrow 2.0 initiative for our tenant, PETRONAS. The transformation was carried out across 19 floors spanning approximately 370,000 sq. ft. of net lettable area (NLA) in PETRONAS Twin Towers, Menara 3 PETRONAS and Permata Sapura. • Improved the Parking Management System with License Plate Recognition (LPR) for seamless entry to Suria KLCC parking, enhancing the overall customer experience and extending unified parking capabilities across all Group facilities.

Business Review

MANAGEMENT SERVICES

BUSINESS PERFORMANCE REVIEW

Initiatives	Results
Integrating sustainable technology in operations	• Gondola operations remotely monitored with GPS technology via the IBCC, allowing real-time oversight of buildings' cleaning operations. • Introduced robotic pool cleaning and IoT sensors for the water feature system at KLCC Park. • Installed soil moisture sensors in the irrigation system at KLCC Park which prevents overwatering, conserving water resources and fostering healthier vegetation. • KPM implemented cashless payment for motorcycles at NWD, Lot D1 and other lots at KLCC.

AWARDS & ACHIEVEMENTS

- KLCCUH and KPM each bagged a Gold Award in The Royal Society for the Prevention of Accidents (RoSPA) Health & Safety Awards 2023.

OUTLOOK & PROSPECTS

- The outlook for management services is characterised by a strategic blend of adaptability, technological integration, sustainability and a client-centric approach.
- KLCCUH will continue to play a pivotal role in maintaining the prestigious status of the facilities under its management. With PETRONAS Twin Towers marking its 25th anniversary, KLCCUH recognises the importance of asset rejuvenation and modernisation to sustain the premium quality and cutting-edge facilities that define one of Malaysia's most iconic structures.
- The upcoming years will witness more dedicated focus on elevating our facilities management approach, ensuring our services align with tenants' unique needs, evolving industry standards, and technological advancements. Asset rejuvenation will not only enhance the aesthetic appeal but contribute to the facilities' overall functionality and sustainability.
- In a strategic move, KLCCUH is extending its facilities management services beyond traditional office settings and venturing into the retail sector. This signifies a significant step forward to meet the diverse needs of the retail environment.
- Our car parking services are also poised for expansion into new territories, particularly in Putrajaya and vacant lands within KLCC, driven by a commitment to providing accessible and efficient parking solutions to a broader audience.
- KPM is dedicated to adopting the latest technological advancements in the field of car parking, including innovative solutions such as smart parking systems, contactless payment options, and the incorporation of electric vehicle charging infrastructure. These technologies will play a crucial role in elevating the user experience and streamlining operations, contributing to a more connected and convenient parking environment for all.

KLCCP STAPLED GROUP

Financial Review

KEY HIGHLIGHTS

01

Recorded **RM1.6 billion** in revenue for the financial year ended 31 December 2023, attributed mainly to the stable Office segment and stellar performance by all the other segments.

02

Distributed **40.50 sen** per Stapled Securities, the highest payout in a decade, testament to the Group's commitment to creating value for our holders of Stapled Securities.

03

MOKUL Hotel rebounded with strong revenue growth of **44%**, generating profit before tax of RM3.0 million, marking a significant improvement from the loss before tax of RM23.5 million in 2022.

	2023 RM'mil	2022 RM'mil	Variance %
Revenue	**1,619.2**	1,459.3	11.0
Operating Profit	**1,020.2**	958.8	6.4
Profit Before Tax*	**965.5**	894.5	7.9
Profit for the year*	**853.8**	793.3	7.6
Profit attributable to equity holders*	**735.7**	690.8	6.5
Operating Profit Margin*	**63%**	66%	(4.1)
Profit Before Tax Margin*	**60%**	61%	(2.7)
Earnings per Stapled Security* (sen)	**40.24**	37.92	6.1
Distribution per Stapled Security (sen)	**40.50**	38.00	6.6
Payout ratio (%)	**92%**	92%	0.5

* Excluding fair value adjustments

The Group delivered a resilient set of financial results with increased revenue from RM1.5 billion to RM1.6 billion while profit for the year (excluding fair value adjustments) increased by RM60.5 million to RM853.8 million. This commendable performance was attributed to improved results across all business segments.

The Group saw remarkable rebound in the hotel segment, achieving new heights in revenue and establishing solid footing in its post pandemic recovery. The higher year-to-date occupancy rate of 55% (44% in 2022), commendable RevPar and F&B growth, culminated to a steady profit before tax of RM3.0 million. This marks a significant improvement from last year's loss before tax of RM23.5 million.

Driven by an unwavering commitment to customer experience, the retail segment achieved an impressive 96% occupancy rate. This success was bolstered by robust tenant sales and a consistent stream of refreshed offerings, resulting in an improved bottom line despite rising utility costs during the year.

During the year, the Group also realised a gain in value from its Investment Properties, amounting to RM221.9 million. This stands as a testament to the strengthened rental position, significantly contributing to the overall profit before tax of RM853.8 million.

The Group's low effective tax rate of 10.7% was primarily due to KLCC REIT distributing more than 90% of its distribution income, thereby exempting income from KLCC REIT from tax. This favorable tax regime enables the Group to uphold its commitment to delivering value for our holders of Stapled Securities.

Distribution per Stapled Security

Reflecting on its sterling financial performance, the Group declared a dividend of 14.40 sen for the final fourth quarter of 2023, which brought the total dividend for the year to 40.50 sen per stapled security, a 92% payout of the Group's distributable profit and realised income. The dividend declared is the highest in the Group's 10-year history.

SEGMENTAL FINANCIAL PERFORMANCE

OFFICE

	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
Property	2023 RM'mil	2022 RM'mil	Variance %	2023 RM'mil	2022 RM'mil	Variance %	2023 %
PETRONAS Twin Towers	**401.4**	401.4	0.0	**357.7**	356.6	0.3	**68**
Menara 3 PETRONAS	**92.7**	92.7	0.0	**91.2**	90.4	0.9	**17**
Menara ExxonMobil	**47.1**	45.1	4.4	**30.5**	30.3	0.7	**6**
Menara Dayabumi	**41.3**	41.6	(0.7)	**35.7**	35.7	0.0	**7**
Menara Maxis*	**–**	–	–	**14.2**	14.4	(1.4)	**3**
Total Office Segment	**582.5**	580.8	0.3	**529.3**	527.4	0.4	**101**
Citypoint Development	**–**	–	–	**(5.9)**	(8.5)	30.6	**(1)**
Total	**582.5**	580.8	0.3	**523.4**	518.9	0.9	**100**

* share of results of associates

The Office segment remained the top revenue contributor to the Group at RM582.5 million or 36% of the Group's total revenue. This was mainly a result of resilience and stability afforded by the Triple Net Lease (TNL) secured for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi. The long-term leases with two anchor tenants in Menara ExxonMobil further adds to the stability of the Office segment.

Among the office properties, PETRONAS Twin Towers was the largest revenue contributor at 69% or RM401.4 million, followed by Menara 3 PETRONAS at 16% or RM92.7 million. Menara ExxonMobil's contribution grew by 4.4% YoY due to increased rental rate during the year.

Under the TNL arrangement with PETRONAS, all property expenses are borne by the tenant which allows us to safeguard the overall PBT.

KLCCP STAPLED GROUP

Financial Review

RETAIL

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2023 RM'mil	2022 RM'mil	Variance %	2023 RM'mil	2022 RM'mil	Variance %	2023 %
Suria KLCC	**475.9**	445.2	6.9	**369.8**	349.3	5.9	**94**
Menara 3 PETRONAS (Retail Podium)	**40.2**	38.9	3.3	**23.1**	22.3	3.6	**6**
Total Retail Segment	**516.1**	484.1	6.6	**392.9**	371.6	5.7	**100**

The Retail segment, representing 32% of the Group's total revenue, recorded a 6.6% increase in revenue and 5.7% increase in PBT driven by higher occupancy, improved tenant sales and advertising income. The average occupancy rate at Suria KLCC throughout the year was 96%, marking an increase from 92% in 2022 with additional 35 new tenants. In December, the mall achieved an impressive 98% occupancy, a remarkable feat considering the market challenges and the presence of newly opened malls.

The robust revenue generated in the retail segment contributed to the improvement in PBT despite increase in utility cost by 28.1% from the rise in ICPT from 3 sen/kWh to 17 sen/kWh, resulting in a resilient performance for the segment for the year.

HOTEL

Property	REVENUE			PROFIT BEFORE TAX		
	2023 RM'mil	2022 RM'mil	Variance %	2023 RM'mil	2022 RM'mil	Variance %
Mandarin Oriental, Kuala Lumpur	**210.9**	146.9	43.6	**3.0**	(23.5)	>100

In 2023, the hotel's significant recovery was evidenced by a notable increase of revenue by 43.6% to RM210.9 million and PBT of RM3.0 million.

Capturing the more dynamic tourism market and the recovery of MICE, the hotel's ongoing collaboration with its precinct partners and enhanced guest touchpoints were pivotal to the bolstering performance. Higher occupancy of 55% was recorded during the year compared to 44% in 2022 coupled with higher average room rates and growth in the F&B, reflected a successful transition from period of losses to a profitable position in 2023.

MANAGEMENT SERVICES

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2023 RM'mil	2022 RM'mil	Variance %	2023 RM'mil	2022 RM'mil	Variance %	2023 %
Facilities Management	**224.5**	171.9	30.6	**19.5**	10.4	87.6	**42**
Car Park Management	**66.4**	59.8	11.0	**29.2**	25.6	14.3	**63**
Others	**18.8**	15.7	19.7	**(2.5)**	(8.5)	70.1	**(5)**
Total Segment	**309.7**	247.4	25.2	**46.2**	27.5	67.8	**100**

Management Services generated a total revenue of RM309.7 million, marking an increase of 25.2% YoY and contributed to 19% of KLCCP Stapled Group's total revenue.

Facilities Management recorded a 30.6% increase in revenue attributed to the expanded scope as well as the additional works carried out during the year in the facilities under its management.

Car Park Management also recorded an increase in revenue of 11.0%. This increase was attributed to the additional car park management in new locations, the rise in foot traffic at Suria KLCC and events hosted within the KLCC Precinct. These factors synergistically contributed to the robust growth in transient parkers.

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

The Group's Management Services segment includes providing management services to KLCC REIT under KLCC REIT Management Sdn Bhd. The stapled structure of our Group ensures no leakage of management fees. All management fees charged as part of KLCC REIT's expense are recycled back into KLCCP Stapled Group's income stream, hence does not impact the Group's profitability. Income earned by KLCC REIT Management is channelled towards dividends offered to the holders of our Stapled Securities.

FINANCIAL POSITION REVIEW

	2023 RM'mil	2022 RM'mil	Variance %
ASSETS			
Investment properties	**15,953.1**	15,722.8	1.5
Property, plant and equipment	**547.8**	570.9	(4.1)
Right-of-use assets	**2.5**	3.9	(36.2)
Receivables	**371.4**	441.8	(15.9)
Cash and bank balances	**1,192.1**	1,105.0	7.9
Others	**266.7**	265.1	0.6
	18,333.6	18,109.5	1.2
LIABILITIES			
Payables	**410.7**	408.2	0.6
Financing	**2,364.2**	2,378.5	(0.6)
Others	**169.2**	155.5	8.8
	2,944.1	2,942.2	0.1
Total equity attributable to equity holders of KLCCP and KLCC REIT	**13,339.1**	13,131.7	1.6
Net asset value per stapled security (NAV) (RM)	**7.39**	7.27	1.6

Backed by a solid portfolio of assets, the Group's financial position remained healthy with sufficient cash and low gearing for future development and long-term stability. The Group's total assets grew 1.2% from RM18.1 billion to RM18.3 billion mainly from the gain in fair value of the investment properties during the year.

Net asset value (NAV) per stapled security improved from RM7.27 to RM7.39, while total equity attributable to equity holders strengthened to RM13.3 billion, exemplifying strength and robust operational efficiency.

KLCCP STAPLED GROUP
Financial Review

Property	Market Value		Carrying Value	
	31 Dec 2023 RM'mil	31 Dec 2022 RM'mil	31 Dec 2023 RM'mil	31 Dec 2022 RM'mil
KLCC REIT Assets	**9,528.0**	9,493.0	**9,271.9**	9,175.3
Suria KLCC	**5,630.0**	5,580.0	**5,615.2**	5,568.7
Dayabumi*	**638.3**	563.0	**753.3**	678.0
Lot D1*	**290.0**	278.0	**312.7**	300.8
Total	**16,086.3**	15,914.0	**15,953.1**	15,722.8

* Carrying value of Dayabumi and Lot D1 includes the IPUC, which was valued at cost.

Investment Properties and Fair Value Adjustments

The Investment Properties of KLCCP Stapled Group represent 87.0% of the Group's total assets and encompass some of the most prestigious premium assets in Kuala Lumpur. These include PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Exxonmobil, which are included in KLCC REIT, as well as KLCCP's assets, Suria KLCC, Menara Dayabumi, the City Point land and vacant land of Lot D1.

The market value of these properties increased by 1.1% to RM16.1 billion as at 31 December 2023, driven mainly by the increase in value of both the Retail and Office segments. This signifies the stability of our assets despite prevailing competitive rates and incentives in the office market.

Under MFRS 140 Investment Properties, accounting adjustments were made to exclude the accrued operating lease income and capital expenditure incurred during the year to avoid double counting of assets. Taking the above into consideration, RM221.9 million was recognised as fair value adjustments in FY2023.

Property, Plant and Equipment

The Group's property, plant and equipment (PPE) comprises mainly the cost of MOKUL Hotel's building.

During the year, KLCCP Stapled Group spent RM8.4 million mainly for the refurbishment of the hotel, as well as upgrading of the parking management system in the North West Development (NWD) carpark facility. The capital expenditure was set off against depreciation charged and write-offs/disposal of assets no longer in use.

Receivables

The Group's receivables was 15.9% lower in 2023 at RM371.4 million compared to RM441.8 million in 2022 along with a decrease in accrued rental revenue due to the straight lining impact of leases under MFRS 16 in KLCC REIT and Suria KLCC.

CASHFLOW REVIEW

	2023 RM'mil	2022 RM'mil
Operating activities	**1,052.8**	1,026.4
Investing activities	**(2.0)**	4.0
Financing activities	**(963.9)**	(884.1)
Change in cash and cash equivalent	**86.9**	146.3
Cash with PETRONAS IFSSC	**836.8**	783.9
Deposits with licensed banks	**348.4**	308.2
Cash and bank balances	**6.9**	12.9
Cash and cash equivalents	**1,192.1**	1,105.0

Operating Activities

The higher net cash generated from operating activities of RM1,052.8 million compared to RM1,026.4 million was mainly due to better performance in all segments coupled with greater interest/profit income received from fund placements.

Investing Activities

The Group spend was higher during the year due to the payment for the premium to extend the land lease period from 59 years to 99 years for Dayabumi.

Financing Activities

The financing activities of the Group consists of servicing the interest/profit for KLCC REIT's Sukuk Murabahah Programme (Sukuk) and the hotel's term loan.

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

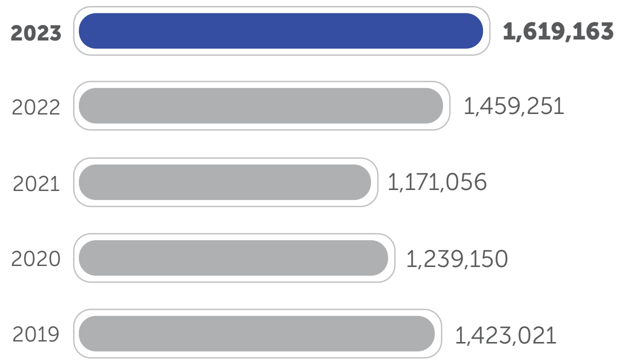
KLCCP STAPLED GROUP

5-Year Financial Summary

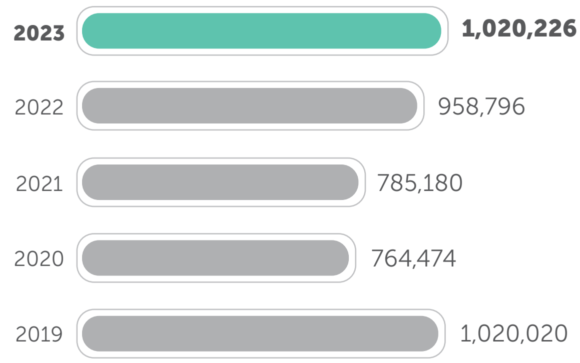
	2023	2022	2021	2020	2019
Key Operating Results (RM'mil)					
Revenue	**1,619.2**	1,459.3	1,171.1	1,239.2	1,423.0
Operating Profit	**1,020.2**	958.8	785.2	764.5	1,020.0
Profit Before Tax	**1,187.4**	1,018.9	565.8	546.8	1,071.3
Profit For The Year	**1,066.4**	911.6	534.0	474.7	945.7
Key Statement of Financial Position (RM'mil)					
Investment Properties	**15,953.1**	15,722.8	15,586.6	15,693.2	15,894.2
Total Assets	**18,333.6**	18,109.5	17,937.1	17,995.5	18,211.3
Total Financings	**2,364.2**	2,378.5	2,375.9	2,349.4	2,346.6
Total Liabilities	**2,944.1**	2,942.2	2,897.6	2,917.5	2,917.8
Total Equity Attributable to the Equity Holders of Stapled Securities	**13,339.1**	13,131.7	13,009.8	13,014.1	13,212.0
Stapled Securities Information					
Earnings per Stapled Security - Basic/Diluted (sen)	**51.59**	43.35	27.47	23.94	43.77
Net Asset Value per Stapled Security (RM)	**7.39**	7.27	7.21	7.21	7.32
Distribution per Stapled Security (sen)	**40.50**	38.00	33.60	30.00	38.00
Stapled Securities Closing Price as at 31 December (RM)	**7.09**	6.71	6.55	7.08	7.90
Number of Stapled Securities (mil)	**1,805.3**	1,805.3	1,805.3	1,805.3	1,805.3
Market Capitalisation (RM'mil)	**12,799.8**	12,113.8	11,824.9	12,781.8	14,261.9
Financial Ratios					
PBT Margin (Including Fair Value Adjustments)	**73%**	70%	48%	44%	75%
Dividend Payout Ratio	**92%**	92%	95%	98%	94%
Gearing (times)	**0.18**	0.18	0.18	0.18	0.18

5-Year Financial Highlights

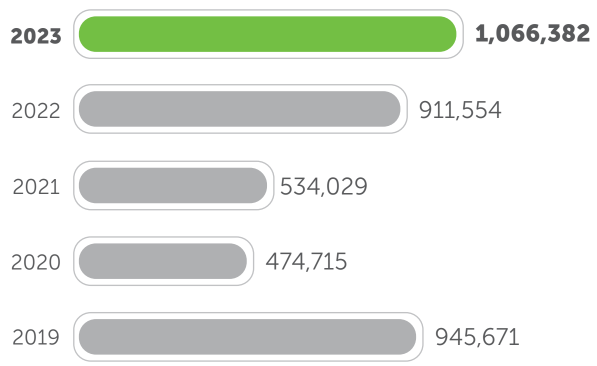
Revenue
(RM'000)



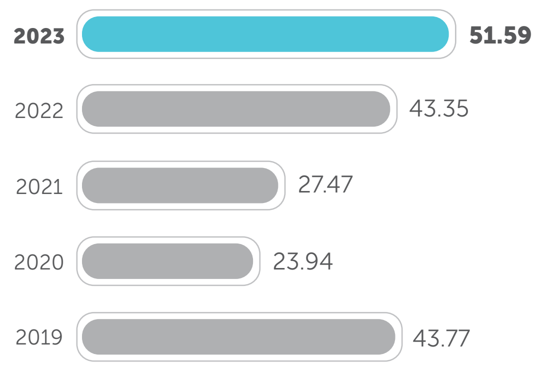
Operating Profit
(RM'000)



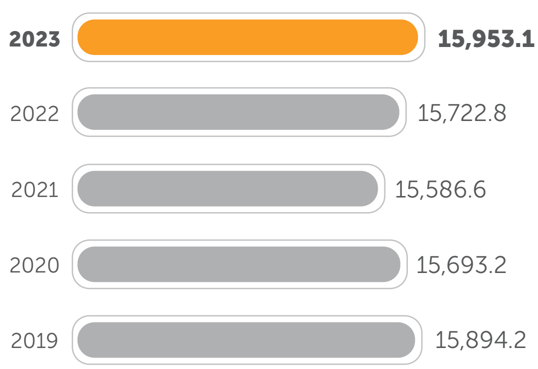
Profit for the Year
(RM'000)



Earnings Per Stapled Security – Basic/Diluted
(sen)



Property Value
(RM'mil)

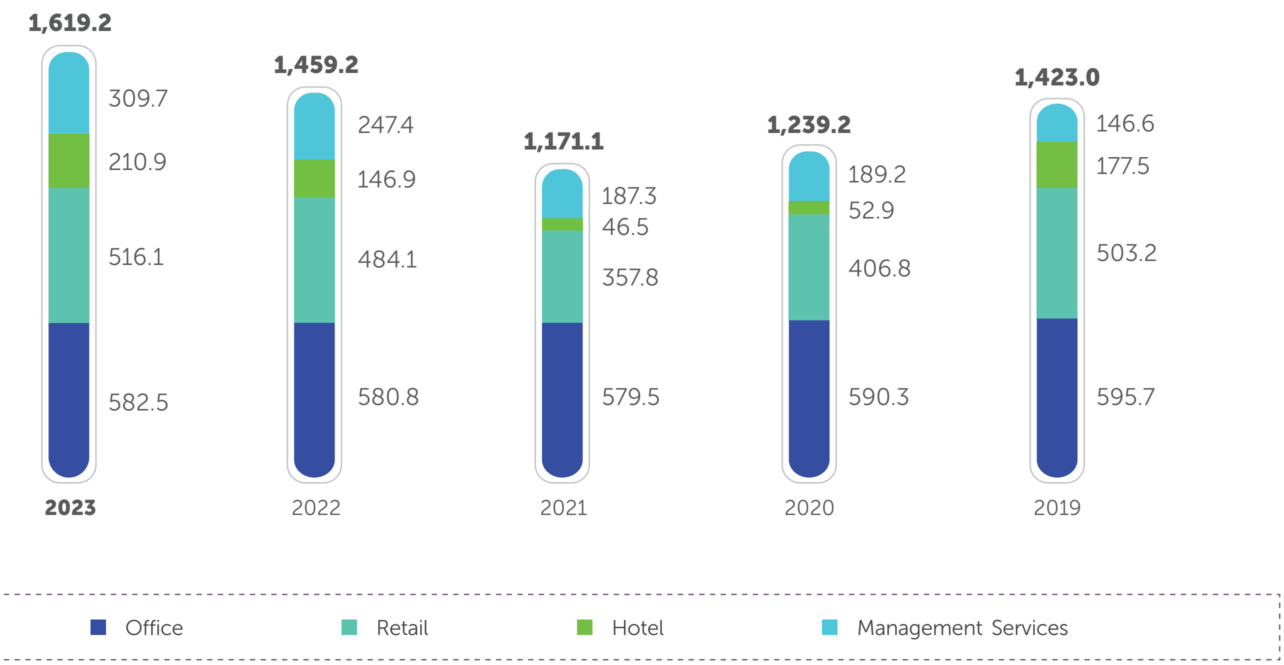


Net Asset Value Per Stapled Security
(RM)

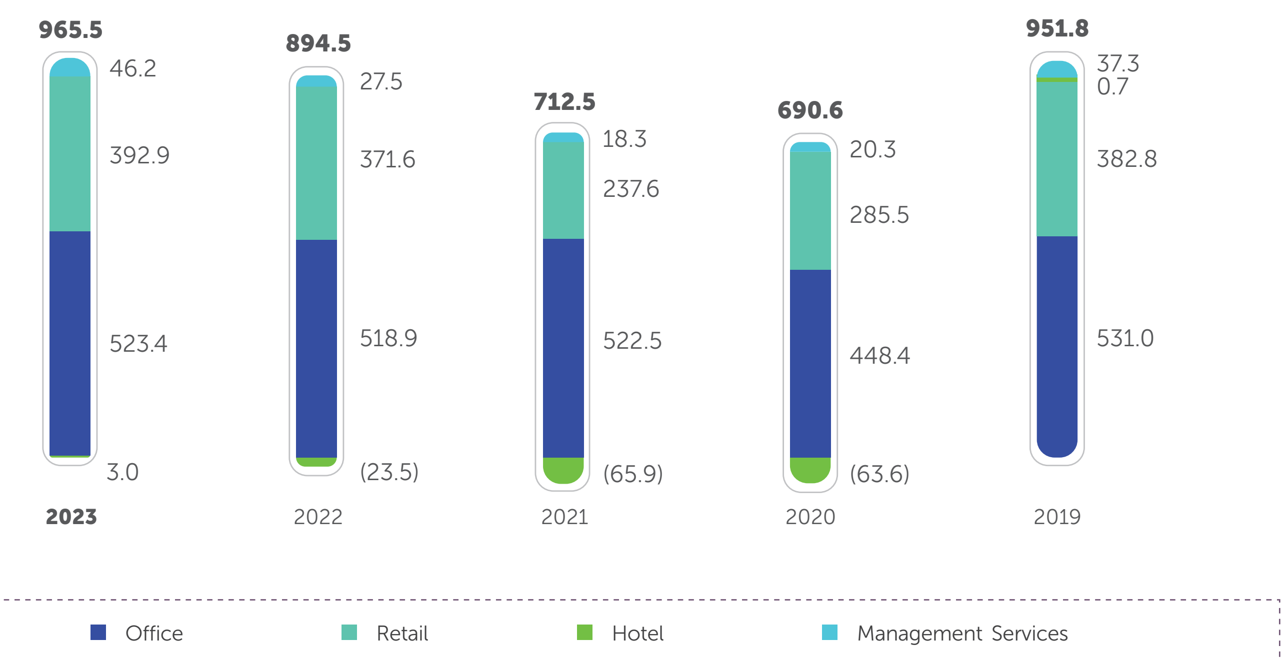
KLCCP STAPLED GROUP

5-Year Financial Highlights

Segmental Revenue (RM'mil)

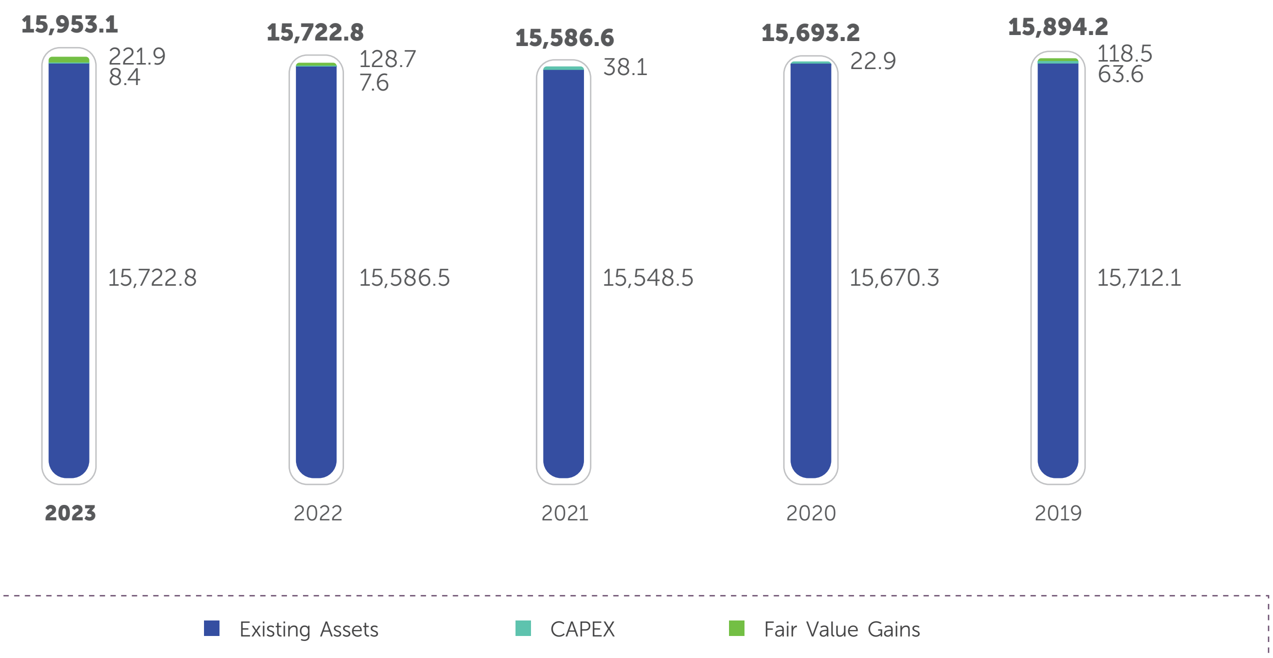


Segmental PBT Excluding Fair Value Adjustments (RM'mil)



Distribution Per Stapled Security (sen)

Property Value (RM'mil)



KLCCP STAPLED GROUP

Value Added Statement

	2023 RM'000	2022 RM'000
Total Turnover	**1,619,163**	1,459,251
Interest/profit income	**42,391**	27,068
Operating expenses	**(420,988)**	(322,686)
Value added by the KLCCP Stapled Group	**1,240,566**	1,163,633
Share of profits of an associate	**14,204**	10,098
Fair value adjustments on investment properties	**221,914**	128,676
	1,476,684	1,302,407
Reconciliation		
Profit attributable to holders of Stapled Securities	**931,294**	782,663
Add:		
Depreciation & amortisation	**32,877**	44,978
Finance costs	**111,312**	105,759
Staff costs	**145,072**	132,791
Taxation	**121,041**	107,325
Other non-controlling interest	**135,088**	128,891
	1,476,684	1,302,407
Value distributed		
Employees		
Salaries and other staff costs	**145,072**	132,791
Government		
Corporate taxation	**112,222**	105,484
Providers of capital		
Dividends	**723,939**	660,752
Finance costs	**111,312**	105,759
Other non-controlling interest	**135,088**	128,891
Reinvestment and growth		
Depreciation & amortisation	**32,877**	44,978
Capital reserve*	**111,676**	36,360
Income retained by the Group	**104,498**	87,392
	1,476,684	1,302,407

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

Capital Management

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

During the year, the Group remains disciplined in managing its capital structure to provide a solid foundation to withstand near-term uncertainties.

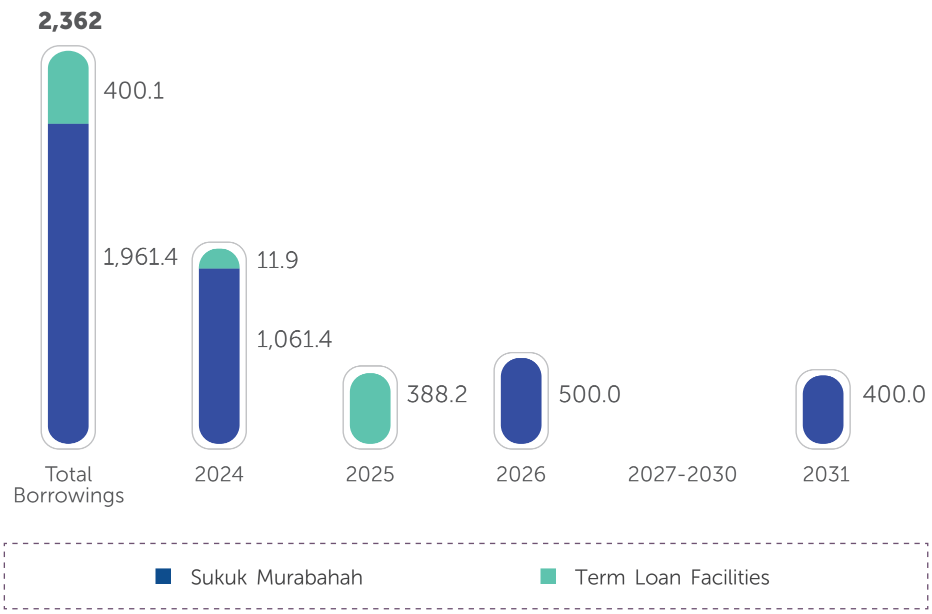
	2023	2022	2021	2020	2019
Total financing (RM'mil)	**2,362**	2,375	2,370	2,340	2,335
Average cost of debt (%)	**4.6**	4.6	4.3	4.4	4.6
Fixed : Floating ratio	**83**	83	83	84	84
Average maturity period (years)	**2.3**	3.3	4.3	3.6	4.6
Gearing ratio (%)					
– Gross	**17.7**	18.1	18.2	18.0	17.8
– Net	**8.8**	9.7	10.8	11.3	11.1

(Note: Total financing excludes arrangements accounted for as leases under MFRS 16)

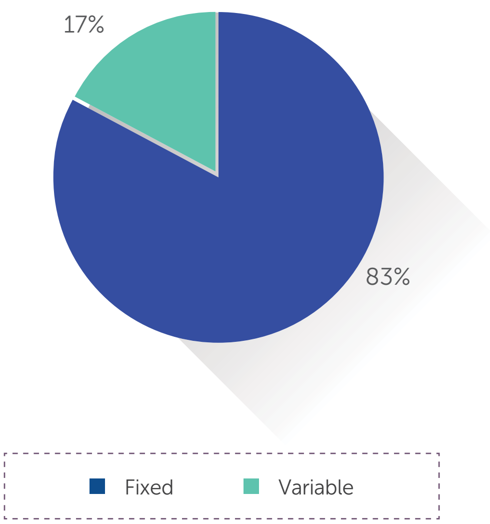
As at 31 December 2023, the Group's financing stood at RM2.4 billion, with 83% of total financing on a fixed rate. The average maturity period was shortened to 2.3 years as the next tranche of financing shall be due in April 2024. The Group's gearing ratio stands at 17.7%, indicating ample room for growth.

In the volatile interest/profit rate environment, the defensiveness of our balance sheet has positioned us positively. Meanwhile, the Group anticipates minimal impact from any further increase in the Overnight Policy Rate (OPR) by Bank Negara Malaysia given that 83% of the total financing is at fixed rates.

Debt Maturity Profile as of 31 December 2023 (RM'mil)



Total Financings



KLCCP STAPLED GROUP
Capital Management

In 2014, KLCC REIT and Suria KLCC restructured their facilities, establishing Sukuk Murabahah with a combined limit of RM3.0 billion and RM600 million, respectively. These facilities were rated AAA/Stable by RAM Ratings. In 2021, KLCC REIT successfully renewed its third tranche of Sukuk Murabahah amounting to RM400 million. The next repayment is due in April 2024 and the Group is currently assessing the market to secure the most favorable terms.

Overall, the Group has sufficient capital support with its RM3.0 billion Sukuk Murabahah. With more than 50% of the unutilised programme together with the mandate granted by the holders of Stapled Securities to issue new shares up to 10% of the approved share capital, the Group has the financial flexibility to tap into the debt-equity markets to gear up further, to fund future acquisitions.

Capital Expenditure

The Group's capital expenditure during the year totalled RM16.8 million, with a large portion channelled towards improving building improvements, system upgrades and the land lease extension in Kompleks Dayabumi.

FINANCIAL RISK MANAGEMENT

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

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

Credit Risk

Credit risk is the possibility of default in payments owing to us, which could adversely impact the Group's financial performance. Although the credit risk appetite differs from one business segment to another, the Group strives to minimise our overall credit risk by entering into contracts with high credit-rated counterparties, and also requiring collaterals or other forms of credit enhancements.

During the year, trade receivables increased in line with the better performance Group-wide, especially the Hotel and Retail segments.

The Group's Trade Receivables as of 31 December 2023 stood at RM9.1 million.

Trade Receivables' Ageing	RM'000
Not past due	**5,769**
Past due 1 to 30 days	**2,367**
Past due 31 to 60 days	**604**
Past due 61 to 90 days	**104**
Past due more than 90 days	**6,452**
	15,296
Less: Allowance for impairment losses	**(6,197)**
	9,099

To reflect the current credit risk profile and economic condition, the Group decreased the allowance for impairment losses on trade receivables from RM7.6 million to RM6.2 million during the year.

Nevertheless, the Group's retail operators continue to carry out thorough credit evaluation using qualitative and quantitative criteria on new tenants and follow up with the tenants to ensure collectability. Constant monitoring of tenants' affordability of the rental charges is also part of the credit risk mitigation.

Similarly, the hotel conducts thorough reviews and assessments of the credit worthiness of customers who are provided credit limits to ensure timely collection of payment when it is due.

Liquidity Risk

Liquidity risk is the possibility of the Group encountering difficulties in meeting financial commitments in a timely manner.

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

The Group's current net liabilities position of RM67.2 million is due to the reclassification of RM455.0 million and RM600.0 million Sukuk Murabahah to current liabilities as the maturity dates are on 25 April 2024 and 31 December 2024 respectively. The Group has plans in place for the repayment of the Sukuk Murabahah on these maturity dates.

Based on the reaffirmed AAA/Stable ratings from RAM Ratings on 2 June 2023 and 4 December 2023 for the RM455.0 million and RM600.0 million Sukuk Murabahah, the Group is confident of the ability to refinance these upon maturity.

In addition, KLCCP Stapled Group has significant headroom allowing it to tap into financing as and when required.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. As KLCCP Stapled Group operates predominantly in Malaysia and transacts mainly in the Malaysian Ringgit, it is not exposed to any significant foreign currency risk.

KLCCP STAPLED GROUP

Investor Information

"NAVIGATING A DYNAMIC LANDSCAPE, OUR COMMITMENT TO SHAREHOLDERS REMAIN UNWAVERING. THE INVESTOR RELATIONS (IR) TEAM SEAMLESSLY INTEGRATES DIGITAL COMMUNICATION INTO ALL IR INITIATIVES TO EMBRACE THE EVOLVING BUSINESS ENVIRONMENT. OUR PROACTIVE APPROACH IN ADAPTING TO CHANGE DEMONSTRATES OUR DEDICATION TO UNDERSTANDING INVESTOR PERSPECTIVES, GUIDING STRATEGIC DECISIONS AND SHAPING OUR PRIORITIES FOR SUSTAINED SUCCESS."

HIGHLIGHTS FOR THE YEAR

Engaged
81 institutional investors, analysts, fund managers

Connected with
10 foreign investors virtually and physically

Q1

9 January 2023
Property Tour with institutional investors and analysts

31 January 2023
Analysts Briefing – 4Q 2022 Results (Teleconference)

Q2

6 April 2023
KLCCP and KLCC REIT Annual General Meeting (Virtual)

29 May 2023
Analysts Briefing – 1Q 2023 Results (Teleconference)

Communication and Engagement with Investment Community

1) Annual General Meeting

Amidst the dynamic economic backdrop of 2023, the Group stayed committed to engaging with our shareholders. We continued to conduct our AGM virtually, using advanced digital platforms to create an interactive experience for stakeholders complete with a virtual voting system, online Q&A sessions, and multimedia presentations. The virtual setting not only ensured our shareholders' safety and convenience but also allowed for enhanced flexibility, making the AGM more accessible to an even wider audience. Since transitioning to virtual meetings, the number of participants has increased, reaching our highest attendance of 1,965 shareholders (who had logged on) at the AGM held.

Our CEO, Datuk Md. Shah Mahmood, delivered a comprehensive review of the year, updating the attendees on key events including the Group's 2022 achievements, business segment highlights and focus for 2023.

Conducted
2 Property Tours with foreign and potential investors

Hosted
260 delegates at CTBUH 2023 International Conference – KL Leg, themed Humanising High Density – People, Nature and the Urban Realm

Q3

14 August 2023
Analysts Briefing – 2Q 2023 Results
(Mandarin Oriental, Kuala Lumpur)

28 August 2023
Property Tour with potential investors and analysts

September 2023
Sustainable September campaign

Q4

20 October 2023
Council on Tall Buildings and Urban Habitat (CTBUH) International Conference – KL Leg (Mandarin Oriental, Kuala Lumpur)

28 November 2023
Analysts Briefing
– 3Q 2023 Results
(Teleconference)

During the Q&A session, all pre-submitted and live questions raised by holders of our Stapled Securities, EPF Equity Research and the Minority Shareholders Watch Group (MSWG) were addressed, showcasing our commitment to transparency and open communication. We noticed increased engagement levels throughout the meeting, with many attendees posing questions and seeking clarification from the management. Subsequent to the AGM, these Q&As together with the minutes were published on KLCCP Stapled Group's corporate website at **www.klcc.com.my**. Following the AGM, we held a press conference which was attended by media representatives namely The Star, The Edge and Bernama. The press conference garnered coverage in 22 digital, print and social media platforms.

Year	Mode of Meeting	Shareholders Registered	Shareholders Logged On	Questions Answered
2020	Virtual	304	232	43
2021	Virtual	1,082	1,003	74
2022	Virtual	1,407	1,365	98
2023	Virtual	1,976	1,965	103

10th Annual General Meeting – KLCC REIT

20th Annual General Meeting – KLCCP

Live Streaming from Mandarin Oriental, Kuala Lumpur

- **1,976 shareholders registered** for the event
- **1,965 shareholders logged on** to the Remote Participation and Voting Facility
- **103 questions were answered** during the live event
- The **CEO's Year in Review video** was played
- **Proposed resolutions** tabled **duly passed**

KLCCP STAPLED GROUP

Investor Information

2) Quarterly Analyst Meetings

The Group conducts quarterly analyst briefings immediately post the release of the financial results announcement to Bursa Malaysia. For the financial year 2023, the second and fourth quarter briefings were held physically, while the remaining sessions were virtual. Led by our CEO, CFO, Head of Group Strategy & Sustainability and the IR Team. These briefings and Q&A sessions provided in-depth insights into our operational and financial performance, strengthening a collaborative rapport with analysts. These engagements play a crucial role in ensuring the investment community remains well-informed about our progress, challenges and prospects, while also serving as a valuable platform for the IR Team to receive constructive feedback. All presentation materials and recordings from the briefings were made available on our corporate website following the briefings to enhance accessibility and transparency.

3) Sustainability and Industry Engagements

In our unwavering commitment to industry collaboration, sustainable practice and advancing presence in the REIT sector, the Group hosted the CTBUH international conference in Kuala Lumpur and a site visit to PETRONAS Twin Towers. Attended by 260 delegates from Brazil, Japan, China, the United Kingdom and United States, the conference themed "Humanising High Density – People, Nature and the Urban Realm", served as global platform for multi-faceted discussions centred around integrating people, nature and urban spaces within high-density settings.

Our CEO delivered the opening keynote on "Kuala Lumpur City Centre and PETRONAS Twin Towers and its Urban Context", revolving around the evolution of the KLCC Precinct over the past 25 years. While accentuating pioneering technological advancements, he also highlighted the Group's commitment to sustainable practices, outlining the eco-conscious initiatives undertaken in line with the United Nations' Sustainable Development Goals (UN SDGs). Notable among these efforts was the Sustainable September campaign, a collaborative effort towards a more sustainable future for all.

Sustainable September was established in 2022 by the Kuala Lumpur Convention Centre Business Events Alliances (KLCCBEA) to promote sustainable operations within KLCC Precinct. In 2023, the Group scaled up the initiative by collaborating with our KLCC Precinct Partners to showcase the Precinct's status as Malaysia's first SDG hub. This campaign aligns with the Malaysian Government's SDGs encompassing objectives such as No Poverty, Zero Hunger, Good Health and Well-being, Sustainable Cities and Communities, Responsible Consumption and Production, Climate Action and Partnerships for the Goals. Additionally, it aligns with the sustainability agendas of our KLCC Precinct Partners.

With the overarching goal of positioning the KLCC Precinct as an SDG hub for both leisure and business, the month-long Sustainable September campaign entails community engagement-focused activities. The aim is to build momentum and raise awareness among our stakeholders of ongoing year-round efforts undertaken at the KLCC Precinct to contribute to sustainable outcomes.

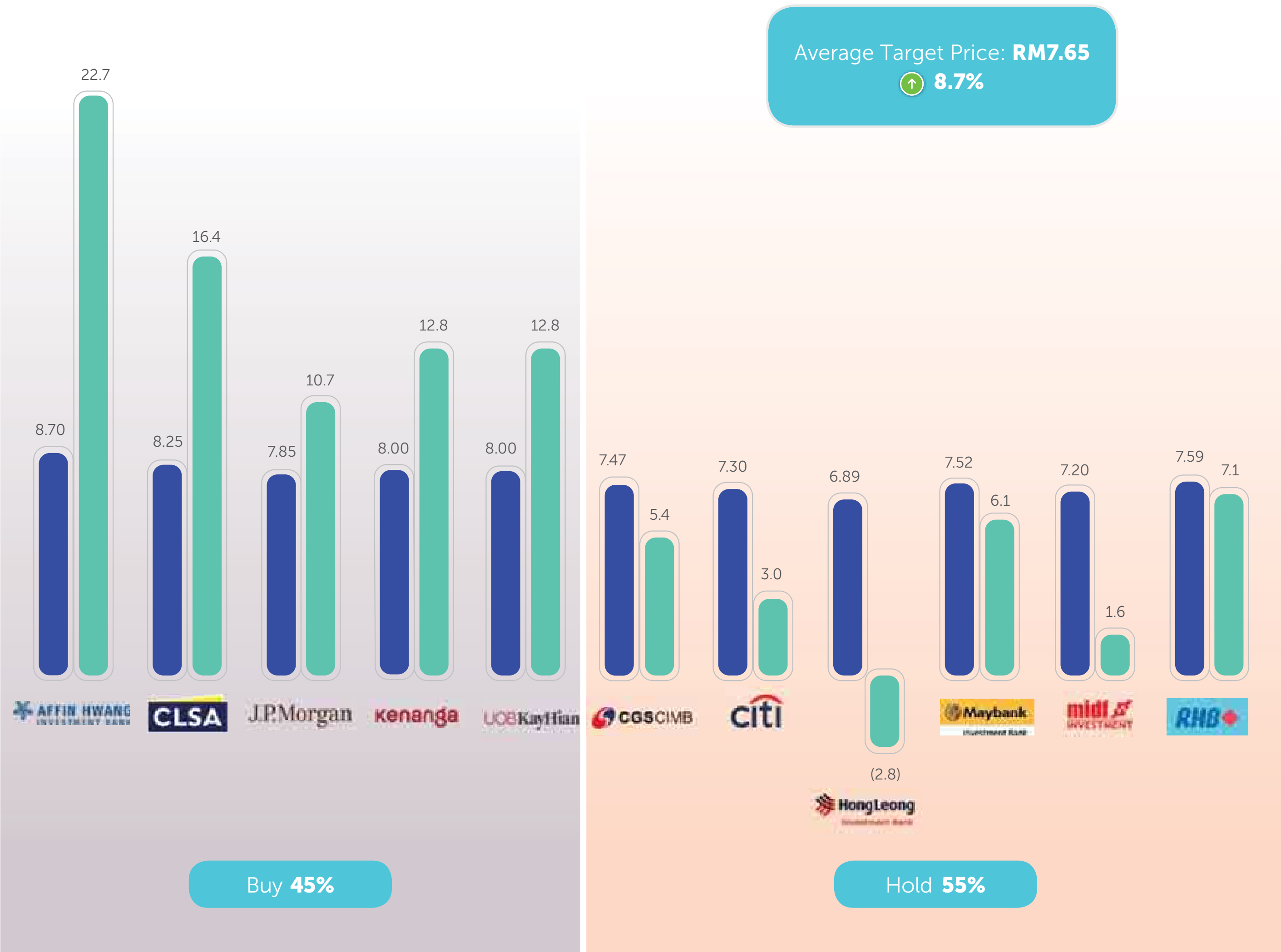
In addition, the Group participated in the MSWG's Asean Corporate Governance Scorecard (ACGS) assessment, enabling us to evaluate our corporate governance quality and identify areas of improvement. Furthermore, our ongoing membership in the United Global Compact Network Malaysia (UNGCMY) provides access to sustainability content, tools and best practices. This year, we embarked on the TCFD recommendation. We undertook a comprehensive gap analysis to identify disparities within our sustainability framework, approach and disclosures in relation to the TCFD recommendations. We plan to include TCFD-aligned disclosures, including a climate risk assessment, in our report for the financial year 2024.

We have continued to be active members of the Malaysian REIT Managers Association (MRMA), enabling us to enhance transparency and provide high-quality research and information to investors. MRMA fosters an environment for its members to coordinate investment activities and promote REIT as an investment asset class among retail investors.

These engagements, whether in physical or virtual form, underscore our dedication to thought leadership, knowledge-sharing and collaborative efforts contributing to the growth and sustainability of the broader REIT industry.

Analyst coverage and recommendations

As of 31 December 2023, KLCCP Stapled Group was under the coverage of 11 analysts, representing both local and international research houses. Our stock's overall current target price is RM7.65, with 5 Buy and 6 Hold recommendations. The analysts' optimistic outlook underscores confidence in the Group's performance, reflected by the 8.7% upside in the share price as of 31 December 2023.



KLCC Stapled Securities Share Price as at 31 Dec 2023: **RM7.09**

KLCCP STAPLED GROUP

Investor Information

RESEARCH COVERAGE

FINANCIAL CALENDAR

29 May 2023
1st quarter ended 31st March 2023

28 Jun 2023
Interim dividend payment

14 Aug 2023
2nd quarter ended 30th June 2023

27 Sep 2023
Interim dividend payment

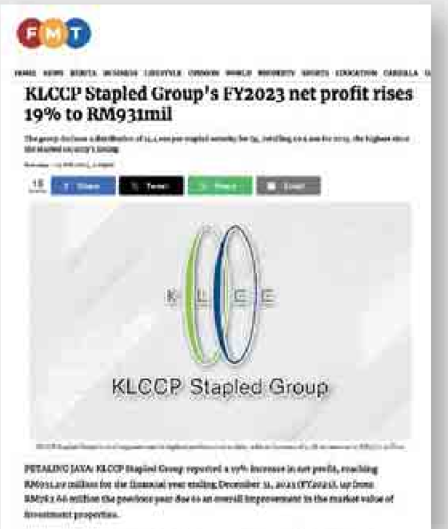
28 Nov 2023
3rd quarter ended 30th September 2023

SELECTED MEDIA COVERAGE


The Star
KLCCP growth trend to remain positive this year


The Star
KLCCP Stapled Group profit jumps 38% in 4Q, declares highest dividend since 2013


The Star
Outlook for KLCCP Stapled Group grows brighter


FMT
KLCCP Stapled Group's FY2023 net profit rises 19% to RM931mil


星洲日报
KLCC产托评级目标价不变 业绩符预期 欠重估催化剂


The Malaysian Reserve
KLCCP Stapled Group's 3Q net profit rises, declares dividend increase

● Announcement of Quarterly Results ● Date of Payment of the Interim Dividend ● Annual General Meeting

29 Dec 2023
Interim dividend payment

7 Feb 2024
4th quarter ended 31st December 2023

29 Feb 2024
Date of Notice of KLCCP 21st Annual General Meeting and KLCC REIT 11th Annual General Meeting

Date of Issuance of 2023 Integrated Annual Report

Interim dividend payment

24 Apr 2024
KLCCP 21st Annual General Meeting

KLCC REIT 11th Annual General Meeting