



BUSINESS AND OPERATIONS

KLCCP Stapled Group which comprises KLCC Property Holdings Berhad (KLCCP) and KLCC Real Estate Investment Trust (KLCC REIT) have remained as Malaysia's only Stapled Security and the largest REIT since its listing more than 5 years ago in 2013. As a diversified property and investment group, KLCCP Stapled Group has a wide range of investments in office, retail and hotel, located in the prime Kuala Lumpur City Centre.

KLCCP Stapled Group has a stable of 8 properties exceeding 11 million sq ft of gross floor area with our main focus on becoming Malaysia's premier and leading Real Estate Investment Group. Our iconic and quality assets within the portfolio is very much Malaysia focused, with a value of RM15.7 billion as at 2018.

Our core fundamental value resides in the portfolio of assets under KLCC REIT which have defined cashflow returns together with strong cash generating assets under KLCCP.

KLCCP Stapled Group's facility management and car parking management services, under KLCC Urusharta Sdn Bhd (KLCCUH) and KLCC Parking Management Sdn Bhd (KPM) respectively, complement the property portfolio in delivering premium asset management services in maintaining the iconic stature and performance of the assets within the Group.

The resilience of KLCCP Stapled Group's strong fundamentals, quality tenants and premium property location underpin its long-term value and drives sustainable returns. The operations of KLCCP Stapled Group remained stable during the year in spite of the challenges from the intensifying competition of the hospitality industry and the oversupply in the office and retail markets.

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

PROPERTY PORTFOLIO

PETRONAS TWIN TOWERS

TENURE
FREEHOLD

AGE OF
BUILDING
21 YEARS



An iconic landmark and world's tallest twin towers. The corporate headquarters of PETRONAS, the national petroleum company

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date of Acquisition	10 April 2013
Acquisition Price	RM6,500,000,000
Title	GRN 43697, Lot 169, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Nil
Lease/ Tenancy Profile	Leased to a single lessee, Petroliam Nasional Berhad vide a Triple Net Lease Agreement for a term of 15 years, expiring 30 September 2027
Net Book Value as at 31 December 2018	RM6,679,918,979
Appraised Value	RM7,010,000,000
Date of Valuation	18 October 2018
Independent Valuer	Cheston International (KL) Sdn Bhd

PROPERTY PORTFOLIO

MENARA 3 PETRONAS



59-storey office tower with premium Grade-A office with exclusive retail and sky dining

TENURE
FREEHOLD

AGE OF
BUILDING
7 YEARS



Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date of Acquisition	10 April 2013
Acquisition Price	RM1,790,000,000
Title	GRN 43699, Lot 171, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Nil
Lease/ Tenancy Profile	Office Tower, Menara 3 PETRONAS is leased to a single lessee, Petroliam Nasional Berhad vide Triple Net Lease Agreement for a term of 15 years, expiring on 14 December 2026. Retail Podium, Menara 3 PETRONAS is tenanted to various retailers on a 3 to 5-year term tenancy
Net Book Value as at 31 December 2018	RM1,975,605,251
Appraised Value	RM2,052,200,000
Date of Valuation	17 October 2018
Independent Valuer	Cheston International (KL) Sdn Bhd

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

PROPERTY PORTFOLIO

MENARA EXXONMOBIL

TENURE
FREEHOLD

AGE OF
BUILDING
22 YEARS



29-storey office building strategically located at the south-eastern portion of the KLCC Development and home to a major oil and gas corporation

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date of Acquisition	10 April 2013
Acquisition Price	RM450,000,000
Title	GRN 43685, Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Nil
Lease/ Tenancy Profile	Leased to two lessees, ExxonMobil Exploration and Production Malaysia Inc for an initial period of 9 years with an option to renew for 3 successive terms of 3 years each; and another with PETRONAS for an initial period of 3 years with an option to renew for 5 successive terms of 3 years each
Net Book Value as at 31 December 2018	RM535,307,091
Appraised Value	RM536,700,000
Date of Valuation	17 October 2018
Independent Valuer	Cheston International (KL) Sdn Bhd

PROPERTY PORTFOLIO

MENARA DAYABUMI

TENURE
LEASEHOLD INTEREST FOR
99 YEARS EXPIRING
9 NOVEMBER 2081

AGE OF BUILDING
36 YEARS



An integrated office development with retail podium located within the former business district of Kuala Lumpur

Location	50500 Kuala Lumpur
Date of Acquisition	31 May 2004
Title	PN 2395, PN 4073, PN 33471, PN 32233, Lot 38, 39, 45 & 51, Seksyen 70, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Nil
Net Book Value as at 31 December 2018	RM769,204,071
Appraised Value	RM773,000,000
Date of Valuation	22 October 2018
Independent Valuer	Cheston International (KL) Sdn Bhd

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

PROPERTY PORTFOLIO

SURIA KLCC

TENURE
FREEHOLD

AGE OF
BUILDING
20 YEARS



Premier shopping destination in Malaysia with over 400 specialty stores making it the best place for shopping, dining and entertainment experience

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date of Acquisition	31 May 2004
Title	GRN 43698 Lot 170, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Charged twice by Suria KLCC to Lembaga Kumpulan Simpanan Pekerja, registered on 19 December 1996 and 12 February 1998 respectively
Lease/ Tenancy Profile	Tenanted to various retailers on a 3 to 5-year term tenancy
Net Book Value as at 31 December 2018	RM5,444,129,660
Appraised Value	RM5,455,000,000
Date of Valuation	25 October 2018
Independent Valuer	Cheston International (KL) Sdn Bhd

PROPERTY PORTFOLIO

MANDARIN ORIENTAL, KUALA LUMPUR

TENURE
FREEHOLD

AGE OF
BUILDING
20 YEARS



A five-star luxury hotel in the heart of Kuala Lumpur offering impressive views with elegant interiors, spacious rooms, fabulous facilities and a wealth of dining options

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date of Acquisition	31 May 2004
Title	GRN 43700 Lot 172, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Charged by Asas Klasik Sdn Bhd to Public Bank Berhad, registered on 12 June 2008
Net Book Value as at 31 December 2018	RM648,431,431
Appraised Value	RM900,000,000
Date of Valuation	3 December 2018
Independent Valuer	Cheston International (KL) Sdn Bhd

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

PROPERTY PORTFOLIO

MENARA MAXIS

TENURE
FREEHOLD

AGE OF
BUILDING
20 YEARS



49-storey office tower with unique and distinctive architecture. Houses one of the largest communications service provider in Malaysia and its associate companies

Location	Kuala Lumpur City Centre, 50088 Kuala Lumpur
Date of Acquisition	31 May 2004
Title	GRN 43696 Lot 168, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances	Nil
Lease/ Tenancy Profile	Leased between Impian Klasik Sdn Bhd and Tanjung City Centre Property Management Sdn Bhd vide a Triple Net Lease Agreement for a term of 15 years, expiring 1 June 2028
Appraised Value	RM764,000,000
Date of Valuation	30 November 2018
Independent Valuer	Jones Lang Wootton

Note: KLCCP owns a 33% stake in Menara Maxis

PETRONAS TWIN TOWERS**234,007**
Land Area (sq ft)**4,693,756**
Gross Floor Area (sq ft)**2,065,000¹**
Gross Floor Area - car park (sq ft)**3,195,544**
Net Lettable Area (sq ft)**5,092¹**
Car Park bays**100**
Occupancy as at 31 December 2018 (%)**MENARA 3 PETRONAS****46,306**
Land Area (sq ft)**1,500,814**
Gross Floor Area (sq ft)**170,782**
Gross Floor Area - car park (sq ft)**812,806** (Office)
134,822 (Retail)
Net Lettable Area (sq ft)**193**
Car Park bays**100** (Office) **84** (Retail)
Occupancy as at 31 December 2018 (%)**MENARA EXXONMOBIL****43,045**
Land Area (sq ft)**559,520**
Gross Floor Area (sq ft)**240,981**
Gross Floor Area - car park (sq ft)**408,105**
Net Lettable Area (sq ft)**528**
Car Park bays**100**
Occupancy as at 31 December 2018 (%)**MENARA DAYABUMI****315,802**
Land Area (sq ft)**1,059,783**
Gross Floor Area (sq ft)**316,018**
Gross Floor Area - car park (sq ft)**650,297**
Net Lettable Area (sq ft)**854**
Car Park bays**100**
Occupancy as at 31 December 2018 (%)**MENARA MAXIS****46,597**
Land Area (sq ft)**781,383**
Gross Floor Area (sq ft)**100**
Occupancy as at 31 December 2018 (%)**537,085**
Net Lettable Area (sq ft)**SURIA KLCC****303,112**
Land Area (sq ft)**1,545,361**
Gross Floor Area (sq ft)**98**
Occupancy as at 31 December 2018 (%)**1,034,048**
Net Lettable Area (sq ft)**MANDARIN ORIENTAL HOTEL, KL****87,123**
Land Area (sq ft)**998,706**
Gross Floor Area (sq ft)**29,000**
Gross Floor Area - car park (sq ft)**629**
No. of Rooms**389**
Car Park bays**55**
Occupancy as at 31 December 2018 (%)¹ North West Development (NWD) Car Park, shared by PETRONAS Twin Towers, Suria KLCC and Menara Maxis

KEY TRENDS SHAPING OUR MARKET

ECONOMIC CHALLENGES

- ◆ Expectations of interest rate hikes
- ◆ Softer consumer sentiments in light of market volatility, reintroduction of Sales and Services Tax
- ◆ Changes in Government policies

INDUSTRY COMPETITIVENESS

OFFICE

- ◆ Supply outstripping demand affecting rental and occupancy
- ◆ Downward pressure on rental and price adjustments due to anticipated worsening imbalance of supply and demand

RETAIL

- ◆ Strong headwinds from influx of in-coming supply
- ◆ Rapid growth in online shopping posing a challenge to brick and mortar outlets

HOTEL

- ◆ Heightened competition from newer brands and supply of rooms entering the market
- ◆ Slower growth of tourist arrivals into the country
- ◆ The rise of Airbnb as hotel market's main competitor

OUR STRATEGIC RESPONSE

- Optimisation of capital structure, limiting exposure of fluctuations of interest
- Review of growth and asset repositioning strategies with focused initiatives through our strategic partnerships to drive continued demand for our places
- Diligent monitoring of our financial and operational initiatives and cost optimisation efforts
- Continuous investor engagements to reassure Malaysia's strong fundamentals and positive prospects
- Continuous positioning and branding of KLCC as a company and place brand to the investing community to shape market expectations and valuation

- Re-strategising our leasing approach and redefining unique and compelling value of properties beyond existing demand
- Focused on tenant retention and improving tenant experience within our office buildings

- Bespoke tenancing strategies to attract and retain quality retailers
- Innovative and targeted marketing for each catchment segment to spur footfall and retail spend
- Refreshing tenant mix with new concepts to ensure relevance of the mall
- Managed occupancy costs and vacancies through space optimisation and tenant mix

- Capitalised on newly refurbished guestrooms to drive stronger demand and occupancy
- Strategic partnership with key business players and positioning to enhance competitiveness and vibrancy
- Strengthened the brand presence and position Malaysia firmly as a tourist destination through various roadshows

KEY TRENDS SHAPING OUR MARKET

EVOLVING CUSTOMER BEHAVIOUR AND EXPECTATIONS

OFFICE

- ◆ Demand for flexible and more collaborative spaces that foster networking with overlap between work and leisure
- ◆ Tenants want amenity oriented, technology enabled and community driven commercial spaces

RETAIL

- ◆ Responding to changing customer lifestyles
- ◆ Click & mortar taking stronger foothold

HOTEL

- ◆ Bespoke experiences which transcends accommodation
- ◆ Millennial's tastes & technology influencing product offerings

TECHNOLOGY DRIVEN CHANGE

- ◆ Technology development re-inventing business value-chain
- ◆ Evolution of social media in shaping consumer tastes

SUSTAINABILITY AGENDA

- ◆ Growing recognition of sustainability as investment opportunities to operate more efficiently
- ◆ Call for action by the United Nations to promote prosperity while protecting the planet
- ◆ The risk-return enhancement by adopting sustainable practices of environment, social and governance (ESG) as an investment criteria

OUR STRATEGIC RESPONSE

- Conceptualising and creating a "Workplace for Tomorrow" for all our office buildings, providing a collaborative workplace for our tenants
- Supporting tenant initiatives in greening the office buildings to be more cost efficient in the longer term

- Repositioning the retail concept by integrating the mall as a lifestyle and attracting first-to-market brands into Malaysia
- Differentiating the consumer offering with a focus on experience and convenience
- Re-imagining and re-purposing the retail space, creating a sense of novelty to the mall offerings

- Personalised offerings and quality guest experience
- Leveraging brand expressions with unique and distinguishing products, wellness and dining programmes

- Management workshop on "Transformation and Business Innovation via Design Thinking" to Rethink, Redefine and Redesign the future of KLCC Group through a digital transformation
- Realignment of investments into technologies to engage target customers effectively at touchpoints in the customer experience lifecycle
- Transforming the mall experience by leveraging technology and multi-channel engagement platforms to reach out to a broader community
- Embracing new systems and digital technology to promote hotel offerings and make customer journey seamless

- Creating social value for our partners and communities through our corporate responsibility initiatives and strategic partnerships
- Creating multi-faceted places where working and leisure are intertwined to cater to the changing dynamics of today's landscape and customer expectations
- Responding to climate change to protect the community, supporting the country's commitment in mitigating climate change risks
- Working collaboratively with all stakeholders to understand the level of interest of material matters and the potential impact to the Group

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06




SEC 07

OUR STRATEGY

KLCCP Stapled Group's strategic focus is premised on its purpose of creating places people look forward to, converging cultural diversity, commercial vibrancy and sustainable living. With deep real estate experience, unique market understanding and insights and outstanding execution capabilities, we create synergy within our property portfolio, anticipate future tenant and customer needs to deliver long-term value across our business for all stakeholders.

<p>Leverage Core Capabilities</p> <ul style="list-style-type: none"> • Deep real estate experience • Asset management expertise • Strong relationship with our stakeholders and business partners • Experienced and highly skilled people 	<p>Capitalise on Market Trends</p> <ul style="list-style-type: none"> • Unlock value through asset repositioning • Refurbish, reconfigure and refresh tenant mix to improve vibrancy and maintain competitiveness • Unique product and service offerings in meeting customer demands 	<p>Active management of capital and risks</p> <ul style="list-style-type: none"> • Maintain strong balance sheet • Limit exposure of fluctuations of interest • Retain appropriate mix of debt and equity funding
--	--	---

We are focused on cashflow generation from our high quality prime Grade-A office buildings in Kuala Lumpur City Centre and landmark retail and hotel assets, providing diversification and generating a steady stream of income.

Strategic Priorities	Our Objectives
 <p>Maximising Value of Investments</p> <p>Ensuring high returns and yield through strategic initiatives</p>	<p>Creating long-term value for our stakeholders by maximising value of our existing investments in ensuring our revenue generating potential remains sustainable amidst the subdued market conditions</p>
 <p>Resilience in Soft Market Conditions</p> <p>Ensuring the Group is able to continue to sustain its business in difficult environment</p>	<p>Business agility to respond and adapt to the new pace of change and strengthening our competencies to amplify our skillsets to match the specialisation and mindset required to drive the change and ensure alignment</p>
 <p>Creating Value through Sustainability</p> <p>Delivering financial and societal value to all our stakeholders</p> <p>Business enhancement through digital initiatives</p>	<p>Maintaining a robust business model which embodies our commitment and focus on the sustainable priority areas by balancing the economic, environment and social needs of our stakeholders in delivering long-term value and contributing to the well-being of our community</p> <p>To challenge ourselves to think several years out and to think of a different business model to what we have today with the objective of "Rethink, Redefine and Redesign the Future" of KLCC Group through a digital transformation</p>

OUR STRATEGY

We seek to pursue growth by leveraging on our ownership of premier assets, developments that have low risk - high potential value and choiced landbanks in strategic locations. KLCCP Stapled Group is also well positioned with its strong fundamentals and inorganic pipeline of assets to drive future earnings growth through the Right of First Refusal (ROFR) from the high quality asset portfolio of KLCC (Holdings) Sdn Bhd, our holding company. This ROFR forms a key part of our future earnings growth strategy.

Inherent Organic Growth Strategy for REIT-embedded Assets

through portfolio management, asset enhancement, cost-efficiency improvements and optimisation of tenant mix initiatives

Growth from In-Built Pipeline Strategy for Acquisition of Properties

partially owned by KLCCP into KLCC REIT which further realises benefits to the REIT. The Group continues to pursue low-risk, non-speculative developments and redevelopment opportunities that can be potentially considered for REIT as a growth platform

Inorganic Growth from Right of First Refusal granted by KLCC (Holdings) Sdn Bhd and Third Party Acquisitions

of strategic real estate assets which will be value accretive and add growth to income distribution for the holders of Stapled Securities

Responsible conduct is an integral part of our business strategy which is reinforced at all levels within the Group. We are committed to operate and grow in a socially responsible way and have aligned our business and processes to adopt strategies that support sustainable development across society.

Delivering on our strategy	Our Focus for 2019
We capitalised on the market opportunities and created value through our asset repositioning strategy, maintaining the synergy of our portfolio of assets and drove enduring demand for our spaces, towards delivering both financial and societal value to all our many stakeholders	<ul style="list-style-type: none"> • Delivery of critical projects – Workplace for Tomorrow, Phase 3 redevelopment of City Point podium • Boosting space utilisation within our office buildings, car park spaces for income growth • Managing vacancy levels at our retail mall and balancing occupancy and ARR at our hotel
We refined our strategies and worked towards a robust business model to respond to the new pace of change, leveraging our brand relationships to enliven THE PLACE	<ul style="list-style-type: none"> • Redefining spaces at THE PLACE to adapt to the changing customer expectations and creating the experiences they want • Differentiating promotions and marketing of services and products to capture market share and be the go-to brand • Diligence on cost containment across the business to sustain our operating margins and remain resilient against the headwinds in the market
Thinking long term and improving on sustainable performance, building strong relationships with our stakeholders through high levels of customer and partner satisfaction, investing in our employees to equip them with skillsets to be innovative and to think differently in the new normal environment	<ul style="list-style-type: none"> • Investing in our people, with bespoke training alongside a focus on wellbeing, supported by investment in new expertise, broadening of skills in customer experience and technology • Protect and enhance asset value through environmental stewardship, including energy generation and efficiency and eco-conscious initiatives which will add value to our tenants and community • Building upon our culture of integrity and leadership in governance • Establishing a digital transformation blue print across the organisation to fully embrace Going Digital • Intensifying the cashless initiatives promotion for our car parking management services and retail • Integrating technology within THE PLACE towards a smart, sustainable city
We focused on leveraging technology in our buildings, amenities and services we offer, realising quick values from “low-hanging fruit” initiatives	

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06




SEC 07

VALUE CREATING BUSINESS MODEL

FINANCIAL

- Total equity attributable to equity holders of Stapled Securities **RM13.1bil**
- Total borrowings **RM2.2bil**

MANUFACTURED

- Iconic and high quality assets
 **5**  **2**  **1**
- Property value **RM15.7bil**
- Rental revenue **RM1.1bil**

NATURE

- **50 acres** of KLCC Park (green lung) with **1,600 species** of trees and palms
- **7,000 solar panels** for electricity generation
- Chilled water supply via District Cooling System - **51,400 Refrigerant Tonne** capacity
- **5 electric vehicle** charging stations

SOCIAL AND RELATIONSHIP

- High integrity and trust
- Transparent shareholder communication
- Leverage expertise of business partners

HUMAN

- Employees **1,126**
- High performing people and future driven culture

INTELLECTUAL

- Deep real estate experience
- Asset management expertise
- Unique market understanding and insights



THROUGH CLEAR OPERATIONAL ACTIVITIES

The main activities that we undertake towards delivering our strategy

OWN

Own strategic-located investments comprising a quality portfolio of office, retail and hotel

DEVELOP AND INVEST

Develop own lands or make strategic investments which improve the overall quality of the portfolio and ensure long-term capital appreciation

MANAGE

Manage assets and invest the capital necessary to ensure properties are well maintained and operate at optimum efficiency

CONNECT AND COLLABORATE

Active engagements with key stakeholders in mitigating operational issues and achieving sustainability in value creation

BUSINESS ACTIVITIES AND PRACTICES

PREMISED ON OUR COMMITMENT OF SUSTAINABILITY

CORPORATE GOVERNANCE

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

ENVIRONMENTAL STEWARDSHIP

Striving for improved environmental practices and operational sustainability

SECURITY, SAFETY AND HEALTH

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

OUR PEOPLE

Nurturing a diverse and talented workforce to drive business growth strategies

RELIABLE PARTNER

Strengthening the company's financial position, business competitiveness and spurring socio-economic growth


CUSTOMER EXPERIENCE


Provides Malaysia's iconic experience in Kuala Lumpur

Powerful offerings of best hotels, restaurants, retail and entertainment experience

2.0mil visitors annually to PETRONAS Twin Towers and major attractions within KLCC Precinct

 97% tenant satisfaction

 RM2.6bil moving annual turnover - tenant sales
28 new brands with 9 first-to-market stores in Malaysia


 629 refurbished hotel guest rooms
92% hotel guest satisfaction


CATALYST FOR SURROUNDING DEVELOPMENT

Spurred surrounding commercial and residential development

Created significant value enhancement to surrounding properties

 ↑ ~11mil sq ft since 1998

 ↑ ~6mil sq ft since 1998

 ~20,000 additional surrounding residential units in the last 10 years

SOCIAL DEVELOPMENT

Bridge people together - work, shop, place, meet, stay, visit and dine

- RM2.0mil spent on Community Investment
- RM1.4mil spent on Staff Learning and Development

NATION BUILDING

Malaysia's landmark and game changer for Kuala Lumpur

- Over 21,000 employees work in our offices
- 15 oil and gas MNCs and Fortune 500 Tenants
- Hosted over 12,000 events to-date, bringing over 12mil delegates and visitors
- RM104.5mil tax paid to Government
- RM668.0mil dividend paid to shareholders

SUSTAINABLE DEVELOPMENT

Balance between commercial, public space and natural greenery

- 512,257kWh renewable energy generated
- 5.0% Reduction in GHG Emission
- 6.7% Reduction in Water Use
- Central source for chilled water supply for air-conditioning to whole precinct
- RM1.6mil spent on KLCC Park maintenance

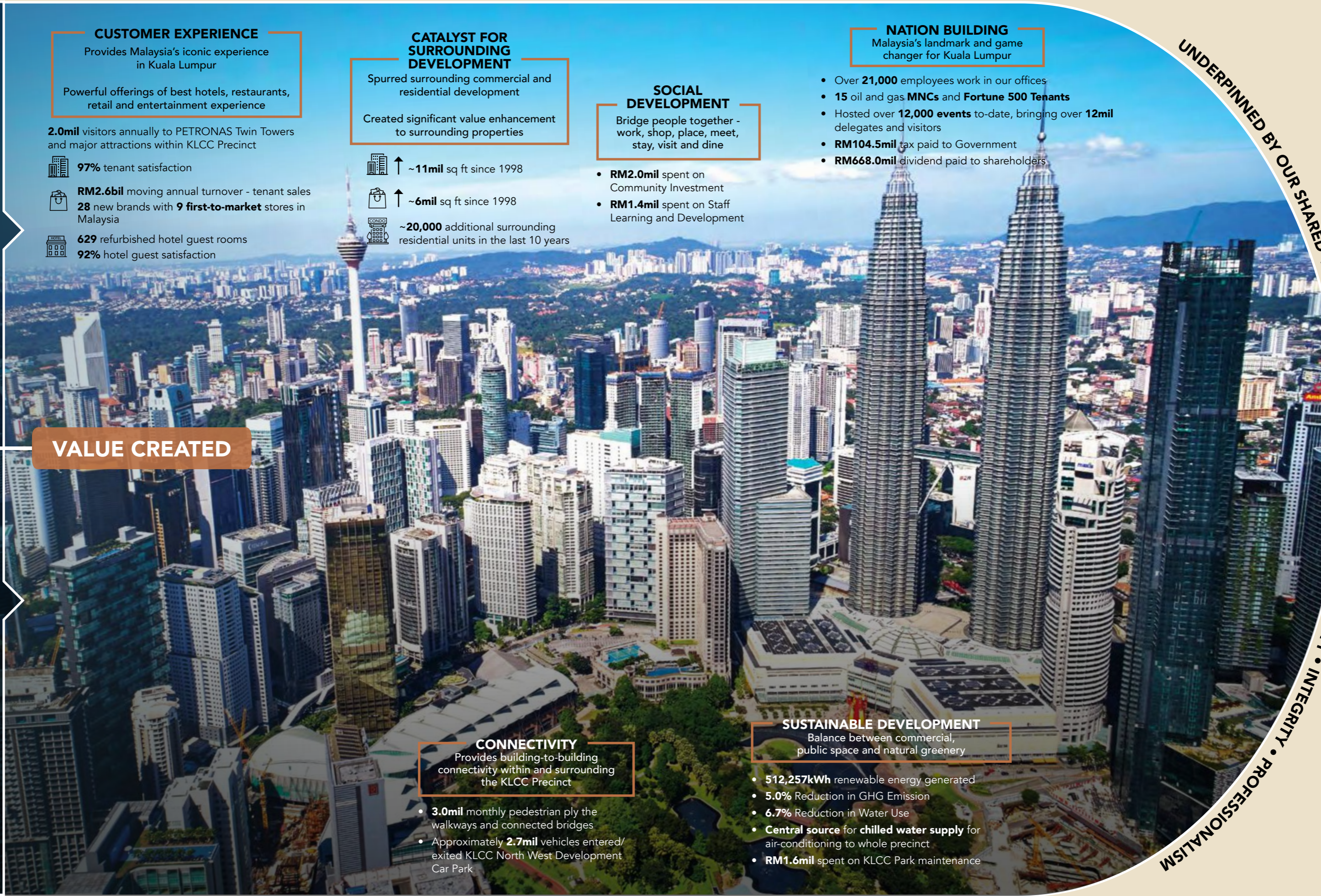
CONNECTIVITY

Provides building-to-building connectivity within and surrounding the KLCC Precinct

- 3.0mil monthly pedestrian ply the walkways and connected bridges
- Approximately 2.7mil vehicles entered/exited KLCC North West Development Car Park

VALUE CREATED

UNDERPINNED BY OUR SHARED VALUES - INNOVATIVE • COHESIVENESS • LOYALTY • INTEGRITY • PROFESSIONALISM

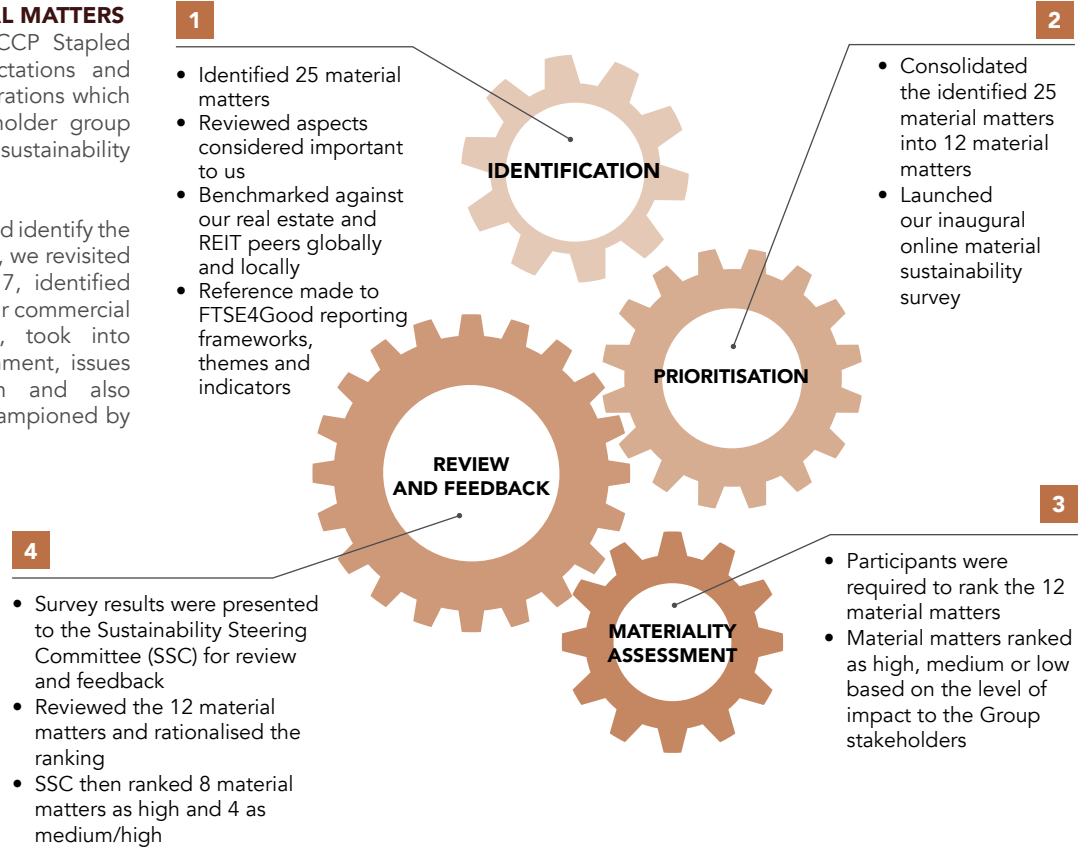


MATERIAL MATTERS

MANAGING OUR MATERIAL MATTERS

We seek to understand KLCCP Stapled Group's stakeholders' expectations and the issues regarding our operations which are significant to our stakeholder group and have an impact on our sustainability journey forward.

In our efforts to understand and identify the top material matters for 2018, we revisited our material matters of 2017, identified emerging issues impacting our commercial and operational landscape, took into account the external environment, issues impacting our organisation and also sustainable matters being championed by the country.



MATERIAL MATTERS	2018 HIGHLIGHTS	
ECONOMIC		
Financial Sustainability - Sustained Returns and Profitable Growth		<ul style="list-style-type: none"> • Distributed dividend of 37.00 sen per Stapled Security • Recorded a revenue of RM1.4 billion
Economic, Social & Industry Growth - Promoting Economic and Industry Growth		<ul style="list-style-type: none"> • 15 oil and gas MNCs and Fortune 500 tenants • Over 21,000 employees work at our office buildings • Suria KLCC brought onboard 28 new tenants • Approximately 2.7 million vehicles entered/exited the NWD car park
ENVIRONMENT		
Climate Change - GHG Emission Reduction - Efficient Energy Management - Renewable Energy		<ul style="list-style-type: none"> • 5% reduction in GHG emission • Savings of RM187,000 from solar energy • Establishment of Energy Committee to address energy efficiency management
Environmental Management - Water Management - Waste Management - Responsible Material Use - Biodiversity		<ul style="list-style-type: none"> • 6.7% reduction in water use • 2.6% improvement in waste diversion at MOKL Hotel • 10.8% increase in recycled waste at Suria KLCC • MOKL Hotel introduced bio-digester to manage wet food waste • Promoted responsible procurement by including "Green Product Requirement" in tender documents

MATERIAL
MATTERS

HIGH



MEDIUM/HIGH*

MATERIAL MATTERS		2018 HIGHLIGHTS
SOCIAL		
Security, Safety and Health - Safety and Health Management - Security Management		<ul style="list-style-type: none"> Maintained zero fatality Management Leadership Team conducted 17 HSE walkabouts at project sites, plants, buildings and car parks, promoting leadership in driving HSE excellence Included new accident investigation analysis tools i.e. Tripod Beta to analyse if human factors contribute to accidents Achieved a score of 4.11, reflecting a Level 4 HSSE maturity of "Proactive" in the HSSE Maturity Survey KLCC Parking Management implemented the first-ever virtual Parking Management System in Malaysia utilising a private cloud to mitigate cybersecurity risk
Our People - Skills and Capability Development - Talent Management - Equality, Diversity and Inclusion - Workforce Engagement		<ul style="list-style-type: none"> Invested RM1.4 million on staff learning and development 78% of employees underwent training and development Organised a total of 326 training programmes for employees Achieved a succession management ratio of 1 to 2.6 Introduced the "HR Careline" to address HR-related matters as part of the HR One-Stop Point initiative
Human Rights and Labour Practice - Responsible Employment - Non-Discrimination		<ul style="list-style-type: none"> Zero incidents on grievance on discrimination, child/forced labour incidents
Customer and Tenant Management - Tenant Engagement - Customer Satisfaction		<ul style="list-style-type: none"> MOKL Hotel achieved a 7% increase in guest satisfaction to 92% Suria KLCC installed world-largest rotating LED screen at the mall's centre court to provide a new and exciting shopping experience 80% retailers at Suria KLCC providing eWallet payment service via Alipay NWD car park's entry and exit terminals upgraded with integrated credit/debit card readers to elevate its cashless payment initiatives MOKL Hotel completed its master plan refurbishment programme, offering guests 629 renovated rooms with upgraded service standards
Corporate Social Investment - Societal Well-being		<ul style="list-style-type: none"> RM2 million invested in various community programmes in the areas of education, environment and social welfare
Supply Chain Management - Local Procurement Management - Responsible Product Sourcing		<ul style="list-style-type: none"> Procurement policies in shortlisting of bidders included screening of suppliers background and registration with regulated bodies Improved Standard Operating Procedures on tender evaluation to incorporate Anti-Bribery Due Diligence MOKL Hotel carried out audit on 32 suppliers in both "High Risk" and "Low Risk" classification
CORPORATE GOVERNANCE		
Corporate Governance and Business Ethics - Corporate Governance and Compliance - Business Ethics, Integrity and Corruption Management		<ul style="list-style-type: none"> Achieved 37.5% women on Board, surpassing the country's aspirational target of 30% Rolled out the Anti-Bribery and Corruption (ABC) Manual across all employees of the Group
Risk Management - Risk and Crisis Management		<ul style="list-style-type: none"> Review of Business Continuity Plan (BCP) on Business Impact Analysis (BIA) to identify critical business functions BCP simulation exercise conducted on Strategy, Finance and Investor Relations Division and Information Technology Team

* Medium impact to the company but of high interest to the stakeholders

STAKEHOLDER MANAGEMENT

KLCCP Stapled Group recognises stakeholder management as an important aspect to ensure transparency and accountability. We continue to engage and manage our stakeholders’ needs and expectations, taking into consideration their viewpoints and provide new perspectives in generating positive impact to the organisation.

	SHAREHOLDERS/ INVESTORS/BUSINESS PARTNERS	EMPLOYEES	GOVERNMENT/ LOCAL AUTHORITIES/ REGULATORS
HOW WE ENGAGE	<ul style="list-style-type: none"> • Annual General Meeting • Investors and Analysts Briefings • Results Announcements • Investor Relations Events • Website • Annual Report 	<ul style="list-style-type: none"> • Townhall Sessions • Dialogue and Engagement • Intranet Portal • Employee Satisfaction Survey • Annual Dinner • Recreation and Sports Club Events 	<ul style="list-style-type: none"> • Emails/Letters • Discussion on Government Initiatives • Formal Meetings • Inspections
AREAS OF INTEREST	<ul style="list-style-type: none"> • Dividends • Sustainable Returns • Long-term Growth and Stability • Board and Governance Sustainability 	<ul style="list-style-type: none"> • Company's Long-term Growth and Performance • Skills and Capability Development • Employee Benefits • Staff Safety and Well-being 	<ul style="list-style-type: none"> • Contribution to Economic, and Industry Growth • Governance Compliance • Compliance to: <ul style="list-style-type: none"> - Construction and Building By-Laws - Malaysian Labour Laws - Environmental Management and Compliance - Security and Safety Management
VALUES WE CREATED	<ul style="list-style-type: none"> • Sustainable Returns • Promote Transparent Practices • Long-term Growth and Stability 	<ul style="list-style-type: none"> • Skills and Career Development • Safety and Wellness • Competitive Remuneration 	<ul style="list-style-type: none"> • Certifications and HSE Assurance • Responsible Environmental Management

THEIR QUERIES

Financial performance, labour relations at project sites, GHG monitoring methodology, green initiative, sustainability practices •

Employee queries on benefits, digitisation plans, engagement programme •

Customer feedback, smoking policy, customer experience, security and safety •

STAKEHOLDER MANAGEMENT

Our key stakeholder groups were identified by their significance, impact and potential impact to our business. We engaged with our stakeholders according to their areas of interest and addressed any issues raised appropriately through specific channels of communication.

CUSTOMERS AND CONSUMERS	SUPPLIERS AND SERVICE PROVIDERS	COMMUNITY	MEDIA
<ul style="list-style-type: none"> • Customer Feedback Management - hotline, surveys, email queries • Loyalty Programmes • Events Dialogue and Engagements • Social Media 	<ul style="list-style-type: none"> • Face to Face Meetings • Evaluation/Performance Review • Corporate Presentations • Supplier Training Programmes • Signing Ceremonies 	<ul style="list-style-type: none"> • Community Engagement Activities • Annual Report • Website/Information • Leaflet/Kiosks 	<ul style="list-style-type: none"> • Press Release/Media Invites • Press Conferences • Interviews • Media Engagement
<ul style="list-style-type: none"> • Customers Satisfaction • Safety and Security • Differentiation of Products and Services, Tailored to Customer Demand and Current Trend • Innovative and Trend Setting Practices 	<ul style="list-style-type: none"> • Fair Practices • Transparent Tender Processes • Company's Compliance with Laws and Regulations 	<ul style="list-style-type: none"> • Corporate Social Responsibilities • Health, Safety and Environmental Impact 	<ul style="list-style-type: none"> • Financial Performance, Growth Strategy and Future Plans • Corporate Social Responsibility
<ul style="list-style-type: none"> • Attractive and Competitive Offerings at Marketplace • Innovative and Trend Setting Products and Services • Customer Loyalty • Safe and Secured Place to Work, Shop, Stay and Play 	<ul style="list-style-type: none"> • Fair Procurement Practices • Business Opportunities • Elevate Marketability 	<ul style="list-style-type: none"> • Corporate Social Investment • Safety and Security Assurance • Responsible Environmental Management 	<ul style="list-style-type: none"> • Company Updates • Quarterly Reports

OUR RESPONSES

- Analyst briefings and issuance of quarterly reports, Annual General Meeting
- Addressed at Townhall session, published responses in intranet portal
- Responded to complaints, suggestions through letters and emails

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

INVESTOR RELATIONS

The investor relations (IR) landscape has evolved over the years and IR priorities have shifted from mere targeting investors by geography to embracing a more holistic view of shareholder base, to include ESG communication and incorporate the technological advancements from the investment community.

Strategic investor engagements have gained in importance as shareholders are exerting more influence on corporation's behaviour by exercising their rights. Additionally, the investment community is increasingly emphasising on long-term sustainability and value creation of the investee companies, beyond delivering strong financial performance.

IR forms an integral part of KLCCP Stapled Group's corporate governance principles and continues to increase in strategic importance for communications not only with the investment community but also with internal stakeholders such as the board of directors, management and employees.

COMMITMENT TO IR EXCELLENCE

In 2018, our IR Team emphasised the importance of benchmarking and remained committed to disclosing information in line with best practices. We also upheld our commitment to excellence in service, a pro-active relationship and a strategic and integrated approach to corporate governance through investor relations.

We conducted research analysts outreach wherein we provided clarity to the outlier analysts' projections against consensus and internal projections to better manage expectations. We also shared insights on the value gap between the perceived complexity of the stapled structure and the markets ability to allocate fair value to the KLCCP Stapled Group.

Following the OPR hike in March 2018, the MREITs experienced a significant downtrend in the share prices. We analysed the decline in our share price against our peers and also against the Singapore REITs and the post market correction and provided feedback to our management.

Our focus was also to build a strategic investor targeting plan and as such we analysed our share register to prioritise investor interaction and outreach, based on investment style, peer ownership amongst others. Pursuant to the volatility in the global equity markets, we focused our efforts on reinforcing existing investor support in the Asian markets.



National Corporate Reporting Awards (NACRA) 2018

Industry Excellence Awards for Real Estate Investment Trust (REITs) and Investment Funds category

INVESTOR RELATIONS

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

ENGAGING THE INVESTMENT COMMUNITY

KLCCP Stapled Group recognises the importance of engaging our holders of Stapled Securities and investors and believe, being consistent with our communication with stakeholders builds credibility, trust and in turn leads towards maximum shareholder value.

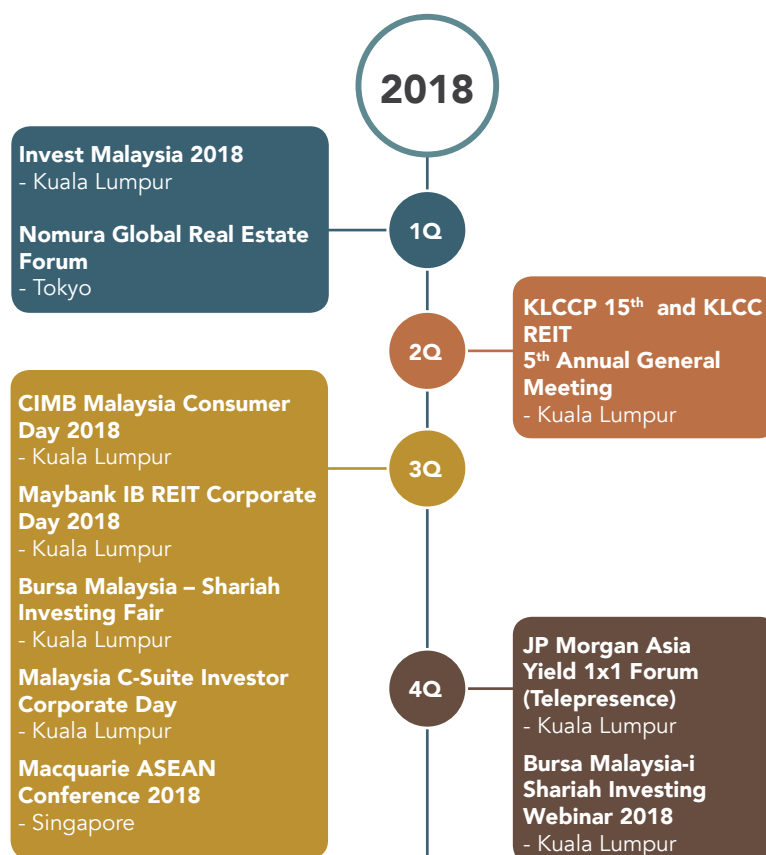


INVESTOR MEETINGS, CONFERENCES & EVENTS

Throughout 2018, KLCCP Stapled Group engaged with 127 institutional investors, analysts, and fund managers in Malaysia and globally through one-on-one meetings, conference calls, analysts' briefing, and visits to the Group properties as well as at capital market conferences.

As the largest Malaysian REIT, KLCCP Stapled Group fully supports events and initiatives organised by Bursa Malaysia which promotes Malaysia as an attractive marketplace. Participation in the Invest Malaysia conferences has always been a major part of our programme. In 2018, we participated in Invest Malaysia Kuala Lumpur, with a series of one-on-one and group meetings with local and overseas investors. KLCCP Stapled Group also participated in several other investor conferences in Kuala Lumpur, Singapore, and Tokyo.

In addition to outreach programmes targeted at institutional investors, we also intensified our communication with retail investors in collaboration with Bursa Malaysia and the Malaysian REIT Managers Association (MRMA). This year the IR Team participated in the Bursa Malaysia's Shariah Investing Fair 2018 via a large track presentation and the Bursa Malaysia-i Shariah Investing Webinar 2018 Series, sharing insights on Shariah compliant investment to the retail investors.



INVESTOR RELATIONS

QUARTERLY ANALYST BRIEFINGS

The quarterly financial results provide the capital markets with up-to-date information and analysis of KLCCP Stapled Group’s financial and business performance. In conjunction with the release of the quarterly financial announcements to Bursa Malaysia, we host a face-to-face analyst briefing semi-annually, for our half-year and full-year results announcement, chaired by our Chief Financial Officer (CFO), in the presence of the Chief Executive Officer (CEO), Head of Legal & Corporate Services as well as the IR Team. These briefings are accessible to both our sell-side and buy-side analysts, facilitating management discussion and analysis of the results, as well as questions and answers to clarify queries from the briefing participants.

Presentation materials for the briefings are made available on the KLCCP Stapled Group website on the day of the analyst briefing.

ANNUAL GENERAL MEETING

The Annual General Meeting is the principal platform for dialogue with the holders of Stapled Securities. The holders of Stapled Securities are encouraged to participate in the proceedings and at the question and answer sessions, followed by the electronic poll-voting on all resolutions.

The 15th AGM of KLCCP and 5th AGM of KLCC REIT were held concurrently on 12 April 2018 in Kuala Lumpur, Malaysia. All the Directors including Chairman of the Board Committees, CEO, CFO and External Auditors were in attendance to engage directly with the holders of Stapled Securities.

Tan Sri Sidek Hassan, Chairman of the Board, chaired the overall proceedings. Datuk Hashim Wahir, our CEO, presented to the holders of Stapled Securities on the Group’s business and financial highlights for 2017, market outlook and strategic direction moving forward.

The Chairman also shared the Group’s responses to questions submitted in advance by the Minority Shareholder Watchdog Group, with the holders of Stapled Securities. During the “Question and Answer” session of the AGM, our holders of Stapled Securities were invited to post their questions and provide their feedback to the Board. Post conclusion of the AGM, KLCCP Stapled Group held a press conference with the media.

All proposed resolutions were duly passed and minutes of the AGM made available on our website.

PROPERTY TOUR

This year, our analysts were taken for a tour of our newly refurbished MOKL Hotel. The General Manager of MOKL Hotel was on hand to conduct an insightful presentation of the hotels’ offerings, services and competitive advantage. The analysts also got to experience the newly refurbished Royal and Presidential Suite, Club & Park Suites, Deluxe rooms, Club Lounge as well as the restaurants and the lounge. The analyst also had the opportunity to engage in open interaction with the senior management under a less formal setting.

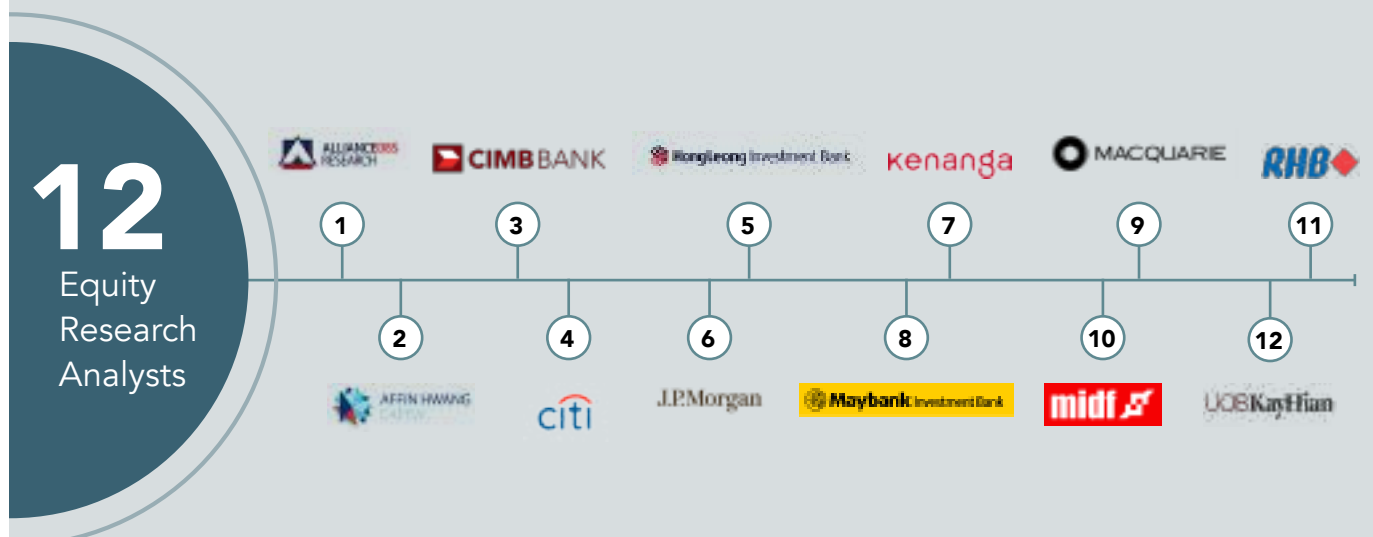
CORPORATE WEBSITE

Our investor relations website (www.klcc.com.my/investorrelations/) is the go-to resource for the investing community for quality and timely information. Apart from the announcements to Bursa Malaysia, it contains Group news, investor presentations, financial information, annual reports, minutes of AGM, upcoming events, and stock information.

To keep up with current trends, we are currently working towards a revamp of our corporate website, with a brand new look and feel which the investing community can look forward to in 2019.

ANALYSTS’ COVERAGE

KLCCP Stapled Group is presently covered by 12 analysts, both from local and foreign research houses.



We nurture and maintain strong links with these sell-side analysts who issue regular reports. We monitor analysts’ industry and media reports closely as part of our efforts to continuously improve disclosures and IR practices.

INVESTOR RELATIONS

ESG COMMUNICATION

ESG has increasingly become part of IR professionals' vernacular as more investors are using ESG screens in their decision making process. At KLCCP Stapled Group, we started incorporating our ESG communication in our IR presentations and briefing decks more than 2 years ago. Since then, we have seen an increase in ESG queries, mainly in respect to our financial sustainability, how sustainability-related issues help manage risks and enhance long-term returns, amongst others.

Our IR Team continues to be the primary point of contact and helps the Group rise to the challenge in future-proofing itself against the wider economy and operating landscape changes.

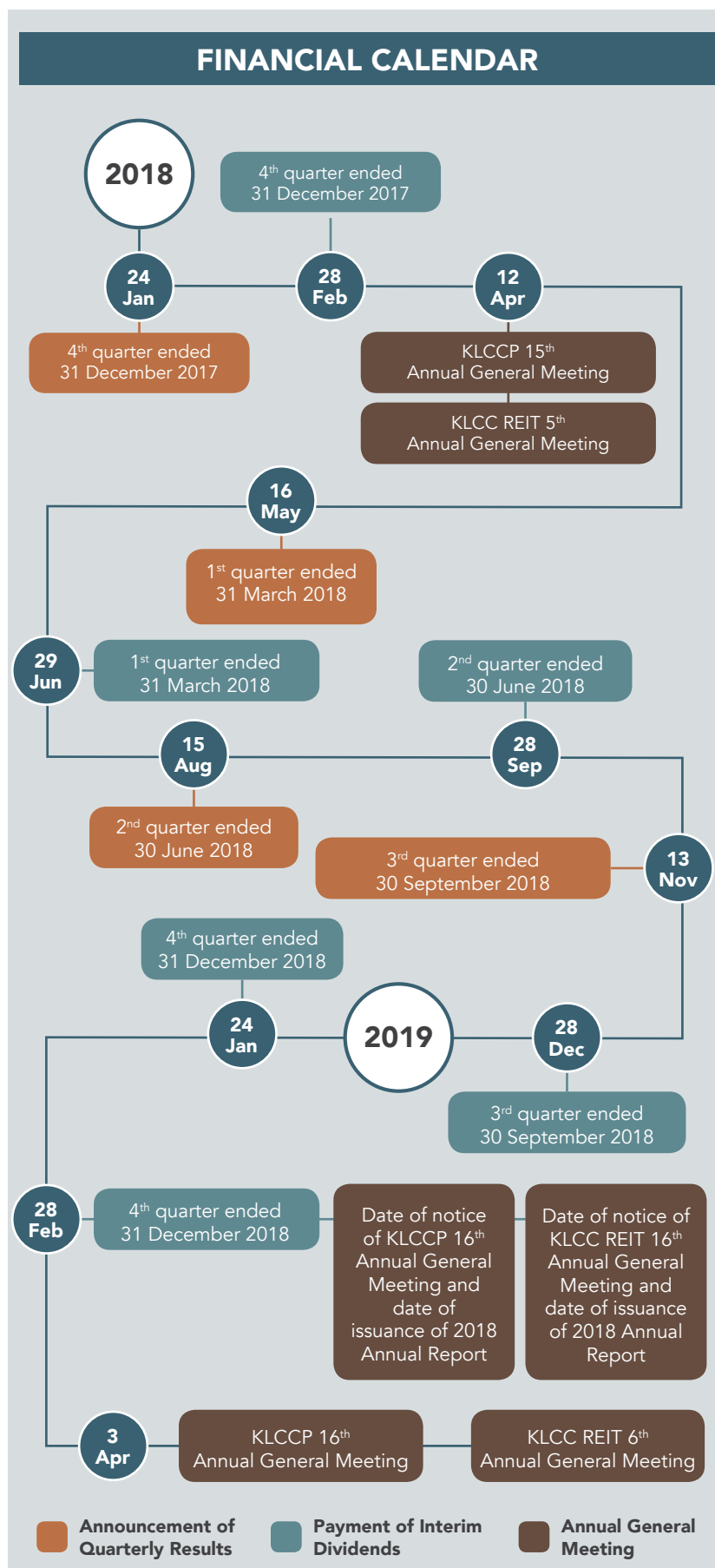
LOOKING AHEAD

In today's technology-driven era, the investor relations function continues to grow in strategic importance. Our dedicated IR Team is very committed in ensuring all capital market players have easy access to clear, reliable and meaningful information of our Group to make informed investment decisions.

In 2018, KLCCSS was excluded from the FTSE Bursa Malaysia Index (FBM KLCI) following the semi-annual review of the FBM Index Series in December 2018. This was mainly attributable to the liquidity screen test where our median trading volume fell below the stipulated threshold. Nevertheless, our strong fundamentals have remained intact and the Group is geared towards working to get back on the index.

In order to stay relevant and ensuring stability and flexibility within the investment community, it is essential for the IR Team to embrace the digital shifts. It is for this reason, the IR Team is equipping themselves with more digital distribution channels moving forward to engage with the investing community. The new revamped corporate website will also help improve the digital connectivity for the Group.

We welcome feedback on our Investor Relations initiatives and other information we have provided. Queries about and requests for publicly available information, comments and suggestions to the Group can be directed to investor.relations@klcc.com.my. We look forward to continued and effective engagements with our holders of Stapled Securities and investing community.



SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

KEY PERFORMANCE INDICATORS

MONITORING OUR PERFORMANCE

We monitor our performance via Key Performance Indicators (KPIs) in delivering value for our stakeholders. The KPIs comprise financial and non-financial measures, each linked to our strategic priorities.

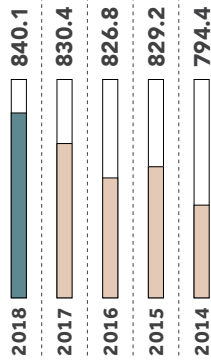


WHY IS THIS IMPORTANT?

HOW IS THIS MEASURED?

OUR PROGRESS IN 2018

PROFIT FOR THE YEAR* (RM'mil)

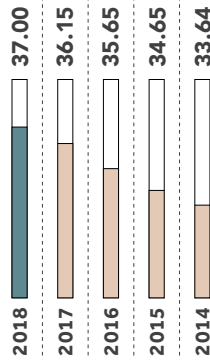


Profit for the year is a primary measure of financial results and the organisation's sustainable business growth performance

Based on the audited financial statements of KLCCP Stapled Group

The Group showed a growth of 1.2% year-on-year underpinned by its strong fundamentals, long-term locked-in tenancy structure with quality tenants and premium property location

DISTRIBUTION PER STAPLED SECURITY (sen)

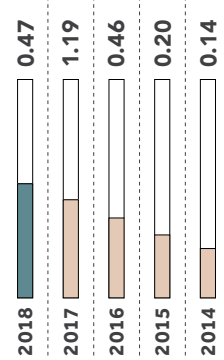


It is a direct measure of the organisation's total amount of profits paid out to the holders of Stapled Securities, which translates to income for them

Based on the pay-out ratio applied to the realised distributable income of KLCCP Stapled Group

The Group showed a growth of 2.4%, testament to our commitment in delivering value and growth to our holders of Stapled Securities

HSE – ZERO FATALITY & GROUP LTIF



Safeguarding people, the environment, and communities residing in close proximity to our operational vicinity is our top priority. Solidifies our HSE leadership across all levels

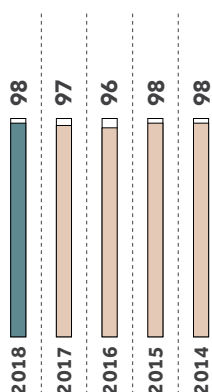
Number of Loss Time Injury (LTI) recorded against the total cumulative hours worked by the Group

The Group maintained an impressive zero fatality rate, with improvement of 60.5% Loss Time Injury Frequency (LTIF) reflecting 5 LTI incidents for the year

* Excluding fair value adjustment

KEY PERFORMANCE INDICATORS

RETAIL OCCUPANCY (%)

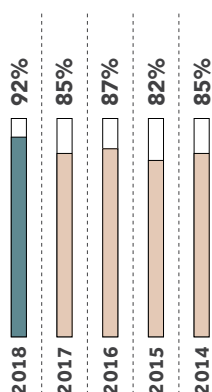


It ensures we generate rental income and enliven our retail destination and enhances the appeal and trading environment

Based on the floor space which is currently leased

The 98% occupancy met our target for 2018. This is higher than the prior year as majority of the tenant remixing was completed during the year. It also exceeds the average retail occupancy of 87% in Kuala Lumpur City Centre

HOTEL GUEST SATISFACTION (%)

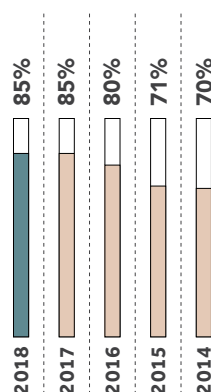


Customer reviews are not only valuable in the way which guests select hotels based on the quality of the review, but they also provide useful feedback for hotels to effect improvements

Using the LRA email surveys to hotel guests. LRA is a leading global provider of brand protection and customer experience measurement services with extensive experience in the hospitality industry

Increased 7% to 92% from last year, mainly due to the completion of the guestroom renovation with fresh new accommodation to guests and launch of 'Fans of MO', Mandarin Oriental's global guest recognition system

EMPLOYEE SATISFACTION (%)

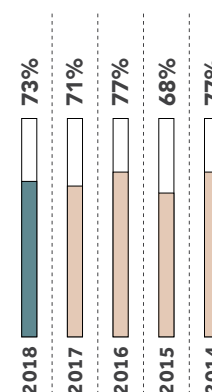


Measures the satisfaction of employees in respect to the organisation's policies, culture and values, management behaviour and trust in the organisation, towards sustaining a healthy organisation climate

An employee feedback questionnaire survey is sent out annually, to all employees of the Group, via an independent survey platform

Achieved 85% employee satisfaction score well above the property industry and development benchmark of 63%

CUSTOMER SATISFACTION (%)



Managing reputational risk as the satisfaction of our tenants, customers, reflect our efforts in creating destinations which meet evolving customer expectations and provide experiences

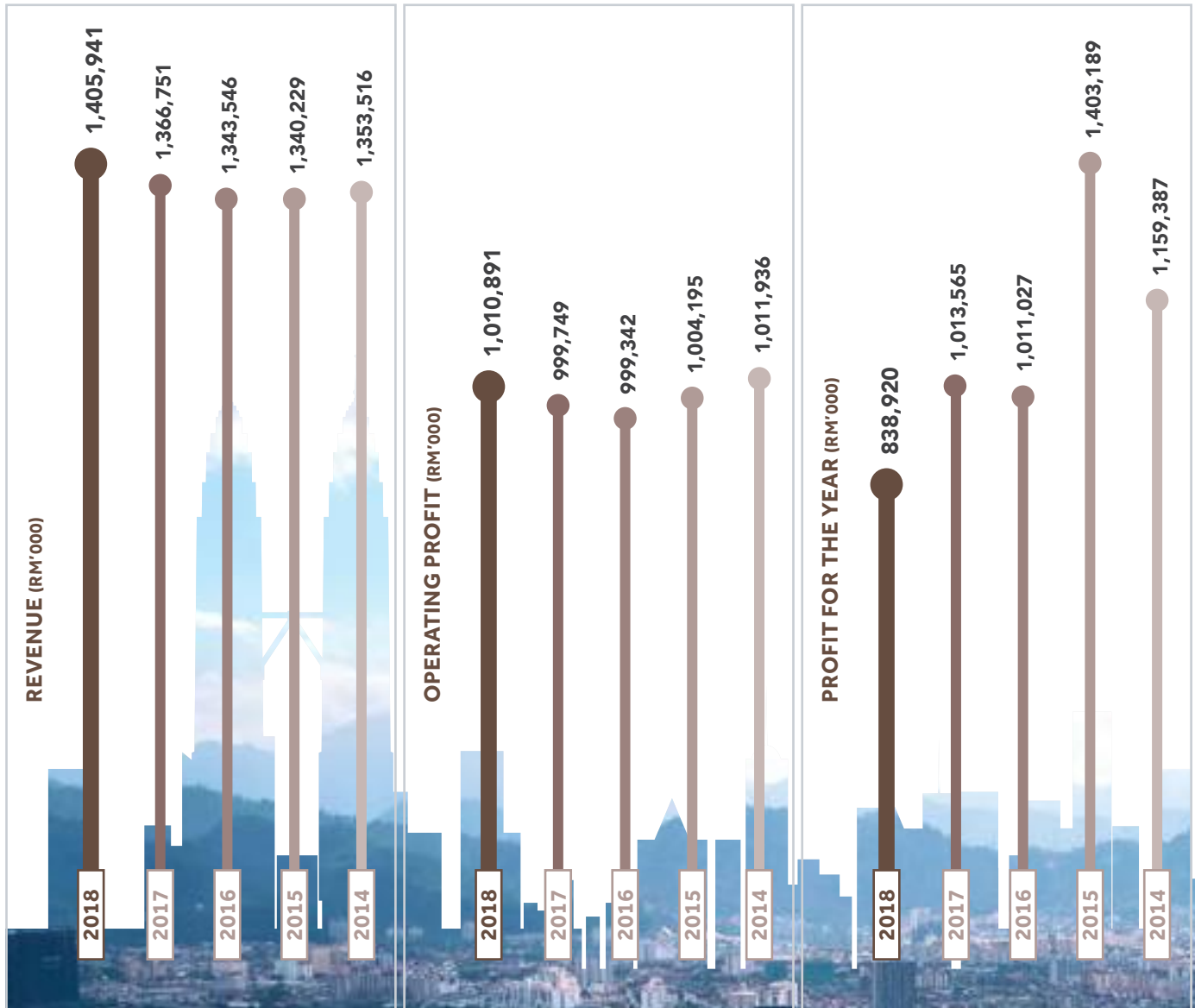
A customer satisfaction survey is sent out annually to all tenants of our buildings, users of our car parking management and facility management services, via an independent survey platform

Improved customer satisfaction score to 73% compared to 71% a year ago



For more information, please refer to OUR STRATEGY on page 52.

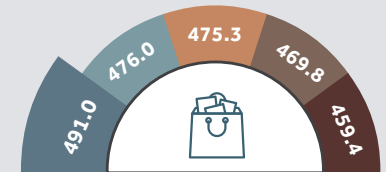
KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS



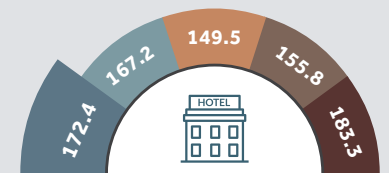
SEGMENTAL REVENUE (RM'mil)



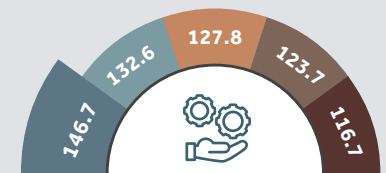
OFFICE



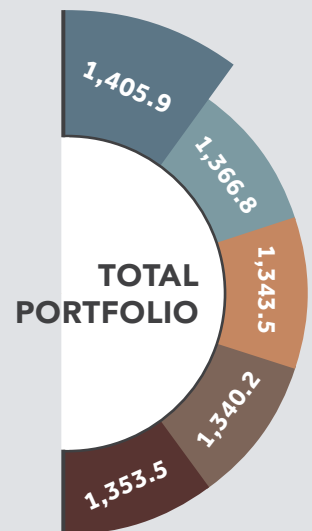
RETAIL



HOTEL

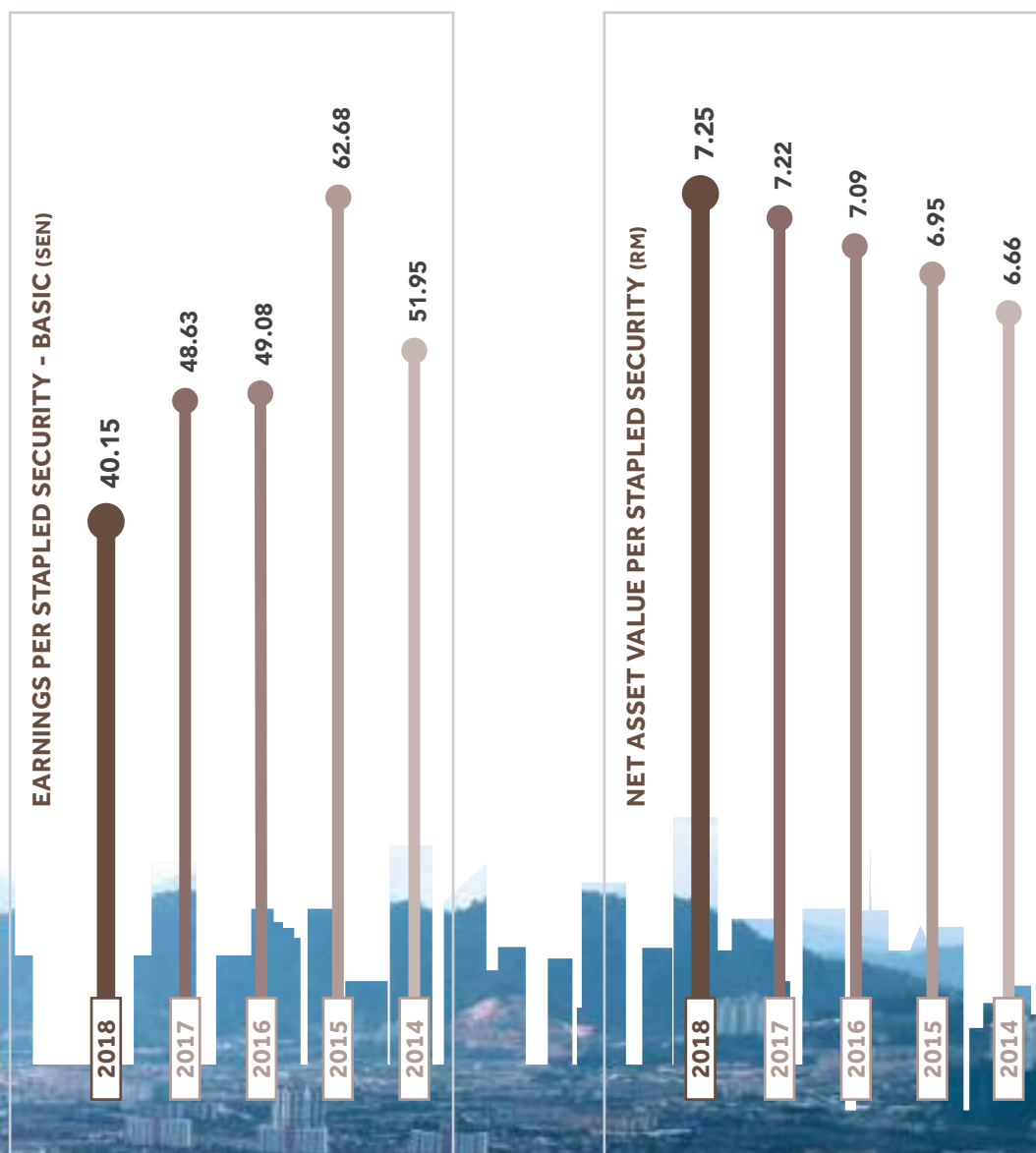


MANAGEMENT SERVICES

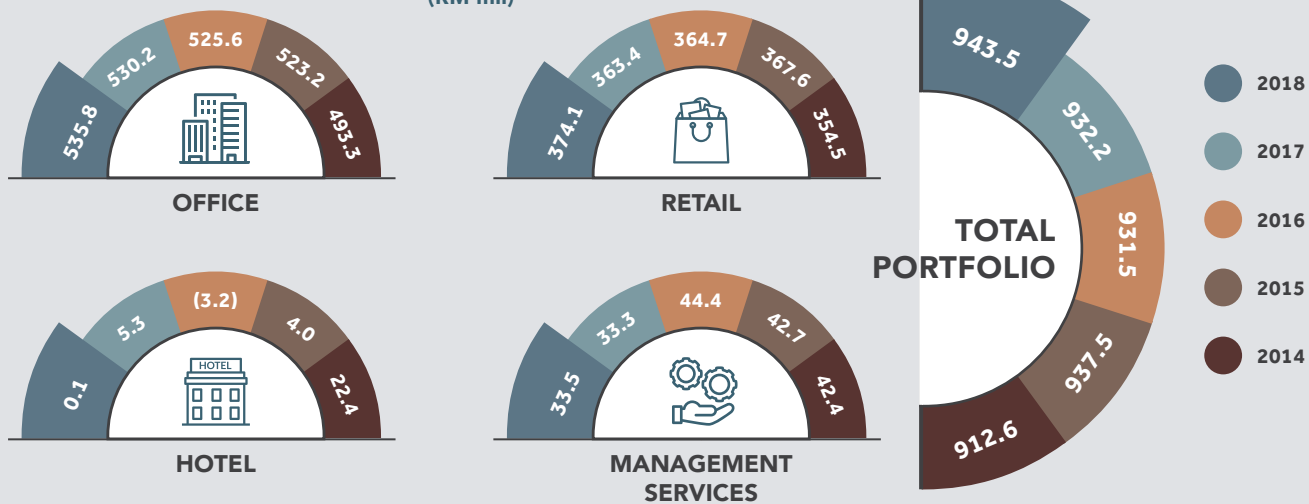


TOTAL PORTFOLIO

KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS



SEGMENTAL PROFIT BEFORE TAX (PBT)¹ (RM'mil)



¹ Excluding fair value adjustment

SEC 01

SEC 02

SEC 03

SEC 04

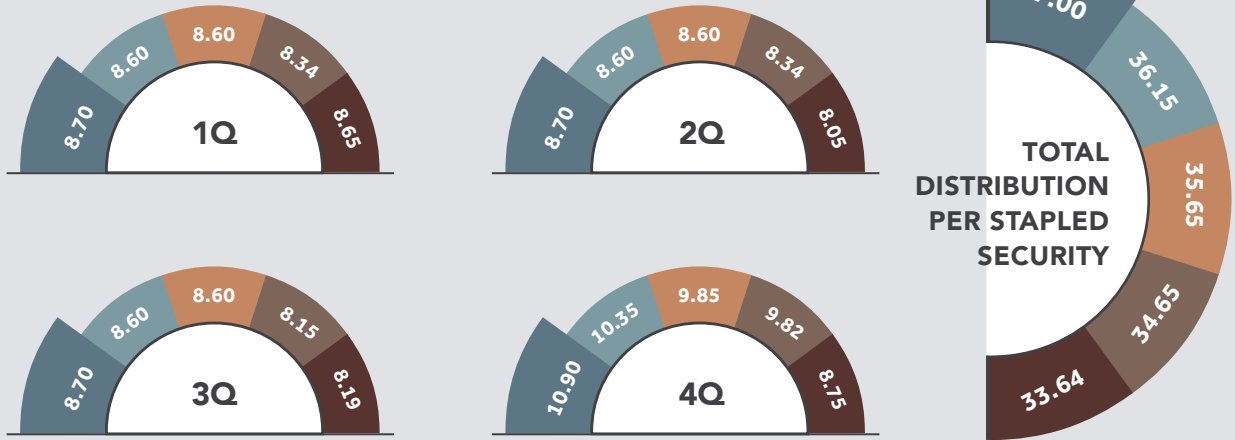
SEC 05

SEC 06

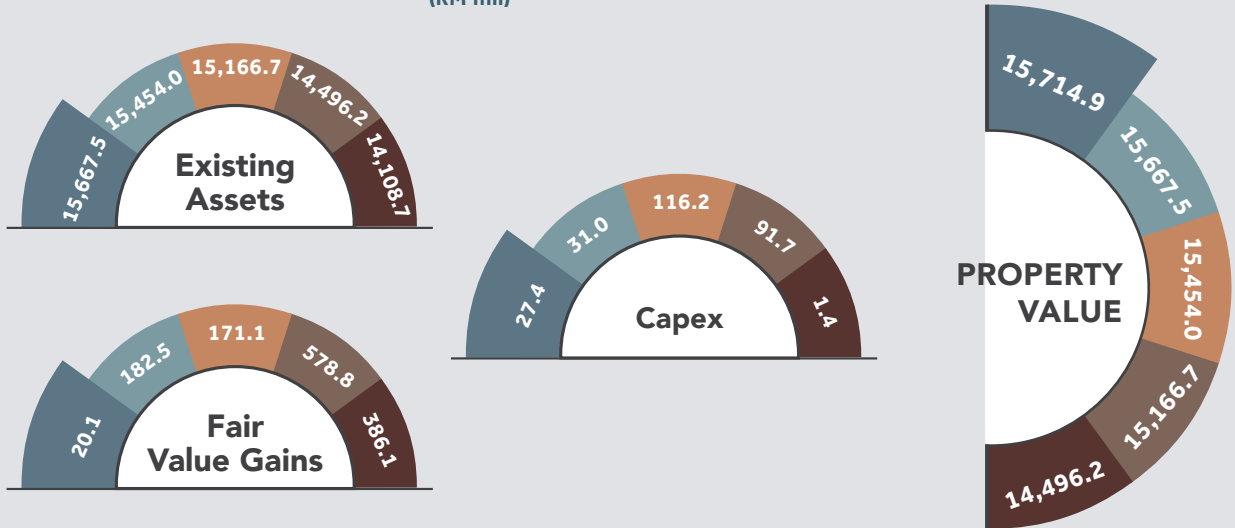
SEC 07

KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

DISTRIBUTION PER STAPLED SECURITY (SEN)



PROPERTY VALUE (RM'mil)



5-YEAR FINANCIAL SUMMARY

	2018 RM'mil	2017 RM'mil	2016 RM'mil	2015 RM'mil	2014 RM'mil
Key Operating Results					
Revenue	1,405.9	1,366.8	1,343.5	1,340.2	1,353.5
Operating Profit	1,010.9	999.8	999.3	1,004.2	1,011.9
Profit before Tax (PBT)	964.1	1,115.3	1,102.7	1,518.4	1,280.5
Profit for the Year	838.9	1,013.6	1,011.0	1,403.2	1,159.4
Key Statement of Financial Position					
Investment Properties	15,714.9	15,667.5	15,454.0	15,166.7	14,496.2
Total Assets	17,860.3	17,792.6	17,782.1	17,537.1	16,803.8
Total Borrowings	2,244.7	2,251.1	2,552.4	2,560.6	2,511.5
Total Liabilities	2,735.2	2,745.7	3,004.1	3,026.0	2,955.8
Total Equity Attributable to Equity Holders of Stapled Securities	13,095.3	13,028.5	12,794.2	12,551.3	12,026.0
Stapled Securities Information					
Earnings per Stapled Security - Basic (sen)	40.15	48.63	49.08	62.68	51.95
Net Asset Value per Stapled Security (RM)	7.25	7.22	7.09	6.95	6.66
Distribution per Stapled Security (sen)	37.00	36.15	35.65	34.65	33.64
Stapled Securities Closing Price as at 31 December (RM)	7.66	8.64	8.30	7.06	6.71
Number of Stapled Securities ('mil)	1,805.3	1,805.3	1,805.3	1,805.3	1,805.3
Market Capitalisation (RM'mil)	13,828.9	15,598.1	14,984.3	12,745.7	12,113.8
Financial Ratios					
PBT Margin	69%	82%	82%	113%	95%
Dividend Payout-Ratio	96%	97%	95%	98%	95%
Gearing (times)	0.17	0.17	0.20	0.20	0.21

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

KLCCP STAPLED GROUP VALUE ADDED STATEMENT

	2018 RM'000	2017 RM'000
Total turnover	1,405,941	1,366,751
Interest income	27,574	30,597
Operating expenses	(246,428)	(229,824)
Value added by the KLCCP Stapled Group	1,187,087	1,167,524
Share of profits of an associate	13,288	13,465
Fair value adjustments of investment properties	20,050	182,483
	1,220,425	1,363,472
Reconciliation		
Profit attributable to holders of Stapled Securities	724,914	877,900
Add:		
Depreciation and amortisation	38,073	33,152
Finance costs	107,710	110,963
Staff costs	110,549	104,026
Taxation	125,173	101,766
Other non-controlling interests	114,006	135,665
	1,220,425	1,363,472
Value distributed		
Employees		
Salaries and other staff costs	110,549	104,026
Government		
Corporate taxation	104,463	104,002
Providers of capital		
Dividends	658,044	643,601
Finance costs	107,710	110,963
Other non-controlling interests	114,006	135,665
Reinvestment and growth		
Depreciation and amortisation	38,073	33,152
Capital reserve*	7,906	75,309
Income retained by the Group	79,674	156,754
	1,220,425	1,363,472

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



SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

FINANCIAL REVIEW



Key Highlights

- Stable performance with top-line growth of 2.9% and increase in PBT (excluding fair value adjustment) of RM11.3 million, underpinned by the stability of the office segment and resilience of the retail segment
- Suria KLCC stayed true to form of a landmark mall with a 4.0% revenue growth and PBT growth from higher rents becoming effective during the year and higher occupancy
- Steady growth in revenue of hotel segment from newly renovated guestrooms setting pace gain, though PBT impacted by higher operating costs
- Strong top-line growth of 10.6% in the management services segment with new contracts under facilities management fuelling growth

For the financial year ended 31 December 2018, KLCCP Stapled Group's revenue increased by RM39.1 million or 2.9% compared to 2017 driven by improved performance in all business segments, supported by the strong fundamentals of the Group. Consequently, the profit attributable to equity holders (excluding fair value adjustment) increased by RM6.3 million to close at RM726.7 million.

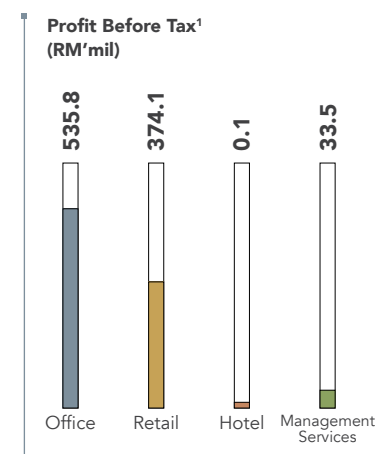
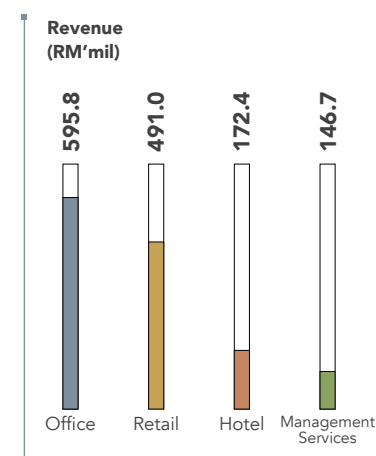
	2018 RM'mil	2017 RM'mil	Growth %
Revenue	1,405.9	1,366.8	2.9
Operating profit	1,010.9	999.8	1.1
Profit before tax*	943.5	932.2	1.2
Profit for the year*	840.1	830.4	1.2
Profit attributable to equity holders*	726.7	720.4	0.9
Operating profit margin	72%	73%	(1.0)
Profit before tax margin*	67%	68%	(1.0)
Earnings per Stapled Security* (sen)	40.25	39.91	0.9
Distribution per Stapled Security (sen)	37.00	36.15	2.4

* Excluding fair value adjustment

Revenue

The increase in revenue by RM39.1 million is contributed by all segments of the business, led by the retail and management services segments. The retail segment achieved an increase of RM15.0 million by strengthening and elevating its position in a challenging retail market from higher rents becoming effective during the year and higher occupancy. The increase in the management services segment is mainly contributed by facilities management services from the Workplace for Tomorrow project and one-off projects in Terengganu for PETRONAS.

The steady growth in the office segment was mainly due to the full year rental impact from Menara ExxonMobil, stemming from the full occupancy following the two-month vacancy in 2017 upon the return of 40% space at the lease expiry. The hotel segment showed improvement in revenue reflecting the full complement of rooms available with the completion of the MOKL Hotel master plan refurbishment.



¹ Excluding fair value adjustment

FINANCIAL
REVIEW**Operating Profit**

Operating profit recorded an increase of RM11.1 million to RM1,010.9 million, though this was impacted by the higher operations and maintenance cost incurred for the additional one-off works by the management services segment and higher operating expenses arising from higher depreciation from the fully renovated hotel guestrooms back in inventory.

Profit before Tax (PBT)

PBT grew 1.2% from the previous year, in line with the increase in operating profit coupled with the net interest cost savings achieved during the year from the repayment of RM200.0 million of the RM3.0 billion Sukuk Murabahah Programme in 2017.

Profit for the Year

The effective tax rate for KLCCP Stapled Group was approximately 11% with KLCC REIT distributing more than 90% of its distributable income and was thus exempted from tax. The capital expenditure in respect to the hotel building also provided additional investment tax allowance for the deduction against taxable income.

Distribution per Stapled Security

We reported a profit attributable to equity holders of RM726.7 million, representing a RM6.3 million growth from 2017. Testament to our commitment in delivering value and growth, we distributed a distribution per Stapled Security of 37.00 sen, an increase of 2.4% from 2017. This translates to a full year dividend payment of RM668.0 million to the holders of Stapled Securities.

**FINANCIAL POSITION REVIEW**

	2018 RM'mil	2017 RM'mil	Variance %
ASSETS			
Investment Properties	15,714.9	15,667.5	0.3
Property, plant and equipment	673.6	667.2	1.0
Receivables	481.9	451.0	6.9
Cash and Bank Balances	735.7	750.3	(1.9)
Others	254.2	256.6	(0.9)
	17,860.3	17,792.6	0.4
LIABILITIES			
Payables	370.5	402.3	(7.9)
Borrowings	2,244.7	2,251.1	(0.3)
Others	120.0	92.3	30.0
	2,735.2	2,745.7	(0.4)
Total Equity attributable to equity holders of KLCCP and KLCC REIT	13,095.3	13,028.5	0.5
Net Asset Value per Stapled Security (NAV)	7.25	7.22	0.4

KLCCP Stapled Group's balance sheet maintained its healthy position providing a conducive business environment for future development and long term stability. Our total assets grew marginally from RM17.8 billion to RM17.9 billion, inclusive of the appreciation in fair value of the investment properties. This translated to an increased net asset value per Stapled Security of RM7.25 from RM7.22 in the preceding financial year. Correspondingly, total equity attributable to equity holders continued to strengthen to RM13.1 billion.

FINANCIAL REVIEW

Investment Properties

The investment properties in KLCCP Stapled Group are represented by its primary assets in KLCC REIT namely; PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Exxonmobil, along with KLCCP's assets, Menara Dayabumi, the undeveloped City Point podium land, Suria KLCC and the vacant land of Lot D1.

Valuation of these properties as at 31 December 2018 recorded an increase in market value of RM73.3 million as compared to the previous year. In line with the accounting treatment under MFRS 140 Investment Property, adjustment of the accrued operating lease income and additions are required to be made to avoid double counting of assets, hence RM20.1 million out of the RM73.3 million was recognised as fair value adjustment.

Property	Market Value		Carrying Value	
	31 Dec 2018 RM'mil	31 Dec 2017 RM'mil	31 Dec 2018 RM'mil	31 Dec 2017 RM'mil
KLCC REIT assets	9,598.9	9,555.7	9,190.8	9,176.1
Suria KLCC	5,455.0	5,430.0	5,444.2	5,424.1
Dayabumi	580.0	579.4	578.3	576.1
Lot D1	288.0	283.5	288.0	283.5
Total	15,921.9	15,848.6	15,501.3	15,459.8

Fair Value Adjustment

The fair value adjustment is mainly contributed by PETRONAS Twin Towers as it reflects the renewal in rental rates in its third term of the 15-year triple net lease tenancy.

Property, Plant and Equipment

Property, plant and equipment for the Group comprise mainly of the cost of MOKL Hotel's building and its increase is in line with the refurbishment works completed for the hotel.

Receivables

The Group's receivables consists primarily of accrued rental income (87.5%) and trade receivables (1.9%). The accrued rental income arises from the straight lining effects of recognition of the step-up rates in the triple net lease arrangements by which all future revenue of the tenancy locked-in period is accounted for in constant amounts across the entire lease period.

Cash and Bank Balances

A healthy cash and bank balance of RM735.7 million as at 31 December 2018 is reflective of our prudent cash management to service loans, operating expenses, capital commitments as well as the Group's commitment to distribute more than 90% of its distributable income. The small decrease compared to last year was mainly due to timing differences in receipts from customers and payments to suppliers.

Payables

Payables for the year showed a decrease of 7.9% mainly arising from prompt payment to suppliers.



FINANCIAL
REVIEW

CASH FLOW REVIEW

	2018 RM'mil	2017 RM'mil
Operating activities	915.2	954.1
Investing activities	(59.7)	(68.0)
Financing activities	(862.1)	(1,161.2)
Change in cash and cash equivalent	(6.6)	(275.1)
Cash with PETRONAS IFSSC	439.4	430.2
Deposits with licensed banks	286.4	303.8
Cash and bank balances	9.9	16.2
Cash and cash equivalents	735.7	750.2

**Operating Activities**

The net cash generated from operating activities stood at RM915.2 million as at 31 December 2018, a 4.1% decrease year-on-year mainly attributable to timing differences in payments to suppliers and receipts from customers.

Investing Activities

The Group utilised RM59.7 million for investing activities during the year compared to RM68.0 million in 2017. The investing activities are primarily related to KLCCP Stapled Group's enhancement initiatives and capital expenditure at MOKL Hotel, Suria KLCC and for the redevelopment of City Point podium.

Financing Activities

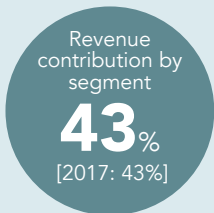
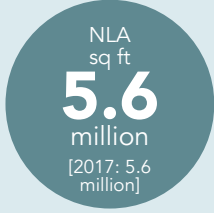
KLCCP Stapled Group reported a cash outflow of RM862.1 million taking the form of payment of dividends, interest expense and repayment of MOKL Hotel term loan made during the year.

Despite an overall drop in cash and cash equivalents as at 31 December 2018, the cash levels are maintained at a positive level of RM735.7 million. The available cash is managed with prudence through placement in fixed deposits or with PETRONAS Integrated Financial Services Centre (IFSSC) whereby the balance are interest bearing.

OPERATIONS REVIEW

OFFICE

With full occupancy at our office buildings, our office portfolio is on very strong footing, given the long-term leases we have with our high quality tenants



KLCCP Stapled Group’s performance was largely driven by the stability of our core assets in the office segment, reinforced by the solid full occupancy and long-term leases which generated recurring income and cashflow.

With premium Grade-A offices, our office portfolio comprises PETRONAS Twin Towers, Menara Exxonmobil and Menara 3 PETRONAS which are strategically located within the Kuala Lumpur City Centre and Menara Dayabumi which stands tall within the former Central Business District of Kuala Lumpur. The Group also has a 33% stake in the office tower of Menara Maxis. These strong cash generating assets which carry a combined value of RM10.0 billion provide a steady cash flow return to the holders of Stapled Securities.

As at 31 December 2018, our office portfolio with an NLA of 5.6 million sq ft continue to drive strength and stability with top quartile rental profiles. The long-term locked-in tenancy structure with quality tenants cements the stability of the revenue stream for this segment.

OPERATIONS REVIEW



With changing market dynamics and growing demand for flexible working solutions, the office market also experienced the emergence of co-working spaces as a trend during the year, with expansion of established operators and entrance of new players revolutionising the office market in Malaysia. The advent of co-working spaces is expected to further impact office demand and bring about a whole new challenge for the established commercial locations and its form of design in the coming future as people want spaces where they can collaborate with other parties and get the services they need under one roof.

With full occupancy at our office buildings, our office portfolio is on very strong footing, given the long-term leases we have with our existing high quality tenants. The triple net lease arrangement particularly for PETRONAS Twin Towers, Menara 3 PETRONAS and

Menara Dayabumi wherein the tenant bears all the property outgoings, shields us from the soft market conditions, with minimal impact to earnings. Nevertheless, we remained vigilant and steadfast in our efforts to retain quality tenants by ensuring that their needs and requirements are always met, reflecting our tenant satisfaction of 97%, which ultimately bodes well for longer term tenancy prospects.

Strategy and Initiatives for the Year

Our strategy was underpinned by our aim in creating the best office experience for our tenants and in our continued pursuit of attracting the best companies and employees. Our leasing team also continued to step-up its efforts with pro-active lease management, reinforcing long-term defensiveness and tenancies in seeking quality anchor tenants for the new development whilst also re-defining unique and compelling value of properties beyond existing demand.

THESE STRONG CASH GENERATING ASSETS WHICH CARRY A COMBINED VALUE OF RM10.0 BILLION PROVIDE A STEADY CASH FLOW RETURN TO THE HOLDERS OF STAPLED SECURITIES

Industry Landscape and Operating Challenges

During the year, the office market in Kuala Lumpur which was a very much tenant-led market, continued to face oversupply challenges which caused occupancy and rental rates to come under pressure. New completions continued to outweigh absorptions causing disequilibrium between demand and supply, with lack of near-term catalysts to boost take-up. Flight to quality also impacted the office market particularly the older and lower grade buildings.

<h1>1</h1> <p>Revolutionising Workplace for Tomorrow</p> <p>Transformation of office spaces at all our buildings - collaborative workspace which cater to personalised needs, promote productivity and building efficiency</p>	<h1>2</h1> <p>Going Green</p> <p>Supporting tenant GBI initiatives for long-term asset operational efficiency towards a greener environment</p>	<h1>3</h1> <p>Rejuvenation of Kompleks Dayabumi</p> <p>Bodes well with the development of River of Life (RoL) project, bringing stronger impact to the heritage trail</p>
---	--	--

OFFICE

RETAIL

HOTEL

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

OPERATIONS REVIEW

Revolutionising Workplace for Tomorrow

Given the unfolding new demands for more efficient office space, we worked closely with our tenant, PETRONAS in creating a "Workplace for Tomorrow" (WFT) at our office buildings with the aim of converting conventional workplaces to one which help caters to personalised needs and promotes productivity. This entailed the transformation of office space with more open areas for employees, encouraging collaborative interaction, simplifying how employees access and use office space. This is also towards cost saving for the employers and building owners by enabling them to right-size their office space and operate more efficiently. This transformation saw 52% completion in 2018 with successful completion of 56 floors in 3 batches for PETRONAS Towers 1 and 2 and Menara 3 PETRONAS during the year. The WFT transformation in all our office buildings within the portfolio is expected to see full completion by 2019.

Going Green

In our call towards a sustainable development, we continued our efforts to focus on achieving full Green Building Index Certification (GBI) for PETRONAS Twin Towers and Menara 3 PETRONAS. We increased our efforts during the year to drive down the energy consumption in our assets through the implementation of LED lightings at all common areas and parking levels of P1 to P4 at Menara 3 PETRONAS. These efforts are also currently underway for Menara Dayabumi's common and office areas with target completion by the year 2020. Initiatives to minimise water consumption were also put in place through the installation of water aerators and split valves at all lavatories in Menara 3 PETRONAS as well as through the replacement of vertical piping at Menara Dayabumi. Strategically located premium grade office buildings with MSC and GBI dual compliance continue to garner interest from both investors and tenants, and this in turn would put us in good stead to attract multinational corporations (MNCs) in future.

Rejuvenation of Kompleks Dayabumi

The Phase 3 refurbishment of Kompleks Dayabumi which entails the redevelopment of the City Point podium is underway with the completion of substructure works and is in the tender evaluation stage for the next development phase. Being a non-speculative developer, we are actively securing an anchor tenant prior to proceeding with the full-scale development. With the first phase of the River of Life (RoL) project and the Blue Pool project which covers the river stretch around Masjid Jamek – Dayabumi launched, we expect that this rejuvenation in the area would further complement our upcoming development as the RoL project is touted to strengthen the country's progress through the nation's capital.



OPERATIONS
REVIEW

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustment)			PBT contribution 2018 %
	2018 RM'mil	2017 RM'mil	Growth %	2018 RM'mil	2017 RM'mil	Growth %	
PETRONAS Twin Towers	423.9	424.2	(0.1)	375.7	373.3	0.6	70
Menara 3 PETRONAS	88.1	87.8	0.3	85.5	84.9	0.7	16
Menara ExxonMobil	44.6	39.4	13.2	29.2	24.5	19.2	6
Menara Dayabumi	39.2	39.6	(1.3)	32.6	34.7	(6.1)	6
Menara Maxis*	-	-	-	12.8	12.8	-	2
Total Office Segment	595.8	591.0	0.8	535.8	530.2	1.1	100

*share of results of an associate



For the financial year 2018, revenue for the segment grew to RM595.8 million, taking into effect the revision in rental rates for PETRONAS Twin Towers which took place during year as well as the full year impact of rental income for the 11 floors leased to PETRONAS at Menara Exxonmobil. With full occupancy, the office segment continues to maintain its stability and cashflow generation going forward.

PETRONAS Twin Towers remains the largest contributor at 71% or RM423.9 million of the office segment, followed by Menara 3 PETRONAS at 15% or RM88.1 million. The Triple Net Lease arrangement with PETRONAS wherein all property expenses and outgoings are borne by the tenant shields us from the impact of the operating expenses to the overall PBT. This, along with the resilient rental income and strong cashflows backed by the long-term lease structures and rental step-ups, underpin the overall performance of the office segment.

OFFICE

RETAIL

HOTEL

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

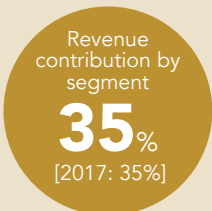
SEC 06

SEC 07

OPERATIONS REVIEW

RETAIL

As Malaysia’s landmark mall, Suria KLCC continued to evolve and paved the way in leading the retail industry in line with its positioning of “Always Something New”



The retail segment of KLCCP Stapled Group represented by Suria KLCC and the retail podium of Menara 3 PETRONAS continued to drive performance and growth for the Group despite the rapid transformation taking place in the retail landscape. As Malaysia’s landmark mall, Suria KLCC continued to evolve and paved the way in leading the retail industry, re-imagining the retail spaces with the latest retail curation and services, catering to customers’ needs for a seamless and exciting shopping experience, in line with its positioning of “Always Something New”.

Complemented by the office towers and its location within the iconic belt and tourists’ attractions provide a ready catchment area for our retail malls. Suria KLCC continued to command competitive rental rates relative to the industry despite the challenging retail market climate. Together, the combined moving annual turnover - tenant sales of both Suria KLCC and the retail podium of Menara 3 PETRONAS continued to garner strength sustaining the RM2.6 billion mark with footfall exceeding 48 million.

Industry Landscape and Operating Challenges

The Kuala Lumpur retail landscape continued to face strong headwinds due to heightened competition in an already crowded market. The growing supply of retail space with the influx of new malls in the Klang Valley continued to put downward pressure on the overall occupancy and rental rates of retail malls. In efforts to boost occupancy rates, many new malls were seen to offer attractive incentives in the form

OPERATIONS REVIEW



purchases, product uniqueness and shopping experience tailored to customers' preferences has also been growing being the differentiating point for the overall retail market. Despite the rise in on-line shopping, the brick and mortar outlets remained relevant with retail mall operators evolving the shopping experience through addition of food and beverage (F&B), entertainment and a wide array of retail offerings.

The year also witnessed the zerorisation of GST in June 2018 and the re-introduction of SST in September 2018, which impacted consumer sentiment. The tax holiday period proved a boon, with consumers' expectations for higher income, greater employment and low inflation catapulted the Consumer Sentiment Index to an all-time high of 132.9 pts in Q2 2018. Post SST, consumer spending remained cautious and selective despite the upward trend in financial expectations on the back of higher employment prospects and concerns over rising prices moderating.

Strategy and Initiatives for the Year

Despite the dynamic and challenging retail landscape, KLCCP Stapled Group's retail portfolio saw a progressive year with its assets significantly strengthened and overall position elevated through the strong emphasis on research and interaction with both tenants and shoppers.

<h1>1</h1> <p>Repositioning Retail Concept</p> <p>Integrating the mall as a lifestyle, re-imagining the consumer experience</p>	<h1>2</h1> <p>Curating Tenant Mix</p> <p>Re-purposing the retail space with wider array of retail offerings tailored to customer preferences</p>	<h1>3</h1> <p>Reinvesting to Stay Relevant</p> <p>Transforming digital customer experience for the connected customer</p>
--	---	--

of rent-free periods, gross turnover rent and fit-out contributions which impacted the rental yield of these new malls.

At the global front, traditional retailers particularly department stores continued to be disrupted by online stores and big-box rivals. Initiatives to consolidate the stores to have future stores focused mainly on high impact area are also seen taking place amidst the challenging environment.

The advent of online shopping providing instant gratification with the offer of normal everyday

Repositioning Retail Concept

With the ever changing market trends which dictates that the present day shoppers demand differentiation in the form of experience, personalisation and exclusivity, Suria KLCC successfully introduced 9 first-to-market stores in Malaysia, exclusive to Suria KLCC.

<p>TOM FORD</p> <p>1st standalone boutique in Asia and the world's second outlet</p>	<p>qeelin</p> <p>1st Malaysian store and in Southeast Asia offering fine jewellery</p>	<p>Open House</p> <p>1st Malaysian store offering modern Malay fine dining restaurant</p>
 <p>1st Malaysian store with multi-label sports retail with streetwear specialist from Italy</p>	 <p>1st Malaysian store offering Swiss brand synonymous with traditional watchmaking</p>	 <p>2nd outlet in Asia, after Japan</p>

RETAIL

HOTEL

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

OPERATIONS REVIEW



Puma launched its largest store in Southeast Asia with sports and active wear on Level 3 of Suria KLCC with a unique shop-in-shop concept for their "Select" range whilst NYX cosmetics opened its largest store in Malaysia with cutting edge concept integrating technology into customer experience with digital interactive screens at their lip, brush and selfie bar.

The mall also saw creation of several duplex stores featuring a new retail concept to deliver a unique customer experience. Michael Kors launched its unique duplex store whilst at the retail podium of Menara 3 PETRONAS, Chanel re-opened following its monolithic expansion with a brand new duplex flagship and façade, along with De Beers' flagship and double-storey façade. This has brought the number of duplex stores at our retail malls

to five. Further enhancing the scene on ground and first floors of the retail podium is a new-to-market luxury wellness concept anchor tenant, Babel which is currently undergoing renovation works and is scheduled for opening in the second quarter of 2019.

THE DEDICATED LUXURY MEN'S PRECINCT AT LEVEL 1, CONTINUED TO SET THE PACE IN THE MALAYSIAN FASHION AND GROOMING, BEING THE FIRST OF ITS KIND IN A SHOPPING MALL IN THE COUNTRY

Curating Tenant Mix

In a bid to stay ahead of the curve, Suria KLCC aggressively and intensively curated the mall through its on-going research which entailed a detailed understanding of consumers and retailers in Malaysia. During the year, our retail malls brought on board 28 new tenants, with 6 new F&B concepts. Suria KLCC embarked on a mission to elevate its food offering to the next level by introducing several new and unique concepts namely, Open House, a modern Malay fine dining restaurant with stunning and unique interior. Other additions

OPERATIONS REVIEW

include Dotty's which opened to overwhelming response with a popular fusion offering, Acme Bar and Coffee with a beautiful concept overlooking the park, and Delirium Bar which is an International Craft Beer Café in many key cities - Kuala Lumpur being the second country in Asia after Tokyo to house this concept.

The dedicated luxury men's precinct at Level 1, continued to set the pace in the Malaysian fashion and grooming, being the first of its kind in a shopping mall in the country. The last few pieces of the puzzle on the men's luxury precinct on level one have also been placed, with Michael Kors' exclusive men's range and a specialty cigar shop called Cigars Malaysia further complementing the men's precinct, making it a seamless and enjoyable shopping experience for the men.

Reinvesting to Stay Relevant

With the emergence of digital revolution redefining customer expectations, Suria KLCC transformed the digital customer experience for the connected customer through installation of the largest rotating double-sided LED screen in the world, in its centre court, facilitating retailers' promotions and advertising. Suria KLCC also embarked on eWallet payment services via Alipay for customer convenience, garnering support from 80% of its retailers. These digitalisation exertions allow our retail malls to engage with the broader community and simultaneously evolve to stay relevant, creating unique shopping experiences and embracing the challenges faced to stay ahead.

Suria KLCC also completed the escalator modernisation for Park Mall which commenced in 2017, with target to commence the next phase for Ampang Mall by second quarter of 2019.

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustment)			PBT contribution 2018 %
	2018 RM'mil	2017 RM'mil	Growth %	2018 RM'mil	2017 RM'mil	Growth %	
Suria KLCC	460.0	442.3	4.0	358.9	345.0	4.0	96
Menara 3 PETRONAS (Retail Podium)	31.0	33.7	(8.0)	15.2	18.4	(17.4)	4
Total Retail Segment	491.0	476.0	3.2	374.1	363.4	2.9	100

Comprising 35% of the overall KLCCP Stapled Group's revenue contribution, the retail segment saw a steady growth of 3.2% in revenue from the previous year to RM491.0 million in 2018. The increase in revenue for the segment was mainly attributable to higher rents becoming effective during the year and the increase in occupancy to 98%. Consequently, PBT for the year saw an improvement of 2.9%

The performance of the retail segment continued to be driven mainly by Suria KLCC which generated a revenue growth of 4.0% to RM460.0 million during the year. With the increase in occupancy, PBT recorded RM358.9 million, representing an increase of 4.0% and continued to be the backbone of the overall retail portfolio.

In 2018, the retail podium of Menara 3 PETRONAS registered total revenue of RM31.0 million and PBT of RM15.2 million. The drop compared to 2017 is mainly due to the tenant transitioning and timing of commencement of rental, which will kick-in from 2019.

RETAIL

HOTEL

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

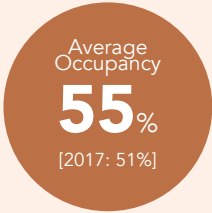
SEC 06

SEC 07

OPERATIONS REVIEW

HOTEL

2018 saw the successful completion of the final phase of the master plan refurbishment programme which comprised the renovation of guestrooms



Rated as one of the top luxury hotels in the country, MOKL Hotel represents the hotel segment of KLCCP Stapled Group. MOKL Hotel in its bid to stay ahead of the game, commenced its repositioning initiatives in 2011 with a master plan refurbishment programme which was implemented in phases. The year 2018 saw the successful completion of the final phase of the programme which comprised the renovation of guestrooms. With the two-year renovation now fully complete and all rooms back in inventory, MOKL Hotel is now well positioned to offer guests a resolutely new experience which transcends accommodation.

With the relentless pursuit of superlative guest service, MOKL Hotel was able to reap worldwide recognition as the 'hotel of choice' for business and leisure travellers. Adding to the hall of accolades, MOKL Hotel was bestowed 20 awards during the year, including Best Business Hotel in Kuala Lumpur by Business Traveler Asia Pacific, Best Hotel in Malaysia by International Hotel Awards, World's Top 100 Hotels Awarded by Institutional Investor, Best Hotel in Malaysia from DestinAsian Reader's Choice and Top 15 Hotels in Southeast Asia by Conde Naste Traveler, amongst others.

Industry Landscape and Operating Challenges

During the year, the hospitality industry remained positive despite the stagnant tourist arrivals. As at 3Q 2018, tourists arrivals were down more than 25% from the targeted 26.4 million for 2018. The hotel market continued to see the introduction of more luxury hotels in the city centre including Four Seasons Place, W Hotel, and The RuMa Hotel, which collectively contributed more than 900 rooms to the market.

OPERATIONS REVIEW



In addition, over 2,000 rooms are slated for completion by 2021, and to be integrated with most of these new hotels are serviced residences that will be managed by the hotel operators.

The opening of new hotels within the vicinity also gave rise to the surge in poaching of highly skilled staff in the hospitality industry amongst competitor hotels. MOKL Hotel embarked on a comprehensive colleague's communication programme and also offered intensive training and career development options for its staff. While also fostering a sense of unity and belonging amongst the employees of the hotel,

multiple social activities and effective staff engagement which involved the hotel's team in CSR programmes were also held to ensure sustainability of the environment and aid to the less fortunate. With this, MOKL Hotel successfully kept its staff turnover rate to under 24%, well below the industry average of 34%.

The city's key driver market of oil and gas showed some promising growth in the year, whilst banking and finance posted lacklustre performance under continued belt tightening pressures within the sector. A significant reduction in government-linked business following the austerity measures implemented also impacted the performance of the hotel. Meetings, incentives, conferences and exhibitions (MICE) segment was weaker than 2017 with less international city-wide events and intense competition from new competitor hotels in second half of 2018. The leisure segment has been a bright spot during the year showing strong gains linked to positive customer perception for the newly renovated rooms, enhanced

Level 3 recreation facilities and boosted digital commerce initiatives.

The hospitality industry continued to face pressure in terms of occupancy and room rates due to rising competition from home-sharing facilities such as Airbnb which remains a main competitor

to hotels. With levies of a new departure tax to be implemented for all overseas visitors at a nominal amount of RM20-RM40 per pax, following Budget 2019 and the increase to the minimum wage from RM1,000 to RM1,100 which comes into effect from January 2019, the hospitality

sector will see further challenges and pressure on operating costs, apart from the heightened competition from influx of new hotels coming on stream. With changing market conditions, increasing competitive pressures and shift in demand patterns, attractive customer offerings, prime location and a personalised brand redefining guest service will be the key differentiators for MOKL Hotel moving forward.

WITH THE RELENTLESS PURSUIT OF SUPERLATIVE GUEST SERVICE, MOKL HOTEL WAS ABLE TO REAP WORLDWIDE RECOGNITION AS THE 'HOTEL OF CHOICE' FOR BUSINESS AND LEISURE TRAVELLERS



HOTEL

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

OPERATIONS REVIEW

Strategy and Initiatives for the Year

In light of the stiff competition faced by the hotel and to be in the forefront of the market, 2018 saw the timely completion of MOKL Hotel's strategically planned hotel refurbishment coinciding perfectly with the arrival of 5 new competitor hotels within the vicinity.

<h1>1</h1> <p>Capitalise on Re-Launch of Renovated Guestrooms</p> <p>Refreshed product to compete with new hotels entering market</p>	<h1>2</h1> <p>Leveraging Brand Expressions</p> <p>Legendary quality service with distinguishing attributes</p>	<h1>3</h1> <p>Embracing Digital Marketing</p> <p>Improving online conversion through e-commerce (MO.com) and Social Media platform</p>
--	---	---

Capitalise on Re-Launch of Renovated Guestrooms

The hotel took advantage of the renovation by reconfiguring the original mix of rooms and suites to match the current and predicted future demand. It now boasts 1 royal suite, 1 presidential suite, 6 club suites, 12 park suites, 146 club rooms, 423 deluxe rooms and 51 service apartments. MOKL Hotel's renovated spa, swimming pool and recreational facilities continued to be well received by hotel guests with guest satisfaction increasing significantly to 92% from 87% in 2017.

Capitalising on the re-launch of the renovated rooms, MOKL Hotel rolled out a comprehensive marketing campaign featuring high profile publications, social media, digital marketing and site visits and familiarisation tours to maximise awareness and sales of the new products to its key customers. These new offerings has been well received and have set the pace gain for the hotel's revenue and average room rates.

MOKL Hotel also channeled major direct sales effort on corporate business in the domestic market and the regional markets of Singapore, Hong Kong, Japan and United Kingdom. The leisure segment saw boosted sales promotion with dedicated support for the online channels, particularly in China and Japan where healthy growth rates of 37% and 21% were seen respectively. In efforts to boost the performance of MICE and social caterings, comprehensive wedding and meeting packages with aggressive pricing strategy was the recipe to help counteract fierce competition from the newly opened hotels in the area.



Leveraging Brand Expressions

The Spa, with a reputation of delivering unique and result oriented treatments recorded an excellent performance in the face of strong new competition during the year. The launch of exclusive new retail products, unique treatments and a series of educational wellness programmes with visiting wellness practitioners played a pivotal role in the awareness and interest in MOKL Hotel's spa. The Spa delivered an excellent performance in the face of strong new competition, posting revenue growth of 16.5% at a contribution margin of 61.7%.

In our quest to offer differentiation to our customers, 2018 saw the innovative launch of an online gourmet shop which offers home delivery service as well as the successful upgrade of the new mobile electronic frequent dining programme that has over 3,000 members. With both these initiatives in place, the hotel aims to gain more customer traction in the F&B segment and ultimately boost sales performance.

OPERATIONS REVIEW



With commitment to provide world class hospitality exceeding guests' expectations for a luxury hotel experience, MOKL Hotel continued to launch innovative signature offerings across all its food and beverage outlets with a very active schedule of 38 promotions held throughout 2018 which featured Michelin-starred celebrity chefs, seasonal holiday celebrations and international food festivals.

The hotel also continued to improve its legendary service quality by upgrading its guest service standards which were rewritten using neuro-linguistic elements which enables hotel staff to better understand the service standards in delivering special, unique and consistent experience to hotel guests at each and every visit.

Embracing Digital Marketing

The hotel embraced new systems and digital technology to promote hotel offerings and make customer journey seamless through the launch of 'Fans of MO', a global guest recognition system with over 300,000 members to-date. In efforts to drive more business through the hotel's brand website while avoiding costly commissions

from third party travel partners, the enhanced and refocused digital marketing efforts put in place have seen the delivery of exceptional results through the MO.com platform. The hotel is also in the midst of setting up a WeChat platform to further cater to the China market.

With completion of the master plan refurbishment, rolling-out of comprehensive marketing efforts and leveraging in smart technology, MOKL Hotel is now geared up to compete with the new hotels on stream.

FINANCIAL REVIEW

	2018 RM'mil	2017 RM'mil	Growth %
Revenue	172.4	167.2	3.1
Operating Profit	16.6	19.9	(16.6)
Profit before tax	0.1	5.3	(98.1)

For the financial year 2018, the hotel segment reported steady growth in revenue of 3.1%, mainly owing to the higher occupancy of its newly renovated guestrooms back in inventory. PBT was impacted by the increase in depreciation expenses arising from the fully renovated guestrooms. The strong results seen in the first 8-months of the year was offset by the arrival of 3 new competitors and a slower banqueting pace in the market.

The hotel room revenue during the year reported an increase of RM5.2 million from the previous year despite the ongoing room renovation from January to June mainly attributable to the growing demand in the leisure segment with the rooms and suites showing healthy performance. F&B revenue declined 2.5% owing to slower banqueting pace in the market. Several large events were not repeated during the year and were postponed due to the austerity measures by the new Government post GE14. The entry of the new hotels within KLCC vicinity also posed stiff competition in view of their introductory and member pricing impacting the F&B business.

Despite the 6 months refurbishment works, MOKL Hotel demonstrated a commendable performance during the year. This is in spite of the reduction of room stocks available for sale from the renovation works which involved the closure of 6 floors each time with 4 floors under construction and single buffer floor above and below to minimise noise impact to guests.

HOTEL

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

OPERATIONS
REVIEW

MANAGEMENT SERVICES



During the year, both KLCCUH and KPM continued to elevate quality of service and improve operational efficiency



KLCCP Stapled Group’s management services portfolio comprises three broad categories namely: facilities management, car parking management and REIT Management.

The facilities management segment under KLCCUH undertakes the management of all the office buildings within the KLCCP Stapled Group portfolio, common facilities and common estate which include KLCC Park, all within KLCC Development and also various PETRONAS facilities. The Company offers a comprehensive range of services aimed at meeting the full range of needs by owners and users. KPM offers parking management services befitting the standard required for the portfolio of assets within the KLCC Group of Companies. KPM also addresses the parking demands of the facilities and ensure the operations complement the integrated needs of the retail, office tenants, hotel and convention centre while also offering advisory services to owners and operators on the practical, functional and aesthetic aspects of car park facilities.

Industry Landscape and Operating Challenges

Amidst the rising cost environment, one of the major challenges faced by the facilities manager in order to remain competitive is to be able to provide an exceptional level of service that ensures compliance with regulatory requirements whilst also efficiently maintaining reasonable operating costs for every

OPERATIONS REVIEW



With the growing trend of using e-Hailing services and the opening of the MRT railway, the commute to the city center has been made easier and more convenient for passengers. This coupled with the change in retail landscape which is moving towards the “click and mortar” concept has brought about some adverse impact on the transient car count in the North West Development car park at KLCC Precinct, the largest car park under KPM’s care. For the Company, to uphold the name of a high quality car park management is through the delivery of quality operations, having robust audit procedures and the requisite knowledge and experience which promises effective returns for the car park owner. Bearing this in mind and with the commitment in ensuring the parking experience for customers are kept at high standards, security of customers, flexibility of payment methods, convenience in finding car park spaces and other ancillary services such as charging stations for hybrid cars have been introduced.

Strategy and Initiatives for the Year

During the year, both KLCCUH and KPM continued to elevate quality of service and improve operational efficiency.

<p>Delivering Premium Facilities Management Services</p> <p>1</p> <p>To maintain buildings in pristine condition for longer term tenancy prospects</p>	<p>Efficiency and Comfort of Car Parking Experiences</p> <p>2</p> <p>Continued operational efficiency towards exceptional customer service experience</p>	<p>Embracing New Systems and Technology</p> <p>3</p> <p>Maintaining a secured network for data storage and transfer aligned to Business Continuity Plan</p>
---	--	--

square foot of space. As the critical systems of our office buildings continue to age, the need to have adequate preventive maintenance to extend the assets’ useful life and to replace asset parts that are out-dated will take a toll on the overall operational costs of KLCCUH. Faced with financial challenge that takes the form of higher operational cost on maintenance and the increasing manpower costs, KLCCUH exercised financial prudence in the management of all its overheads.

Delivering Premium Facilities Management Services

KLCCUH continues to play a vital role in upholding the premium status of the offices of PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Exxonmobil. With the 20th year anniversary of PETRONAS Twin Towers upon us, the need for continuous maintenance either through replacements or preventative maintenance to extend the assets life is crucial to preserve the building in utmost pristine condition for longer term tenancy prospects. Efforts to balance between the maintenance requirements to retain the buildings in pristine condition and the call for greater cost efficiency was done by KLCCUH through prudent cost management. As a testimony to our service level improvements and efficient management services, we were conferred the EdgeProperty.com – Malaysia’s Best Managed Property Awards 2018, Gold Award for Menara 3 PETRONAS and for KLCC Park in the Specialised category. The pristine condition of our assets, asset integrity and facility management expertise continue to preserve the iconic stature of our assets, for longer term tenancy prospects. KLCCUH achieved a satisfaction score of 82% from its clients for the year in review.

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

OPERATIONS REVIEW

In efforts towards our sustainability agenda, the Energy Audit Committee was established in May 2018 as part of our energy management agenda in line with addressing asset performance within the Group. It is a platform to review and deliberate potential energy saving ideas and initiatives, share best practices and explore opportunities within the Group to target reduction in energy use towards better asset sustainability and longevity. Spearheaded by our facility management services company, KLCCUH, this is expected to strengthen the Group's efforts in its sustainability journey.

Efficiency and Comfort of Car Parking Experiences

KPM, our car parking management services company, continues to deliver high standards of service level to improve and enhance customer experience. With the recognition by Malaysia Book of Records as the first car parking management company to achieve the integrated management certification of ISO 9001:2015 (Quality Management Services), ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) in 2017, KPM strives to uphold the highest standards to be the best in the arena. To stay on top of the game and in keeping pace with the advances in technology, KPM embarked on several cashless payment initiatives during the year. Aside from successfully equipping the auto pay machines within the Suria KLCC car park with credit card facilities and the activation of online payment for season car card holders via their website, this initiative further saw the installation of integrated reader for Touch n Go, credit and debit card at the entry and exit terminals of our North West Development basement car park of KLCC Precinct development. This is a testament of our pursuit to continuously improve customer experience and satisfaction which saw support of 92% of its customers.

KPM IMPLEMENTED THE FIRST-EVER VIRTUAL PARKING MANAGEMENT SYSTEM IN MALAYSIA UTILISING A PRIVATE CLOUD, WHICH IS CENTRALISED AND LOCATED AT OUR DATA CENTRE, MANAGED BY OUR INTERNAL ICT EXPERTS

Embracing New Systems and Technology

On the digitalisation front, KPM has put in efforts by introducing the method of payment via mobile application for ticketing customers. This has been completed during the year for the car park in Kuala Lumpur Convention Centre and is currently underway for the North West Development basement car park of the KLCC Precinct development. These efforts along with the Car Finding System that is already in place which assist customers in locating their car through the license plate recognition camera at the entry and exit barriers, bodes well our endeavor to bring about an exceptional level of parking experience for our customers.

In order to maintain a secured network for data storage and transfer and to mitigate cybersecurity risk, during the year, KPM implemented the first-ever virtual Parking Management System in Malaysia utilising a private cloud, which is centralised and located at our data centre, managed by our internal ICT experts. This initiative is also part of our Business Continuity Plan and aligned to the PETRONAS' Baseline Security policy requirements.

With the heightened global security threats and taking heed of the fact that KLCC Development falls within the iconic belt, the Security Master Plan for KLCC Precinct will be further strengthened in 2019 with new technology.



OPERATIONS REVIEW

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustment)			PBT contribution 2018 %
	2018 RM'mil	2017 RM'mil	Growth %	2018 RM'mil	2017 RM'mil	Growth %	
Facilities Management	76.4	64.8	17.9	18.2	17.9	1.7	54
Car Park Management	62.4	61.5	1.5	13.5	13.4	0.7	40
Others	7.9	6.3	25.4	1.8	2.0	(10.0)	6
Total Segment	146.7	132.6	10.6	33.5	33.3	0.6	100

During the year, the management services revenue contribution totaled RM146.7 million, representing an increase of 10.6% from the previous year and constituted 10% of KLCCP Stapled Group's revenue. The improved performance was mainly attributable to additional management fees recorded from facilities management services for the WFT project and PETRONAS one-off project in Terengganu. While revenue for the segment saw a commendable growth during the year, the recorded PBT of RM33.5 million showed a growth of lesser proportion mainly as a result of higher operational costs in tandem with the additional services provided.

Facilities management reported a growth in revenue of RM11.6 million or 17.9% mainly on the back of additional one-off works completed during the year. PBT however grew by 1.7%, mainly in line with the higher operational and maintenance cost incurred for the additional one-off works. Car park management revenue remained stable for the year with a growth of 1.5%. Accordingly, PBT reported also showed a positive marginal growth in line with the higher revenue. 'Others' is represented mainly by interest income earned as well as general manager services provided by the Company to the entire KLCC Group of Companies.



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

MANAGEMENT SERVICES

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07

CAPITAL MANAGEMENT

Our approach to capital management, premised on the KLCC Group Corporate Financing Policy, is to maintain an optimal capital structure and ensure the availability of funds to be able to support the business needs and also simultaneously maximise shareholders' value. The Group is disciplined and prudent in managing the cost of funds and refinancing risks to meet capital requirements.

The basis of foundation in our capital management strategy is to sync the income stream to the long term financings and maturity schedule whilst also keeping the financial ratios within the industry benchmark. The equity or debt structure undertaken also takes into consideration the tax impact to ensure that the optimal tax structure is achieved.

Capital Expenditure

In line with KLCCP Stapled Group's efforts to embark on asset enhancement initiatives and the development of new assets, commitment to several major capital expenditure had been observed during the year. In respect to the ongoing projects within the Group, all the current capital expenditure committed are being funded via internal cash available, whilst the MOKL Hotel guest room renovations were partially funded by the existing term loan facilities of RM378.0 million.

With regards to the redevelopment of City Point podium, financing is currently sourced through internal cash and advance from KLCCP. The Management team will however review the funding requirements and raise debt funding where required, in tandem with the progress of the project.

	2018	2017	2016	2015	2014
Total borrowings (RM million)	2,244.7	2,251.1	2,552.4	2,560.6	2,511.5
Average cost of debt (%)	4.6	4.6	4.5	4.5	4.5
Fixed: Floating ratio	84	84	85	86	86
Average maturity period (years)	4.1	5.1	5.6	6.5	9.8
Gearing ratio (%)					
- Gross	17.1	17.2	19.9	20.4	20.9
- Net	11.5	11.5	12.0	11.6	11.5

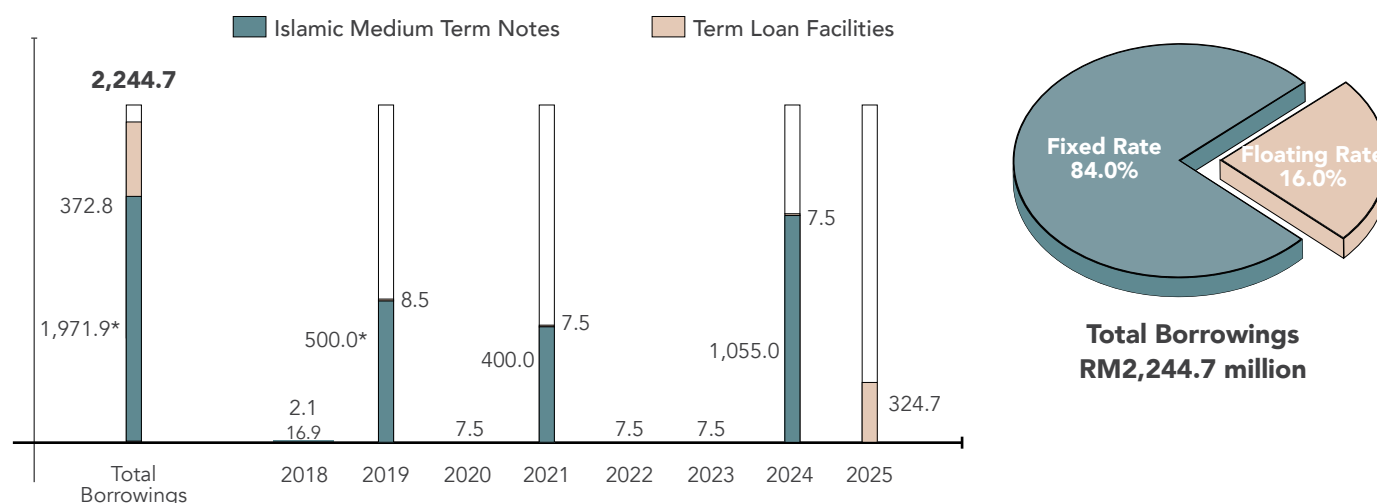
KLCC REIT and Suria KLCC proactively restructured its existing facilities in 2014 with the establishment of Sukuk Murabahah Programmes (Sukuk Murabahah) with a combined limit of RM3.0 billion and RM600 million respectively which were rated AAA by RAM ratings. In 2015, Asas Klasik Sdn Bhd, a 75% owned subsidiary of KLCC which owns MOKL Hotel, restructured its existing borrowings of RM330 million into 2 restructured term loan facilities in the aggregate sum of RM378.0 million. The first tranche of the RM3.0 billion Sukuk Murabahah amounting to RM300.0 million fell due in April 2017 and was repaid by KLCC REIT through internal cash of RM200.0 million and RM100.0 million through the subscription of the existing RM3.0 billion Sukuk Murabahah, by KLCCP.

As at 31 December 2018, our borrowings stood at RM2.2 billion, a marginal decrease from last year, as a result of repayment of MOKL Hotel's term loan facilities during the year amounting to RM7.5 million. The total gross gearing correspondingly reduced to 17.1%, well below the REIT industry benchmark of approximately 30.0%. RM500.0 million of the Sukuk Murabahah will be due in 2019 and the Management team is already in talks to strategise the repayment and refinancing of the borrowings.

With approximately RM1.7 billion from the total of RM3.0 billion Sukuk Murabahah which is yet to be utilised by KLCC REIT and together with the mandate granted by the holders of Stapled Securities to issue new share up to 100% of the approved share capital, KLCCP Stapled Group has the financial flexibility to tap into the debt equity markets to gear up further, to support future acquisitions.

CAPITAL MANAGEMENT

Debt Maturity Profile (RM million)



FINANCIAL RISK MANAGEMENT

The Boards are committed in upholding effective risk management practices to achieve the objectives and strategies set for KLCCP Stapled Group. The Group's financial risk management is guided primarily by the PETRONAS Integrated Financial Risk Management ("IFRM") Guideline that entails a continuous, proactive and disciplined process in which financial risks are identified, analysed and consciously accepted or mitigated within approved risk parameters. The risks identified are continuously monitored and regularly evaluated with proper mitigation action plan developed to manage the risks at an acceptable level. The IFRM guidelines serves principally as a tool to ensure that appropriate policies, processes and procedures are in place for awareness and accountability when making key decisions on financial risk.

Credit Risk

Credit risk is the inability to collect amounts owing to us that could bring about adverse impact on the financial performance. The credit risk appetite of different business segments differs from one another.

KLCCP Stapled Group strives in minimising its credit risk through efforts such as entering into contracts with highly credit rated counterparties and credit approvals, financial limits and on-going monitoring procedures. The credit evaluations of counterparties are carried out thoroughly using quantitative and qualitative criteria on credit risks specified based on individual operating units. KLCCP Stapled Group may necessitate a collateral or other forms of credit enhancements depending on the creditworthiness of the counterparty.

The Group's credit risk arises predominantly from our receivables that is inherent in our operating segments, in which a sizable portion is contributed by the office segment. The office segment is secured with locked-in long-term leases with creditable tenants where the lease rentals are paid timely. In respect to the retail segment, the financial strength and product offerings of potential tenants are reviewed systematically prior to offering tenancy spaces. The retail operators also carry out a rigorous follow up process with the tenants to ensure collectability and constant monitoring of the tenants affordability of the rental charges. Similarly, the hotel segment also conduct thorough reviews and assessments of the creditworthiness of customers who are provided credit limits to ensure timely collection of payment obligation when it falls due.

As at 31 December 2018, the following is the aging of the Group's trade receivables.

Trade Receivables' Aging	RM'mil
Not past due	7.3
Past due 1 to 30 days	0.9
Past due 31 to 60 days	0.4
Past due 61 to 90 days	0.2
Past due more than 90 days	1.2
	10.0
Less: Allowance for impairment losses (Retail)	(0.8)
	9.2

CAPITAL MANAGEMENT

Liquidity Risk

Liquidity risk is the risk that the funds of the group will not be able to meet its financial obligations. As part of the overall liquidity management, KLCCP Stapled Group maintains adequate cash and bank balances to meet its working capital requirements. In order to achieve this, our liquidity management guidelines require that periodic cashflow forecast is undertaken to determine the optimal working capital needs and proactive management of our receivables and payables. This will ensure that the idle monies are placed in interest bearing accounts.

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

Interest Rate Risk


Interest Rate Risk is the risk that future cash flows are affected by changes in market interest rates. Adverse interest rate movement may affect financial performance.

KLCCP Stapled Group's interest rate risk is relatively low as 84% of its borrowings are on fixed rate. The exposure of floating interest rate borrowings only represent RM372.8 million of the total borrowings. Hence a 0.5% change in the interest rate will only increase the interest expense by RM1.9 million per annum and decrease the Distribution per Stapled Security by 0.10 sen.

The balance of the exposure to interest rate represent interest bearing cash and bank balances. KLCCP Stapled Group reported an interest income of RM27.6 million at the back of average interest rate of 3.8%. On the available cash and bank balances as at 31 December 2018, a 5% change in the interest rate will result in an additional income of approximately RM1.4 million.

Foreign Currency Risk

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

 For more information, please refer to the UNDERSTANDING OUR PRINCIPAL RISKS on page 98-103.

PROSPECTS

For the year 2019, global growth momentum is expected to be sustained on the back of synchronised expansions in the world's leading economies however concerns of downside risks leading to sharper global growth slowdown and associated commodity prices decline are also on the cards. On the domestic front, the Malaysian economy is anticipated to remain resilient in 2019 on sound macroeconomic fundamentals, with gross domestic product growth targeted at 4.5%, supported mainly by domestic demand. Household spending is expected to remain the key driver of growth following the increase in employment and wage amid benign inflation.

KLCCP Stapled Group remains cautiously optimistic on the prospects of the overall market. The challenges seen in the oversupply of office spaces and intensifying competition from the hospitality and retail segments will continue to be of concern to the Group. In view of the unchanged OPR at 3.25% for the year, it is anticipated that the appetite for MREITs would increase for asset acquisition as they primarily rely on borrowings to support inorganic dividend distribution growth.

As our purpose is to create places people look forward to, converging cultural diversity, commercial vibrancy and sustainable living, we will continue to transform THE PLACE to create the best experiences for our tenants, shoppers, guests and the community at large.

Our office segment anchored by the long-term locked-in tenancy structure under the Triple Net Lease Agreements for the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi will continue to be defensive and provide strength and stability for the Group. Nevertheless, we will remain steadfast in our efforts to retain and seek quality anchor tenants for our new development and create the office experiences for our tenants that will facilitate collaboration between employees and companies. It is also our priority and goal to maintain the buildings in utmost pristine condition and complete our greening efforts for our tenants, creating value in the longer term.

For the retail segment, Suria KLCC will continue to leverage on its strategic location, proximity and access to customers while also focusing on tenant remixing strategies and curating the mall in the most ideal way which in-turn will provide an immersive shopping experience for the customers. Suria KLCC will also embark on a redevelopment project to rejuvenate and bring vibrancy to selected areas of the mall in light of the changing customer needs and demands to deliver value. The anticipated rise in household earnings arising from better employment outlook, implementation of higher minimum wage is also expected to bode well for the overall retail segment of the Group.

CAPITAL MANAGEMENT

MOKL Hotel is expected to face stiff competition with the entry of new luxury hotels in the coming years. Nevertheless, the completed guestroom renovations during the year as well as the newly renovated Club Rooms, Suites, Deluxe Rooms and Park Suites which saw a thorough makeover is anticipated to place the hotel in good stead giving it a competitive advantage. With the hotel being strategically located in the heart of the Kuala Lumpur City Centre and adjacent to Malaysia's iconic PETRONAS Twin Towers as well as the premier shopping destination, Suria KLCC, MOKL Hotel remains the ideal location for both business and leisure guests. Service differentiation is also the cornerstone of MOKL Hotel's business strategy with the focus of maintaining premium standards which elevate guests' satisfaction.

In spite of the coming headwinds, KLCCP Stapled Group is well positioned to weather the challenging times ahead and is expected to remain responsive to the opportunities and vagaries of the market. Having the ongoing efforts and initiatives to enhance operational excellence in the pipeline, we are confident that the Group is poised to deliver growth and value to all our stakeholders in the coming years.



SEC 01

SEC 02

SEC 03

SEC 04












SEC 05

SEC 06

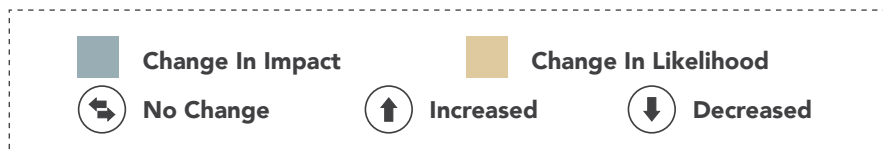
SEC 07

UNDERSTANDING OUR PRINCIPAL RISKS

Our approach to managing risks is an integral part of how we deliver on our strategy. 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 MANAGEMENT STRATEGIES	MATERIAL MATTERS
<p>FINANCIAL</p>   	<p>We have put in place all practical measures to mitigate any potential financial risks exposures which may impair the ability to provide adequate return on investment</p> <p>We have an established Integrated Financial Risk Management (IFRM) Guideline consisting 7 key principles of financial risks which ensures awareness and accountability for financial risks key decision making</p> <p> For more information, please refer to the MANAGEMENT DISCUSSION AND ANALYSIS on page 95-96.</p>	<p>Financial Sustainability</p>
<p>MARKET</p>   	<p>We undertake a comprehensive and robust study on the viability of potential investment proposals in line with the Group's business plan</p> <p>A structured process for new investments and ventures is in place encapsulating feasibility and market studies, analysis reports, negotiations on terms and conditions and execution of agreement</p> <p> For more information, please refer to the KEY TRENDS SHAPING OUR BUSINESS on page 50-51, MARKET REPORT on page 30-40.</p>	<p>Economic, Social and Industry Growth</p> <p>Risk Management</p> <p>Corporate Social Investment</p>
<p>HUMAN CAPITAL</p>   	<p>We maintain an effective succession plan for key positions and critical portfolios in order to enhance and retain qualified and competent talent for business sustainability</p> <p>Anchoring on the theme of Right Talent, Right Leader and Right Environment, talents are managed from hire to retire</p>	<p>Our People</p> <p>Human Rights and Labour Practices</p>

UNDERSTANDING OUR PRINCIPAL RISKS



PRINCIPAL MITIGATIONS	ACTIVITIES IN 2018 AND OUTLOOK
<p>We maintain a strong capital structure, profitability and liquidity position in pursuit of our business objectives to support sustainability and growth of the business operations and activities</p> <p>Our gearing ratio is one of the lowest in the Malaysian REIT industry which provides us a sizeable debt headroom and greater financial flexibility to tap into the equity markets, as excessive debt could lead to financial risk exposure</p> <p>We maintain adequate cash and bank balances to meet the working capital requirements and we maximise the return from cash balances via fund placements in the money market whilst minimising counterparty risk exposure</p> <p>We diligently manage trade receivables to avoid trapped liquidity</p> <p>We deal with approved counterparties with minimum A-rating for fund investment on best terms and limits</p>	<p>We continued our diligence on monitoring our financial, operational and cost optimisation efforts towards driving sustainability of our business</p> <p> For more information, please refer to the SUSTAINABILITY STATEMENT on page 113-114.</p>
<p>A structured risk assessment process as part of decision making is carried out prior to any decision point to provide decision makers with a balanced view for informed decision making through richer risk conversations and considerations of risk reward trade-off</p> <p>All proposed capital investment care to meet the business return risk appetite threshold and maximise capital efficiency through a healthy portfolio distribution</p>	<p>We unlocked 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 the intensifying competition</p> <p>We also continued to seek yield accretive assets for opportunistic acquisitions</p> <p> For more information, please refer to the MANAGEMENT DISCUSSION AND ANALYSIS on page 79, 82-83, 86-87, 90-91, SUSTAINABILITY STATEMENT on page 113-116, 154-156.</p>
<p>Competency validation study to identify the gaps for succession planning</p> <p>Structured programmes for knowledge transfer and cross business mobility</p> <p>Annual employee feedback survey/peer review survey to identify gaps for improvement</p>	<p>Identified 8 critical positions with 21 successors to fill the next leadership roles within the organisation, bringing the succession management ratio to 1:2.6</p> <p>Establishment of talent management programmes for the second-tier succession line- KLCC Group Elite Leadership Program</p> <p>Self-driven E-Learning programs, Brown Bag learning series sessions and development of Skill Groups to upskill technical competencies and knowledge</p> <p> For more information, please refer to the SUSTAINABILITY STATEMENT on page 136-137.</p>

SEC 01

SEC 02

SEC 03




SEC 04

SEC 05



SEC 06

SEC 07

UNDERSTANDING OUR PRINCIPAL RISKS

	RISK MANAGEMENT STRATEGIES	MATERIAL MATTERS
<p>HEALTH, SAFETY AND ENVIRONMENT (HSE)</p> 	<p>Zero tolerance towards fatality and major fire that could lead to damage of assets and business disruption</p> <p>A robust and institutionalised HSE culture is in place to ensure safe working environment through the establishment of HSE Management Systems (HSEMS)</p>	<p>Security, Safety and Health</p> <p>Climate Change</p> <p>Environmental Management</p>
<p>SECURITY</p> 	<p>We put in place all practical and precautionary steps to safeguard our assets and people against crime</p> <p>Our KLCC Precinct Security Master Plan details out the overall precinct security overlay where security control and crisis response measures are identified and implemented to safeguard our assets. The Security Master Plan was updated in 2017 to suit the current security risk environment</p> <p>We also successfully implemented the CPTED (Crime Prevention Through Environment Design) in our design maintenance and use of our buildings and environment to enhance quality of life and to reduce incidence of crime</p> <p>Our security team also works closely with the respective security teams of each building, PETRONAS Group Security and Polis DiRaja Malaysia (PDRM) for security intelligence updates</p>	<p>Security, Safety and Health</p>
<p>ASSET MANAGEMENT</p> 	<p>Our properties and assets are properly managed with the aim of creating value and maximising returns</p> <p>Robust procedures and guidelines for selection of operators and asset managers are in place and currently all our assets are managed by well accredited international operators to ensure sustainability of tenants</p>	<p>Customer and Tenant Management</p>

UNDERSTANDING OUR PRINCIPAL RISKS

PRINCIPAL MITIGATIONS	ACTIVITIES IN 2018 AND OUTLOOK
<p>Scheduled HSE assurance audits (tier 1-yearly, tier 2 –yearly, tier 3- once every 5 years) are conducted to ensure compliance to the Department of Occupational Safety & Health Malaysia (DOSH) and PETRONAS Technical Standards (where applicable)</p> <p>Take 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</p>	<p>Consequence management process to justify ZETO HSE non-compliance</p> <p>Maintain minimum HSEMS rating at 3.00</p> <p> For more information, please refer to the SUSTAINABILITY STATEMENT on page 128-132.</p>
<p>Established Security Coordination Platform to coordinate security matters within the KLCC Precinct -KLCC Precinct Security Management Working Group (PSMWG) and Dayabumi Heritage Trail comprising representatives from surrounding building owners e.g. Masjid Negara, Muzium Textile, Agro Bank , POS Malaysia, Central Market and RAPID KL</p> <p>KLCC Precinct Security Operation Centre (KPSOC) as a security focal point by all facilities within the KLCC Precinct and Local Authorities</p> <p>Automatic Number Plate Registration (ANPR) System within the KLCC Below Grade Parking which captures vehicles registration plate and face recognition</p> <p>Incident Action Plan briefing to stakeholders on preparedness in handling different types of incidents e.g.: unattended packages, bomb threat/call</p>	<p>Installation of additional CCTV at Menara Dayabumi to enhance security coverage</p> <p>Computerised Card Access System (CACS) for all floors at Kompleks Dayabumi to be installed and the Security Operational Room (PSOR) to be enhanced to cater to the additional security features to be put in place</p> <p>Implementation of the enhanced security measures identified in the updated KLCC Precinct Security Master Plan in progress</p> <p> For more information, please refer to the SUSTAINABILITY STATEMENT on page 132.</p>
<p>A comprehensive leasing strategy to retain and attract quality tenants</p> <p>Constant engagement with our retailers and tenants to understand their needs and keep them updated on the evolving trends</p> <p>Annual customer satisfaction survey and shopper exit survey to identify gaps for improvement</p>	<p>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</p> <p>Evolving our current office space under the Workplace for Tomorrow initiative with our tenant to meet the fluid requirements where the workplaces are flexible and collaborative</p> <p> For more information, please refer to the MANAGEMENT DISCUSSION AND ANALYSIS on page 79-80, 83-85, 88-89.</p>

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05



SEC 06

SEC 07

UNDERSTANDING OUR PRINCIPAL RISKS

	RISK MANAGEMENT STRATEGIES	MATERIAL MATTERS
<p>FACILITY MANAGEMENT</p>   	<p>Our assets are professionally managed to ensure effectiveness and efficiency of the performance and integrity sustenance of the assets</p> <p>Our facility management arm is accredited with ISO14001, ISO9001 and OSHAS18001</p> <p>Our facility management team is involved in the design and construction stage (Day 1 and 2) in ensuring the practicality of layout design and appropriate systems and technology used will function effectively and efficiently upon building completion</p> <p>The facility management team also conducts annual building technical audits for continual improvement and provide assurance that the buildings are maintained in pristine condition</p>	<p>Customer and Tenant Engagement</p> <p>Security, Safety and Health</p>
<p>PROJECT MANAGEMENT (for development platform of KLCCP)</p>   	<p>We put in place measures to ensure that the performance of project delivery in meeting its development commitments in terms of time, cost and quality are met</p> <p>All our projects are managed by a qualified and competent project management company with accreditation of ISO14001, ISO9001 and OSHAS18001</p> <p>Risk assessments are required to be carried out for all projects undertaken</p>	<p>Risk Management</p> <p>Security, Safety and Health</p> <p>Corporate Governance and Business Ethics</p>
<p>SUPPLIER</p>   	<p>The performance of suppliers in meeting the deliverables commitment is important to mitigate disruption and support sustainability of the business</p> <p>We have a stringent selection of supplies/contractors guidelines and an established tendering management system consisting of:</p> <ul style="list-style-type: none"> • Overall contracting strategy • Tender plan • Invitation to Bid • Technical and Commercial evaluation • Contractor Risk Assessment 	<p>Supply Chain Management</p> <p>Corporate Governance and Business Ethics</p>

UNDERSTANDING OUR PRINCIPAL RISKS

PRINCIPAL MITIGATIONS	ACTIVITIES IN 2018 AND OUTLOOK
<p>Implementation of predictive, preventive and corrective maintenance strategies and initiatives to provide high level of service standards with minimal service interruption</p> <p>100% compliance with agreed Service Level Agreement (SLA) with customers:</p> <ol style="list-style-type: none"> 1. Emergency Power Supply Availability (Gen set) to provide alternate power supply during disruption from service provider 2. Mechanical Systems for Air-Conditioning to control Indoor Air Quality for room temperature, humidity and airflow, for the comfort of the tenants/occupants and to protect sensitive electronic equipment at data center, electrical and telecommunication rooms 3. Vertical transportation to facilitate smooth movement of building occupants 4. Mechanical Systems for Domestic Water (Water storage tank) to ensure 24 hour supply for drinking, domestic use and fire-fighting system 	<p>Continued implementation and monitoring of predictive, preventive and corrective maintenance strategies and initiatives</p> <p> For more information, please refer to the MANAGEMENT DISCUSSION AND ANALYSIS on page 91-92.</p>
<p>Control and monitor project risk events through Project Management Standards to attain Project Delivery Excellence in terms of time and cost</p>	<p>Close monitoring of projects to ensure delivery schedule and cost shall not exceed the stipulated threshold and adversely impacting project investment rate of return</p>
<p>Annual review of suppliers' /contractors' performance are carried out for continual improvement</p> <p>Update and maintain a database of potential qualified suppliers</p>	<p>Tightened procurement policies in shortlisting bidders, established guidelines for separate tender evaluation teams, included anti-bribery assessment for Contractor's Risk Assessment for all projects</p> <p>Continuous assessment of existing and potential suppliers to meet standards of operational excellence</p> <p> For more information, please refer to the SUSTAINABILITY STATEMENT on page 144-146.</p>

 For more information, please refer to the **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL** on page 201-205.

SEC 01

SEC 02

SEC 03

SEC 04

SEC 05

SEC 06

SEC 07