THE PLACE TO STAY

We create memorable stays for our hotel guests, leveraging brand expressions to create delight at every touchpoint. Our guests' satisfaction is our utmost priority and we endeavour to keep them proud to be "Fans of MO"

THIS IS THE PLACE THAT INSPIRES A TRULY LUXURY EXPERIENCE

SUSTAINABILIT

OUR COMMITMENT FOR

SUSTAINABILITY STRATEGY AND APPROACH

Sustainability is a big agenda for KLCCP Stapled Group and is in the heart of everything that we do. As one of the leading real estate players, we are committed to managing our business in a responsible manner taking into consideration the risks and opportunities impacting our business and the industry at large. We strongly believe that sustainability is a force that will shape the future of our business and the way we live. Thus, we continue to focus on addressing our material matters that may impact our business and stakeholders.

Y STATEMENT

A SUSTAINABLE FUTURE

Our full fledged Sustainability Report 2019 is available at www.klcc.com.my/sustainability.php

Pg. 122 ECONOMIC

Pg. 126 ENVIRONMENT

Pg. 136 SOCIAL

Pg. 146 CORPORATE GOVERNANCE

SUSTAINABILITY STATEMENT

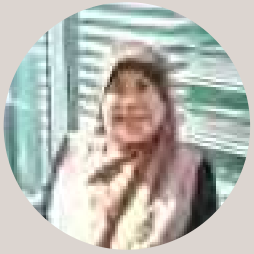
KLCCP Stapled Group's ultimate objective is to create, deliver and share value with our stakeholders, to be future ready and be part of a sustainable society. As we progress towards achieving this objective and to further strengthen our sustainability approach, we continue to pursue our sustainability agenda through the Group's corporate strategy and culture which is deeply embedded in our business model. We champion sustainability development premised on our strategies and initiatives to drive our sustainable goals economically, environmentally and socially, across all our business operations, maintaining high standards of conduct and maximising long-term value creation for the benefit of our stakeholders.

In line with this year's theme, "The Place: Spaces Inspired for the People", we have continued to elevate our services and offerings to create a progressive lifestyle experience for our customers within the KLCC Precinct. We aspire to transform KLCC Precinct into a smart city, creating a sustainable environment and enriching the lives of our community.

To read more, refer to Material Matters on pages 56 to 59 and Stakeholder Management on pages 67 to 69

SUSTAINABILITY STEERING COMMITTEE CO-CHAIRMAN MESSAGE

Annuar Marzuki Abdul Aziz
Head, Strategy, Finance and Investor Relations



Zalina Ibrahim
Head, Health, Safety and Environment

At KLCCP Stapled Group, we place sustainability high on our agenda as it is an integral part of our business strategy. We align our business, processes and our corporate culture to adopt strategies that support sustainable development and investment for the Group and the community at large.

Today, the sustainability agenda has become even more pressing, driven by global economic volatility, climate change risk, infringement in business ethics and integrity, and changing consumer expectations on the role of businesses. Consequently, many of the EES and governance issues are coming under close scrutiny by regulators and investors.

As one of the leading real estate players, KLCCP Stapled Group echoes and supports the country's stand and commitment in combating global climate change by addressing climate change risks through reduction of energy consumption and carbon emission across our business operations. We are also committed to good governance practices with our Boards setting the right tone from the top. With digitalisation at the forefront of today's businesses, we are taking a proactive approach to ensure our leaders and employees integrate digital technology into the business operations, fundamentally evolving towards a digitally competent organisation.

Communication with stakeholders is imperative for understanding and managing their expectations. With the rapid changes in the real estate industry, our stakeholders are continuously seeking for greater levels of transparency with respect to the EES issues. Through our regular stakeholder engagement and materiality assessments, we have identified and deliberated the emerging trends and other material matters which shaped our sustainability strategy and helped us set time-based targets with intended results and impact. With the conclusion of our 3-Year (2016-2018) Sustainability Roadmap, which saw us achieving targets against a 2015 baseline, we embarked on a 5-Year (2019-2023) Sustainability Roadmap covering three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; and Combating Climate Change and Reducing Environmental Impact. Aligned to our five prioritised UNSDGs, we aim to monitor our progress year-on-year against the set targets.

Our sustainability journey which began in 2014 have seen us made significant progress through the years, reflecting our people's efforts and commitment towards building a sustainable future. This forms a strong foundation that will steer us towards achieving our 2023 targets. Testament to our steadfast commitment in advancing sustainability practices within the organisation, KLCCP Stapled Group has been recognised both locally and globally by the industry, for demonstrating strong and transparent EES practices.

In what has been another successful year in our sustainability journey, we continue to work hard to deliver value for our stakeholders. We hope this report gives you a deeper insight into our sustainability performance for the year and our aspirations in building a sustainable future. We will maintain our commitment towards sustainable development, and be ambitious and share our experiences, whether challenging or successful, to accelerate wider progress.

THE REAL ESTATE LANDSCAPE

The year 2019 saw a myriad of challenges for the real estate and construction sector with subdued economy and market volatility impacting the global and domestic economies. The office segment faced downward pressure on rentals due to growing mismatch between supply and demand. The retail segment continued to face intense competition but saw a moderate growth during the year contributed by cautious consumer spending while the hotel segment faced strong competition from the new luxury hotels which came into the market.

Despite these challenges, the real estate and construction sector is moving towards implementing innovative solutions and adopting new technological advancements in the ways of doing business in order to stay relevant and ahead of its competitors. It is seeing a shift from a mindset of "using" social media to a mindset of adapting and thriving in an ecosystem where a highly connected, social, empowered consumer is now the norm.

The country's continued commitment in combating climate change has also seen the real estate sector giving more attention towards environmental conservation and stepping up efforts in support of this move. Malaysia, as a Paris Agreement signatory has pledged to reduce its GHG emission intensity in relation to Malaysia's 2005 gross domestic production by 45% by 2030. This commitment represents Malaysia's pledge to contribute to the mitigation of adverse climate change impacts. There was also increased awareness in voluntary disclosure of climate-related risks and information in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) which could see more companies embarking on this initiative.

OUR REPORTING JOURNEY AND MILESTONES

Our significant progress in our sustainability journey saw us achieve milestones through the years in our pursuit to advance our sustainability reporting and practices. This year, as we embark on our Integrated Reporting journey, we look ahead to progressively adopting best practices towards transparent and effective corporate reporting.

OUR REPORTING JOURNEY

2014

- Published our first full fledge Corporate Responsibility and Sustainability Report

2015

- Established our five sustainability pillars guided by the PETRONAS Corporate Sustainability Framework:
  - Corporate Governance
  - Environmental Stewardship
  - Health and Safety
  - Our People
  - Reliable Partner

2016

- Introduced our Sustainability Statement, aligned with the amendments to Bursa Malaysia's Main Market Listing Requirements relating to Sustanability Statement in Annual Reports
- Reported our materiality assessment and stakeholder management

2017

- Mapped our five sustainability pillars to the United Nations Sustainable Development Goals (UNSDGs) that are strategically aligned with our material sustainable matters
- Reported on Biodiversity under the Environment pillar

2018

- Structured our Sustainability Reporting across 4 focused areas of Economic, Environment, Social and Corporate Governance
- Published our 3-Year (2016 - 2018) Sustainability Roadmap detailing the four focus areas' targets and results
- Featured Case Study highlights in our sustainability report, demonstrating our continuous efforts in advancing sustainability initiatives

2019

- Embarked on our integrated reporting journey, aligning to the International Integrated Reporting <IR> Framework as our reporting guideline and reference

SUSTAINABILITY STATEMENT

OUR MILESTONES

2015
- 1st Malaysian REIT included on FTSE4Good Bursa Malaysia Index
- Attained Provisional GBI Certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver)

2016
- Formalised the Sustainability Governance Structure and formation of Sustainability Steering Committee (SSC) and Sustainability Working Committee (SWC)
- Developed a Sustainability Framework and a 3-Year Sustainability Roadmap
- Conducted the first Materiality Assessment with SSC and SWC
- Inclusion onto FTSE4Good Emerging Index – One out of only two Malaysian companies in the real estate and construction

2017
- Inclusion of Biodiversity theme into our Corporate Sustainability Framework

2018
- Conducted our inaugural online Materiality Assessment survey covering employees of KLCCP Stapled Group and our business partners, Suria KLCC and MOKL Hotel
- Maintained our inclusion on the FTSE4Good Emerging Index and FTSE4Good ASEAN 5 with an improved score

2019
- Established our 5-Year Roadmap aligned with prioritised UNSDGs
- Attained full GBI certification for PETRONAS Twin Towers (Gold) and Menara 3 PETRONAS (Silver)
- Positioned within the top 11 percentile among our supersector peers under FTSE4Good Index Series

To read more on our Sustainability Framework, kindly refer to our Sustainability Report 2019 at www.klcc.com.my/sustainability.php

SCOPE OF REPORTING

Our scope of reporting in the KLCCP Stapled Group's Sustainability Report 2019 underlines our sustainability performance as well as its strategies and practices, while highlighting the economic, environmental and social impacts of our business activities. This report is based on KLCCP Stapled Group's financial year from 1 January to 31 December 2019.

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

GOVERNANCE STRUCTURE

The Groups' sustainability governance structure which was formalised in 2016 was designed to build on the capacity to pursue sustainable goals. KLCCP Stapled Group's Sustainability Steering Committee (SSC) forms the core of the governance structure and plays a very important role in driving sustainability within the organisation. The SSC is co-chaired by Annuar Marzuki Abdul Aziz, Head, Strategy, Finance and Investor Relations and Zalina Ibrahim, Head, Health, Safety and Environment. Members of the SSC comprises heads from all major business functions which ensures the development of sustainability strategies represent the wider interests of the Group.

Key responsibilities of the SSC:

- Reports to the Chief Executive Officer (CEO) and ensures accountability, oversight and review in the identification and management of material matters within the Group
- Overseeing the corporate sustainability strategy and progress of the Group's sustainability performance
- Identifying and prioritising material matters
- Reviewing and endorsing policies, practices, targets and achievements for key sustainability initiatives and ensures regulatory sustainability requirements and reporting are met

SUSTAINABILITY STATEMENT

The SSC is supported by a working committee in ensuring sustainability is considered and integrated throughout our business operations. The CEO is responsible for driving the implementation of sustainability strategies for KLCCP Stapled Group and together with the SSC, reports the progress to the Boards of KLCCP and KLCCRM (the Boards) annually and seeks their advice on related issues. The Boards represent the highest authority and is ultimately accountable for managing sustainability matters within the Group.

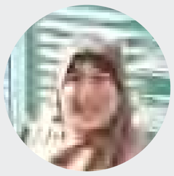
BOARDS OF DIRECTORS

KLCC Property Holdings Berhad | **KLCC REIT Management Sdn Bhd**

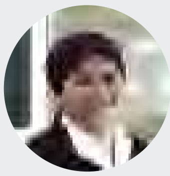
CHIEF EXECUTIVE OFFICER

SUSTAINABILITY STEERING COMMITTEE

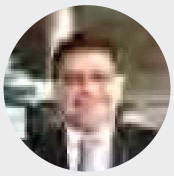
Annuar Marzuki Abdul Aziz
Head, Strategy, Finance and Investor Relations



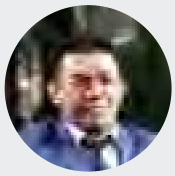
Zalina Ibrahim
Head,
Health, Safety and Environment



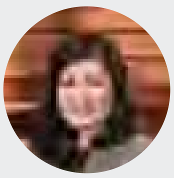
Datin Faudziah Ibrahim
Head,
Development and Leasing



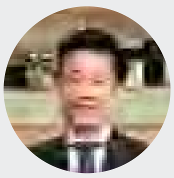
Abd Aziz Abd Kadir
Head, Legal and Corporate Services



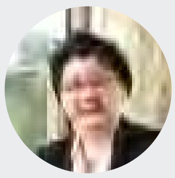
Sulaiman Ab Hamid
Head, Human Resource



Ho Mei Ling
Head,
Risk Management



Francis Tan
Chief Operating Officer
(Suria KLCC)



Anne Ng
Director, Business Management System
(MOKL Hotel)

SUSTAINABILITY WORKING COMMITTEE

SUSTAINABILITY STATEMENT

STAGE 1

AWARENESS AND GEARING UP

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

STAGE 2

SUSTAINABILITY OPERATIONAL EXCELLENCE

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

STAGE 3

STRATEGICALLY PROACTIVE

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

PROGRESS TO DATE

Underpinned by our Sustainability Framework and our five sustainability pillars, our sustainability journey began way back when KLCCP first started its operations in 2004. However, subsequent to KLCCP becoming a stapled security in 2013, we then embarked on a longer-term view of sustainability and began our journey in embedding it as part of our business model. We officially commenced documenting our journey in 2014 where we framed our Sustainability Journey in three stages, reflecting our commitment towards achieving our goals to deliver long-term values to our stakeholders.

To-date, we have progressed substantially in Stage 2 of our Sustainability Journey which has seen us integrating sustainability as part of our business strategy, prioritising our efforts in reducing emission and energy consumption, reducing water use and responsibly managing our waste.

Our key achievements in 2019 included:

- Supported our tenant initiatives in greening the PETRONAS Twin Towers and Menara 3 PETRONAS which obtained the GBI Gold and Silver rating respectively.
- Identified several flagship projects in the areas of environmental conservation and business innovation i.e. zero single-use plastics at our hotel, recycling of waste through placement of sorting bins throughout our retail mall, enhancement of KLCC Precinct security through installation of dynamic and high technology security features and implementation of cashless payment initiatives at our North West Development car park.
- Completed the transformation of office space into the Workplace For Tomorrow (WFT) for our tenants in PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil.
- KLCCP Stapled Group is ranked at the top 11th percentile among our supersector peers in the FTSE4Good Index Series.

2019 also saw us establishing our 5-year Roadmap (2019-2023), upon the completion of our 3-year (2016-2018) roadmap which saw the Group achieving the targets set across the Economic, Environment, Social (EES) and Corporate Goverance areas. The 5-year roadmap is aligned to our strategies in future-proofing our position to becoming the Solutions Partner for all our stakeholders, focusing on three main goals – Building a Smart, Safe and Sustainable KLCC Precinct; Building an Agile, Inclusive and Sustainable Workforce; Combating Climate Change and Reducing Environmental Impact.

We aligned our goals to 5 prioritised UNSDGs where we believe we can make the most difference to our stakeholders.

We continue to ensure the sustainability of our business is centred on EES and Corporate Goverance issues and opportunities that matter most to our stakeholders and work collaboratively with our business partners and community to create a positive lasting legacy.

5-YEAR SUSTAINABILITY ROADMAP (2019-2023)

GOAL 1: Building a Smart, Safe and Sustainable KLCC Precinct

MATERIAL MATTERS:

Financial Sustainability

Economic, Social and Industry Growth

Security, Safety and Health

Customer and Tenant Management

Corporate Social Investment

Risk and Crisis Management

FOCUS AREAS:

Smart Park

Smart Security System

Innovation and Digitalisation

5-YEAR TARGET [2019-2023]:

To be a digitally competent organisation

GOAL 2: Building an Agile, Inclusive and Sustainable Workforce in a VUCA (Volatility, Uncertainty, Complexity and Ambiguity) world

MATERIAL MATTERS:

Our People

Security, Safety and Health

Human Rights and Labour Practices

FOCUS AREAS:

People and Culture Fit

Career Potential

Work Life Balance

HSSE Maturity Culture

5-YEAR TARGET [2019-2023]:

To invest RM9.3 million for training and development programmes in future skills

To foster a culture that embodies high performance, integrity, HSE, innovation and rewards and recognition

To create a purposeful workforce - empowered, agile and enabled

To achieve Generative HSSE Culture

GOAL 3: Combating Climate Change and Reducing Environmental Impact

MATERIAL MATTERS:

Climate Change

Environmental Management

FOCUS AREAS:

Carbon Emission

Energy Consumption

Water Use

Waste Generation

Zero Single-Use Plastics

5-YEAR TARGET [2019-2023]:

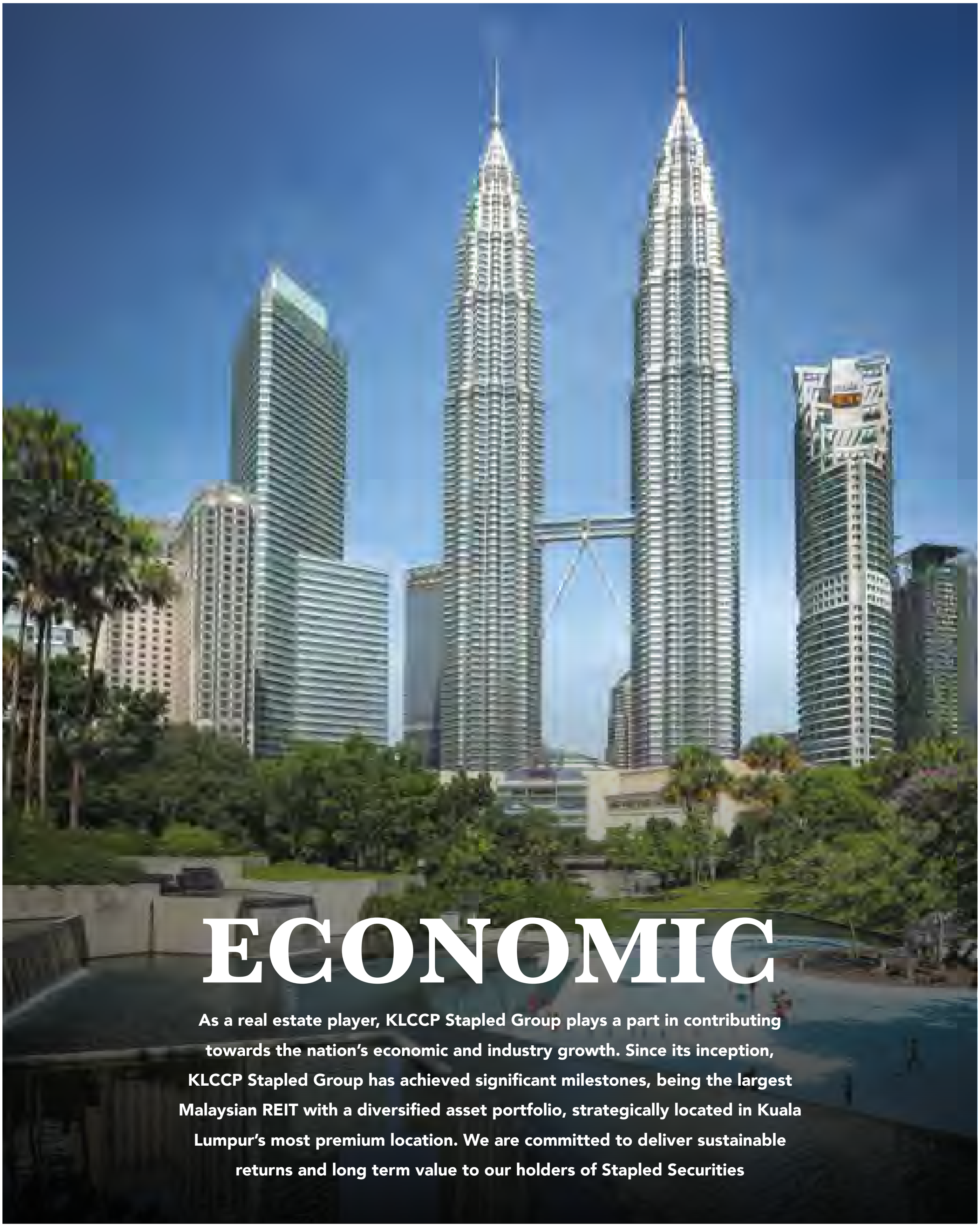
To reduce carbon emission by:
- 8.0% from 2015 baseline for office
- 18% from 2015 baseline for retail
- 3.0% from 2015 baseline for hotel

To reduce energy consumption by:
- 6.8% from 2015 baseline for office
- 5.0% from 2015 baseline for retail
- 1.8% from 2015 baseline for hotel

To reduce water consumption by:
- 1.0% from 2015 baseline for office
- 7.0% from 2015 baseline for retail
- 20.0% from 2015 baseline for hotel

To reduce total waste generation by:
- 12.0% from 2015 baseline for office
- 18.0% from 2017 baseline for retail
- 15.0% from 2015 baseline for hotel
- 90% removal of single-use plastic in hotel operations

ECONOMIC



ECONOMIC

As a real estate player, KLCCP Stapled Group plays a part in contributing towards the nation's economic and industry growth. Since its inception, KLCCP Stapled Group has achieved significant milestones, being the largest Malaysian REIT with a diversified asset portfolio, strategically located in Kuala Lumpur's most premium location. We are committed to deliver sustainable returns and long term value to our holders of Stapled Securities

ECONOMIC

SUPPORTING THE UNSDGs

MATERIAL MATTERS

1 Financial Sustainability

2 Economic, Social and Industry Growth

MAPPED TO OUR CAPITALS

RELATED PRINCIPAL RISKS

1 Finance

2 Market

3 Asset Management

4 Facilities Management

“We continue to explore new digital solutions to tackle challenges, improve processes and explore new business opportunities”

WHY IT MATTERS TO US

- Ensure improving sustainable returns and yields for our holders of Stapled Securities through stable dividend payout
- High quality office buildings and good track record enable us to secure high quality tenants
- Maintaining a healthy working capital, assets, liabilities and cash flow to produce a conducive business environment and long-term stability
- Playing our role in nation-building and contributing towards industry growth

VALUES WE CREATE

- Our strong fundamentals and management capabilities underpin our sustainable growth which is reflected through our stable performance for the year
- Diversified portfolio of iconic and high quality assets offering balance between commercial and public spaces
- Efficient business operations and contributing towards achieving long-term goals
- Spurring commercial and residential development and heightened economic activities surrounding the KLCC Precinct

OUR APPROACH

In the pursuit of creating values and delivering long-term financial sustainability to our stakeholders, KLCCP Stapled Group is committed to manage its business responsibly, aligning our business processes and strategies to support sustainable development and growth across our operations. We remain committed in driving sustainable growth through efficient cost management, service level improvements and capitalising on growth opportunities to maximise and enhance stakeholder value and investment.

FOCUS FOR THE YEAR

- Implementation of digitalisation initiatives at NWD car park – cashless payment, LED advertising panel
- Space reconfiguration at Suria KLCC to reinvent shopping experience
- Completing WFT project at PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil

ECONOMIC

FINANCIAL SUSTAINABILITY

KLCCP Stapled Group continues to leverage on its premium assets to deliver sustainable returns and ensure that our assets are well maintained in pristine condition. Our strategies of maximising values of investment saw us collaborating with our strategic brand retailers and business alliance partners on solutions to embed resilience for the longer term and create sustainable value, leveraging opportunities and technology.

These strategic priorities coupled with our diligent monitoring of financial, operational initiatives and cost optimisation efforts resulted in KLCCP Stapled Group delivering a stable and sustainable total annual return of 7.9% to the holders of Stapled Securities.

KEY HIGHLIGHTS		
RM1.4 billion Revenue	**RM686.0 million** Dividends	**RM102.9 million** Taxes

ECONOMIC, SOCIAL AND INDUSTRY GROWTH

KLCCP Stapled Group's role in spurring growth and strengthening the infrastructure surrounding the city centre for accelerated economic expansion and development has long been recognised. The integrated KLCC Development, with a myriad of attractions, has evolved to become The Place that people look forward to come to, offering the best in shopping, dining, entertainment, meeting facilities and a host of other offerings.

KLCCP Stapled Group's participation as a sponsor in the Le Tour de Langkawi 2019 has given us the opportunity to showcase KLCC Precinct as an iconic destination. The event successfully achieved a 5.9 billion global reach featuring over 1,000 stories across 11 different platforms including digital and traditional media with RM26.6 million of PR value generated from the local media.

ECONOMIC

- Achieved 100% completion of "Workplace For Tomorrow" (WFT) project – creating a conducive working environment for over 12,000 PETRONAS' Group employees
- Approximately 120,000 sq. ft. of space reconfiguration at Suria KLCC for F&B and new concept specialty stores featuring approximately 80 exclusive sought-after brand stores for the fashion savvy
- Achieved 92% hotel guest satisfaction
- Digitalised and innovative car park facilities and launched ICONIK parking mobile application for online ticket payment sevices. Achieved a monthly average of 30,000 customers using cashless payment method

- A smart and safe Precinct – visitors safety and well-being were heightened
  - Installation of 1,076 CCTVs within and surrounding the KLCC Precinct
  - 139 Help Points installed at KLCC Park and NWD car park
- Approximately 3 million visitors annually to the various attractions in KLCC Precinct

- Kuala Lumpur Convention Centre's new expansion provides larger meeting venue
  - 36 conventions and exhibitions held at the new space with over 100,000 visitors and delegates

Digitalisation

With digitalisation at the forefront of today businesses, KLCCP Stapled Group is also stepping up its pace to accelerate its effort in leveraging on digital technology to enable, improve and transform towards efficiency of its business operations and functions.

INITIATIVES FOR THE YEAR	
e-Library for Statutory Document	• KLCCUH established an e-Library to have their statutory documents in a digital platform for easy retrieval and standard reference for its employees in managing and operating the facilities
End User Productivity Tools – myMinutes, myMemo, myExplorer, myEvents	• Leveraged on PETRONAS' end user productivity tools to unite and foster a cohesive ONE PETRONAS experience by centralising information, improving user experience and connecting users
MyMO Communication Platform	• MOKL Hotel's employee engagement platform which allows two-way communication on hotel's events and quick reference guide to emergency situations
HSE Incidents Management Reporting	• Leveraged on Group HSSE PETRONAS' digital platform to standardise HSE incidents management reporting for all operational units within the Group

ENVIRONMENT

ENVIRONMENT

We are committed to protect and conserve our environment by implementing best practices across our operations supported by the application of environmentally friendly solutions. We strive towards promoting environmental sustainability with focus on delivering sustainable developments, enhancing a sustainable society and cultivating a green and safe corporate culture. We continue to take proactive measures in minimising environmental impact through efficient management of our operations in the areas of Greenhouse Gas emission (GHG), energy efficiency and responsible water and waste management.

ENVIRONMENT

SUPPORTING THE UNSDGs

MATERIAL MATTERS

1 Climate Change

2 Environmental Management

MAPPED TO OUR CAPITALS

RELATED PRINCIPAL RISKS

1 Finance

2 Asset Management

3 Facility Management

4 Health, Safety and Environment

5 Security

"We charted our climate change journey in enhancing our existing carbon management practices and affirming our stand in combating global climate change in support of the 2015 Paris Agreement"

Protection of the environment and climate change is fast becoming a global agenda. Responding to this call, Malaysia is also stepping up efforts in combating global climate change with the implementation of several initiatives which include the proposed development of the Climate Change Act, Tax incentives on energy efficient set-ups, encouraging renewable energy development and eliminating single-use plastics. This is all towards Malaysia's stand in achieving a low carbon economy status by 2050.

With the growing awareness on these environmental concerns and in support of the Government's initiatives, KLCCP Stapled Group is taking the effort to address and mitigate the adverse effect resulting from our business operations and the risks aggressively.

Our commitment in environmental stewardship is focused on improving our environmental practices and operational sustainability through:

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

WHY IT MATTERS TO US

- Shows our support towards the global agenda on Climate Change and the country's initiatives towards energy efficiency, environment and climate change action
- Growing level of environmental awareness to protect the planet
- Cultivates an eco-mindset among employees

VALUES WE CREATE

- Creating a greener environment for the well-being of our community through responsible practices in reducing GHG emission, energy consumption, water use and waste management
- Gained cost savings from reduced energy consumption, water use and use of renewable energy in our operations
- Conservation of natural habitat and ecosystem within our KLCC Park, providing a green, convenient, tranquil and conducive destination for our community
- Increased awareness amongst employees through participation in various organised environmental programmes

OUR APPROACH

At KLCCP Stapled Group, we acknowledge our responsibility and emphasise the needs in raising awareness and understanding of environmental sustainability amongst our business units, stakeholders and the broader community. In line with our Code of Conduct and Business Ethics (CoBE) and as a real estate owner, developer and manager, we aim to minimise disruption to the environment and its adverse impact on the community by reducing the environmental footprint of our buildings and use energy, water and resources more efficiently.

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

ENVIRONMENT

KLCCP Stapled Group is committed in achieving its aspiration to be recognised as a responsible organisation that places great importance on environmental best practices throughout its operations.

FOCUS FOR THE YEAR

- Establishment of our climate change position statement

> We duly recognise our corporate responsibility as a player in the real estate sector in mitigating climate change impact and to add value to the community where we operate

- Understanding the requirements of the Task Force on Climate Related Financial Disclosures (TCFD) and the impact of climate change on our financial
- Energy Management Committee analysis on energy performance of our buildings and new energy conservation initiatives conducted by each facility
- Replacement of fluorescent lights with LED lights at office, retail and hotel premises
- Stepped up efforts in eliminating single-use plastics at MOKL Hotel by progressively changing towards using recyclable items

CLIMATE CHANGE

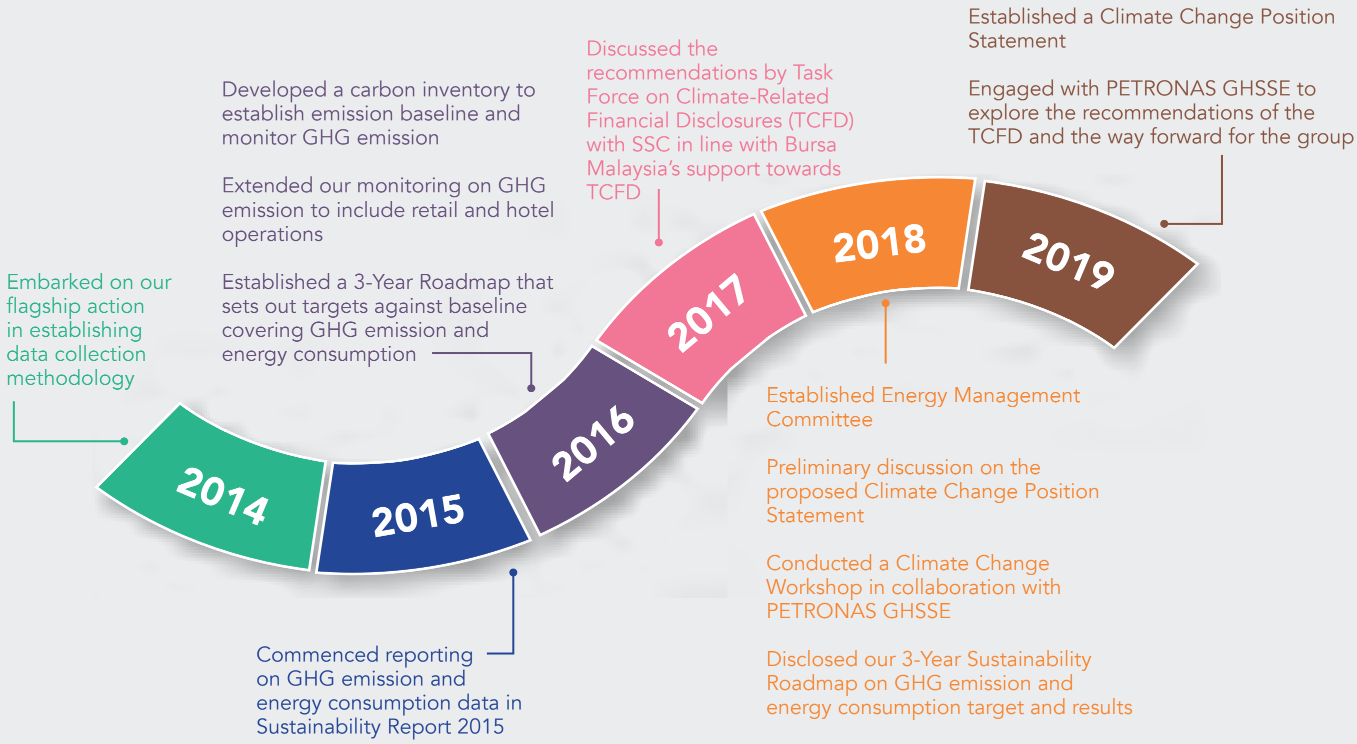
We address climate change risks through the reduction of our energy consumption and Greenhouse Gas emission in the business operations. Despite our emission being small, we remain conscious of how we operate and align ourselves to best practices.

Based on our carbon inventory and emission baseline, we monitor our carbon emission on quarterly basis and track our progress under Scope 1 and 2. We have successfully achieved a reduction of 15.8% in our GHG emission from 2018 as a result of our continued proactive measures in minimising our carbon footprint. During the year, our overall energy consumption recorded a decrease of 18.9%, from 115,958kWh in 2018 to 94,046kWh in 2019. This significant reduction was contributed by the ongoing energy saving measures implemented throughout our operations.

The photovoltaic system located at the rooftop of Suria KLCC contributed towards the mall's electricity saving of approximately 16.3 million kWh, equivalent to a total saving of RM1.6 million since 2014. The reduction of GHG emission is approximately 360,000 kg carbon dioxide (CO_2) per year.

Our Climate Change Journey

We charted our climate change journey in enhancing our existing carbon management practices and affirming our stand towards the Government's commitment in combating global climate change in support of the 2015 Paris Agreement, which is aligned with our focus on Sustainable Development Goal 13 of taking urgent action to combat climate change and its impact.



KEY HIGHLIGHTS

Greenhouse Gas Emission by Segments ($mtCO_2e$)		Office and Car Park 2019	Office and Car Park 2018	Retail 2019	Retail 2018	Hotel 2019	Hotel 2018	Total 2019	Total 2018
	Scope 1	**4.45**	4.66	**1,692**	1,635	**2,142**	1,192	**3,838.45**	2,831.66
	Scope 2	**67,610**	82,667	**21,239**	27,141	**16,086**	16,583	**104,935**	126,391

Energy Consumption by Segments ('000) (kWh)	Office and Car Park 2019	Office and Car Park 2018	Retail 2019	Retail 2018	Hotel 2019	Hotel 2018	Total 2019	Total 2018
	74,697	88,044	**9,400**	14,293	**9,949**	13,621	**94,046**	115,958

Solar Energy Performance ('000) (kWh)	Energy Generated from Solar 2019	Energy Generated from Solar 2018	Savings (RM) 2019	Savings (RM) 2018
	511,695	512,257	**238,000**	187,000

INITIATIVES FOR THE YEAR

- Upgrading of Building Control System with additional field devices to provide means of monitoring and control of the current Mechanical and Electrical system at PETRONAS Twin Towers
- LED lights fitting at all our assets – office, retail and hotel
- Initiatives at Menara Dayabumi:
  - Switching off operation of escalators during night time (7.30 p.m. to 6.30 a.m.)
  - 50% of all office lighting turned off during lunch hour
  - Lighting system rewiring for lighting zone control at car park
  - Resetting room temperature set point from 23°C to 24°C
- Use of portable aircond units after office hours and on weekends by PETRONAS-ICT Call Centre and shutting-off office lighting after office hours at Menara ExxonMobil
- Completion of two phases of escalator modernisation at Ampang Mall at Suria KLCC
- Introduction of "Opt-Out" at MOKL Hotel, whereby the hotel would only change linen and towels once in every three days unless opted out by guests
  - The program has been very successful with 98% of guests participating
  - Reduction in amount of linen washed estimated at 30,000 kg per month

ENVIRONMENTAL MANAGEMENT

The environmental management practices that we have in place enable us to reduce our environmental impact and minimise environmental degradation resulting from our business operations. The tracking and monitoring of our environmental performance also enable us to gauge the efficiency of the resources used and for our operations to achieve cost optimisation.

Water Management

As a real estate owner, developer and manager, we aim to keep consumption to a minimum, reuse water and prevent water pollution. Efficient water management also translates to less energy which reduces carbon footprint and in turn lowers our operational cost. With the ongoing initiatives, our overall water consumption for 2019 was reduced by 4.6%.

ENVIRONMENT

KEY HIGHLIGHTS

Water consumption by segments (m^3)

	2019	2018
Office and car park	**624,503**	589,491
Retail	**405,000**	497,347
Hotel	**154,948**	154,530
TOTAL	**1,184,451**	1,241,368

INITIATIVES FOR THE YEAR

- Replacement of water tap and installation of aerator at hand basin at PETRONAS Twin Towers and Menara 3 PETRONAS
- Water reduction campaign with tenants at PETRONAS Twin Towers
- Installation of water leak detection at all mechanical floors and water storage tank at Menara 3 PETRONAS
- Replacement of domestic water tank at Menara Dayabumi
- Installation of water tap sensor at wash basin at Menara ExxonMobil
- Installation of tenants' water meter at Suria KLCC
- Replacement of hot water copper pipes at common area at guest room floors at MOKL Hotel

CASE HIGHLIGHT | Managing Water Supply Disruption at KLCC Precinct

Water connects every aspect of our lives. Access to safe water is critical as it contributes to the people's well-being and for businesses that use water as an essential part of their operations, efficient water management is vital for business sustainability.

For the first time in 20 years, KLCC Precinct experienced a prolonged water supply disruption from 24 to 27 April, 2019. Though KLCCP Stapled Group's operations are located within abundance water supply area, the Group practices prudent water use and is always ready for any eventualities as water supply can be disrupted at any time due to various unexpected reasons.

On April 18, 2019, the Group received a notification from Syabas, Malaysia's water supply company, notifying consumers on the upgrading and maintenance work at the Sungai Selangor Water Treatment Plant that will disrupt water supply to the KLCC Precinct and the surrounding area.

Upon receiving this notification, KLCC Urusharta Sdn Bhd (KLCCUH), the Group's facilities management company, immediately alerted all parties concerned and a meeting was held to strategise the planning and approach in mitigating the risks to ensure business continuity.

Statistics

12 Facilities affected	**6** Facilities directly impacted
3,607 m^3 Amount of water delivered	**101** Tanker trips to supply water

The affected facilities within the KLCC Precinct included:

- PETRONAS Twin Towers
- Menara Maxis
- District Cooling Centre
- Suria KLCC
- Menara 3 PETRONAS
- Impiana KLCC Hotel
- Menara ExxonMobil
- Traders Hotel Kuala Lumpur
- Mandarin Oriental, Kuala Lumpur
- Kuala Lumpur Convention Centre
- Common Facilities (mosque, park)

KLCCUH's preparation in managing the water disruption involved:

- Conducted coordination meeting with Syabas and all focal persons of each facility to establish communication before and during the crisis
- Determined the water consumption during the four days of disruption
- Hired tankers to deliver water purchased from Syabas
- Installation of breeching inlets at main incoming supply to all buildings and facilities
- Calculated water tank capacity and water consumption rate for each facility
- Communication to tenants to alert on upcoming water supply disruption and mitigation plans
- Monitored water supply from Syabas on the first day of disruption
- Monitored water level daily, every 30 minutes and notified all facilities on water level from time to time
- Monitored water quality before transferring into buildings' water tanks

CASE HIGHLIGHT | Managing Water Supply Disruption at KLCC Precinct (Cont'd.)

39 hours after Syabas' announcement on the completion of the upgrading work on the Sungai Selangor Water Treatment Plant, water supply was back to normal on 26 April at 3.00 p.m.

In strategising the mitigation strategy, three important aspects were emphasised:

i. Establishment of effective communications before and during the event which include team coordination, engagement with tenants, users and Syabas
ii. The resources, i.e. the people on the ground who was handling the crisis and the contractors who must be well-prepared and know what to do
iii. Methodology: Installation of breeching inlets at the main intake point to facilitate transfer of water from mobile tankers into the main tanks in the buildings.

The challenges encountered:

- Traffic congestion which affected the delivery schedule of water, thus resulting in the delay of supply to the facilities concerned
- Longer waiting time taken by vendor to fill their tanks as the queue was long
- Difficulty in securing water tankers in Kuala Lumpur as the demand was very high and those within the city centre area were fully booked

The mitigation plan:

- Assistance from Auxiliary Police and KLCC Security was sought to clear the roads free from vehicle to ease movement of water tanker
- Requested for tankers to queue as early as between 1.00 a.m. and 2.00 a.m. and to deliver immediately to avoid the peak hours
- Water tankers from Johor Bahru, which is outside the city centre area were commissioned to deliver water to the affected facilities

Lessons learnt from the crisis:

- The crisis must be handled in a calm and structured manner as early planning was possible and ample notice was given by Syabas
- Full cooperation from all parties is required and every personnel must know their area of responsibilities
- Commitment from all personnel in promptly reporting the status of supply from time to time to the operator of the affected facilities is critical to ensure the smooth and undisruptive operations of businesses
- Avalaibility of information on water consumption for each building is critical in facilitating the commissioning of sufficient water tankers
- Alternate workplace readiness at all times is vital as there may be a need in time of crisis
- The critical need for an establishment of an integrated platform for communication for the KLCC Precinct to facilitate timely, accurate and consistent communication

ENVIRONMENT

Waste Management

As a property investment and development group, our approach to waste management covers construction waste produced during development and renovation of our buildings, municipal waste produced during operation of our buildings by the various users and occupants, which includes domestic and hazardous waste.

KEY HIGHLIGHTS

WASTE GENERATION AND DISPOSAL BY SEGMENTS

Office and Car Park (metric tonnes)

	2019	2018
Total Hazardous Waste Generated	3.449	9.88
Total Hazardous Waste Disposed	2.860	9.88

Retail (metric tonnes)

	2019	2018
Total Hazardous Waste Generated	0.937	0.755
Total Hazardous Waste Disposed	0.557	0.970
Recycled waste	4,227	4,232

Hotel (metric tonnes)

	2019	2018
Total Hazardous Waste Generated	2.220	0.50
Total Hazardous Waste Disposed	2.219	0.50
Waste Intensity (kg/per room)	1.3	2.35
Waste Diversion (%)	63	25.76

INITIATIVES FOR THE YEAR	
Menara Dayabumi	• Campaign on using reusable container instead of using plastic • Awareness on zero waste among all employees
Suria KLCC	• Replacement of normal bins to sorting bins in August 2019 • Sorting of food waste at Signature Food Court where the waste is collected and sent to vendor to be processed into organic fertiliser
MOKL Hotel	• WWF-Malaysia and MOKL Hotel's Memorandum of Understanding – signed on November 5, 2019 where MOKL Hotel and WWF-Malaysia will jointly build a food waste task force and develop measurable and achievable goals to improve the flow of food within the hotel property • Eliminating Single-Use Plastic – signed up to the Plastic Action platform, supporting circular economy by moving to 100% reusable or recyclable product and packaging design models by 2020 • 629 guestrooms, spa and fitness and wellness facilities implemented the Nordaq FRESH water system, replacing single-use plastic water bottles • Food and beverage and Banquet – Natura bottled water was implemented, displacing 74,000 single-use plastic bottles per year

CASE HIGHLIGHT | Eliminating Single-Use Plastics at MOKL Hotel

The MOKL Hotel has, over the years since being certified with ISO 14001 - Environmental Management System, taken steps to reduce the amount of single-use plastic. Some of the hotel's best practices since 2003 were to do away with newspaper bags, garment and coat covers, laundry bags, slipper bags, carrier bags, shirt bags, etc.

In 2018, the Malaysian Government announced the target year of 2030 for the overall elimination of single-use plastics. In 2019, Mandarin Oriental Hotel Group (MOHG) announced its commitment to be 100% single-use plastics free by March 2021. These announcements further spurred MOKL Hotel into implementing more impactful initiatives such as the 100% elimination of single-use plastic water bottles throughout the entire hotel.

The hotel used approximately 600,000 units of 500 ml single-use plastic water bottles per year. These bottles were used mainly in the 629 guest rooms, Banquet and Spa and the Fitness and Wellness areas. That constitutes about 20 tonnes of single-use plastic bottles per year that were recycled, or unintentionally thrown into dumpsites. The total cost of consuming water from these plastic bottles were approximately RM340,000 per year.

For the guest rooms, Sweden's Nordaq FRESH glass bottled water system was implemented. As MOKL Hotel is the largest hotel, in number of rooms for MOHG, introducing an in-house self-bottled water system was a daunting thought which fortunately was realised in June 2019. A bottling room was set up on Level 5 of the hotel with three employees to man the operations. Controlled conditions of the room ensures that the bottled water is of the highest quality and safe for consumption. Monthly water tests, by a third party are conducted to further validate the quality of the drinking water.

MOKL Hotel employees are trained in food safety practices and comply to the requirements of food handlers. Approximately 900 x 750 ml glass bottles are filled and capped daily, amounting to about 328,500 bottles filled yearly. The clockwork process ensures that the hotel's in-house guests are always welcomed by freshly bottled water.

For the huge banqueting areas of the hotel that has approximately 150,000 covers per year, USA's Natura Water was first introduced in 2012 for the second floor function rooms and in September 2019, the ground and first floor ballrooms followed suit. A bottling center was established on the second floor, manned by the banqueting employees. For Spa, Fitness and Wellness as well as Heart-of-House employees' areas, Coway direct-supply water purifier was installed in strategic locations throughout the hotel. Reusable water bottles were given to all employees and for guests, specially designed takeaway water bottles were made for sale at the Spa, Fitness and Wellness area.

MOHG's commitment towards elimination of 100% single-use plastics by March 2021, saw MOKL Hotel identifying 90 items that needed to be discontinued, replaced with reusable items or single-use substitutes such as bioplastics. As at end of December 2019, MOKL Hotel has been able to achieve 65% compliance.

ENVIRONMENT

Responsible Material Use

At KLCCP Stapled Group we continue to promote the use of environmentally-friendly products throughout our operations as part of our effort in contributing towards minimising the adverse impact to the environment for the well-being of our community.

INITIATIVES FOR THE YEAR	
Re-use of furniture and use of eco-friendly materials	• Re-use of office furniture such as tables and sofas at our facilities management office • Office fit-out materials for WFT project are of low Volatile Organic Compound (VOC) at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil and Menara Dayabumi • Changing from chemical cleaning method to steam cleaning method when overhauling air-conditioning units at MOKL Hotel
Life Cycle Analysis	• Implementation of the 5-year Asset Integrity Plan at PETRONAS Twin Towers, Menara Dayabumi and Menara 3 PETRONAS where mechanical and electrical equipment are serviced to prolong equipment lifespan
Monitoring of Indoor Air Quality	• Indoor air quality (IAQ) measurement were taken three times in the year for PETRONAS Twin Towers to ensure the parameters adhere to acceptable limits • Installation of carbon dioxide (CO_2) sensors in Building Control Systems in each Air Handling Unit room to regulate fresh air supply if the CO_2 reading approaches unacceptable limits • Advised vendors to adhere to the guidelines on IAQ control i.e. to use adequate ventilation during indoor work, airing of furniture before installation, to use material of low contaminant exposure and to conduct air purging on the affected floor

Biodiversity

Promoting a healthy environment through the conservation of biodiversity is vital to create a well-functioning ecosystem. Though KLCCP Stapled Group's investments and development are centered within the city centre, our interface with biodiversity is nominal and our biodiversity effort is reflected in the 50-acre KLCC Park wherein we maintain the park as a green lung to conserve the habitat of local and migratory birds and animals and promote a healthy ecosystem for the park.

In addition to this biodiversity effort, we also undertook several initiatives that were aimed at inspiring our employees and community to create a greener environment for the well-being of our community.

INITIATIVES FOR THE YEAR	
Herb Garden	• Maintaining a Herb Garden at PETRONAS Research Centre
Rehabilitation of Raja Muda Forest Reserve	• MOKL Hotel collaborated with Global Environment Centre, a non-profit organisation established in 1998 on the rehabilitation of Raja Muda Musa Forest Reserve • This 23,486 hectares' peat swamp is located in the north-western part of the Selangor state • 30 employees of MOKL Hotel took part in the project which involved planting of trees at assigned areas of the forest
Environment Voluntary Work at Kota Kinabalu Wetland Ramsar Site, Sabah	• Participated by 88 KLCCUH employees • Activities included cleaning of the mangroves, an area between the land and sea of flora and fauna • Spent a total of RM40,000 for the effort
Earth Hour	• Switching-off of non-essential lights for an hour at all our buildings to create awareness on the need to conserve natural resources and in support of the global climate change agenda
Waste Not Want Not Charity Sale	• MOKL Hotel's organised its annual fund raising activity to raise funds for CSR events as well as to encourage employees to reuse, reduce and recycle

SOCIAL

SOCIAL

As a real estate player, our business strategy takes into perspective the risks and opportunities impacting the real estate industry and organisation, while keeping abreast with the changing customer behaviours and expectations of our stakeholders. Our commitment towards promoting social sustainability focuses on managing and identifying business impact on our employees, workers in the value chain, customers, and the local communities whilst maintaining long-term partnerships across our business portfolios. As such, our social commitment is anchored on three sustainability pillars – Security, Safety and Health, Our People and Reliable Partner.

OUR SOCIAL COMMITMENT THROUGH THREE SUSTAINABILITY PILLARS

1 SECURITY, SAFETY AND HEALTH

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

2 OUR PEOPLE

Nurturing a diverse and talented workforce to drive business growth strategies

3 RELIABLE PARTNER

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

SECURITY, SAFETY AND HEALTH

The focus on security, safety and health at KLCCP Stapled Group is paramount and critical particularly since we operate in the real estate development and investment industry where increasing number of security threats, work-related injuries, illnesses and inherent risks are becoming more apparent. As such, creating a positive culture on security, safety and health whilst empowering everyone within the organisation to be part of a solution, enables us to strengthen our HSE capability and culture.

SUPPORTING THE UNSDGs

3 GOOD HEALTH AND WELL-BEING

MATERIAL MATTERS

1
Security, Safety and Health

MAPPED TO OUR CAPITALS

RELATED PRINCIPAL RISKS

1
Health, Safety and Environment

2
Security

3
Facility Management

4
Project Management

"We place utmost priority in workplace health, safety and security and scale up towards a HSSE Generative Culture"

WHY IT MATTERS TO US

- Protecting our people and caring for their well-being is essential to our business operations
- Safety at worksite is one of the highest safety issues due to the increasing number of work-related injuries, illnesses and inherent risks associated with working in the real estate sector

VALUES WE CREATE

- Strengthened HSE capability and culture and occupational health of employees
- Sustained HSE excellence with every employee ensuring HSE accountability
- Being the HSE leader in the industry, surpassing our peers

OUR APPROACH

KLCCP Stapled Group is committed to conducting business in a manner that protects the health, safety and security of our employees, tenants, contractors, suppliers and the community who visit our properties. Our business activities are conducted in accordance with our KLCC HSE Policy and comply with the highest standards of occupational safety and health regulations. This is supported by our HSE Management System (HSEMS), HSE Mandatory Control Framework (MCF) and PETRONAS Technical Standards to strengthen HSE Governance within the KLCCP Stapled Group while providing clear requirements on operational safety, environment and health for consistent and effective implementation.

We place utmost importance on safety management to prioritise safe work practices, building HSE capability and culture within our organisation and safeguarding of occupational health in sustaining ideal health levels of our employees, visitors to our properties and at project sites. Regular HSE programmes are conducted to strengthen our HSE culture and capability and ensure our operations are carried out with the highest safety standards. We make continuous improvement in our HSE practices, measure and track our performance against industry best practices in our effort to raise the bar on HSE.

FOCUS FOR THE YEAR

- Strengthening the KLCC Precinct Security with functional and dynamic technology and competent security forces through the implementation of Smart Security and Surveillance Systems

SOCIAL - SECURITY, SAFETY AND HEALTH

Safety and Health Management

Managing the safety of our people, assets and the environment is KLCCP Stapled Group's top priority. Our emphasis is to develop effective controls on identified HSE risks. In addition to workplace safety, KLCCP Stapled Group also placed emphasis on employees' health. In 2019, our HSE strategic focus was on four core areas:

- Internalise HSE Culture through leadership and ownership at middle management level
- Concentration on Contractor Management in both facilities management and construction field
- Cultivate consistent operating discipline in HSEMS and MCF
- Strengthening internal HSE Capabilities

KEY HIGHLIGHTS

	Fatalities	Loss Time Injury (LTI) Incidents	Loss Time Injury Frequency (LTIF)	Loss of Primary Containment (LOPC)	Potential Incident/ Near Miss (PI/NM)
2019	0	7	0.78	0	1,805
2018	0	5	0.47	0	2,245

INITIATIVES FOR THE YEAR	
Top Management HSE Walkabout	• Six HSE Walkabouts conducted in 2019 to promote leadership visibility in driving HSE
HSE Awareness Programmes for employees	• Fire Safety and Awareness Session with Jabatan Bomba dan Penyelamat Malaysia • Effective Intervention towards Crime Prevention for everyone • Self-defense workshop by She Fights • HSE induction for new employees • Education and competency program: Re-inforce ZeTo Rules and First Aid training for first aiders
HSE Communication	• News updates on HSE via KLCC Group intranet portal • HSE sharing sessions with business units facilitated by the HSE team
Safety Engagement with Contractors/ Suppliers	• Monthly engagement with suppliers • Suppliers Performance Appraisal (SPA) carried out twice a year • Contractors safety briefings
Workplace Health	• Health Risk Assessment - to identify all health hazards within the organisation and provide a basis for the business to conduct health hazard studies • MOKL Hotel Annual Medical Surveillance carried out by an occupational health doctor registered with DOSH
Emergency Preparedness	• Emergency evacuation drill held at Suria KLCC and at Menara Dayabumi • Simulation exercises held at MOKL Hotel to test the effectiveness of the Business Continuity Management
Investigations and Findings of Reported Incidents	• We successfully attained four Silver investigators who are qualified with accreditation to lead any lost time injury incident within the Group

SOCIAL - SECURITY, SAFETY AND HEALTH

Security Management

In respect to Security Management, at KLCCP Stapled Group, we have the responsibility of keeping our guests, tenants, customers and visitors safe. We have in place the KLCC Precinct Security Master Plan which comprises the Security Surveillance System for the Common Areas of the KLCC Precinct. We also collaborate with the Police and PETRONAS Group Security to manage the customers' and visitors' safety and security across all asset classes.

INITIATIVES FOR THE YEAR	
Establishment of Crime Prevention through Environmental Design (CPTED)	• Allocated several "Planter Box" close to the entrance of PETRONAS Twin Towers and Menara 3 PETRONAS to provide Hostile Vehicle Mitigation (HVM)
Implementation of Visitor Management System (VMS) Database	• Implemented VMS at PETRONAS Twin Towers for streamlining the process for visitors check-in
Integrated Command Centre (ICC)	• Built to house the security management team and the new security control surveillance system and server room where the access into the entire precinct can be controlled and monitored
Implementation of Security Systems and Technology	• Implementation of enhanced security system within our KLCC Precinct common areas: i. Smart Security Surveillance System (CCTV) ii. Automated Number Plate Recognition (ANPR) System iii. Help Point System iv. Guard Tour and Communication System

Cyber Security and Data Privacy

With cyber-attacks becoming more prevalent and damaging, KLCCP Stapled Group also reinforced its systems and procedures to detect, respond and mitigate potential cyber disruptions for upholding information security protection. KLCCP Stapled Group worked towards creating awareness within the organisation by conducting cybersecurity workshops.

INITIATIVES FOR THE YEAR	
Implementation of KLCC Group Cyber Security Action Plan	• To ensure our organisation's data is safe from attacks from both internal and external factors and to also safeguard necessary integrated technologies, prevent hacking and ensure business continuity

OUR PEOPLE

At KLCCP Stapled Group, our key focus is to create a culture that shapes our people towards performance excellence, a dynamic environment that promotes diversity and inclusivity, with opportunities for holistic growth for our people to grow and build their careers, aligned to their unique needs and development abilities. Attracting the best of the millennials is also critical to us as their career aspirations and attitudes about work with knowledge of new technologies has changed the working landscape. In order for us to be able retain and attract the best talents, we need to revolutionise our workplace.

SUPPORTING THE UNSDGs

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

MATERIAL MATTERS

1 Our People

2 Human Rights and Labour Practices

MAPPED TO OUR CAPITALS

RELATED PRINCIPAL RISKS

1 Human Capital

> "We have a culture that values our people and offers mutual support contributing to a unique environment that gives meaning to employees' work"

WHY IT MATTERS TO US

- Our people define the culture of the organisation and their diverse capabilities enable us to deliver quality outcomes and achieve business results
- We aim to be the Employer of Choice to be able to attract, nurture and retain the best talent in the industry

VALUES WE CREATE

- Greater inclusiveness towards talent retention
- More focused and engaged workforce making results matter
- Attitude and ability that enables employees to embrace technology, collaborate with others and work effectively in a modern, digital environment
- A purposeful workforce who are empowered, agile and enabled in a VUCA (Volatility, Uncertainty, Complexity and Ambiguity) world

OUR APPROACH

Our employees stand guided by a strict compliance to CoBE without any compromise to the organisation's integrity. At KLCCP Stapled Group, we embrace the Cultural Beliefs which unleash potential in our employees to deliver excellent results. We believe human capital is fundamental for us and we are guided by a high performance culture based on meritocracy, performance and delivery, subscribing to our KLCC Shared Values of Innovative, Cohesiveness, Loyalty, Integrity, and Professionalism, which are reflected in our daily work practices. Our Human Resource policies adhere to the strict guidelines on non-discrimination and fairness.

We are also committed to provide opportunities and nurture local talent by promoting talent retention within the organisation and ensure that employees make the best of our organisation. KLCCP Stapled Group strongly believes in investing in training and development initiatives as this leads our organisation towards gaining competitive advantage for future growth and success. Our retail and hotel, Suria KLCC and MOKL Hotel have their own structured approach in enhancing the capabilities of employees within their respective areas. We also proactively engage with our workforce through various avenues focusing on employees' well-being, performances, results and recognition.

SOCIAL - OUR PEOPLE

FOCUS FOR THE YEAR

- Revised succession management evaluation criteria to be more stringent in selection of qualified and competent talent for business sustainability
- Upskilling of employees towards digital mindset to remain relevant with the evolving needs of the industry and workplace
- Enhancing employee benefits to meet their needs and provide flexibility and supportive work environment

Equality, Diversity and Inclusion

We view equality, diversity and inclusion within our workplace as business imperative and continuously strive to provide equal opportunity in recruitment, career development, promotion, training and reward for all employees regardless of age, gender, race, religion, sexual orientation or disability.

KEY HIGHLIGHTS

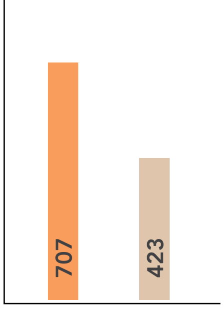
TOTAL EMPLOYEES

Permanent	Contract	Total
1,029	101	1,130

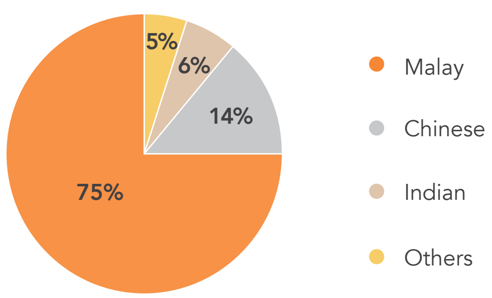
AGE PROFILE

Age	2019
Below 30	353
30 – 39	346
40 – 49	273
50 – 59	155
60 above	3

Workforce Diversity



Ethnicity



Note: We also provide fair employment opportunities for the disabled and as at 2019, KLCCP Stapled Group has two disabled employees.

Women Empowerment

At KLCCP Stapled Group, we create diverse opportunities to empower women to be at the forefront and take leadership positions.

KEY HIGHLIGHTS

43%
Women Senior Management Leaders

Skills and Capability Development

We nurture talents through focused and strategic training, giving every employee the opportunity to learn and grow to build their careers while following their passion. We groom and grow our internal talents by setting high standards of expectations and encourage employees to take personal ownership of their careers.

KEY HIGHLIGHTS

RM1.8million
Invested in Learning and Development

94%
Employees underwent Training Programmes

35 hours
Average Training Hours Per Employee

137
Total Training Programmes

SOCIAL - OUR PEOPLE

INITIATIVES FOR THE YEAR	
KLCC Group Elite Leadership Programme (KELPRO)	• Focused on junior employees who are high performers with high potential of becoming future leaders who are subjected to a 1.5 year program
Leadership Programme	• Three leadership programmes designed for managerial levels and above - Strategic Excellence Programme, Tactical Excellence Programme and Managerial Excellence Programme • MOKL Hotel's "Move Up" and "Move Forward" Development Programme – Designed for supervisors, junior managers and experienced managers to assist in building competencies, development and enhancement of leadership and business skills
e-Learning through Harvard ManageMentor (HMM) digital platform	• Self-directed learning platform through Harvard ManageMentor which include 41 topics covering areas such as strategic thinking, business plan development, writing skills, customer focus, presentation skills, and marketing essentials
Human Rights training for hotel management employees	• All employees attended training on human rights through the Code of Conduct training
Industrial Relations Conference 2019 for Suria KLCC	• Equipped Human Resource professionals with the latest development in the fields of Industrial Law and Human Resource practices
Suria KLCC Marketing and Leasing Certification Programme	• Expands knowledge, skills and offers a series of introductory and advanced learning sessions from experienced mall practitioners which covers the fundamentals of mall management and comprehensive course materials, case studies and interaction sessions

Talent Management

At KLCCP Stapled Group, we see recruitment, promotion and retention of young talents as a key strategic enabler which underpin the success of the organisation in its future growth. We have a robust talent management system in place which comprise a 5-year Talent Strategy Blueprint, Talent Management Programmes and a Succession Planning Strategy. Our Talent Strategy Blueprint details the strategies on attracting, retaining and developing talents, spanning a 5-year horizon. The blueprint outlines the HR roadmap and milestones focusing on three strategic thrusts - getting the right talents, putting them in the right environment and building credible leaders.

TALENT STRATEGY BLUEPRINT

In 2019, we revised our succession management evaluation criteria to be more stringent to maintain an effective succession plan for key positions and critical portfolios in order to enhance and retain qualified and competent talents for business sustainability.

SOCIAL - OUR PEOPLE

Workforce Engagement

At KLCCP Stapled Group, we enrich our employees through work-life balance, building a workforce that embraces our Cultural Beliefs in delivering performance. We have a low attrition rate reflective of the trust the employees have in our organisation and for providing them a workplace that inspires.

KEY HIGHLIGHTS

5.3%
Attrition Rate

INITIATIVES FOR THE YEAR	
Employee Engagement	**Employee Wellness**
• CEO Townhall • KLCC Group Annual Dinner and Long Service Awards • KLCC Majlis Berbuka Puasa • KLCC Group Ladies Event • HR Showcase • Informative Talks/Forums	• Blood Donation Campaign • KLCC Group Family Carnival and Property Games • MESTI*fit*4Health Campaign • MOKL Sports and Recreational Activities • MO-Fit Program

HUMAN RIGHTS AND LABOUR PRACTICES

We demonstrate responsible workplace practices and fully comply with legislations on the welfare and rights of our employees as well as service providers at our project sites. Since human rights is paramount to us and in line with PETRONAS' best practice, KLCCP Stapled Group will be looking into adopting the PETRONAS' Human Rights Commitment in near future.

Responsible Employment

KLCCP Stapled Group is a performance-driven organisation, adopting fair and responsible employment practices. We abide by the Malaysian Labour Laws and offer fair and competitive remuneration packages based on employees' competencies and expected roles and responsibilities which are aligned to industry's best practices and market benchmarks with reviews conducted annually.

INITIATIVES FOR THE YEAR
• Enhancement to Group Term Life Assurance
• Flexible Work Arrangement for Pregnant Ladies
• Working Arrangement for Employee with Dependent affected by Contagious Diseases

KEY HIGHLIGHTS

ZERO
Incidents and Grievances of Discrimination, Child labour and Forced Labour

Non-Discrimination

Pursuant to our CoBE, we do not tolerate unlawful discrimination in the workplace or on the job. We aim to address any grievance or complaints amongst employees or third party fairly and effectively. The grievance mechanism that we have in place enables employees to raise issues such as dissatisfaction regarding conditions of employment, relationship with colleagues or supervisor, or discrimination.

SOCIAL - RELIABLE PARTNER

RELIABLE PARTNER

KLCCP Stapled Group is committed to taking an active and long-term role in managing the relationship with our stakeholders and working as a reliable partner with the communities, to engage both citizens and community partners to ensure continuous improvement in our approach to sustainability and in giving back to the community.

SUPPORTING THE UNSDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

MATERIAL MATTERS

1 Supply Chain Management

2 Customer and Tenant Management

3 Corporate Social Investment

MAPPED TO OUR CAPITALS

RELATED PRINCIPAL RISKS

1 Market

2 Asset Management

3 Facility Management

4 Supplier

> "We create a myriad of experiences to tantalise, engage and connect with our customers and community seamlessly"

WHY IT MATTERS TO US

- We are conscious of our role in delivering lasting impact to the community
- Our customers, tenants, guests and community create the vibrancy in KLCC Precinct for us and we in turn need to give them the experience of The Place

VALUES WE CREATE

- Strategic business partnerships which contribute towards social development and long-term community value
- Produced the safest possible food for our guests without compromising the quality
- Made KLCC Precinct the people's place where they can converge and enjoy the various experiences through excellent infrastructure, accessibility, connectivity with the attractions within the development

OUR APPROACH

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

FOCUS FOR THE YEAR

- Continue to seek out suppliers who have accreditation/certification to provide quality products at competitive prices
- Constantly creating unique experiences for customers and hotel guests through curated collaborations with renowned brands and leveraging on digital technology

SUPPLY CHAIN MANAGEMENT

We have a robust system in place to continuously review our supply chain, take concrete actions to enhance the quality of services and products we procure, and work closely with our suppliers to improve their sustainable performances. We ensure our entire procurement process takes into account the EES impacts of our business practices. KLCCP Stapled Group practices sustainable procurement by ensuring its entire procurement process covers every element of the value chain:

- Sustainable Supply Chain and Ethical Behaviour
- Suppliers's Code of Conduct
- Suppliers Diversity and Local Procurement
- Supplier Audits
- Purchasing Policy and Scope
- Green Procurement

SOCIAL - RELIABLE PARTNER

INITIATIVES FOR THE YEAR
• Awareness Session on Procurement Procedure for new employees
• Training on understanding of procurement process to minimise errors and improve quality of work and time management
• Conducted Contractor Risk Assessment (CORA) to identify potential risk of non-performing contractor

Food Safety and Quality

MOKL Hotel's Supplier Chain Management focuses on food and beverage suppliers in respect to compliance to food safety requirements. This is also in line with our ISO 22000 certification – Food Safety Management and Halal Assurance Management System. We have in place a policy and the procedures include supplier audits for local F&B suppliers.

KEY HIGHLIGHTS

43%
MOKL Suppliers with Accreditation/Certification in Food Safety Requirement

CUSTOMER AND TENANT MANAGEMENT

At KLCCP Stapled Group, we connect with our stakeholders especially our tenants and customers in expanding the outreach and quality of service to build a shared sense of responsibility and societal development. We conduct extensive engagement with these stakeholders to promote social betterment, building strong tenant relationship in meeting the evolving customer behaviour and expectations.

KEY HIGHLIGHTS

76%	92%
Customer Satisfaction Score	Hotel Guest Satisfaction Score

INITIATIVES FOR THE YEAR
• Annual "Tenants' Nite" for tenants of PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi to build strong tenant relationship
• Launched Luxury Men's Precinct in Suria KLCC • Reconfiguration of anchor-to-specialty stores at Suria KLCC to broaden the retail offer • Escalator modernisation project at Suria KLCC • Quarterly engagements with retailers to help them deliver experiences that are complementary to Suria KLCC's overall strategy and retail space
• Fans of MO - Members of the programme receive an extensive range of complimentary privileges and personalised recognition • Newly renovated Mandarin Grill reopened serving authentic Italian cuisine with a modern contemporary approach • Digital marketing efforts which enable guests to identify our hotel's world class hospitality services
• Digital LED Signage at NWD car park to improve visual messaging to customers and make car park livelier • Introduction of ICONIK parking mobile application featuring online ticket payment system, availability of parking bays, information on parking sites and parking rates

CORPORATE SOCIAL INVESTMENT

Being part of the society within which KLCCP Stapled Group operates, we are conscious of our role in promoting social betterment of the community around us. We support various stakeholder engagement activities which include environmental sustainability, health, social integration and reaching out to the underprivileged community.

KEY HIGHLIGHTS

RM2.0 million
Invested in Community Investment

INITIATIVES FOR THE YEAR
• "Projek Apprentice" programme (2017-2019) - Student Training Placement within KLCC Group
• Charity/ Donation Drives/ Fundraising/ Community Service ▶ Hospis Malaysia Event in conjunction with Palliative Care Awareness Month ▶ Cleaning of Dewan Orang Ramai and Surau Al Falah at Kampung Peragap, Temerloh, Pahang ▶ Cleaning and organising student dormitories at Maahad Tahfiz Syababul Furqan, Sungai Besar Kuala Selangor ▶ Refurbishment of Perpustakaan Mini YSS-KPKT 2019 at Projek Perumahan Rakyat (PPR) Lembah Subang II, Selangor
• Festive Celebrations with the underprivileged community
• Chinese New Year, Hari Raya and Christmas campaigns by Suria KLCC

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

KLCCP Stapled Group is subject to corporate governance requirements set out by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and best practices as stipulated by the Malaysian Code of Corporate Governance (MCCG) issued by the Securities Commission Malaysia. With greater accountability and transparency, KLCCP Stapled Group strives to strengthen its corporate governance, anchoring it to its organisational culture and aligning it to our shared values that will ultimately secure the confidence and support of the Group's holders of Stapled Securities.

CORPORATE GOVERNANCE

With Malaysia moving in the right direction with institutional reforms forming the bedrock of the country's governance resilience, KLCCP Stapled Group believes in good governance practices as a critical benchmark in determining its success and management stability. Whilst rules and regulations are important in improving integrity, our Boards are also there to set the right tone from the top.

WHY IT MATTERS TO US

- Our reputation and Shareholders' trust and confidence in us is imperative to our future growth and attainment of long-term goals
- Building a culture of trust and accountability sets an organisation up for success
- Increased agility for our organisation to deliver on its purpose and goals

VALUES WE CREATE

- Integrity and ethical practices amongst management, employees, business partners and stakeholders
- Sustainable financial performance delivering long-term values and returns to our holders of Stapled Securities
- Accountability on control systems which commensurate with the risks involved

OUR APPROACH

At KLCCP Stapled Group, corporate governance practices are more than just compliance. It is our corporate culture encompassing values, attitude and behavior that we embrace in all areas of conduct and it forms a foundation for our organisation's success. We take a proactive approach in observing high standards of corporate conduct with good corporate governance policies and practices in ensuring the sustainability of the organisation and safeguarding the interests of the holders of Stapled Securities and maximising long-term stakeholder value.

Our commitment to good corporate governance is reflected in the CoBE which guides the organisation in fulfilling its business obligations with utmost integrity and transparency. Our commitment in driving the culture of openness, transparency and accountability are reflected through our adoption of the "No Gift Policy" and Whistleblowing Policy and our adherence to the Anti-Bribery and Corruption Policy and Guidelines (ABC Manual).

FOCUS FOR THE YEAR

- Heighten awareness and instill integrity culture among employees
- Rolling out the Declaration of Conflict of Interest Group-wide where employees can declare a situation of conflict of interest
- Review of the Risk Appetite to ensure the financial and non-financial risk exposure and type of risk to be pursued or retained in achieving its strategic objectives are properly defined

SUPPORTING THE UNSDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

MATERIAL MATTERS

1 Corporate Governance and Business Ethics

2 Risk and Crisis Management

MAPPED TO OUR CAPITALS

RELATED PRINCIPAL RISKS

1 Market

2 Finance

3 Asset Management

4 Security

"Institutionalising integrity in our people and promoting high standards of leadership governance continued to be our priorities"

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND BUSINESS ETHICS

KLCCP Stapled Group implements good corporate governance that promotes openness and transparency in all aspects of our business, addressing the risk of corruption and bribery, misconducts and conflict of interests.

KEY HIGHLIGHTS

Top 2 **Most Transparent Corporate Reporting amongst 100 Public Listed Companies Assessed by Malaysian Institute of Corporate Governance (MICG)**	**Top 20 Finalists** **in PwC'S Building Trust Awards 2019**

INITIATIVES FOR THE YEAR	
Corporate Governance	• Reviewed Terms of Reference (TOR) of respective NRCs and endorsed by NRCs, and subsequently approved by the Boards • KLCCP and KLCCRM adopted the policy to limit the tenure of Independent Non-Executive Directors up to nine years as recommended by the MCCG
Business Ethics and Transparency	• Conducted four awareness and refresher programmes on the company's CoBE covering topics on anti-bribery and corruption • Held awareness programmes on the Personal Data Protection Act (PDPA) • Rolled out the Declaration of Conflict of Interest Group-wide where employees can declare a situation of conflict of interest as prescribed in the CoBE and ABC manual
Anti-Bribery and Corruption	• The Boards of KLCCP and KLCC REIT executed the Integrity Pledge in combatting bribery and corruption and also approved for the Group to work towards attaining the ISO 37001: 2016 certification on Anti-Bribery Management System
Audit Committee and External Auditor	• KLCCP and KLCCRM adopted their respective Framework on External Auditors to establish a formal policy and procedure for the respective ACs to assess the suitability, objectivity and independence of the external auditors in tandem with the practice of MCCG

To read more, refer to our Corporate Governance Overview Statement on pages 169 to 176

RISK AND CRISIS MANAGEMENT

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

The Risk Management Oversight Structure which consists of the Boards, Audit Committee, ("ACs"), and the Management represented by Risk Management Committee ("RMC") and Top Management. The structure is used to assign responsibility for risk management and facilitates the process for assessing and communicating risk issues from operational levels to the Boards.

KLCCP and KLCCRM Boards developed an integrated robust risk management system for business resiliency focusing on Enterprise Risk Management, Crisis Management and Business Continuity Management.

INITIATIVES FOR THE YEAR	
Enterprise Risk Management	• Reviewed the Risk Appetite to provide comprehensiveness to the current risk appetite statements
Crisis Management	• Conducted fire drill and evacuation exercises for tenants at PETRONAS Twin Towers, Menara 3 PETRONAS, Menara Maxis and Menara Dayabumi to test the effectiveness and robustness of the Crisis Management Plan • Conducted briefing on Fire and Life Safety, table top exercise, Emergency Response Plan (ERP) Awareness to promote awareness of the danger of fire hazards, guidance on effective operation of the fire extinguishers and carried emergency evacuation procedures within the workplace
Business Continuity Management	• Conducted a Call Tree Verification exercise to ensure phone numbers and contact lists of relevant personnel and stakeholders are correct
Risk Assessment in Decision Making (RADM)	• A structured process for risk assessment as part of decision making. This risk assessment process is to be carried out prior to any decision point to assist decision makers in making well informed decision taking into consideration calculated risks

Integrity Action Plan

KLCCP Stapled Group's continuous effort in managing integrity risk within the organisation reflects our commitment to conduct business with high integrity and in support of the Group's zero tolerance against all forms of bribery and corruption.

INITIATIVES FOR THE YEAR	
Risk Category	**Action Plan**
Bribery ▶ To mitigate poor enforcement	• Conducted background screening on new recruits and employees on need basis • Conducted CoBE upskilling and Whistleblowing Policy awareness programmes for all employees • Briefing on CoBE for vendors and contractors during tender process
Non-Compliance ▶ To mitigate weak internal control	• Inclusion of owner's representative in the Variation Order (VO) Committee for all projects • Reviewed and tightened procurement, certification of work done, QA/QC and payment procedures • Conducted engagement with PETRONAS on Vendor Relationship Management (VRM) to review the process and identify the technology to be used in the establishment of in-house corporate cost database
Abuse of Power ▶ To mitigate acceptance culture	• Declaration of Assets rolled out to new employees

To read more on our sustainability journey, initiatives and performance, kindly refer to our Sustainability Report 2019 at www.klcc.com.my/sustainability.php.

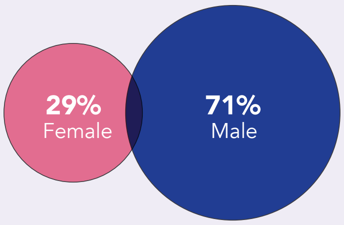
THE PLACE TO DINE

We offer innovative, trendy and convenient dining options to create a diverse experience in the gastronomical adventure, in tune with today's lifestyles

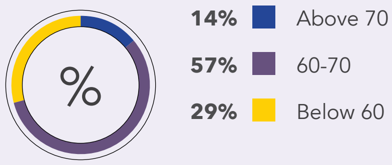
THIS IS THE PLACE THAT INSPIRES TOGETHERNESS AND CELEBRATIONS

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Gender Diversity
(%)

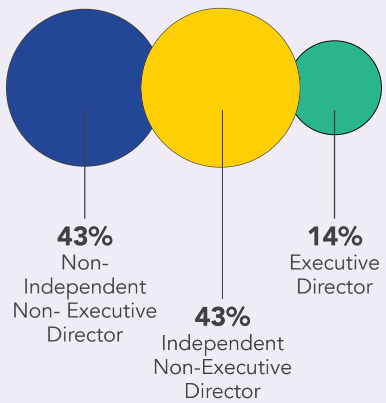


Age Profile



Tenure
(%)

Designations
(%)



KLCCP AND KLCC REIT BOARDS OF DIRECTORS

None of the Directors have:

(i) Any family relationship with any Directors of KLCCP, KLCC REIT and/or major Stapled Securities holders of KLCCP and KLCC REIT;

(ii) Any conflict of interest with KLCCP and KLCC REIT; and

(iii) Any conviction for offences (other than traffic offences) within the past 5 years, received any public sanction or any penalty imposed by the relevant regulatory bodies during the financial year.

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
21 December 2019
(KLCCP)

21 December 2019
(KLCCRM)

M

64

DATUK AHMAD NIZAM BIN SALLEH

Chairman/Non-Independent Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor's Degree in Business Administration, Ohio University, USA
- Advanced Management Programme, Wharton School, University of Pennsylvania, USA

WORKING EXPERIENCE

Present Appointments:
- Chairman, Petroliam Nasional Berhad
- Chairman, Yayasan PETRONAS
- Pro-Chancellor, Universiti Teknologi PETRONAS
- Board Member, Universiti Malaysia Terengganu
- Chairman, KLCC (Holdings) Sdn Bhd

Past Experiences:
- Analyst, Planner and Project Coordinator, Corporate Planning and Finance Divisions, PETRONAS Corporate Head Office from the years 1981 to 1987
- Head of Crude Oil Group and Group Treasury, PETRONAS
- Managing Director/Chief Executive Officer, Malaysia LNG Group of Companies
- Vice President, Corporate Services Division, PETRONAS
- Managing Director/Chief Executive Officer of Engen Ltd, South Africa
- Director, Putrajaya Holdings Sdn Bhd
- Director, Kuala Lumpur Convention Centre Sdn Bhd
- Director, Prince Court Medical Centre Sdn Bhd
- Director, MISC Berhad
- Director in several petrochemical subsidiaries of PETRONAS

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

Nil

Public Company:
- Petroliam Nasional Berhad

BOARD SKILL MATRIX:

- Business Management
- Strategy Development
- International Business

M

62

Appointed on
1 November 2007
(KLCCP)

5 December 2012
(KLCCRM)

DATUK HASHIM BIN WAHIR

Chief Executive Officer

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Engineering (Honours) in Mechanical Engineering, Universiti Teknologi Malaysia
- Executive Development Program, Ashridge Management College, United Kingdom
- Executive Development Program, Johnson School of Management, Cornell University, USA

WORKING EXPERIENCE

Present Appointments:
- Director/Group Chief Executive Officer, KLCC (Holdings) Sdn Bhd ("KLCCH")
- Director, PETRONAS Hartabina Sdn Bhd
- Director of KLCCH's subsidiaries and associate companies, and subsidiaries of KLCCP

Past Experiences:
- Involved in exploration and production ("E&P") operations, international E&P and gas asset acquisitions, group strategic planning and corporate development within PETRONAS:
  - Senior Manager, Petroleum Engineering Department of PETRONAS Carigali Sdn Bhd ("PCSB")
  - General Manager of Chad/Cameroon JV Project, PCSB
  - General Manager, Group Planning & Resources Allocation, PETRONAS
  - Chairman, PETRONAS Group of Companies in the Republic of Sudan

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

Nil

Public Company:
- Kuala Lumpur City Park Berhad

BOARD SKILL MATRIX:

- Engineering
- Business Management
- Strategy Development
- Corporate Planning and Development
- Commercial/Marketing
- Operations
- Property/Real Estate Management

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
1 December 2018 (KLCCP)

1 December 2018 (KLCCRM)

TENGKU MUHAMMAD TAUFIK

M

45

Non-Independent Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Member of the Institute of Chartered Accountants in England & Wales
- Bachelor of Arts (Honours) (Finance & Accounting), University of Strathclyde, Glasgow
- Member of the Malaysian Institute of Accountants

WORKING EXPERIENCE

Present Appointments:
- Executive Vice President and Group Chief Financial Officer, PETRONAS
- Member, Executive Leadership Team, PETRONAS
- Director, KLCC (Holdings) Sdn Bhd
- Director of PETRONAS's subsidiaries

Past Experiences:
- Audit Supervisor, Tenon Plc (formerly Morison Stoneham)
- Joined PETRONAS in 2000
- Held various positions within the Petroliam Nasional Berhad ("PETRONAS") Group
  - General Manager/Chief Financial Officer, KLCCP
  - Head, Finance & Risk Management (Gas & Power)
  - Head, Group Strategic Planning
- Deputy Chief Financial Officer, Tanjong Plc (Usaha Tegas Group)
- Group Chief Financial Officer, Sapura Energy (formerly SapuraKencana Petroleum Berhad)

BOARD COMMITTEE

- Member, Nomination and Remuneration Committees of KLCCP and KLCCRM (appointed on 1 December 2018)
- Member, Audit Committees of KLCCP and KLCCRM (appointed on 3 April 2019)

OTHER DIRECTORSHIPS:

Listed Issuers:
- MISC Berhad

Public Company:
- Petroliam Nasional Berhad

BOARD SKILL MATRIX:

- Finance and Audit
- Business Management
- Corporate Planning and Development
- Risk Management
- Operations

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
9 September 2004
as Independent
Non-Executive Director
(KLCCP)

5 December 2012
as Independent
Non-Executive Director
(KLCCRM)

26 January 2015,
redesignated to
Non-Independent Non-Executive Director in
KLCCP and KLCCRM

Non-Independent
Non-Executive Director

DATUK PRAGASA MOORTHI A/L KRISHNASAMY

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Quantity Surveyor, Curtin University, West Australia

WORKING EXPERIENCE

Present Appointments:
- Director, United Contract Management Sdn Bhd

Past Experiences:
- Project Quantity Surveyor for a number of projects in Perth, West Australia from 1971 to 1976
- General Manager/Director of Safuan Group Sdn Bhd
- Project Director of Sepang Development Sdn Bhd
- Project Director with WTW Consultant Sdn Bhd
- General Manager, KLCC Projeks overseeing the management of design, construction and completion of the various building in KLCC such as the PETRONAS Twin Towers, Menara Maxis and Menara ExxonMobil
- Managing Director of KLCC Projeks Sdn Bhd

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

Nil

Public Company:

Nil

BOARD SKILL MATRIX:

- Business Management
- Strategy Development
- Risk Management

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
26 June 2013
(KLCCP)

26 June 2013
(KLCCRM)

F

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HABIBAH BINTI ABDUL

Senior Independent Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Economics (Accounting), University of Malaya
- Member of the Institute of Chartered Accountants of England and Wales
- Member of Malaysian Institute of Certified Public Accountants
- Member of Malaysian Institute of Accountants

WORKING EXPERIENCE

Present Appointments:
- Member, Board Audit Committee, PETRONAS Gas Berhad
- Member, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Director, KLCC REIT Management Sdn Bhd

Past Experiences:
- 35 years of experience in providing audit and business advisory services to large public listed, multinational and local corporations
- Member of the Securities Commission

BOARD COMMITTEE

- Member, Audit Committees of KLCCP and KLCCRM (Appointed on 26 June 2013)
- Chairperson, Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed as member on 21 August 2013) (Re-designated as Chairperson on 3 April 2019)

OTHER DIRECTORSHIPS:

Listed Issuers:
- PETRONAS Gas Berhad

Public Company:
Nil

BOARD SKILL MATRIX:

- Accounting and Finance

F

47

Appointed on
23 April 2018
(KLCCP)

23 April 2018
(KLCCRM)

FARINA BINTI FARIKHULLAH KHAN

Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce (Accounting), University of New South Wales, Australia
- Fellow Member of Chartered Accountants in Australia & New Zealand
- Advanced Management Program, Harvard Business School, United States of America

WORKING EXPERIENCE

Present Appointments:
- Chairman, Board Audit Committee, PETRONAS Gas Berhad
- Member, Audit and Examination Committee, AMMB Holdings Berhad
- Member, Group Nomination and Remuneration Committee, AMMB Holdings Berhad
- Chairman, Risk Management Committee, Ambank Islamic Berhad
- Member, Audit and Examination Committee, Ambank Islamic Berhad
- Member, Audit Committee, Icon Offshore Berhad

Past Experiences:
- Senior Associates, Business Services, Coopers & Lybrand, Australia
- Senior Manager, Corporate Planning & Development Division, PETRONAS
- Chief Financial Officer, PETRONAS Carigali Sdn Bhd
- Chief Financial Officer, Exploration and Production Business, PETRONAS
- Chief Financial Officer, PETRONAS Chemicals Group Berhad

BOARD COMMITTEE

- Member, Audit Committees of KLCCP and KLCCRM (Appointed as member on 23 April 2018) (Re-designated as Chairperson on 12 October 2018)
- Member, Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed as member on 3 April 2019)

OTHER DIRECTORSHIPS:

Listed Issuers:
- PETRONAS Gas Berhad
- AMMB Holdings Berhad
- Icon Offshore Berhad

Public Company:
- AMBank Islamic Berhad

BOARD SKILL MATRIX:

- Banking and Finance
- Corporate Planning and Development
- Economics
- Finance and Audit
- Human Resource

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Appointed on
1 January 2020
(KLCCP)

1 January 2020
(KLCCRM)

DATO' JAMALUDIN BIN OSMAN

Independent Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor Degree, Civil Engineering, Universiti Teknologi Malaysia
- Member of Institute of Engineers Malaysia
- Management Development Programme, Asian Institute of Management

WORKING EXPERIENCE

Present Appointments:
- Director, AZ Land & Properties Sdn Bhd
- Member, Audit Committee, MMC Corporation Berhad
- Member, Remuneration Committee, Hock Seng Lee Berhad

Past Experiences:
- Civil Engineer, Technical Department, Pahang Tenggara Development Authority
- Civil Engineer, Sewerage & Drainage Department, Dewan Bandaraya Kuala Lumpur
- Project Engineer, Refinery Department, Petroliam Nasional Berhad
- Held several positions in Syarikat Perumahan Pegawai Kerajaan Sdn Bhd:
  - Project Manager
  - Marketing Manager
  - General Manager Project & Marketing
  - Managing Director
- Group Managing Director, I&P Group Sdn Bhd

BOARD COMMITTEE

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:
- MMC Corporation Berhad
- Hock Seng Lee Berhad

Public Company:

Nil

BOARD SKILL MATRIX:

- Engineering
- Business Management
- Strategic Planning
- Marketing
- Project Management

MANAGEMENT TEAM KLCC PROPERTY HOLDINGS BERHAD & KLCC REIT MANAGEMENT SDN BHD

DATUK HASHIM BIN WAHIR
Chief Executive Officer
Please refer to his profile on page 155

ANNUAR MARZUKI BIN ABDUL AZIZ
Chief Financial Officer/Chief Investment Officer, KLCCP
Head of Investment/Head of Finance, KLCCRM

GOVERNANCE EMPHASIS IN KLCC GROUP OF COMPANIES

DATIN SR FAUDZIAH BINTI IBRAHIM
Head, Development Division, KLCCP
Head of Leasing/Asset Manager, KLCCRM

ABD AZIZ BIN ABD KADIR
Head, Legal and Corporate Services Division, KLCCP
Head of Legal and Compliance, KLCCRM

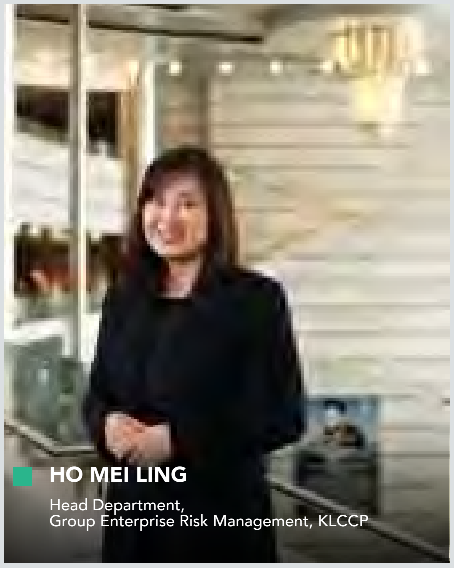
CHRISTIAN TAVELLI
General Manager,
Mandarin Oriental, Kuala Lumpur

MANAGEMENT TEAM KLCC PROPERTY HOLDINGS BERHAD & KLCC REIT MANAGEMENT SDN BHD


ANDREW WILLIAM BRIEN
Executive Director/Chief Executive Officer, Suria KLCC Sdn Bhd


IZWAN HASLI BIN MOHD IBRAHIM
Executive Director/Head, KLCC Urusharta Sdn Bhd


SULAIMAN BIN AB HAMID
Head, Human Resource Division, KLCCP


HO MEI LING
Head Department, Group Enterprise Risk Management, KLCCP


ISHAK BIN YAHAYA
Security Advisor, KLCCP


BURHANUDDIN BIN YAHYA
Head, KLCC Parking Management Sdn Bhd

None of the Management Teams have:

(i) Any family relationship with any Directors of KLCCP, KLCC REIT and/or major Stapled Securities holders of KLCCP and KLCC REIT;

(ii) Any conflict of interest with KLCCP and KLCC REIT; and

(iii) Any conviction for offences (other than traffic offences) within the past 5 years, received any public sanction or any penalty imposed by the relevant regulatory bodies during the financial year.

- Management Team KLCC Property Holdings Berhad
- Management Team KLCC REIT Management Sdn Bhd

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

ANNUAR MARZUKI BIN ABDUL AZIZ

Chief Financial Officer/Chief Investment Officer, KLCCP
Head of Investment/Head of Finance, KLCCRM

DATE OF APPOINTMENT

16 December 2013
(Chief Financial Officer/Chief Investment Officer, KLCC Property Holdings Berhad ("KLCCP"))

16 December 2013
(Head of Finance/Head of Investment, KLCC REIT Management Sdn Bhd)

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor in Accounting (Hons.), International Islamic University Malaysia
- Masters in Business Administration (Finance), International Islamic University Malaysia
- Fellow CPA Australia
- Member of the Malaysian Institute of Accountants
- Senior Management Development Programme, Harvard Business School

PAST EXPERIENCE

- Associate, Audit & Business Advisory Services, Pricewaterhouse
- Associate, Corporate Finance, Commerce International Merchant Bankers Berhad
- Head of Corporate Finance, Renong Berhad
- General Manager, Office of the CEO, UEM Group Berhad
- Chief Financial Officer, PLUS Expressways Berhad
- Group Chief Financial Officer, UEM Group Berhad

PRESENT APPOINTMENTS

- Director, Midciti Sukuk Berhad
- Director of several subsidiaries of KLCCP and KLCC (Holdings) Sdn Bhd

RESPONSIBILITIES

- Responsible for the management of all financial aspects of KLCCP Stapled Group, as well as investor relations and information systems
- Overall management and coordination of financial reporting, financial planning, debt financing, treasury and budget management functions of KLCCP Stapled Group
- Responsible for evaluating potential acquisitions of assets to enhance KLCC REIT's portfolio

ABD AZIZ BIN ABD KADIR

Head, Legal and Corporate Services Division, KLCCP
Head of Legal and Compliance, KLCCRM

DATE OF APPOINTMENT

1 October 2009
(Head, Legal & Corporate Services Division, KLCC Property Holdings Berhad ("KLCCP"))

5 December 2012
(Head, Legal & Compliance, KLCC REIT Management Sdn Bhd)

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- LLB (Honours), International Islamic University Malaysia
- Licensed Company Secretary

PAST EXPERIENCE

- Joined PETRONAS in July 1991 and held various positions within PETRONAS Group Legal
- General Manager, Legal and Corporate Secretarial Affairs Division, MISC Berhad from January 2009 up to September 2009

PRESENT APPOINTMENTS

- Company Secretary of KLCCP, KLCC REIT Management Sdn Bhd and KLCC (Holdings) Sdn Bhd
- Director/Company Secretary, Kuala Lumpur City Park Berhad
- Director of several subsidiaries of KLCCP and KLCC (Holdings) Sdn Bhd

RESPONSIBILITIES

- Responsible for all legal affairs, company secretarial services, and compliance functions for KLCCP Stapled Group
- Monitor the internal corporate governance policies of KLCCP and KLCC REIT
- Responsible for the management of the KLCCP Stapled Group's procurement and tendering portfolio

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

DATIN SR FAUDZIAH BINTI IBRAHIM

Head, Development Division, KLCCP
Head of Leasing/Asset Manager, KLCCRM

DATE OF APPOINTMENT

1 January 2012
(Head, Development Division, KLCC Property Holdings Berhad ("KLCCP"))

5 December 2012
(Head, Leasing/Asset Manager, KLCC REIT Management Sdn Bhd)

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Diploma in Public Venue Management, Institute of Public Venue Management, Australia
- Master of Science in Construction Management (majoring Project Management), Heriot-Watt University, Edinburgh, Scotland
- Bachelor of Science (Honours) in Estate Management, Heriot-Watt University, Edinburgh, Scotland
- Diploma in Estate Management, Institute Teknologi MARA (now UiTM)
- Registered Valuer, Estate Agent and Property Manager with the Board of Valuers, Appraisers, Estate Agents and Property Manager, Malaysia
- Fellow Royal Institute of Surveyors, Malaysia (FRISM)
- Member of the Royal Institute of Chartered Surveyors United Kingdom (MRICS)
- License Holder for the Capital Market Services Representatives with Securities Commission Malaysia

PAST EXPERIENCE

- Acting Head, KLCC Urusharta Sdn Bhd
- Valuer, Rahim & Co, Chartered Surveyors, Kuala Lumpur
- Senior Lecturer/Head of Department, Urban Estate Management, Northern Consortium United Kingdom/ITM
- Assistant Director, Project Coordination Unit, Kuala Lumpur City Hall

PRESENT APPOINTMENTS

- Director, Kuala Lumpur City Park Berhad
- Director of several subsidiaries of KLCCP and KLCC (Holdings) Sdn Bhd

RESPONSIBILITIES

- Lead Business Development initiatives including joint venture projects, asset enhancement initiatives (renovation and refurbishment work) and make recommendations on the head of terms to be approved
- Manage development projects on time projections, cost and specifications with maximum returns on investments KLCCP Stapled Group
- Strategize, develop and recommend appropriate office, leasing strategies for completed development and future development for KLCCP Stapled Group
- Ensure the development and asset enhancement initiatives are in line with the overall masterplan development

SULAIMAN BIN AB HAMID

Head, Human Resource Division, KLCCP

DATE OF APPOINTMENT

1 January 2015

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Science in Business Administration (Major in Accounting & Management Information System), Northeastern University, Boston, Massachusetts, USA
- MBA Degree in Strategic Management, Maastricht School of Management, Netherland

PAST EXPERIENCE

- Accountant, Hartford Financial Insurance Services, Boston, Massachusetts, USA
- Senior Accountant, AIG Group, USA
- Regional Controller for Middle East, Fugro Jason, Abu Dhabi, United Arab Emirates
- Senior Finance Manager, Scomi Group Berhad
- Head of Department, Business Performance, KLCC (Holdings) Sdn Bhd

PRESENT APPOINTMENTS

NIL

RESPONSIBILITIES

- Formulate the Human Resources Strategies for the Group in attracting, retaining and developing talents
- Partner to the business unit in providing Human Resources advisory in managing talents and leaders by providing a competitive working environment
- Review, develop and implement human capital policies, procedures and best practices by adopting and adapting from the PETRONAS Group HRM

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

HO MEI LING
Head Department,
Group Enterprise Risk Management, KLCCP

DATE OF APPOINTMENT
28 October 2013

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Arts (Honours), York University, Toronto, Canada

PAST EXPERIENCE
- Manager of Corporate Recovery, Ernst & Young
- Manager, Business Planning, Putrajaya Holdings Sdn Bhd
- Head, Customer Relationship Management, Putrajaya Holdings Sdn Bhd

PRESENT APPOINTMENTS
NIL

RESPONSIBILITIES
- Develop and implement appropriate Group risk management strategies, measures, frameworks and instruments in order to establish a common systematic approach group-wide to mitigate and minimize exposure to risks across the Group
- Conduct risk monitoring and provide updates to the Management and Board of Directors on regular basis on trends for risk exposures, highlighting key areas of concern and priority of attention for continuous improvement
- Provide proactive and preventive advice to Management with respect to necessary changes in the risk profile of the Group or specific business activities, including good corporate governance and ethical practices
- Ensure required competence and skill level of subordinates are developed to ensure operational needs are met
- Ensure department operates within set cost profiles so as to optimise resources

ISHAK BIN YAHAYA
Security Advisor, KLCCP

DATE OF APPOINTMENT
28 October 2013

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- MCE – Anglo Chinese School Teluk Anson
- Police College Kuala Kubu Baharu
- Millitary Staff College KL- psc
- Diploma Sains Siasatan – UKM

PAST EXPERIENCE
- Police Officer, PDRM
- Selected and undergone intensive British Commando (SAS) Training
- Infantry officer Regiment VAT69 Commando
- Seconded to Special Branch and Millitary Intelligence Organisation for secret external operation
- Commanding Officer Regimen
- VAT 69 Commando
- Officer in-Charge of Station, Kampar District
- Officer in-Charge of Criminal Investigation for Contingent Perak
- Head of Malaysian Control Centre (MCC), PDRM Bukit Aman
- General Manager, Corporate Security Division, PETRONAS

PRESENT APPOINTMENTS
NIL

RESPONSIBILITIES
- Develop security policy for KLCCP and its subsidiaries in line with PETRONAS Security Requirement
- Ensuring the security of assets and business of KLCCP and its subsidiaries
- Establish direct communication with PDRM/SPRM and other relevant authorities for the security of assets and business of KLCCP
- Conduct criminal investigation whenever necessary
- Conduct investigation for any allegation or whistle blowing within the KLCCP
- Supervise and coordinate all security operation and security issues within KLCCP
- Committee of Integrity KLCCP
- Control and monitoring security access system

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

DATE OF APPOINTMENT

1 January 2007
(Chief Executive Officer, Suria KLCC Sdn Bhd)

1 January 2015
(Executive Director, Suria KLCC Sdn Bhd)

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce, Management Studies (Marketing/Accounting), University of Wollongong, Australia
- Stanford Executive Program, Stanford University, USA

PAST EXPERIENCE

- 6 years of sales and marketing experience with Colgate Palmolive Pty Ltd, Australia in both regional and national roles
- 27 years of real estate experience in the disciplines of management, leasing, marketing and development of retail assets commencing with Lend Lease Corporation Ltd, Australia in 1992 and continuing with Westfield Limited, Australia. In 2003, seconded to Suria KLCC Sdn Bhd pursuant to the advisory agreement entered into between Suria KLCC Sdn Bhd and Westfield Shopping Centre Management Co. Pty. Ltd. of Australia. In 2006, his secondment concluded with his CEO appointment

PRESENT APPOINTMENTS

NIL

ANDREW WILLIAM BRIEN

Executive Director/Chief Executive Officer, Suria KLCC Sdn Bhd

RESPONSIBILITIES

- Over strategic and fiscal responsibility for assets owned and managed by Suria KLCC encompassing all asset management, development, finance, leasing, marketing and management of the assets

DATE OF APPOINTMENT

6 December 2019

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Executive MBA, ESESA, Málaga, Spain
- Glion Institute of Higher Education, Montreux, Switzerland
- Bachelor of Arts "Hospitality and Tourism Management"
- French Cooking School Alicia Berger, Buenos Aires, Argentina

PAST EXPERIENCE

- Mandarin Oriental Hotel Group as Systems Transformation Project Director
- Ritz Hotel Madrid, Madrid, Spain as General Manager & Member of the Board
- Rosewood Mansion On Turtle Creek as Managing Director
- Rosewood San Miguel De Allende as Managing Director
- Rosewood Sand Hill as Hotel Manager
- Las Ventanas Al Paraiso as Managing Director
- Marbella Hotel Group as Executive Assistant Manager
- Hilton Group hold various Executive positions
- Hotel La Residencia as Michelin Star Restaurant Manager
- Hotel Du Palais as Front Office Trainee

PRESENT APPOINTMENTS

NIL

CHRISTIAN TAVELLI

General Manager, Mandarin Oriental, Kuala Lumpur

RESPONSIBILITIES

- Manage the operation of a 629 rooms hotel with an operating budget of RM190M, maintaining the hotel as the leader in the market with an RGI above 100
- Ensure guest satisfaction through a personalised service and attention to detail that sets us apart from the competitors
- Maintain an open and transparent communication with the owner company
- Ensure necessary actions are taken to maintain the asset and propose upgrade where necessary
- Lead a team of 800 professionals to success through proper training and ensuring colleagues satisfaction

PROFILES OF KLCCP AND KLCC REIT MANAGEMENT TEAM

BURHANUDDIN BIN YAHYA

Head, KLCC Parking Management Sdn Bhd

DATE OF APPOINTMENT
1 May 2013

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Science in Quantity Surveying, Council of National Academic Award (CNAA), Dundee University, Scotland

PAST EXPERIENCE
- Cost Manager for PETRONAS Twin Towers project, KLCC Property Holdings Berhad
- Head of Department, TCD, Procurement for Technical Services and Intra & Pre Development (Planning), Putrajaya Holdings Sdn Bhd

PRESENT APPOINTMENTS
- Director, KLCC Parking Management Sdn Bhd

RESPONSIBILITIES
- Lead in the operational direction for overseeing and the management of the car park operations of the group to ensure optimum return of investments and maximum utilization of car parks
- Develop business strategies for the business management of car parking and operations to ensure operational efficiency and maximization of car park utilization in timely and cost effective manner
- Preserving and enhancing all assets value through continuous upgrading and refurbishing initiatives to prolong the economic lifespan of the asset managed and keeping up with the latest technology and to promote green initiatives

IZWAN HASLI BIN MOHD IBRAHIM

Executive Director/Head, KLCC Urusharta Sdn Bhd

DATE OF APPOINTMENT
2 December 2019

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- M.Sc. Information Technology, Rensselaer Polytechnic Institute, New York, USA
- B.Sc. Mechanical Engineering, Rensselaer Polytechnic Institute, New York, USA

PAST EXPERIENCE
- Acting Chief Executive Officer, PETRONAS ICT Sdn Bhd
- Chief Operating Officer, PETRONAS ICT Sdn Bhd
- Head (Employee Digital Experience), Group Digital, PETRONAS
- Chief Executive Officer, Virtus IP Sdn Bhd
- Held various positions in iPerintis Sdn Bhd:
  - o General Manager of Business Development and Client Management
  - o Head of Desktop Computing System
  - o Team Lead for KLCC Projects
  - o Senior Network Engineer for Global Network
- System Analyst, PETRONAS Carigali Sdn Bhd

PRESENT APPOINTMENTS
- Director, KLCC Parking Management Sdn Bhd

RESPONSIBILITIES
- Provide direction and leading KLCC Urusharta Sdn Bhd to optimise asset value, maximise rental income, achieve client satisfaction rating through strategic asset management, management of capital projects for building life cycle maintenance and refurbishment programmes

CORPORATE GOVERNANCE OVERVIEW STATEMENT

KLCCP Stapled Group through its boards, board committees and management team believes sound corporate governance practices enhance stakeholder value. Therefore, the Boards of Directors ("Boards") of KLCC Property Holdings Berhad ("KLCCP" or "the Company") and KLCC REIT Management Sdn Bhd ("KLCCRM" or "Manager") are committed to maintain high standards of governance which enable the Boards to promote the success of KLCCP Stapled Group and long-term sustainability of its stakeholders' benefits.

The Boards are pleased to provide herewith a Corporate Governance Overview Statement for the financial year ended 31 December 2019 ("FY2019") of:

(i) KLCCP; and
(ii) KLCCRM, as the manager of KLCC Real Estate Investment Trust ("KLCC REIT"), ("Statement").

INTRODUCTION

HOW OUR GOVERNANCE WORKS

This Statement demonstrates continuous commitment by the Boards to high standards of corporate governance in discharging their responsibilities to protect and enhance interests of the holders of the Stapled Securities through the application of best practices of corporate governance at all times.

In this Statement, the respective Boards provide shareholders and investors with an overview of KLCCP Stapled Group's application and adoption of the key principles and best practices of good corporate governance as set out in the Malaysian Code on Corporate Governance ("MCCG"). During FY2019, the Boards reviewed the corporate governance practices of KLCCP and KLCCRM to ensure they have adopted a holistic and effective governance with the introduction of several initiatives being implemented during the year as provided in this Statement.

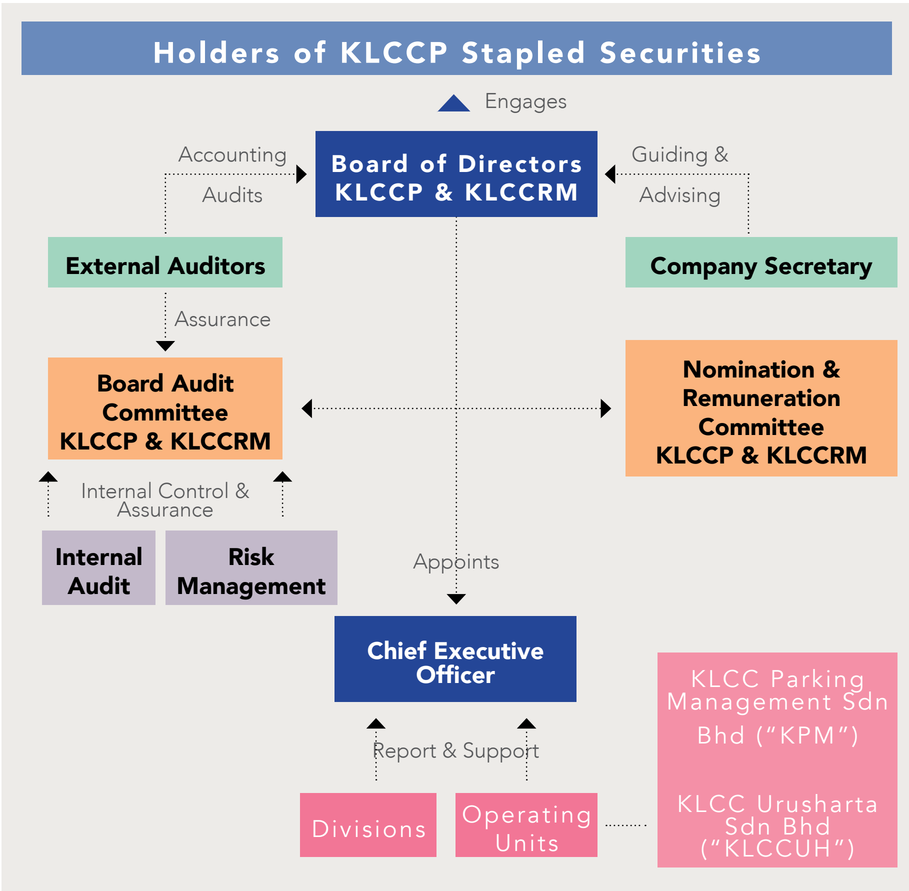
The reporting of this Statement is in accordance with the 3 main principles of the MCCG

- **A** BOARD LEADERSHIP AND EFFECTIVENESS
- **B** EFFECTIVE AUDIT AND RISK MANAGEMENT
- **C** INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The detailed application by KLCCP Stapled Group for each practice of the MCCG is disclosed in the KLCCP Stapled Group Corporate Governance Report for FY2019 ("CG Report") which is available on KLCCP corporate website at www.klcc.com.my. The Boards are of the view that KLCCP Stapled Group has, in all material aspects, adopted the principles and relevant best practices set out in the MCCG. This Statement is to be read together with the CG Report.

KLCCP Stapled Group has, in place, numerous governance documents such as Constitutions, Trust Deed, Board Charter, Terms of Reference ("TOR") of Board Committees, Enterprise Risk Management Framework, and Internal Audit Charters as part of its corporate governance framework.

The Boards operate within the governance framework as illustrated below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

I) BOARD COMPOSITION AND RESPONSIBILITIES

Each Board currently consists of 7 members, led by a Non-Executive Chairman, and supported by 1 Executive Director as well as 5 Non-Executive Directors. Three of the Non-Executive Directors fulfill the criteria of independence, as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR"), while the remaining 3 Non-Executive Directors [including the Chairman] are Non-Independent Directors. In FY2019, the representation of women directors on the Boards is 28.6%.

KLCCP

- CHAIRMAN
- 1 ED
- 3 INEDs
- 2 NINEDs

KLCCRM

- CHAIRMAN
- 1 ED
- 3 INEDs
- 2 NINEDs

Details of the roles and responsibilities of the Chairman, Boards and Chief Executive Officer ("CEO") and their activities are described in the Board Charter and CG Report. In 2019, several key enhancements to the Board Charter were approved by the Board to further strengthen the governance and management of KLCCP Stapled Group, which is one of the several initiatives implemented during the year.

The Boards of KLCCP and KLCCRM have established Board Committees, namely Audit Committees ("ACs") and Nomination and Remuneration Committees ("NRCs"), which are entrusted with specific oversight responsibilities for KLCCP Stapled Group's affairs. The Board Committees are granted the authorities to act on each Board's behalf in accordance with their respective TOR.

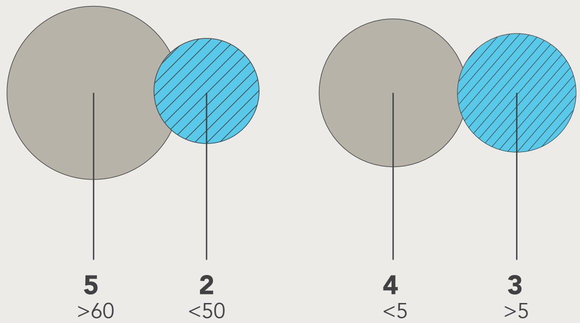
During FY2019, the TOR of the respective NRCs were reviewed and endorsed by the NRCs, and subsequently approved by the Boards. The revised TOR is one of the several initiatives implemented during the year to be in line with the MCCG best practices, specific requirements of the MMLR, and the Companies Act 2016.

The Board Charter and the CG Report as well as the respective TOR of the NRCs are available on KLCCP corporate website at www.klcc.com.my.

Details of the activities of the Board Committees are also provided in the Statement of Risk Management and Internal Control, ACs Report and NRCs Report contained in this Annual Report as well as the CG Report.

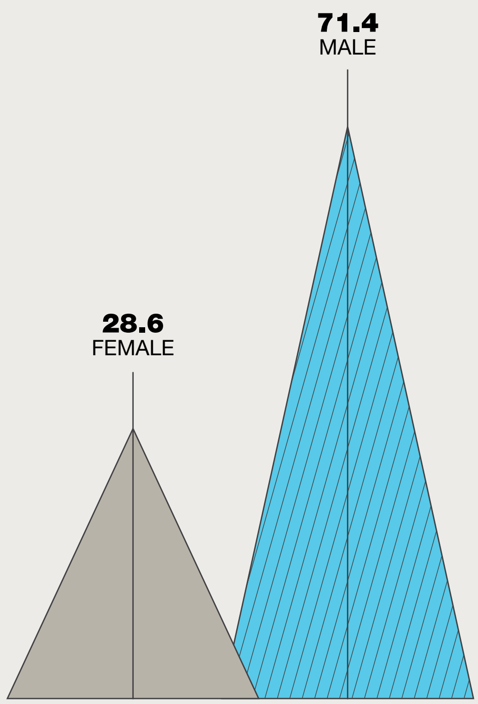
Further, as part of the Boards' responsibilities in ensuring compliance by KLCCP Stapled Group with the MMLR and the Guidelines on Listed Real Estate Investment Trust, KLCCP and KLCCRM had undertaken and completed the amendments to the Constitution of KLCCP, the Trust Deed governing KLCC REIT, and the Stapling Deed in FY2019.

During the year under review, there were changes made to the composition of the ACs and NRCs as provided in the respective committees' reports.



Board Age Diversity
(Year)

Board Members' Tenure
(Year)



Board Gender Diversity
(%)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

II) KEY FOCUS AREAS OF BOARDS' ACTIVITIES IN FY2019

The Boards of KLCCP and KLCCRM are responsible for the long term success of KLCCP Stapled Group and are accountable to the shareholders as well as other stakeholders in ensuring that KLCCP Stapled Group is appropriately-managed and achieves the strategic objectives that have been set. The Boards discharged those responsibilities through Board Meetings, and focused on a number of specific areas such as strategy, performance, governance, and succession planning.

FOR KLCCP

a) Reviewed and approved business plans and budget for FY2020 and forecast from FY2021 to FY2024.
b) Reviewed projected cash flows and distribution for KLCCP Stapled Group.
c) Oversaw the proper conduct of KLCCP Stapled Group's business.
d) Reviewed and approved quarterly results for FY2019 and the audited financial statements of KLCCP for the financial year ended 31 December 2018.
e) Reviewed and approved recurrent related party transactions of KLCCP Stapled Group.
f) Reviewed and approved the proposed changes to the Board and Board's Committees composition.
g) Reviewed and endorsed the evaluation findings of the Board, Board Committees and Individual Director.
h) Reviewed and endorsed the re-election of Directors retiring pursuant to KLCCP Constitution and recommended the same for shareholders' approval.
i) Reviewed and recommended Directors' remuneration for shareholders' approval.
j) Reviewed and approved the reports and statements for inclusion into the Annual Report 2018.
k) Ensured the implementation of policies, procedures and practices relating to operational and corporate governance.
l) Reviewed and approved KLCCP's principal risks with their proposed mitigations, and ensured appropriate measures were implemented to manage these risks.
m) Reviewed the adequacy and integrity of KLCCP Stapled Group's management information and internal control system.
n) Declaration of dividends.
o) Reviewed and recommended the proposed amendments to KLCCP Constitution.
p) Reviewed and approved performance reward and salary increment.
q) Reviewed succession planning for KLCCP.
r) Ensured compliance to relevant laws and regulations.

FOR KLCCRM

a) Reviewed and approved the budget for FY2020 and forecast from FY2021 to FY2024.
b) Reviewed projected cash flows and distribution for KLCC REIT.
c) Oversaw the proper conduct of KLCC REIT's business.
d) Reviewed and approved the quarterly results of KLCC REIT for FY2019 and the audited financial statements of KLCC REIT and KLCCRM for the financial year ended 31 December 2018.
e) Reviewed and approved recurrent related party transaction of KLCCRM.
f) Reviewed and approved the proposed changes to the Board and Board's Committees composition.
g) Reviewed and endorsed the evaluation findings of the Board, Board Committees and Individual Director.
h) Reviewed and endorsed the re-election of Directors retiring pursuant to KLCCRM Constitution and recommended the same for shareholder's approval.
i) Reviewed and recommended Directors' remuneration for shareholder's approval.
j) Reviewed and approved the reports and statements for inclusion into the Annual Report 2018.
k) Ensured the implementation of policies, procedures and practices relating to operational and corporate governance.
l) Reviewed and approved KLCCRM's principal risks (in respect of KLCC REIT's business activities) with their proposed mitigations, and ensured appropriate measures were implemented to manage these risks.
m) Reviewed the adequacy and integrity of KLCC REIT's management information and internal control system.
n) Determined and approved income distributions to the holders of Stapled Securities and payments of management fees to the Manager.
o) Reviewed and recommended the proposed amendments to the Trust Deed and Stapling Deed.
p) Ensured compliance to relevant laws and regulations.

The Boards are guided by a Board Charter (available on KLCCP corporate website at www.klcc.com.my) which establishes a formal schedule of matters and outlines the types of information required for the respective Boards attention and deliberation at Board meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

III) BOARD MEETINGS

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

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

During the year under review, 6 Board Meetings of KLCCP and 5 Board Meetings of KLCCRM were held respectively. The proceedings of all meetings of the Boards including all issues raised, enquiries made and responses thereto, were also presented and recorded in the minutes of the respective Boards meetings. Where necessary, decisions have been taken by way of circular resolutions.

KLCCP and KLCCRM Board Meetings attendance for financial year ended 31 December 2019 is as follows:

Category	Director	KLCCP Total Attendance	KLCCRM Total Attendance
EXECUTIVE	**Datuk Hashim bin Wahir**	**6 out of 6** (100%)	**5 out of 5** (100%)
NON-EXECUTIVE	**Datuk Ahmad Nizam bin Salleh** (Chairman)	**6 out of 6** (100%)	**5 out of 5** (100%)
NON-EXECUTIVE	**Datuk Ishak bin Imam Abas** (Resigned w.e.f 01.01.2020)	**5 out of 6** (83%)	**4 out of 5** (80%)
NON-EXECUTIVE	**Dato' Halipah binti Esa** (Retired/Resigned w.e.f. 03.04.2019)	**3 out of 3** (100%)	**2 out of 2** (100%)
NON-EXECUTIVE	**Habibah binti Abdul**	**6 out of 6** (100%)	**5 out of 5** (100%)
NON-EXECUTIVE	**Datuk Pragasa Moorthi a/l Krishnasamy**	**6 out of 6** (100%)	**5 out of 5** (100%)
NON-EXECUTIVE	**Tengku Muhammad Taufik**	**6 out of 6** (100%)	**5 out of 5** (100%)
NON-EXECUTIVE	**Farina binti Farikhullah Khan**	**5 out of 6** (83%)	**5 out of 5** (100%)

Note: Dato' Jamaludin bin Osman was appointed on 1 January 2020

A BOARD LEADERSHIP AND EFFECTIVENESS

IV) TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

In this regard, the Company Secretaries provide assistance in Directors' training and development, and to facilitate the induction programme for newly appointed Directors. The full list of Directors' Training and Professional Development is provided in the NRCs Report.

V) NOMINATION AT A GLANCE

(aa) Appointment, Resignation and Re-election

The appointment, resignation and re-election of Directors are governed by the Companies Act 2016, MMLR, Guidelines on Listed REIT and other applicable rules and regulations. The NRCs, chaired by a Senior Independent Director, review the size, structure and composition of the Boards and make recommendations on new appointments and ensure that the appointment process is rigorous and transparent.

Details on the appointment, resignation and re-election of Directors effected during the year under review are provided in the NRCs Report of this Annual Report.

(bb) Directors' Independence

The Boards are satisfied with the level of independence demonstrated by the Directors throughout the year, their ability to act in the best interest of KLCCP Stapled Group, and had upheld Practice 4.2 of the MCCG during FY2019.

None of the Independent Non-Executive Directors of KLCCP and KLCCRM would exceed a cumulative term limit of 9 years. KLCCP and KLCCRM have adopted the policy to limit the tenure of Independent Non-Executive Directors up to 9 years as recommended by the MCCG, which is one of the several initiatives implemented during the year.

(cc) Board Effectiveness Evaluation

The evaluation on the effectiveness of the Boards and Boards Committees ("Boards Evaluation") was conducted for FY2019, which includes Directors' Self and Peer Evaluation. The purpose of the Evaluation is to measure the effectiveness of the performance of the Boards and the Board Committees as a whole, the Directors individually, as well as to address any areas of concern which may require improvements for Boards and Boards Committees.

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

Guided by Practice 5.1 of the MCCG, the NRCs have agreed to engage an independent expert to facilitate objective and candid board evaluations. With the assistance of the proposed independent expert, Directors of KLCCP and KLCCRM will have the opportunity to respond to the evaluation from a different perspective and help to propel the Boards towards effective performance and function. The first external review by such independent expert is expected to be undertaken by the end of 2020.

Details on the process and criteria of the Boards Evaluation carried out for FY2019 are provided in the NRCs Report of this Annual Report.

(dd) Board Diversity Policy

KLCCP Board had approved the Board Diversity Policy in August 2016 which is also applicable to KLCCRM. The NRCs are tasked to determine the benefits of diversity underpinned by meritocracy in order to maintain an optimum mix of skills, knowledge and experience of the Boards.

The Board Diversity Policy is available on KLCCP corporate website at www.klcc.com.my. Further details on the Board Diversity Policy are described in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A BOARD LEADERSHIP AND EFFECTIVENESS

VI) REMUNERATION AT A GLANCE

In determining Directors' fees and meeting allowances as well as meeting allowances for the ACs and NRCs (collectively "Directors Remuneration"), the Boards adhere to the Remuneration Framework for KLCC Property Holdings Berhad Non-Executive Directors.

Directors' Remuneration for Non-Executive Directors is subject for approval by the holders of Stapled Securities during the AGM of KLCCP.

Members of the Board, the AC and NRC of KLCCRM are entitled for meeting allowances only if meetings are held on a different date from the meetings of the Board, AC and NRC of KLCCP.

Details of Directors Remuneration for the year under review are provided in the NRC Report of this Annual Report as well as in the CG Report.

VII) COMPANY SECRETARIES

The Company Secretaries play an advisory role to the Boards including, with regards to KLCCP and KLCCRM constitutions, policies and procedures, and compliance with the relevant legislations for effective functioning of the Boards. They also regularly update the Boards on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities.

The Company Secretaries ensure that the Boards and the Board Committees function effectively based on the Board Charter and the respective TORs. Every member of the Boards have ready and unrestricted access to the advice and services of the Company Secretaries. The details of the Company Secretaries relating to qualification, training programmes attended and others are disclosed in the CG Report.

VIII) SUPPLY AND ACCESS TO INFORMATION

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

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

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

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

IX) INTEGRITY AND ETHICS

The Boards acknowledge their roles in establishing a corporate culture of ethical conduct within KLCCP Stapled Group. The Boards are guided by the PETRONAS Code of Conduct and Business Ethics ("PETRONAS CoBE") which was adopted by KLCCP Stapled Group. KLCCP Stapled Group has also adopted PETRONAS' Whistle-blowing Policy and the Anti-Bribery and Corruption Manual which provide and facilitate appropriate communication and feedback channels between KLCCP Stapled Group and its employees. PETRONAS CoBE, which includes the Whistle-blowing Policy and the Anti-Bribery and Corruption Manual, is described in the CG Report and is available on KLCCP corporate website at www.klcc.com.my.

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

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

As part of KLCCP Stapled Group implementation of adequate procedures, the Boards of KLCCP and its subsidiaries have executed the Integrity Pledge in combatting bribery and corruption as a defence against corporate liability, which is stipulated in Section 17A of the Malaysian Anti-Corruption (Amendment) Act 2018 and takes effect from 1 June 2020. The Board of KLCCP had also approved for KLCCP to obtain certification of ISO 37001: 2016 Anti-Bribery Management System by December 2020 and for its subsidiaries to implement their respective Anti-Bribery Management Systems, being part of the several related initiatives implemented during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B EFFECTIVE AUDIT AND RISK MANAGEMENT

I) AUDIT COMMITTEE

The Boards had established the ACs for KLCCP and KLCCRM which are governed by their respective TOR. The ACs comprise members who have a wide range of necessary skills to discharge their duties.

Further details of the ACs are set out in the ACs Report of this Annual Report as well as CG Report.

II) FINANCIAL REPORTING

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

The Boards are assisted by the respective ACs to provide independent scrutiny of the processes in place to monitor KLCCP Stapled Group's financial and non-financial reporting and the quality of the same.

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

The Boards are responsible for ensuring that KLCCP Stapled Group's audited financial statements comply with the relevant financial reporting standards and any other applicable legislations and regulations.

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

III) RISK MANAGEMENT AND INTERNAL CONTROL

The Boards determine the extent and nature of the risks they are prepared to take in order to achieve KLCCP Stapled Group's strategic objectives.

The Boards have overall responsibility for maintaining a sound system of risk management and internal control for KLCCP Stapled Group that provide reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines. Oversight of the effectiveness of these systems is delegated to the ACs which undertake regular reviews to ensure that KLCCP Stapled Group can identify and consider the most appropriate risks for the business and to mitigate risks as far as practicable. ACs review covers financial, operational and compliance controls as well as risk management functions.

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

IV) RELATIONSHIP WITH EXTERNAL AUDITORS

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

KLCCP and KLCCRM had adopted their respective Framework on External Auditors, which is one of the several initiatives implemented during the year, to establish a formal policy and procedure for the respective ACs to assess the suitability, objectivity and independence of the external auditors in tandem with the practice of MCCG.

The respective ACs meet with the external auditors to discuss their audit plans, fees, audit findings and their reviews of KLCCP Stapled Group's financial statements. The meetings are held in the presence of the CEO and the Management.

During the year under review, the respective ACs also met with the external auditors twice without the presence of the CEO and the Management. In addition, the external auditors are present at the AGMs to provide their professional and independent clarification on issues and concerns raised by the holders of Stapled Securities.

A summary of the work of the ACs during the year under review, including the evaluation of the independent audit process, are set out in the ACs Report and CG Report.

V) INTERNAL AUDIT FUNCTION

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

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

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

VI) COMMUNICATION ON AUDIT, RISK MANAGEMENT AND CONTROL

The Boards through the ACs have maintained oversight to ensure integrity in financial reporting, effectiveness of the internal control environment and risk management process in operation across KLCCP Stapled Group. Further details are outlined in the ACs Report, and Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I) COMMUNICATION BETWEEN KLCCP, KLCCRM AND STAKEHOLDERS

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

The Boards' principal duty is to deliver long term, sustainable returns to the holders of Stapled Securities bearing in mind the impact of their actions and decisions on other stakeholders. The detailed explanation of how KLCCP and KLCCRM interact with the holders of Stapled Securities and other stakeholders are detailed out in the Sustainability Statement of this Annual Report.

II) EFFECTIVE ANNUAL GENERAL MEETINGS

The Boards regard the AGMs as important forums for effective communication and proactive engagements between the Boards and the holders of Stapled Securities. The holders of Stapled Securities will be informed at the commencement of the AGMs that all resolutions set out in the Notice of the AGMs are to be voted by poll.

The holders of Stapled Securities will be accorded ample opportunity and time to raise questions and concerns, and the Directors of KLCCP and KLCCRM will provide appropriate answers and clarifications. The questions from the Minority Shareholders Watch Group and their answers thereto are shared with all the holders of Stapled Securities for their information.

A detailed presentation of KLCCP Stapled Group's operations and financial results will be given by the CEO upon commencement of the AGMs. The external auditors of KLCCP and KLCC REIT will also be present during the AGMs to provide their professional and independent advice. Further details on matters relating to the proceedings of the AGMs are disclosed in the CG Report.

STRENGHTENING OUR GOVERNANCE PRACTICES FOR FUTURE VALUE

The Boards believe that good governance is essential in supporting the realisation of business objectives of KLCCP Stapled Group. Having the right standards on governance protects the business of KLCCP Stapled Group as well as the interests of the stakeholders.

Moving forward, the Boards will strive to enhance corporate governance best practices for KLCCP and KLCCRM, as particularly stated below:

1. To carry out Boards Evaluation by an independent expert
2. To have majority independent directors on the Boards
3. To have representation of 30% women directors on the Boards
4. To consider the viability of "voting in absentia" to encourage shareholders engagement

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

NOMINATION AND REMUNERATION COMMITTEES REPORT

HABIBAH BINTI ABDUL

Chairperson/Senior Independent Non-Executive Director

The Nomination and Remuneration Committees of KLCCP and KLCCRM are constituted as committees of the Boards of KLCCP and KLCCRM to assist the Boards with regard to its nomination and remuneration matters. The NRCs of KLCCP and KLCCRM were established on 27 November 2012 and 21 August 2013 respectively.

Composition

Both NRCs comprise a majority of Independent Non-Executive Directors. The composition of the NRCs for both KLCCP and KLCCRM is as follows:

I	II	III
Habibah binti Abdul Chairperson/ Senior Independent Non-Executive Director	**Tengku Muhammad Taufik** Member/ Non-Independent Non-Executive Director	**Farina binti Farikhullah Khan** Member/ Independent Non-Executive Director

Meetings and Attendance

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

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

Terms of Reference ("TOR")

Both NRCs' roles and functions are set out in their respective Terms of Reference ("TOR") which are available on the corporate website of KLCCP at www.klcc.com.my for easy access by holders of Stapled Securities and the public alike. The last revision to the respective TOR of KLCCRM and KLCCP was made on 11 November 2019 to incorporate changes pursuant to the adoption of best practices on corporate governance as recommended by the Malaysian Code on Corporate Governance ("MCCG").

MEETING ATTENDANCE	Committee Members			
	Habibah binti Abdul (Re-designated as Chairperson w.e.f 3 April 2019)	**Tengku Muhammad Taufik**	**Farina binti Farikhullah Khan** (Appointed as Member w.e.f 3 April 2019)	**Dato' Halipah binti Esa** (Ceased as Member w.e.f 3 April 2019)
KLCCP	4/4	3/4	2/2	2/2
KLCCRM	4/4	3/4	2/2	2/2

Meetings of the NRCs were also attended by the Chief Executive Officer.

NOMINATION AND REMUNERATION COMMITTEES REPORT

ACTIVITIES DURING THE PERIOD UNDER REVIEW

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

CATEGORIES	ACTIVITIES
Board membership	(a) Reviewed and endorsed the re-election of directors. (b) Reviewed and endorsed proposals on revision to the composition of the Boards and Board Committees.
Board fees & benefits	(a) Establishment of Non-Executive Directors' Remuneration Framework. (b) Reviewed the fees payable to non-executive directors for the holders of Stapled Securities' approval.
Board Performance Evaluation	(a) Assessment on the effectiveness of the Boards, Board Committees and individual Directors through Board Effectiveness Evaluation.
Performance Management	(a) Reviewed and endorsed proposals on performance reward and salary increment for KLCCP. (b) Reviewed and endorsed the proposal for salary structure revision for KLCCP.
Succession Planning	(a) Discussed updates on succession management (i.e. KLCCP Leadership Bench Strength) following the approved Succession Management Framework.
Governance	(a) Endorsed the amendments to the Terms of Reference including the limit on tenure of independent non-executive directors to 9 years. (b) Discussed & reviewed updates on compliance and governance under nomination and remuneration matters.

BOARD'S APPOINTMENT AND RESIGNATION

During the year under review, changes to the composition of the Boards of KLCCP and KLCCRM are set out below:

APPOINTMENT

KLCCP and KLCCRM practice a formal and transparent procedure for appointment of new directors.

All nominees to the Boards are first considered by the NRCs, taking into consideration the mix of skills, competencies, experiences, integrity, time commitment, age, gender and other qualities required to effectively discharge the role of a director. The NRCs will then recommend the nominees for the Boards' approvals.

The selection and appointment of an additional independent non-executive director was part of the Boards endeavor to enhance the mix of board's skills and competencies as well as to achieve the target of having majority independent directors.

Following rigorous selection process depicted below, the NRC reviewed and recommended the appointment of Dato' Jamaludin bin Osman to the Board who was appointed effective 1 January 2020.

THE APPOINTMENT PROCESS FOR A DIRECTOR

APPOINTMENT OF DIRECTOR

Deliberation by NRC on Criteria and Needs

NOMINATION & SEARCHES FOR CANDIDATES

Search Firms | Our People | Directors | Shareholders

DUE DILIGENCE

- Qualifications
- Skills Mix
- Diversity
- Independence and potential conflicts
- Engagement

APPOINTMENT

Deliberation & Approvals

NRC Recommendation

Board's Approval

Induction

Training

Evaluation

RESIGNATION

Dato' Halipah binti Esa retired and resigned as an Independent Non-Executive Director of KLCCP and KLCCRM respectively and ceased as the Chairperson of both NRCs on 3 April 2019. Dato' Halipah served as an Independent Non-Executive Director of KLCCP and KLCCRM since 1 March 2007 and 5 December 2012 respectively. She opted to retire after the conclusion of 16th AGM of KLCCP held on 3 April 2019.

On 1 January 2020, Datuk Ishak bin Imam Abas resigned as Non-Independent Non-Executive Director of KLCCP and KLCCRM. Datuk Ishak was appointed to the board of KLCCP on 7 February 2004 and also appointed as director of KLCCRM on 5 December 2012.

NOMINATION AND REMUNERATION COMMITTEES REPORT

RE-ELECTION OF DIRECTORS

During the year under review, KLCCP Board, with the recommendation of the NRC, endorsed the re-election of directors who are subject to retirement in accordance with the provisions of KLCCP Constitution. The following directors who are due for retirement and are eligible for re-election have indicated their willingness to seek re-election at the forthcoming annual general meeting of KLCCP to be held in April 2020:

Datuk Hashim bin Wahir

Cik Habibah binti Abdul

Dato' Jamaludin bin Osman

SUCCESSION PLANNING

During the year under review, the NRC of KLCCP continued to be updated on the approved Succession Management Framework of KLCCP, which enables critical positions across the group to be identified according to the clustering of positions in various categories.

The Succession Management Framework also provides the criteria and considerations in determining the potential talents and successors for the critical positions, resulting in the Leadership Bench Strength of KLCCP which is part of the management's initiative in building succession management.

The NRC of KLCCP was also briefed on the development programmes enrolled by potential talents and successors being part of their training and development.

BOARDS AND INDIVIDUAL DIRECTOR'S EFFECTIVENESS EVALUATION

During the year under review, an evaluation of the Boards and individual directors was carried out with the assistance of an external company secretarial firm, Messrs. Tricor Corporate Services. The evaluation process is explained in the diagram below:

PLAN

NRC Deliberation on Method, Experts and Criteria for Evaluation

Evaluation Framework

- What are our objectives
- Who will be evaluated
- What will be evaluated
- What techniques will be used
- Who will do the evaluation
- What we will do with the results

IMPLEMENTATION

Appointment of Facilitator

Appointment of Messrs. Tricor Corporate Services as External Facilitator for Evaluation

Tailor & Launch Survey

Distribution of Detailed Questionnaire to Directors

EVALUATION

- Compilation of findings
- NRC's deliberation on Survey Results, analysis on findings and recommend to the Board
- Tabulation to the Board of the Results and key action needed for improvement

POST EVALUATION

ACTION PLAN & FOLLOW UP

NOMINATION AND REMUNERATION COMMITTEES REPORT

The FY2019 Board and Board Committees Evaluation ("FY2019 Performance Assessment") for both KLCCP and KLCCRM was carried out based on the following criteria:

BOARD

- Structure;
- Operations and Interaction;
- Communication; and
- Roles and Responsibilities

AUDIT COMMITTEE

- Terms of Reference and Composition;
- Skills and Competencies;
- Meeting Administration and Conduct;
- Board Communication;
- Internal Audit; and
- External Audit.

NOMINATION & REMUNERATION COMMITTEE

- Terms of Reference and Composition;
- Skills and Competencies;
- Meeting Administration and Conduct;
- Board Communication;
- Nominating Matters; and
- Remuneration Matters.

The FY2019 Performance Assessment also included the evaluation of the performance of individual directors as well as assessing the independence of independent directors. The FY2019 Performance Assessment results will be tabled to the Boards at the meetings of the Boards to be held in 2020 for deliberation by the Board on key action plans for improvement.

During the year under review, the NRCs had identified the following areas arising from the FY2018 Performance Assessment results:

Areas of Strength

TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the year under review, the directors have attended relevant development and training programmes according to individual needs to enhance their ability in discharging their duties and responsibilities more effectively. The list of trainings attended by the directors is as follows:

Directors	Datuk Ahmad Nizam bin Salleh	Datuk Hashim bin Wahir	Datuk Pragasa Moorthi a/l Krishnasamy
Trainings Attended	• Asia Oil and Gas Conference (AOGC 2019) • Asia Petroleum Geoscience Conference and Exhibition (APGCE 2019) • National SDG Summit 2019 • Wawasan Kemakmuran Bersama (WBK2030) • International Day for the Eradication of Poverty 2019	• Anti-Bribery Management System Session with Governing Body and KLCC Group Management • Global Business Insight Series – LEAP: How to thrive in a World where everything can be copied • Pembentangan Ekonomi Malaysia: Kini dan Masa Depan • Khazanah Megatrends Forum 2019 • PNB Corporate Summit 2019 • The Inaugural Malaysia REIT Forum 2019	• Curtain University Risk Management Seminar

REMUNERATION OF DIRECTORS

During the year under review, the NRCs ensured the transparency of remuneration matters and that decisions on remuneration made by the NRCs support the strategic direction of the business. Evidently, the NRCs established the KLCCP Non-Executive Directors' Remuneration Framework ("Framework") which is available on the corporate website of KLCCP at www.klcc.com.my

The Framework is designed upon the remuneration principles and procedures applicable for the KLCCP NEDs. So long as the shares of KLCCP remained stapled with the units of KLCC Real Estate Investment Trust ("KLCC REIT"), the Framework is also applicable to the NEDs of KLCCRM being the Manager of KLCC REIT.

Summary of

Element
Retainer Fee
Special Fee
Meeting Allowance
Petrol Allowance
Others

NOMINATION AND REMUNERATION COMMITTEES REPORT

(a) Ability to share experience and skills. Ability to make impact on company's strategy, performance and people;
(b) Discussion on strategic direction and results of its business; and
(c) Evaluation and development of new projects.

Areas for Improvement

(a) To improve skills diversity in the Board's composition; and
(b) To engage independent experts periodically to facilitate objective and candid Board evaluation.

Habibah binti Abdul	Farina binti Farikhullah Khan	Tengku Muhammad Taufik	Dato' Jamaludin bin Osman (appointed w.e.f 1 January 2020)	RESIGNED
• Implement Strategic Business Plan Process • Board Excellence Programme Managing Stakeholders • Talk on Gas industry by Sam Muraki • EY Tax Budget Seminar • Audit Oversight Board with Audit Committee • MFRS updates for BAC Members	• Talk on Gas industry by Sam Muraki • CG Watch: How Does Malaysia Rank? • Cyber Security Awareness • Anti-Money Laundering FY2017/18 • Risk Management: BASEL FIRB Accreditation – Refresher for Board Members • Session with Prof Dr Kamal Munir • Raising Defences: Section 17A, MACC Act	• Mandatory Accreditation Programme • EY Innovation Realised Summit • MISC Annual Planning Forum/Directors' Training 2019 • World Economic Forum Malaysia Energy Roundtable: Shaping the future of Malaysia's Energy Landscape • EY C-Suite Forum 2019	• Briefing on the new Section 17A MACC Act 2009 on Corporate Lability and Corruption-Free Pledging & Signing Ceremony • Agile Corporate Governance in IR 4.0	**Dato' Halipah binti Esa** (resigned w.e.f 3 April 2019) • PNB Leadership Forum 2019 – Organisational Excellence **Datuk Ishak bin Imam Abas** (resigned w.e.f 1 January 2020) • Thought Leadership Series: Leadership Greatness in Turbulent Times – Building Corporate Longevity

KLCCP NEDs Remuneration Framework:

How operated

The NEDs are to be paid a fixed retainer fee.

Special Fee is payable to the NEDs with special experience and skills critical for the company's success.

The NEDs shall be paid attendance allowance for every meeting (Board & Board Committees Meetings) attended.

The NEDs are each given petrol card with a fixed maximum amount per annum.

The NEDs of KLCCRM are only entitled to Meeting Attendance Allowance as well as Special Fee (where applicable). The said allowance/fee is payable only when the meetings of Board or Board Committees of KLCCRM are held on a different date than the meetings of the Board or Board Committees of KLCCP.

For the financial year ended 31 December 2019, a total of RM1,123,050 was paid to the Board members of KLCCP being Directors' Remuneration following the approval of the resolution tabled at the AGM of KLCCP held on 3 April 2019 where the holders of Stapled Securities had approved the payment of directors' fee and benefits with effect from 4 April 2019 until the next AGM to be held in 2020.

The Executive Director, Datuk Hashim Wahir, who is also the Chief Executive Officer of KLCCP and KLCCRM, is an employee of KLCC (Holdings) Sdn Bhd ("KLCCH"). KLCCP reimburses KLCCH for services rendered by Datuk Hashim Wahir in the form of management fees. During the year under review, KLCCP reimbursed KLCCH an amount of RM1,172,736 for this purpose.

NOMINATION AND REMUNERATION COMMITTEES REPORT

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

	Director's Fee (RM)	Board Meeting Allowance* (RM)	Audit Committee Meeting Allowance* (RM)	Nomination & Remuneration Meeting Allowance* (RM)	Petrol Allowance (RM)	Total (RM)
Executive Director						
Datuk Hashim bin Wahir	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors						
Datuk Ahmad Nizam bin Salleh	240,000	21,000	n/a	n/a	6,000	267,000
Tengku Muhammad Taufik#	120,000	21,000	10,500	10,500	n/a	162,000
Datuk Pragasa Moorthi a/l Krishnasamy	120,000	21,000	n/a	n/a	6,000	147,000
Habibah binti Abdul	120,000	21,000	17,500	14,000	6,000	178,500
Farina binti Farikhullah Khan	120,000	17,500	17,500	7,000	6,000	168,000
Dato' Halipah binti Esa *(retired/resigned w.e.f 3 April 2019)*	31,000	10,500	7,000	7,000	1,550	57,050
Datuk Ishak bin Imam Abas *(resigned w.e.f 1 January 2020)*	120,000	17,500	n/a	n/a	6,000	143,500
Total	**871,000**	**129,500**	**52,500**	**38,500**	**31,550**	**1,123,050**

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

\# *Fees paid directly to PETRONAS in respect of a Director and appointee of PETRONAS.*

The Directors' Remuneration tabulated above reflects what was incurred on a group basis whereby no meeting allowance was paid to the members of the Board, Audit Committee and NRC of KLCCRM, as their meetings were held on the same date as the meetings of the Board, Audit Committee and NRC of KLCCP.

The NRC of KLCCP has reviewed and endorsed the proposed Directors' Remuneration for the NEDs for approval by holders of Stapled Securities at the forthcoming AGM of KLCCP to be held in April 2020.

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

AUDIT COMMITTEES REPORT

FARINA BINTI FARIKHULLAH KHAN

Chairperson/Independent Non-Executive Director

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

Composition

The members of the ACs of KLCCP and KLCCRM are the same and each AC comprises of 2 Independent Non-Executive Directors and 1 Non-Executive Non-Independent Director. The composition of the ACs is as follows:

I **Farina binti Farikhullah Khan** Chairperson/ Independent Non-Executive Director	II **Habibah binti Abdul** Member/ Senior Independent Non-Executive Director	III **Tengku Muhammad Taufik** Member/ Non-Independent Non-Executive Director

Meetings and Attendance

During the year under review, a total of 5 meetings of the AC of KLCCP and the AC of KLCCRM were held respectively.

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

MEETING ATTENDANCE	Committee Members: Farina binti Farikhullah Khan (Chairperson)	Habibah binti Abdul	Tengku Muhammad Taufik (Appointed as member w.e.f 3 April 2019)	Dato' Halipah binti Esa (Ceased as Member w.e.f 3 April 2019)
KLCCP	5/5	5/5	3/3	2/2
KLCCRM	5/5	5/5	3/3	2/2

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

Terms of Reference ("TOR")

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

AUDIT COMMITTEES REPORT

SUMMARY OF THE WORK OF THE AUDIT COMMITTEES

The ACs are collectively responsible in assisting the Boards in corporate governance and compliance matters of KLCCP Stapled Group. A summary of the work and key matters considered by the ACs during the financial year ended 31 December 2019 are described below:

01 INTERNAL AUDIT

(a) Reviewed and approved the annual audit plans prepared by GIAD of KLCCH for activities to be undertaken for FY 2019;

(b) Reviewed the internal audit reports which highlighted major findings, agreed corrective action items, and management's responses thereto.

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

Further, the ACs also reviewed the quarterly internal audit status reports prepared by GIAD of KLCCH which highlighted the outstanding agreed corrective action items on audit findings to ensure all audit issues are resolved within the agreed stipulated period on a quarterly basis;

(c) During the first quarter of FY 2019, KLCCP AC reviewed the results of the Balanced Scorecard of GIAD for FY 2018 and approved the Balanced Scorecard of GIAD for FY 2019. The Mid-Year Performance Review of GIAD for the first 6 months of FY 2019 was presented to KLCCP AC; and

(d) Recommended the appointment of the new Head of GIAD effective 1 September 2019 to replace the former Head of GIAD.

02 FINANCIAL STATEMENTS AND REPORTING

(a) Reviewed and discussed the unaudited quarterly financial results of KLCCP Stapled Group with the management and recommended the same for the Boards' consideration and approval before releasing to Bursa Securities. The review was to ensure compliance with the MMLR, Malaysian Financial Reporting Standards, the Companies Act 2016, REIT Guidelines and any other applicable legislations and regulations;

(b) Reviewed and discussed the audited financial statements with the external auditors and the management. Having been satisfied that the financial statements and reports complied with the relevant accounting standards and other applicable laws and regulations, the ACs recommended the same for the Boards' consideration and approvals;

(c) The ACs discussed the key audit matters raised by the external auditors with the management and the disclosure thereof in the Auditors' Report for the financial year ended 31 December 2019 for KLCCP, KLCC REIT and KLCCRM, which is in line with the requirements of the new International Standards on Auditing 701; and

(d) Recommended to the Boards of KLCCP and KLCCRM (as approved by the Trustee) for approvals on dividends and income distributions respectively for payment to the holders of Stapled Securities.

03 RISK REVIEW

(a) Reviewed the adequacy and effectiveness of risk management, internal control system and key control processes as adopted by KLCCP Stapled Group;

(b) Reviewed KLCCP Stapled Group's risk exposures on an annual basis to ensure the risk exposures are properly mitigated and updated in the Corporate Risk Profile and recommended the same for the Boards' consideration and approvals; and

(c) Reviewed the quarterly key risk indicators' and risk appetite results for the identified risks and recommended the same for Boards' endorsement.

04 EXTERNAL AUDIT

(a) Reviewed the external auditors' scope of work, audit plans and fees for the year under review. Prior to the audit, representatives from the external auditors presented their audit strategies and plans;

(b) Discussed with the external auditors on the Audited Financial Statements for the financial year ended 31 December 2019, particularly on the major issues that arose during the course of the audit and their resolution, key accounting and audit adjustments, as well as the unadjusted differences identified during the audit;

(c) Discussed issues arising from financial audits and any other matters the external auditors may wish to discuss (in the absence of the management twice annually); and

(d) Reviewed the independence and objectivity of the external auditors and their services rendered including non-audit services:

- For KLCCP, the AC made recommendations to the Board for the re-appointment of the external auditors and approvals of their audit and non-audit fees.
- In respect of KLCCRM, the AC recommended the appointment and remuneration of the external auditors of KLCC REIT upon the approval of the Trustee of KLCC REIT.

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

	KLCCP Stapled Group RM'000*	KLCCP RM'000	KLCC REIT RM'000#
Fees paid/payable to Messrs. Ernst & Young:			
Statutory Audit	621	219	92
Non-Audit Fee	16	16	-
Total	**637**	**235**	**92**

* inclusive of fees paid by subsidiaries of KLCCP
# inclusive of fees paid by Midciti Sukuk Berhad

The Boards of KLCCP and KLCCRM consider the provision of other services by the external auditors to KLCCP Stapled Group was cost effective and efficient due to their knowledge and understanding of the operations of KLCCP Stapled Group, with no undue compromise to their independence and objectivity.

05 RELATED PARTY TRANSACTIONS

(a) Reviewed and recommended to the Boards for approval proposed related party transactions and recurrent related party transactions to be entered into by KLCCP Stapled Group based on the following requirements:
- (i) The MMLR, REIT Guidelines and other applicable laws and regulations;
- (ii) On arm's-length basis and under normal commercial terms and in the best interest of the holders of Stapled Securities;
- (iii) Interested Directors are to abstain from voting at Board Meetings;
- (iv) Disclosure via Bursa Announcements, Quarterly Reports and Annual Report (if applicable);
- (v) Approval by the Trustee (for KLCC REIT only); and

(b) The AC of KLCCP reviewed the quarterly report on recurrent related party transactions of KLCCP Stapled Group.

06 CORPORATE GOVERNANCE AND REGULATORY COMPLIANCE

(a) Reviewed and recommended to the Boards on the following:
- (i) Corporate Governance ("CG") Overview Statement and CG Report;
- (ii) Statement on Risk Management and Internal Control;
- (iii) ACs Report; and
- (iv) Sustainability Statement;

(b) Reviewed the current corporate governance practices implemented by KLCCP and KLCCRM and recommended to the Boards on areas for improvement; and

(c) Reviewed the compositions of the ACs to ensure compliance with the MMLR and MCCG.

AUDIT COMMITTEES REPORT

INTERNAL AUDIT FUNCTION

The ACs are supported by GIAD of KLCCH by providing an independent, objective assurance and to assist KLCCP Stapled Group in accomplishing its goals by evaluating and improving the effectiveness of risk management, controls and governance processes within the Group. The internal audit function is governed by the respective KLCCP and KLCCRM Internal Audit Charters approved by the respective ACs which establishes a framework for the effective and efficient functioning of the GIAD. The GIAD of KLCCH maintained their independence, impartiality, and proficiency and due professional care by having their plans and reports directly under the purview of the ACs.

The internal audits were undertaken to support the ACs in their governance responsibilities, which are to provide oversight of risk, control and governance processes administered by the management of the KLCCP Stapled Group. The GIAD of KLCCH adopts risk-based approach in executing the planning, reviews and assessments, steered by internal policies, procedures and the Internal Control – Integrated Framework issued by COSO (i.e. The Committee of Sponsoring Organizations of the Treadway Commission) and the International Professional Practices Framework promulgated by the Institute of Internal Auditors.

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

During the financial year ended 31 December 2019, the GIAD of KLCCH had executed the following internal audit works:

Conducted reviews and assessments based on the approved FY2019 annual audit plans covering the areas of:

- Overall Controls and Management of Projects Variation Order;
- Menara 3 PETRONAS' (Office) Leasing, Tenancy and Facility Management;
- KLCC Parking Management;
- Group Tender and Procurement Department; and
- Audit Review on the Overall Controls and Activities KLCCP's Human Resource Division.

Conducted regular follow-up with the management on agreed corrective action items for outstanding audit issues to ensure key risks and weaknesses were addressed effectively and timely, where the status of implementation of the said agreed corrective action items are reported to the ACs on quarterly basis; and

Prepared annual audit plans for FY2020 to ensure that all high risk areas in significant businesses and support units were identified and audited for the ACs' deliberations and approvals.

The resulting reports from GIAD of KLCCH, including findings, recommendations and management responses, were presented to the ACs.

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

The total costs incurred for the internal audit activities of KLCCP Stapled Group for the year was RM645,126.00.

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

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

RISK MANAGEMENT

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD OF DIRECTORS

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

ACs AND THE MANAGEMENT

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

RISK MANAGEMENT COMMITTEE

RISK MANAGEMENT COMMITTEE

TOP MANAGEMENT

The RMC serves as a central platform of KLCCP Stapled Group to assist the Management in identifying principal risks, reviewing and recommending frameworks, methodologies, measurement, providing guidance and direction in the implementation and institutionalization of risk management practices and providing assurance on effective implementation of risk management on a group wide basis.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK PROFILING

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

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

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

Annual Review of the Risk Appetite to ensure the risk statements and thresholds are reflective of the internal and external changes;

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

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

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

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

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

CRISIS MANAGEMENT (CM)

A Crisis Management Plan (CMP) was established to address and respond to incidents where risk mitigation fails or when full prevention of the risk occurring is unlikely.

The CMP is to ensure preparedness in managing and responding in the area beyond HSE, such as Human Resources; Finance; ICT; Facility Management and Legal in the event of emergency/crisis.

The CMP includes the objective and scope; roles and responsibilities; activation thresholds and procedures; notification and communication process, strategies and actions for responding pre, during and post emergency/crisis; escalation process and resource requirement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BUSINESS CONTINUITY PLAN

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

During the year under review, an update review of the business impact analysis (BIA) to identify the critical business functions (CBF) was carried out. The BIA is to assess the impact of unavailability of the functions over time, set prioritised timeframes for resuming these functions and specify Minimum Resources Requirements to be allocated to recover and resume these functions.

A Call Tree Verification exercise was conducted to ensure phone numbers and contact lists of relevant personnel and stakeholders are updated.

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

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

INTERNAL CONTROL PROCESSES

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

INTERNAL AUDIT

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

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

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

MANAGEMENT ROLE

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

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

REVIEW OF THIS STATEMENT

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") in accordance with *Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.*

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

This Statement is made in accordance with the resolution of the Board of Directors on 23 January 2020.

ADDITIONAL COMPLIANCE INFORMATION

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

(i) Material Contracts

There were no material contracts or loans entered into by KLCCP or KLCCP's subsidiaries involving the interests of the Directors or major Stapled Securities holders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous year, except as disclosed in the Prospectus of KLCCP Stapled Securities dated 7 May 2013 and the audited financial statements of KLCCP.

(ii) Utilisation of Proceeds

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

(iii) Sanctions and/or Penalties

During the financial year, there was no public sanction or penalty imposed by the relevant regulatory bodies on the management company of KLCC REIT.

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

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

(v) List of Property Development Activities

During the financial year, there were no property development activities including acquisition of vacant land carried out by KLCC REIT.

KLCC PROPERTY HOLDINGS BERHAD

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

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

CORPORATE INFORMATION

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

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

(a) the KLCC Property Holdings Berhad ("KLCCP") Group, being the Company, its existing subsidiaries and associate company; and

(b) KLCC Real Estate Investment Trust ("KLCC REIT") Group.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	945,671	200,948
Attributable to:		
Equity holders of the Company	356,503	200,948
Non-controlling interests relating to KLCC REIT	433,648	-
Other non-controlling interests	155,520	-
	945,671	200,948

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

RESERVES AND PROVISIONS

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 as reported in the Directors' Report in that year:	
A fourth interim dividend of 4.63%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 24 January 2019 and paid on 28 February 2019.	83,587
In respect of the financial year ended 31 December 2019:	
A first interim dividend of 2.52%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 7 May 2019 and paid on 20 June 2019.	45,494
A second interim dividend of 2.57%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 20 August 2019 and paid on 4 October 2019.	46,397
A third interim dividend of 2.56%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 11 November 2019 and paid on 18 December 2019.	46,217
	221,695

A fourth interim dividend in respect of the financial year ended 31 December 2019, of 5.35%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM96,585,000 will be payable on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS OF THE COMPANY

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

Datuk Ahmad Nizam Bin Salleh	
Datuk Hashim Bin Wahir	
Datuk Pragasa Moorthi A/L Krishnasamy	
Habibah Binti Abdul	
Tengku Muhammad Taufik	
Farina Binti Farikhullah Khan	
Dato' Jamaludin Bin Osman	(appointed w.e.f on 1 January 2020)
Datuk Ishak Bin Imam Abas	(resigned w.e.f on 1 January 2020)
Dato' Halipah Binti Esa	(retired w.e.f. on 3 April 2019)

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report (not including those directors listed above) are:

Annuar Marzuki Bin Abdul Aziz	
Peter James Holland Riley	
Richard Daniel Baker (Alternate Director to Craig Alan Beattie)	
Rossana Annizah Binti Ahmad Rashid (Alternate Director to Peter James Holland Riley)	
Abd Aziz Bin Abd Kadir	
Kevin William Whan (Alternate Director to Craig Alan Beattie)	
Brian Lap Hei Hung	
Andrew William Brien	
Harold Alan Schwartz III	
Datin Faudziah Binti Ibrahim	
Adrian Lee Baker	
Craig Alan Beattie	
Burhanuddin Bin Yahya	(appointed w.e.f. on 1 November 2019)
Dato' Hashimah Binti Hashim	(appointed w.e.f. on 1 November 2019)
Izwan Hasli Bin Mohd Ibrahim	(appointed w.e.f. on 20 January 2020)
Mohainee Binti Tahir	(resigned w.e.f. on 9 October 2019)
Shamsudin Bin Ishak	(resigned w.e.f. on 25 October 2019)
Rashidah Binti Alias @ Ahmad	(resigned w.e.f. on 31 October 2019)
Muhmat Hilme Bin Hassan	(resigned w.e.f. on 1 November 2019)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' INTERESTS

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

	Number of Shares in Petronas Chemicals Group Berhad			
		← Number of Shares →		
	Balance as at 1.1.2019	Bought	Sold	Balance as at 31.12.2019
Direct				
Datuk Hashim Bin Wahir	**16,000**	-	-	**16,000**
Datuk Ahmad Nizam Bin Salleh	**10,000**	-	-	**10,000**

	Number of Shares in Petronas Gas Berhad			
		← Number of Shares →		
	Balance as at 1.1.2019	Bought	Sold	Balance as at 31.12.2019
Direct				
Datuk Ahmad Nizam Bin Salleh	**2,000**	-	-	**2,000**

None of the other Directors holding office as at 31 December 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive*	-	-
Non-Executive:		
Fees	1,123	1,123
	1,123	1,123

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

ULTIMATE HOLDING COMPANY

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

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNIFICATION TO DIRECTORS AND OFFICERS

During the financial year, PETRONAS and its subsidiaries, including the Company, maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The total insured limit for the Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM1,290 million per occurrence and in the aggregate. The insurance premium for the Company is RM1,000.

OTHER STATUTORY INFORMATION

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

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

OTHER STATUTORY INFORMATION (CONT'D.)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Audit fees	621	219

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh **Datuk Hashim Bin Wahir**

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 201 to 272 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the results of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 201 to 272 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 23 January 2020.

Annuar Marzuki Bin Abdul Aziz
(MIA Membership No. 11345)

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for Oaths

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	**671,690**	673,620	**716**	1,775
Investment properties	6	**15,894,180**	15,714,934	**-**	-
Investment in subsidiaries	7	**-**	-	**1,371,903**	1,371,136
Investment in an associate	8	**265,588**	252,973	**99,195**	99,195
Right-of-use assets	30	**11,807**	-	**7,859**	-
Deferred tax assets	10	**1,330**	1,225	**912**	808
Other receivables	12	**426,488**	418,939	**-**	-
		17,271,083	17,061,691	**1,480,585**	1,472,914
Current Assets					
Inventories	11	**1,810**	1,613	**-**	-
Trade and other receivables	12	**52,962**	59,980	**7,819**	7,873
Other investment	9	**-**	-	**-**	100,000
Tax recoverable		**1,493**	1,321	**1,481**	1,258
Cash and bank balances	13	**883,908**	735,724	**474,759**	395,749
		940,173	798,638	**484,059**	504,880
TOTAL ASSETS		**18,211,256**	17,860,329	**1,964,644**	1,977,794
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	14	**1,823,386**	1,823,386	**1,823,386**	1,823,386
Capital reserve	2.21	**3,015,397**	2,937,256	**-**	-
Retained profits	15	**299,821**	243,209	**127,323**	148,108
		5,138,604	5,003,851	**1,950,709**	1,971,494
Non-controlling interests ("NCI") relating to KLCC REIT	7	**8,073,356**	8,091,402	**-**	-
Stapled Securities holders interests in the Group		**13,211,960**	13,095,253	**1,950,709**	1,971,494
Other NCI	7	**2,081,478**	2,029,836	**-**	-
Total Equity		**15,293,438**	15,125,089	**1,950,709**	1,971,494

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current Liabilities					
Deferred revenue	16	**46,947**	48,266	**-**	-
Other long term liabilities	17	**171,288**	156,132	**-**	-
Long term borrowings	18	**2,317,386**	1,817,166	**4,909**	-
Deferred tax liabilities	10	**71,994**	49,180	**-**	-
		2,607,615	2,070,744	**4,909**	-
Current Liabilities					
Trade and other payables	19	**257,843**	214,362	**6,051**	6,300
Borrowings	18	**29,210**	427,548	**2,975**	-
Taxation		**23,150**	22,586	**-**	-
		310,203	664,496	**9,026**	6,300
Total Liabilities		**2,917,818**	2,735,240	**13,935**	6,300
TOTAL EQUITY AND LIABILITIES		**18,211,256**	17,860,329	**1,964,644**	1,977,794
Net asset value ("NAV")		**13,211,960**	13,095,253		
Less: Fourth interim distribution		**(96,585)**	(83,587)		
Net NAV after distribution		**13,115,375**	13,011,666		
Number of stapled securities/ shares in circulation ('000)		**1,805,333**	1,805,333		
NAV per stapled security/share (RM)					
- before distribution		**7.32**	7.25		
- after distribution		**7.26**	7.21		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	20	**1,423,021**	1,405,941	**220,070**	265,824
Operating profit	21	**1,020,020**	1,010,891	**184,375**	229,604
Fair value adjustments of investment properties	6	**118,471**	20,050	**-**	-
Interest income	22	**31,636**	27,574	**17,239**	16,365
Financing costs	23	**(111,421)**	(107,710)	**(40)**	-
Share of profit of an associate	8	**12,615**	13,288	**-**	-
Profit before tax	24	**1,071,321**	964,093	**201,574**	245,969
Tax expense	27	**(125,650)**	(125,173)	**(626)**	(899)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		**945,671**	838,920	**200,948**	245,070
Profit attributable to:					
Equity holders of the Company		**356,503**	284,253	**200,948**	245,070
NCI relating to KLCC REIT	7	**433,648**	440,661	**-**	-
		790,151	724,914	**200,948**	245,070
Other NCI	7	**155,520**	114,006	**-**	-
		945,671	838,920	**200,948**	245,070
Earnings per share attributable to equity holders of the Company (sen):					
Basic	28	**19.75**	15.75		
Earnings per stapled security (sen):					
Basic	28	**43.77**	40.15		

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

STATEMENT OF INCOME DISTRIBUTION TO STAPLED SECURITIES HOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group 2019 RM'000	Group 2018 RM'000
Overall distributable income is derived as follows:		
Profit attributable to the equity holders of the Company	**356,503**	284,253
Less: Unrealised fair value adjustment attributable to the equity holders	**(78,141)**	(7,906)
	278,362	276,347
Distributable income of KLCC REIT	**451,569**	421,928
Total available for income distribution	**729,931**	698,275
Distribution to equity holders of the Company in respect of financial year ended 31 December 2019/2018:		
First interim dividend of 2.52% (2018: 2.98%)	**(45,494)**	(53,799)
Second interim dividend of 2.57% (2018: 3.05%)	**(46,397)**	(55,063)
Third interim dividend of 2.56% (2018: 2.99%)	**(46,217)**	(53,979)
Fourth interim dividend of 5.35% (2018: 4.63%)	**(96,585)**	(83,587)
	(234,693)	(246,428)
Distribution to KLCC REIT holders in respect of financial year ended 31 December 2019/2018:		
First interim income distribution of 6.28% (2018: 5.72%)	**(113,375)**	(103,265)
Second interim income distribution of 6.23% (2018: 5.65%)	**(112,472)**	(102,001)
Third interim income distribution of 6.24% (2018: 5.71%)	**(112,653)**	(103,085)
Fourth interim income distribution of 6.25% (2018: 6.27%)	**(112,833)**	(113,194)
	(451,333)	(421,545)
Balance undistributed	**43,905**	30,302

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		← Attributable to Equity Holders of the Company →						
		Non Distributable	← Distributable →					
	Note	Share Capital RM'000	Retained Profits RM'000	Capital Reserve RM'000	Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000	Other NCI RM'000	Total Equity RM'000
At 1 January 2019								
As previously reported		1,823,386	243,209	2,937,256	5,003,851	8,091,402	2,029,836	15,125,089
Effect on the adoption of new pronouncement	30	-	(55)	-	(55)	-	(11)	(66)
At 1 January 2019 (restated)		1,823,386	243,154	2,937,256	5,003,796	8,091,402	2,029,825	15,125,023
Total comprehensive income for the year		-	356,503	-	356,503	433,648	155,520	945,671
Transfer of fair value surplus		-	(78,141)	78,141	-	-	-	-
Dividends paid	29	-	(221,695)	-	(221,695)	(451,694)	(103,867)	(777,256)
At 31 December 2019		1,823,386	299,821	3,015,397	5,138,604	8,073,356	2,081,478	15,293,438

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019

		← Attributable to Equity Holders of the Company →						
		Non Distributable	← Distributable →					
	Note	Share Capital RM'000	Retained Profits RM'000	Capital Reserve RM'000	Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000	Other NCI RM'000	Total Equity RM'000
At 1 January 2018								
As previously reported		1,823,386	225,492	2,929,350	4,978,228	8,050,264	2,018,364	15,046,856
Effect on the adoption of new pronouncement		-	(106)	-	(106)	(3)	(34)	(143)
At 1 January 2018 (restated)		1,823,386	225,386	2,929,350	4,978,122	8,050,261	2,018,330	15,046,713
Total comprehensive income for the year		-	284,253	-	284,253	440,661	114,006	838,920
Transfer of fair value surplus		-	(7,906)	7,906	-	-	-	-
Dividends paid	29	-	(258,524)	-	(258,524)	(399,520)	(102,500)	(760,544)
At 31 December 2018		1,823,386	243,209	2,937,256	5,003,851	8,091,402	2,029,836	15,125,089

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Non Distributable	Distributable	
		Share Capital RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2019				
As previously reported		**1,823,386**	**148,108**	**1,971,494**
Effect on the adoption of new pronouncement	30	**-**	**(38)**	**(38)**
At 1 January 2019 (restated)		**1,823,386**	**148,070**	**1,971,456**
Total comprehensive income for the year		**-**	**200,948**	**200,948**
Dividends paid	29	**-**	**(221,695)**	**(221,695)**
At 31 December 2019		**1,823,386**	**127,323**	**1,950,709**
At 1 January 2018		1,823,386	161,562	1,984,948
Total comprehensive income for the year		-	245,070	245,070
Dividends paid	29	-	(258,524)	(258,524)
At 31 December 2018		1,823,386	148,108	1,971,494

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**1,071,321**	964,093	**201,574**	245,969
Adjustments for:				
Interest income	**(31,636)**	(27,574)	**(15,950)**	(12,275)
Profit income from Sukuk subscription	**-**	-	**(1,289)**	(4,090)
Financing costs	**111,421**	107,710	**40**	-
Accrued rental income	**(13,777)**	(36,708)	**-**	-
Depreciation of property, plant and equipment and right-of-use assets	**43,334**	38,073	**1,748**	1,476
Dividend income	**-**	-	**(198,300)**	(243,100)
Property, plant, equipment written off	**9**	28	**-**	-
Loss on disposal of property, plant and equipment	**38**	148	**-**	-
Net gain on fair value adjustments of investment properties	**(118,471)**	(20,050)	**-**	-
Impairment on investment property under construction ("IPUC")	**2,786**	-	**-**	-
Allowance for impairment losses	**23**	37	**-**	-
Share of profit of an associate	**(12,615)**	(13,288)	**-**	-
Operating cash flows before changes in working capital	**1,052,433**	1,012,469	**(12,177)**	(12,020)
Changes in working capital:				
Trade and other receivables	**521**	3,267	**(1,785)**	(86)
Amount due from subsidiaries	**-**	-	**(342)**	954
Amount due from related companies	**4,058**	3,400	**705**	2,860
Amount due from immediate holding company	**(1,483)**	551	**(38)**	647
Amount due to ultimate holding company	**1,849**	(7,019)	**(431)**	4
Trade and other payables	**53,881**	(20,470)	**181**	(11)
Inventories	**(197)**	130	**-**	-
Cash generated from/(used in) operations	**1,111,062**	992,328	**(13,887)**	(7,652)
Interest/profit income received	**31,998**	26,532	**17,988**	15,614
Tax paid	**(102,549)**	(103,683)	**(953)**	(681)
Net cash generated from operating activities	**1,040,511**	915,177	**3,148**	7,281

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	**-**	16,756	**198,300**	243,100
Proceeds from redemption of Sukuk Murabahah of a subsidiary	**-**	-	**100,000**	-
Purchase of property, plant and equipment	**(39,686)**	(45,472)	**(41)**	(103)
Subsequent expenditure on investment properties	**(59,511)**	(31,103)	**-**	-
Proceeds from disposal of property, plant and equipment	**110**	110	**-**	-
Net cash (used in)/generated from investing activities	**(99,087)**	(59,709)	**298,259**	242,997
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of Sukuk Murabahah	**500,000**	-	**-**	-
Repayment of borrowings	**(7,500)**	(7,500)	**-**	-
Repayment of Sukuk Murabahah	**(400,000)**	-	**-**	-
Payment of principal portion of lease liabilities	**(1,984)**	-	**(702)**	-
Dividends paid to shareholders	**(221,695)**	(258,524)	**(221,695)**	(258,524)
Dividends paid to other NCI	**(103,867)**	(102,500)	**-**	-
Dividends paid to NCI relating to KLCC REIT	**(451,649)**	(399,364)	**-**	-
Interest/profit expenses paid	**(106,545)**	(102,118)	**-**	-
Decrease in deposits restricted	**2,971**	7,952	**-**	-
Net cash used in financing activities	**(790,269)**	(862,054)	**(222,397)**	(258,524)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**151,155**	(6,586)	**79,010**	(8,246)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**730,431**	737,017	**395,749**	403,995
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)	**881,586**	730,431	**474,759**	395,749
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	**86,856**	59,808	**41**	103
Accruals	**16,394**	12,341	**-**	-
	103,250	72,149	**41**	103
Cash paid for additions in prior years	**12,341**	16,767	**-**	-
Cash paid for additions in current year	**86,856**	59,808	**41**	103
Total cash paid for investment properties and property, plant and equipment	**99,197**	76,575	**41**	103

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 January 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

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

As of 1 January 2019, the Group and the Company adopted new MFRSs and amendments to MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation (Cont'd.)

Business combination

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

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

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

Non-controlling interests

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

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

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

Loss of control

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

2.3 Investments

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Associates

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

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

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

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

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

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

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

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

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

2.5 Goodwill

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Property, Plant and Equipment

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

The estimated useful life are as follows:

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Investment Properties

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

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

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

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

2.8 Impairment of Non-Financial Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Inventories

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

2.10 Cash and Cash Equivalents

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

2.11 Financial Assets

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

(i) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(a) Financial assets at amortised cost (debt instruments)
(b) Financial assets at fair value through OCI (debt instruments)
(c) Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial Assets (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(iii) Derecognition

A financial asset is derecognised when:

(a) The rights to receive cash flows from the asset have expired, or

(b) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

i. The Group and the Company have transferred substantially all the risks and rewards of the asset, or

ii. The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company would required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Impairment of Financial Assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Provisions

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

2.14 Financial Liabilities

(i) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial Liabilities (Cont'd.)

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2.15 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.16 Financing Costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.17 Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

2.18 Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

Deferred tax provided for the investment properties of KLCC REIT is at 10% which reflects the expected manner of recovery of the investment properties.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

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

	2019 RM	2018 RM
United States Dollar	**4.09**	4.13

2.20 Share Capital

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

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

2.21 Capital Reserve

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

2.22 Revenue Recognition

(i) Rental income

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Revenue Recognition (Cont'd.)

(ii) Others

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or

ii. the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

iii. the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time.

(a) Hotel operations

Revenue from rental of hotel rooms, sale of food and beverages and other related income are recognised upon provision of the services.

(b) Building and facilities management services

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

(c) Car park operations

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

(d) Interest income

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

(e) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease component and non-lease components, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand alone prices.

As a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases (Cont'd.)

(iii) Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense over the lease term.

(iv) Extension options

The Group and the Company, in applying their judgement, determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

As a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Operating Segments

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

2.25 Fair Value Measurement

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

(i) Financial instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Fair Value Measurement (Cont'd.)

(ii) Non-financial assets

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

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

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

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2019, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 123	Borrowing cost: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty over Income Tax Treatments

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (CONT'D.)

Effective for annual periods beginning on or after 1 January 2019 (Cont'd.)

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

(a) As a lessee

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings which the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019.

The Group and the Company elected to apply following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact of MFRS 16 is as disclosed in Note 30.

(b) As a lessor

The adoption of MFRS 16 does not have any impact to the financial statements of the Group as a lessor. There are no contracts that are or contain a lease in which the Group expects to reclassify as a finance lease.

(ii) Amendments to MFRS 123 Borrowing Costs

In previous years, borrowing costs relating to a specific qualifying assets is capitalised into the cost of the asset. The capitalisation of borrowing costs cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The amendments to MFRS 123 does not have any impact to the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

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

4.2 Key Sources of Estimation Uncertainty

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

Fair value of investment properties

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

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

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

	Fair value Increase/(decrease)	
	2019 RM'000	**2018 RM'000**
Yield rate		
+ 0.25%	**(434,349)**	(424,333)
- 0.25%	**471,065**	457,276
Discount rate		
+ 0.25%	**(136,203)**	(146,131)
- 0.25%	**140,637**	148,948

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

5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2019								
Cost								
At 1 January 2019	637,768	12,820	152,175	159,887	75,103	1,419	9,931	1,049,103
Additions	1,214	31,430	3,516	99	2,740	375	315	39,689
Transfer within property, plant and equipment	1,662	(13,183)	2,372	2,925	6,224	-	-	-
Disposals	(3)	-	(1,658)	(2,316)	(4,174)	(415)	-	(8,566)
Write off	(8,925)	-	(422)	-	(40)	-	-	(9,387)
At 31 December 2019	631,716	31,067	155,983	160,595	79,853	1,379	10,246	1,070,839
Accumulated Depreciation								
At 1 January 2019	126,570	-	73,302	107,980	56,907	1,266	9,458	375,483
Charge for the year (Note 24)	10,352	-	14,494	8,856	7,326	113	320	41,461
Disposals	-	-	(1,572)	(2,293)	(4,136)	(416)	-	(8,417)
Write off	(8,925)	-	(422)	-	(31)	-	-	(9,378)
At 31 December 2019	127,997	-	85,802	114,543	60,066	963	9,778	399,149
Net Carrying Amount	503,719	31,067	70,181	46,052	19,787	416	468	671,690

NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
At 31 December 2018								
Cost								
At 1 January 2018	631,676	22,918	131,376	153,540	80,726	1,419	9,713	1,031,368
Additions	1,360	25,204	15,170	1,366	1,417	5	218	44,740
Transfer within property, plant and equipment	5,008	(35,302)	21,050	5,114	4,130	-	-	-
Disposals	(56)	-	(11,632)	(120)	(2,973)	-	-	(14,781)
Write off	(220)	-	(3,789)	(13)	(8,197)	(5)	-	(12,224)
At 31 December 2018	637,768	12,820	152,175	159,887	75,103	1,419	9,931	1,049,103
Accumulated Depreciation								
At 1 January 2018	116,805	-	76,157	98,816	62,020	1,164	9,169	364,131
Charge for the year (Note 24)	10,024	-	12,356	9,266	6,031	107	289	38,073
Disposals	(39)	-	(11,422)	(89)	(2,973)	-	-	(14,523)
Write off	(220)	-	(3,789)	(13)	(8,171)	(5)	-	(12,198)
At 31 December 2018	126,570	-	73,302	107,980	56,907	1,266	9,458	375,483
Net Carrying Amount	511,198	12,820	78,873	51,907	18,196	153	473	673,620

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
Group					
At 31 December 2019					
Cost					
At 1 January 2019	85,889	389,797	19,089	142,993	637,768
Additions	-	-	175	1,039	1,214
Transfer	-	-	-	1,662	1,662
Disposals	-	-	(3)	-	(3)
Write off	-	-	-	(8,925)	(8,925)
At 31 December 2019	85,889	389,797	19,261	136,769	631,716
Accumulated Depreciation					
At 1 January 2019	-	69,027	14,937	42,606	126,570
Charge for the year	-	5,413	2,768	2,171	10,352
Write off	-	-	-	(8,925)	(8,925)
At 31 December 2019	-	74,440	17,705	35,852	127,997
Net Carrying Amount	85,889	315,357	1,556	100,917	503,719

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
Group					
At 31 December 2018					
Cost					
At 1 January 2018	85,889	389,853	19,034	136,900	631,676
Additions	-	-	275	1,085	1,360
Transfer	-	-	-	5,008	5,008
Disposals	-	(56)	-	-	(56)
Write off	-	-	(220)	-	(220)
At 31 December 2018	85,889	389,797	19,089	142,993	637,768
Accumulated Depreciation					
At 1 January 2018	-	63,622	11,912	41,271	116,805
Charge for the year	-	5,444	3,245	1,335	10,024
Disposals	-	(39)	-	-	(39)
Write off	-	-	(220)	-	(220)
At 31 December 2018	-	69,027	14,937	42,606	126,570
Net Carrying Amount	85,889	320,770	4,152	100,387	511,198

Property, plant and equipment of a subsidiary at carrying amount of RM623,865,000 (2018: RM648,431,000) has been pledged as securities for loan facilities as disclosed in Note 18.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company					
At 31 December 2019					
Cost					
At 1 January 2019	**6,959**	**2,329**	**8**	**2,269**	**11,565**
Additions	**-**	**35**	**-**	**6**	**41**
At 31 December 2019	**6,959**	**2,364**	**8**	**2,275**	**11,606**
Accumulated Depreciation					
At 1 January 2019	**5,734**	**2,215**	**4**	**1,837**	**9,790**
Charge for the year (Note 24)	**922**	**46**	**2**	**130**	**1,100**
At 31 December 2019	**6,656**	**2,261**	**6**	**1,967**	**10,890**
Net Carrying Amount	**303**	**103**	**2**	**308**	**716**
At 31 December 2018					
Cost					
At 1 January 2018	7,052	2,324	8	2,183	11,567
Additions	-	5	-	98	103
Disposal	(93)	-	-	(12)	(105)
At 31 December 2018	6,959	2,329	8	2,269	11,565
Accumulated Depreciation					
At 1 January 2018	4,449	2,171	2	1,692	8,314
Charge for the year (Note 24)	1,285	44	2	145	1,476
At 31 December 2018	5,734	2,215	4	1,837	9,790
Net Carrying Amount	1,225	114	4	432	1,775

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6. INVESTMENT PROPERTIES

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
Group				
At 31 December 2019				
At 1 January 2019	**14,981,293**	**520,000**	**213,641**	**15,714,934**
Additions	**56,970**	**-**	**6,591**	**63,561**
Transfer within investment properties	**1,678**	**-**	**(1,678)**	**-**
Impairment	**-**	**-**	**(2,786)**	**(2,786)**
Fair value adjustments	**117,471**	**1,000**	**-**	**118,471**
At 31 December 2019	**15,157,412**	**521,000**	**215,768**	**15,894,180**
At 31 December 2018				
At 1 January 2018	14,944,258	515,500	207,717	15,667,475
Additions	21,471	14	5,924	27,409
Fair value adjustments	15,564	4,486	-	20,050
At 31 December 2018	14,981,293	520,000	213,641	15,714,934

The following investment properties are held under lease terms:

	Group 2019 RM'000	Group 2018 RM'000
Completed investment property	**365,000**	346,332
IPUC land at fair value	**232,000**	232,000
IPUC at cost	**193,000**	190,873
	790,000	769,205

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

The Group has performed a review of the recoverable amount on an IPUC during the financial year. As a result, the Group has provided impairment loss on the IPUC which amounted to RM2,786,440 (2018: NIL) during the financial year.

6. INVESTMENT PROPERTIES (CONT'D.)

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

	Group	
	2019 RM'000	2018 RM'000
Rental income	**1,098,900**	1,086,772
Direct operating expenses of income generating investment properties	**(97,397)**	(99,065)
	1,001,503	987,707

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
- Office properties	**-**	**-**	**9,264,191**	**9,264,191**
- Retail properties	**-**	**-**	**6,125,221**	**6,125,221**
- Land	**-**	**-**	**289,000**	**289,000**
	-	**-**	**15,678,412**	**15,678,412**
2018				
- Office properties	-	-	9,242,446	9,242,446
- Retail properties	-	-	5,970,847	5,970,847
- Land	-	-	288,000	288,000
	-	-	15,501,293	15,501,293

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

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6. INVESTMENT PROPERTIES (CONT'D.)

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

	2019 RM'000	2018 RM'000
Valuation per valuers' report	**16,104,900**	15,921,900
Less: Accrued rental income	**(426,488)**	(420,607)
	15,678,412	15,501,293
Adjusted valuation on 1 January	**15,501,293**	15,459,758
Additions	**56,970**	21,485
Transfer within investment properties	**1,678**	-
Re-measurement recognised in profit or loss	**118,471**	20,050
At 31 December	**15,678,412**	15,501,293

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

Valuation technique	Significant unobservable inputs	Range 2019	Range 2018	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer a)	**Office**:			The estimated fair value would increase/(decrease) if:
	- Market rental rate (RM/psf/month)			
	- Term	**4.92 - 12.99**	4.92 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	**5.96 - 12.71**	5.73 - 12.71	- expected market rental growth was higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	**2.00**	2.00	- expected inflation rate was lower/(higher)
	- Reversion	**2.00 - 2.36**	2.00 - 2.40	- expected inflation rate was lower/(higher)
	- Void rate (%)	**5.00 - 15.00**	5.00 - 10.00	- void rate was lower/(higher)
	- Term yield (%)	**5.50 - 7.50**	5.50 - 7.00	- term yield rate was lower/(higher)
	- Reversionary yield (%)	**6.00 - 8.00**	6.00 - 7.50	- reversionary yield was lower/(higher)
	- Discount rate (%)	**5.50 - 8.00**	5.50 - 7.50	- discount rate was lower/(higher)
	Retail:			
	- Market rental rate (RM/psf/month)			
	- Term	**1.00 - 407.50**	5.11 - 318.15	- expected market rental growth was higher/(lower)
	- Reversion	**5.64 - 407.50**	5.64 - 416.64	- expected market rental growth was higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	**5.85 - 6.53**	5.78 - 6.38	- expected inflation rate was lower/(higher)
	- Reversion	**5.85 - 6.35**	5.78 - 6.38	- expected inflation rate was lower/(higher)
	- Void rate (%)	**7.00**	5.00 - 7.00	- void rate was lower/(higher)
	- Term yield (%)	**6.25 - 6.50**	6.25 - 6.50	- term yield rate was lower/(higher)
	- Reversionary yield (%)	**6.75 - 7.00**	6.75 - 7.00	- reversionary yield was lower/(higher)
	- Discount rate (%)	**6.25 - 7.00**	6.25 - 7.00	- discount rate was lower/(higher)

6. INVESTMENT PROPERTIES (CONT'D.)

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

Valuation technique	Significant unobservable inputs	Range 2019	Range 2018	Inter-relationship between significant unobservable inputs and fair value measurement
Residual method (refer b)				The estimated fair value would increase/(decrease) if:
	- Expected rate of return (%)	**15.00**	15.00	- expected rate of return was lower/(higher)
	- Gross Development Value (RM million)	**1,519**	1,519	- gross development value was higher/(lower)
	- Gross Development Costs (RM million)	**962**	960	- gross development costs was lower/(higher)
	- Financing costs (%)	**7.00**	7.00	- financing costs was lower/(higher)
	- Discount rate (%)	**7.00**	7.00	- discount rate was lower/(higher)

(a) Investment method entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

(b) Residual method is used to value a property that has development potential. The value of the property will be the residual of the potential value less the construction costs and the required profit from the project.

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

(c) Under the comparison method, a property's fair value is estimated based on the comparable transactions.

Valuation processes applied by the Group for Level 3 fair value

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

7. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	**4,530,109**	4,530,109
Discount on loans to subsidiaries	**196,314**	196,314
Effects of conversion of amounts due from subsidiaries to investment *	**723,350**	722,583
Capital reduction	**(780,916)**	(780,916)
Write-down in value **	**(3,296,954)**	(3,296,954)
	1,371,903	1,371,136

* During the year, certain subsidiaries have issued non-cumulative non-convertible redeemable preference shares ("NCNCRPS") to the Company through equity settlement to settle their amount due to the Company.

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

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest 2019 %	2018 %	Principal Activities
Suria KLCC Sdn Bhd ("SKSB")	**60**	60	Ownership and management of a shopping centre and the provision of business management services
Asas Klasik Sdn Bhd ("AKSB")	**75**	75	Property investment in a hotel
Arena Johan Sdn Bhd ("AJSB")	**100**	100	Inactive
KLCC Parking Management Sdn Bhd ("KPM")	**100**	100	Management of car park operations
KLCC Urusharta Sdn Bhd ("KLCCUH")	**100**	100	Facilities management
Kompleks Dayabumi Sdn Bhd ("KDSB")	**100**	100	Property investment
Midciti Resources Sdn Bhd ("MRSB")	**100**	100	Inactive
Impian Cemerlang Sdn Bhd ("ICSB")	**100**	100	Property investment
Arena Merdu Sdn Bhd ("AMSB")	**100**	100	Inactive
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	**100**	100	Management of a real estate investment trust
KLCC REIT	*****	*	To invest in a Shariah compliant portfolio or real estate assets and real estate related assets
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB") *	**100**	100	To undertake the issuance of Islamic term notes ("Sukuk") under a medium term notes programme and all matters relating to it

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

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

(i) the Group exercises power over KLCC REIT by virtue of its control over KLCC REIT Management, the manager of KLCC REIT; and

(ii) KLCC REIT units are stapled to the ordinary shares of the Company such that the shareholders of the Company are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT.

Non-controlling interests relating to KLCC REIT

	2019	2018
NCI percentage of ownership interest and voting interest	**100%**	100%
Carrying amount of NCI (RM'000)	**8,073,356**	8,091,402
Profit allocated to NCI (RM'000)	**433,648**	440,661

Summarised financial information before intra-group elimination

	2019 RM'000	2018 RM'000
Non-current assets - Investment properties	**9,193,989**	9,190,831
Non-current assets - Others	**411,874**	410,454
Current assets	**90,578**	62,069
Non-current liabilities	**(1,531,743)**	(1,010,521)
Current liabilities	**(91,342)**	(561,431)
Net assets	**8,073,356**	8,091,402
Revenue	**591,363**	588,523
Profit for the year, representing total comprehensive income	**433,648**	440,661
Cash flows generated from operating activities	**541,281**	452,628
Cash flows used in investing activities	**(2,121)**	(4,160)
Cash flows used in financing activities	**(512,634)**	(459,543)
Net increase/(decrease) in cash and cash equivalents	**26,526**	(11,075)
Dividend paid to NCI relating to KLCC REIT	**(451,694)**	(399,520)

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Other non-controlling interests in subsidiaries

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

	SKSB	2019 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	**40.0%**		
Carrying amount of NCI (RM'000)	**2,008,722**	**72,756**	**2,081,478**
Profit allocated to NCI (RM'000)	**155,352**	**168**	**155,520**

	SKSB	2018 Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,957,248	72,588	2,029,836
Profit allocated to NCI (RM'000)	113,982	24	114,006

Summarised financial information of significant subsidiary before intra-group elimination

SKSB	2019 RM'000	2018 RM'000
Non-current assets - Investment properties	**5,598,422**	5,444,130
Non-current assets - Others	**23,676**	15,616
Current assets	**217,763**	222,131
Non-current liabilities	**(678,542)**	(669,392)
Current liabilities	**(139,515)**	(119,364)
Net assets	**5,021,804**	4,893,121
Revenue	**480,830**	472,261
Profit for the year, representing total comprehensive income	**388,379**	284,956
Cash flows generated from operating activities	**349,875**	295,261
Cash flows used in investing activities	**(55,208)**	(18,596)
Cash flows used in financing activities	**(289,329)**	(256,250)
Net increase in cash and cash equivalents	**5,338**	20,415
Dividends paid to other NCI	**(103,867)**	(102,500)

8. INVESTMENT IN AN ASSOCIATE

	2019 RM'000	2018 RM'000
Group		
Unquoted shares at cost	**99,195**	99,195
Share of post-acquisition reserves	**166,393**	153,778
	265,588	252,973
Company		
Unquoted shares at cost	**99,195**	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest 2019 %	2018 %
Impian Klasik Sdn Bhd ("IKSB") *	Malaysia	Property investment	**33**	33

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

The summarised financial statements of the associate are as follows:

	2019 RM'000	2018 RM'000
Non-current assets	**774,528**	770,295
Current assets	**36,964**	2,253
Total assets	**811,492**	772,548
Non-current liabilities	**99,976**	98,624
Current liabilities	**1,705**	2,340
Total liabilities	**101,681**	100,964
Results		
Revenue	**45,967**	50,722
Profit for the year, representing total comprehensive income	**38,226**	40,268
Share of profit for the year	**12,615**	13,288
Other information		
- Share of dividends	**-**	16,756

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8. INVESTMENT IN AN ASSOCIATE (CONT'D.)

Reconciliation of net assets to carrying amount as at 31 December

	2019 RM'000	2018 RM'000
Group's share of net assets	**234,238**	221,623
Goodwill	**31,350**	31,350
	265,588	252,973

9. OTHER INVESTMENT

	Company	
	2019 RM'000	2018 RM'000
Investment in Sukuk Murabahah of a subsidiary	**-**	100,000

The details of the Sukuk Murabahah are disclosed in Note 18(a).

10. DEFERRED TAX

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	**47,955**	27,245	**(808)**	(311)
Recognised in profit or loss (Note 27)	**22,709**	20,710	**(104)**	(497)
At 31 December	**70,664**	47,955	**(912)**	(808)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are as follows:

	Group	
	2019 RM'000	2018 RM'000
Deferred tax assets	**(1,330)**	(1,225)
Deferred tax liabilities	**71,994**	49,180
	70,664	47,955

10. DEFERRED TAX (CONT'D.)

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

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2019	**63,071**	**21,744**	**3,022**	**87,837**
Recognised in profit or loss	**3,409**	**21,853**	**2,938**	**28,200**
At 31 December 2019	**66,480**	**43,597**	**5,960**	**116,037**
At 1 January 2018	57,538	-	2,223	59,761
Recognised in profit or loss	5,533	21,744	799	28,076
At 31 December 2018	63,071	21,744	3,022	87,837

Deferred Tax Assets of the Group:

	Unused tax losses and investment tax allowances RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2019	**(36,116)**	**-**	**(3,766)**	**(39,882)**
Recognised in profit or loss	**(3,346)**	**(1,993)**	**(152)**	**(5,491)**
At 31 December 2019	**(39,462)**	**(1,993)**	**(3,918)**	**(45,373)**
At 1 January 2018	(29,577)	-	(2,939)	(32,516)
Recognised in profit or loss	(6,539)	-	(827)	(7,366)
At 31 December 2018	(36,116)	-	(3,766)	(39,882)

Deferred Tax Liabilities/(Assets) of the Company:

	Property, plant and equipment RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2019	**(7)**	**-**	**(801)**	**(808)**
Recognised in profit or loss	**(28)**	**(6)**	**(70)**	**(104)**
At 31 December 2019	**(35)**	**(6)**	**(871)**	**(912)**
At 1 January 2018	363	-	(674)	(311)
Recognised in profit or loss	(370)	-	(127)	(497)
At 31 December 2018	(7)	-	(801)	(808)

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11. INVENTORIES

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

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other receivables				
Accrued rental income	**426,488**	418,939	**-**	-
Current				
Trade receivables	**9,103**	9,998	**-**	-
Less: Allowance for impairment	**(235)**	(770)	**-**	-
Trade receivables, net of impairment	**8,868**	9,228	**-**	-
Other receivables				
Other receivables and deposits	**24,302**	26,295	**3,530**	2,494
Amount due from:				
Subsidiaries	**-**	-	**1,914**	2,337
Ultimate holding company	**11,126**	13,556	**-**	-
Immediate holding company	**1,917**	434	**352**	314
Other related companies	**6,749**	10,467	**2,023**	2,728
Total other receivables	**44,094**	50,752	**7,819**	7,873
Total	**52,962**	59,980	**7,819**	7,873

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	**8,868**	9,228	**-**	-
Other receivables	**470,582**	469,691	**-**	-
Add: Cash and bank balances (Note 13)	**883,908**	735,724	**474,759**	395,749
Less: Accrued rental income (Note 6)	**(426,488)**	(420,607)	**-**	-
Total financial assets carried at amortised cost	**936,870**	794,036	**474,759**	395,749

Amounts due from subsidiaries, ultimate holding company, immediate holding company and other related companies which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

12. TRADE AND OTHER RECEIVABLES (CONT'D.)

Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purposes:

Group	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount RM'000
Amount due from ultimate holding company			
2019	**12,376**	**(1,250)**	**11,126**
2018	14,806	(1,250)	13,556

13. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**544,787**	439,400	**474,022**	395,574
Cash and bank balances	**4,909**	9,919	**67**	42
Deposits with licensed banks	**334,212**	286,405	**670**	133
	883,908	735,724	**474,759**	395,749
Less: Deposits restricted	**(2,322)**	(5,293)	**-**	-
Cash and cash equivalents	**881,586**	730,431	**474,759**	395,749

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

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

Included in cash with IFSSC and cash and bank balances of the Group and of the Company are interest bearing balances amounting to RM546,289,000 (2018: RM441,799,000) and RM474,081,000 (2018: RM395,616,000) respectively.

The weighted average effective interest rates applicable to the deposits with licensed banks of the Group is 3.45% per annum (2018: 3.80% per annum).

Deposits with licensed banks of the Group have an average maturity of 53 days (2018: 34 days).

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14. SHARE CAPITAL

	Group and Company	
	Number of shares Ordinary shares '000	Amount Ordinary shares RM'000
Issued and fully paid:		
At 1 January 2019/ 31 December 2019	**1,805,333**	**1,823,386**
At 1 January 2018/ 31 December 2018	1,805,333	1,823,386

Included in share capital is the capital redemption reserve amounting to RM18,053,000 that has not been utilised in accordance to Section 618(3) of Companies Act 2016 and the period for utilisation has expired on 30 January 2019.

Stapled security:

Stapled security means one ordinary share in the Company stapled to one unit in KLCC REIT ("Unit"). Holders of KLCCP Stapled Group securities are entitled to receive distributions and dividends declared from time to time and are entitled to one vote per stapled security at Shareholders' and Unitholders' meetings.

15. RETAINED PROFITS

As at 31 December 2019, the Company may distribute the entire balance of the retained profits under the single-tier system.

16. DEFERRED REVENUE

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

17. OTHER LONG TERM LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Security deposit payables	**171,288**	156,132

Security deposit payables are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on interest rates of 4.52% to 5.20% per annum.

18. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term borrowings				
Secured:				
Sukuk Murabahah				
- KLCC Real Estate Investment Trust	**15,737**	516,907	**-**	-
Less: Sukuk Murabahah subscribed	**-**	(100,000)	**-**	-
	15,737	416,907	**-**	-
Term loans	**9,333**	10,641	**-**	-
Lease liabilities (Note 30)	**4,140**	-	**2,975**	-
	29,210	427,548	**2,975**	-
Long term borrowings				
Secured:				
Sukuk Murabahah				
- KLCC Real Estate Investment Trust	**1,355,000**	855,000	**-**	-
- Other subsidiary	**600,000**	600,000	**-**	-
Term loans	**354,666**	362,166	**-**	-
Lease liabilities (Note 30)	**7,720**	-	**4,909**	-
	2,317,386	1,817,166	**4,909**	-
Total borrowings	**2,346,596**	2,244,714	**7,884**	-

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18. BORROWINGS (CONT'D.)

		Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total borrowings which are secured, comprise:					
Sukuk Murabahah		**1,970,737**	1,971,907	**-**	-
less: Sukuk Murabahah subscribed		**-**	(100,000)	**-**	-
	(a)	**1,970,737**	1,871,907	**-**	-
Term loans	(b)	**363,999**	372,807	**-**	-
Lease liabilities		**11,860**	-	**7,884**	-
		2,346,596	2,244,714	**7,884**	-

The repayment schedules are as follows:

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2019					
Secured					
Sukuk Murabahah	**1,970,737**	**15,737**	**400,000**	**1,055,000**	**500,000**
Term loans	**363,999**	**9,333**	**7,500**	**22,500**	**324,666**
Lease liabilities	**11,860**	**4,140**	**3,408**	**4,312**	**-**
	2,346,596	**29,210**	**410,908**	**1,081,812**	**824,666**
2018					
Secured					
Sukuk Murabahah	1,871,907	416,907	-	400,000	1,055,000
Term loans	372,807	10,641	7,500	22,500	332,166
	2,244,714	427,548	7,500	422,500	1,387,166

18. BORROWINGS (CONT'D.)

(a) Sukuk Murabahah

On 25 April 2014, a subsidiary of the Group completed the issuance of Sukuk Murabahah. The Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 billion subject to a combined limit of RM3 billion. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

During the year, the Group has repaid its RM400 million Sukuk Murabahah upon maturity on 25 April 2019 and on the same date issued RM500 million of Sukuk Murabahah with a profit rate of 4.20% per annum and maturing on 25 April 2026. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026

The profit rate is payable semi-annually.

Another subsidiary of the Group also issued Sukuk Murabahah of up to RM600 million on 31 December 2014. The Sukuk Murabahah consists of ICP of up to RM300 million and IMTN of up to RM600 million subject to a combined limit of RM600 million. It is secured against assignment and charge over the Finance Service Account of the subsidiary. RM600 million has been drawndown at the profit rate of 4.73% per annum and repayable in 10 years.

(b) Term loans

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

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

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

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

The loan bears an interest rate of 4.49% per annum (2018: 4.73% per annum).

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

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18. BORROWINGS (CONT'D.)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	Sukuk Murabahah RM'000	Term loans RM'000	Lease liabilities RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2019	**1,871,907**	**372,807**	**-**	**-**	**2,244,714**
Effect on the adoption of new pronouncement (Note 30)	**-**	**-**	**2,712**	**-**	**2,712**
As at 1 January 2019 (restated)	**1,871,907**	**372,807**	**2,712**	**-**	**2,247,426**
Changes from financing cash flows					
Repayment term loan	**-**	**(7,500)**	**-**	**-**	**(7,500)**
Net drawdown Sukuk Murabahah	**100,000**	**-**	**-**	**-**	**100,000**
Repayment lease liabilities	**-**	**-**	**(1,984)**	**-**	**(1,984)**
Dividend paid	**-**	**-**	**-**	**(777,211)**	**(777,211)**
Interest/profit paid	**(88,077)**	**(18,468)**	**-**	**-**	**(106,545)**
Total changes from financing cash flows	**11,923**	**(25,968)**	**(1,984)**	**(777,211)**	**(793,240)**
Other changes					
Liability-related					
Interest/profit expenses	**86,907**	**17,160**	**97**	**-**	**104,164**
Acquisition of new lease	**-**	**-**	**11,035**	**-**	**11,035**
Dividend payable	**-**	**-**	**-**	**777,211**	**777,211**
Total liability-related other changes	**86,907**	**17,160**	**11,132**	**777,211**	**892,410**
Balance at 31 December 2019	**1,970,737**	**363,999**	**11,860**	**-**	**2,346,596**
Balance at 1 January 2018	1,871,026	380,051	-	-	2,251,077
Changes from financing cash flows					
Repayment term loan	-	(7,500)	-	-	(7,500)
Dividend paid	-	-	-	(760,388)	(760,388)
Interest/profit paid	(84,625)	(17,493)	-	-	(102,118)
Total changes from financing cash flows	(84,625)	(24,993)	-	(760,388)	(870,006)
Other changes					
Liability-related					
Interest/profit expenses	85,506	17,749	-	-	103,255
Dividend payable	-	-	-	760,388	760,388
Total liability-related other changes	85,506	17,749	-	760,388	863,643
Balance at 31 December 2018	1,871,907	372,807	-	-	2,244,714

18. BORROWINGS (CONT'D.)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Company	Lease liabilities RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2019	**-**	**-**	**-**
Effect on the adoption of new pronouncement (Note 30)	**1,064**	**-**	**1,064**
As at 1 January 2019 (restated)	**1,064**	**-**	**1,064**
Changes from financing cash flows			
Repayment lease liabilities	**(702)**	**-**	**(702)**
Dividend paid	**-**	**(221,695)**	**(221,695)**
Total changes from financing cash flows	**(702)**	**(221,695)**	**(222,397)**
Other changes			
Liability-related			
Interest/profit expenses	**40**	**-**	**40**
Acquisition of new lease	**7,482**	**-**	**7,482**
Dividend payable	**-**	**221,695**	**221,695**
Total liability-related other changes	**7,522**	**221,695**	**229,217**
Balance at 31 December 2019	**7,884**	**-**	**7,884**
Balance at 1 January 2018			
Changes from financing cash flows	-	-	-
Dividend paid	-	(258,524)	-
Dividend payable	-	258,524	-
Balance at 31 December 2018	-	-	-

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19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	**9,665**	9,204	**132**	75
Other payables				
Other payables	**171,633**	129,902	**4,279**	4,154
Security deposits	**69,324**	67,794	**-**	-
Amount due to:				
Ultimate holding company	**3,111**	3,856	**1,640**	2,071
Immediate holding company	**151**	446	**-**	-
Other related companies	**3,959**	3,160	**-**	-
	248,178	205,158	**5,919**	6,225
Total trade and other payables	**257,843**	214,362	**6,051**	6,300
Add: Borrowings (Note 18)	**2,346,596**	2,244,714	**-**	-
Other long term liabilities (Note 17)	**171,288**	156,132	**-**	-
Total financial liabilities carried at amortised cost	**2,775,727**	2,615,208	**6,051**	6,300

Amount due to subsidiaries, ultimate holding company, immediate holding company and other related companies which arose in the normal course of business are unsecured, interest-free and repayable on demand.

20. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property investment				
- Office	**595,698**	595,762	**-**	-
- Retail	**503,203**	491,010	**-**	-
Hotel operations	**177,481**	172,375	**-**	-
Management services	**146,639**	146,794	**21,770**	22,724
Dividend income from subsidiaries	**-**	-	**198,300**	226,344
Dividend income from associate	**-**	-	**-**	16,756
	1,423,021	1,405,941	**220,070**	265,824

All the revenue of the Group and of the Company are derived from the same geographical market as the Group and the Company operate predominantly in Malaysia. The services are transferred to the customers at a point in time.

21. OPERATING PROFIT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue (Note 20)	**1,423,021**	1,405,941	**220,070**	265,824
Cost of revenue:				
- Cost of services and goods	**(239,593)**	(240,775)	**-**	-
Gross profit	**1,183,428**	1,165,166	**220,070**	265,824
Selling and distribution expenses	**(12,420)**	(11,409)	**-**	-
Administration expenses	**(153,966)**	(145,938)	**(35,698)**	(36,232)
Other operating income	**2,978**	3,072	**3**	12
Operating profit	**1,020,020**	1,010,891	**184,375**	229,604

22. INTEREST INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest and profit income from:				
Deposits	**31,636**	27,574	**15,950**	12,275
Investment in Sukuk Murabahah	**-**	-	**1,289**	4,090
	31,636	27,574	**17,239**	16,365

23. FINANCING COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest/profit expense on:				
Term loans	**17,160**	17,749	**-**	-
Sukuk Murabahah	**86,907**	85,506	**-**	-
Lease liabilities	**97**	-	**40**	-
Accretion of financial instruments	**7,257**	4,455	**-**	-
	111,421	107,710	**40**	-

24. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Employee benefits expense (Note 25)	**114,842**	110,549	**22,374**	22,284
Directors' remuneration (Note 26)	**1,123**	1,090	**1,123**	1,090
Fee in relation to services of Executive Director	**1,173**	1,124	**1,173**	1,124
Auditors' remuneration				
- Audit fees	**621**	603	**219**	212
- Others	**16**	73	**16**	26
Valuation fees	**1,015**	925	**-**	-
Depreciation of property, plant and equipment (Note 5)	**41,461**	38,073	**1,100**	1,476
Depreciation of right-of-use assets (Note 30)	**1,873**	-	**648**	-
Rental of land and buildings	**2,113**	3,754	**2,113**	2,883
Rental of plant and machinery	**172**	232	**128**	172
Property, plant and equipment written off	**9**	28	**-**	-
Loss on disposal of property, plant and equipment	**38**	148	**-**	-
Impairment of investment property under construction	**2,786**	-	**-**	-
Allowance for impairment losses	**23**	37	**-**	-

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and others	**104,903**	101,162	**19,912**	19,847
Contributions to defined contribution plan	**9,939**	9,387	**2,462**	2,437
Total (Note 24)	**114,842**	110,549	**22,374**	22,284

26. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
Executive *	-	-	-	-
Non-Executive:				
Fees	1,123	1,090	1,123	1,090
	1,123	1,090	1,123	1,090

Included in Directors' remuneration is the fee paid directly to PETRONAS in respect of the Directors who are the appointees of the ultimate holding company.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysis excluding benefits-in-kind:				
Total Non-Executive Directors' remuneration (Note 24)	1,123	1,090	1,123	1,090

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

	Group		Company	
	2019	2018	2019	2018
Executive Director*	1	1	1	1
Non-Executive Directors				
RMNil - RM50,000	-	3	-	3
RM50,001 - RM100,000	1	-	1	-
RM100,001 - RM150,000	2	5	2	5
RM150,001 - RM200,000	3	2	3	2
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	1	-	1	-

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

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27. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
Malaysian income tax	**104,043**	105,630	**578**	1,322
(Over)/under provision of tax in prior year	**(1,102)**	(1,167)	**152**	74
	102,941	104,463	**730**	1,396
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	**21,759**	20,455	**(100)**	(187)
Under/(over) provision of deferred tax in prior year	**950**	255	**(4)**	(310)
	22,709	20,710	**(104)**	(497)
Total tax expense	**125,650**	125,173	**626**	899

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2019 RM'000	2018 RM'000
Group		
Profit before taxation	**1,071,321**	964,093
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**257,117**	231,382
Expenses not deductible for tax purposes	**7,176**	8,428
Income not subject to tax	**(153,234)**	(128,407)
Effects of share of profit of an associate	**(3,028)**	(3,189)
Deferred tax recognised at different tax rates	**21,853**	21,743
Deferred tax assets recognised on investment tax allowances	**(4,082)**	(3,872)
Under provision of deferred tax in prior year	**950**	255
Over provision of taxation in prior year	**(1,102)**	(1,167)
Tax expense	**125,650**	125,173

27. TAX EXPENSE (CONT'D.)

	2019 RM'000	2018 RM'000
Company		
Profit before taxation	**201,574**	245,969
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**48,378**	59,033
Expenses not deductible for tax purposes	**3,525**	3,343
Income not subject to tax	**(51,425)**	(61,241)
Over provision of deferred tax in prior year	**(4)**	(310)
Under provision of taxation in prior year	**152**	74
Tax expense	**626**	899

28. EARNINGS PER SHARE/STAPLED SECURITY

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

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

	2019	2018
Profit attributable to equity holders of the Company (RM'000)	**356,503**	284,253
Profit attributable to NCI relating to KLCC REIT (RM'000)	**433,648**	440,661
Profit attributable to stapled securities holders (RM'000)	**790,151**	724,914
Weighted average number of stapled securities/shares in issue ('000)	**1,805,333**	1,805,333
Basic earnings per share (sen)	**19.75**	15.75
Basic earnings per stapled security (sen)	**43.77**	40.15

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

29. DIVIDENDS

	Dividends Recognised in Year		Net Dividends per Ordinary Share	
	2019 RM'000	2018 RM'000	2019 Sen	2018 Sen
Recognised during the year:				
A fourth interim 4.63% (2017: 5.30%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2018/2017	**83,587**	95,683	**4.63**	5.30
A first interim dividend of 2.52% (2018: 2.98%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2019/2018	**45,494**	53,799	**2.52**	2.98
A second interim dividend of 2.57% (2018: 3.05%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2019/2018	**46,397**	55,063	**2.57**	3.05
A third interim dividend of 2.56% (2018: 2.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2019/2018	**46,217**	53,979	**2.56**	2.99
	221,695	258,524	**12.28**	14.32

A fourth interim dividend in respect of the financial year ended 31 December 2019, of 5.35%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM96,585,000 will be paid on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

30. RIGHT-OF-USE ASSETS

The Group and the Company have lease contracts for office space with contract terms of 3 to 4 years and the lease contracts do not contain variable lease payments.

The Group and the Company also have certain leases of office equipments with lease terms of 12 months or less and leases of office equipment with low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Upon the adoption of MFRS 16, the Group and the Company had resulted in a decrease in retained profits of RM66,000 and RM38,000 respectively as at 1 January 2019.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 January 2019	-	-	-	-
Effect on the adoption of new pronouncement	2,646	-	1,026	-
As at 1 January 2019 (restated)	2,646	-	1,026	-
Additions	11,034	-	7,481	-
Depreciation (Note 24)	(1,873)	-	(648)	-
As at 31 December 2019	11,807	-	7,859	-

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As at 1 January 2019	-	-	-	-
Effect on the adoption of new pronouncement	2,712	-	1,064	-
As at 1 January 2019 (restated)	2,712	-	1,064	-
Additions	11,035	-	7,482	-
Accretion of interest	97	-	40	-
Payments	(1,984)	-	(702)	-
As at 31 December 2019	11,860	-	7,884	-
Current	4,140	-	2,975	-
Non-current	7,720	-	4,909	-

The maturity analysis of lease liabilities are disclosed in Note 33.

30. RIGHT-OF-USE ASSETS (CONT'D.)

The following are the amounts recognised in profit or loss:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation expense of right-of-use assets	**1,873**	-	**648**	-
Interest expense on lease liabilities	**97**	-	**40**	-
Total amount recognised in profit or loss	**1,970**	-	**688**	-

The Group and the Company have several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised (Note 2.23 (iv)).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Company		
	Within five years RM'000	More than five years RM'000	Total RM'000
Extension option expected not to be exercised	5,384	10,767	16,151

Operating lease commitments - as lessor

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

	Group	
	2019 RM'000	2018 RM'000
Not later than 1 year	**927,603**	910,373
Later than 1 year but not later than 5 years	**2,769,063**	2,433,734
More than 5 years	**1,628,534**	2,144,784
	5,325,200	5,488,891

31. COMMITMENTS

Capital commitments

	Group 2019 RM'000	Group 2018 RM'000
Approved and contracted for		
Property, plant and equipment	**143,422**	13,622
Investment property	**51,049**	51,412
	194,471	65,034
Approved but not contracted for		
Property, plant and equipment	**36,744**	116,788
Investment property	**181,755**	157,055
	218,499	273,843

32. RELATED PARTY DISCLOSURES

(a) Controlling related party relationships are as follows:

(i) PETRONAS, the ultimate holding company, and its subsidiaries.
(ii) Subsidiaries of the Company as disclosed in Note 7.

32. RELATED PARTY DISCLOSURES (CONT'D.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Federal Government of Malaysia:				
Property licences and taxes	**(13,327)**	(13,320)	**(1)**	(2)
Goods and Services Tax, Sales and Service Tax, and Tourism Tax	**(19,033)**	(28,051)	**(739)**	99
Government of Malaysia's related entities:				
Purchase of utilities	**(20,931)**	(20,588)	**-**	-
Hotel revenue	**1,430**	6,801	**-**	-
Ultimate Holding Company:				
Rental income	**561,694**	536,399	**-**	-
Facilities management and manpower fees	**29,526**	27,537	**-**	-
Rental of car park spaces	**(7,322)**	(7,642)	**-**	-
Fees for representation on the Board of Directors*	**(162)**	(133)	**(162)**	(133)
Hotel revenue	**6,711**	2,379	**-**	-
Centralised Head Office Services charges	**(4,254)**	(1,707)	**(624)**	(505)
Immediate Holding Company:				
General management services fee payables	**(1,536)**	(1,498)	**(651)**	(635)
General management services fee receivables	**3,625**	3,704	**3,625**	3,704
Subsidiaries:				
Reimbursement of security costs	**-**	-	**(105)**	(79)
General management services fee receivable	**-**	-	**7,761**	7,986
Profit income from Sukuk Murabahah	**-**	-	**1,289**	4,090
Other Related Companies:				
Facilities management and manpower fees	**21,680**	22,361	**-**	-
General management services fee receivable	**10,374**	11,029	**10,374**	11,029
Hotel revenue	**245**	152	**-**	-
Management and incentive fees	**2,466**	2,537	**-**	-
Chilled water supply	**(28,257)**	(27,291)	**-**	-
Project management fees	**(726)**	(3,207)	**-**	-
Rental of car park spaces	**(5,265)**	(5,546)	**-**	-

* Fees paid directly to PETRONAS in respect of the Directors who are the appointees of the ultimate holding company.

32. RELATED PARTY DISCLOSURES (CONT'D.)

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

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 are disclosed in Notes 12 and 19.

(c) Compensation of key management personnel

Directors

The remuneration of Directors is disclosed in Note 26.

Other key management personnel

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

33. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

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

Credit Risk

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

33. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Company may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset as reported in the statement of financial position.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Company, a significant portion of these receivables are related companies.

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

With respect to the trade and other receivables which have no realistic prospect of recovery, the gross carrying amounts of the credit impaired receivables will be written off (either in partial or in full).

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

	Group	
	2019 RM'000	**2018 RM'000**
Property investment		
- Office	**1,968**	877
- Retail	**132**	1,333
Hotel operations	**6,657**	7,423
Management services	**346**	365
	9,103	9,998
Less: Allowance for impairment losses	**(235)**	(770)
	8,868	9,228

33. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Recognition and measurement of impairment loss

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. In determining the ECL, the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

	Group	
	2019 **RM'000**	**2018** **RM'000**
The ageing of trade receivables as at the reporting date was:		
At net:		
Not past due	**7,720**	7,342
Past due 1 to 30 days	**632**	930
Past due 31 to 60 days	**326**	394
Past due 61 to 90 days	**60**	175
Past due more than 90 days	**365**	1,157
	9,103	9,998
Less: Allowance for impairment losses	**(235)**	(770)
	8,868	9,228
The movement in the allowance account is as follows:		
At 1 January	**770**	603
Effect on the adoption of new pronouncement	**-**	143
Opening balance under MFRS 9	**770**	746
Allowance for impairment	**23**	37
Allowance written off	**(558)**	(13)
At 31 December	**235**	770

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's businesses on an ongoing basis as a result of the existing and future commitments which are not funded from internal resources. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

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

	Carrying amount RM'000	Effective interest rate %	Contractual cash flow * RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2019							
Group							
Financial Liabilities							
Sukuk Murabahah	**1,970,737**	**4.50 - 4.73**	**2,363,545**	**105,235**	**476,855**	**1,253,896**	**527,559**
Term loans	**363,999**	**4.49**	**446,883**	**25,431**	**23,216**	**67,659**	**330,577**
Trade and other payables	**257,843**	**-**	**257,843**	**257,843**	**-**	**-**	**-**
Leased liabilities	**11,860**	**5.03 - 5.25**	**12,760**	**4,384**	**3,974**	**4,402**	**-**
Other long term liabilities	**171,288**	**4.35 - 4.98**	**271,073**	**60,950**	**43,183**	**39,362**	**127,578**
Company							
Financial Liabilities							
Leased liabilities	**7,884**	**5.03 - 5.25**	**8,485**	**3,101**	**2,692**	**2,692**	**-**
Trade and other payables	**6,051**	**-**	**6,051**	**-**	**-**	**-**	**-**
31 December 2018							
Group							
Financial Liabilities							
Sukuk Murabahah	1,871,907	4.41 - 4.73	2,205,171	489,869	68,608	556,139	1,090,555
Term loans	372,807	4.73	477,410	27,929	24,459	71,099	353,923
Trade and other payables	214,362	-	214,362	214,362	-	-	-
Other long term liabilities	156,132	4.98	205,713	-	52,203	30,667	122,843
Company							
Financial Liabilities							
Trade and other payables	6,300	-	6,300	6,300	-	-	-

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

33. FINANCIAL INSTRUMENTS (CONT'D.)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure through a balanced portfolio of fixed and floating rate borrowings.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amount as at reporting date was:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	**334,212**	286,405	**670**	133
Financial liabilities	**(1,970,737)**	(1,871,907)	**-**	-
Floating rate instruments				
Financial liabilities	**(363,999)**	(372,807)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

33. FINANCIAL INSTRUMENTS (CONT'D.)

Interest Rate Risk (Cont'd.)

Cash flow sensitivity analysis for floating rate instruments

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following interbank offered rates:

	Change in interest rate basis points	Group Profit or loss RM'000
2019		
KLIBOR	**-20**	**724**
KLIBOR	**+20**	**(724)**
2018		
KLIBOR	-40	1,483
KLIBOR	+40	(1,483)

This analysis assumes that all other variables remain constant.

Foreign Currency Risk

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

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

Fair Values

The Group's and the Company's financial instruments consist of cash and bank balances, trade and other receivables, borrowings, and trade and other payables.

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

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

This analysis assumes that all other variables remain constant.

33. FINANCIAL INSTRUMENTS (CONT'D.)

Fair Values (Cont'd.)

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

	Fair value of financial instruments not carried at fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
2019					
Financial liabilities					
Sukuk Murabahah	**-**	**1,933,420**	**-**	**1,933,420**	**1,970,737**
Term loans	**-**	**356,414**	**-**	**356,414**	**363,999**
2018					
Financial liabilities					
Sukuk Murabahah	-	1,845,107	-	1,845,107	1,871,907
Term loans	-	365,025	-	365,025	372,807

For financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental lending rate for similar types of borrowings at the reporting date. There has been no transfer between Level 1, 2 and 3 fair values during the financial year.

34. CAPITAL MANAGEMENT

The Group and the Company define capital as total equity and debt of the Group and the Company. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximise shareholder value. The Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

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

The debt to equity ratio as at 31 December 2019 and 31 December 2018 is as follows:

	Group	
	2019	2018
Total debt (RM'000)	**2,346,596**	2,244,714
Total equity (excluding Other NCI) (RM'000)	**13,211,960**	13,095,253
Debt equity ratio	**18:82**	17:83

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

35. SEGMENTAL INFORMATION

(a) Reporting Format

Segment information is presented in respect of the Group's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans and borrowings and expenses, and corporate assets and expenses.

The Group comprises the following main business segments:

Property investment - Office	Rental of office spaces and other related activities.
Property investment - Retail	Rental of retail spaces and other related activities.
Hotel operations	Rental of hotel rooms, the sale of food and beverages and other related activities.
Management services	Facilities management, car park operations, management of a real estate investment trust and general management services.

Details on geographical segments are not applicable as the Group operates predominantly in Malaysia.

(b) Allocation Basis and Transfer Pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis. These transfers are eliminated on consolidation.

35. SEGMENTAL INFORMATION (CONT'D.)

Business Segments

31 December 2019

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	595,698	503,203	177,481	146,639	-	1,423,021
Inter-segment revenue	1,626	11,504	-	60,291	(73,421)	-
Total revenue	597,324	514,707	177,481	206,930	(73,421)	1,423,021
Results						
Operating profit	523,598	418,306	16,695	75,266	(13,845)	1,020,020
Fair value adjustment on investment properties	17,103	100,368	-	1,000	-	118,471
Financing costs						(111,421)
Interest income						31,636
Share of profit of an associate						12,615
Tax expense						(125,650)
Profit after tax but before non-controlling interests						945,671
Segment assets	10,324,091	6,365,405	679,115	114,315	462,742	17,945,668
Investment in an associate	-	-	-	99,195	166,393	265,588
Total assets						18,211,256
Total liabilities	1,626,505	837,551	418,378	51,904	(16,520)	2,917,818
Capital expenditure	9,729	55,398	7,238	30,885	-	103,250
Depreciation	782	3,166	31,705	5,808	-	41,461
Non-cash items other than depreciation	2,786	37	49	(16)	-	2,856

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

35. SEGMENTAL INFORMATION (CONT'D.)

Business Segments (Cont'd.)

31 December 2018

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	595,762	491,010	172,375	146,794	-	1,405,941
Inter-segment revenue	1,372	12,275	-	60,311	(73,958)	-
Total revenue	597,134	503,285	172,375	207,105	(73,958)	1,405,941
Results						
Operating profit	525,855	408,072	16,592	75,191	(14,819)	1,010,891
Fair value adjustment on investment properties	13,819	1,745	-	4,486	-	20,050
Financing costs						(107,710)
Interest income						27,574
Share of profit of an associate						13,288
Tax expense						(125,173)
Profit after tax but before non-controlling interests						838,920
Segment assets	10,240,824	6,214,550	690,893	84,969	376,120	17,607,356
Investment in an associate	-	-	-	99,195	153,778	252,973
Total assets						17,860,329
Total liabilities	1,567,324	812,240	430,827	40,276	(115,427)	2,735,240
Capital expenditure	10,868	17,970	39,669	3,642	-	72,149
Depreciation	792	2,170	29,457	5,654	-	38,073
Non-cash items other than depreciation	-	65	148	-	-	213

36. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)
Amendments to MFRS 101	Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 134	Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 138	Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 132	Intangible Assets—Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards)

36. PRONOUNCEMENTS YET IN EFFECT (CONT'D.)

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective for a date yet to be confirmed

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

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

The adoption of the amendments to MFRS 128, amendments to MFRS 119 and IC Interpretation 23 does not impact the Group and the Company.

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

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

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-based Payment (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 14	Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 12	Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine (Amendments to References to the Conceptual Framework in MFRS Standards)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KLCC Property Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 201-272.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Valuation of investment properties

As at 31 December 2019, the carrying value of the Group's investment properties carried at fair value amounted to RM15,678,412,000 which represents 86% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged external valuers to determine the fair value of the investment properties at the reporting date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Key audit matters (Cont'd.)

Valuation of investment properties (Cont'd.)

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

For investment properties under construction ("IPUC"), the Group's policy is to measure them at cost until their fair value can be reliably determined or construction is completed, whichever is earlier, as disclosed in Note 2.7 to the financial statements. As at 31 December 2019, the IPUC carried at cost by the Group amounted to RM215,768,000. Our audit procedures included, amongst others, assessing the appropriateness of amounts capitalised as IPUC.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
No. 02921/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 January 2020


SURIA KLCC

THE PLACE TO PLAY

Our spaces are unique and built with people in mind. Through these spaces we bridge people together as a community, creating a welcoming, vibrant and positive environment

THIS IS THE PLACE THAT INSPIRES LEARNING AND CAPTIVATES THE MIND

KLCC REIT SALIENT FEATURES

Name of Fund	KLCC Real Estate Investment Trust (KLCC REIT)
Fund Type	Income and Growth
Fund Category	Islamic Real Estate Investment Trust
Duration of Fund/Termination Date	The earlier of: • 999 years falling on 8 April 3012 • The date on which KLCC REIT is terminated by the Trustee or the Manager, in circumstances as set out under provisions of the Trust Deed dated 2 April 2013 (as amended and restated by the Amended and Restated Trust Deed dated 3 September 2019)
Approved Fund Size	1,805,333,085 units
Market Capitalisation	RM14,262,131 (as at 31 December 2019)
Investment Objective	To provide the unitholders with regular and stable distributions, improving returns from property portfolio and capital growth, while maintaining an appropriate capital structure
Investment Policy	To invest, directly and indirectly, in a Shariah-compliant portfolio of income producing Real Estate used primarily for office and retail purposes in Malaysia and overseas
Distribution Policy	95% of KLCC REIT's distributable income for FY2013 & FY2014 and at least 90% for each subsequent financial year Distributions are made on a quarterly basis
Gearing Policy	Up to 50% of total asset value of the Fund
Listing Date	9 May 2013
Stock Name	KLCC
Stock Code	5235SS

PROFILE OF SHARIAH ADVISER

About The Shariah Adviser, CIMB Islamic Bank Berhad ("CIMB Islamic")

As Shariah Adviser to KLCC REIT, CIMB Islamic is providing necessary advice to ensure that KLCC REIT business is Shariah-compliant.

CIMB Islamic is CIMB Group's global Islamic banking and finance services franchise. It offers innovative and comprehensive Shariah-compliant financial solutions in investment banking, consumer banking, asset management, private banking and wealth management. It is headquartered in Kuala Lumpur, Malaysia and offers consumer banking, wholesale banking, asset management products and services which comply with Shariah principles. It is part of the fifth largest banking group in ASEAN.

CIMB Islamic is licensed under the Malaysia's Islamic Financial Services Act 2013 and is an approved Shariah Adviser as per the Registration of Shariah Advisers Guidelines issued by Securities Commission. This enables CIMB Islamic to provide a wide range of products and services to commercial, corporate, and institutional customers across ASEAN, the Middle East, South Asia, North Asia, and major international financial centres. Its products and operations are managed in strict compliance with Shariah principles under the guidance of the CIMB Islamic Shariah Committee, which comprises the world's leading Islamic scholars.

CIMB Islamic is free from any conflict of interest with KLCC REIT, which could impair their objectivity and independence.

CIMB Islamic has not been convicted for offences within the past 6 years or been imposed with any penalty by the regulatory bodies relevant to the REIT during the financial year.

Profile of Designated Person responsible for Shariah matters relating to KLCCP Stapled Group

In relation to Shariah matters, the designated person responsible for the Company and fund investment activities under KLCCP Stapled Group is Ashraf Gomma Ali. He is the Regional Head of Shariah & Governance, Group Islamic Banking, CIMB Group.

Ashraf Gomma Ali joined CIMB in April 2017 as Director and Head, Shariah & Governance Department. Previously, he was attached to the Shariah Advisory and Governance Department of National Commercial Bank (NCB) Jeddah, Saudi Arabia for more than six years. There, he was the Shariah Assurance Manager. He was actively involved in Shariah advisory activities of the Bank with specialty in treasury, corporate, retail and capital markets as Shariah subject matter expert. He was also involved in transaction structuring and documentation of 20 billion SAR of corporate deals and also Shariah Lead on development of a full suite (over 30) of Islamic alternative treasury products for hedging and structures investments covering alternatives to all conventional products.

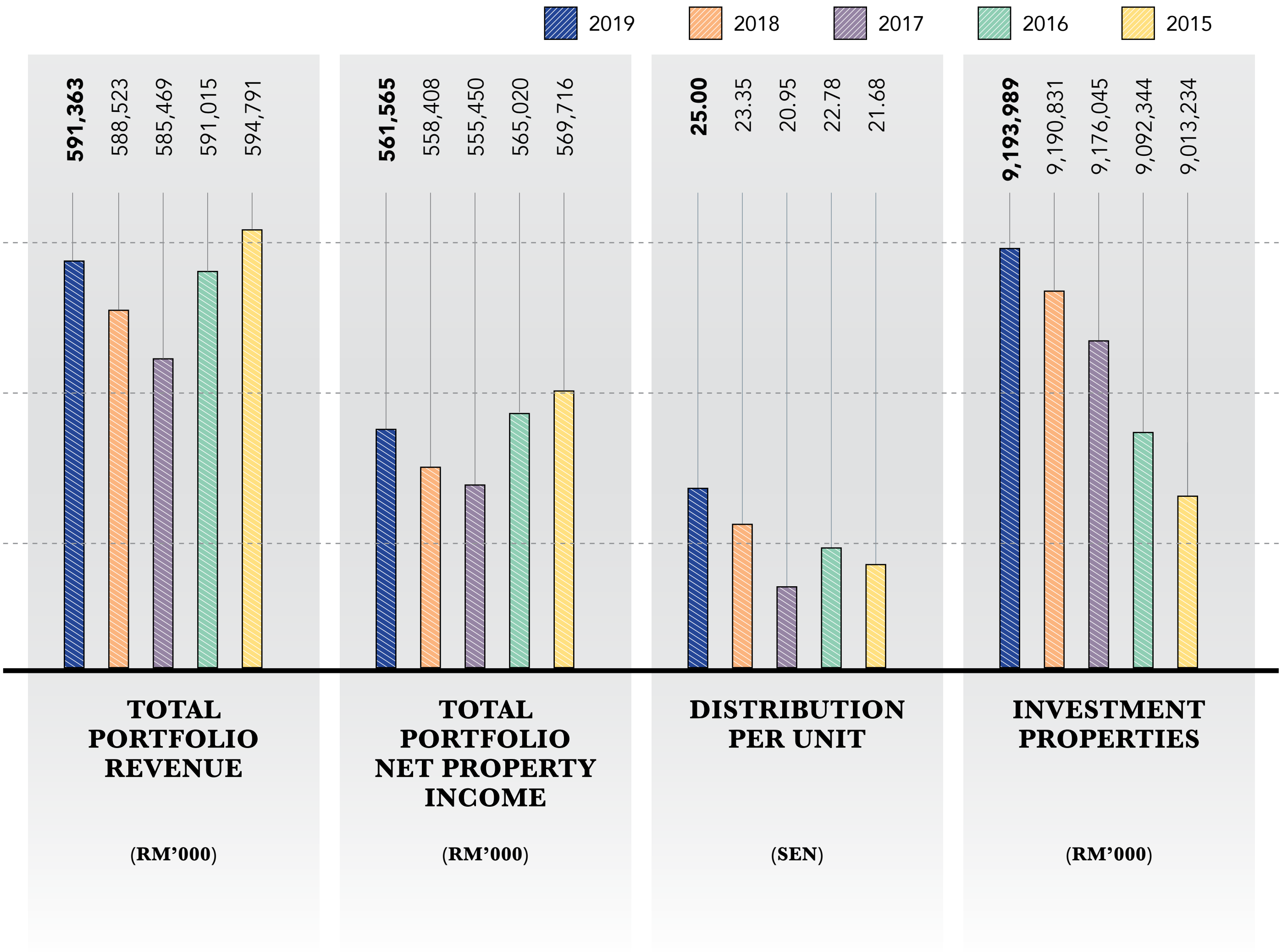
He now leads the overall functions of the Shariah & Governance Department which is responsible to provide the Shariah advisory for all types of Islamic products both to the CIMB Group and external parties in asset & fund management, investment & corporate banking, retail & commercial banking, treasury & structured products, takaful, private equity and etc.

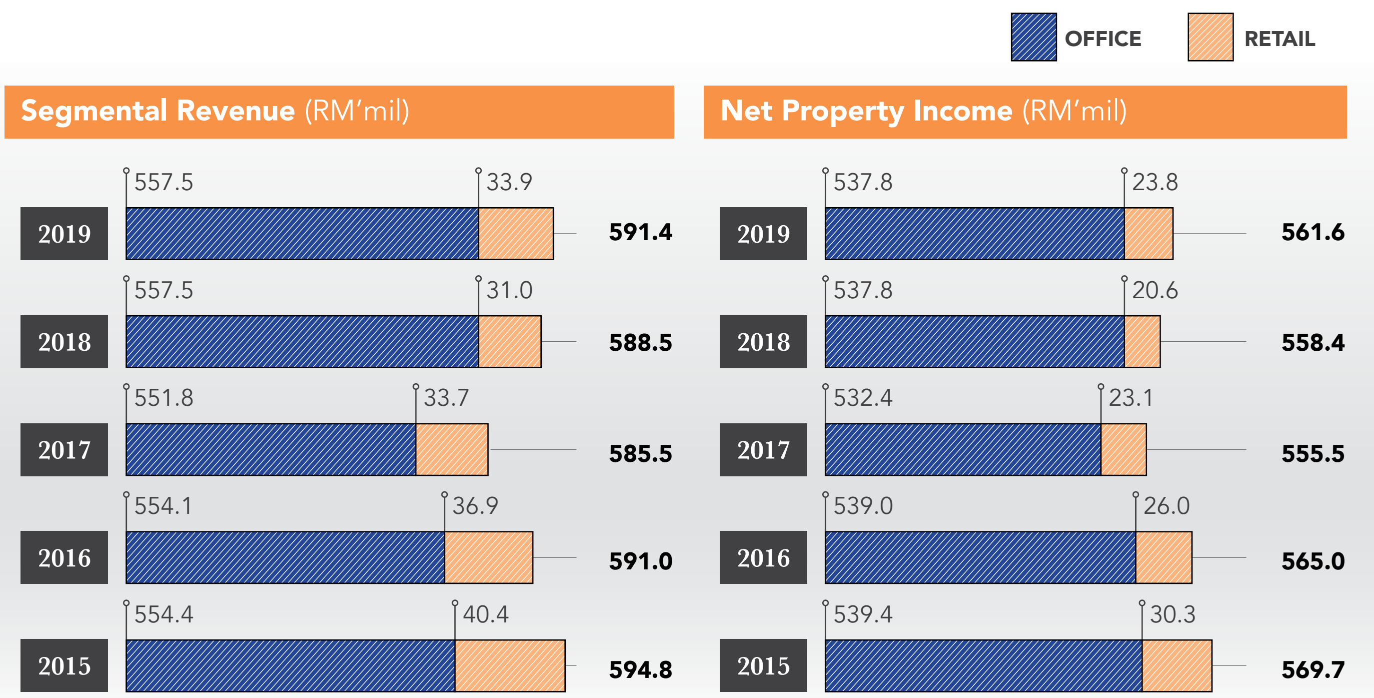
He is currently a Shariah Supervisory Board Member of University Bank, Ann Arbor, MI which had completed a full analysis of the Murabahah Home finance product and issued a certificate of compliance.

He is also a Certified Shariah Auditor and Advisor AAOIFI and ACI Treasury Dealer Certificate ACI-The Financial Markets Association.

He holds a Bachelor of Finance (Hons) from the University of Maryland, College Park, MD, USA and a Bachelor of Shariah (Hons) from the University of Umm Al Qura, Mecca, Saudi Arabia as well as Master in Islamic Finance Practice from International Centre for Education in Islamic Finance (INCEIF), Kuala Lumpur, Malaysia.

KLCC REIT FINANCIAL HIGHLIGHTS





KLCC REIT VALUE ADDED STATEMENT

	2019 RM'000	2018 RM'000
Total turnover	**591,363**	588,523
Profit income	**3,634**	3,195
Fair value adjustments of investment properties	**1,092**	12,042
Operating and tax expenses	**(51,651)**	(51,858)
	544,438	551,902
Reconciliation		
Profit for the year	**433,648**	440,661
Finance costs	**64,504**	65,069
Managers fees	**45,686**	45,572
Trustee fees	**600**	600
	544,438	551,902
Value distributed		
Trust expenses		
Managers fees	**45,686**	45,572
Trustee fees	**600**	600
Providers of capital		
Finance costs	**64,504**	65,069
Income distribution	**451,694**	399,520
Reinvestment and growth		
Undistributed income	**2,715**	50,842
Capital reserve*	**(20,761)**	(9,701)
	544,438	551,902

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

KLCC REIT FUND PERFORMANCE

STATEMENT OF COMPREHENSIVE INCOME

Key Data & Financial Ratios	2019	2018	2017	2016	2015
Revenue (RM'000)	**591,363**	588,523	585,469	591,015	594,791
Net Property Income (RM'000)	**561,565**	558,408	555,450	565,020	569,716
Total Comprehensive Income: (RM'000)					
- Realised	**454,409**	450,362	446,148	454,349	459,290
- Unrealised	**(20,761)**	(9,701)	81,496	92,584	129,480
Income Available for Distribution (realised) (RM'000)	**451,569**	421,928	397,177	411,451	391,850
Income Distribution (RM'000)	**451,333**[1]	421,545	378,217	411,255	391,396
Distribution per Unit (DPU) (sen)	**25.00**	23.35	20.95	22.78	21.68
Distribution Yield[2] (%)	**4.81**	4.83	4.18	4.30	4.91
Basic Earnings per Unit (sen)	**24.02**	24.41	29.22	30.30	32.61
Management expense ratio[3] (%)	**0.60**	0.60	0.60	0.61	0.61

STATEMENT OF FINANCIAL POSITION

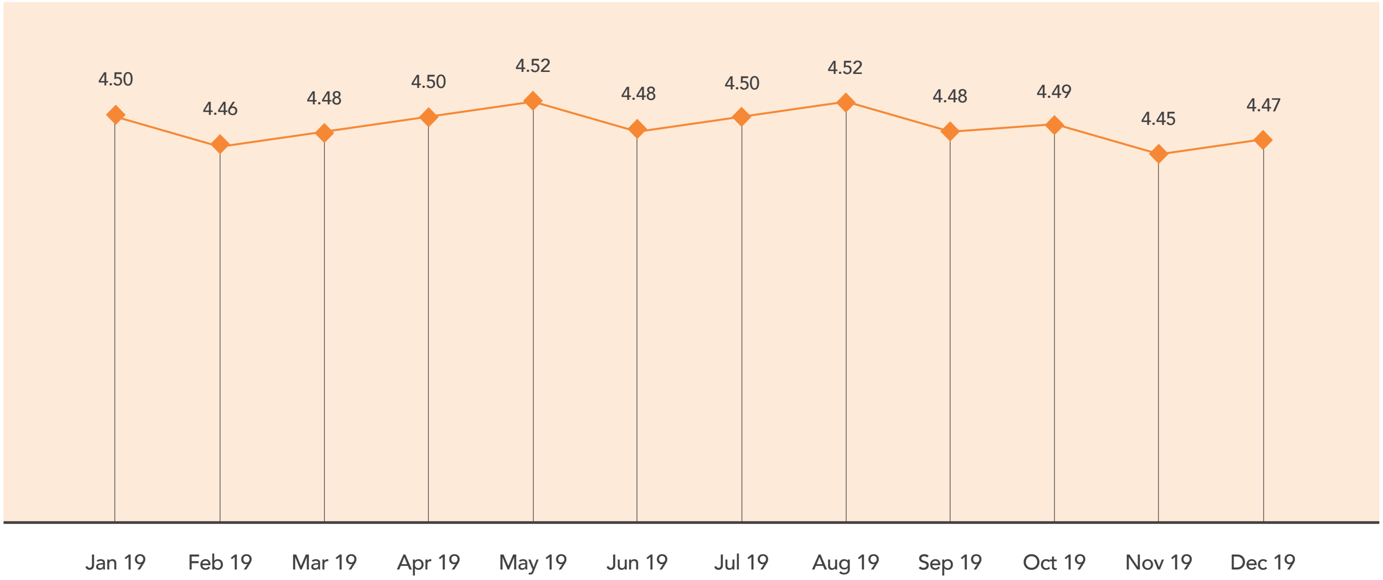
Key Data & Financial Ratios	As at 31 Dec 19	As at 31 Dec 18	As at 31 Dec 17	As at 31 Dec 16	As at 31 Dec 15
Investment Properties (RM'000)	**9,193,989**	9,190,831	9,176,045	9,092,344	9,013,234
Total Assets (RM'000)	**9,696,441**	9,663,354	9,631,719	9,683,102	9,568,582
Total Financings (RM'000)	**1,370,738**	1,371,907	1,371,026	1,572,478	1,570,395
Total Liabilities (RM'000)	**1,623,085**	1,571,952	1,581,455	1,770,891	1,791,869
Total Unitholders' Fund (RM'000)	**8,073,356**	8,091,402	8,050,264	7,912,211	7,776,713
Total Net Asset Value (NAV) (RM'000)	**8,073,356**	8,091,402	8,050,264	7,912,211	7,776,713
Net Asset Value (NAV) per unit:					
- before distribution (RM)	**4.47**	4.48	4.46	4.38	4.31
- after distribution (RM)	**4.41**	4.42	4.41	4.33	4.25
Highest NAV per unit (RM)	**4.52**	4.52	4.46	4.38	4.31
Lowest NAV per unit (RM)	**4.45**	4.45	4.37	4.29	4.16
Gearing Ratio (%)	**14.1**	14.2	14.2	16.2	16.4
Average Cost of Debt (%)	**4.35**	4.50	4.50	4.41	4.41
Debt Service Cover Ratio (times)	**8.6**	8.6	9.1	8.7	9.7

[1] *Includes the 2019 fourth income distribution payable on 28 February 2020.*
[2] *Based on DPU of KLCCP Stapled Group of 38.00sen (2018: 37.00sen) and the closing price of KLCC Stapled Securities of RM7.90 (2018: RM7.66) as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.*
[3] *Ratio of total fees and expenses incurred in operating KLCC REIT including Manager's fee, Trustee's fee, auditor's remuneration, tax agent's fee, valuation fees and other trust expenses to the NAV of KLCC REIT.*

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

KLCC REIT FUND PERFORMANCE

NET ASSET VALUE PER UNIT (RM)



TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES[1]

Trading Summary	2019	2018	2017	2016	2015
Stapled Securities Closing Price at 31 December (RM)	**7.90**	7.66	8.64	8.30	7.06
Highest traded price for the year (RM)	**8.40**	8.00	8.64	8.30	7.30
Lowest traded price for the year (RM)	**7.68**	6.88	7.70	6.80	6.62
Capital Appreciation (%)	**3.1**	(11.3)	4.1	17.6	5.2
Annual Total Return (%)[2]	**7.9**	(6.5)	8.3	21.9	10.1
Average Total Return (3 years) (%)	**3.2**	7.9	13.4	17.2	9.2
Average Total Return (5 years) (%)	**8.3**	10.7	-	-	-
Number of Stapled Securities ('000)	**1,805,333**	1,805,333	1,805,333	1,805,333	1,805,333
Market Capitalisation (RM'000)	**14,262,131**	13,828,851	15,598,077	14,984,264	12,745,651

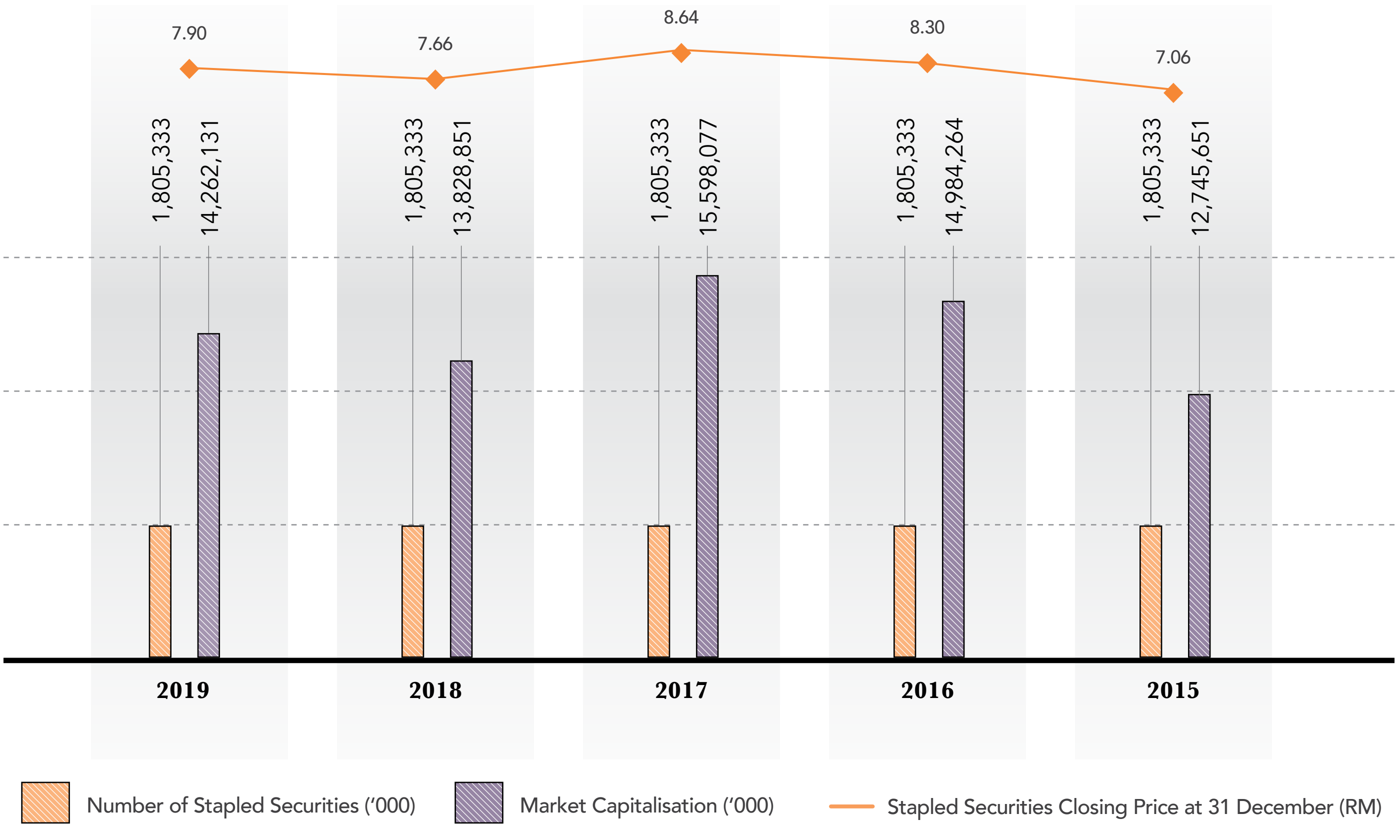
[1] *The trading price performance of KLCC REIT is based on the price performance of KLCC Stapled Securities as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation*

[2] *Annual total return comprises capital appreciation from 1 January 2019 to 31 December 2019 of 3.1% (2018: (11.3%)) and distribution yield of KLCCP Stapled Group of 4.81% (2018: 4.83%)*

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

KLCC REIT FUND PERFORMANCE

MARKET CAPITALISATION, SHARE PRICE PERFORMANCE AND NUMBER OF STAPLED SECURITIES

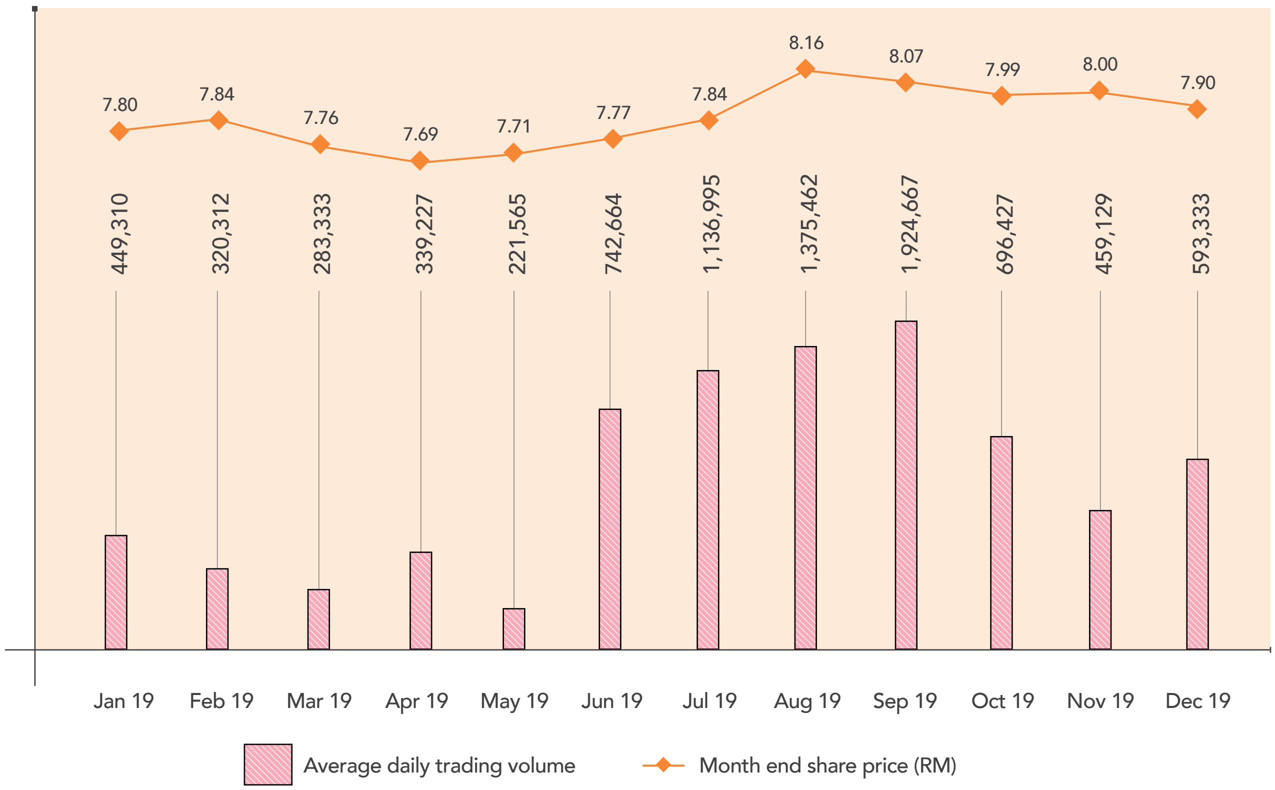


KLCC STAPLED SECURITIES PRICE VS FTSE BURSA MALAYSIA KLCI INDEX PERFORMANCE BENCHMARK

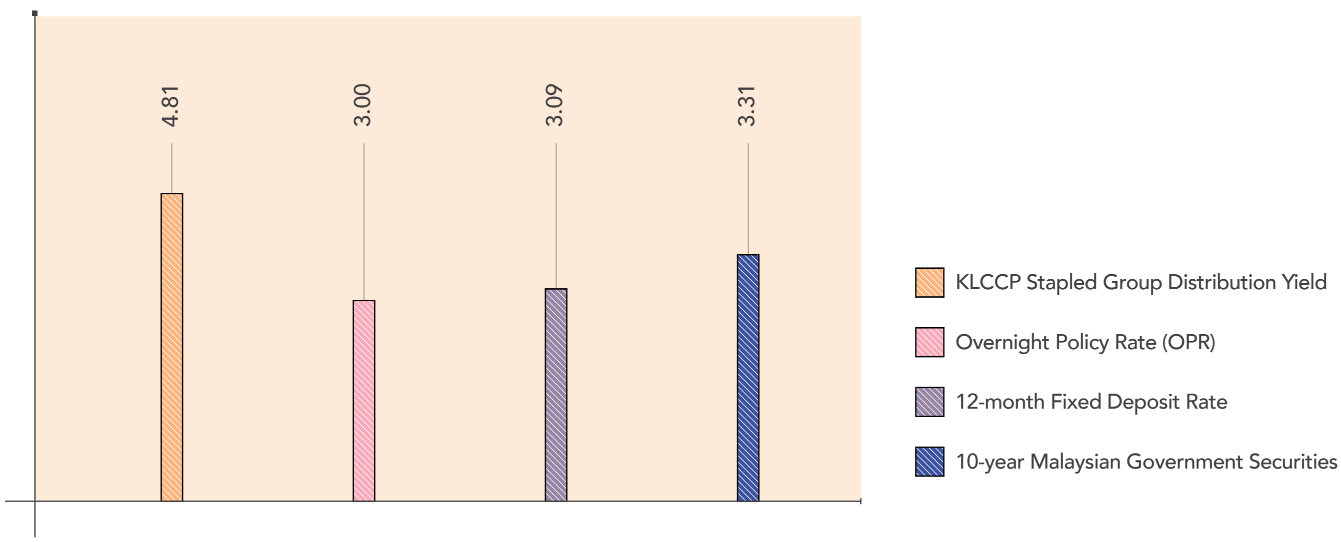
Past performance is not necessarily an indication of future performance as market conditions may change over time.

KLCC REIT
FUND PERFORMANCE

KLCC STAPLED SECURITIES MONTHLY TRADING PERFORMANCE



COMPARATIVE YIELD AS AT 31 DECEMBER 2019 (%)



Source: Bank Negara website

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

PRINCIPAL ACTIVITY AND INVESTMENT OBJECTIVES

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

In 2019, the Trust Deed was amended and restated for the purpose of streamlining the 2013 Trust Deed and the 2013 Stapling Deed, aligned to the Guidelines on Listed Real Estate Investments Trust revised by the Securities Commission (SC) on 18 June 2019, the Main Market Listing Requirements, the Companies Act, 2016, and the new constitution adopted by KLCCP at its Annual General Meeting held on 3 April 2019.

This Amended and Restated Trust Deed dated 3 September 2019 was registered and lodged with the SC on 16 October 2019 and 17 October 2019 respectively.

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

INVESTMENT STRATEGIES

The Manager is focused on active asset management and acquisition growth strategy to provide regular and stable distributions to unitholders and ensure capital growth and improved returns from its property portfolio.

Active asset management strategy

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

Acquisition growth strategy

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

OVERVIEW OF PROPERTY PORTFOLIO

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

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

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Financial Review

		2019 (RM'mil)	2018 (RM'mil)	Growth (%)
Revenue		**591.4**	588.5	0.5
Net property income		**561.6**	558.4	0.6
Profit for the year*		**454.4**	450.4	0.9
Income available for distribution		**451.6**	421.9	7.0
Income distribution		**451.3**	421.5	7.1
Earnings per unit* (EPU)	Sen	**25.17**	24.90	1.1
Distribution per unit (DPU)	Sen	**25.00**	23.35	7.1
Net asset value (NAV) per unit	RM	**4.47**	4.48	(0.2)

** Excluding fair value adjustment*

2019 has been an eventful year both globally and domestically. Globally, continuing trade tensions between China and the US, slowing growth rates in Asian markets, an inverted yield curve and the uncertainty as a result of Brexit which weighed heavily on investor sentiment have led to a negative impact on key markets including Malaysia.

On the domestic front, in response to a weak economic outlook, Central Bank of Malaysia reduced its Overnight Policy Rate (OPR) by 25bps to 3.00% in May 2019, which impacted the yields on the 10-year Malaysia Government Securities (MGS). The MGS yield broke below its converging band of 3.47% - 4.46% in 2H19 and fell 11.6 basis points (bps) in December 2019 to 3.31%, driven by non-resident portfolio inflows to the domestic bond market. The reduced OPR, to a certain extent, benefited the MREITs players as investors sought out alternative yielding assets during that period.

In spite of the challenges, KLCC REIT delivered sustained results reflective of its strong portfolio of assets. KLCC REIT reported a steady revenue of RM591.4 million and profit for the year of RM454.4 million, a marginal increase from the preceding year. The Fund's PBT represents 48% of KLCCP Stapled Group's PBT for FY2019.

Key Highlights

- Income available for distribution of RM451.6 million, represents an increase of 7.0% over the previous year; arising from the full-year impact from the positive rental revision for PETRONAS Twin Towers which took effect in October 2018.
- Repayment of 2 tranches of Islamic Medium Term Notes (IMTN) and issuance of new IMTN of RM500 million repayable in April 2026, reducing the effective interest rate to 4.35% from 4.50% and lengthened the average maturity period from 2.6 years to 4.2 years.
- Entry of new tenant, Babel - Malaysia's iconic wellness club at the retail podium of Menara 3 PETRONAS, improved occupancy to 95% from 84% as at 31 December 2018.

Income available for distribution was higher by 7.0% contributed by the positive rental revision at PETRONAS Twin Towers which took effect in October 2018. However, NAV for the financial year reduced to RM4.47 per unit from RM4.48 per unit from lower fair value gain recorded for the year.

A testament to our commitment in delivering value and growth, KLCC REIT distributed a higher DPU to the unitholders of 25.00 sen compared to 23.35 sen in the preceding year. This represents a 100.0% pay-out of distributable income with a total income distribution of RM451.3 million to the unitholders for the financial year 2019.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

	Revenue (RM'mil)		Net Property Income (RM'mil)		Profit for the Year * (RM'mil)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
PETRONAS Twin Towers	**424.2**	423.9	**422.8**	422.1	**340.4**	338.8
Menara ExxonMobil	**45.2**	45.5	**27.1**	27.9	**21.6**	22.3
Menara 3 PETRONAS	**88.1**	88.1	**87.9**	87.8	**75.4**	75.4
Total for Office Segment	**557.5**	**557.5**	**537.8**	**537.8**	**437.4**	**436.5**
Menara 3 PETRONAS (Retail Podium)	**33.9**	31.0	**23.8**	20.6	**17.0**	13.9
Total for Retail Segment	**33.9**	**31.0**	**23.8**	**20.6**	**17.0**	**13.9**
Total	**591.4**	**588.5**	**561.6**	**558.4**	**454.4**	**450.4**

** Excluding fair value adjustment*

Profit for the year (excluding fair value adjustment) represented by total comprehensive income of RM454.4 million (FY2018: RM450.4 million) recorded a marginal increase mainly led by the improved performance in the retail segment. The performance of the three investment properties generated total net property income of RM561.6 million, representing a contribution of 96% from the office segment and 4% from retail.

Office segment

The Kuala Lumpur office market continued to remain lackluster with demand lagging behind supply. Amidst the widening gap between office supply and demand and the challenging market conditions, the KLCC REIT office segment continued to remain resilient and delivered a steady earnings stream in FY2019 with revenue of RM557.5 million and net property income of RM537.8 million.

PETRONAS Twin Towers remained KLCC REIT's highest revenue contributor at 72%, contributing 75% of total net property income. The stable cashflows and resilient rental income with 100% occupancy in all the office portfolio continued to underpin the overall performance of KLCC REIT. This year also saw the full year impact from the positive rental revision for PETRONAS Twin Towers which took effect from October 2018.

Our office segment will continue to remain stable and unaffected by the changing tides in the market anchored by its long-term tenancies and high quality tenants.

Retail segment

The retail environment remained challenging and continued to be affected by the slow economic momentum and weak consumer sentiment. With consumers continuing to hold back on spending and the weak retail performance in 3Q19, the Retail Group Malaysia (RGM) cut its annual retail sales growth forecast for 2019 from 4.4% to 3.7%. This was RGM's third revision since the beginning of 2019.

The retail podium of Menara 3 PETRONAS leverages on Suria KLCC's reputation as a premier shopping destination in the country. Living up to its positioning of "Always Something New", the retail podium continued to evolve and re-imagine the retail space with the latest curation and services, catering to customers' needs for a seamless and exciting shopping experience.

Realising how health wellness has become increasingly important to most people, the retail podium of Menara 3 PETRONAS elevated its offering with the entry of Babel, Malaysia's iconic wellness club with state-of-the-art equipment. This significantly increased the occupancy rate for the retail podium at Menara 3 PETRONAS from 84% to 95% in FY2019.

The higher occupancy recorded for the year translated to a revenue of RM33.9 million, an increase of 9.4% compared to the previous year. Net property income of RM23.8 million, contributed 4% of KLCC REIT's total net property income.

The performance of the retail podium of Menara 3 PETRONAS is expected to gradually strengthen with the completion of the anchor-to-specialty reconfiguration exercise at Suria KLCC that will broaden the retail offerings, giving it a distinctive atmosphere appealing to a broader customer base.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Assets and Liabilities

KLCC REIT maintained a stable and healthy balance sheet with unitholders' funds of RM8.1 billion and NAV per unit of RM4.47 as at year end.

		2019 (RM'mil)	2018 (RM'mil)	Variance (%)
ASSETS				
Investment properties		**9,194.0**	9,190.8	0.0
Receivables		**417.1**	413.4	0.9
Cash and bank balances		**83.3**	56.8	46.7
Others		**2.0**	2.4	(16.7)
		9,696.4	**9,663.4**	
LIABILITIES				
Borrowings		**1,370.7**	1,371.9	(0.1)
Others		**252.3**	200.1	26.1
		1,623.0	**1,572.0**	
Unitholders' Fund		**8,073.4**	**8,091.4**	**(0.2)**
Net asset value per unit (NAV per unit)	RM	**4.47**	**4.48**	**(0.2)**

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

Higher cash balance was recorded at RM83.3 million compared to RM56.8 million mainly due to the advanced rental received from PETRONAS at year end. This is also reflected in the higher liabilities of RM252.3 million (2018: RM200.1 million).

A slightly lower NAV of RM4.47 was mostly due to smaller gain on the fair valuation on our investment properties in addition to our high dividend payout of 100% during the year.

MARKET VALUE OF INVESTMENT PROPERTIES

KLCC REIT's portfolio of investment properties recorded an increase in market value amounting to RM5.0 million as of 31 December 2019.

In line with the requirements of MFRS 140 Investment Property, adjustments were made to account for accrued operating lease income and additions during the year, recognising RM1.1 million as gain on fair value adjustment in the income statement.

	Market Value		Carrying Value	
Property	31 Dec 2019 RM'mil	31 Dec 2018 RM'mil	31 Dec 2019 RM'mil	31 Dec 2018 RM'mil
PETRONAS Twin Towers	**7,014.0**	7,010.0	**6,680.6**	6,679.9
Menara ExxonMobil	**536.8**	536.7	**536.8**	535.3
Menara 3 PETRONAS	**2,053.1**	2,052.2	**1,976.6**	1,975.6
Total	**9,603.9**	**9,598.9**	**9,194.0**	**9,190.8**

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

OPERATIONAL REVIEW

Asset Management

Good management of assets is pivotal to running a successful property portfolio. We continually revitalise our assets to stay ahead of industry trends and deliver optimal customer experience in creating places people look forward to.

During the year, the Manager continued its efforts to minimise disruptions to the environment and its adverse impact on the community by lowering the environmental footprint of our buildings and use energy, water and resources more efficiently. In stepping up with our efforts on sustainability, the Manager also identified several projects in the areas of environmental conservation and business innovation i.e. recycling of waste through placement of sorting bins throughout our retail mall, enhancement of KLCC Precinct security through installation of dynamic and high technology security features and implementation of cashless payment initiatives at our North West Development car park.

We were recognised for our disciplined approach to asset management at the EdgeProp Malaysia's Best Managed Property Awards 2019, when we were awarded the Bronze Award for the Above 10 Years Non-strata Office Category for Menara ExxonMobil. To date, all our buildings have received such recognition by the EdgeProp Malaysia as a testament to KLCC REIT's commitment to supporting our tenants and meeting their needs with award-winning facilities and asset management services.

In our efforts of supporting our tenant initiatives in greening our buildings, we also successfully attained the Green Building Index Gold Rating for PETRONAS Twin Towers and Green Building Index Silver Rating for Menara 3 PETRONAS in June 2019. PETRONAS Twin Towers was also one of the winners at the Top 10 Green Buildings of the Decade Awards organised by the Malaysia Green Building Council. The Manager is working diligently in ensuring the that the buildings are well-maintained, to preserve the GBI accreditation status.

Driven by our shared values, the Manager continually strives to provide the right solutions to its tenant beyond simple asset management, instead of aiming to cultivate an environment that fosters greater communication, collaboration and flexibility. 2019 marked the completion of the Workplace for Tomorrow (WFT) initiatives at PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil which saw 148 floors across 2.5 million sq. ft. of NLA transformed.

Capital Management

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

In FY2019, KLCC REIT repaid 2 tranches of its outstanding IMTN due in April 2019 and further issued another IMTN amounting to RM500.0 million under the same AAA graded Sukuk Murabahah programme. This has effectively lengthened our average maturity period from 2.6 years to 4.2 years while the average borrowing cost of 4.4% for the Fund.

As of 31 December 2019, KLCC REIT's borrowing remained at RM1.4 billion, representing a gearing ratio of 14.1%, with significant debt headroom to support financing for future growth. To-date, KLCC REIT remains one of the lowest geared M-REITs in the country.

		2019	2018
Total borrowings	RM'mil	**1,370.7**	1,371.9
Average cost of debt	%	**4.4**	4.5
Fixed: Floating	ratio	**100:0**	100:0
Average maturity period	years	**4.2**	2.6
Debt service cover ratio	times	**8.5**	8.6
Gearing ratio	%	**14.1**	14.2
RAM Rating of Sukuk		**AAA**	AAA

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Income Distribution

The Manager remained committed to enhance value to its unitholders and distributed 100% of its distributable income for the financial year 2019.

Based on the total income available for distribution of RM451.6 million, the Manager had recommended and the Trustee had approved a total income distribution of 25.00 sen for the year ended 31 December 2019.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'mil)	Remarks
First Interim Distribution	6.28	113.4	Paid on 20 June 2019
Second Interim Distribution	6.23	112.5	Paid on 4 October 2019
Third Interim Distribution	6.24	112.6	Paid on 18 December 2019
Fourth Interim Distribution	6.25	112.8	To be paid on 28 February 2020
Total	**25.00**	**451.3**	

MARKET REVIEW

The Malaysian economy moderated to 4.3% in 2019, the lowest since the global financial crisis compared to a 4.7% growth in 2018. This attributed to the lower output of palm oil, crude oil & natural gas and fall in exports amid the US-China trade war.

The Malaysian Institute of Economic Research's (MIER) Consumer Sentiment Index tapered to 82.3 points in 4Q2019, marking the lowest, below the optimistic threshold level since 2Q17. MIER noted that the domestic spending momentum would deteriorate in the near future due to anxieties over rising cost of living, a sluggish job outlook coupled with limited shopping plans due to weakening purchasing power.

To read more, refer to the Market Report on pages 44 to 45

Office Market Overview

Amid widening mismatch between supply and demand, both rental and occupancy levels continue to be under pressure. Landlords are stepping up on their marketing efforts to improve occupancy levels by repurposing their existing assets while being more flexible in negotiations in this tenant-led market.

To read more, refer to the Market Report on pages 46 to 48

Retail Market Overview

The retail market continued to face challenges amid rapid changes in shopping retail trends and consumer behaviour. Adoption of technologies such as applications and e-wallet had retailers re-designing their space to be more than a place for transactions. Given the rapid pace of technological advances and fundamentals shifts from traditional retail experience, it is crucial for the mall operators to adapt their offer to customer's expectations and to create more engaging customer experience.

To read more, refer to the Market Report on pages 48 to 51

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

OUTLOOK

The economic outlook for 2020 remains cautious with export growth to remain soft, reflecting subdued global investment and trade activity with the World Bank projecting Malaysia's gross domestic product growth at 4.5%. However, Central Bank of Malaysia remains optimistic of a rebound fueled by normalised supply conditions and the revival of megaprojects. However, the recent global pandemic outbreak of Coronavirus (COVID-19) is expected to create another level of uncertainty and dampen travel, hospitality and retail industries. Globally, the US-China trade war and uncertainty following the Brexit referendum is likely to continue impacting the economy.

In the M-REITs sector, despite the oversupply in the office and retail markets, the outlook will continue to remain favorable citing its growth in the currently low interest rate market environment, as an easing interest rate environment will result in lower borrowing costs, promoting cheaper funding for yield-accretive acquisition. Furthermore, M-REITs with good and stable dividends will also be favored by investors because of their ability to deliver sustained yield and to cushion the volatility in interest rates.

The office and retail industries will also continue to see incoming supply outstripping demand. However, the growing popularity of co-working and shared services, especially among small and medium-sized enterprises (SMEs), multinational companies (MNCs), and start-ups, are enticing building owners to re-purpose their office space.

KLCC REIT offices remain shielded by the changing trends due to the locked-in long-term leases with high quality tenants. In the coming year, the Manager will preserve the established stature of KLCC REIT by maintaining the three buildings in pristine condition through active asset management services towards maximising value of investment for the unitholders.

The retail segment will continue to leverage on Suria KLCC's standing as a premier shopping, and tourist destination in Kuala Lumpur and remain at the forefront of being a place where visitors get unique, integrated yet differentiating experience. Nevertheless, the retail podium of Menara 3 PETRONAS will have to brace itself from any impact which may arise from the Coronavirus (COVID-19) outbreak on the retail industry.

MATERIAL LITIGATION

The Manager is not aware of any material litigation since the balance sheet date as of 31 December 2019 up to the date of this report.

CIRCUMSTANCES WHICH MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

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

DIRECTORS OF THE MANAGER'S BENEFITS

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

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

MANAGER'S FEE

For the financial year ended 31 December 2019, the Manager's fee comprised the following:

1. Base fee of RM28.8 million, calculated at 0.3% per annum of Total Asset Value
2. Performance fee of RM16.9 million, calculated at 3.0% per annum of Net Property Income

The Manager's total management fee of RM45.7 million represents 0.6% of NAV of KLCC REIT.

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

SOFT COMMISSION

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

KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")

FINANCIAL STATEMENTS

MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn Bhd ("the Manager"), has pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Fund during the financial year are investing directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for office and retail purposes as well as real estate related assets.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 (as amended and restated by the Amended and Restated Trust Deed dated 3 September 2019) (the "Amended and Restated Trust Deed") entered into between the Manager and Maybank Trustees Berhad (the "Trustee"). The Amended and Restated Trust Deed was registered with the Securities Commission Malaysia on 16 October 2019. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Manager is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

RESULTS

	Group RM'000	Fund RM'000
Profit for the year	433,648	433,654

DISTRIBUTION OF INCOME

The amount of income distributions paid by the Fund were as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
Fourth interim income distribution of 6.27% on 1,805,333,083 units, paid on 28 February 2019	113,194
In respect of the financial year ended 31 December 2019:	
First interim income distribution of 6.28% on 1,805,333,083 units, paid on 20 June 2019	113,375
Second interim income distribution of 6.23% on 1,805,333,083 units, paid on 4 October 2019	112,472
Third interim income distribution of 6.24% on 1,805,333,083 units, paid on 18 December 2019	112,653
	451,694

A fourth interim income distribution in respect of the financial year ended 31 December 2019, of 6.25% on 1,805,333,083 units amounting to an income distribution payable of RM112,833,000 will be payable on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have served on the Board of the Manager during the financial year end and up to the date of this report are:

Datuk Ahmad Nizam Bin Salleh	
Datuk Hashim Bin Wahir	
Datuk Pragasa Moorthi A/L Krishnasamy	
Habibah Binti Abdul	
Farina Binti Farikhullah Khan	
Tengku Muhammad Taufik	
Dato' Jamaludin Bin Osman	(appointed w.e.f. on 1 January 2020)
Datuk Ishak Bin Imam Abas	(resigned w.e.f. on 1 January 2020)
Dato' Halipah Binti Esa	(resigned w.e.f. on 3 April 2019)

DIRECTORS OF MANAGER'S INTERESTS

The Directors in office at the end of the year who have interests in the units of the Fund and its related corporations as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Shares in Petronas Chemicals Group Berhad			
	Balance as at 1.1.2019	Number of Shares Bought	Number of Shares Sold	Balance as at 31.12.2019
Direct				
Datuk Hashim Bin Wahir	**16,000**	-	-	**16,000**
Datuk Ahmad Nizam Bin Salleh	**10,000**	-	-	**10,000**

	Number of Shares in Petronas Gas Berhad			
	Balance as at 1.1.2019	Number of Shares Bought	Number of Shares Sold	Balance as at 31.12.2019
Direct				
Datuk Ahmad Nizam Bin Salleh	**2,000**	-	-	**2,000**

None of the other Directors holding office as at 31 December 2019 had any interest in the units of the Fund and of its related corporations during the financial year.

MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS OF MANAGER'S BENEFITS

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

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

SOFT COMMISSION

There was no soft commission received by the Manager during the financial year from any broker or dealer by virtue of transactions conducted for the Fund.

ULTIMATE HOLDING COMPANY

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

ISSUE OF UNITS

There were no changes in the issued and paid up units of the Fund during the financial year.

OPTIONS GRANTED OVER UNISSUED UNITS

No options were granted to any person to take up unissued units of the Fund during the year.

OTHER STATUTORY INFORMATION

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

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts; and

(ii) any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Manager is not aware of any circumstances:

(i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Fund misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Fund misleading.

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

(i) any charge on the assets of the Group or of the Fund that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Fund that has arisen since the end of the financial year.

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

In the opinion of the Manager, the results of the operations of the Group and of the Fund for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Fund RM'000
Audit fees	92	87

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 303 to 350 are drawn up in accordance with the provision of the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Listed Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2019 and of the results of their financial performance and cash flows for the year ended 31 December 2019.

For and on behalf of the Manager,
KLCC REIT MANAGEMENT SDN BHD

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 23 January 2020.

Datuk Ahmad Nizam Bin Salleh

Datuk Hashim Bin Wahir

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the Officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 303 to 350 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 23 January 2020.

Annuar Marzuki Bin Abdul Aziz
(MIA Membership No. 11345)

BEFORE ME:

YM Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for Oaths

TRUSTEE'S REPORT

To the unitholders of KLCC REIT

We have acted as Trustee of KLCC Real Estate Investment Trust ("KLCC REIT") for the financial year ended 31 December 2019. To the best of our knowledge, KLCC REIT Management Sdn Bhd ("the Manager") has managed KLCC REIT in the financial year under review in accordance to the following:

(a) the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets & Services Act 2007 and other applicable laws; and

(b) the valuation of KLCC REIT is carried out in accordance with the Deed and other regulatory requirements.

There are four (4) income distributions to the unitholders of KLCC REIT in the financial year under review, details of which are stated below:

(i) First interim income distribution of 6.28 sen per unit distributed on 20 June 2019;
(ii) Second interim income distribution of 6.23 sen per unit distributed on 4 October 2019;
(iii) Third interim income distribution of 6.24 sen per unit distributed on 18 December 2019;
(iv) Fourth interim income distribution of 6.25 sen per unit for year ended 31 December 2019 declared and will be payable on 28 February 2020.

We are of the view that the distributions are consistent with the objectives of KLCC REIT.

For and on behalf of the Trustee,
MAYBANK TRUSTEES BERHAD
(Company No.: 196301000109 (5004-P))

BERNICE K M LAU
Head, Operations

Kuala Lumpur, Malaysia

SHARIAH ADVISER'S REPORT

To the Unitholders of KLCC REIT

We have acted as the Shariah Adviser of KLCC REIT. Our responsibility is to ensure that the procedures and processes employed by KLCC REIT Management Sdn Bhd and that the provisions of the Trust Deed are in accordance with Shariah principles.

In our opinion, KLCC REIT Management Sdn Bhd has managed and administered KLCC REIT in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2019.

In addition, we also confirm that the investment portfolio of KLCC REIT:

(a) Comprises investment properties and rental income which complied with the Securities Commission Guidelines for Islamic Real Estate Investment Trust. The percentage ratio of Shariah Non-Compliant Rental for the financial year ended 31 December 2019 is 1.18%;

(b) KLCCP Stapled Securities is listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission;

(c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments; and

(d) There is no acquisition of real estate during the financial year.

For and on behalf of the Shariah Adviser
CIMB Islamic Bank Berhad

ASHRAF GOMMA ALI
Director/Regional Head, Shariah & Governance Department/Designated Person
Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Fund	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	**1,964**	2,385	**1,964**	2,385
Investment properties	6	**9,193,989**	9,190,831	**9,193,989**	9,190,831
Trade and other receivables	8	**409,910**	408,069	**409,910**	408,069
Investment in subsidiary	7	**-**	-	*****	*
		9,605,863	9,601,285	**9,605,863**	9,601,285
Current Assets					
Trade and other receivables	8	**7,236**	5,253	**7,236**	5,253
Cash and bank balances	9	**83,342**	56,816	**83,236**	56,703
		90,578	62,069	**90,472**	61,956
TOTAL ASSETS		**9,696,441**	9,663,354	**9,696,335**	9,663,241
TOTAL UNITHOLDERS' FUND AND LIABILITIES					
Unitholders' Fund					
Unitholders' capital	10	**7,212,684**	7,212,684	**7,212,684**	7,212,684
Merger reserve	2.18	**6,212**	6,212	**6,212**	6,212
Capital reserve	2.17	**392,366**	413,127	**392,366**	413,127
Retained profits		**462,094**	459,379	**462,137**	459,416
Total Unitholders' Fund		**8,073,356**	8,091,402	**8,073,399**	8,091,439
Non-Current Liabilities					
Other long term liabilities	11	**97,608**	93,777	**97,608**	93,777
Amount due to a subsidiary	12	**-**	-	**1,355,000**	855,000
Financing	13	**1,355,000**	855,000	**-**	-
Deferred tax liability	14	**43,596**	21,743	**43,596**	21,743
Other payables	15	**35,539**	40,001	**35,539**	40,001
		1,531,743	1,010,521	**1,531,743**	1,010,521

* Represents RM2 in Midciti Sukuk Berhad

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Fund	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current Liabilities					
Other payables	15	**75,604**	44,524	**75,533**	44,453
Amount due to a subsidiary	12	**-**	-	**15,660**	516,828
Financing	13	**15,738**	516,907	**-**	-
		91,342	**561,431**	**91,193**	561,281
Total Liabilities		**1,623,085**	**1,571,952**	**1,622,936**	1,571,802
TOTAL UNITHOLDERS' FUND AND LIABILITIES		**9,696,441**	**9,663,354**	**9,696,335**	9,663,241
Number of units in circulation					
('000 units)		**1,805,333**	1,805,333	**1,805,333**	1,805,333
Net asset value ("NAV")					
- before income distribution		**8,073,356**	**8,091,402**	**8,073,399**	8,091,439
- after income distribution		**7,960,523**	**7,978,208**	**7,960,566**	7,978,245
NAV per unit (RM)					
- before income distribution		**4.47**	4.48	4.47	4.48
- after income distribution		**4.41**	4.42	4.41	4.42

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Fund	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	16	**591,363**	588,523	**591,363**	588,523
Property operating expenses	17	**(29,798)**	(30,115)	**(29,792)**	(30,109)
Net property income		**561,565**	558,408	**561,571**	558,414
Fair value adjustment of investment properties	6	**1,092**	12,042	**1,092**	12,042
Profit income		**3,634**	3,195	**3,634**	3,195
		566,291	573,645	**566,297**	573,651
Management fees	18	**(45,686)**	(45,572)	**(45,686)**	(45,572)
Trustee's fees	19	**(600)**	(600)	**(600)**	(600)
Financing costs	20	**(64,504)**	(65,069)	**(64,504)**	(65,069)
Profit before tax	21	**455,501**	462,404	**455,507**	462,410
Tax expense	22	**(21,853)**	(21,743)	**(21,853)**	(21,743)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		**433,648**	440,661	**433,654**	440,667
Basic earnings per unit (sen)	23	**24.02**	24.41	**24.02**	24.41

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Fund	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income Distribution					
Total comprehensive income for the financial year		**433,648**	440,661	**433,654**	440,667
Add/(less)	Non cash items:				
	Accrued rental income	**(1,841)**	(28,413)	**(1,841)**	(28,413)
	Amortisation of deferred rental income	**(4,997)**	(4,522)	**(4,997)**	(4,522)
	Amortisation of premium for Sukuk Murabahah	**(1,189)**	130	**(1,189)**	130
	Deferred tax liabilities	**21,853**	21,743	**21,853**	21,743
	Depreciation	**476**	293	**476**	293
	Allowance for impairment losses	**23**	69	**23**	69
	Accretion of financial instruments	**4,688**	4,009	**4,688**	4,009
	Fair value adjustment of investment properties	**(1,092)**	(12,042)	**(1,092)**	(12,042)
		17,921	(18,733)	**17,921**	(18,733)
Total income available for distribution		**451,569**	421,928	**451,575**	421,934
Distribution to unitholders in respect of financial year 2019:					
1st interim income distribution of 6.28% (2018: 5.72%) on 1,805,333,083 units		**(113,375)**	(103,265)	**(113,375)**	(103,265)
2nd interim income distribution of 6.23% (2018: 5.65%) on 1,805,333,083 units		**(112,472)**	(102,001)	**(112,472)**	(102,001)
3rd interim income distribution of 6.24% (2018: 5.71%) on 1,805,333,083 units		**(112,653)**	(103,085)	**(112,653)**	(103,085)
4th interim income distribution of 6.25% (2018: 6.27%)on 1,805,333,083 units		**(112,833)**	(113,194)	**(112,833)**	(113,194)
Balance undistributed		**236**	383	**242**	389

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2019

	Non-Distributable		← Distributable →		
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total Funds RM'000
As at 1 January 2019	**7,212,684**	**6,212**	**413,127**	**459,379**	**8,091,402**
Total comprehensive income for the year	-	-	-	**433,648**	**433,648**
Transfer of fair value surplus	-	-	**(20,761)**	**20,761**	-
Income distribution (Note 24)	-	-	-	**(451,694)**	**(451,694)**
Net total comprehensive income for the year attributable to unitholders	-	-	**(20,761)**	**2,715**	**(18,046)**
As at 31 December 2019	**7,212,684**	**6,212**	**392,366**	**462,094**	**8,073,356**
As at 1 January 2018	7,212,684	6,212	422,828	408,540	8,050,264
Effect on the adoption of new pronouncement	-	-	-	(3)	(3)
As at 1 January 2018, restated	7,212,684	6,212	422,828	408,537	8,050,261
Total comprehensive income for the year	-	-	-	440,661	440,661
Transfer of fair value surplus	-	-	(9,701)	9,701	-
Income distribution (Note 24)	-	-	-	(399,520)	(399,520)
Net total comprehensive income for the year attributable to unitholders	-	-	(9,701)	50,842	41,141
As at 31 December 2018	7,212,684	6,212	413,127	459,379	8,091,402

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

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2019

	Non-Distributable		← Distributable →		
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total Funds RM'000
As at 1 January 2019	**7,212,684**	**6,212**	**413,127**	**459,416**	**8,091,439**
Total comprehensive income for the year	**-**	**-**	**-**	**433,654**	**433,654**
Transfer of fair value surplus	**-**	**-**	**(20,761)**	**20,761**	**-**
Income distribution (Note 24)	**-**	**-**	**-**	**(451,694)**	**(451,694)**
Net total comprehensive income for the year attributable to unitholders	**-**	**-**	**(20,761)**	**2,721**	**(18,040)**
As at 31 December 2019	**7,212,684**	**6,212**	**392,366**	**462,137**	**8,073,399**
As at 1 January 2018	7,212,684	6,212	422,828	408,571	8,050,295
Effect on the adoption of new pronouncement	-	-	-	(3)	(3)
As at 1 January 2018, restated	7,212,684	6,212	422,828	408,568	8,050,292
Total comprehensive income for the year	-	-	-	440,667	440,667
Transfer of fair value surplus	-	-	(9,701)	9,701	-
Income distribution (Note 24)	-	-	-	(399,520)	(399,520)
Net total comprehensive income for the year attributable to unitholders	-	-	(9,701)	50,848	41,147
As at 31 December 2018	7,212,684	6,212	413,127	459,416	8,091,439

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**455,501**	462,404	**455,507**	462,410
Adjustments for:				
Profit income	**(3,634)**	(3,195)	**(3,634)**	(3,195)
Financing costs	**64,504**	65,069	**64,504**	65,069
Accrued rental income and deferred revenue	**(6,838)**	(29,937)	**(6,838)**	(29,937)
Depreciation of property, plant and equipment	**476**	293	**476**	293
Allowance for impairment losses	**23**	69	**23**	69
Fair value adjustments on investment properties	**(1,092)**	(12,042)	**(1,092)**	(12,042)
Operating cash flows before changes in working capital	**508,940**	482,661	**508,946**	482,667
Changes in working capital:				
Trade and other receivables	**(1,975)**	1,532	**(1,975)**	1,532
Trade and other payables	**30,712**	(34,770)	**30,713**	(34,792)
Cash generated from operations	**537,677**	449,423	**537,684**	449,407
Profit income received	**3,604**	3,205	**3,604**	3,205
Net cash generated from operating activities	**541,281**	452,628	**541,288**	452,612

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions for investment property (Note 6)	**(2,066)**	(2,744)	**(2,066)**	(2,744)
Purchase of property, plant and equipment	**(55)**	(1,416)	**(55)**	(1,416)
Net cash used in investing activities	**(2,121)**	(4,160)	**(2,121)**	(4,160)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distributions paid	**(451,649)**	(399,364)	**(451,649)**	(399,364)
Financing cost paid	**(60,985)**	(60,179)	**(60,985)**	(60,179)
Proceeds from issuance of Sukuk Murabahah	**500,000**	-	**500,000**	-
Repayment of Sukuk Murabahah	**(500,000)**	-	**(500,000)**	-
Net cash used in financing activities	**(512,634)**	(459,543)	**(512,634)**	(459,543)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**26,526**	(11,075)	**26,533**	(11,091)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**56,816**	67,891	**56,703**	67,794
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)	**83,342**	56,816	**83,236**	56,703

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019 (collectively referred to as the "Deed") entered into between the Manager and Maybank Trustees Berhad ("the Trustee") and was registered with the Securities Commission Malaysia on 16 October 2019. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Manager is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

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

The immediate, penultimate and ultimate holding companies are KLCC Property Holdings Berhad ("KLCCP"), KLCC (Holdings) Sdn Bhd ("KLCCH") and Petroliam Nasional Berhad ("PETRONAS") respectively, all of which are incorporated and domiciled in Malaysia.

The principal activities of the Fund are investing directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for office and retail purposes as well as real estate related assets.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager on 23 January 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), applicable provisions of the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

As of January 2019,the Group and the Fund adopted new MFRSs and amendments to MFRS 3 (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Fund. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation (Cont'd.)

Business combination

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

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

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

All intercompany transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

2.3 Business Combination under Common Control

KLCC REIT applies merger accounting to account for business combinations under common control. Under the merger accounting, assets and liabilities acquired are not restated to their respective fair values but at their carrying amounts in the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as merger reserve. No additional goodwill is recognised. The acquired business' results and the related assets and liabilities are recognised prospectively from the date on which the business combination between entities under common control occurred.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight line basis over the estimated useful life of the related assets.

Costs are expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Property, Plant and Equipment (Cont'd.)

The estimated useful life for the current year is as follows:

Building improvements	5 to 6 years
Office equipment	5 years

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

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

2.5 Investment

Investment in subsidiary is stated at cost less impairment loss, if any, in the Fund's financial statements. The cost of investment includes transaction cost.

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

2.6 Investment Properties

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

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

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Impairment of Non-Financial assets

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

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

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

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

2.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of 3 months or less.

2.9 Financial Assets

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

(i) Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Fund's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Fund have applied the practical expedient, the Group and the Fund initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Financial Assets (Cont'd.)

(i) Recognition and initial measurement (Cont'd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Fund commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(a) Financial assets at amortised cost (debt instruments)

(b) Financial assets at fair value through OCI (debt instruments)

(c) Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group and the Fund. The Group and the Fund measure financial assets at amortised cost if both of the following conditions are met:

i. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective profit rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Financial Assets (Cont'd.)

(iii) Derecognition

A financial asset is derecognised when:

(a) The rights to receive cash flows from the asset have expired, or

(b) The Group and the Fund have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

i. The Group and the Fund have transferred substantially all the risks and rewards of the asset, or

ii. The Group and the Fund have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Fund have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Fund continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Fund also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Fund have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Fund would required to repay.

2.10 Impairment of Financial Assets

The Group and the Fund recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Fund expect to receive, discounted at an approximation of the original effective profit rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Fund apply a simplified approach in calculating ECLs. Therefore, the Group and the Fund do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Fund have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Impairment of Financial Assets (Cont'd.)

The Group and the Fund consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and the Fund may also consider a financial asset to be in default when internal or external information indicates that the Group and the Fund are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Provisions

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

2.12 Financial Liabilities

(i) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Fund that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Fund have not designated any financial liability as at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial Liabilities (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial liabilities at amortised cost

This is the category most relevant to the Group and the Fund. After initial recognition, financings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective profit rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective profit rate. The effective profit rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to financing cost and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2.13 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.14 Financing Costs

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

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

2.15 Taxation

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

(i) Current tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Taxation (Cont'd.)

(ii) Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is expected to be realised or the liability is expected to be settled, based on tax rates and the tax laws that have been enacted at the reporting date.

Deferred tax provided for the investment properties is at 10% which reflects the expected manner of recovery of the investment properties.

2.16 Equity Instrument

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

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

2.17 Capital Reserve

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

2.18 Merger Reserve

KLCC REIT adopts merger accounting as its accounting policy to account for business combination under common control. In accordance with its policy, the difference between the fair value of the units issued as consideration and the aggregate carrying amount of assets and liabilities acquired as of the date of business combination is included in equity as merger reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue Recognition

(i) Rental income

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

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

(ii) Others

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group or the Fund recognise revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time.

Profit income

Profit income is recognised on an accrual basis using the effective profit method.

2.20 Leases

Operating leases - the Fund as lessor

Leases in which the Group and the Fund do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Operating Segments

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

2.22 Fair Value Measurement

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

(i) Financial instruments

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

(ii) Non-financial assets

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

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

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

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2019, the Group and the Fund have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 123	Borrowing Costs: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS 2015-2017 Cycle)
IC Interpretation 23	Uncertainty over Income Tax Treatments

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard set out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

On transition to MFRS 16, the Group and the Fund reassessed all contracts to determine whether the contracts are, or contain a lease at the date of initial application.

(a) Leases in which the Group and the Fund are lessee

The Group and the Fund have assessed the estimated impact and the initial application of MFRS 16 does not have any impact to the financial statements of the Group and the Fund.

(b) Leases in which the Group and the Fund are lessor

The current accounting treatment remains unchanged for the Group and the Fund as lessors. There are no contracts that are or contain a lease in which the Group and the Fund expect to reclassify as a finance lease.

(ii) Amendments to MFRS 123 Borrowing Costs

In previous years, borrowing costs relating to a specific qualifying assets is capitalised into the cost of the asset. The capitalisation of borrowing costs cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Since the Group's and the Fund's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

The amendments to MFRS 123 does not have any impact to the financial statements of the Group and the Fund.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical judgement made in applying accounting policies

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

4.2 Key sources of estimation uncertainty

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

Fair valuation of investment properties

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

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

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate, discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease)	
	2019 RM'000	**2018 RM'000**
Yield rate		
- 0.25%	**272,359**	259,557
+ 0.25%	**(251,201)**	(239,735)
Discount rate		
- 0.25%	**120,213**	133,206
+ 0.25%	**(117,062)**	(129,688)

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

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5. PROPERTY, PLANT AND EQUIPMENT

	Group/Fund			
	Building Improvements RM'000	Office Equipment RM'000	Work-in Progress RM'000	Total RM'000
At 31 December 2019				
Cost				
At 1 January 2019	**1,938**	**53**	**958**	**2,949**
Additions	**105**	**1**	**(51)**	**55**
Transfer	**907**	**-**	**(907)**	**-**
At 31 December 2019	**2,950**	**54**	**-**	**3,004**
Accumulated Depreciation				
At 1 January 2019	**516**	**48**	**-**	**564**
Charge for the year (Note 21)	**471**	**5**	**-**	**476**
At 31 December 2019	**987**	**53**	**-**	**1,040**
Net Carrying Amount	**1,963**	**1**	**-**	**1,964**
At 31 December 2018				
Cost				
At 1 January 2018	930	51	552	1,533
Additions	456	2	958	1,416
Transfer	552	-	(552)	-
At 31 December 2018	1,938	53	958	2,949
Accumulated Depreciation				
At 1 January 2018	233	38	-	271
Charge for the year (Note 21)	283	10	-	293
At 31 December 2018	516	48	-	564
Net Carrying Amount	1,422	5	958	2,385

6. INVESTMENT PROPERTIES

	Group/Fund	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	**9,190,831**	9,176,045
Fair value adjustments	**1,092**	12,042
Additions during the year	**2,066**	2,744
At 31 December	**9,193,989**	9,190,831

The investment properties are stated at fair value, which have been determined based on valuations performed by an independent professional valuer. The valuation method used in determining the valuations is the investment method.

There are no material events that affect the valuation between the valuation, data and financial year end.

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

	Group/Fund	
	2019	**2018**
	RM'000	**RM'000**
Rental income	**591,363**	588,523
Direct operating expenses	**(27,841)**	(27,677)
	563,522	560,846

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

Fair value of investment properties is classified as Level 3.

6. INVESTMENT PROPERTIES (CONT'D.)

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

Valuation technique	Significant unobservable inputs	Range 2019	Range 2018	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer below)	**Office:**			
				The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	**8.50 - 12.99**	8.50 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	**8.80 - 12.71**	9.00 - 12.71	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	**2.00**	2.00	- expected inflation rate was lower/(higher)
	- Reversion	**2.00 - 2.36**	2.00 - 2.40	- expected inflation rate was lower/(higher)
	Void rate (%)	**5.00**	5.00	- void rate was lower/(higher)
	Term yield (%)	**5.50 - 6.00**	5.50 - 6.00	- term yield rate was lower/(higher)
	Reversionary yield (%)	**6.00 - 6.50**	6.00 - 6.50	- reversionary yield was lower/(higher)
	Discount rate (%)	**5.50 - 6.50**	5.50 - 6.50	- discount rate was lower/(higher)
	Retail:			
				The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	**6.65 - 47.15**	6.50 - 43.21	- expected market rental growth was higher/(lower)
	- Reversion	**16.35 - 113.02**	16.51 - 115.66	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	**5.85**	5.78	- expected inflation rate was lower/(higher)
	- Reversion	**5.85**	5.78	- expected inflation rate was lower/(higher)
	Void rate (%)	**7.00**	7.00	- void rate was lower/(higher)
	Term yield (%)	**6.25**	6.25	- term yield rate was lower/(higher)
	Reversionary yield (%)	**6.75**	6.75	- reversionary yield was lower/(higher)
	Discount rate (%)	**6.25 - 6.75**	6.25 - 6.75	- discount rate was lower/(higher)

Investment method entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

Valuation processes applied by the Group and the Fund for Level 3 fair value

The fair value of investment properties is determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuer provides the fair value of the Group's and of the Fund's investment properties portfolio annually. Changes in Level 3 fair values are analysed by the Management annually based on the valuation reports from the independent professional valuer.

6. INVESTMENT PROPERTIES (CONT'D.)

Description of property	Tenure of land	Existing use	Location	Date of acquisition	Acquisition cost RM'000	Carrying value as at 31.12.2019 RM'000	Carrying value as at 31.12.2018 RM'000	Fair value as at 31.12.2019 RM'000	Fair value as at 31.12.2018 RM'000	Percentage of Net Asset Value as at 31.12.2019 %	Percentage of Net Asset Value as at 31.12.2018 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10.04.2013	6,500,000	**6,680,632**	6,679,919	**7,014,000**	7,010,000	**86.9**	86.6
Menara 3 PETRONAS	Freehold	Office & retail	Kuala Lumpur	10.04.2013	1,790,000	**1,976,559**	1,975,605	**2,053,100**	2,052,200	**25.4**	25.4
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10.04.2013	450,000	**536,798**	535,307	**536,800**	536,700	**6.6**	6.6
					8,740,000	**9,193,989**	9,190,831	**9,603,900**	9,598,900		

7. INVESTMENT IN SUBSIDIARY

	Fund 2019 RM	Fund 2018 RM
Unquoted shares at cost	**2**	2

Details of the subsidiary, which is incorporated in Malaysia, are as follows:

Name of Subsidiary	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Principal Activity
Midciti Sukuk Berhad ("MSB")	**100**	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

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8. TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current				
Accrued rental income	**409,910**	408,069	**409,910**	408,069
Current				
Trade receivables	**669**	458	**669**	458
Other receivables				
Other receivables and deposits	**6,515**	4,704	**6,515**	4,704
Amount due from a fellow subsidiary	**52**	91	**52**	91
Total other receivables	**6,567**	4,795	**6,567**	4,795
Total	**7,236**	5,253	**7,236**	5,253
Trade receivables	**669**	458	**669**	458
Other receivables	**6,567**	4,795	**6,567**	4,795
	7,236	5,253	**7,236**	5,253
Add: Cash and bank balances (Note 9)	**83,342**	56,816	**83,236**	56,703
Total financial assets carried at amortised cost	**90,578**	62,069	**90,472**	61,956

Amount due from a fellow subsidiary which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

9. CASH AND BANK BALANCES

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**501**	223	**431**	145
Deposits with licensed banks	**82,841**	56,593	**82,805**	56,558
	83,342	56,816	**83,236**	56,703

The weighted average effective profit rate applicable to the deposits with licensed banks at the reporting date was 3.30% per annum (2018: 3.61% per annum).

Deposits with licensed banks have an average maturity of 45 days (2018: 31 days).

10. UNITHOLDERS' CAPITAL

	Fund			
	Number of Units		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 January/31 December	**1,805,333**	1,805,333	**7,212,684**	7,212,684

Stapled Security:

Stapled security means one unit in KLCC REIT is stapled to one ordinary share in KLCCP. Holders of KLCCP Group stapled securities are entitled to receive distributions and dividends as declared from time to time and are entitled to one vote per stapled security at Unitholders' and Shareholders' meetings.

Accordingly, the Fund does not have authorised unitholders' capital, or par value in respect of its issued units.

As at 31 December 2019, the Manager did not hold any units in the Fund. However, parties related to the Manager held units in the Fund as follows:

	Fund			
	Number of Units		Market value	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Direct unitholdings of parties related to the Manager				
KLCCH	**1,167,639**	1,167,639	**9,224,348**	8,944,115
PETRONAS	**194,817**	194,817	**1,539,054**	1,492,298
	1,362,456	1,362,456	**10,763,402**	10,436,413
Indirect unitholdings of parties related to the Manager				
PETRONAS	**1,167,639**	1,167,639	**9,224,348**	8,944,115

The market value of the units held by the parties related to the Manager is determined by using the closing market value of the Fund as at 31 December 2019 of RM7.90 per unit (2018: RM7.66 per unit).

11. OTHER LONG TERM LIABILITIES

	Group/Fund	
	2019 RM'000	**2018 RM'000**
Security deposits payable	**97,608**	93,777

Security deposits payable are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on profit rates between 4.52% - 5.20% (2018: 4.52% - 5.20%) per annum.

12. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary relates to Sukuk undertaken by the subsidiary but utilised by the Fund. The profit expenses incurred on the financing is charged to the Fund. The short term amount due is unsecured and is repayable on demand. The long term amount due is unsecured and is not repayable within the next 12 months.

13. FINANCING

	Group	
	2019 RM'000	**2018 RM'000**
Short term financing		
Secured:		
Sukuk Murabahah	**15,738**	516,907
Long term financing		
Secured:		
Sukuk Murabahah	**1,355,000**	855,000
Total financing		
Secured:		
Sukuk Murabahah	**1,370,738**	1,371,907

13. FINANCING (CONT'D.)

Terms and debt repayment schedule :

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31 December 2019					
Secured					
Sukuk Murabahah	**1,370,738**	**15,738**	**400,000**	**455,000**	**500,000**
31 December 2018					
Secured					
Sukuk Murabahah	1,371,907	516,907	-	400,000	455,000

(a) Sukuk Murabahah

Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 billion subject to a combined limit of RM3 billion. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

The Group had paid its RM500 million Sukuk Murabahah upon maturity on 25 April 2019 and on the same date issued RM500 million of Sukuk Murabahah with a profit rate of 4.20% per annum and maturing on 25 April 2026. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
7 years	400,000,000	4.55%	25 April 2021
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026

The profit rate is payable semi-annually and disclosed as short term financing.

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13. FINANCING (CONT'D.)

(a) Sukuk Murabahah (Cont'd.)

Reconciliation of the movement of liabilities to cash flows arising from financing activities

	Sukuk Murabahah RM'000	Dividend payable RM'000	Total RM'000
Balance at 1 January 2019	**1,371,907**	**-**	**1,371,907**
Changes from financing cash flows			
Proceeds from issuance of Sukuk Murabahah	**500,000**	**-**	**500,000**
Repayment of Sukuk Murabahah	**(500,000)**	**-**	**(500,000)**
Financing cost paid	**(60,985)**	**-**	**(60,985)**
Income distribution paid	**-**	**(451,649)**	**(451,649)**
Total changes from financing cash flows	**(60,985)**	**(451,649)**	**(512,634)**
Other changes			
Liability-related			
Financing cost	**59,816**	**-**	**59,816**
Dividend payable	**-**	**451,649**	**451,649**
Total liability-related other changes	**59,816**	**451,649**	**511,465**
Balance at 31 December 2019	**1,370,738**	**-**	**1,370,738**
Balance at 1 January 2018	1,371,026	-	1,371,026
Changes from financing cash flows			
Financing cost paid	(60,179)	-	(60,179)
Income distribution paid	-	(399,364)	(399,364)
Total changes from financing cash flows	(60,179)	(399,364)	(459,543)
Other changes			
Liability-related			
Financing cost	61,060	-	61,060
Dividend payable	-	399,364	399,364
Total liability-related other changes	61,060	399,364	460,424
Balance at 31 December 2018	1,371,907	-	1,371,907

14. DEFERRED TAX LIABILITY

	Group/Fund	
	2019 RM'000	2018 RM'000
At 1 January	**21,743**	-
Recognised in profit or loss (Note 22)	**21,853**	21,743
At 31 December	**43,596**	21,743

15. OTHER PAYABLES

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current				
Deferred revenue	**35,539**	40,001	**35,539**	40,001
Current				
Other payables				
Other payables	**58,800**	26,600	**58,796**	26,597
Security deposits payable	**4,027**	4,140	**4,027**	4,140
Amount due to:				
Ultimate holding company	**-**	518	**-**	518
Holding company	**184**	249	**117**	181
Fellow subsidiaries	**11,990**	12,161	**11,990**	12,161
Other related companies	**603**	856	**603**	856
Total other payables	**75,604**	44,524	**75,533**	44,453
Add:Financing (Note 13)	**1,370,738**	1,371,907	**-**	-
Amount due to a subsidiary (Note 12)	**-**	-	**1,370,661**	1,371,828
Other long term liabilities (Note 11)	**97,608**	93,777	**97,608**	93,777
Total financial liabilities carried at amortised cost	**1,543,950**	1,510,208	**1,543,802**	1,510,058

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

Amount due to ultimate holding company, holding company, fellow subsidiaries and other related companies which arose in the normal course of business are unsecured, interest-free and repayable on demand.

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16. REVENUE

	Group/Fund	
	2019 RM'000	**2018 RM'000**
Investment properties		
- Office	**557,486**	557,500
- Retail	**33,877**	31,023
	591,363	588,523

17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Utilities expenses	**10,849**	10,149	**10,849**	10,149
Maintenance expenses	**9,931**	9,939	**9,931**	9,939
Quit rent and assessment	**3,441**	3,441	**3,441**	3,441
Other operating expenses	**5,577**	6,586	**5,571**	6,580
	29,798	30,115	**29,792**	30,109

18. MANAGEMENT FEES

	Group/Fund	
	2019 RM'000	**2018 RM'000**
Base fee	**28,839**	28,820
Performance fee	**16,847**	16,752
	45,686	45,572

The Manager will receive the following fees from KLCC REIT:

i) a base fee of 0.3% per annum of the total asset value of KLCC REIT (excluding cash and bank balances) at each financial year end.

ii) a performance fee of 3.00% per annum of KLCC REIT's net property income in the relevant financial year.

19. TRUSTEE'S FEE

In accordance with the Deed, an annual trusteeship fee of up to 0.025% per annum of the net asset value of KLCC REIT at each financial year end, subject to a maximum cap of RM600,000 per annum is to be paid to Trustee.

20. FINANCING COSTS

	Group/Fund	
	2019 RM'000	**2018 RM'000**
Profit expense:		
Sukuk Murabahah	**59,816**	61,060
Accretion of financial instruments	**4,688**	4,009
	64,504	65,069

21. PROFIT BEFORE TAX

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

	Group		Fund	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Audit fees	**92**	89	**87**	84
Valuation fees	**592**	524	**592**	524
Property manager fee	**95**	92	**95**	92
Depreciation (Note 5)	**476**	293	**476**	293
Impairment loss on trade receivables (Note 28)	**23**	69	**23**	69

22. TAX EXPENSE

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of KLCC REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the unitholders' in the basis period of KLCC REIT for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of KLCC REIT financial year which forms the basis period for a year of assessment, KLCC REIT will be subject to income tax at the prevailing statutory rate on its total taxable income. Income which has been taxed at the KLCC REIT level will have tax credits attached when subsequently distributed to unitholders.

As at the date of this financial statements, KLCC REIT has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2019 accordingly. No provision for income tax expense has been made for the year.

Deferred tax liability has been provided for the investment properties held by KLCC REIT at 10% (2018:5%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

Reconciliation of the tax expense is as follows:

	Group		Fund	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before taxation	**455,501**	462,404	**455,507**	462,410
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**109,321**	110,977	**109,322**	110,978
Expenses not deductible for tax purposes	**1,301**	1,522	**1,300**	1,521
Income not subject to tax	**(110,622)**	(112,499)	**(110,622)**	(112,499)
Deferred tax recognised at different tax rate	**21,853**	21,743	**21,853**	21,743
Tax expense	**21,853**	21,743	**21,853**	21,743

23. BASIC EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing profit for the year attributable to unitholders of the Fund by the weighted average number of units in issue during the financial year.

	2019	**2018**
Profit attributable to unitholders of the Fund (RM'000)	**433,654**	440,667
Weighted average number of units in issue ('000)	**1,805,333**	1,805,333
Basic earnings per unit (sen)	**24.02**	24.41

24. INCOME DISTRIBUTION

	Income distribution recognised in year 2019 RM'000	Net income distribution per unit 2019 Sen	Income distribution recognised in year 2018 RM'000	Net income distribution per unit 2018 Sen
For the financial year ended 31 December 2019				
A first interim income distribution of 6.28% on 1,805,333,083 units	**113,375**	**6.28**	-	-
A second interim income distribution of 6.23% on 1,805,333,083 units	**112,472**	**6.23**	-	-
A third interim income distribution of 6.24% on 1,805,333,083 units	**112,653**	**6.24**	-	-
For the financial year ended 31 December 2018				
A first interim income distribution of 5.72% on 1,805,333,083 units	-	-	103,265	5.72
A second interim income distribution of 5.65% on 1,805,333,083 units	-	-	102,001	5.65
A third interim income distribution of 5.71% on 1,805,333,083 units	-	-	103,085	5.71
A fourth interim income distribution of 6.27% on 1,805,333,083 units	113,194	6.27	-	-
For the financial year ended 31 December 2017				
A fourth interim income distribution of 5.05% on 1,805,333,083 units	-	-	91,169	5.05
	451,694	25.02	399,520	22.13

The fourth interim income distribution in respect of the financial year ended 31 December 2019, of 6.25% on 1,805,333,083 units amounting to an income distribution payable of RM112,833,000 will be payable on 28 February 2020.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2020.

24. INCOME DISTRIBUTION (CONT'D.)

Distribution to unitholders is from the following sources:

	Group	
	2019 RM'000	**2018 RM'000**
Net property income	**561,565**	558,408
Profit income	**3,634**	3,195
Fair value adjustment of investment properties	**1,092**	12,042
	566,291	573,645
Less: Expenses	**(110,790)**	(111,241)
Less: Tax expense	**(21,853)**	(21,743)
Profit for the year	**433,648**	440,661
Less: Non-cash items	**17,921**	(18,733)
Add: Brought forward undistributed income available for distribution	**41,233**	40,850
Total available for income distribution	**492,802**	462,778
Less: Income distributed	**(338,500)**	(308,351)
Less: Income to be distributed on 28 February 2020	**(112,833)**	(113,194)
Balance undistributed income available for distribution	**41,469**	41,233
Distribution per unit (sen)	**25.00**	23.35

25. MANAGEMENT EXPENSE RATIO

	Group	
	2019 RM'000	**2018 RM'000**
Total trust expenses	**48,073**	47,706
Net asset value at the end of the financial year	**8,073,356**	8,091,402
Less: Fourth interim income distribution	**(112,833)**	(113,194)
Net asset value at the end of the financial year, after interim income distribution	**7,960,523**	7,978,208
Management Expense Ratio ("MER")	**0.60**	0.60

The calculation of MER is based on the total fees and expenses incurred by the Group and the Fund in the financial year, including Manager's fee and Trustee's fee, auditors' remuneration, tax agent's fee, valuation fees and other Trust expenses to the net asset value (after the fourth interim income distribution) at the end of the respective financial year.

26. COMMITMENTS

(a) Capital commitments

	Group/Fund	
	2019 RM'000	**2018 RM'000**
Approved but not contracted for		
Property, plant and equipment	**-**	207
Investment properties	**4,100**	2,000
	4,100	2,207

(b) Operating lease commitments - as lessor

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

	Group/Fund	
	2019 RM'000	**2018 RM'000**
Not later than 1 year	**531,064**	537,062
Later than 1 year but not later than 5 years	**2,205,234**	2,155,985
More than 5 years	**1,573,922**	2,144,784
	4,310,220	4,837,831

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27. RELATED PARTY DISCLOSURES

(a) Controlling related party relationships are as follows:

(i) PETRONAS, the ultimate holding company, and its subsidiaries.
(ii) KLCCH, the penultimate holding company, and its subsidiaries.
(iii) KLCCP, the immediate holding company, and its subsidiaries.
(iv) Subsidiary of the Fund as disclosed in Note 7.

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

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Federal Government of Malaysia				
Goods and Service Tax ("GST")	**-**	(13,400)	**-**	(13,400)
Property licenses and other taxes	**(3,441)**	(3,441)	**(3,441)**	(3,441)
Government of Malaysia's related entities				
Purchase of utilities	**(4,527)**	(4,398)	**(4,527)**	(4,398)
Ultimate Holding Company				
Rental income	**525,271**	500,149	**525,271**	500,149
Immediate Holding Company				
Profit expense from Sukuk Murabahah	**(1,289)**	(4,090)	**(1,289)**	(4,090)
Fellow subsidiaries				
Management fees	**(45,686)**	(45,572)	**(45,686)**	(45,572)
Property management fees	**(2,066)**	(2,116)	**(2,066)**	(2,116)
Property maintenance fees	**(8,365)**	(8,166)	**(8,365)**	(8,166)
Property advertising and marketing fees	**(552)**	(698)	**(552)**	(698)
Carpark income	**1,000**	883	**1,000**	883
Other related company				
Chilled water supply	**(6,314)**	(5,700)	**(6,314)**	(5,700)

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 are disclosed in Notes 8 and 15.

28. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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

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

Credit Risk

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

Receivables

The Group and the Fund minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Fund may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Fund are represented by the carrying amount of each financial asset.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Fund, a significant portion of these receivables are related companies.

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

With respect to the trade and other receivables which have no realistic prospect of recovery, the gross carrying amounts of the credit impaired receivables will be written off (either in partial or in full).

28. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Receivables (Cont'd.)

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment losses as at the end of the reporting period is analysed below:

	Group/Fund	
	2019 RM'000	2018 RM'000
At net		
Current	**634**	364
Past due 1 to 30 days	*	18
Past due 31 to 60 days	*	5
Past due 61 to 90 days	*	11
Past due more than 90 days	**130**	132
	764	530
Trade receivables	**764**	530
Less: Impairment losses	**(95)**	(72)
Net trade receivable (Note 8)	**669**	458

* Represents amount less than RM1,000

The movements in the allowance account are as follows.

	Group/Fund	
	2019 RM'000	2018 RM'000
At 1 January	**72**	-
Adjustment on initial application of MFRS 9	**-**	3
At 1 January, restated	**72**	3
Impairment loss on trade receivables (Note 21)	**23**	69
At 31 December	**95**	72

28. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Cont'd.)

Receivables (Cont'd.)

Recognition and measurement of impairment loss

In determining the Expected Credit Loss ("ECL"), the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and /or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2019.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's and the Fund's businesses on an ongoing basis as a result of the existing and future commitments which are not funded from internal resources. As part of its overall liquidity management, the Group and the Fund maintain sufficient levels of cash or cash convertible investments to meet their working capital requirements. As far as possible, the Group and the Fund raise committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

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

31 December 2019	Carrying amount RM'000	Effective profit rate %	Contractual cash flow RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Financial Liabilities							
Sukuk Murabahah	1,370,738	4.35	1,621,489	76,777	448,475	568,678	527,559
Other payables	75,604	-	75,604	75,604	-	-	-
Other long term liabilities	97,608	4.98	142,006	-	13,680	1,992	126,334
Fund							
Financial Liabilities							
Other payables	75,533	-	75,533	75,533	-	-	-
Amount due to a subsidiary	1,370,660	-	1,370,660	15,660	400,000	455,000	500,000
Other long term liabilities	97,608	4.98	142,006	-	13,680	1,992	126,334

28. FINANCIAL INSTRUMENTS (CONT'D.)

Liquidity Risk (Cont'd.)

Maturity analysis (Cont'd.)

31 December 2018	Carrying amount RM'000	Effective profit rate %	Contractual cash flow RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Financial Liabilities							
Sukuk Murabahah	1,371,907	4.50	1,536,774	563,529	40,150	471,155	461,940
Other payables	44,524	-	44,524	44,524	-	-	-
Other long term liabilities	93,777	4.98	135,094	-	8,505	3,746	122,843
Fund							
Financial Liabilities							
Other payables	44,453	-	44,453	44,453	-	-	-
Amount due to a subsidiary	1,371,828	-	1,371,828	516,828	-	400,000	455,000
Other long term liabilities	93,777	4.98	135,094	-	8,505	3,746	122,843

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: profit rate risk, foreign currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include financing and deposits.

Profit Rate Risk

Profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. As the Group has no significant profit-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market profit rates. The Group's and the Fund's profit-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's and the Fund's profit rate risk arises primarily from profit-bearing financing. Financing at variable rates expose the Group to cash flow profit rate risk. Financing obtained at fixed rates expose the Group and the Fund to fair value profit rate risk. The Group and the Fund manage their profit expense rate exposure through a balanced portfolio of fixed and variable rate financing.

28. FINANCIAL INSTRUMENTS (CONT'D.)

Profit Rate Risk (Cont'd.)

The profit rate profile of the Group's and the Fund's profit-bearing financial instruments based on carrying amount as at reporting date was:

	Group		Fund	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	**82,841**	56,593	**82,805**	56,558
Financial liabilities	**(1,370,738)**	(1,371,907)	**-**	-

Foreign Currency Risk

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

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

Fair Value Information

The Group's and the Fund's financial instruments consist of cash and cash equivalents, investments and financing, trade and other receivables, financing, other payables and various debt.

The carrying amounts of cash and cash equivalents, trade and other receivables, other payables and short term financing approximate their fair values due to the relatively short term nature of these financial instruments.

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

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2019					
Financial liabilities					
Sukuk Murabahah	**-**	**1,333,293**	**-**	**1,333,293**	**1,370,738**
2018					
Financial liabilities					
Sukuk Murabahah	-	1,341,313	-	1,341,313	1,371,907

For other financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental lending rate for similar types of financing at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to provide unitholders with regular and stable distributions which is supported by the Group's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure. The Manager intends to continue with the strategies currently adopted by the Group to increase the income and consequently, the value of its property portfolio for continued growth through (i) active asset management strategy and (ii) acquisition growth strategy.

The Group's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on the Group is to ensure it maintains a healthy gearing ratio of maximum 50% of the total asset value at the time the financing is incurred, in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing ratio that will provide an ideal financing to total assets ratio that also complies with regulatory requirements.

The financing to total assets ratio as at 31 December 2019 is as follows:

	Group	
	2019	**2018**
Total financing (RM'000)	**1,370,738**	1,371,907
Total assets (RM'000)	**9,696,441**	9,663,354
Financing to total assets ratio	**14.1%**	14.2%

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution year, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of the Group's distributable income. It is the intention of the Manager to distribute at least 90% of the Group's distributable income on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

30. SEGMENT INFORMATION

(a) Reporting format

Segment information is presented in respect of the Group's and the Fund's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financing, financing and expenses, and corporate assets and expenses.

The Group and the Fund comprises the following main business segments:

Property investment - Office	Rental of office space and other related activities.
Property investment - Retail	Rental of retail space and other related activities.

Details on geographical segments are not applicable as the Group operates predominantly in Malaysia.

30. SEGMENT INFORMATION (CONT'D.)

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financing and corporate assets and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis. These transfers are eliminated on consolidation.

Business Segments

31 December 2019	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	557,486	33,877	-	591,363
Results				
Net property income	537,786	23,779	-	561,565
Profit income				3,634
Fair value adjustment on investment properties				1,092
Management fees				(45,686)
Trustee's fees				(600)
Financing costs				(64,504)
Tax expense				(21,853)
Profit after tax				433,648
Depreciation				476
Non-cash items other than depreciation				17,445
Total assets	9,042,039	654,402	-	9,696,441
Total liabilities	1,603,600	19,485	-	1,623,085

30. SEGMENT INFORMATION (CONT'D.)

(b) Allocation basis and transfer pricing (Cont'd.)

Business Segments (Cont'd.)

31 December 2018	Property investment - Office RM'000	Property investment - Retail RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue				
Revenue from external customers	557,500	31,023	-	588,523
Results				
Net property income	537,823	20,585	-	558,408
Profit income				3,195
Fair value adjustment on investment properties				12,042
Management fees				(45,572)
Trustee's fees				(600)
Financing costs				(65,069)
Tax expense				(21,743)
Profit after tax				440,661
Depreciation				293
Non-cash items other than depreciation				(19,026)
Total assets	9,010,246	653,108	-	9,663,354
Total liabilities	1,548,464	23,488	-	1,571,952

31. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Fund in these financial statements:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)
Amendments to MFRS 101	Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 134	Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 138	Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendment to IC Interpretation 132	Intangible Assets – Web Site Costs (Amendments to References to the Conceptual Framework in MFRS Standards)

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective for a date yet to be confirmed

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

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

32. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE FUND

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

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-based Payment (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 14	Regulatory Deferral Accounts (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 12	Service Concession Arrangements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine (Amendments to References to the Conceptual Framework in MFRS Standards)

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KLCC Real Estate Investment Trust ("KLCC REIT" or the "Fund"), which comprise the statements of financial position as at 31 December 2019 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 303 to 350.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Fund. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the **Auditors' responsibilities for the audit of the financial statements** section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Valuation of investment properties

As at 31 December 2019, the carrying value of the Group's investment properties amounted to RM9,193,989,878 which represents 95% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged an external valuer to determine the fair value of the investment properties at the reporting date.

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similiar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Fund, the Manager is responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or the Fund or to cease operations, or has no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
No. 02921/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 January 2020

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 20 JANUARY 2020

For the purpose of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, both KLCC Property Holdings Berhad ("KLCCP") and KLCC Real Estate Investment Trust ("KLCC REIT") are classified as "listed issuers".

Listed Issuer	: KLCC Property Holdings Berhad
Issued Share Capital	: 1,805,333,083 Ordinary Shares
No. of Shareholders	: 6,004
Voting Rights	: One vote for each share

Listed Issuer	: KLCC Real Estate Investment Trust
Approved Fund Size	: 1,805,333,085 Units
Total Issued Units	: 1,805,333,083 Units
No. of Unitholders	: 6,004
Voting Rights	: One vote for each unit

Under the "stapled" structure, all ordinary shares of KLCCP are stapled together with all units of KLCC REIT ("Stapled Securities"). Therefore, the information on Distribution of the Stapled Securities Holdings, Directors' Interest in Listed Issuers, Substantial Stapled Securities Holders of the Listed Issuers and Thirty Largest Stapled Securities Holders stated below is based on Stapled Securities structure.

DISTRIBUTION OF STAPLED SECURITIES HOLDINGS

Size of Stapled Securities Holdings	No. of Stapled Securities Held	(%)	No. of Stapled Securities Holders	(%)
Less than 100	8,461	0.000	1,018	16.955
100 to 1,000	1,603,244	0.088	2,707	45.086
1,001 to 10,000	6,790,485	0.376	1,758	29.280
10,001 to 100,000	11,879,431	0.658	322	5.363
100,001 to less than 5% of issued stapled securities	422,595,679	23.408	196	3.264
5% and above of issued stapled securities	1,362,455,783	75.468	3	0.049
Total	**1,805,333,083**	**100.000**	**6,004**	**100.000**

DIRECTORS' INTERESTS IN THE LISTED ISSUERS

None of the Directors of the Listed Issuers have any interest in the Stapled Securities.

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

DIRECTORS' INTERESTS IN RELATED CORPORATIONS

	PETRONAS Chemicals Group Berhad			
	Direct		Indirect	
Name	No. of Shares	(%)	No. of Shares	(%)
Datuk Ahmad Nizam bin Salleh	10,000	0.000	-	-
Datuk Hashim bin Wahir	16,000	0.000	-	-

	PETRONAS Gas Berhad			
	Direct		Indirect	
Name	No. of Shares	(%)	No. of Shares	(%)
Datuk Ahmad Nizam bin Salleh	2,000	0.000	-	-

SUBSTANTIAL STAPLED SECURITIES HOLDERS OF THE LISTED ISSUERS

	Direct		Indirect	
Name	No. of Stapled Securities Held	(%)	No. of Stapled Securities Held	(%)
1. KLCC (Holdings) Sdn Bhd	1,167,638,804	64.677	-	-
2. CIMB Group Nominees (Tempatan) Sdn Bhd *[Exempt AN for Petroliam Nasional Berhad]*	194,816,979	10.791	1,167,638,804#	64.677
3. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	108,113,975	5.989	-	-

\# *Deemed interest in 1,167,638,804 stapled securities held by KLCC (Holdings) Sdn Bhd by virtue of PETRONAS 100% direct interest in KLCC (Holdings) Sdn Bhd.*

THIRTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	(%)
1.	KLCC (HOLDINGS) SDN BHD	617,700,294	34.215
2.	KLCC (HOLDINGS) SDN BHD	549,938,510	30.461
3.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD (EXEMPT AN FOR PETROLIAM NASIONAL BERHAD)	194,816,979	10.791
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD)	80,208,575	4.442
5.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM BUMIPUTERA)	54,000,000	2.991
6.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM MALAYSIA)	26,511,900	1.468
7.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM MALAYSIA 3)	19,111,400	1.058
8.	LEMBAGA TABUNG HAJI	13,749,400	0.761
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240))	13,000,000	0.720

ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

No.	Name	No. of Stapled Securities	(%)
10.	PERMODALAN NASIONAL BERHAD	11,942,600	0.661
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (NOMURA))	11,260,000	0.623
12.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM MALAYSIA 2 – WAWASAN)	8,000,000	0.443
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EXEMPT AN FOR AIA BHD)	7,721,700	0.427
14.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC DIVIDEND FUND)	7,511,700	0.416
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD (MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455))	7,400,900	0.409
16.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM BUMIPUTERA 2)	6,993,500	0.387
17.	CARTABAN NOMINEES (TEMPATAN) SDN BHD (PAMB FOR PRULINK EQUITY FUND)	6,844,000	0.379
18.	HSBC NOMINEES (TEMPATAN) SDN BHD (HSBC (M) TRUSTEE BHD FOR ZURICH LIFE INSURANCE MALAYSIA BERHAD (LIFE PAR))	6,127,500	0.339
19.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,411,600	0.299
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (VALUECAP SDN BHD)	5,353,400	0.296
21.	AMANAHRAYA TRUSTEES BERHAD (AMANAH SAHAM BUMIPUTERA 3 – DIDIK)	5,000,000	0.276
22.	PERTUBUHAN KESELAMATAN SOSIAL	3,985,683	0.220
23.	AMANAHRAYA TRUSTEES BERHAD (ASN UMBRELLA FOR ASN EQUITY 3)	3,742,900	0.207
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN))	3,597,100	0.199
25.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ISLAMIC EQUITY FUND)	3,486,700	0.193
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC))	3,257,100	0.180
27.	AMANAHRAYA TRUSTEES BERHAD (ASN UMBRELLA FOR ASN IMBANG (MIXED ASSET BALANCED) 2)	3,256,400	0.180
28.	CITIGROUP NOMINEES (ASING) SDN BHD (CBNY FOR DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO OF DFA INVESTMENT DIMENSIONS GROUP INC)	2,936,300	0.162
29.	AMANAHRAYA TRUSTEES BERHAD (PUBLIC ITTIKAL SEQUEL FUND)	2,709,000	0.150
30.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (SSBT FUND ZYEF FOR VANGUARD GLOBAL EX-U.S. REAL ESTATE INDEXFUND)	2,491,570	0.138

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2019

1) KLCC Property Holdings Berhad

Registered Owner	Particulars of land title	Date of Revaluation (Tenure)	Description/ Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2019 (RM mil)
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town & District of Kuala Lumpur	15.11.2019 (Freehold)	A 6 storey retail centre (Suria KLCC)/ Shopping Centre	28,160	143,569	21 years	5,598.4*
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town & District of Kuala Lumpur	14.11.2019 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental, Kuala Lumpur)/Hotel	8,094	92,783	21 years	623.9
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town & District of Kuala Lumpur	16.11.2019 (Freehold)	Vacant Land	5,726	-	-	311.8*
Kompleks Dayabumi Sdn Bhd	Lot 38 and Lot 45, all within Seksyen 70, Town & District of Kuala Lumpur held under title no. PN 2395 and PN 33471 respectively PN 4073, Lot 39, Seksyen 70, Town & District of Kuala Lumpur PN 32233, Lot 51, Seksyen 70, Town & District of Kuala Lumpur	11.11.2019 (Leasehold of 99 year expiring on 27.1.2079) 11.11.2019 (Leasehold interest for 99 years expiring on 9.11.2081) 11.11.2019 (Leasehold of 98 years expiring on 21.1.2079)	A 36-storey office building (Menara Dayabumi) and a parcel of vacant contiguous commercial land/ Office building	Lot 38: 52 sq m Lot 39: 2,166 sq m Lot 45: 25,790 sq m Lot 51: 1,331 sq m **Total: 29,339 sq m**	125,988	37 years	790.0**

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

2) KLCC Real Estate Investment Trust

Registered Owner	Particulars of land title	Date of Revaluation (Tenure)	Description/ Existing use	Land area (sq m)	Built-up area (sq m)	Age of building	Audited net carrying amount as at 31.12.2019 (RM mil)
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town & District of Kuala Lumpur	16.10.2019 (Freehold)	A 29 storey office building with 3 basement levels (Menara ExxonMobil)/ Office building	3,999	74,369	23 years	536.8*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43699 Lot 171, Seksyen 58, Town & District of Kuala Lumpur	12.11.2019 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park/ Office building & retail podium	4,302	155,296	8 years	1,976.6*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town & District of Kuala Lumpur	22.11.2019 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers)/Office building	21,740	510,917	22 years	6,680.6*

* Investment Properties stated at fair value

** Investment Properties stated at fair value and IPUC stated at cost

NOTICE OF ANNUAL GENERAL MEETING

KLCC PROPERTY HOLDINGS BERHAD
200401003073 (641576-U)
(Incorporated in Malaysia)

KLCC REAL ESTATE INVESTMENT TRUST
(A real estate investment trust constituted under the laws of Malaysia)

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting ("7th AGM") of KLCC Real Estate Investment Trust ("**KLCC REIT**") and the Seventeenth Annual General Meeting ("17th AGM") of KLCC Property Holdings Berhad (the "**Company**" or "**KLCCP**") will be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on 22 April 2020, Wednesday at 10.30 a.m. for the following purposes:

A. KLCC REIT

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 of KLCC REIT together with the Reports attached thereon. **(Please refer to Note 7)**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without modifications, the following resolution:

2. Proposed Unitholders' Mandate to Issue New Units pursuant to Paragraph 6.59 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution VI of KLCCP, approval be and is hereby given to the Directors of KLCC REIT Management Sdn Bhd, the manager for KLCC REIT (the "**Manager**"), to issue new units in KLCC REIT ("**New Units**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors of the Manager may in their absolute discretion deem fit, provided that the number of New Units to be issued, when aggregated with the number of units in KLCC REIT issued during the preceding 12 months, must not exceed 10% of the total number of units issued of KLCC REIT for the time being and provided further that such corresponding number of new ordinary shares in KLCCP equal to the number of New Units shall be issued and every one New Unit shall be stapled to one new ordinary share upon issuance to such persons ("**Proposed KLCC REIT Mandate**") and the Directors of the Manager be and are hereby also empowered to obtain the approval for the listing of and quotation for such new stapled securities comprising ordinary shares in KLCCP stapled together with the units in KLCC REIT ("**Stapled Securities**") on the Main Market of Bursa Securities.

THAT such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the unitholders held after the approval was given;

(ii) the expiration of the period within which the next Annual General Meeting of the unitholders is required to be held after the approval was given; or

(iii) revoked or varied by resolution passed by the unitholders in a unitholders' meeting, whichever is the earlier.

THAT the New Units to be issued pursuant to the Proposed KLCC REIT Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing units of KLCC REIT, except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Units.

THAT authority be and is hereby given to the Directors of the Manager and Maybank Trustees Berhad (the "**Trustee**"), acting for and on behalf of KLCC REIT, to give effect to the Proposed KLCC REIT Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of KLCC REIT and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of KLCC REIT, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCC REIT Mandate." **Resolution 1**

B. KLCCP

AS ORDINARY BUSINESS:

3. To receive the Audited Financial Statements for the financial year ended 31 December 2019 of the Company and the Reports of the Directors and Auditors thereon. **(Please refer to Note 9)**

4. To re-elect the following Directors who retire pursuant to the Constitution of the Company:

   (i) Datuk Hashim bin Wahir **Resolution I**
   (ii) Cik Habibah binti Abdul **Resolution II**
   (iii) Dato' Jamaludin bin Osman **Resolution III**

5. To approve the payment of the following Directors' fees and benefits payable to Non-Executive Directors with effect from 23 April 2020 until the next Annual General Meeting to be held in 2021 of the Company. **Resolution IV**

Category	Non-Executive Chairman	Non-Executive Directors
The Company	**(RM per annum)**	**(RM per annum)**
Directors' Retainer Fees	240,000	120,000
Petrol Allowance	6,000	6,000
	(RM per attendance)	**(RM per attendance)**
Attendance fee/ Tele-Conferencing fee	3,500	3,500
The Manager	**(RM per attendance)**	**(RM per attendance)**
Attendance fee/ Tele-Conferencing fee	3,500	3,500

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration. **Resolution V**

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:

7 Authority to Issue Shares of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approval of the relevant regulatory authorities, where such approval is required and subject to passing of Resolution 1 of KLCC REIT, the Directors of the Company be and are hereby authorised to issue ordinary shares in the capital of the Company ("**New Ordinary Shares**") from time to time to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the total number of such New Ordinary Shares to be issued, pursuant to this resolution, when aggregated with the total number of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being (excluding any treasury shares) and provided further that such corresponding number of New Units in KLCC REIT equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance to such persons ("**Proposed KLCCP Mandate**") and that the Directors be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such new Stapled Securities on the Main Market of Bursa Securities.

THAT such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company held after the approval was given;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the New Ordinary Shares to be issued pursuant to the Proposed KLCCP Mandate shall, upon issue and allotment, rank *pari passu* in all respects with the existing ordinary shares of the Company, except that the New Ordinary Shares will not be entitled to any dividend, right, benefit, entitlement and/or any other distributions, in respect of which the entitlement date is prior to the date of allotment of such New Ordinary Shares.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed KLCCP Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed KLCCP Mandate." **Resolution VI**

8. To transact any other business for which due notice has been given.

NOTICE OF ANNUAL GENERAL MEETING

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 7th AGM of KLCC REIT and the 17th AGM of KLCCP, the Manager and/or the Trustee and KLCCP shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Amended and Restated Trust Deed dated 3 September 2019 entered into between the Manager and the Trustee, Articles 76(1) and 76(2) of KLCCP's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 April 2020 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

BY ORDER OF THE BOARD

Abd Aziz bin Abd Kadir (LS0001718)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries

Kuala Lumpur
28 February 2020

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A holder of the Stapled Securities entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities. There shall be no restriction as to the qualification of the proxy.

2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.

3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or rubber stamp (if the corporation does not have a common seal) or under the hand of its attorney.

   If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading *"signed under Power of Attorney which is still in force, no notice of revocation having been received"*. A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.

6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.

7. <u>Explanatory Note for Item 1</u>

   This agenda item is meant for discussion only as in accordance with the provision of Paragraph 13.18(b) of Guidelines on Listed Real Estate Investment Trusts, a formal approval on the Audited Financial Statements of KLCC REIT from the holders of the Stapled Securities is not required. Hence, this item is not put forward to the holders of the Stapled Securities for voting.

8. <u>Explanatory Note for Item 2</u>

   Subject to passing of Resolution VI of the Company, the proposed Resolution 1, if passed, will grant a renewed mandate to the Manager of KLCC REIT to issue New Units from time to time provided that the number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months, must not exceed 10% of the total number of units issued of KLCC REIT for the time being and provided further that such corresponding number of New Ordinary Shares in the Company equal to the number of New Units shall be issued and every one New Unit shall be stapled to one New Ordinary Share upon issuance. The Proposed KLCC REIT Mandate, unless revoked or varied at a unitholders' meeting, will expire at the conclusion of the next AGM of unitholders of KLCC REIT.

   The Proposed KLCC REIT Mandate will allow the Manager the flexibility to issue New Units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of KLCC REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed KLCC REIT Mandate, delays and further costs involved in convening separate general meetings to approve such issue of units to raise funds can be avoided.

   As at the date of this Notice, no New Units have been issued pursuant to the mandate granted to the Directors of the Manager at the 6th AGM of KLCC REIT.

NOTICE OF ANNUAL GENERAL MEETING

9. Explanatory Note for Item 3

This agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1) of the Companies Act, 2016 does not require a formal approval of the holders of the Stapled Securities for the Audited Financial Statements of the Company. Hence, this item is not put forward to the holders of the Stapled Securities for voting.

10. Explanatory Note for Item 4

Article 106 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company provided always that all Directors, shall retire from office once at least in each three years but shall be eligible for re-election at the AGM. A Director retiring at a meeting shall retain office until the conclusion of the meeting.

Article 112 of the Company's Constitution provides, amongst others, that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next AGM and shall be eligible for re-election.

The profiles of the retiring Directors are set out in the Profiles of the Board of Directors on pages 154 to 160 of the Integrated Annual Report 2019 of KLCCP Stapled Group.

The Board of Directors of the Company, with the recommendation of Nomination and Remuneration Committee ("NRC"), endorsed that the Directors as named under Resolutions I to III who retire in accordance with Articles 106 and 112 of the Company's Constitution are eligible to stand for re-election.

11. Explanatory Note for Item 5

The holders of Stapled Securities at the last AGM held on 3 April 2019 approved the Non-Executive Directors' ("NEDs") fees and benefits as per the table disclosed in Item 5 above effective 4 April 2019 until the AGM of the Company to be held in 2020 i.e. 17th AGM ("Directors' Remuneration 2019/2020").

A total of RM1,123,050.00 of Non-Executive Directors' fees and benefits were incurred for the Company for the financial year ended 31 December 2019 and the details of payment are enumerated on page 182 of the Integrated Annual Report 2019 of KLCCP Stapled Group.

NRCs of the Company and the Manager (a wholly-owned subsidiary of the Company) had reviewed the Directors' Remuneration for the NEDs for the period from 23 April 2020 until the next AGM to be held in 2021 and recommended that the said Directors' Remuneration shall remain unchanged as per Directors' Remuneration 2019/2020. The respective Boards of Directors of the Company and the Manager endorsed the respective NRCs' recommendations.

Resolution IV on the proposed Directors' fees and benefits to be approved by the holders of the Stapled Securities is pursuant to Section 230(1)(b) of the Companies Act, 2016.

The members of the Board and Board Committees of the Manager are only remunerated for Attendance/ Tele-Conferencing when the meetings of the Manager are held on a different date than the meetings of the Board and Board Committees of the Company.

12. Explanatory Note for Item 7

Subject to passing of Resolution 1 of KLCC REIT, the proposed Resolution VI, if passed, will grant a renewed mandate and provide flexibility for the Company to empower the Directors to issue New Ordinary Shares from time to time, provided that the total number of such New Ordinary Shares to be issued, when aggregated with the total number of any such ordinary shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares of the Company for the time being (excluding any treasury shares) should the need arise and provided further that such corresponding number of New Units equal to the number of New Ordinary Shares shall be issued and every one New Ordinary Share shall be stapled to one New Unit upon issuance.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of ordinary shares, the approval is a renewed mandate given to the Directors as the Board is always looking into prospective areas and seeking opportunities to broaden the operating base, increase earnings potential of the Company, raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of the Company and/or to refinance existing debt as well as for working capital purposes which may involve the issue of new ordinary shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, the Company did not issue any New Ordinary Shares pursuant to the mandate granted to the Directors at its 16th AGM.

ADMINISTRATIVE DETAILS

KLCC REIT 7TH ANNUAL GENERAL MEETING AND KLCCP 17TH ANNUAL GENERAL MEETING

DATE 22 April 2020	**PLACE** Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia
TIME 10.30 a.m.	

Registration

1. Registration will start at 8.15 a.m. and the Annual General Meetings will start punctually at 10.30 a.m. We strongly encourage you to come early to facilitate registration.

2. Please ascertain which registration counter you should approach to register yourself for the meetings and join the queue accordingly.

3. Please produce your original Identity Card (MyKad) or passport (for foreigners) to the registration staff for verification. Please make sure you collect your MyKad or passport thereafter. KLCCP will not be responsible for any lost MyKad or Passport.

4. Upon verification and registration:
   - Please sign on the Attendance List and an **identification wristband** will be provided at the registration counter; and
   - If you are attending the AGM as a shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall. No person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event that you lose/misplace the identification wristband. The said wristband has a passcode printed which will be required for electronic voting purpose.

5. Once you have collected your **identification wristband** and signed the Attendance List, please leave the registration area immediately.

6. No person will be allowed to register on behalf of another person even with the original MyKad or passport of that other person.

7. The registration counters will only handle verification for identities and registration. If you have any queries, please proceed to the Help Desk.

Registration Help Desk

8. The Registration Help Desk handles revocation of proxy's appointment and/or any clarification or enquiry.

Car Park and Parking Redemption Counter

9. After registration for attendance of the KLCC REIT 7th AGM and the KLCCP 17th AGM, Stapled Securities holders are advised to approach the Parking Redemption Counter to exchange their parking ticket for free parking provided by the Company for cars parked only at the following locations in KLCC:

Locations	Enquiry Contact
Mandarin Oriental, Kuala Lumpur Car Park	03-2179 8898
KLCC Basement Car Park	03-2392 8585
Kuala Lumpur Convention Centre Car Park	03-2333 2945
Lot D1 Open Car Park (adjacent to Mandarin Oriental, Kuala Lumpur)	03-2392 8585

ADMINISTRATIVE DETAILS

Proxy

10. A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him. If you are unable to attend the meetings and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.

11. If you wish to attend the meetings yourself, please do not submit the Form of Proxy. You will not be allowed to attend the meetings together with a proxy appointed by you.

12. If you have submitted your Form of Proxy prior to the meetings and subsequently decided to attend the meetings yourself, please proceed to the Registration Help Desk to revoke the appointment of your proxy.

13. Please ensure that the original Form of Proxy is deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. not less than forty-eight (48) hours before the time appointed for holding the meetings.

Corporate Member

14. Any corporate member who wishes to appoint a representative instead of a proxy to attend the meetings should lodge the certificate of appointment under the seal of the corporation, at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. not less than forty-eight (48) hours before the time appointed for holding the meetings.

General Meeting Record of Depositors

15. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 7th AGM of KLCC REIT and the 17th AGM of KLCCP, the Manager and KLCCP shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Paragraph 17 of Schedule 1 of the Amended and Restated Trust Deed dated 3 September 2019 and Articles 76(1) and 76(2) of KLCCP's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 April 2020 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

Refreshment

16. Light Refreshment shall be provided.

17. A refreshment meal voucher will be given to each member who is present personally during the registration at the Annual General Meeting.

18. One registered shareholder/proxy/corporate representative shall be entitled to only one (1) refreshment meal voucher.

19. Please redeem your refreshment meal from the Diamond Ballroom at the Ground Floor of the hotel.

20. There will be no replacement in the event that you lose/misplace your refreshment meal voucher.

AGM Enquiry

21. For enquiry prior to the KLCC REIT 7th AGM and KLCCP 17th AGM, please contact the following during office hours:

(a)	Investor Relations and Business Development Department, KLCCP	(Tel 03-2783 6000) (G/L)
(b)	Share Registrar – Tricor Investor & Issuing House Services Sdn. Bhd.	(Tel 03-2783 9299) (G/L)

Integrated Annual Report 2019

22. The KLCCP STAPLED GROUP Integrated Annual Report 2019 is available on Bursa Malaysia's website at www.bursamalaysia.com under Company Announcements and also on the KLCCP Stapled Group's website at www.klcc.com.my.

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PROXY FORM

KLCC PROPERTY HOLDINGS BERHAD
200401003073 (641576-U)
(Incorporated in Malaysia)

KLCC REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted under the laws of Malaysia)

No. of Stapled Securities held	CDS Account No.

*I/We ______________________________
(Full Name as per NRIC/Certificate of Incorporation)

Company No./NRIC No. (new) ______________________(old) ______________________

of ______________________________

____

____
(Full Address)

being a *holder/holders of the Stapled Securities of KLCC PROPERTY HOLDINGS BERHAD ("Company") and KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT"), hereby appoint:

1. PROXY "A"

Full Name (In Block)		Proportion of shareholdings	
NRIC/Passport No.		No. of Stapled Securities	%
Address			

* and/or failing him (*delete as appropriate)

2. PROXY "B"

Full Name (In Block)		Proportion of shareholdings	
NRIC/Passport No.		No. of Stapled Securities	%
Address			

or failing him/them, the CHAIRMAN OF THE MEETINGS as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Seventh Annual General Meeting ("7th AGM") of KLCC REIT and the Seventeenth Annual General Meeting ("17th AGM") of the Company to be held concurrently at the Sapphire Room, Level 1, Mandarin Oriental, Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on 22 April 2020, Wednesday at 10.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

	Resolution	PROXY "A"		PROXY "B"	
		For	Against	For	Against
KLCC REIT					
Proposed unitholders' mandate to issue new units pursuant to Paragraph 6.59 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad	1				
KLCCP					
Re-election of Datuk Hashim bin Wahir	I				
Re-election of Cik Habibah binti Abdul	II				
Re-election of Dato' Jamaludin bin Osman	III				
Directors' fees and benefits payable to Non-Executive Directors with effect from 23 April 2020 until the next Annual General Meeting to be held in 2021 of the Company	IV				
Re-appointment of Messrs Ernst & Young as Auditors and to authorise the Directors to fix the Auditors' remuneration	V				
Authority to issue shares of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016	VI				

Contact Number: ______________________

____
Signature of holder(s) of the Stapled Securities or Common Seal

Dated: ______________________

* Strike out whichever is not desired.

Notes:

1. A holder of the stapled securities comprising ordinary shares in the Company stapled together with the units in KLCC REIT ("Stapled Securities") entitled to attend and vote at the meetings is entitled to appoint not more than 2 proxies to attend and, to vote in his stead. A proxy may but need not be a holder of the Stapled Securities. There shall be no restriction as to the qualification of the proxy.

2. Where a holder of the Stapled Securities is an authorised nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company and units of KLCC REIT standing to the credit of the said securities account.

3. Where a holder of the Stapled Securities is an exempt authorised nominee which holds Stapled Securities for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. Where a holder of the Stapled Securities or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. A corporation which is a holder of the Stapled Securities may by resolution of its Directors or other governing body authorised such person as it thinks fit to act as its representative at the meetings. If the appointor is a corporation, this form must be executed under its Common Seal or rubber stamp (if the corporation does not have a common seal) or under the hand of its attorney.

   If this proxy form is signed by the attorney duly appointed under the power of attorney, it should be accompanied by a statement reading *"signed under Power of Attorney which is still in force, no notice of revocation having been received"*. A copy of the power of attorney which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised should be enclosed with the proxy form.

6. The form of proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof.

7. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 7th AGM of KLCC REIT and the 17th AGM of the Company, KLCC REIT Management Sdn Bhd ("Manager") and/or Maybank Trustees Berhad ("Trustee") and the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Paragraph 17 of Schedule 1 of the Amended and Restated Trust Deed dated 3 September 2019 entered into between the Manager and the Trustee, Article 76(1) and 76(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 April 2020 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings.

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Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd 197101000970 (11324-H)
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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CORPORATE DIRECTORY

KLCC PROPERTY HOLDINGS BERHAD
Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC REIT MANAGEMENT SDN BHD
Levels 33 & 34, Menara Dayabumi
Kompleks Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone : 603 2783 6000
Facsimile : 603 2783 7810
Website : www.klcc.com.my
E-mail : info@klcc.com.my

KLCC PARKING MANAGEMENT SDN BHD
Level P2, Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8585
603 2392 8448
Facsimile : 603 2392 8407
Website : www.parking.klcc.com.my
E-mail : klccparking@klcc.com.my

MANDARIN ORIENTAL, KUALA LUMPUR
Kuala Lumpur City Centre
P.O. Box 10905
50088 Kuala Lumpur
Malaysia
Telephone : 603 2380 8888
Facsimile : 603 2380 8833
Website : www.mandarinoriental.com
E-mail : mokul-sales@mohg.com

KLCC URUSHARTA SDN BHD
Level P1, Tower 2
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Telephone : 603 2392 8768
Facsimile : 603 2382 1037
Website : www.klcc.com.my
E-mail : info@klcc.com.my

SURIA KLCC SDN BHD
Level 13, Menara Darussalam
No 12, Jalan Pinang
50450, Kuala Lumpur
Malaysia
Telephone : 603 2382 3434
Facsimile : 603 2382 2838
Website : www.suriaklcc.com.my
E-mail : info@suriaklcc.com.my

www.klcc.com.my

KLCC PROPERTY HOLDINGS BERHAD 200401003073 (641576-U)
KLCC REAL ESTATE INVESTMENT TRUST

Levels 33 & 34, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur
TEL: (03) 2783 6000 FAX: (03) 2783 7810 EMAIL: info@klcc.com.my