



KLCCP Stapled Group

# THE PLACE

INTEGRATED ANNUAL REPORT 2022

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THE PLACE



@klcctheplace



For over 19 years, we've been at the forefront of developing and managing spaces which define a Nation - producing widely recognisable symbols of a populous. Timeless buildings which exude iconic design and architecture and stand out visually with unique silhouettes, material innovation and public accessibility. Our iconic buildings are a statement of our history, ambition and a source of pride. They are a part of the physical environment, stirring the city image, living conditions, social wellbeing, and economic profile. They are created by developing more than just a brand. They are The Place to be. They spark a revelation whilst keeping the community feel of the city. They inspire and create a buzz by orchestrating journeys of discovery, prioritising storytelling, interaction, and learning, so that minds are enriched and engaged in creating tomorrow's world.

BASIS OF THIS REPORT

KLCCP STAPLED GROUP

# OUR REPORTING JOURNEY

We are pleased to present our Integrated Annual Report (IAR) as the primary source of information of our Group's financial and non-financial performance for year ended 31 December 2022. At KLCCP Stapled Group, we strive to continuously deliver a coherent, transparent, and balanced assessment of the Group's ability to create and sustain value to ensure short, medium and long-term viability for all our stakeholders.

## SCOPE AND BOUNDARY

This Integrated Annual Report has been prepared by KLCCP Stapled Group to provide stakeholders with an understanding of the Group's business model, strategy, past performance and future prospects. The report is written primarily for shareholders and investors. It covers the activities of the Group for the financial year 1 January 2022 to 31 December 2022, and addresses the material financial and non-financial risks and opportunities that impact value creation and strategy development. Any material events after year-end, but before publication of this report, have been included.

## OUR INTEGRATED REPORTING BOUNDARY

Covers the risks, opportunities and outcomes arising from our:

### Statement of Purpose, Shared Values and Cultural Beliefs

Refer pages 4 to 5

### Strategic Blueprint and Our Strategic Value Creation

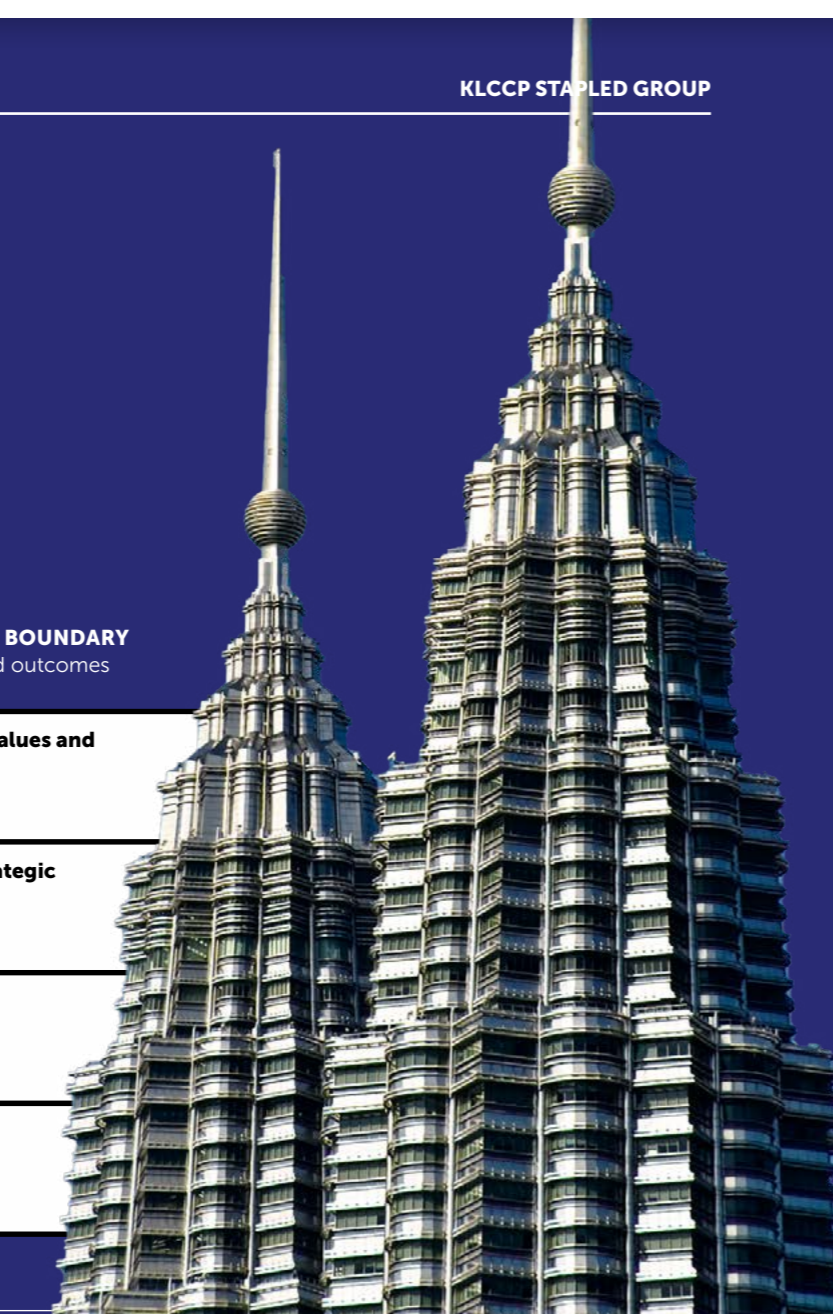
Refer pages 58 to 61

### Performance Review

Refer pages 70 - 123

### Governance

Refer pages 132 - 177



## OUR CAPITALS

### F STRONG FINANCIAL POSITION

Our strong cash flow and robust balance sheet enable us to execute our growth strategy, be agile in responding to opportunities and mitigating risks

### P PORTFOLIO OF DIVERSE, ICONIC ASSETS AND MANAGEMENT SERVICES

We have a diverse portfolio within the sought-after KLCC Precinct comprising iconic and high quality assets and management services, which generate earnings for the Group

### K DEEP KNOWLEDGE AND STRONG CAPABILITIES

We have deep knowledge in the real estate industry, unique market insights and outstanding execution capabilities which keep us agile to respond and adapt to the new pace of change

### E ENGAGED AND INSPIRED EMPLOYEES

Our people are our core strength and our organisation's success relies on their skills, capabilities and commitment

### N NATURAL RESOURCES

We rely on natural resources like electricity and water as an owner, developer and manager of our properties. We consciously manage and work towards minimising our environmental impact

### R TRUSTED RELATIONSHIPS WITH STAKEHOLDERS

Our trusted relationships with our investors, partners, employees, regulators and the communities where we have business operations, provide us the social license to operate and access to capital

#### Navigation Icons

#### Six Capitals

#### Other Icons

**F** Strong Financial Position

**P** Portfolio of Diverse, Iconic Assets and Management Services

**K** Deep Knowledge and Strong Capabilities

Link to corporate website at [www.klcc.com.my](http://www.klcc.com.my)

**E** Engaged and Inspired Employees

**N** Natural Resources

**R** Trusted Relationships with Stakeholders

Find more information inside this report

INTEGRATED ANNUAL REPORT 2022

## OUR REPORTING SUITE

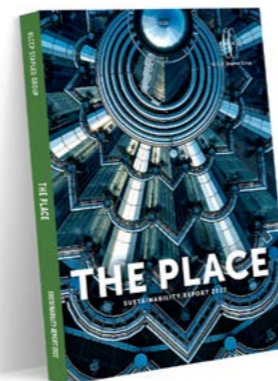


### Integrated Annual Report 2022

Scan QR Code to read the online report



IAR



### Sustainability Report 2022

Scan QR Code to read the online report



SR

## REPORTING FRAMEWORK AND REGULATIONS

- International Integrated Annual Reporting Council's <IR> Framework (2021)
- Companies Act, 2016 (Companies Act)
- Bursa Malaysia's Main Market Listing Requirements (MMLR)
- International Financial Reporting Standards (IFRS)
- Malaysian Financial Reporting Standards (MFRS)
- Malaysian Code on Corporate Governance 2021
- Bursa Malaysia's Corporate Governance Guidelines 4<sup>th</sup> Edition, Sustainability Guidelines 2<sup>nd</sup> Edition and MD&A Guidelines
- World Economic Forum's Stakeholder Capitalism Metrics (WEF SCM)
- Securities Commissions Malaysia, Listed REIT Guidelines
- FTSE4Good themes and indicators for Real Estate Holdings and Development Sector

## MATERIALITY

This report provides information on all those matters that we believe are key to KLCCP Stapled Group's ability to create value over time and which are likely to have a significant impact on our business and stakeholders. These matters were identified, prioritised and validated via a four-step materiality assessment.

## FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements that involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour", "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made, and KLCCP Stapled Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

## BOARD RESPONSIBILITY STATEMENT

The Boards of Directors of KLCCP and KLCCRM acknowledge their responsibility in ensuring the integrity of this Integrated Report, which in the Boards' opinion addresses all key issues that are material to the Group's ability to create value and fairly presents the integrated performance of KLCCP Stapled Group. This report has been prepared in accordance with the IIRC <IR> Framework. This report was approved by the Boards on 31 January 2023.



**Tan Sri Ahmad Nizam bin Salleh**  
Chairman



**Datuk Md. Shah bin Mahmood**  
Chief Executive Officer

# WE ARE KLCCP STAPLED GROUP

## SHARED VALUES

- LOYALTY**  
Loyal to corporation
- INTEGRITY**  
Honest and upright
- PROFESSIONALISM**  
Strive for excellence
- COHESIVENESS**  
United, trust and respect for each other

## CULTURAL BELIEFS

- CUSTOMER FOCUSED**  
I deliver solutions from the customer lens
- BE ENTERPRISING**  
I seek opportunities and make them happen
- INNOVATE NOW**  
I challenge norms and push boundaries
- SPEAK UP**  
I express my views openly
- COURAGE TO ACT**  
I take action to progress with pace

## STATEMENT OF PURPOSE

A PROGRESSIVE ENERGY AND SOLUTIONS PARTNER ENRICHING LIVES FOR A SUSTAINABLE FUTURE

### WHO WE ARE

Malaysia's largest REIT and only Stapled Security in the country, comprising KLCCP and KLCC REIT. KLCC REIT focuses on active asset management and acquisition growth strategies, whilst KLCCP is the development arm of the Stapled Group. At the forefront of Malaysia's real estate industry, our unique structure allows us to maximise the value we create for all our stakeholders.

To read more, refer to A Strong Corporate Structure on pages 16 to 17

### WHAT WE DO

We own, manage, develop and invest in a portfolio of premium assets comprising office, retail and hotel properties in the heart of Kuala Lumpur. This is complemented by our award winning asset management services provided by KLCC Urusharta Sdn Bhd (KLCCUH) and KLCC Parking Management Sdn Bhd (KPM). This synergy of property investment and asset management strengthens the earning potential of our stable of iconic properties.

To read more, refer to Operations Review on pages 84 to 109

### HOW WE DO IT

We are committed to creating a progressive lifestyle experience within the KLCC Precinct while enhancing the value of our property portfolio. We are focused on optimising sustainable value creation through a strategic approach that capitalises on our unique Stapled Group structure and our competitive differentiators, well positioned for the future.

To read more, refer to Strategic Blueprint and Our Strategic Value Creation on pages 58 to 61



7 Properties

12.0 million Gross Floor Area (sq. ft.)

RM15.7 billion Property Value

Kompleks Dayabumi  
(located outside the KLCC Precinct)

Mandarin Oriental, Kuala Lumpur

Menara 3 PETRONAS

PETRONAS Twin Towers

Menara Maxis\*

Suria KLCC

Menara ExxonMobil

\* KLCCP owns a 33% stake in Menara Maxis

MALAYSIA'S LARGEST REIT AND ONLY STAPLED SECURITY IN THE COUNTRY

OFFICE AND RETAIL OFFICE RETAIL HOTEL

A world-class portfolio

Notable iconic buildings that stand the test of time and exude the characteristics of their surrounding communities

## OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

### PETRONAS TWIN TOWERS

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

**234,007**  
Land Area (sq. ft.)

**5,499,468**  
Gross Floor Area (sq. ft.)

**3,195,544**  
Net Lettable Area (sq. ft.)

**4,897\***  
Car Park bays \* North West Development Car Park, shared by PETRONAS Twin Towers, Suria KLCC and Menara Maxis

**100%**  
Occupancy (31 December 2022)

**TENURE:**  
Freehold

**ACQUISITION DATE:**  
10 April 2013

**AGE OF BUILDING:**  
25 years

**LOCATION:**  
Kuala Lumpur City Centre, 50088 Kuala Lumpur

**ACQUISITION PRICE:**  
RM6,500,000,000

**ENCUMBRANCES:**  
Nil

**TITLE:**  
GRN 43697, Lot 169, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**LEASE/TENANCY PROFILE:**  
Leased to a single lessee, Petroliam Nasional Berhad (PETRONAS) vide a Triple Net Lease Agreement for a term of 15 years, expiring on 30 September 2027. PETRONAS has exercised its option to extend the lease to 30 September 2042, for a further term of 15 years

**NET BOOK VALUE AS AT 31 DECEMBER 2022:**  
RM6,692,680,795

**APPRAISED VALUE:**  
RM6,940,000,000

**DATE OF VALUATION:**  
31 December 2022

**INDEPENDENT VALUER:**  
Savills (Malaysia) Sdn Bhd

**GREEN BUILDING CERTIFICATION:**  
Green Building Index - Gold (2019)

**MSC STATUS:**  
MSC Cybercity @ KLCC



OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

# MENARA 3 PETRONAS

A premium Grade-A, 58-storey office tower with exclusive retail and sky dining

**TENURE:**  
Freehold

**ACQUISITION DATE:**  
10 April 2013

**AGE OF BUILDING:**  
11 years

**LOCATION:**  
Kuala Lumpur City Centre, 50088 Kuala Lumpur

**ACQUISITION PRICE:**  
RM1,790,000,000

**ENCUMBRANCES:**  
Nil

**TITLE:**  
GRN 43699, Lot 171, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**LEASE/TENANCY PROFILE:**  
Leased to a single lessee, PETRONAS vide a Triple Net Lease Agreement for a term of 15 years, expiring on 14 December 2026. PETRONAS has exercised its option to extend the lease to 14 December 2041, for a further term of 15 years. The retail Podium of Menara 3 PETRONAS is tenanted to various retailers on a 3 to 5-year term

**NET BOOK VALUE AS AT 31 DECEMBER 2022:**  
RM1,950,586,432

**APPRAISED VALUE:**  
RM2,021,000,000

**DATE OF VALUATION:**  
31 December 2022

**INDEPENDENT VALUER:**  
Savills (Malaysia) Sdn Bhd

**GREEN BUILDING CERTIFICATION:**  
Green Building Index - Silver (2019)



**46,306**  
Land Area (sq. ft.)

**1,500,814**  
Gross Floor Area (sq. ft.)

**195**  
Car Park bays

**816,377**      **100% (Office)**  
Net Lettable Area (sq. ft.)      Occupancy (31 December 2022)

**133,437**      **89% (Retail)**  
Net Lettable Area (sq. ft.)      Occupancy (31 December 2022)

OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

# MENARA EXXONMOBIL

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

**TENURE:**  
Freehold

**ACQUISITION DATE:**  
10 April 2013

**AGE OF BUILDING:**  
26 years

**LOCATION:**  
Kuala Lumpur City Centre, 50088 Kuala Lumpur

**ACQUISITION PRICE:**  
RM450,000,000

**ENCUMBRANCES:**  
Nil

**TITLE:**  
GRN 43685, Lot 157, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**LEASE/TENANCY PROFILE:**  
Leased to two lessees, ExxonMobil Exploration and Production Malaysia Inc for an initial period of 9 years with an option to renew for 3 successive terms of 3 years each; and another with PETRONAS for an initial period of 3 years with an option to renew for 5 successive terms of 3 years each

**NET BOOK VALUE AS AT 31 DECEMBER 2022:**  
RM532,000,000

**APPRAISED VALUE:**  
RM532,000,000

**DATE OF VALUATION:**  
31 December 2022

**INDEPENDENT VALUER:**  
Savills (Malaysia) Sdn Bhd

**MSC STATUS:**  
MSC Cybercity @ KLCC



**43,034**  
Land Area (sq. ft.)

**562,064**  
Gross Floor Area (sq. ft.)

**406,932**  
Net Lettable Area (sq. ft.)

**528**  
Car Park bays

**100%**  
Occupancy (31 December 2022)

OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

# KOMPLEKS DAYABUMI

An integrated office development with retail podium located within the former city centre of Kuala Lumpur

**TENURE:**  
99 years leasehold interest expiring on 27 January 2079 (lot 38 and lot 45), 9 November 2081 (lot 39) and 98 years leasehold interest expiring on 21 January 2079 (lot 51)

**ACQUISITION DATE:**  
31 May 2004

**AGE OF BUILDING:**  
40 years

**LOCATION:**  
Kuala Lumpur City Centre, 50050 Kuala Lumpur

**ENCUMBRANCES:**  
Nil

**TITLE:**  
PN 2395, PN 53463, PN 33471, PN 32233, Lot 38, 39, 45 & 51 Seksyen 70, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**LEASE/TENANCY PROFILE:**  
Leased to a single lessee, PETRONAS vide a Triple Net Lease Agreement for a term of 6 years expiring on 31 December 2025, with an option to extend the lease for further 6 years

**NET BOOK VALUE AS AT 31 DECEMBER 2022:**  
RM678,000,000

**APPRAISED VALUE:**  
RM678,000,000

**DATE OF VALUATION:**  
31 December 2022

**INDEPENDENT VALUER:**  
Cheston International (KL) Sdn Bhd

**315,802**  
Land Area (sq. ft.)

**1,059,783**  
Gross Floor Area (sq. ft.)

**648,790**  
Net Lettable Area (sq. ft.)

**677**  
Car Park bays

**100%**  
Occupancy (31 December 2022)

OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

# SURIA KLCC

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

**TENURE:**  
Freehold

**ACQUISITION DATE:**  
31 May 2004

**AGE OF BUILDING:**  
24 years

**LOCATION:**  
Kuala Lumpur City Centre, 50088 Kuala Lumpur

**ENCUMBRANCES:**  
Nil

**TITLE:**  
GRN 43698, Lot 170, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**LEASE/TENANCY PROFILE:**  
Tenanted to various retailers on a 3 to 5-year term

**NET BOOK VALUE AS AT 31 DECEMBER 2022:**  
RM5,568,745,249

**APPRAISED VALUE:**  
RM5,580,000,000

**DATE OF VALUATION:**  
31 December 2022

**INDEPENDENT VALUER:**  
Nawawi Tie Leung Property Consultants Sdn Bhd

**303,112**  
Land Area (sq. ft.)

**1,545,361**  
Gross Floor Area (sq. ft.)

**944,313**  
Net Lettable Area (sq. ft.)

**92%**  
Occupancy (31 December 2022)

OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

# MANDARIN ORIENTAL, KUALA LUMPUR

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

**TENURE:**  
Freehold

**ACQUISITION DATE:**  
31 May 2004

**AGE OF BUILDING:**  
24 years

**LOCATION:**  
Kuala Lumpur City Centre, 50088 Kuala Lumpur

**ENCUMBRANCES:**  
Charged by Asas Klasik Sdn Bhd to Public Bank Berhad registered on 12 June 2008

**TITLE:**  
GRN 43700, Lot 172, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**NET BOOK VALUE AS AT 31 DECEMBER 2022:**  
RM541,070,738

**APPRAISED VALUE:**  
RM807,000,000

**DATE OF VALUATION:**  
31 December 2022

**INDEPENDENT VALUER:**  
Nawawi Tie Leung Property Consultants Sdn Bhd

**87,123**  
Land Area (sq. ft.)

**998,705**  
Gross Floor Area (sq. ft.)

**629**  
No. of rooms

**544**  
Car Park bays

**44%**  
Occupancy (31 December 2022)

OUR ICONIC PORTFOLIO IN THE HEART OF KUALA LUMPUR

# MENARA MAXIS

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

**TENURE:**  
Freehold

**ACQUISITION DATE:**  
31 May 2004

**AGE OF BUILDING:**  
24 years

**LOCATION:**  
Kuala Lumpur City Centre, 50088 Kuala Lumpur

**ENCUMBRANCES:**  
Nil

**TITLE:**  
GRN 43696, Lot 168, Seksyen 58, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

**LEASE/TENANCY PROFILE:**  
Lease between Impian Klasik Sdn Bhd and Tanjung City Centre Property Management Sdn Bhd vide a Triple Net Lease Agreement for a term of 15 years, expiring 31 May 2028

**46,597**  
Land Area (sq. ft.)

**814,741**  
Gross Floor Area (sq. ft.)

**537,085**  
Net Lettable Area (sq. ft.)

**97%**  
Occupancy (31 December 2022)

Note: KLCCP owns a 33% stake in Menara Maxis



# OUR INVESTMENT PROPOSITION

**HIGH QUALITY INVESTMENT** portfolio with resilient earnings visibility

**STRONG BALANCE SHEET** with RM 18.1 billion in total assets

**ROBUST GOVERNANCE STRUCTURE & strong leadership in ethical conduct**

**ESG AT THE HEART** on our value creation

**FOCUSED ON DRIVING MEANINGFUL CHANGES** to future-proof the business



**FINANCIAL HIGHLIGHTS**

Revenue  
**RM 1.5 bil**  
(2021: RM 1.2 billion)

Profit for the year  
**RM 0.9 bil**  
(2021: RM 0.5 billion)

Property Value  
**RM 15.7 bil**  
(2021: RM 15.6 billion)

Net Asset Value per Stapled Security  
**RM 7.27**  
(2021: RM 7.21)

Distribution per Stapled Security  
**38.00 sen**  
(2021: 33.60 sen)

**BUSINESS HIGHLIGHTS**

→ **OFFICE**

**100%** occupancy since establishment of the Stapled Securities

**88%** Tenant Satisfaction score

→ **HOTEL**

**44%** Occupancy

**87%** Guest Satisfaction score

→ **RETAIL**

Record tenant sales, surpassed pre-pandemic levels by **9.5%**

**16** new tenants, some are first and exclusive to Suria KLCC

→ **MANAGEMENT SERVICES**

Secured **additional 1,604** car parking bays at various locations in Putrajaya

Installed **35** Electric Vehicle (EV) chargers at car parks within KLCC Precinct, bringing total to **57**

**SUSTAINABILITY HIGHLIGHTS**

→ **PEOPLE**

**RM 1.0 mil** Invested in **staff learning and development** (2021: RM600,000)

**26,790** hours of **employee learning** (2021: 11,243 hours)

**Zero** Fatalities

→ **PLANET**

**415,241 kWh** Solar Energy generated from solar panels on rooftop of Suria KLCC (2021: 470,770 kWh)

**16.7%** increase in GHG Emission due to increase in business activities post pandemic (2021: 21.0% reduction)

**0.3 mil m<sup>3</sup>** increase in Water Consumption (2021: 0.3 mil m<sup>3</sup> reduction)

**52%** Waste Diversion rate for hotel (2021: 64%)

→ **PEACE**

**50%** Women Directors on Boards (2021: 56%)

**63%** Independent Non-Executive Directors on Boards (2021: 67%)

**Zero** Bribery and Corruption cases

**Zero** Cyber Security incidents

→ **PROSPERITY**

**RM70.2 mil** tax paid to Government (2021: RM81.9 mil)

**RM17.0 mil** spent on **Corporate Social Investment** and **rental assistance** (2021: RM128.3 mil)

# A STRONG CORPORATE STRUCTURE



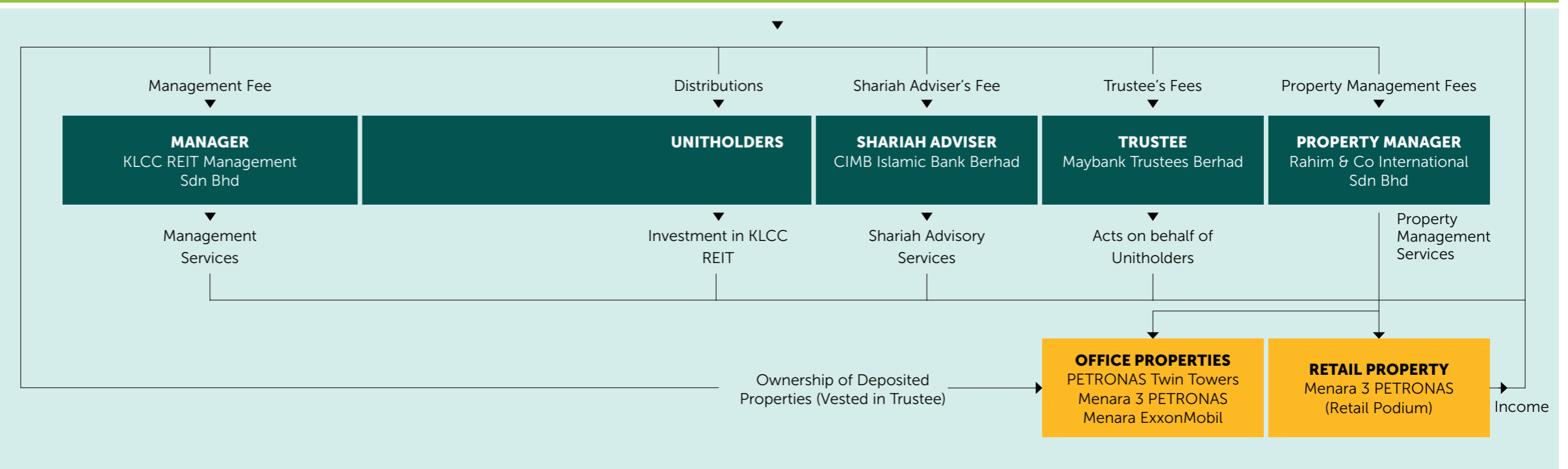
Each ordinary share is stapled to each unit (Stapled Securities)

## KLCC PROPERTY HOLDINGS BERHAD (KLCCP)

- 100% **KOMPLEKS DAYABUMI SDN BHD** (Kompleks Dayabumi)
- 100% **KLCC URUSHARTA SDN BHD** (Facilities Management)
- 100% **KLCC PARKING MANAGEMENT SDN BHD** (Car Parking Management)
- 100% **KLCC REIT MANAGEMENT SDN BHD** (Manager of KLCC REIT)
- 100% **IMPIAN CEMERLANG SDN BHD** (Vacant Land - Lot D1)
- 75% **ASAS KLASIK SDN BHD** (Mandarin Oriental, Kuala Lumpur)
- 60% **SURIA KLCC SDN BHD** (Suria KLCC)
- 33% **IMPIAN KLASIK SDN BHD** (Menara Maxis)

Note: Inactive companies have been excluded from this corporate structure. The detailed corporate structure of the Group can be found on the KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my)

## KLCC REAL ESTATE INVESTMENT TRUST (KLCC REIT)



### KLCC REIT SALIENT FEATURES

Name of Fund	Fund Type	Fund Category	Listing Date	Stock Name & Code
KLCC REAL ESTATE INVESTMENT TRUST (KLCC REIT)	Income and Growth	Islamic Real Estate Investment Trust	9 May 2013	KLCC & 5235SS

**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**  
RM12,113,784,000 (as at 31 December 2022)

**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 and FY2014 and at least 90% for each subsequent financial year

Distributions can be on a quarterly basis or such other intervals

**Gearing Policy**  
Up to 50% of total asset value of the Fund

LETTER FROM THE CHAIRMAN

# LETTER FROM THE CHAIRMAN



TAN SRI AHMAD NIZAM BIN SALLEH  
Chairman

...  
**DEAR SHAREHOLDERS,**

**The year 2022 began with optimism after two long years of being engulfed in the pandemic that saw many unprecedented events in our lives. As we sailed through the year, we saw 2022 as a year of opportunity and recovery.**

Economic activities started to pick up even though the cautious sentiment was very much in the air and people gradually started to go about their daily lives in a more normalised way. The country also witnessed the much anticipated borders reopening in April 2022 and the Nation's 15th general election in November 2022.

## WE REMAINED STEADFAST AS A GROUP, IN NAVIGATING THE CHALLENGES THAT CAME OUR WAY AND AS A RESULT, WE ACHIEVED SIGNIFICANT BUSINESS RECOVERY

Though the year continued to be clouded with the Covid-19 flare-ups, businesses progressively stabilised and gained momentum, with more vigorous economic and social activities. However, we witnessed few unprecedented incidents that affected our country - landslide disasters and floods in various states across Malaysia. As a mark of solidarity, we stood united in our hope for a brighter, better future for all Malaysians.

We remained steadfast as a Group, in navigating the challenges that came our way and as a result, we achieved significant business recovery. This is evident, particularly from the second half of the year and this has translated to our overall stronger performance in 2022. Thanks to the strength and commitment of our people and the Leadership Team in continuously striving to deliver long-term value to all our stakeholders.

On behalf of the Boards of Directors of KLCC Property Holdings Berhad (KLCCP) and KLCC REIT Management Sdn Bhd (KLCCRM), I am pleased to present to you, the Integrated Annual Report of KLCCP Stapled Group for the financial year ended 31 December 2022.

### RECOVERY AMIDST CONTINUED CHALLENGES

Globally, 2022 was the year Covid-19 pandemic became endemic. The global economic growth confronted a mix of headwinds - shaped by the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflationary pressures, the slowdown in China, disruptions in supply chains and a pressing need to address climate change.

### 2022 Highlights

The Group delivered profit for the year excluding fair value adjustments of **RM793.3 mil**, a **17.9% growth** compared to 2021

The Boards of KLCCP and KLCCRM approved four interim dividends totalling **38.00 sen** per Stapled Security, **up 13.1%** from last year's distribution of 33.60 sen. This translates to a full-year dividend payment of **RM686.0 million** compared to RM606.6 million in 2021

At the domestic front, the economy was set to re-bounce as travel restrictions eased and international borders reopened. Malaysia's economic growth rose to a 22-year record high of 8.7% in 2022 against 3.1% in the previous year. This was boosted by strong expansion of domestic and external demand, improvement in the labour market conditions as well as ongoing policy support, amid a high-cost environment.



LETTER FROM THE CHAIRMAN

# THE GROUP CONTINUES TO UPHOLD THE HIGHEST STANDARDS OF GOVERNANCE AND INTEGRITY AS A CULTURE, AND IS COMMITTED TO BE A RISK RESILIENT ORGANISATION

During the year, we continued our focus on delivering sustainable value as we embarked on various strategic initiatives underpinned by our prudent financial management and strong capital discipline which enabled us to remain agile to navigate the challenging market conditions. We continued to support our retail partners with RM15.0 million in rental assistance programmes and also our tenants, customers and our employees by making our spaces Covid-safe, helping them to manage social distancing and bringing mental health to the forefront.

The Group delivered profit for the year excluding fair value adjustments of RM793.3 mil, a 17.9% growth compared to 2021, attributable to the improved performance in the retail and hotel segments since the transition to the endemic phase.

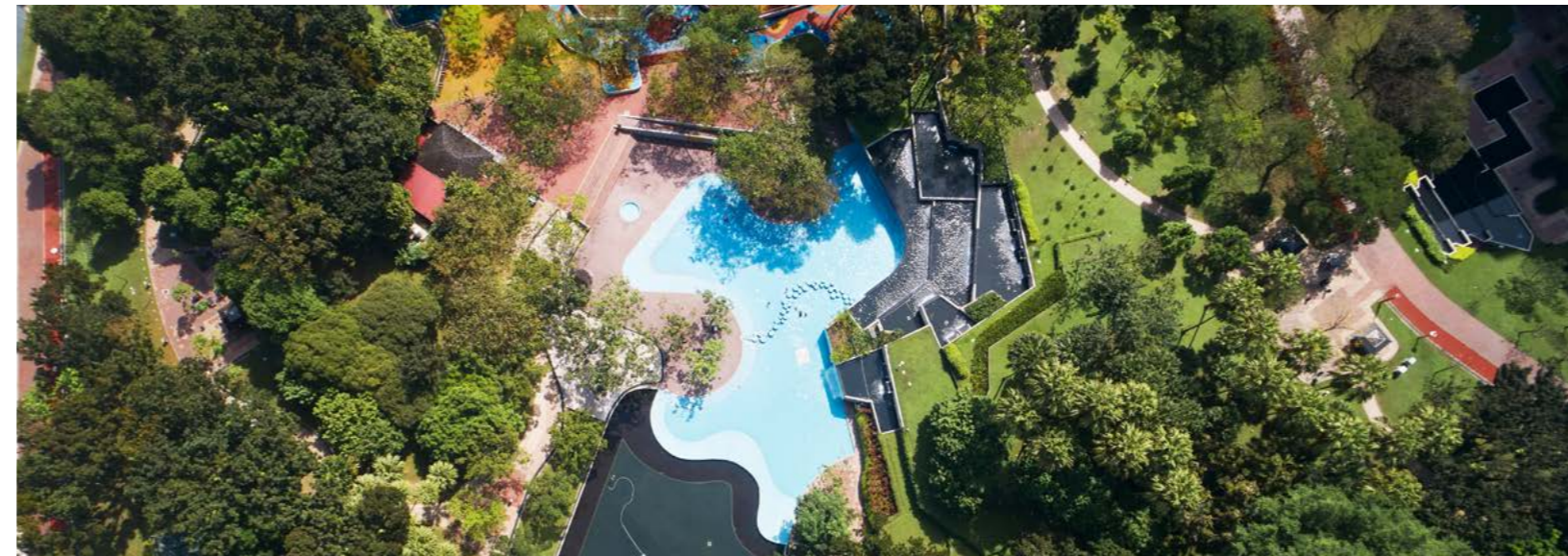
Reflecting the underlying growth of the Group's performance, the Boards of KLCCP and KLCCRM approved four interim dividends totalling 38.00 sen per Stapled Security, up 13.1% from last year's distribution of 33.60 sen. This comprises 10.71 sen from KLCCP and 27.29 sen from KLCC REIT, translating to a full-year dividend payment of RM686.0 million compared to RM606.6 million in 2021.

**UPHOLDING CORPORATE GOVERNANCE**

The Boards recognise the way we do business is key in delivering our purpose and strategy, and that good governance continues to be pivotal in our responses to the challenges we face.

During the year, the Boards implemented several governance enhancements which included the Directors' Fit and Proper Policy as a guide for future appointment and re-election of Directors within the Group and the addition of Sustainability questionnaire for the 2022 Board Effectiveness Evaluation. This is to further promote openness in communication and foster a culture of trust between the Boards and Management.

The Group continues to uphold the highest standards of governance and integrity as a culture and is committed to be a risk resilient organisation. In 2022, several initiatives were implemented to reinforce groupwide awareness of the Code of Conduct and Business Ethics (CoBE) and the Anti-Bribery and Corruption Manual, empowering employees to speak up on any wrongdoing, under the Whistleblowing Policy. In November 2022, the Group completed the Anti-Bribery Management System (ABMS) ISO 37001:2016 Surveillance Audit by SIRIM QAS International Sdn Bhd, providing



assurance that the risk management processes are effectively addressing all bribery risks throughout the organisation and its operations. The Boards also reviewed the risk appetite to provide comprehensiveness to the existing risk statements taking into consideration the transitional period to the Covid-19 endemic phase. In respect to the governance process on Cyber Security, the Boards discussed Cyber Security policies regarding disaster recovery procedures for critical applications, reviewed risk profiles and mitigation steps to reduce incidents related to Cyber Security.

Our Boards comprise 63% Independent Non-Executive Directors with a 50% representation of Women Directors on the boards. We seek to maintain Board diversity across gender, skills and experience. During the year, Cik Habibah Abdul retired from the Boards at the conclusion of the Annual General Meetings on 12 April 2022. On behalf of the Boards, I would like to register my utmost appreciation to Cik Habibah for her invaluable and immense contributions after nine years of serving at the KLCCP and KLCC REIT Boards and as the Chairperson of the Nomination and Remuneration Committees (NRC) of KLCCP and KLCCRM. I welcome Puan Chong Chye Neo as the new chair of the NRC which took effect from 29 April 2022.

**PROGRESSING OUR ESG PRIORITIES**

In navigating the ever-evolving sustainability landscape and to demonstrate our commitment to sustainability, the Board Risk Committees which has oversight on ESG compliance and sustainability matters of the Group was established in November 2021. Following the reorganisation of the Group's structure in 2022, a dedicated Sustainability team under the Group was formed to drive more focused efforts in elevating its initiatives and agenda.

During the year, KLCCP Stapled Group submitted its first United Nations Global Compact (UNGC) Communication on Progress (CoP) to demonstrate its commitment and progress made in implementing the 10 principles of the UNGC in the areas of human rights, labour, environment and anti-corruption.

In September 2022, Bursa Malaysia announced a phased approach in implementing the enhanced sustainability reporting requirements for public-listed companies (PLCs) aimed at elevating sustainability practice and disclosures of listed issuers, commencing financial year 2023. Taking guidance from this, the Boards reviewed the gap analysis in respect to these new indicators and the Group has disclosed additional seven new sustainability indicators in this year's Sustainability Report. In respect to climate change related disclosures aligned to the

Task Force on Climate Related Financial Disclosures (TCFD) recommendations, the Group has conducted a preliminary assessment and is working towards progressive disclosures commencing FY2023.

With the growing global call for Net Zero Carbon Emission (NZCE), the Group is also aspiring towards low carbon emission in support of its ultimate holding company, PETRONAS' aspiration of net zero emissions by 2050. In 2023, the Group will focus on crafting its carbon reduction strategy and establishing targets for its business units achieving its targeted milestones between 2023 and 2050.

The year also saw the Group being recognised for demonstrating strong sustainability leadership, when, for the third consecutive year, it bagged the Platinum award for excellence in ESG at The Asset ESG Corporate Awards 2022. Our retail mall, Suria KLCC was bestowed the Gold Award for Best Experiential Marketing 2020-2022 at the Malaysia Shopping Malls Association awards ceremony in recognition of its CSR initiative – We Are With You – A Mental Health Awareness Campaign. KLCC Urusharta Sdn Bhd and KLCC Parking Management Sdn Bhd were awarded the Gold Award respectively by the Royal Society for Prevention of Accidents in recognition for excellence in Occupational Health and Safety management systems, and in ensuring

compliance to the applicable laws within their business operations.

**THE YEAR TO COME**

2023 is expected to be a year of normalisation though there is still much uncertainty in the macroeconomic and geopolitical environments with continued headwinds in the external market conditions. As we sharpen our strategy, aligning our business to growth and value opportunities, we will continue to maintain a culture that safeguards the responsible and sustainable business practices, underpinned by our strong moral values and deep sense of integrity. We seek to maintain our leadership position in the market and continue to reward our holders of Stapled Securities with strong returns.

**APPRECIATION**

Reflecting on how we have weathered another challenging year, I am honoured to acknowledge the people, who are the strength behind this organisation. On behalf of the Boards, my sincere gratitude to the Management and our employees for their commitment and agility as one team that has made it possible for the organisation to navigate the challenges towards recovery and contribute to this year's performance. My thanks also go to my fellow Board Members for their support and stewardship in ensuring the highest standards of governance and oversight on matters that are critical to the organisation.

To all our stakeholders, I thank you for your confidence and continued journey with us despite the challenging period. We will continue to ensure that the trust you place in KLCCP Stapled Group will be rewarding in the longer term. Together, let us move into 2023 stronger, with higher hope amidst the uncertainty.



**Tan Sri Ahmad Nizam bin Salleh**  
Chairman

# A CONVERSATION WITH THE CEO

## A CONVERSATION WITH THE CEO

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**A change is always difficult but nevertheless, it is a journey, and I am confident that with the talents we have, we will be able to move far and beyond.**



**DATUK MD. SHAH BIN MAHMOOD**  
 Chief Executive Officer



**Q1** You are in the second year at the helm of KLCCP Stapled Group. Can you tell us how different this year was compared to your first year?

2022 was indeed busy and challenging but satisfying nonetheless, as we started to see positive signs of resilience and recovery towards normalisation of business activities following the transition to the endemic phase beginning 1 April 2022. It was good to have our tenants finally returning to office in full force, our retail malls gaining momentum with increased local and tourist footfall, and our hotel seeing a turnaround in occupancy from pent-up demand in group and event bookings. It was liberating to finally experience the buzz back at the KLCC Precinct with more than 1,000 events held bringing in over 700,000 visitors to the precinct.

Whilst we have been at the forefront of the Nation's recognisable landmarks, during the pandemic, we continued to preserve our spaces well and to see them stay relevant and still be the destination of choice is truly humbling. Our iconic buildings and spaces are a statement of our history, ambition and a source of pride and yet even today, they still give the community a feel of a-city-within-a-city and not to mention, insta-worthy pictures to take home too!

**Q2** We finally saw the light at the end of the tunnel when the country transitioned to the endemic phase on 1 April 2022. Can you describe the key highlights and achievements during the year?

2022 has been a year of encouraging momentum. Our pathway towards recovery began as the Malaysian economy reopened and transitioned into the endemic phase. With the relaxation of domestic travel restrictions and gradual recovery from inbound travel demand, we saw improved domestic tourism and pick-up in international leisure travel which significantly spurred our retail and hotel performance.

Our revenue increased by 24.6% to RM1.5 billion, from the healthy rebound in our retail and hotel segments, anchored by the stable office segment. Profit Before Tax (PBT) excluding fair value adjustment also improved in tandem from RM712.5 million to RM894.5 million, up 25.5%. With this encouraging performance, KLCCP Stapled Group distributed 38.00 sen per Stapled Security, 13.1% higher compared to 2021, delivering on our commitment to our holders of Stapled Securities.

## 2022 Highlights

Anchored on our **Three-Pronged Growth Strategy**, we set out to establish clear targets, to position the Group as a Solutions Partner.

### Unveiled the **Group's New Operating Model**

- **Enterprise model** to achieve effectiveness in **deliverables**, efficiency in **value chain processes** and **clear accountability**
- New organisation structure which is centred on a **collaborative model**, hybrid matrix structure
- New limits of authority.

In accelerating our sustainable mobility, during the year, **KLCC became the venue with the largest number of EV charging points in Malaysia.**

**A CONVERSATION WITH THE CEO**

Our retail, Suria KLCC and the retail podium of Menara 3 PETRONAS recorded its highest tenant sales, almost doubled last year's and even surpassed pre-Covid levels in 2019 by 9.5%. Living up to its tagline of "Always Something New", Suria KLCC continued to differentiate itself and brought in 16 new tenants including the first downtown Burger & Lobster outlet in Kuala Lumpur, providing its shoppers with a diverse blend of experiences.

Our hotel, Mandarin Oriental, Kuala Lumpur (MOKL Hotel) saw a strong rebound in the second half of the year benefitting from the full economic reopening - its average occupancy almost tripled last year's whilst occupancy during the New Year's week in December hit 72%. The hotel also saw its F&B business outperform, with over 50 banqueting, wedding and MICE events, generating more than RM16.0 million in revenue. MOKL Hotel's milestone for the year was actually their sale of more than 12,000 boxes of mooncakes during the mooncake promotion, raking in RM2.0 million in revenue, its best achievement since the hotel's opening 24 years ago.



**We hear that the Group strengthened its push towards going green and embarked on several significant strategic initiatives during the year. Can you enlighten us on these initiatives?**

In accelerating our sustainable mobility, during the year, KLCC became the venue with the largest number of EV charging points in Malaysia. We installed 35 EV chargers at KLCC Precinct, bringing the total EV chargers to 57. Another 42 units of EV chargers will be installed across the Group's other managed facilities namely Menara Dayabumi, and properties in Putrajaya by end 2023. This is the collaboration with Gentari Sdn Bhd, to jointly explore opportunities in potential projects and services related to green mobility and renewables to be implemented within the KLCC Precinct and its managed facilities.

We also fitted energy saving LED lights on the external facade of the PETRONAS Twin Towers with state-of-the-art lamp colours technology, replacing the metal halide lightings. This will not only enable the PETRONAS Twin Towers to be lit up in various colours but will also potentially save in energy consumption and maintenance cost. Towards digitalisation and in collaboration with our tenant, we successfully installed facial recognition devices for improved security and contactless access at the PETRONAS Twin Towers during the year.

With all these initiatives and more, under the KLCC Business Events Alliance (KLCCBEA), the KLCC Precinct partners have set their sights on creating a Sustainable



Development Goals (SDG) precinct as a catalyst to spur the competitive standing of Kuala Lumpur as a preferred destination for international conferences. The main goal is for visitors to "meet, eat, sleep, shop and play" sustainably in the precinct. Interestingly, at the KLCCBEA & Urbanice Malaysia Symposium held in September 2022, it was highlighted that based on the activities of our precinct partners collectively, we actually hit 17 of the SDGs and 119 out of 169 targets. That's a commendable 70%! We are looking to delivering more precinct-wide SDG activities and to enlarging this initiative to include other non KLCC owned hotels surrounding the KLCC Precinct in implementing the roadmap towards this aspiration.



**How are you driving the strategic direction of the Group, to future ready the organisation and be in a position of strength?**

When I came on board in 2021, I had 3 priorities – Business Performance & Operational Resilience; Workforce Agility and Sustainable Customer Solutions. I worked on setting clarity of the Group's strategic direction, coupled with an aligned organisation design which would allow me to foster a culture of greater empowerment and accountability. In 2022, we unveiled the Group's New Operating Model which was designed as an enterprise model to achieve effectiveness in deliverables, efficiency in value chain processes and clear accountability; the new organisation structure which is centred on a collaborative model – hybrid matrix structure; and the new limits of authority.

During the year, we engaged with the Boards and Leadership team on the Group's portfolio assessment and viable strategic initiatives to plan towards the Group's next growth. Anchoring on our Three Pronged-Strategy – Maximising Cash Generators; Expanding Core Business and Stepping Out; we set out to establish clear targets to meet stakeholder needs and position the Group as a solutions partner, progressing lifestyle for a sustainable future.

Moving forward, we will focus on maximising our cash generators by sweating our assets and building a solid foundation for growth. We plan to expand our core real estate business by growing our property investments and enhancing our integrated business model. We will also step out to build capabilities which will put us in good stead to venture out in future years.

A CONVERSATION WITH THE CEO

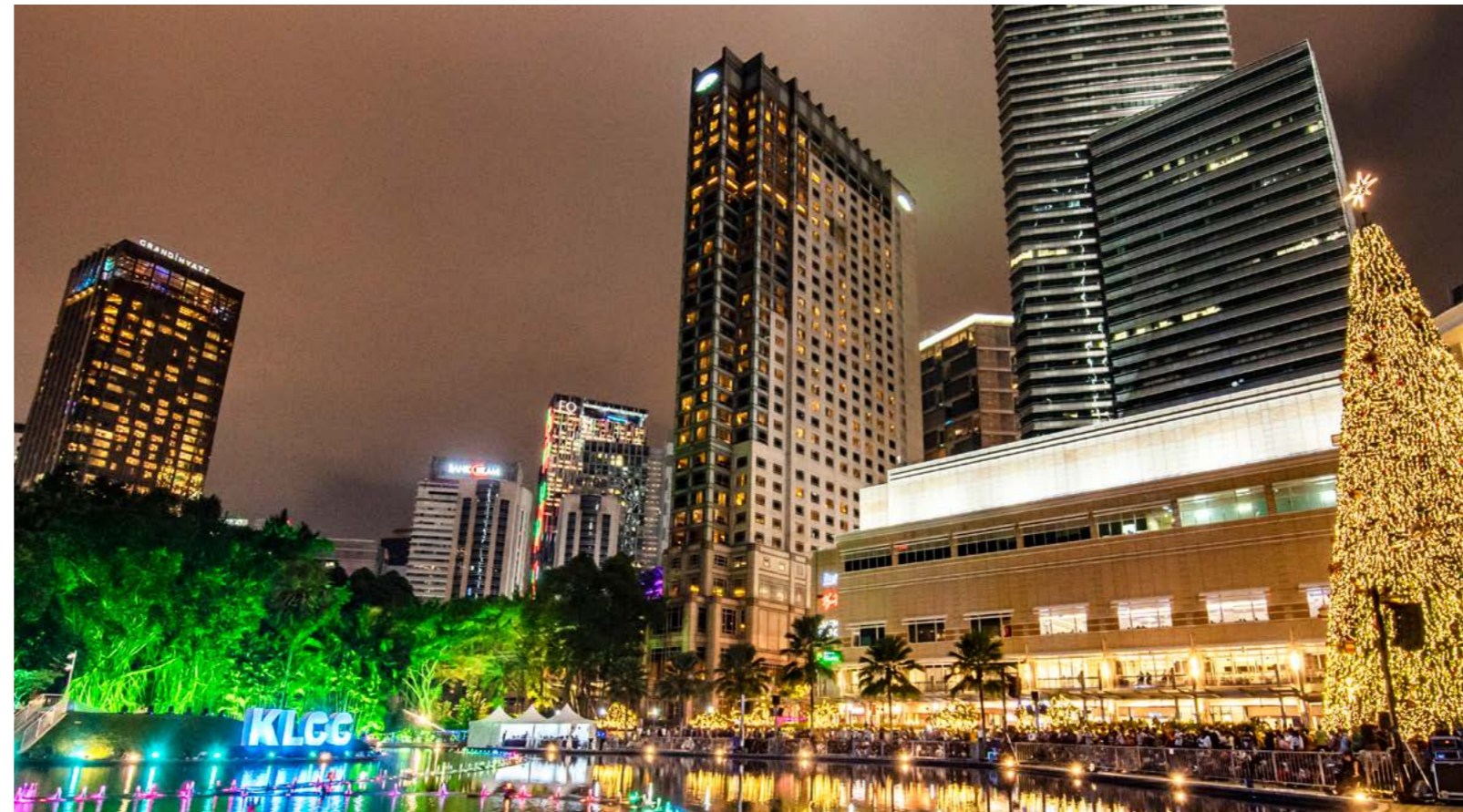
**Q5 Employee engagement initiatives are one of the primary objectives of a CEO. Can you describe some of the employee initiatives that you have rolled out this year?**

I was delighted to see our office come to life with the return of our talents back to the office. I finally got to meet our KLCC family in person from the Townhall and the 3 engagement sessions I had, to the Group Raya Open House, Long Service Award ceremony and Annual Dinner.

Our talents are responsible for ensuring our organisation's purpose is met and it's crucial that they thrive in our workplace environment as we understand the importance of attracting and retaining a high performing workforce. Following the reorganisation of the KLCC group structure, we revamped the organisational performance review and employment model. Our Human Capital team conducted a talent mapping

exercise to fit the right talent to the right position, enhanced the job and salary grade - benchmarking against the property development and management companies. In ensuring sustainability of our talents' capability, we initiated a capability inventory review to align with the areas of excellence towards supporting the Strategic Framework - 6 core capabilities areas were identified and will be rolled-out by Q1, 2023.

We conducted a series of performance management upskilling covering 95% of managers and introduced enhanced leadership competencies, where we upskilled over 80% of Senior Managers and above. We also continued with our "Learning Friyays" initiative which included classroom and digital learning platforms and todate, we have an encouraging 85% of employee participation with an average of 28 training hours per employee. Our aim is to create a future fit organisation where people join, stay, grow and belong.



A CONVERSATION WITH THE CEO

**Q7 Last but not least, what is the Group's outlook for 2023 since the Covid-19 pandemic is behind us?**

We are hopeful that 2023 will be a better year for us though we are mindful that the year ahead may be impacted by heightened macroeconomic and geopolitical uncertainty. As the business returns to normalcy, we anticipate more robust performance, particularly from the retail and hotel segments. We are optimistic that the office segment will remain stable and continue to generate steady cash flows for the Group. Our strategic initiatives, sustainability aspiration in support of climate action and strong investment property portfolio, will enable us to continue to deliver long-term value and accretive returns to our holders of Stapled Securities.

I would like to express my gratitude to the Leadership Team and the KLCC family for their hard work, dedication and enthusiasm in being onboard with me on this meaningful journey towards delivering on our operational excellence and Moving Forward Together aspirations. My sincere appreciation to the KLCCP and KLCC REIT Board of Directors for their astute insights and wise counsel throughout this year, enabling the Group to emerge more resilient. Together with the KLCC family, I look forward to delivering on our Group's purpose and creating sustainable value and growth for our customers, employees and the local communities where we operate.

**Datuk Md. Shah bin Mahmood**  
Chief Executive Officer

**Q6 Arising from the #IAmAccountable campaign launched last year, how do you see the progress in creating a more agile, customer focused and engaged culture?**

Strengthening the culture of our organisation and aligning it to our Strategic Framework is key to getting the most out of our talents within the Group and successfully delivering on our strategy in the long-term. In 2022, pursuant to our new organisational structure, we set up a dedicated Culture and Change Management team to spearhead the culture and change agenda within the Group. We started with the #IAmAccountable in 2021 and progressed into a meaningful change with #TimeToDeliver in 2022 - for our people to take ownership and become more agile, more customer centric and better placed as a Solutions Partner, to respond to changes in the external market conditions and to our stakeholders.

We leveraged on our Cultural Beliefs and conducted engagements with Divisions and Departments together with our Culture & Change Influencers to rally towards our desired culture, culminating in the Organisational Culture Survey in December. This was to measure culture and engagement across 6 drivers - purpose, clarity, empowerment, connection, growth and wellbeing. We had a 91% response rate from our employees, and a 87% score on integrity. 78% of our people are excited about the future prospects of the Group. I must thank the KLCC Family for all the feedback we received and we have identified focus areas to improve on as part of our 2023 roadmap on culture change.

A change is always difficult but nevertheless, it is a journey, and I am confident that with the talents we have, we will be able to move far and beyond in achieving our desired high performing culture in delivering on potential opportunities in an efficient and effective way.

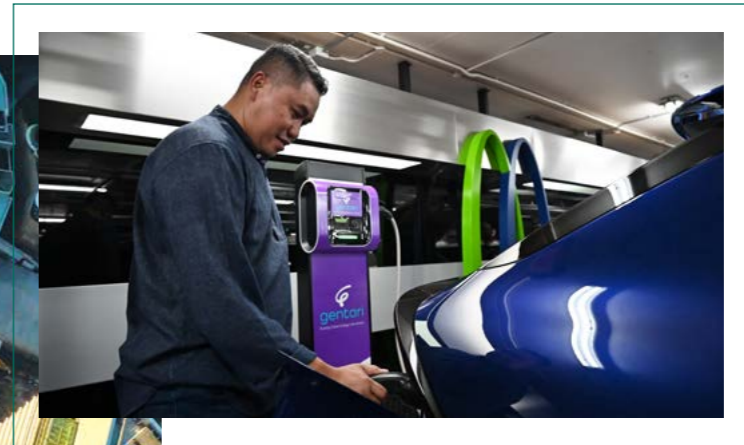
# ESG AT THE FOREFRONT

## ESG AT THE FOREFRONT



### Modernisation of external lighting of PETRONAS Twin Towers

Installation of over 900 LED lights, which is expected to save energy consumption and maintenance cost.



### Electric Vehicle Charging Points

Installed 35 electric vehicles (EV) chargers within KLCC Precinct, making it Malaysia's largest EV charger deployment in a single location.



### Mental Health

Suria KLCC is the first mall in Malaysia to drive a mental health awareness campaign, incorporating the creation of safe spaces for the community, and actively reaching out and publicising the importance of mental health care. Suria KLCC teamed up with the Green Ribbon Group, The Bodyshop as well as Mental Illness Awareness & Support Association (MIASA) to normalise conversations about mental health.

### No Single Use Plastics

Embarked on 'No Single Use Plastics' across the Group. This groupwide program will be implemented in phases starting with PETRONAS Twin Towers and Menara Dayabumi.



### UNSDGs

KLCC Precinct Sustainability activities have achieved all 17 of the United Nations Sustainable Development Goals (SDGs) and 119 out of 169 targets.



Platinum Award for the Excellence in Environmental, Social and Governance (ESG)



Gold Award - KLCC Urusharta Sdn Bhd & KLCC Parking Management Sdn Bhd



Gold Award – Suria KLCC for Best Experiential Marketing 2020-2022 in recognition of We Are With You - A Mental Health Awareness Campaign



Asean Green Hotel Standard 2022 – 2024 - MOKL Hotel



3-Diamond Rating Sustainable Low Carbon Building 2020 – MOKL Hotel



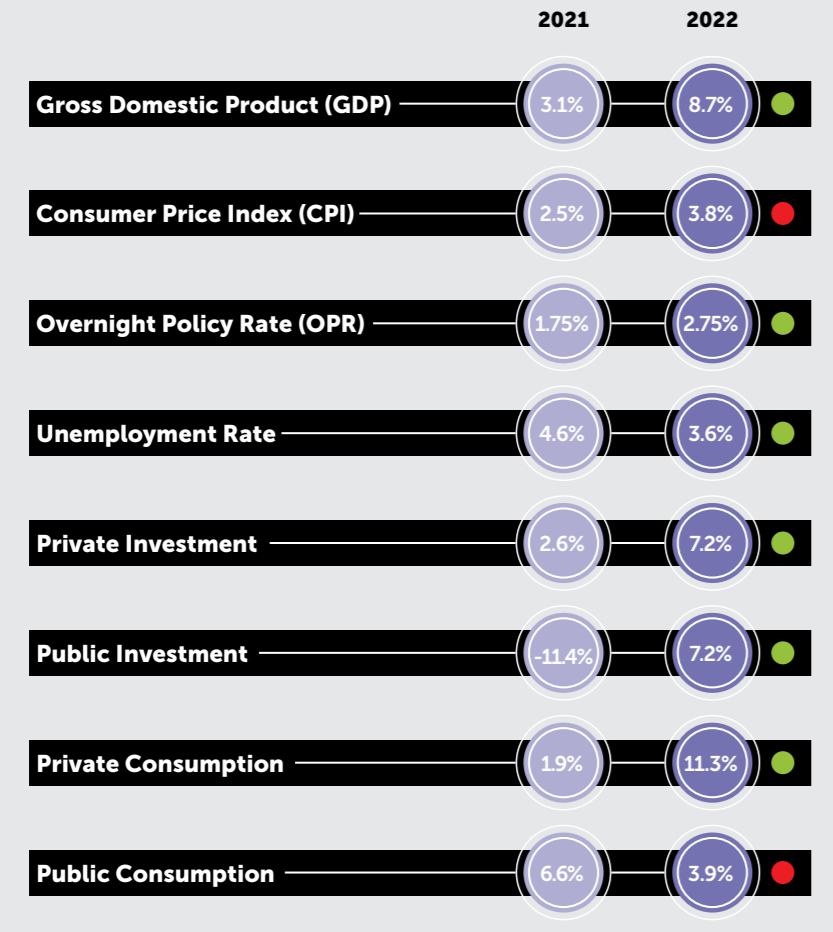
# MARKET REPORT

## MARKET REPORT

THE MALAYSIAN ECONOMY GREW MODERATELY BY 7.0% IN Q4/2022. THE CONTINUED INCREASE IN DOMESTIC DEMAND UNDERPINNED THE HIGH GROWTH

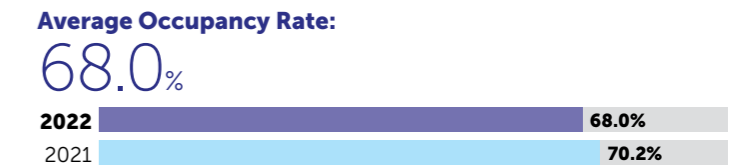


### ECONOMIC OVERVIEW



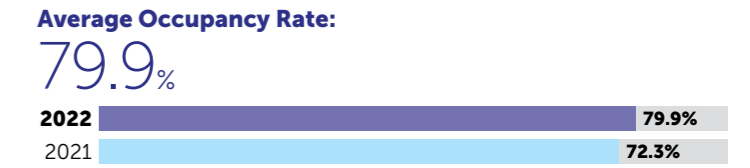
### Office Market Overview

A positive outlook is expected in Kuala Lumpur (KL) City's office market as office leasing activities are reactivated, in line with the reopening of businesses post-pandemic. Despite the challenges in maintaining competitive rental rates amid inflationary pressures, the demand for office space remained robust. Flight-to-quality amongst tenants is expected to persist as tenants enjoy favourable rental incentives and leasing options from newer office buildings.



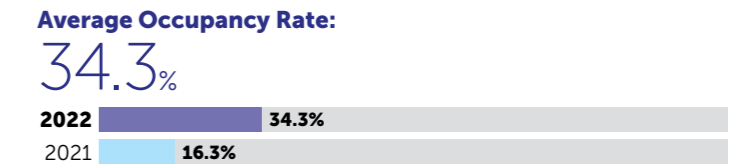
### Retail Market Overview

Malaysia's retail industry is finally on the path to recovery after almost three years of the Covid-19 pandemic. 1<sup>st</sup> April 2022 marked Malaysia's transition to the endemic phase of living with Covid-19, where international borders reopened, and the need for MySejahtera check-in was no longer necessary. Limited business operating hours were also removed. KL City was back with a lively, vibrant scene with tourists and local shoppers seen every day of the week. However, the challenge for the retail market remains stiff due to economic uncertainty.



### Hotel Market Overview

The reopening of international borders substantially benefitted the hospitality sector. The tourism industry is reviving, fuelled by strong domestic demand. Hotels have been fully operational, with businesses and trading activities return to normal. More hotels are expected to be opened in 2023 and 2024, as construction activities are resuming and control measures being lifted by Malaysia government. As of 2022, the supply for 5-star hotel in KL City stood at 35 hotels from 33 hotels in 2021. The Average Occupancy Rate (AOR), increased to 31.3% in H1/2022 from 16.3% in 2021. The recent currency depreciation positively impacts the tourism industry, making Malaysia one of the affordable holiday destinations for international travellers. Hotel performance will gradually show improvement in the coming future.



**MARKET REPORT**

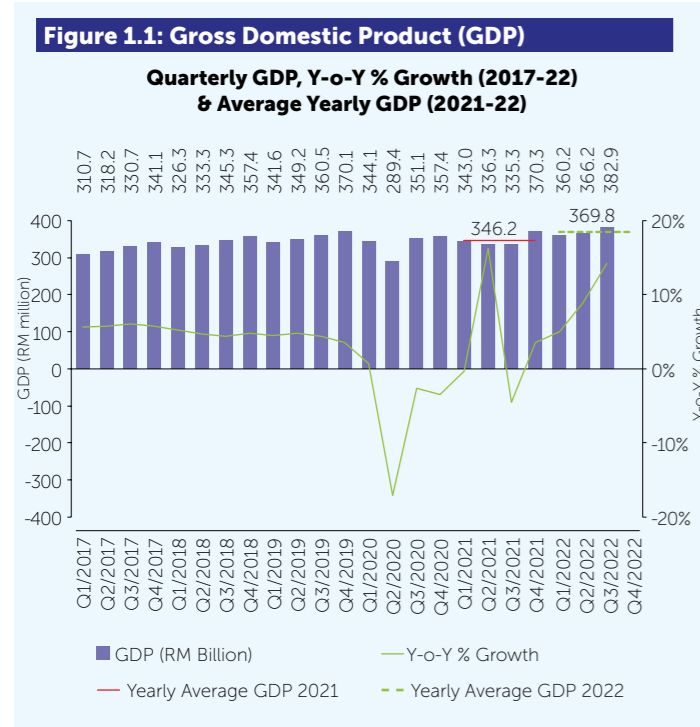
**ECONOMIC OVERVIEW**

In 2022, Malaysia focused on reviving from the Covid-19 pandemic. With an overall high vaccination rate, the announcement of transitions to endemicity and the reopening of international borders in April 2022, most businesses were back to normalcy by H2/2022. However, the heightened Russia-Ukraine War brought fresh challenges, such as rising energy and food prices.

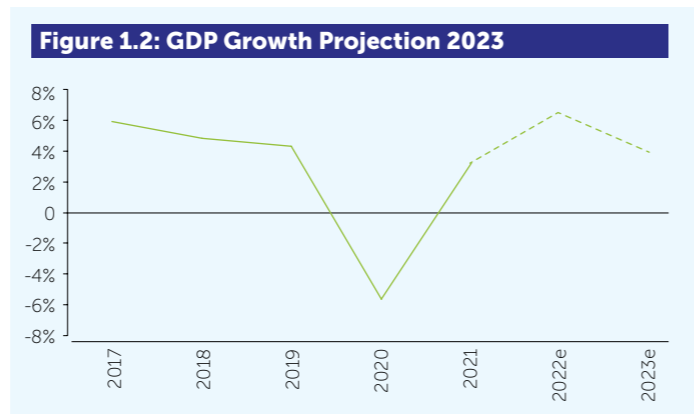
Despite this pressure, the Malaysian economy grew moderately by 7.0% in Q4/2022 (Q3/2022: 14.2%) (Figure 1.1). The continued increase in domestic demand underpinned the high growth. The quarterly GDP was seen improving continuously from RM360.2 billion to RM396.2 billion in 2022, supported by the resumption of businesses and economic activities, recovery in the labour market as well as the services and manufacturing sectors. The Malaysian economy expanded by 8.7% in 2022 (2021: 3.1%).

Average quarterly Gross Domestic Product GDP improved from RM346.2 billion in 2021 to RM376.4 billion in 2022.

Global growth continued to moderate in 2022. This is mainly due to the impact of higher interest rates on domestic demand resulting in slower manufacturing and service sectors. Owing to the inflation, international trade was also seen as impacting severely. Compared to the global economic performance, Malaysia performed quite promisingly.



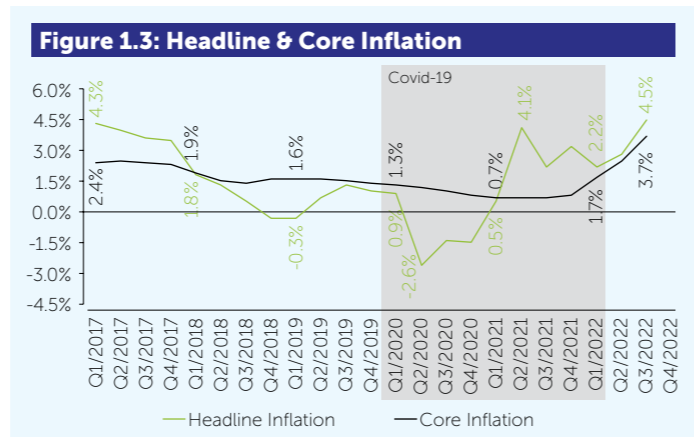
Source: Bank Negara Malaysia (BNM)



Source: Bank Negara Malaysia (BNM) & World Bank  
Note: e=estimate

According to the World Bank, continuing multi-year investment projects will provide additional support for economic growth. In addition, tourism-related activities by domestic and international travellers are expected to recover gradually.

Attributed to favourable growth momentum in the domestic economy, steady expansion in the external sector, and continued improvement of the labour market conditions, the Ministry of Finance (MoF) projects that GDP is likely to grow further by 4.0% in 2023. (Figure 1.2).



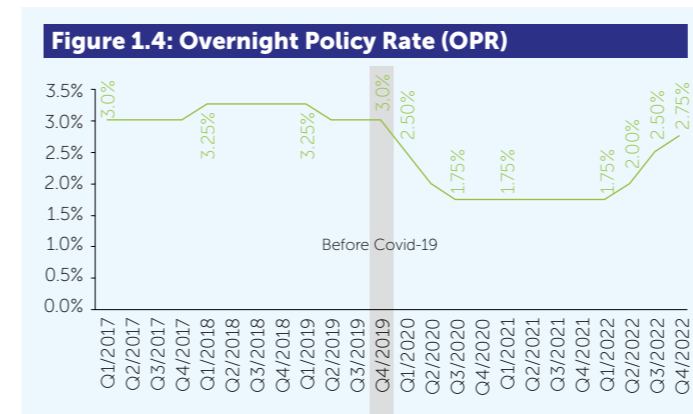
Source: Bank Negara Malaysia (BNM)

Sustained increases in core and price-volatile inflation have driven headline inflation up in the recent past (Figure 1.3). However, it began to moderate from its high levels amid softening commodity prices and easing global supply chain conditions.

Headline inflation moderated by 3.9% during Q4/2022 (Q3/2022: 4.5%). The easing is mainly due to the lowering of key global commodity prices, which partly led to low prices of fuel as well as some key staple food items.

The downward adjustment in headline inflation was offset by Core inflation which spiked by 4.2% (Q3/2022: 3.7%), attributable to continued strength in domestic demand.

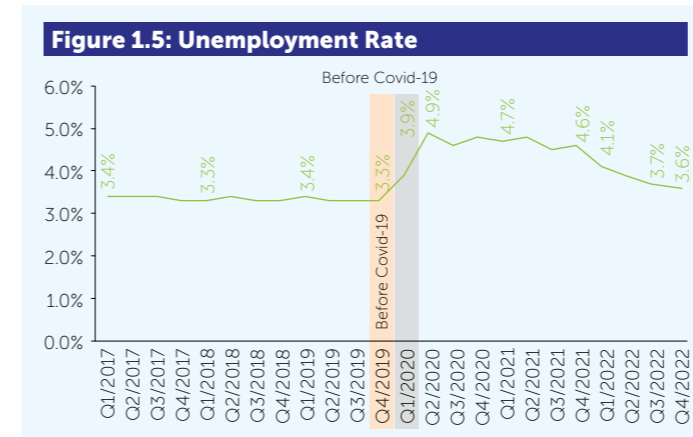
**MARKET REPORT**



Source: Bank Negara Malaysia (BNM)

With the improvement in the domestic market, signs of demand-driven inflation were closely monitored. As a result, Bank Negara Malaysia (BNM) has raised the Overnight Policy Rate (OPR) four times by 25 bps each since May 2022. The last (fourth) revision was made in November 2022.

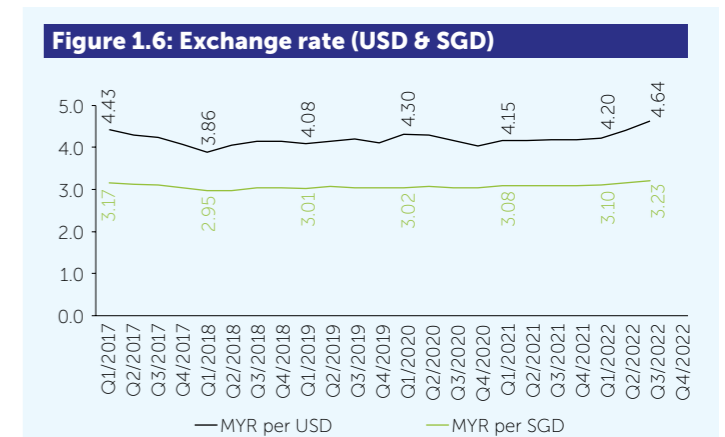
As of 31<sup>st</sup> December 2022, OPR stands at 2.75% (Figure 1.4), still lower than the pre-pandemic level. Recovery from the economic downturn, robust growth, elevated and broad-based inflation is likely to prompt further tightening of monetary policy by raising OPR to / over 3.0%.



Source: Bank Negara Malaysia (BNM)

Labour market conditions have been improving steadily since the government's announcement of the transition to the endemic phase. As of Q4/2022, the unemployment rate stands at 3.6% (Q3/2022: 3.7%, Q4/2021: 4.6%), gradually leading to pre-pandemic numbers (3.3-3.4%) (Figure 1.5).

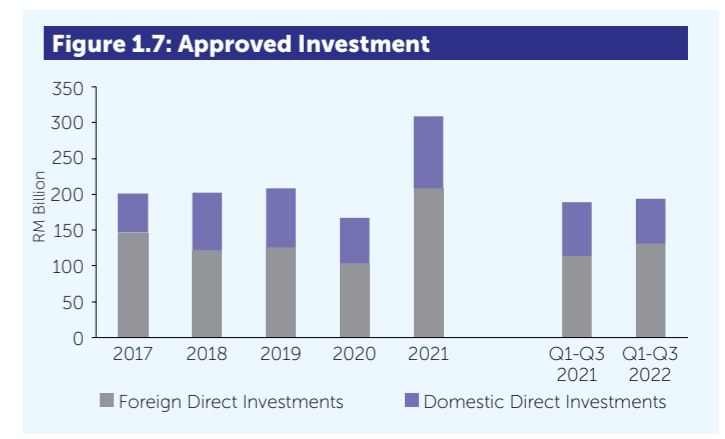
The services sector continued to witness the positive growth in terms of employment numbers, particularly in food & beverage sector, wholesale and retail trade and information & communication sector. Moving into 2023, the labour market is expected to continue to maintain its recovery momentum in line with the positive economic developments.



Source: Bank Negara Malaysia (BNM)

Since the beginning of 2022, Ringgit has remained on its downward trajectory amid the inflation outlook in developed countries (Figure 1.6). As of Q4/2022, the value of the ringgit against the Singapore dollar has dropped to its lowest since 2017. However, the same against the US dollar improved slightly.

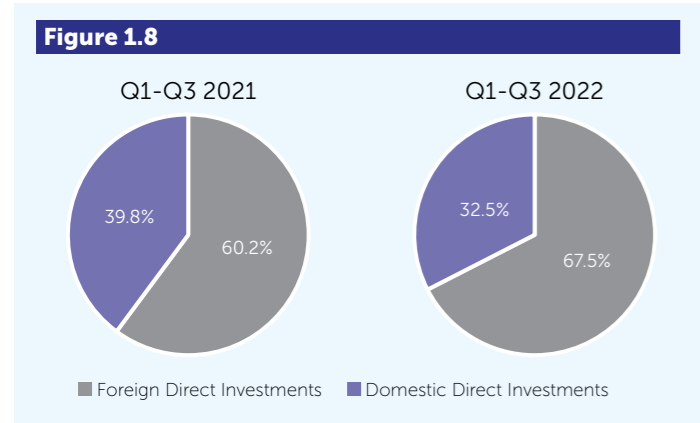
The US Federal Reserve has re-adjusted the policy rate by a total of 425 bps in last nine months. The wide gap between Malaysia and the United States of America's speed to increase the policy rate has primarily contributed to the fall of ringgit at record low price in 2022. However, China's exit from zero-COVID has highly benefited the Asian economies, exporters of consumer goods and tourism services to China, partially benefitting the value of the ringgit against the greenback.



Source: Malaysian Investment Development Authority (MIDA)

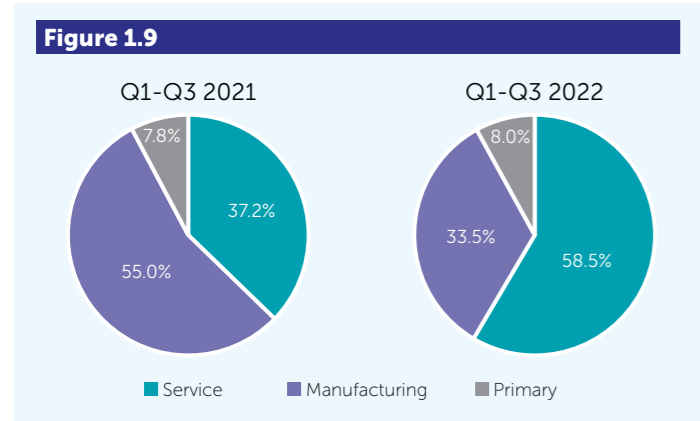
Malaysia attracted RM193.7 billion of approved investments in the services, manufacturing and primary sectors involving 2,786 projects in January-September 2022, an increase of 2.5% compared to the same period in 2021 (RM189.0 billion) (Figure 1.7).

MARKET REPORT



Source: Malaysian Investment Development Authority (MIDA)

Foreign Direct Investments (FDI) remained the major contributor to the total approved investments (67.5% or RM130.7 billion), an increase of 15.0% compared to the same period last year (Figure 1.8). In comparison, Domestic Direct Investment (DDI) contributed 32.5% or RM63 billion.



Source: Malaysian Investment Development Authority (MIDA)

In January-September 2022, Malaysia's approved investments were predominantly attracted to the service sector (Figure 1.9). While the services sector attracted 58.5% (RM113.3 billion), the manufacturing and primary sector had secured 33.5% (RM64.9 billion) and 8.0% (RM15.5 billion), respectively.

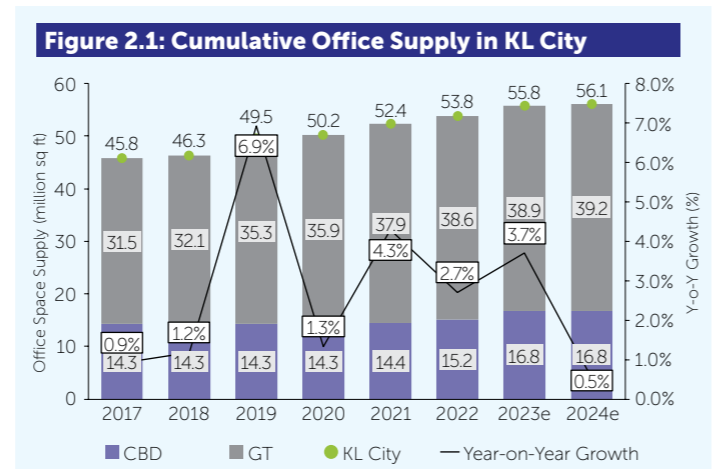
Five states recorded significant approved investments viz. Johor (RM63.9 billion), Federal Territory of Kuala Lumpur (WPKL) (RM26.1 billion), Selangor (RM25.7 billion), Sarawak (RM17.6 billion) and Kedah (RM12.1 billion).

Of the total investments approved, China dominated foreign investments totalling RM49.2 billion, followed by the United States (RM16.9 billion), the Netherlands (RM16.5 billion), Germany (RM9.2 billion) and Singapore (RM8.7 billion).

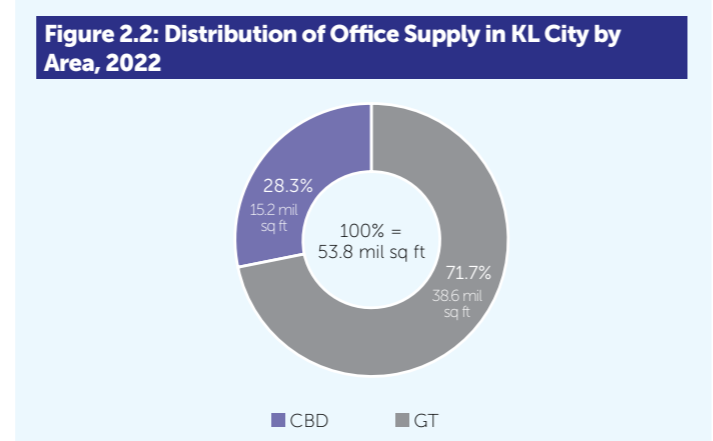
OFFICE MARKET OVERVIEW

Demand for KL City's office space remained strong, as evidenced by significant improvements in office net absorption in 2022, underpinned by the resumption of business-as-usual post-pandemic. Meanwhile, persisting tenant movements to select newer office buildings with attractive offerings are expected, in tandem with new office space completions in KL City.

As of 2022, KL City has 53.8 million sq ft of office space, a 2.7% year-on-year (Y-o-Y) growth from 2021 (2021: 52.4 million sq ft) (Figure 2.1). Current projections call for an additional 2.3 million sq ft in KL City by 2024, a 2.1% Compounded Annual Growth Rate (CAGR) from the existing supply as of 2022. Of this incoming supply, about 1.7 million sq ft is attributed to the expected completion of Merdeka 118 in 2023.



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



Source: Savills Malaysia

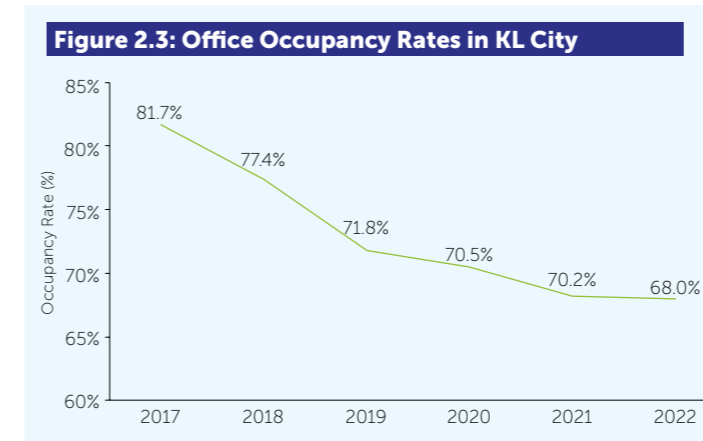
The majority of KL City's office space is in the Golden Triangle area, which amounts to 71.7% (38.6 million sq ft) of the total space. Overall, 2022 saw three new office building completions, contributing 1.4 million sq ft to the KL City region. These buildings include The Stride Strata Office @ BBCC, Menara Affin @ TRX and Pavilion Embassy Corporate Suites.

MARKET REPORT

Selected New Office Developments in KL City

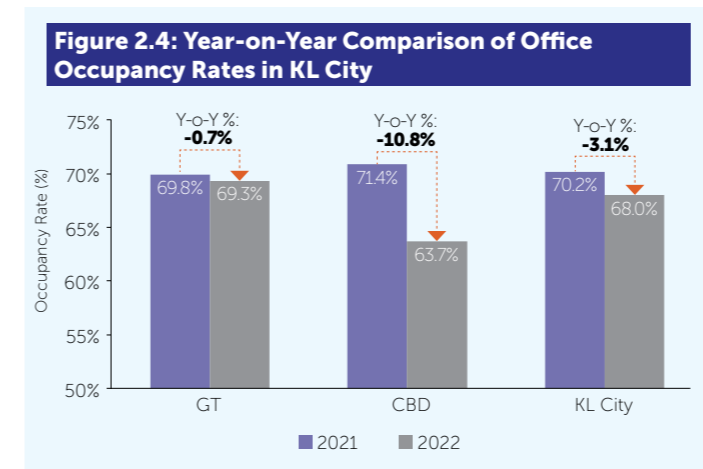
Selected Major Office Buildings	Location	Estimated Net Lettable Area (NLA) (sq ft)	Expected Completion Year
PNB 1194	Jalan Sultan Ismail	169,000	2023
LQ Office	Tun Razak Exchange	197,000	2023
Merdeka 118	Tun Razak Exchange	1,650,000	2023
Signature Office @ Oxley Tower, KLCC	Jalan Ampang	300,000	2024

Source: Savills Malaysia

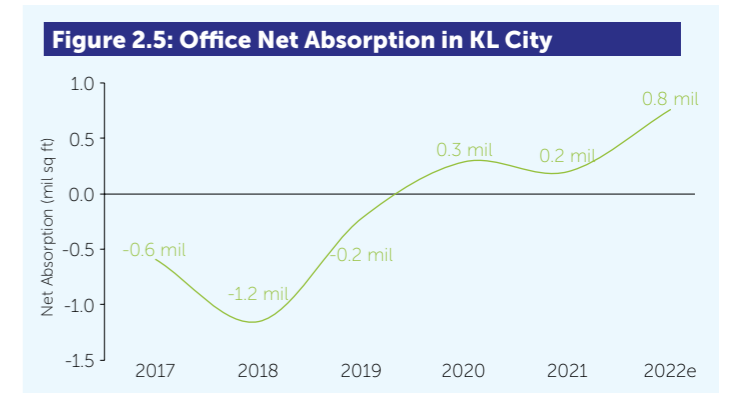


Source: Savills Malaysia  
Note: The chart for occupancy rate includes all grades of office buildings

KL City's office space registered an occupancy rate of 68.0% in 2022 (Figure 2.3), a Y-o-Y decrease of -3.1% (2021: 70.2%) (Figure 2.4). Notable tenant movements in KL City during the review period include the relocation of Affin Bank from Menara Boustead along Jalan Raja Chulan to the newly completed Menara Affin @ TRX (0.62 million sq ft). As leasing activity continues to pick up, occupancy rates are expected to rise in the near term.

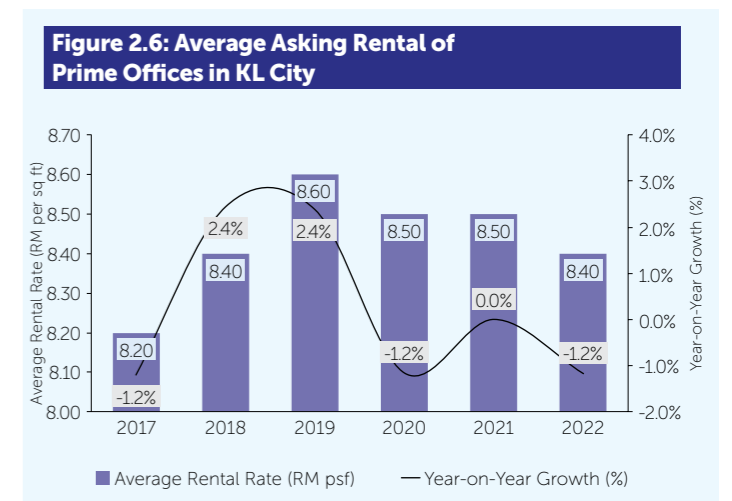


Source: Savills Malaysia



Source: Savills Malaysia  
Note: e = estimate

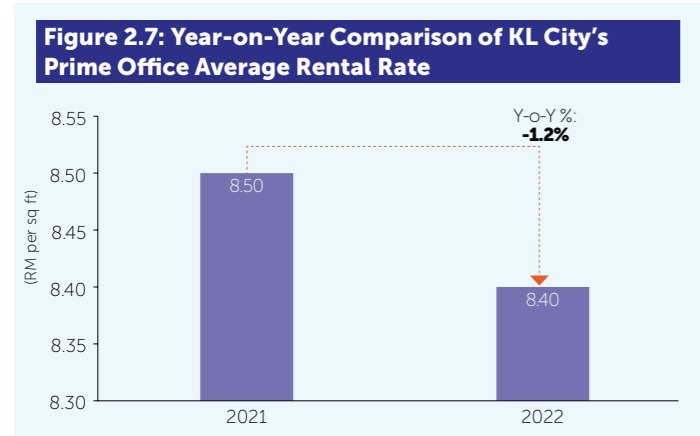
Office net absorption in KL City recorded negative figures from 2017 to 2019 as supply outpaced demand for office space (Figure 2.5). Conversely, yearly positive net absorption was observed since 2020, with a record of 0.8 million sq ft net absorption achieved in KL City in 2022; as the nation transitioned to the endemic phase and business-as-usual resumed.



Source: Savills Malaysia

KL City's prime office average asking gross rentals have stabilised within the range of RM8.40 per sq ft to RM8.60 per sq ft per month since 2018 (Figure 2.6), although better rental incentives have been offered to tenants over the past three years as landlords coped with tenant-friendly rental rates to remain competitive.

MARKET REPORT



Source: Savills Malaysia

For prime office spaces in KL City, the gross asking rental was RM8.40 per sq ft per month in 2022, equivalent to a slight Y-o-Y decrease of -1.2% from 2021 (Figure 2.7). In a tenant-led office market, landlords are faced with the conundrum of maintaining income streams with generous rental waivers and rent-free periods, whilst inflationary pressures and rising business costs continue to be causes for concern.

Major Office Transactions in 2022

Region	Buildings	NLA (sq ft)	Price (RM mil)	Price (RM per sq ft)	Buyer
KL City	Bangunan KWSP Changkat Raja Chulan	110,524	62	561	AIMS Data Centre Sdn Bhd
KL Suburban	Bangunan AHP	96,154	86	894	Kuala Sentral Point Sdn. Bhd.
KL City	Faber Imperial Court	141,468	245*	n.a.	Achi Jaya Plantations Sdn. Bhd.
KL Suburban	Wisma TM, Taman Desa	86,000	35	410	JAG Land Sdn. Bhd.

Source: Savills Malaysia

Note: \*Transaction value includes a 398-key Sheraton Imperial hotel and Faber Imperial Court with NLA of 0.14 million sq ft

Notable transactions within the KL City and KL Suburban markets in 2022 include the acquisition of Bangunan KWSP Kuala Lumpur for RM62 million by TIME DotCom Berhad's wholly owned subsidiary, AIMS Data Centre Sdn Bhd, to expand their operational facilities by repurposing the said building into a data centre. Additionally, Q2/2022 also saw the disposal of Bangunan AHP in TTDI by Amanahraya Trustees Berhad for RM86 million.

Office Market Outlook

In most cases, we have seen an increase in office leasing activity within the review period, albeit in the form of very tenant-friendly deals. With a new Prime Minister being named during the last week of November 2022, it is hoped that this will improve economic conditions and investor sentiment, which is expected to lead to greater demand for office space from Malaysian and foreign companies over time.

As of 2022, most corporate occupiers are either back to the office or have moved into hybrid or flexible working arrangements where employees are spending a more significant portion of their time in the office than during the pandemic-affected years of 2020 and 2021; furthermore, with research from Savills and others appearing to confirm that instituting flexible

working arrangements does not necessarily lead to proportional reductions in the demand for office space, prospects for the office market are much more optimistic than they were 12 or 24 months ago.

Meanwhile, KLCCP Stapled Group's office portfolio remained resilient due to the stable occupancy and rental rates in 2022. Despite challenging market conditions, such as inflationary pressures and rising business costs in the post-pandemic market, KLCCP's office portfolio remained a significant contributor to the Group's revenue. The prime location of KLCCP's offices in KL City was leveraged to sustain high-quality tenants with long-term lease arrangements, especially for the PETRONAS Twin Towers, Menara 3 PETRONAS, Menara ExxonMobil and Menara Dayabumi.

Overall, it is evident that it will take some time to overcome the structural imbalances in KL City's office market whilst tenants continue to enjoy favourable leasing conditions in the interim. Also, notable office market trends such as flight-to-quality tenant movements and repurposing of office buildings are continuously expected. The office market outlook remains positive, building on a post-pandemic recovery momentum, as shown in the remarkable improvements in net absorption rates.

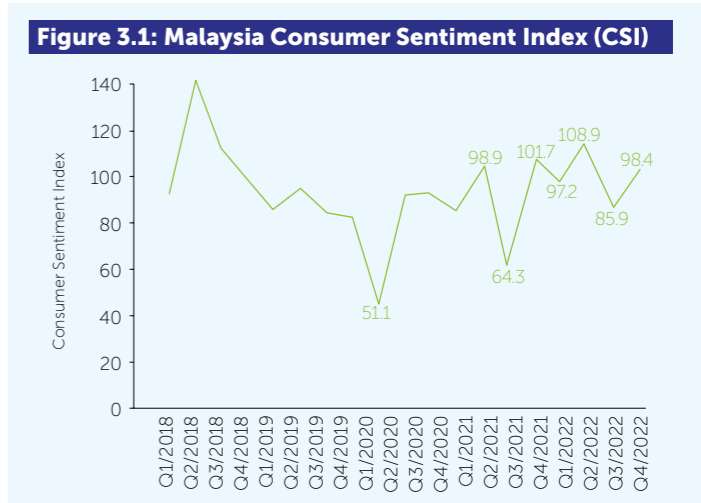
MARKET REPORT

RETAIL MARKET OVERVIEW

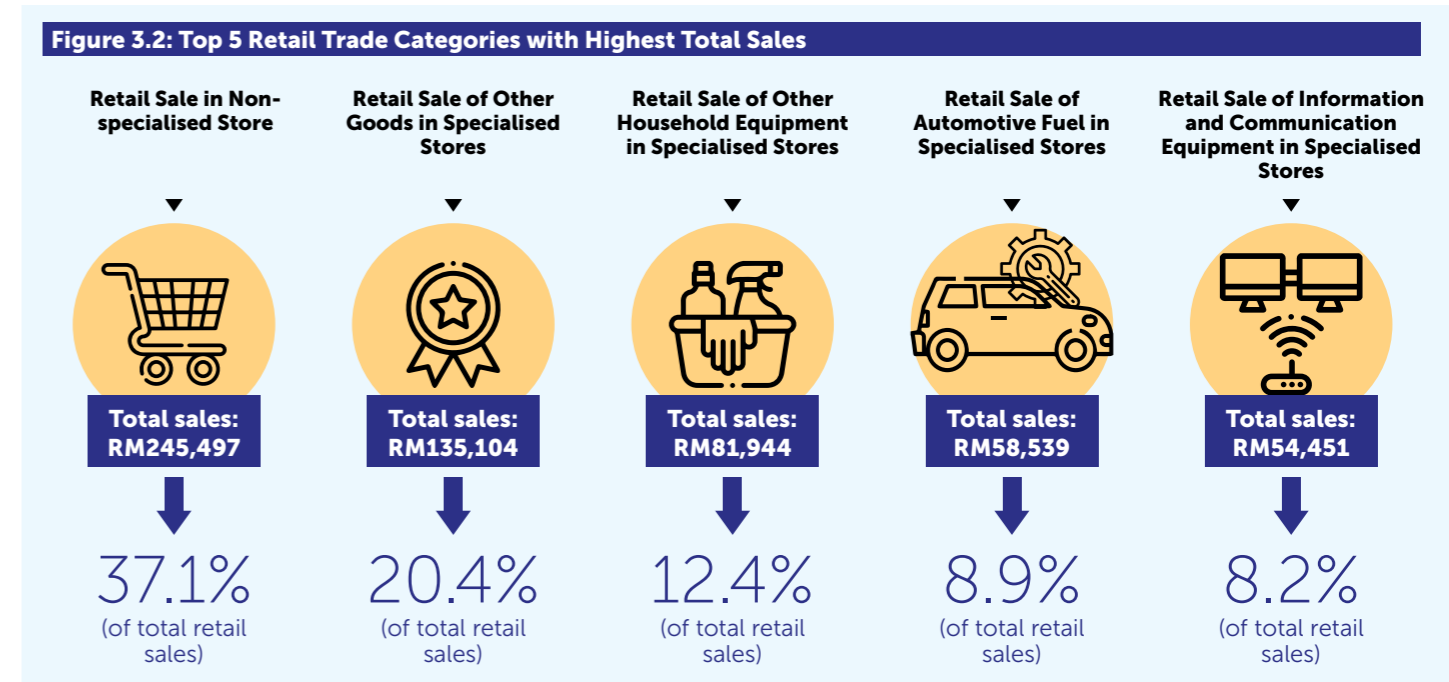
Malaysia's transition into the endemic phase has shifted consumer sentiment during the year, as reflected by the Malaysia Institute of Economic Research (MIER). The CSI showed improvement in Q1/2022 but decreased in the following quarter, mainly due to the economy facing 2-3 rounds of price hikes on goods and services. Consumers were more cautious about spending and delayed spending on higher-priced items. However, the CSI then increased back in Q3/2022 & Q4/2022 as consumers adapted to the new pricing of goods and services.

The Department of Statistics Malaysia (DOSM) reported that Malaysia's retail sales registered a growth of 23.9% Y-o-Y to RM661.1 billion, a significant increase compared to the same period of 2021 (Figure 3.2). The total retail sales were observed to start increasing from April 2022, higher than the pre-pandemic total retail sales.

Figures released by the Retail Group Malaysia (RGM) for Q3/2022 shows that Malaysia's retail industry recorded an unexpected growth rate of 96% (Y-o-Y) in retail sales. The retail industry improved by 45.9% compared to the same period in 2021. The extraordinary growth rate is inevitable and unlikely to happen again unless another forced closure of business were to happen. RGM has revised the annual retail industry growth rate for 2022 from 31.7% to 41.6%.

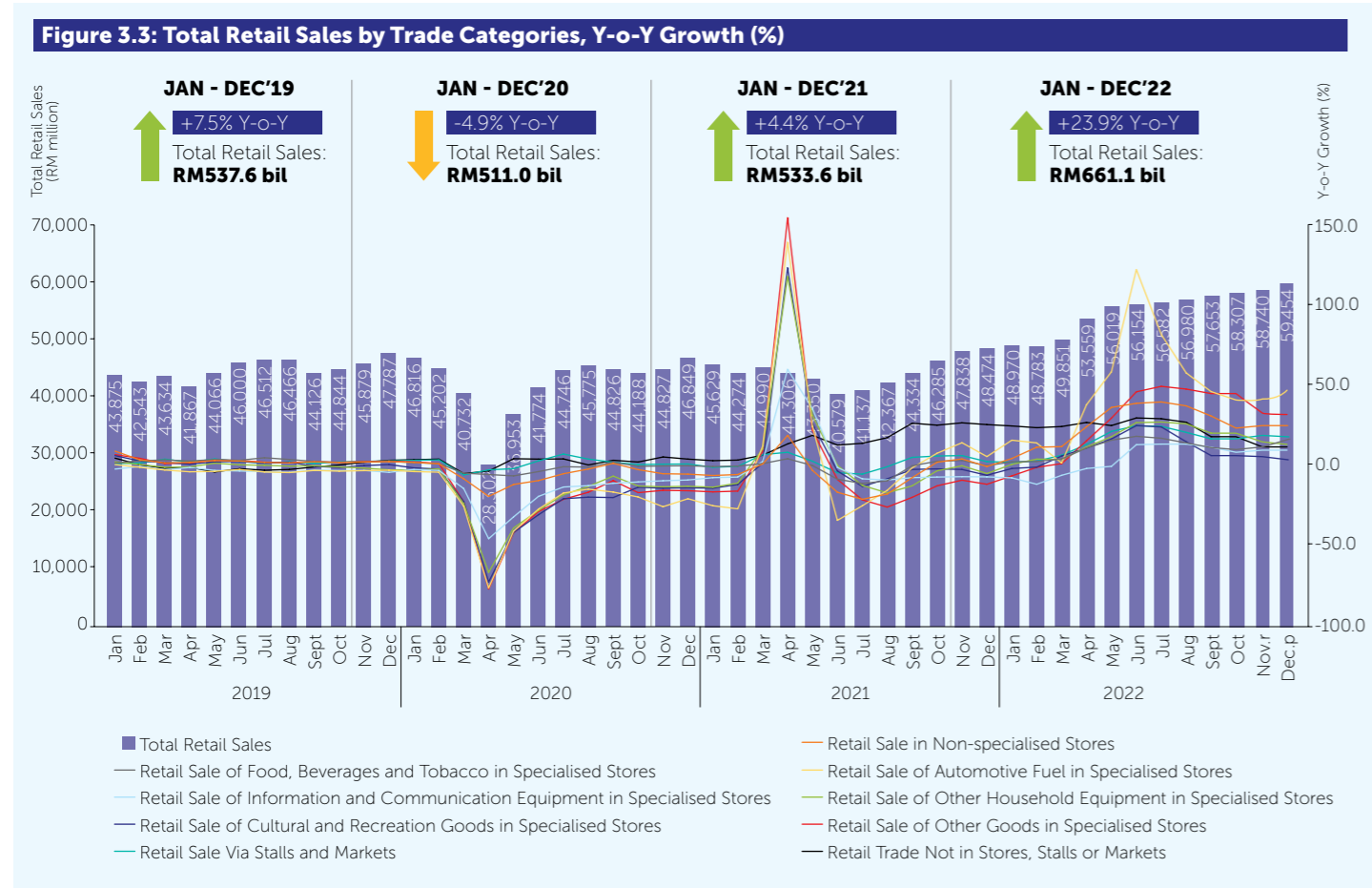


Source: Malaysia Institute of Economic Research (MIER)



Source: Savills Malaysia

MARKET REPORT



Source: Department of Statistics Malaysia (DOSM)  
r = revision, p = preliminary

As of Q3/2022, the cumulative retail space supply in KL City registered at 12.3 million sq ft NLA, spread across 29 retail malls (Figure 3.3). The retail space in KL City has shown a stately movement over the years in relation to land scarcity which escalated a high land value. However, major malls such as Suria KLCC and Pavilion Kuala Lumpur have weathered the pandemic and witnessed the return of pre-pandemic crowds this year. Mitsui Shopping Park Lalaport opened in January 2022 with an NLA of approximately 860,000 sq ft, a flagship project under Mitsui Fudosan Co. Ltd., featuring mainly Japanese brands such as NITORI, Nojima and Don Don Donki.

A total of 2.25 mil sq ft of retail space is anticipated by the end of 2024, with the expected completion of The Exchange TRX in 2023 and Warisan Merdeka Mall in 2024. These malls will bring a new retail scene to KL City, making them new experiential retail destinations. (Figure 3.4)

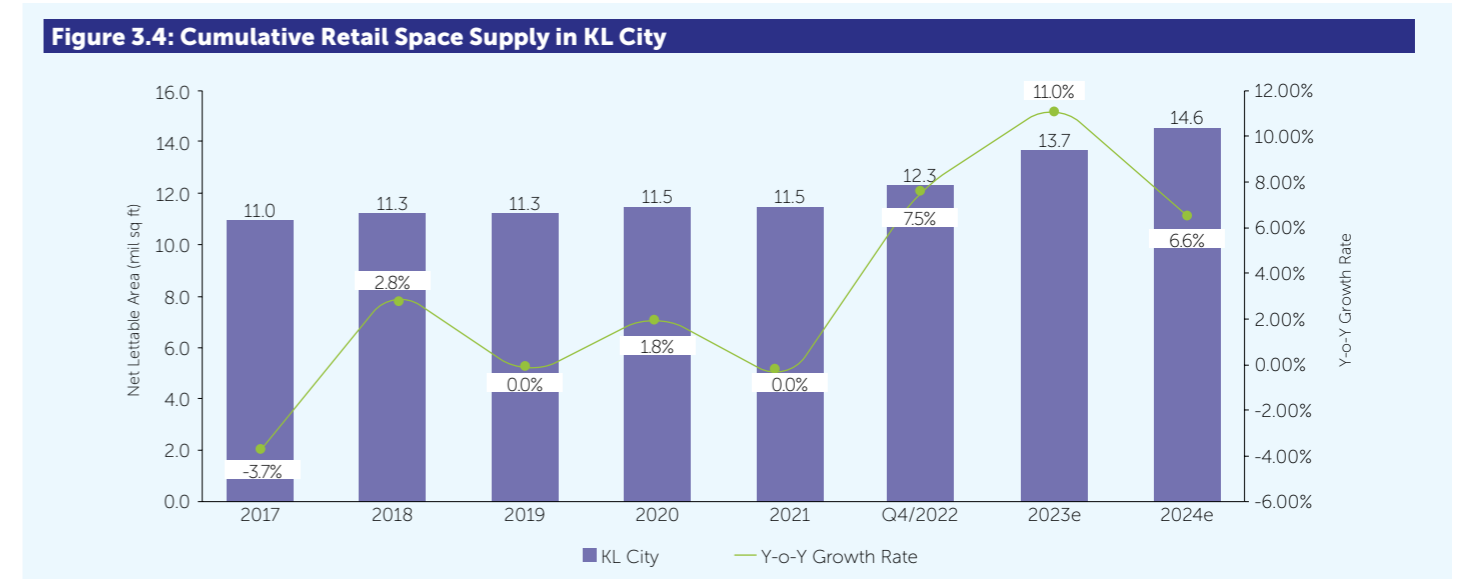
After being muted for two years, the cumulative retail space in KL city is at **12.3 mil sq ft** spread across a total of about 29 malls

An addition of **861,141 sq ft** from the opening of **Mitsui Shopping Park Lalaport**

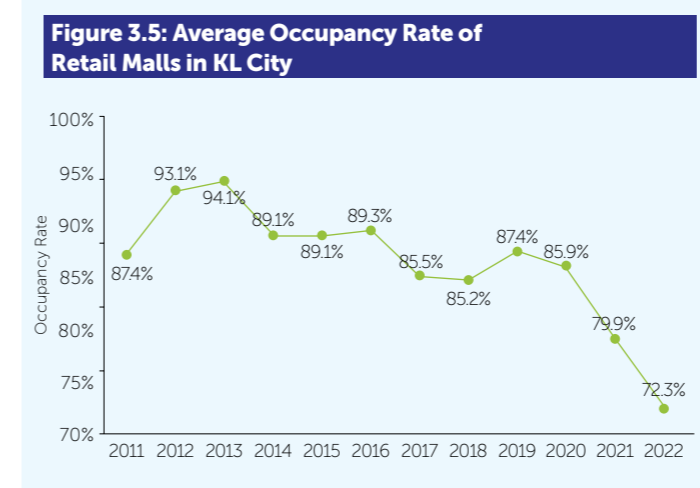
A total of **2.25 mil sq ft** of retail space is anticipated by the **end of 2024**

- ▶ **The Exchange TRX** (1.35 mil sq ft)
- ▶ **Warisan Merdeka Mall** (900,000 sq ft)

MARKET REPORT



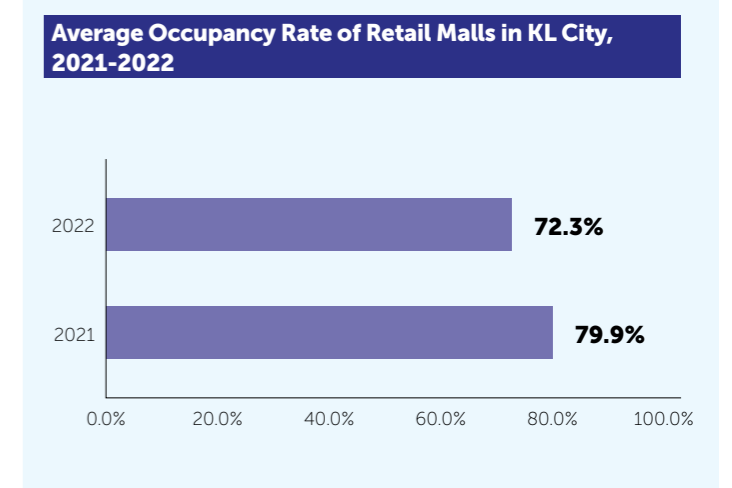
Source: Savills Malaysia  
Note: e = estimate  
Note: KL City Region consists of two zones, i.e., Golden Triangle (GT) and Central Business District (CBD)



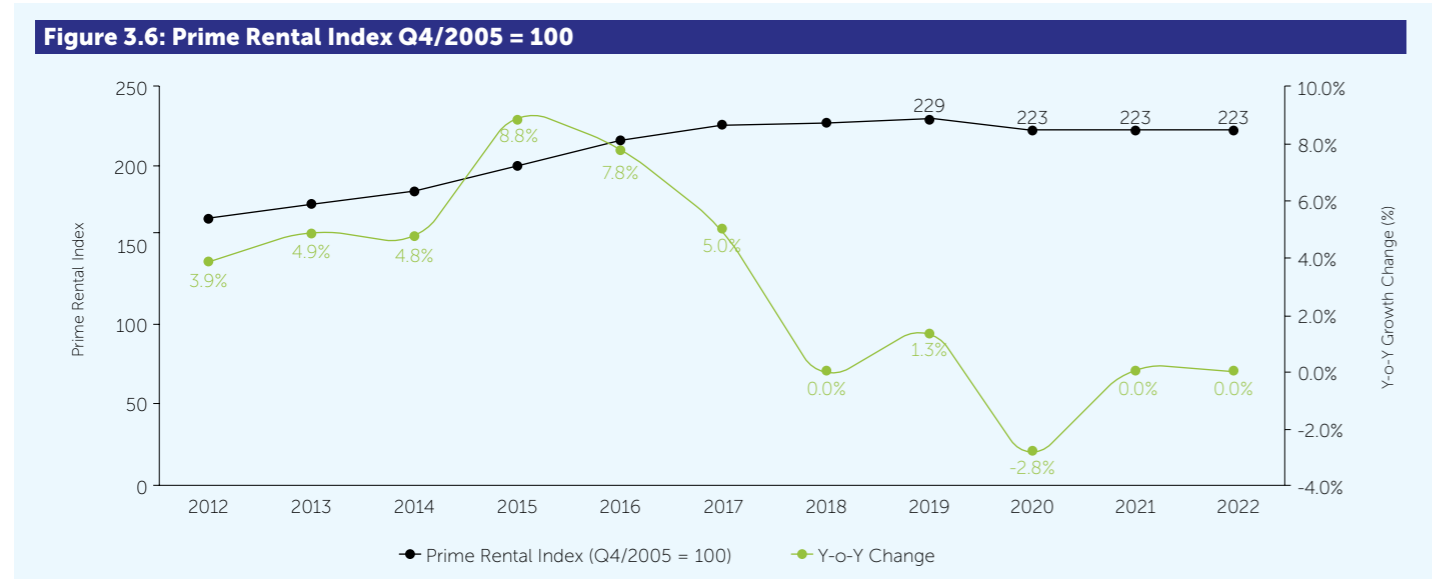
Source: Savills Research

The average occupancy rate of retail malls in KL City continues to show a downward trend from 2021 (79.9%) to 72.3% (Figure 3.5) following the adverse impacts of the prolonged Covid-19 pandemic. The overall drop was due to a lower occupancy rate recorded in Sungei Wang Plaza and Berjaya Times Square, which used to house small businesses' apparel. The opening of Mitsui Shopping Park Lalaport with a low occupancy rate also led to a low average occupancy rate. Despite that, occupancy rates for prime malls such as Suria KLCC and Pavilion Kuala Lumpur remained above 90%.

Alternatively, the vacancy rate of retail malls in KL City is at an all-time high of 27.7% in 2022, a further increase from 20.1% in 2021. The high vacancy rate is mainly from malls with mom and pop stores such as Sungai Wang Plaza and Berjaya Times Square.



MARKET REPORT



Source: Savills Malaysia

The rental index has remained stagnant since 2020 due to retailers staying loyal to the prime retail lots (Figure 3.6). Strong domestic and international brands in the trade category of timepieces, jewellery and clothing lines typically occupy these prime retail lots.

Nevertheless, a slight movement in leasing activities on prime retail space is still observed, and retailers are actively discussing securing a unit.

**Kuala Lumpur Retail Market Outlook**

As Malaysia is adapting to the "new normal" after entering the endemic phase, the economy is slowly recovering. The reopening of international borders and offices operating at full capacity have increased the footfalls in shopping malls within KL City. These malls are witnessing increase in sales from international tourists mainly from the luxury goods segment, after being dependant on domestic buyers for at least 2 years. With the recent announcement from China on their relaxation of Covid-19 rules after almost three years of strict border control, the retail sales are expected to increase. However, a surge of Chinese tourists is expected after some time as the country is also experiencing a rise in infection simultaneously.

Nonetheless, consumers are expected to be more cautious about spending, especially on big-ticket items, due to the uncertainty of the expected global recession and the rising inflation rate this year leading to a few rounds of price hikes on certain goods and services.

The occupancy rates of prime malls have been stable and weathered well throughout the pandemic. The average occupancy rate in KL City is expected to remain the same or show a slight decrease due to the slow take-up rate of new retail spaces. Rental rates are also not expected to rise in the near term.

Suria KLCC mall continues to stand proudly with the return of international tourists and office crowds from the surrounding office buildings, mainly from the PETRONAS Twin Towers. It has garnered back the pre-pandemic crowds with high shopper traffic. The presence of several international luxury brands and the architectural design of Suria KLCC has been key to Suria KLCC strong market presence.

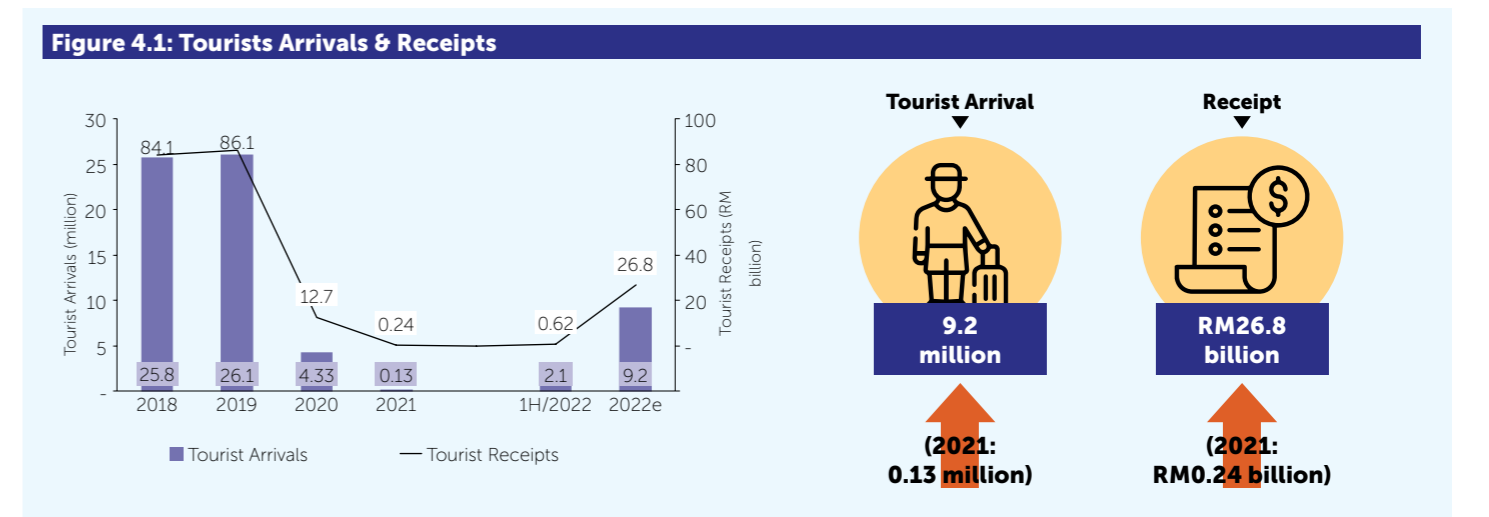
MARKET REPORT

**HOTEL MARKET OVERVIEW**

As the country transitions towards the endemic phase, the hospitality sector has regained a firm footing despite being the most impacted sector during Covid-19 outbreak. The improved tourist arrivals and receipts (Figure 4.1) were attributed to the reopening of international border on 1 April 2022 in tandem with the transition of the country towards endemicity. Being one of the main contributors to the country's economic growth, the government allocated RM1.6 billion through Budget 2022 to Ministry of Tourism, Arts and Culture (MOTAC) as a fuel to revive the country's tourism performance. The allocation received was the highest ever, representing 6.5% more than the previous year (2021: RM1.14 billion).

Accordingly, MOTAC launched Tourism National Plan 2022 (PRE 2.0) in May 2022, a collaboration of MOTAC with Tourism Malaysia to boost the domestic demand as well as stimulate the tourism industry. Through PRE 2.0, Malaysians benefitted from the vouchers and discounts offered by various industry players exclusively by Kuala Lumpur International Airport (KLIA) Express, Malaysia Association Hotels Owners (MAHO), Malaysian Association of Hotels (MAH), Malaysian Budget and Business Hotel Association (MyBHA) and Rangkaian Hotel Seri Malaysia (RHSM) Sdn Bhd from July to December 2022.

In addition, MOTAC introduced National Tourism Policy in 2020 to transform the tourism industry and position Malaysia as one of the global top 10 destinations in tourist arrivals and receipts. A strategic direction has been implemented to achieve the goal by harnessing public-private sector partnerships and embracing digitalisation.

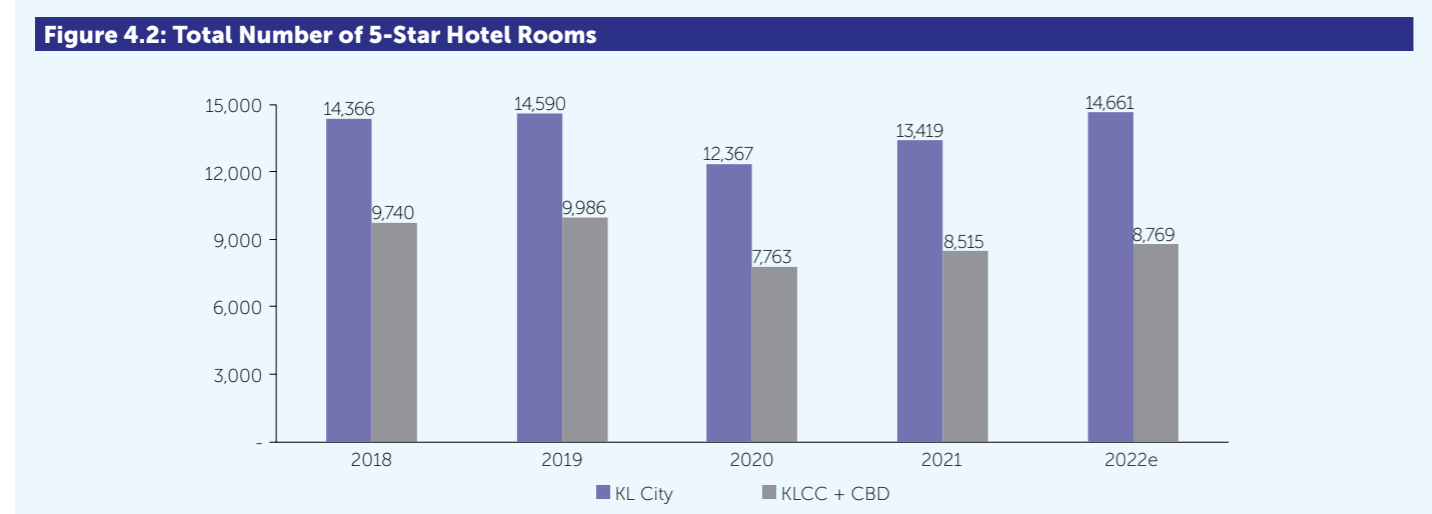


Source: Tourism Malaysia  
Note: e = estimate

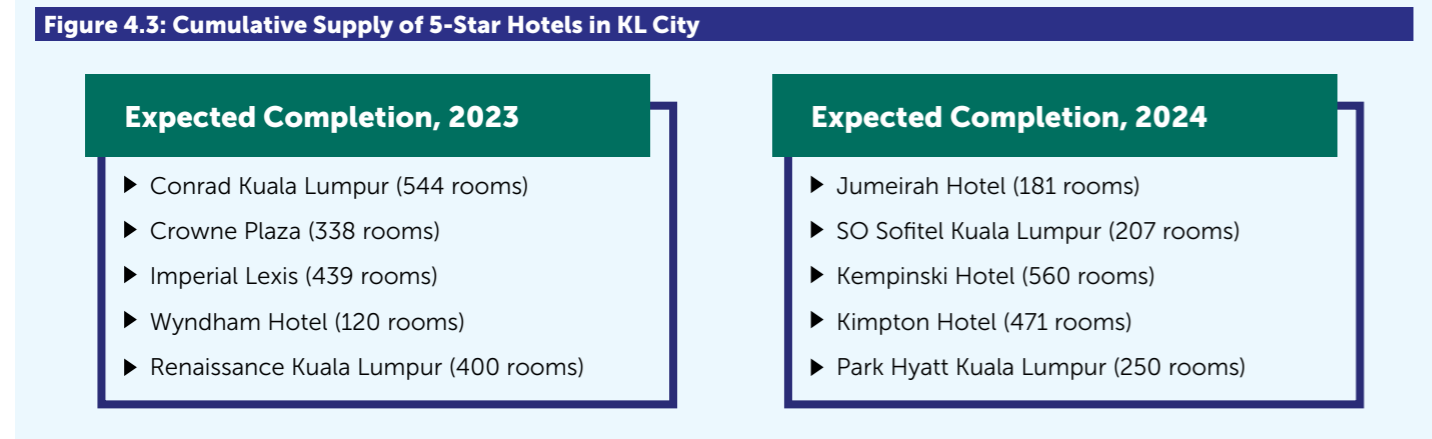
The reopening of international borders on 1 April 2022 heavily contributed to the increasing tourist arrivals. According to the MOTAC, over 1.6 million tourist arrivals were registered in May and June 2022, a threefold increase compared to the first four months in 2022 (Jan-Apr'22: 490,112). This remarkable comeback was also observed in July 2022, whereby a rise of 10.8% in tourist arrivals was recorded from June 2022, marking a total of over 3.2 million tourists. This favourable outlook is in line with MOTAC's revised projection of 9.2 million tourist arrivals and RM26.8 billion tourist receipts in 2022 (Figure 4.1).

MARKET REPORT

The market remains soft in KLCC and CBD area; however, a slow recovery was observed as the total supply of 5-star hotel rooms rose to 8,769 rooms in 2022 (Figure 4.2), with the addition of newly completed hotels, Amari Hotel (252 rooms) and M Resort Hotel (300 rooms).

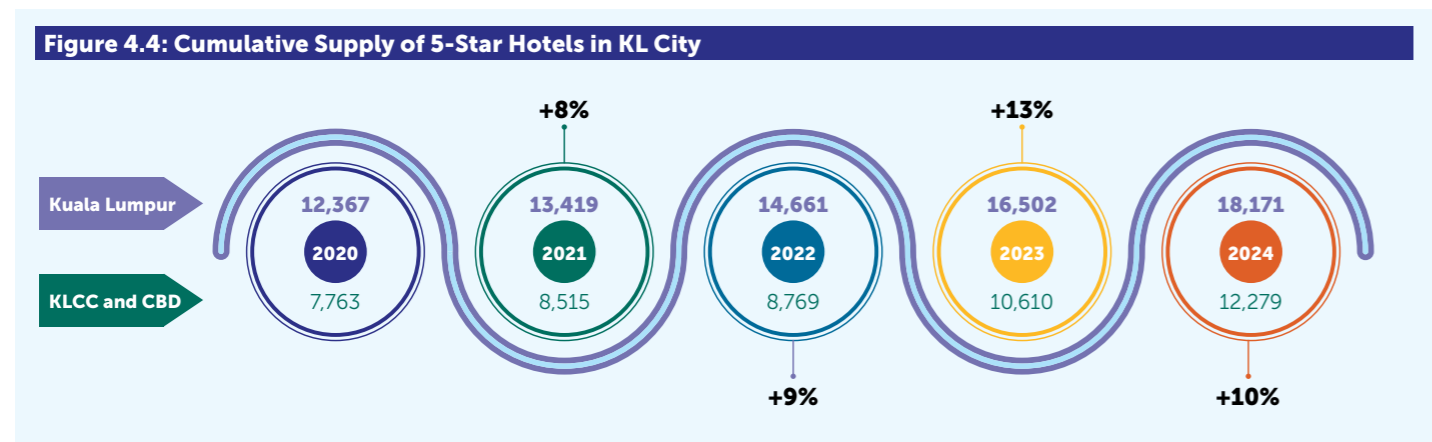


Source: Savills Research  
Note: e = estimate



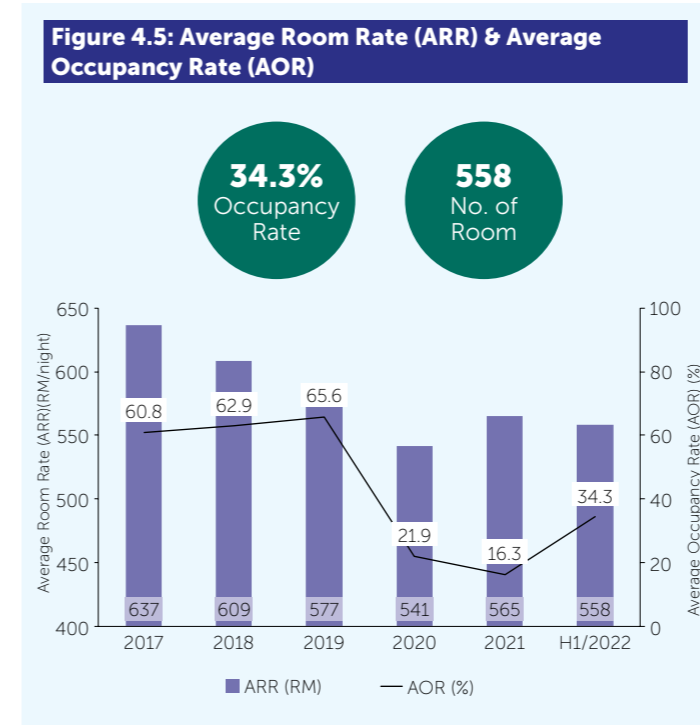
Source: Savills Research

Despite the challenges from the pandemic, the recovery of hotel room supply is expected to gain momentum as more hotel supplies are within the pipeline between 2023 to 2024. By 2024, the total room supply for 5-star hotels in KLCC and CBD is forecasted to expand to 12,279 rooms (Figure 4.4).



Source: Savills Research

MARKET REPORT



Source: STR Global  
Note: The chart for ARR and occupancy rate includes only 5-star hotels in KL City

The Average Room Rate (ARR) in KL City recorded a downward trend since 2017 from RM637, dipped to a low RM541 in 2020 (Figure 4.5) following the global virus outbreak. To help recover the financial loss during the Movement Control Order (MCO) period, many upscale hotels in KL City offered attractive rates for a staycation that lasted until December 2020, which also contributed to the lower ARR registered for the year 2020. The hotels involved such as The Ritz-Carlton Hotel Kuala Lumpur, EQ Hotel, Four Seasons Hotel, The St. Regis Kuala Lumpur, and W Kuala Lumpur. The ARR then stabilised between 2021 and H1/2022, registering an increase of 4.4% from 2020 to RM565 in 2021, almost back to pre-pandemic levels following the gradual resumption of economic activities as well as tourism industry.

The deterioration of AOR from 21.9% in 2020 to 16.3% in 2021 (Figure 4.5) was due to the lockdown restriction imposed by the government since March 2020 to curb the virus outbreak. The AOR rose to 34.3% in H1/2022 mainly attributed by the reopening of the international borders as well as the transition towards endemic phase that aimed to revive the country's economic performance. The recovery momentum will likely to sustain into 2023 as most hotels operate at full capacity, supported by domestic and international demand.

Hotel Market Outlook

The tourism industry is improving, albeit slowly. Tourism Malaysia expects a surge in tourist arrivals, primarily from ASEAN and European countries, under the new government's leadership. This will increase the confidence of international travellers, industry players and investors in the hospitality sector.

The reopening of international borders on 1 April 2022 as the country transitioned to the endemic phase of living with Covid-19 is expected to further boost the tourism industry in the coming future. Mandarin Oriental Kuala Lumpur (MOKL) Hotel gained a strong momentum with occupancy rate improved to 44% in FY2022, driven by both international tourists as well as domestic demand, coupled with MICE events and group bookings.

MOKL Hotel continued to strengthen its market recognition within the industry. In 2022, World Travel Award has awarded MOKL Hotel as Malaysia's Leading Business Hotel 2022, Malaysia's Leading City Hotel 2022 and Malaysia's Leading Hotel Suite 2022 (Royal Suite @ MOKL), along with ASEAN Green Hotel Standard 2022-2024 by ASEAN Tourism Awards 2022. On top of that, MOKL Hotel also received Forbes Travel Guide 2022 in 4-star Award Winners and World's Best Spa Brand 2022.

The weak ringgit currency has positively impacted the tourism industry, attracting more international travellers. The ringgit depreciation has improved travel affordability in Malaysia, making Malaysia one of the most affordable holiday destinations for foreign visitors.

Moving forward, as the world navigates towards normalcy, situations may recover. However, adding newly completed projects will likely result in a more challenging competition. As a result, ARR and AOR may remain under pressure and improve rather slowly. Hotel operators might face challenges in filling the vacancies due to the shortfall of staff as the hospitality sector has been a labour-intensive industry since the onset of the Covid-19 pandemic.

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MARKET REPORT

KEY TRENDS SHAPING OUR MARKET

The gradual reopening of the economy has reinvigorated the entire real estate industry. Despite being clouded with challenges from persistent uncertainties, recovery was forthcoming.

These trends have directly impacted and shaped the market landscape and as such, we have taken steps to adapt, grow in tandem and stay competitive in this rapidly changing business environment.

A STRONGER PUSH FOR SUSTAINABILITY

Description

The growing global call for organisations to demonstrate oversight on ESG issues and the demand for urgent actions, particularly on Climate Change, has increased the pressure for more accountability, greater regulatory scrutiny and improved disclosures on ESG performance.

During the year, Bursa Malaysia promoted and emphasised ESG best practices by PLCs under the PLC Transformation Programme, launched two new ESG themed indices under the FTSE Bursa Malaysia Index Series, enhanced sustainability reporting requirements in the listing requirements to elevate the sustainability practices and disclosures of listed issuers and announced the launch of Malaysia's pioneer voluntary carbon market with the introduction of the Bursa Carbon Exchange.

How we monitored and responded to the trend

- Set-up of dedicated Sustainability team under the Group Strategy & Sustainability Division to drive the Group's sustainability strategy and focused efforts. The Head of the Group Strategy & Sustainability Division also chairs the Group Sustainability Steering Committee, reporting to the Board Risk Committee
- Issued the Group's inaugural statement of support for the Ten Principles of the United Nations Global Compact on human rights, labour practices, environment and anti-corruption, strengthening its commitment to contributing towards the UNSDGs
- Streamlined our GHG emission data pursuant to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004) to establish accurate and verifiable database and determine our carbon emission reductions targets beyond 2023
- Commenced charting the pathway and milestones for the Group towards its aspiration of 25% carbon reduction by 2030
- Established sustainability governance structure and risks management processes to support the Task Force on Climate Related Financial Disclosures (TCFD) Recommendations. Conducted preliminary assessment against the TCFD recommendations and aim to report our progress in phases commencing 2023

To read more: Together towards a sustainable future on pages 124 to 131. Sustainability Report

TALENT ACQUISITION AND RETENTION

Description

The Great Resignation that began in 2021 has created a massive talent shortage and companies are struggling to find new workers. Every day, businesses are losing valuable employees who have found new jobs. It can take weeks or even months to find and train a new employee, which impacts the bottom line.

The working environment and flexible/hybrid working conditions are factors many employees demand in the current market. Companies who do not meet their employee expectations in these key areas risk losing their talent and suffer in the market. Employers are beginning to realise the importance of looking after their existing staff by investing in areas beyond just salary.

How we monitored and responded to the trend

- Conducted a series of talent reviews for identified talent pool to ascertain compatibility and readiness as successors to critical positions
- Conducted review of core capabilities inventory matrix, aligned to the Group's new operating model with Group's Subject Matter Expert
- Implemented various self-driven learning programs including experiential learning, virtual-led programs to address current and future capability requirements
- Enhanced employee progression criteria and aligned group's remuneration policy to the current industry practice in order to remain competitive
- Introduced enhanced leadership competencies assessment in response to the new working behaviours
- Enhanced relevant employment benefits – sick leave without hospitalisation, maternity leave, mental health treatment and hospitalisation coverage, upgraded Digital Mental Health partner to provide seamless Employee Assistance Program
- Intensified talent sourcing channels, leveraged Sponsor talent pool and improved recruitment dashboard

To read more: Stakeholder Management on pages 46 to 51. Sustainability Report

MARKET REPORT

DIGITAL AND TECHNOLOGY

Description

The pandemic served as a catalyst to adopt new forms of digital technology as a means of minimising in-person contact. As the world transitions to post pandemic, the industry is witnessing a continuous shift from real estate as a manual process into a digital one.

Companies are rethinking the role of digital technology in their overall business strategy and how to conduct business at the quickening pace which is now required to operate. Customers, employees and value-chain partners have all increased their use of technology, paving the way for more rapid, technology-driven changes going forward.

To read more: Operations Review on pages 84 to 109.

How we monitored and responded to the trend

- Launched Service Request Management System (DiReq@Digital Requests) to better manage and organise KLCC Group employees' request for digital related services
- Development of an integrated dashboard for Group Procurement which displays real-time status for procurement related requests; an operating dashboard for KLCC Parking Management which provides real-time monitoring and assists in decision making by leveraging data analytics from multiple touch-points within the parking operations
- Installed facial recognition devices for improved security and contactless access at PETRONAS Twin Towers
- Implemented new Visitor Management System – from manual to digital visitor registration, providing a seamless experience for visitors entering the office buildings of PETRONAS Twin Towers, Menara 3 PETRONAS and Kompleks Dayabumi
- MOKL Hotel installed a new digital platform – 'helloMO', accessible via QR code and enables 24-hour communication with hotel guests from reservation to check-out
- Suria KLCC launched its Shopping e-Vouchers (SKLCC e-Vouchers) as part of its customer reward programmes for a more targeted retail experience

CYBER SECURITY

Description

Cyberattacks are now the fastest growing crime on a global scale. As technology advances exponentially, cyber security also evolves and matures in its ability to take down cyber threats and attacks. Businesses and organisations are taking major steps to strengthen their security measures. Apart from implementing firewalls and sophisticated IT protocols, companies now deem important to augment the capabilities of their IT personnel and employee awareness.

How we monitored and responded to the trend

- Conducted Cyber Security – Business Impact Analysis and Legal Regulatory Assessment to assess the impact of system disruption in terms of Confidentiality, Integrity and Availability and Maximum Acceptable Outage
- Developed the Digital Project Management Framework that governs all Information Technology and Operational Technology Systems processes for the Group's ICT and Digital projects
- Implemented PETRONAS Zscaler Internet Access to ensure secured browsing particularly by users on Work From Home mode
- Assessed on all critical Third Party vendors' applications to ensure Disaster Recovery and Backup Restore Procedures are incorporated into their applications
- Organised the Global Cyber Security Month for the Group to raise cyber security awareness and adoption levels; Conducted regular cyber security and Phishing Awareness Training for users
- Upskilled Enterprise Content Management System Representatives and Document Records Management Focals on the best practices to support the principle of information Security and Risk Management
- Enforced the Personal Data Protection Act, General Data Protection Regulation and Payment Card Industry, and Data Security Standards to ensure compliance by vendors

Sustainability Report



# STAKEHOLDER MANAGEMENT

KLCCP Stapled Group's commitment is to create long-term value for our stakeholders'. Stakeholders are defined as parties who are impacted by our Group's business decisions and activities, as well as parties whose actions and decisions will influence our Group's growth. We maintain regular engagements with our stakeholders, enabling us to address their concerns. We seek their views and manage their interests and expectations through our engagements.

The spread below shows a summary of our stakeholder engagements, why they are important to us, our value proposition to them, how we responded to them and the values we created from these engagements.

## SHAREHOLDERS, INVESTORS AND BUSINESS PARTNERS

Our shareholders, investors and business partners define the trust, reputation and credibility of our organisation and provide access to funding to grow our business

## EMPLOYEES

Our employees are the Group's greatest asset. Through their dedication, passion and belief in our shared values, we deliver desired results

## GOVERNMENT, LOCAL AUTHORITIES AND REGULATORS

The Government, local authorities and regulators provide the regulatory framework in which we operate in respect to compliance and risk mitigations

## TENANTS, CUSTOMERS AND GUESTS

Our tenants, customers and guests drive the pace of the market dynamics that underpins the growth and success of our business

## SUPPLIERS AND SERVICE PROVIDERS

Our suppliers and service providers drive our sustainable value chain with valued expertise and support, contributing to the quality of services and products we procure

## COMMUNITY

Our community define our social relevance, how we connect and foster goodwill and deliver a lasting positive impact by addressing their needs

## MEDIA

The media shapes market perception and is a key multiplier of information to the public and builds positive dialogue with our organisation

V4

# CREATE FOR OUR HOLDERS



## ENGAGEMENT AND COMMUNICATION PLATFORMS



## KEY TOPICS AND CONCERNS



## OUR RESPONSES



## VALUES CREATED

- Stable returns to holders of Stapled Securities – distributed 92% of distributable income amounting to a full year dividend payment of RM686.0 million
- Operational excellence and long-term sustainable returns
- Strong brand positioning to sustain competitive advantage
- Recognition by the industry e.g. The Asset Platinum Award on ESG Excellence.
- Better-informed investment community contributed by our transparent practices

- Equal employment opportunities and career progression
- Healthy and safe work environment that promotes sustainability
- Long-term employment from hire to retire
- Opportunities for learning, development and growth
- Well-informed and competent employees
- Competitive remuneration and benefits
- Opportunities for learning, development and growth - RM1.0 million spent on learning and development with 96% employees underwent training
- Well rounded employees through organisation of sports, recreational and environmental conservation activities

- Complied with policies, regulations, guidelines, and standards set forth in relation to the industry
- Excellent rapport with the investment community through regular feedback/ data to regulators for analysis and in promoting the REIT industry
- Contributed to the nation's coffers with taxes due to the Government amounted to RM70.2 million for the year
- Advanced industry standards through adoption of best practices across our operations
- Achieved carbon reduction of 33% compared to 2015 (base year)

- Safe and secured place to work, shop, stay and enjoy leisure
- Greater vibrancy and elevating shopping experience
- Innovative and trend setting products and services
- High service level standards and enhanced customer experience evidenced by continued patronage at hotel
- Reliable professional services, safe shopping environment and innovative trend setting products and services evidenced by customer satisfaction score of 86%, 83% and 88% for hotel, parking and office operations respectively
- Higher footfall and tenant sales in part due to our experiential reward programmes and campaigns

- Growth and business expansion opportunities for suppliers
- Diversity and local content - local procurement at 100% in 2022
- Culture of sustainable procurement through supply of environmentally friendly products
- Established culture of ethical practices by complying with the Code of Conduct and Business Ethics (CoBE)

- Community and improved societal well being - contributed RM17 million in corporate social investment
- Safe and secure environment for tenants, shoppers and guests

- Good relationship with the media
- Error-free reporting
- Enhanced brand equity and public confidence
- Higher and positive exposure of brand

V1

V2

V3

V4

**SHAREHOLDERS, INVESTORS AND BUSINESS PARTNERS**

- Annual General Meetings (AGM)
- Business Partners' Board Meetings
- Investors and analysts' briefings
- Results announcements
- Corporate website
- Annual report
- Press Releases

- Financial management
- Business resilience and sustainability
- Environment, Social and Governance (ESG) practices
- Business strategy and long-term growth
- Governance practices
- Negative reports in conventional and social media

- Quarterly results announcements, analyst briefings, one-on-one video conferences, Board meetings, AGM and news coverage
- Communication of our ESG practices through our Sustainability Report, corporate website, emails and online ESG World Platform
- Strong corporate strategies that provide clear business direction
- Engagements with investors through ESG themed site visits

**EMPLOYEES**

- Townhall session by CEO
- Dialogue and engagement with Leadership Team
- Training/workshop/teambuilding/sharing sessions
- Intranet/Emails/HR Careline/memos
- Employee satisfaction survey/Organisational Culture Survey
- Health and recreational activities
- KLCC MyWellness Website and App

- Group's Strategies, long-term growth and performance
- Skills and capability development
- Career progression
- Employee benefits and compensation
- Security, safety, health, and well-being
- Work life balance
- Job security

- Updates on financial performance, growth plans and employees' matters
- Structured training and e-learning for all levels
- Quarterly employees' career advancement discussions at the Human Capital Planning and Development Committee
- Various HSE (Health Safety and Environment) awareness programmes
- Staff engagement sessions assuring job security
- Naluri's health assessment/campaign/talk through MyWellness KLCC to support staff mental health and fitness

**GOVERNMENT, LOCAL AUTHORITIES AND REGULATORS**

- Emails/letters to provide feedback, updates and queries
- Formal meetings, briefings, forums, visits, and consultations
- HSE inspections of business premises
- Collaboration with local authorities in managing KLCC Precinct's safety and security

- Contribution to economic, and industry growth
- Compliance with government policies, laws, and regulatory requirements
- Compliance to Covid-19 SOPs
- Ethical business practice

- Conducted briefings to relevant ministries, government departments, and agencies on Group's operations or areas of interest
- Monitored compliance through periodic internal assessments
- Implemented containment strategy, initiatives and adhered to health and hygiene protocols
- Responded to local authority's request for carbon emission data of our assets

**TENANTS, CUSTOMERS AND GUESTS**

- Hotline, surveys, and emails to manage queries, customers/tenants' feedback
- Awareness campaigns on environmental conservation i.e., energy conservation, water use, promoting use of digital platforms, etc.
- Loyalty programmes for shoppers and hotel guests
- Dialogue and engagement sessions
- Social media
- Website
- Online platforms to promote products and services

- Security within the KLCC Precinct
- Customer satisfaction on product and services
- Product safety
- Condition of amenities provided in our properties
- Promotions and rewards

- Provided safe and convenient environment
- Offered a diverse retail mix to cater to lifestyle and trends
- Held promotional campaigns and reward programmes at our hotel and retail malls to drive occupancy and footfall.
- Improved customer/guest experience via digitalisation initiatives
- Extended tenant support by extending various assistance packages on lease-by-lease basis
- Continued the "Safe Space" initiative to address mental health awareness campaign whilst providing an environment of acceptance and compassion for the community
- Continued "WeCareProgramme" to enhance high standards of hygiene awareness for the comfort of our hotel guests
- Creating digital lifestyle products and self-service customer care solutions

**SUPPLIERS AND SERVICE PROVIDERS**

- Meetings and workshops
- Safety briefings
- Evaluations/performance reviews/audits
- Corporate presentations
- Supplier training programmes

- Fair competition and compliance to procurement guidelines
- Potential business opportunities
- Transparency of tender processes
- Compliance with laws and regulations
- Contract extensions/expiries
- Prompt issuance of payments

- Provided equal opportunities for eligible suppliers
- Requested for information to meet the project/service requirements
- Conducted online evaluation
- Engagement with suppliers on HSE related matters, procurement procedures and Anti-Bribery Management System
- Supporting local direct and indirect employment through our supply chain

**COMMUNITY**

- Corporate Social Responsibility (CSR) programmes
- News portals, emails, websites, leaflets, kiosks, posters

- Environmental and social benefits and impacts caused by our business activities
- Health and safety measures in our business operations

- Participated in CSR programmes i.e., donation and sponsorship, environmental conservation programmes, etc
- Enhanced security measures within KLCC Precinct through 24/7 monitoring via CCTV with analytics
- Contributed to welfare fund of the local authorities
- Contributed in maintenance of public infrastructure e.g. KLCC Park and Pedestrian walkways

**MEDIA**

- Press releases
- Emails
- Press conferences
- Interviews
- Media events

- Financial performance, growth strategy and future plans
- Media investment i.e., media buy, subscription of media services
- Participation in events and engagement with media

- Issued press releases on quarterly results, events and notifications
- Participated in media events and interviews
- Organised media interview, press conference and provided relevant information requested

**HOW WE VALUES STAKE**

**CREATE FOR OUR HOLDERS**

**Working closely with our stakeholders for a sustainable future together**



**ENGAGEMENT AND COMMUNICATION PLATFORMS**



**KEY TOPICS AND CONCERNS**



**OUR RESPONSES**



**VALUES CREATED**

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STAKEHOLDER MANAGEMENT

INVESTOR RELATIONS

...  
**Understanding our investors' views is fundamental to how we run the business, develop our strategy and shape our priorities. Adapting to Covid-19 business restrictions and the shift of the new way of working, the Investor Relations (IR) Team has effectively embraced digital communication to carry out all IR programmes, including investor meetings, conferences and all the Group's events since 2020.**

HIGHLIGHTS FOR THE YEAR

▶ **Engaged**  
**130**  
 institutional investors, analysts, fund managers



- Q1** **28 January 2022**  
Analysts Briefing - 4Q 2021 Results (Teleconference)
- 12 April 2022**  
KLCCP and KLCC REIT Annual General Meeting (Virtual)

▶ **Connected with**  
**10**  
 foreign investors virtually



- Q2** **24 May 2022**  
Analysts Briefing - 1Q 2022 Results (Teleconference)
- 23 June 2022**  
CITI Asia Pacific Property Conference (Virtual)

▶ **Participated in**  
**10**  
 conferences/briefings virtually



- Q3** **7-8 July 2022**  
IMT - GT & BIMP - EAGA Green City Action Plan Kick-Off
- 9 August 2022**  
Analysts Briefing - 2Q 2022 Results (Teleconference)
- 25 August 2022**  
ESG-themed site visit with Kenanga Investment Bank
- 21 September 2022**  
CityNet Congress 2022

▶ **Hosted**  
**1st**  
**ESG-themed site visit** for our analyst & institutional clients

- Q4** **18 October 2022**  
3rd Annual Malaysian REIT Forum 2022
- 10 November 2022**  
Analysts Briefing - 3Q 2022 Results (Teleconference)

Communication and Engagement with Investment Community

The Covid-19 pandemic changed the way that companies interact with the investment community - more reliance on virtual engagement and remote communication. At KLCCP Stapled Group, we regularly engage with the investment community to keep them informed about the Group's financial performance and plans. The Group's investor relations activities for the year included:

1. Annual General Meeting

In 2022, even as the pandemic began to subside, the Group continued to conduct the AGMs virtually as we continually seek to improve the quality of the meetings and engagements with our shareholders through the latest digital platforms and technologies. Apart from ensuring the safety of our shareholders and our employees, the Group leveraged technology to make the AGM experience more interactive and engaging for stakeholders - virtual voting systems, online Q&A sessions, and multimedia presentations. The virtual mode also allowed for flexibility and outreach to a wider audience.

19th Annual General Meeting - KLCCP	9th Annual General Meeting - KLCC REIT
Live Streaming from Mandarin Oriental, Kuala Lumpur	
▶ <b>1,407 shareholders registered</b> for the event	▶ <b>98 questions were answered</b> during the live event
▶ <b>1,365 shareholders logged on</b> to the Remote Participation and Voting Facility	▶ The <b>CEO's Year in Review video</b> was played
	▶ <b>Proposed resolutions</b> tabled <b>duly passed</b>



Our CEO, Datuk Md. Shah Mahmood hosted his first AGM since coming onboard where he presented the year in review, updating the attendees on the financial and non-financial performance, its strategic focus and initiatives and the prospects as a Solutions Partner to all our stakeholders.

During the Question & Answer (Q&A) session, all pre-submitted and live questions raised by holders of Stapled Securities and Minority Shareholder Watch Group were addressed. Questions that were not addressed at the AGM due to time constraints were responded to via email and recorded in the minutes under the Q&A section. Both

KLCCP & KLCC REIT AGM's minutes and Q&A are available on our corporate website.

2. Quarterly analyst meetings

Following the Group's quarterly financial results announcement, the analysts and the investment community members are invited to attend a results briefing and Q&A session hosted by our CEO, CFO, Head of Strategy & Sustainability, and the IR Team. These sessions were held to ensure the relevant parties fully understand our financial results and to provide them with a platform to pose their questions. These sessions also serve as a platform for the IR Team to seek feedback from the investment community. All presentation materials and recordings were made available on the website as soon as the briefings concluded.

STAKEHOLDER MANAGEMENT

3. Conferences and Investor Meetings

In our continuous effort to promote the Group and contribute towards the REIT industry's development, we co-hosted the 3<sup>rd</sup> Malaysian REIT Forum 2022 with the Malaysian REIT Managers Association (MRMA). With the theme 'M-REITs & The Road Ahead', this year's forum packed important topics ranging from Malaysia's economic landscape, global recession, rising interest rates environment, ESG issues impacting M-REITs and the property market overall. During the forum, our CEO was a panellist for the "Meet the REITs (Office)" panel sessions where he shared his views on the Office sector, alongside other M-REITs CEOs, industry players, and experts.

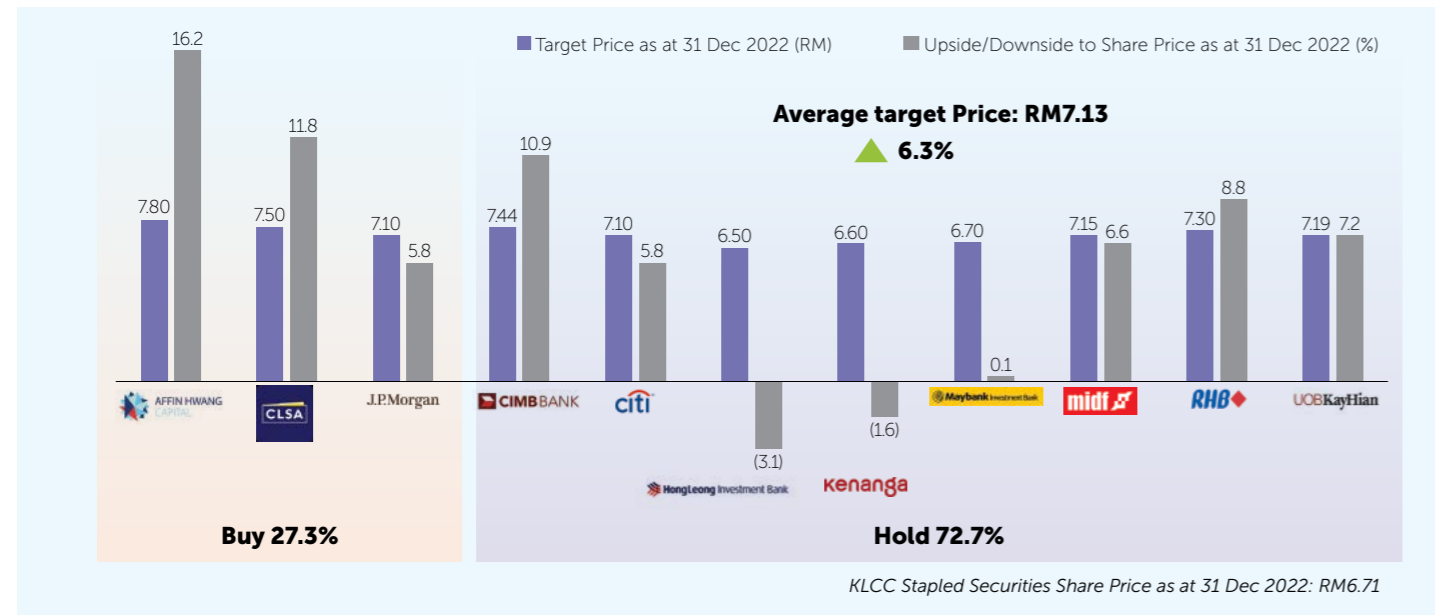


This year's event was held physically in Kuala Lumpur with 300 attendees, including the C-Suites, government leaders, business leaders, international institutional investors, and specialists in the REIT industry from the region.

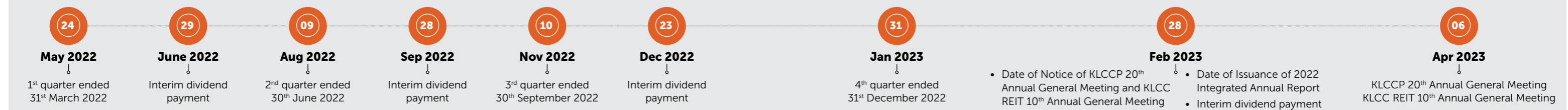
In addition to the MRMA REIT Forum, the Group also participated in the CITI Asia Pacific Property Conference as well as the 9<sup>th</sup> CityNet Congress, co-hosted by CityNet Secretariat and Kuala Lumpur City Hall. Our Group CEO also participated in the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) Green City Action Plan Kick-Off: Building Back Better event that took place in Langkawi.

Analyst coverage and recommendations

KLCCP Stapled Group is presently covered by 11 analysts both from local and foreign research houses. As at 31 Dec 2022, our stock's overall target price stands at RM7.13 with 3 Buy and 8 Hold calls. The analysts' positive outlook on the Group's overall performance is reflected by the upside in share price of 6.3% as at 31 December 2022.



Financial Calendar



STAKEHOLDER MANAGEMENT

Rise of ESG communication

The pandemic has brought attention to environmental and social issues, and investors are increasingly taking these factors into consideration when making investment decisions. They are seeking out companies that are not only financially sound but also environmentally and socially responsible. Establishing a dedicated ESG team within the Group has further strengthened our ESG communications. The IR team continues to be the point of contact relating ESG to the investment community. We continue to include ESG communication to investors in our IR presentation materials and briefing decks, primarily with regard to our sustainability initiatives and the Group's performance.

This year, we hosted our first-ever ESG-themed site visit for Kenanga Investment Bank and its key clients from institutional investors and buy-side companies on 25 August 2022. As they are now integrating ESG into their investment process, this visit was part of the efforts to educate them on the Group's sustainability-related initiatives.

During the half-day tour, the IR and the ESG team presented the Group's sustainability journey, current and ongoing ESG initiatives and our focus on looking beyond. We also showcased the Integrated Building Command Centre (IBCC) and the solar panels on the rooftop of Suria KLCC, from the Sky bridge at Level 42, PETRONAS Twin Towers, Premium Parking EV charging systems, responsible procurement and elimination of single-use plastic by MOKL Hotel and tree tagging using QR codes and permeable pavement at the KLCC Park.

It was a very insightful tour with active participation from the analysts. They gained deeper understanding and better awareness of the various ESG initiatives undertaken by the Group. We will continue to encourage more ESG initiatives and transparent disclosures in ESG reporting within the investment space.

The Group also participated in the Minority Shareholder Watch Group's (MSWG) Asean Corporate Governance Scorecard (ACGS) assessment, which allowed us to assess our own corporate governance quality and identify areas for improvement. We also continue to be a member of the United Nations Global Compact Network Malaysia (UNGCMY), giving us access to the platform's sustainability content, tools, and best practices. We are currently assessing our readiness to comply with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

in our future reporting in order to provide useful climate-related financial information to our investment community.

Looking beyond

We will continue to prioritise transparency and disclosure in our communication with investors. This includes providing accurate and timely financial information, regular updates on business performance and strategy plans, leveraging on stronger digital presence.

As investors are becoming more heavily dependent on ESG factors for their investment decision-making, the IR team will further enhance the ESG reporting in our communication materials to demonstrate our commitment to sustainability. We will continue to update our ESG World Platform, a tool that allows the investment community easy access to our Group's ESG data, initiatives and compliance to sustainability indicators in our corporate website. This tool will ease the investment community access to our updated ESG disclosure.

We will focus on transparency, disclosure best practices, ESG reporting, digital communication, data-driven analysis and investor engagements in 2023. These priorities reflect investors' changing needs and expectations and the ongoing evolution of technology post-pandemic era.

For investor-related queries and feedback, we can be reached at investor\_relations@klcc.com.my. We look forward to continuing effective engagements with holders of Stapled Securities and the investment community.



Scan here to view the ESG World platform

# MATERIAL SUSTAINABILITY MATTERS

Material sustainability matters can impact the economy, environment, social, and businesses. Materiality assessment is conducted to identify and prioritise the issues that matter most to KLCCP Stapled Group and our stakeholders. The Group then strategises our approach to manage material sustainability issues, meet stakeholder needs and addresses the risks and opportunities of the identified material issues.

In identifying our material sustainability matters, we benchmarked against our industry peers and, evaluated our sustainability context, stakeholder issues, associated risks and opportunities. We considered both internal and external factors affecting the industry in our review and assessed their impact on our business, and the importance to our stakeholders.

The material sustainability matters for the Group were identified in 2019 and validated annually. In 2022, we reviewed and validated our list of material sustainability matters and benchmarked it against the sustainability reporting guidelines, reporting framework and standards. We have included the Bursa Malaysia Prescribed Common Sustainability Matters in our list.

## OUR MATERIAL MATTERS ASSESSMENT PROCESS:

### 1 IDENTIFICATION

Conducted extensive horizon scanning exercise to identify the list of material matters by benchmarking against real estate and REIT peers domestically and globally whilst taking into account relevant risks and opportunities.

### 2 PRIORITISATION

Prioritised 39 material matters taking into consideration the relevance to our business, current market trends as well as the economic landscape.

Reviewed the 39 material matters, consolidated into 12 material matters and ranked them as high, medium, and low based on their impact to the Group and level of interest to the stakeholders.

### 3 MATERIALITY ASSESSMENT

Compared the 12 material sustainability matters 2021 against the Bursa Malaysia Guideline and other Sustainability Reporting Framework and Standards.

Realigned the list to include the Bursa Malaysia Prescribed Common Sustainability Matters.

Deliberated the list at the Sustainability Steering Committee meeting.

Produced a final list comprising 13 material matters.

### 4 VALIDATION

Presented the final list of materiality matters to the CEO and the Boards.

Obtained agreement on 13 material matters.

## MATERIAL SUSTAINABILITY MATTERS

### MATERIAL SUSTAINABILITY MATTERS

- |    |   |  |
|----|---|--|
| 1  | <b>Health, Safety and Security</b>          | Safety and Health Management, Security Management, Mental Wellness       |
| 2  | <b>Human Capital Development</b>            | Skills and Capability Development, Workforce Engagement                  |
| 3  | <b>Human Rights</b>                         | Equality, Diversity and Inclusion, Women Empowerment, Non-Discrimination |
| 4  | <b>Labour Standard and Practices</b>        | Employee Benefits and Compensation, Responsible Employment, Job Security |
| 5  | <b>Climate Change and Energy Management</b> | GHG Emission, Energy Management, Renewable Energy                        |
| 6  | <b>Supply Chain Management</b>              | Local Procurement Management   |
| 7  | <b>Financial Sustainability</b>             | Delivering and Adding Value, Digitalisation                              |
| 8  | <b>Customer and Tenant Management</b>       | Tenant Engagement, Customer Experience and Satisfaction                  |
| 9  | <b>Corporate Governance</b>                 | Governance and Compliance, Risk and Crisis Management, Board Diversity   |
| 10 | <b>Business Ethics</b>                      | Integrity and Corruption Management                                      |
| 11 | <b>Cyber Security and Data Privacy</b>      | Incident Management, Capability Building, Data Security                  |
| 12 | <b>Environment Management</b>               | Water Management, Waste Management                                       |
| 13 | <b>Corporate Social Responsibility</b>      | Investment in Local Communities, Charity and Donations                   |

HIGH

MEDIUM - HIGH

MATERIAL SUSTAINABILITY MATTERS

PEOPLE

HUMAN CAPITAL DEVELOPMENT

- Skills and Capability Development
- Workforce Engagement



Risks

- Failure to retain employees
- Failure to equip employees with skillsets required for advancements in technology
- Failure to address financial and emotional stress leading to lack of productivity

Opportunities

- Transforming our workforce with the right mindset and culture
- Keeping a resilient organisation with engaged and competent employees
- Reducing employee turnover costs

Stakeholders Impacted

- Employees

HUMAN RIGHTS

- Equality, Diversity and Inclusion
- Women Empowerment
- Non-Discrimination



Risks

- Failure to prevent reputational damage if perceived to practice discrimination

Opportunities

- Elevating women leadership within the Group, in line with the nation's aspiration
- Attracting and retaining customers who are concerned on human rights

Stakeholders Impacted

- Employees
- Tenants, Customers and Guests

- Suppliers and Service Providers
- Community

LABOUR STANDARD AND PRACTICES

- Employee Benefits and compensation
- Responsible Employment
- Job Security



Risks

- Failure to prevent reputational damage due to perceived violation of labour practices
- Non-compliance to regulations

Opportunities

- Implementing good grievance mechanism and practices
- Enhancing productivity and employee retention

Stakeholders Impacted

- Shareholders, Investors and Business Partners
- Employees
- Tenants, Customers and Guests

- Suppliers and Service Providers
- Community

HEALTH SAFETY AND SECURITY

- Safety and Health Management
- Security Management
- Mental Wellness



Risks

- Threats to employees' Health and Safety - work related illnesses, and occupational hazards
- Threats to security of our guests, tenants, customers, and assets in relation to any global security threats
- Threats to employees' mental health due to work stress, job security and other personal issues

Opportunities

- Maintaining a healthy workforce and safe workplace for a sustainable business
- Ensuring leadership commitment in heightening safety and health standards
- Providing support to improve health and wellbeing for a sustainable work-life balance

Stakeholders Impacted

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers

MATERIAL SUSTAINABILITY MATTERS

PLANET

CLIMATE CHANGE

- GHG Emission
- Energy Management
- Renewable Energy



Risks

- Potential worsening of global warming
- Potential business disruption due to severe weather conditions
- Failure to meet increased operation costs due to material / resource scarcity as a result of climate change
- Threats to human health – physical and psychological wellbeing
- Failure to meet increased demand by investors for low carbon / climate resilient companies

Opportunities

- Supporting the government's efforts to transition to a low-carbon economy by 2050
- Reducing energy usage by adopting energy efficient practices
- Assessing climate risk helps to future proof our business operation
- Attracting investments by being a climate resilient business

Stakeholders Impacted

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers
- Community
- Government, Local Authority and Regulators

ENVIRONMENTAL MANAGEMENT

- Water Management
- Waste Management



Risks

- Degradation of environment quality caused by our operations
- Financial and reputational loss due to legal non-compliance
- Environmental pollution causing negative impact to the community

Opportunities

- Implementing good waste management practices
- Promoting circularity in environment management
- Enhancing our credibility by being certified to ISO 14001 Environmental Management System
- Saving costs by resources conservation

Stakeholders Impacted

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers
- Community
- Government, Local Authority & Regulators

PEACE

CORPORATE GOVERNANCE

- Corporate Governance and Compliance
- Risk and Crisis Management
- Board Diversity



Risks

- Heightened legal, regulatory and reputational risks
- Business disruption due to lack of preparedness to face crisis / emergency

Opportunities

- Promoting governance practices that contribute to growth and management stability
- Engaging shareholders on investment decisions and promoting management transparency
- Ensuring business continuity and resiliency

Stakeholders Impacted

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers
- Community
- Government, Local Authority and Regulators
- Media

MATERIAL SUSTAINABILITY MATTERS

PEACE

**BUSINESS ETHICS**

- Integrity and Corruption Management



**Risks**

- Lack of control and strategic alignment leading to corruption, negligence, fraud, and lack of accountability
- Potential corporate legal liability
- Reputational loss if perceived as a corrupt corporate

**Opportunities**

- Improving organisational efficiency and effectiveness in managing bribery and corruption risks to foster trust and integrity
- Enhancing credibility of anti-corruption practices in the organisation by being certified to ISO37001 ABMS

**Stakeholders Impacted**

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers
- Community
- Government, Local Authority and Regulators
- Media

**CYBER SECURITY AND DATA PRIVACY**

- Incident Management
- Capability Building
- Data Security



**Risks**

- Threat to Data Security
- Financial loss for recovery of system

**Opportunities**

- Engaging with stakeholder and employees to create awareness on data protection and accountability
- Creating awareness on network and data protection to minimise cyber risks

**Stakeholders Impacted**

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers
- Community
- Government, Local Authority and Regulators
- Media

PROSPERITY

**FINANCIAL SUSTAINABILITY**

- Delivering and Adding Value
- Digitalisation



**Risks**

- Unexpected increase in costs due to global uncertainty and volatile market
- Insufficient working capital leading to financial insolvency
- Inability to compete in a challenging market
- Lack of efficiency and competitiveness to survive in the digital era

**Opportunities**

- Reducing operating costs to conserve cash for survival
- Unlocking value through asset portfolio optimisation
- Leveraging our core competencies to promote economic and industry growth
- Improving operational efficiency and cost effectiveness through digitalisation and new technology

**Stakeholders Impacted**

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees
- Suppliers and Service Providers
- Community

MATERIAL SUSTAINABILITY MATTERS

PROSPERITY

**CUSTOMER AND TENANT MANAGEMENT**

- Tenant Engagement
- Customer Experience and Satisfaction



**Risks**

- Failure to keep up with the rapid changes in customer expectations and digital revolution
- Impedes market leader position due to intensifying competition and disruption to business trends

**Opportunities**

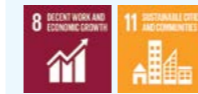
- Reimagining office spaces to meet the evolving needs of our tenants
- Re-strategising retail with refreshing tenant and trade mix to drive footfall
- Differentiating the consumer offering with a focus on experience
- Innovating hotel's services and offerings to adapt to the new norm to provide quality guest experience
- Retaining tenants by providing rental assistance to help their businesses recover
- Boosting shopper traffic, guest's arrival, and sales upon re-opening of businesses

**Stakeholders Impacted**

- Shareholders, Investors and Business Partners
- Tenants, Customers and Guests
- Employees

**SUPPLY CHAIN MANAGEMENT**

- Local Procurement Management



**Risks**

- Potential conflict of interest, corruption and unethical practices
- Quality and safety of products and services at stake
- Unmitigated ESG risk in the supply chain
- Overdependence on foreign suppliers may result in cost escalation and increase in carbon emission

**Opportunities**

- Creating a database of reputable and reliable suppliers
- Collaborating with suppliers
- Enhancing the pool of suppliers for procurement of quality products and services
- Building capability in ESG practices amongst local suppliers

**Stakeholders Impacted**

- Suppliers and Service Providers
- Tenants, Customers and Guests
- Community
- Shareholders, Investors and Business Partners

**CORPORATE SOCIAL RESPONSIBILITY**

- Investment in Local Communities
- Charity and Donations



**Risks**

- Unfavourable reputation for the Group due to lack of involvement in corporate social responsibility initiatives
- Preference to particular charitable beneficiaries

**Opportunities**

- Enhancing brand visibility to the wider community
- Increasing employees' awareness and involvement
- Giving back and creating a positive and lasting impact to the community
- Creating Value for the Society

**Stakeholders Impacted**

- Employees
- Community

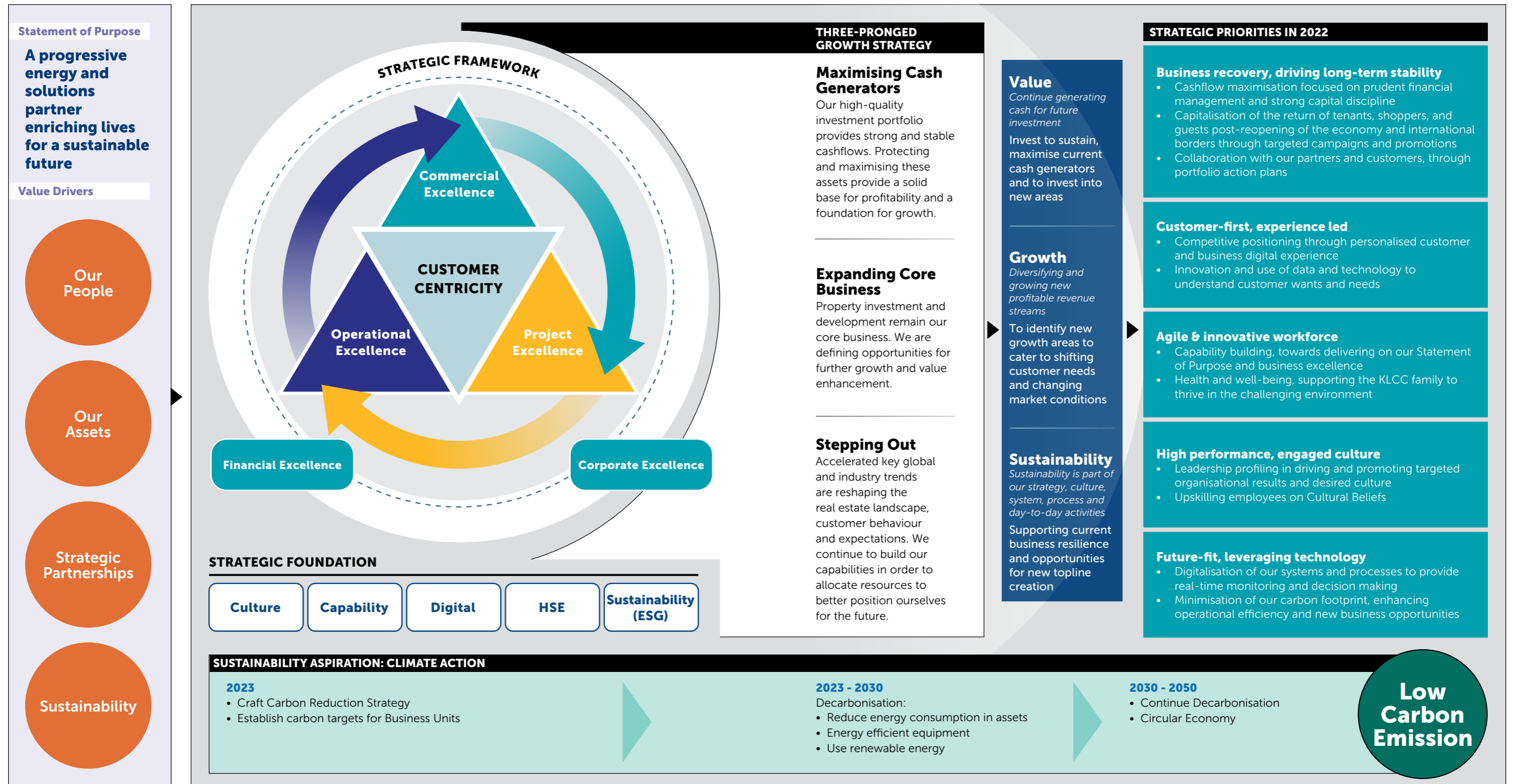
# STRATEGIC BLUEPRINT

## STRATEGIC BLUEPRINT

### OUR THREE-PRONGED GROWTH STRATEGY

The changing industry landscape and the accelerated key trends brought on by the pandemic fueled the importance of positioning KLCCP Stapled Group's growth with a clear view of the external forces and underlying factors that drive the industry – economic, social, consumer preferences, sustainability drivers and lower carbon footprint.

Our Three-Pronged Growth Strategy ensures alignment with our Statement of Purpose and provides a sharper guardrail for Group-wide efforts as we strengthen our portfolio to future-proof the organisation and ensure the Group's long-term survivability.





# OUR STRATEGIC VALUE CREATION

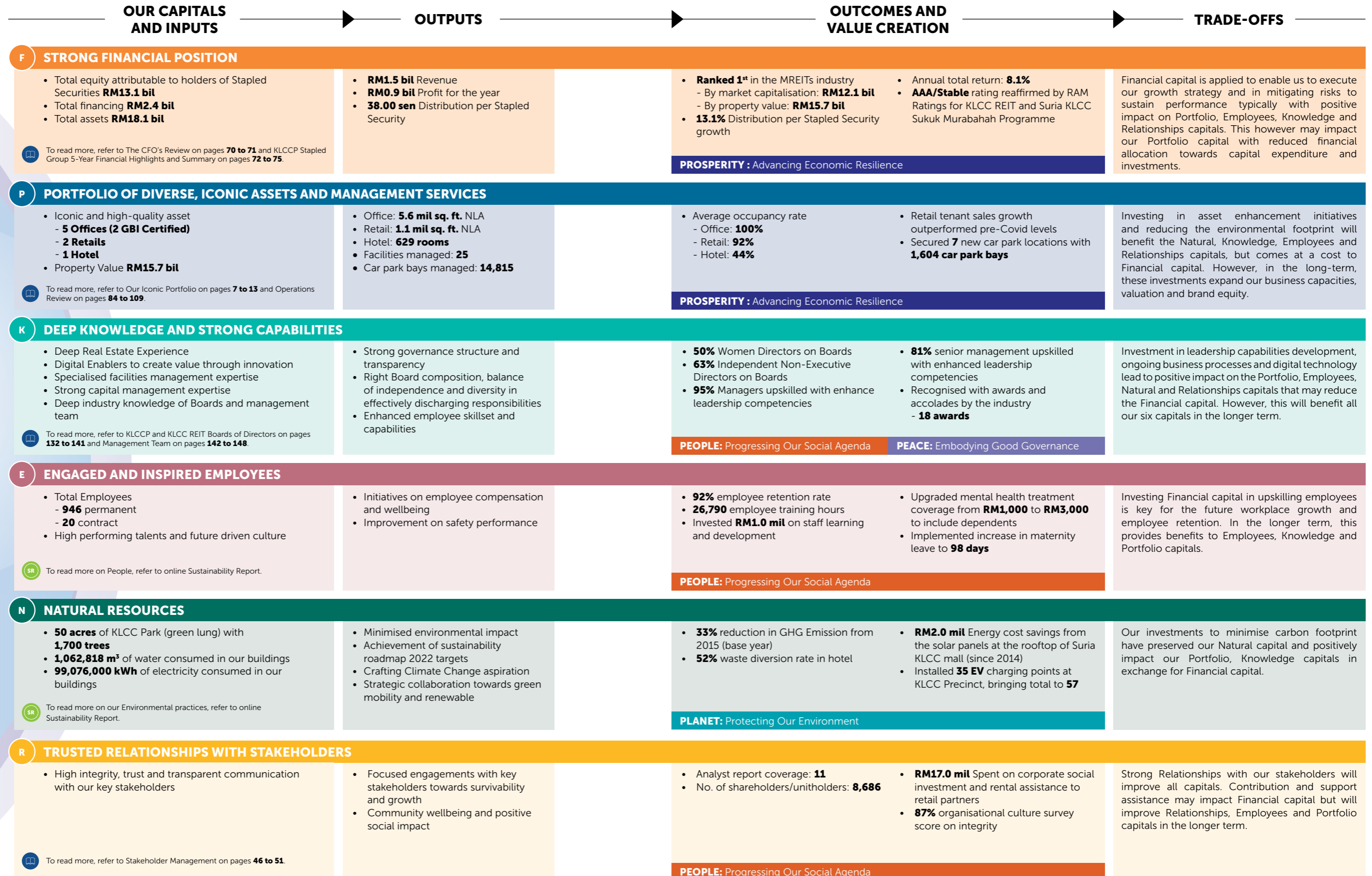
## OUR STRATEGIC VALUE CREATION

### OUR THREE-PRONGED GROWTH STRATEGY

Maximising Cash Generators

Expanding Core Business

Stepping Out



# UNDERSTANDING OUR PRINCIPAL RISKS

As Malaysia transitions to the endemic phase, several prominent external factors constituting strategic, economic, financial, operational and regulatory aspects, remain a challenge. Global inflation due to rising global commodity price from supply chain disruptions from the pandemic, China's zero Covid-19 policy, the Russia-Ukraine war and inclement weather have all affected the global economy.

At the local front, Bank Negara Malaysia has triggered upward revision of lending rates to rein in consumption credit and inflation, signaling a looming recession in 2023.

The Malaysian property market is anticipated to remain challenging with oversupply concerns to continue for office, retail and hospitality sectors. Recovering from the effects of Covid-19 pandemic, businesses and consumers remain cautious with regards to expansion plans and new investments.

With the recent announcement on the relaxation of China's zero Covid-19 policy and opening of its border in 2023, hopefully this will bring respite to the local tourism and hospitality industry. The Malaysian Association of Hotels states that the industry albeit on path of recovery, will likely see

pre-pandemic levels of business by 2024 at the earliest. Tourism receipts, both from domestic and international demands have not fully recovered to pre-pandemic levels despite the exchange rate developments.

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

- Our overall strategy of managing risks covers three areas of business resiliency -
- 1 Reducing the likelihood and impact of potential risks on our business operation;
  - 2 Responding to and managing crisis impacting our people, environment, assets and reputation
  - 3 Recovering to ensure business continuity, which helps reinforce our resiliency in this dynamic economic landscape moving forward.

### OUR APPROACH TO RISK MANAGEMENT

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

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

### RISK STRATEGY AND APPROACH

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

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

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



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

## UNDERSTANDING OUR PRINCIPAL RISKS

### RISK APPETITE

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

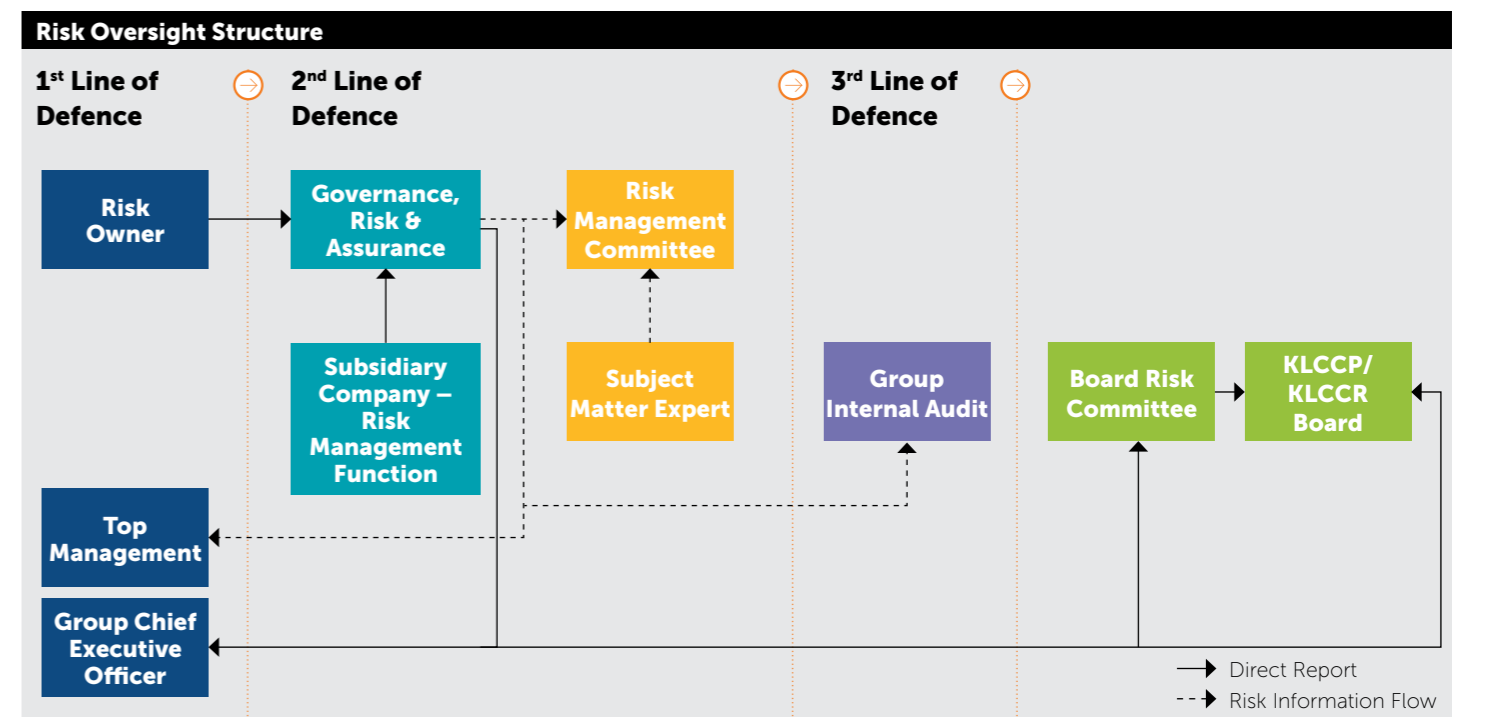
Strategic	Financial	Operational	Reputational	Legal and Regulatory Compliance
This measures the degree of variability in investment returns and capital efficiency that the Group is willing to take in ensuring achievement of business objectives	This measures capital, profitability and liquidity position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

During the year, the Governance, Risk & Assurance Department has reviewed the risk appetite to provide comprehensiveness to the current risk appetite statements, taking into consideration the transitional period to the Covid-19 endemic phase and new norm. The risk appetite review is to ensure financial and non-financial risk exposures and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined. The risk appetite statement, risk tolerances and risk threshold were reviewed and presented to the Risk Management Committee, Board Risk Committee and the Boards of KLCC Property Holdings Berhad and KLCC REIT Management Sdn Bhd.

### RISK GOVERNANCE STRUCTURE

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

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



UNDERSTANDING OUR PRINCIPAL RISKS

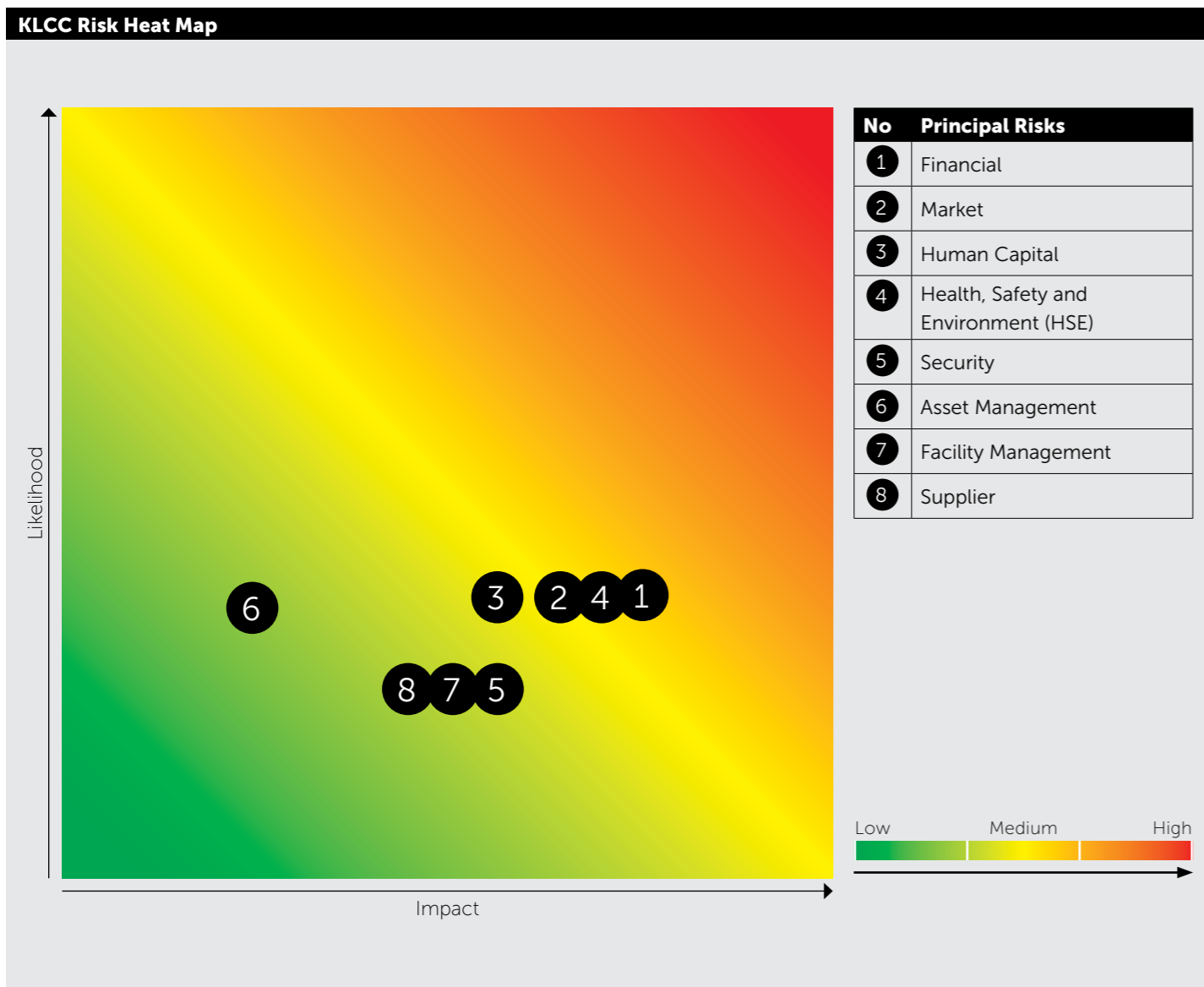
PRINCIPAL RISKS AND ASSESSMENT

We actively review and manage the risks facing our businesses over the short, medium and long-term, overseen by the Risk Management Committee.

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

In this section we outline our key risks and KLCCP Stapled Group's approach to responding to them, combined with how the key risks link to our material matters and key resources.

KLCCP Stapled Group's Risk Heat Map describes the position of the respective principal risks in terms of impact and likelihood, for year 2022.



UNDERSTANDING OUR PRINCIPAL RISKS

1 Financial Change in Impact Change in Likelihood  
**Material Sustainability Matters** Financial Sustainability

**Risk Management Strategy**

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

We have an established Integrated Financial Risk Management Guidelines, consisting 6 principles of financial risks.

**Principal Mitigation**

We maintain strong capital, profitability and liquidity position in pursuit of business sustainability and growth.

Our gearing ratio is one of the lowest in the Malaysian REIT industry as excessive debt could lead to financial risk exposure. This provides us with a sizeable debt headroom and greater financial flexibility to tap into the equity markets. We maintain adequate cash and bank balances to meet the working capital

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

**Activities in 2022**

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

2 Market Change in Impact Change in Likelihood  
**Material Sustainability Matters** Finance Sustainability, Corporate Governance, Corporate Social Responsibility

**Risk Management Strategy**

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

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

**Principal Mitigation**

A structured risk assessment process as part of decision making is to be carried out prior to any decision point to provide decision makers with a balanced view for informed decision making through richer risk conversation and considerations of risk reward trade-off.

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

**Activities in 2022**

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

UNDERSTANDING OUR PRINCIPAL RISKS

**3 Human Capital** Change in Impact Change in Likelihood

**Material Sustainability Matters** Human Capital Development, Human Rights, Labour Standard and Practices

**Risk Management Strategy**

We maintain an effective succession plan for critical positions in order to enhance and retain qualified and competent talent and ensure seamless continuity for business sustainability.

The talent management philosophy is anchored on strategic thrust of Right Leader, Right Talent and Right Environment.

**Principal Mitigation**

Competency validation study to identify the gap for succession plan.

Structured program for knowledge transfer and cross business mobility.

Annual employee feedback survey/organisational climate survey as an instrument to identify how the internal environment promotes desired working culture towards achieving business objectives and aspirations.

**Activities in 2022**

- Assessed critical positions for the Group based on degree of value impact to overall organisation strategy, business insights that lead to high exposure to business interruptions.

- Conducted series of talent reviews for identified talent pool to ascertain their compatibility and readiness as successors to the critical positions.
- Aligned with the Group's new operating model post organisation restructuring, a review of the core capabilities inventory matrix has been conducted in collaboration with the Group's Subject Matter Expert.
- Implemented various self-driven learning programs including experiential learning, virtual-led instructions programs to address current and future capability requirements.
- Enhanced leadership competencies assessment was introduced in response to the demand of new working behaviors, of which the senior management of the Group have been upskilled accordingly.
- Conducted series of culture of accountability conversations to empower leaders to be effective and efficient in driving team cohesiveness towards higher performance and productivity.
- Enhanced the employee progression criteria and relevant employment benefits in order to remain competitive in attracting and retaining talent.

**4 Health, Safety and Environment (HSE)** Change in Impact Change in Likelihood

**Material Sustainability Matters** Health, Safety and Security, Climate Change and Energy Management, Environment Management

**Risk Management Strategy**

We promote zero tolerance towards fatality and major fire. We shall take reasonable and practicable steps to prevent and eliminate the risk that could lead to damage of assets and business disruption.

A robust and institutionalised HSE culture is in place to ensure safe working environment through the establishment of HSE Management Systems (HSEMS).

**Principal Mitigation**

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

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

Introduced HSE accountability behavioral reinforcement program to recognise and reward positive behaviour and intervene/ improve undesired HSE behaviours. This nurtures desired behaviour and minimise unsafe behaviour that may lead to HSE major incidents.

**Activities in 2022**

- Accelerated the HSE Generative Culture programme through upskilling of the leadership team and frontliners to support the journey towards HSE Generative Culture by 2024.
- Engaged regularly with staff on the physical and mental health wellbeing in coping with post pandemic working environment.
- Carried out compliance audit on the electrical safety at selected assets to provide assurance to management and relevant stakeholders that our assets are compliant with the Electrical Act 1994.

UNDERSTANDING OUR PRINCIPAL RISKS

**5 Security** Change in Impact Change in Likelihood

**Material Sustainability Matters** Health, Safety and Security

**Risk Management Strategy**

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

Our KLCC Precinct Security Master Plan details out the overall precinct security overlay where security control and crisis response measures are identified and implemented to safeguard our assets. The Security Master Plan was updated in 2017 to suit the current security risk environment.

We also successfully implemented the Crime Prevention Through Environment Design in our design maintenance and use of our buildings and environment to enhance quality of life and to reduce incidence of crime.

Our security team also works closely with the respective security teams of each building, PETRONAS Group Security and Polis DiRaja Malaysia (PDRM) for security intelligence updates.

**Principal Mitigation**

Established Security Coordination Platform to coordinate security matters within the KLCC Precinct - KLCC Precinct Security Management Working Group and Dayabumi Heritage Trail comprising representatives from surrounding building owners e.g. Masjid Negara, Muzium Textile, Agro Bank, POS Malaysia, Central Market and RAPID KL.

KLCC Precinct Security Operation Centre was established as a security focal point by all facilities within the KLCC Precinct and Local Authorities.

Implemented Automatic Number Plate Recognition System within the KLCC and Dayabumi Below Grade Parking which captures vehicles registration number and face recognition.

Incident Action Plan briefing to stakeholders on preparedness in handling different types of incidents e.g.: unattended packages, bomb threat/call.

Set up an auxiliary police beat base at KLCC Park.

**Activities in 2022**

- Implemented enhanced security measures under the Integrated Security Operation Center within KLCC Precinct common area, leveraging existing infrastructure for Menara ExxonMobil and KL Convention Center perimeter CCTV with KLCC Precinct Security Management Centre.
- Deployed auxiliary police through New Security Operating Model for KLCC Precinct and Dayabumi.
- Established combined Site Security Plan for PETRONAS Twin Towers, Menara 3 PETRONAS and KLCC Precinct common area, as a strategic collaboration between PETRONAS Group Security and KLCC security team.

**6 Asset Management** Change in Impact Change in Likelihood

**Material Sustainability Matters** Customer and Tenant Management

**Risk Management Strategy**

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

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

**Principal Mitigation**

A comprehensive leasing strategy to attract quality retail tenants.

Constant engagement with our retailers and tenants to understand their needs and keep them updated on the evolving trends.

Annual customer satisfaction survey and shopper exit survey to identify gaps for improvement.

**Activities in 2022**

- Reviewed and enhanced the tenants mix and placement of stores to ensure a balance between the newly introduced brands and luxury brands with exclusive services.

UNDERSTANDING OUR PRINCIPAL RISKS

**7 Facility Management** Change in Impact ▼ Change in Likelihood ◀▶  
**Material Sustainability Matters** Customer and Tenant Management, Health, Safety and Security, Climate Change and Energy Management

**Risk Management Strategy**

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

Our facility management arm is accredited with ISO 9001, ISO 14001, ISO 45001, ISO 18788, ISO 37001 and ISO 41001.

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

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

**Principal Mitigation**

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

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

**Emergency Power Supply Availability**

To provide alternate power supply during disruption from service provider by using generator.

**Mechanical system for Air- Conditioning**

To control Indoor Air Quality for room temperature, humidity and airflow, not only for the comfort of the tenants/ occupants but also to protect sensitive electronic equipment at data center, electrical and telecommunication rooms.

**Vertical Transportation**

To facilitate smooth movement of building occupants.

**Mechanical Systems for Domestic Water**

To ensure 24-hour supply for drinking, domestic use and fire-fighting system by utilising water storage tank.

**Activities in 2022**

- Continued implementation and monitoring of predictive, preventive and corrective maintenance strategies and initiatives.
- Continued staff engagement on preparedness to activate Business Continuity Plan as and when needed.
- Continued due diligence assessment for asset life cycle management and prepared asset rejuvenation proposal in line with the latest technology.
- Conducted enhancement of Integrated Building Command Centre from command to control centre to assist the management of the facilities for real time monitoring of equipment and operation optimisation.

UNDERSTANDING OUR PRINCIPAL RISKS

**8 Supplier** Change in Impact ▼ Change in Likelihood ◀▶  
**Material Sustainability Matters** Supply Chain Management, Corporate Governance and Business Ethics

**Risk Management Strategy**

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

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

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

The KLCC's Standardised Work & Equipment Categories (SWEC) shall serve as a common reference on the company's registration information and development of bidders' lists.

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

**Principal Mitigation**

Review of suppliers' and contractors' performance is carried out on bi-annual basis for continual improvement.

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

Implement tender documents submission by vendors through Secured Manage File Transfer (SMFT) platform.

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

**Activities in 2022**

- Established standard Contractors Performance Appraisal assessment criteria.
- Established Consequence Management Framework for the management of non-performing contractors and non-compliance to the Group registration requirement cases.
- Established Appeal Management Framework to cater to the reinstatement of blacklisted/suspended contractors' registration. Tightened procurement policies in shortlisting bidders.
- Established guidelines for separate tender evaluation teams.
- Established Anti-Bribery assessment for Contractor's Risk Assessment for all projects.
- Assessed all vendors' (including suppliers and service providers) preparedness on the measures to be taken in managing crisis for continuous support to our business operation without disruption.
- Assessed existing and potential suppliers to meet standards of operational excellence.

# THE CFO'S REVIEW



**ROHIZAL BIN KADIR**  
Chief Financial Officer

...  
**I am pleased to report that the Group ended the year on a high note with a robust set of financial results.**

I came on board as the CFO on 1 December 2022, taking over from my predecessor, Encik Annuar Marzuki Abdul Aziz.

I am pleased to report that the Group ended the year on a high note with a robust set of financial results. This stems from the momentum of the second half of the year following the full economic opening on 1 April 2022. The Group closed the year with Profit Before Tax (PBT) excluding fair value adjustments of RM0.9 billion, an increase of 25.5% compared to 2021, on the back of revenue growth of 24.6% to RM1.5 billion. This is

## DESPITE THE DISRUPTION AND IMPACT FROM THE PANDEMIC, WE MAINTAINED OUR STRONG BALANCE SHEET AND CREDIT RATINGS

a healthy recovery from the setbacks of Covid-19 in the previous two years. With the strong cashflows generated, the Group paid out a 38.00 sen dividend, translating to a dividend yield of 5.7%, the highest recorded since the listing of the Stapled Security in 2013.

The underlying strength of our properties was underpinned by the resilient recovery in valuations, which increased our property value by RM136.2 million to RM15.7 billion. The Group recorded a fair value gain of RM128.7 million, compared to a fair value loss of RM144.5 million in 2021. This was driven by the stability and improvement in our income growth, particularly across our retail malls, while the valuation for our offices maintained, benefiting from the robust rental profiles and the defensive lease structure amidst the over-supply pressures in the office market.

KLCCP Stapled Group continued its disciplined approach to financial stewardship during the year. Despite the disruption and impact from the

pandemic, we maintained our strong balance sheet and stable credit ratings. During the year, the Group's credit ratings of AAA/Stable were reaffirmed by RAM Ratings for its Sukuk Murabahah Programme of KLCC REIT and Suria KLCC.

We focused to maximise generation of cashflow from our operations to ensure a sustainable business environment towards long-term stability. The Group continued to operate with high discipline in capital management and managed its interest rate risk exposure based on the debt profile. Our cash and cash equivalents as at 31 December 2022 remained healthy, at RM1.1 billion, with gearing ratio of 18.1% and average cost of debt of 4.6%. We will continue our proactive capital management strategies to manage interest rate movements going forward.

My top priority is to continue building on the established foundation and to implement strategies that will improve profitability and cash flow management,

### 2022 Highlights

Revenue

**RM1.5 billion**  
(2021: RM1.2 billion)

Profit Before Tax  
(excluding Fair Value Adjustment)

**RM0.9 billion**  
(2021: RM0.7 billion)

Cash Flow from Operations

**RM1.0 billion**  
(2021: RM0.8 billion)



Scan or click to listen to our CFO, En Rohizal, FY2022 analyst briefing's results recording



strengthen financial controls and processes, and foster relationships with key stakeholders. I will also work to identify areas for cost optimisation and revenue growth opportunities and ensure compliance with all relevant financial regulations and laws.

I am confident that we are well positioned going into 2023 to deliver on our purpose, though the outlook for the year to come remains uncertain. We are committed to achieve financial excellence and create value for our stakeholders. Thank you to the team for their commitment and hard work, placing us in good stead to deliver on the Group's strategies.

# KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

## REVENUE (RM'000)

2022	1,459,251
2021	1,171,056
2020	1,239,150
2019	1,423,021
2018	1,405,941

## OPERATING PROFIT (RM'000)

2022	958,796
2021	785,180
2020	764,474
2019	1,020,020
2018	1,010,891

## PROFIT FOR THE YEAR (RM'000)

2022	911,554
2021	534,029
2020	474,715
2019	945,671
2018	838,920

## EARNINGS PER STAPLED SECURITY - BASIC / DILUTED (SEN)

2022	43.35
2021	27.47
2020	23.94
2019	43.77
2018	40.15

## PROPERTY VALUE (RM'MIL)

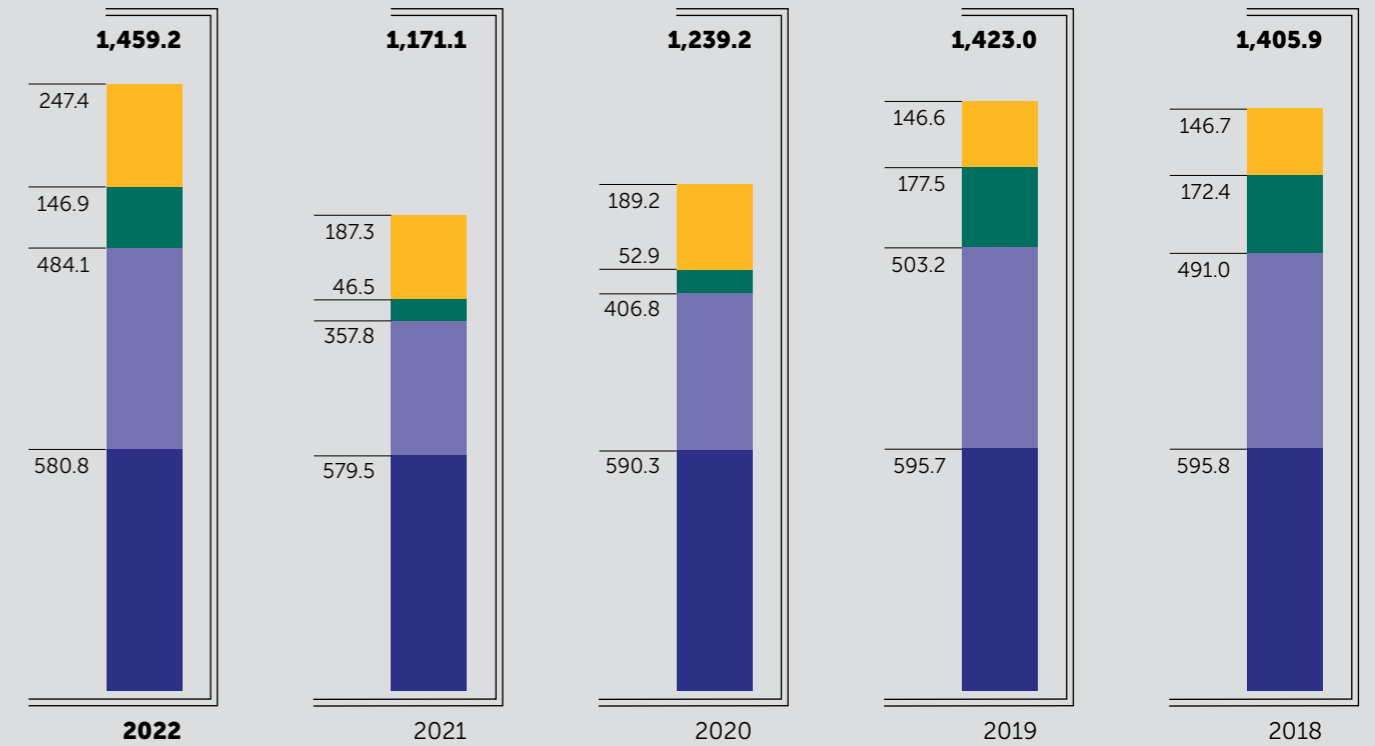
2022	15,722.8
2021	15,586.6
2020	15,693.2
2019	15,894.2
2018	15,714.9

## NET ASSET VALUE PER STAPLED SECURITY (RM)

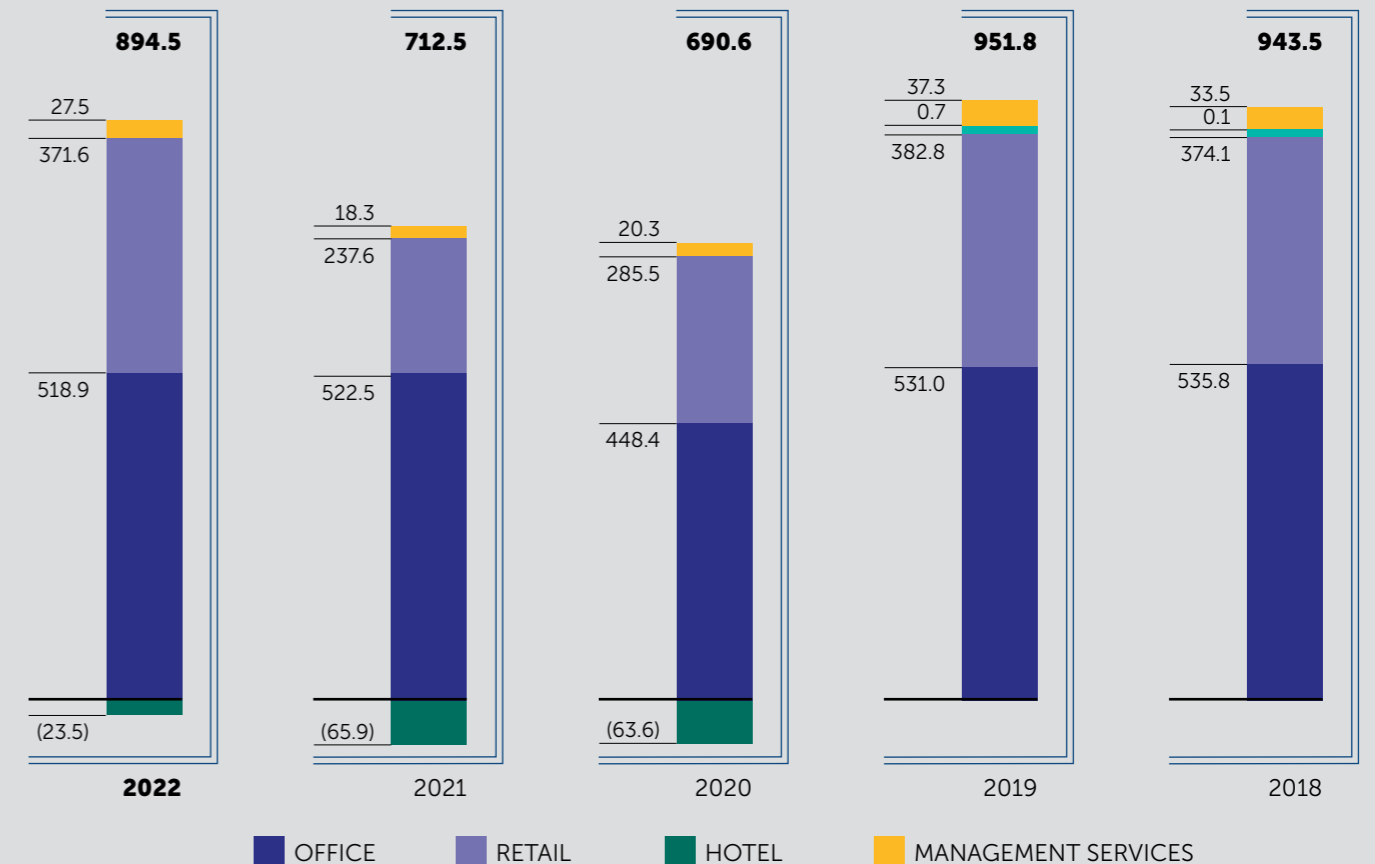
2022	7.27
2021	7.21
2020	7.21
2019	7.32
2018	7.25

## KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

### SEGMENTAL REVENUE (RM'MIL)

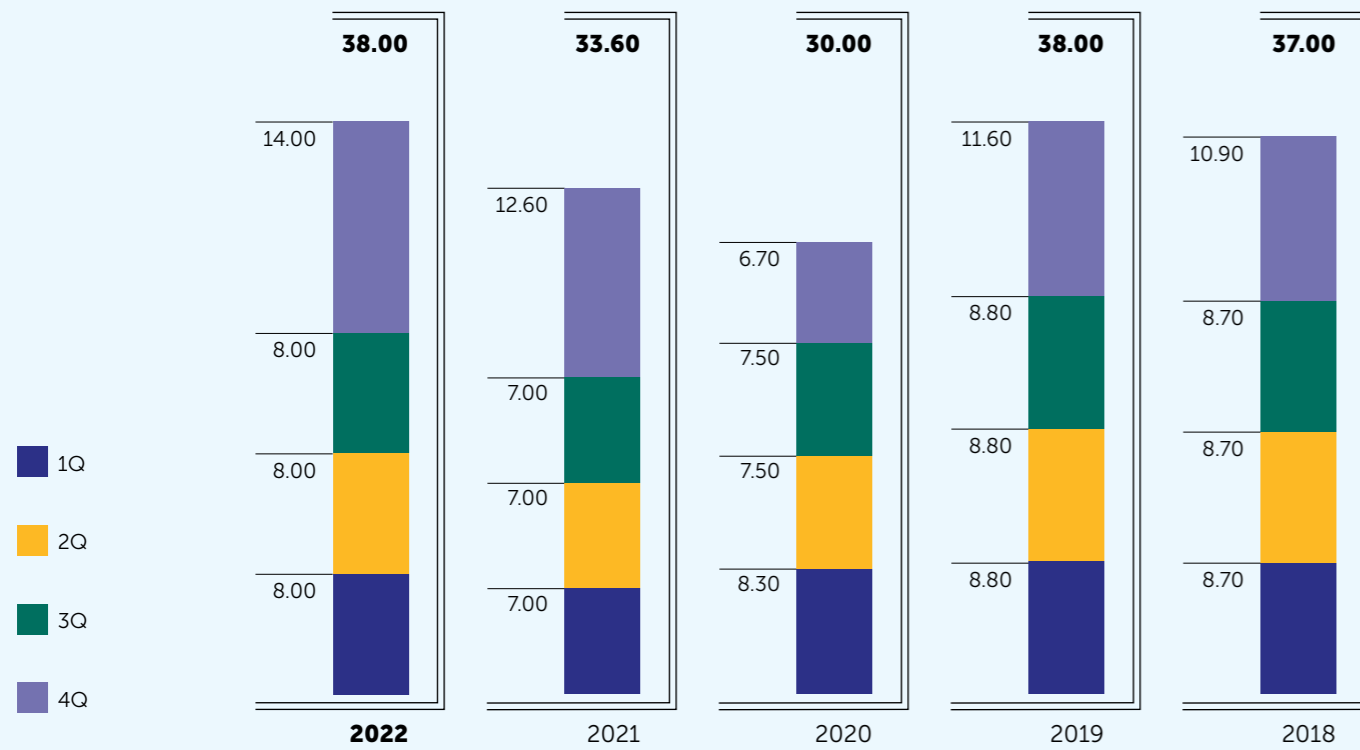


### SEGMENTAL PBT EXCLUDING FAIR VALUE ADJUSTMENTS (RM'MIL)

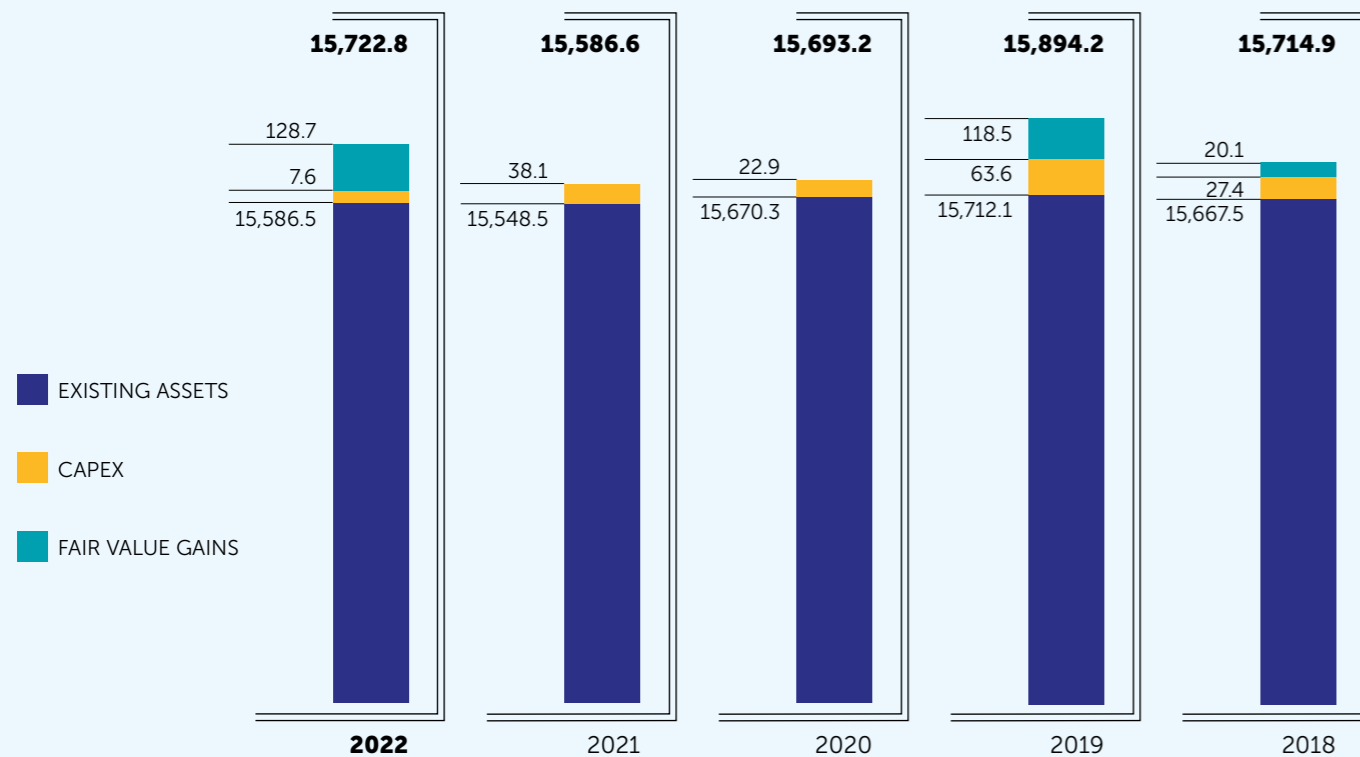


KLCCP STAPLED GROUP 5-YEAR FINANCIAL HIGHLIGHTS

DISTRIBUTION PER STAPLED SECURITY (SEN)



PROPERTY VALUE (RM'MIL)



KLCCP STAPLED GROUP 5-YEAR FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
<b>Key Operating Results (RM'000)</b>					
Revenue	1,459.3	1,171.1	1,239.2	1,423.0	1,405.9
Operating Profit	958.8	785.2	764.5	1,020.0	1,010.9
Profit Before Tax	1,018.9	565.8	546.8	1,071.3	964.1
Profit For The Year	911.6	534.0	474.7	945.7	838.9
<b>Key Statement of Financial Position (RM'000)</b>					
Investment Properties	15,722.8	15,586.6	15,693.2	15,894.2	15,714.9
Total Assets	18,109.5	17,937.1	17,995.5	18,211.3	17,860.3
Total Financings	2,378.5	2,375.9	2,349.4	2,346.6	2,244.7
Total Liabilities	2,942.2	2,897.6	2,917.5	2,917.8	2,735.2
Total Equity Attributable to the Equity Holders of Stapled Securities	13,131.7	13,009.8	13,014.1	13,212.0	13,095.3
<b>Stapled Securities Information</b>					
Earnings per Stapled Security - Basic/ Diluted (sen)	43.35	27.47	23.94	43.77	40.15
Net Asset Value per Stapled Security (RM)	7.27	7.21	7.21	7.32	7.25
Distribution per Stapled Security (sen)	38.00	33.60	30.00	38.00	37.00
Stapled Securities Closing Price as at 31 December (RM)	6.71	6.55	7.08	7.90	7.66
Number of Stapled Securities (mil)	1,805.3	1,805.3	1,805.3	1,805.3	1,805.3
Market Capitalisation (RM'mil)	12,113.8	11,824.9	12,781.8	14,261.9	13,828.9
<b>Financial Ratios</b>					
PBT Margin	70%	48%	44%	75%	69%
Dividend Payout Ratio	92%	95%	98%	94%	96%
Gearing (times)	0.18	0.18	0.18	0.18	0.17



# KLCCP STAPLED GROUP VALUE ADDED STATEMENT

	2022	2021
Total Turnover	<b>1,459,251</b>	1,171,056
Interest/profit income	<b>27,068</b>	18,487
Operating expenses	<b>(322,686)</b>	(234,969)
Value added by the KLCCP Stapled Group	<b>1,163,633</b>	954,574
Share of profits of an associate	<b>10,098</b>	11,763
Fair value adjustments on investment properties	<b>128,676</b>	(144,457)
	<b>1,302,407</b>	821,880
<b>Reconciliation</b>		
Profit attributable to holders of Stapled Securities	<b>782,663</b>	495,852
Add:		
Depreciation & amortisation	<b>44,978</b>	46,668
Finance costs	<b>105,759</b>	105,176
Staff costs	<b>132,791</b>	104,239
Taxation	<b>107,325</b>	31,768
Other non-controlling interest	<b>128,891</b>	38,177
	<b>1,302,407</b>	821,880
<b>Value distributed</b>		
<b>Employees</b>		
Salaries and other staff costs	<b>132,791</b>	104,239
<b>Government</b>		
Corporate taxation	<b>105,484</b>	45,900
<b>Providers of capital</b>		
Dividends	<b>660,752</b>	500,079
Finance costs	<b>105,759</b>	105,176
Other non-controlling interest	<b>128,891</b>	38,177
<b>Reinvestment and growth</b>		
Depreciation & amortisation	<b>44,978</b>	46,668
Capital reserve*	<b>36,360</b>	(44,254)
Income retained by the Group	<b>87,392</b>	25,895
	<b>1,302,407</b>	821,880

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

# FINANCIAL REVIEW

Our financial performance for the year reflects our strong operational performance and the normalising of business conditions as we emerged from the pandemic, capping off a successful year.

Malaysia's transition to the endemic phase and the reopening of international borders benefitted and strengthened the performance of the Group. Our business saw steady growth across all segments, with the retail & hotel segments leading the recovery.

Revenue of the Group increased from RM1.2 billion to RM1.5 billion and the profit for the year (excluding fair value adjustments) increased by RM120.3 million to RM793.3 million.

In return, we distributed a dividend distribution per Stapled Security of 38.00 sen, 13.1% higher than last year, reflecting the improvement in our business performance and our commitment to deliver value to our holders of Stapled Security. The distribution also translates to a dividend yield of 5.7%, the highest yield recorded since we became a Stapled Group.

	2022 RM'mil	2021 RM'mil	Variance %
Revenue	<b>1,459.3</b>	1,171.1	24.6
Operating Profit	<b>958.8</b>	785.2	22.1
Profit Before Tax*	<b>894.5</b>	712.5	25.5
Profit for the year*	<b>793.3</b>	673.0	17.9
Profit attributable to equity holders*	<b>690.8</b>	609.4	13.4
Operating Profit Margin*	<b>66%</b>	67%	(2.0)
Profit Before Tax Margin*	<b>61%</b>	61%	0.7
Earnings per Stapled Security* (sen)	<b>37.9</b>	34.2	10.8
Distribution per Stapled Security (sen)	<b>38.00</b>	33.60	13.1
Payout ratio (%)	<b>92%</b>	95%	(3.5)

\* Excluding fair value adjustments

## KEY HIGHLIGHTS

Robust overall performance from **improved demand** and business activity, which saw a sustained recovery in **retail and hotel segments**, contributing to the **25.5% increase** in PBT\*.

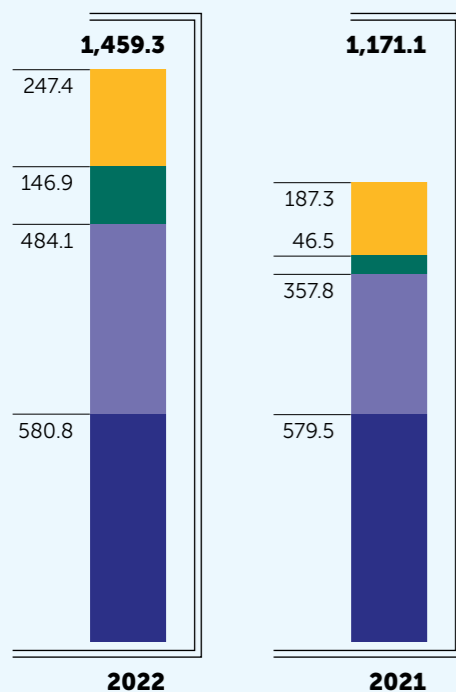
Suria KLCC capitalised on the return of shoppers with targeted marketing campaigns recording the **highest tenant sales** ever, almost doubled that of 2021 and surpassed pre-pandemic levels by **9.5%**.

Solid MOKL Hotel performance as revenue rose **more than 200%** backed by **higher average occupancy of 44%**, from steady return of tourists and stronger demand in MICE & corporate events.

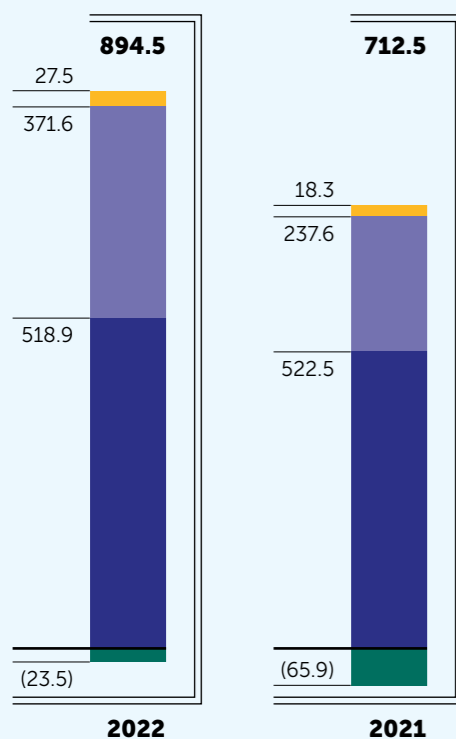
Distributed a dividend distribution per Stapled Security of **38.00 sen, 13.1%** higher, reflecting our commitment to deliver value to our Stapled Security holders.

FINANCIAL REVIEW

REVENUE (RM'MIL)



PROFIT BEFORE TAX (EXCLUDING FAIR VALUE) (RM'MIL)



■ OFFICE    ■ RETAIL  
■ HOTEL    ■ MANAGEMENT SERVICES

With the endemic phase in full swing, the retail segment has been gaining pace to pre-Covid levels. The retail segment recorded a 35.3% and 56.4% increase in revenue and PBT (excluding fair value adjustments) respectively, driven by higher rental from new leases and advertising income coupled with lower rental assistance provided to the tenants. Suria KLCC continued to provide targeted rental assistance for its tenants and had increased its marketing efforts significantly to generate recurring spending and to drive footfall back to the malls. During the year, Suria KLCC supported its retail tenants with RM15.0 million in rental assistance to ensure tenants sustainability and recovery.

The revenue from MOKL Hotel rebounded markedly by 215.9% compared to 2021 supported by the stronger leisure business demand and returning demand of international travellers. This has helped to boost higher occupancy and average room rate during the year. The office segment remained stable backed by its Triple Net Lease (TNL) agreement, contributing 40% of the Group's total revenue.

Management services contributed 17% of the Group's total revenue with a growth of RM60.1 million arising from higher contribution from facilities management and increased carpark income during the year.

**Profit Before Tax (PBT) (excluding fair value adjustments)**

The PBT of the Group increased by 25.5% to RM894.5 million, in tandem with the increase in revenue reflecting a strong recovery from the pandemic, while the PBT margin was maintained at 61%.

**Profit for the Year**

The effective tax rate for KLCCP Stapled Group was approximately 9.8% with KLCC REIT distributing more than 90.0% of its distributable income and was thus exempted from tax. During the year, the Group was impacted by the one-off Cukai Makmur amounting to RM19.8 million. The Finance Act 2021 gazetted on 31 December 2021 enacted Cukai Makmur on companies that generate chargeable income of RM100.0 million and more – a tax of 24% chargeable up to the first RM100 million and the remaining chargeable income taxed at a one-off rate of 33% for the year of assessment 2022.

**Distribution per Stapled Security**

Reflecting our positive financial performance, the Group declared a dividend of 14.0 sen, for the final fourth quarter 2022, which brought the total dividend for the year to 38.00 sen per Stapled Security, a 92% payout of its distributable profit and realised income. The dividend declared and distributed was 13.1% higher compared to 2021 and translates to a dividend yield of 5.7%, the highest yield recorded since we became a Stapled Group.

FINANCIAL REVIEW

FINANCIAL POSITION REVIEW

	2022 RM'mil	2021 RM'mil	Variance %
<b>ASSETS</b>			
Investment Properties	15,722.8	15,586.6	0.9
Property, plant and equipment	570.9	605.0	(5.6)
Right of use asset	3.9	5.6	(30.4)
Receivables	441.8	509.0	(13.2)
Cash and Bank Balances	1,105.0	959.5	15.2
Others	265.1	271.4	(2.4)
<b>Total</b>	<b>18,109.5</b>	<b>17,937.1</b>	<b>1.0</b>
<b>LIABILITIES</b>			
Payables	408.2	381.4	7.0
Financings	2,378.5	2,375.9	0.1
Others	155.5	140.3	10.9
<b>Total</b>	<b>2,942.2</b>	<b>2,897.6</b>	<b>1.5</b>
Total Equity attributable to equity holders of KLCCP and KLCC REIT	13,131.7	13,009.8	0.9
Net Asset Value per Stapled Security (NAV) (RM)	7.27	7.21	0.9

As the Group is backed by a solid portfolio of assets, the financial position of the Group remained at a healthy position with sufficient cash and low gearing for future development and long-term stability. The Group's total assets grew from RM 17.9 billion to RM18.1 billion mainly due to the gain in fair value of the investment properties during the year. Net asset value per Stapled Security (NAV) also improved from RM7.21 to RM7.27 during the year. Total equity attributable to equity holders strengthened to RM13.1 billion.

	Market Value		Carrying Value	
	31 Dec 2022 RM'mil	31 Dec 2021 RM'mil	31 Dec 2022 RM'mil	31 Dec 2021 RM'mil
<b>Property</b>				
KLCC REIT Assets	9,493.0	9,492.0	9,175.3	9,113.6
Suria KLCC	5,580.0	5,510.0	5,568.7	5,495.2
Dayabumi*	563.0	562.0	678.0	677.0
Lot D1*	278.0	278.0	300.8	300.8
<b>Total</b>	<b>15,914.0</b>	<b>15,842.0</b>	<b>15,722.8</b>	<b>15,586.6</b>

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

FINANCIAL REVIEW

Investment Properties and Fair Value Adjustments

Investment Properties of KLCCP Stapled Group represent 86.8% of the Group's total assets. Our assets are prestigious and premium include PETRONAS Twin Towers, Menara 3 PETRONAS, and Menara Exxonmobil (which are included in KLCC REIT), as well as Suria KLCC, Menara Dayabumi, the City Point podium land and the vacant land of Lot D1 (which are included in KLCCP).

The market value of these properties recorded a marginal increase of 0.5% to RM15.9 billion as at 31 December 2022, driven mainly by the increase in the recovery of the retail segment. This reinforces the strength and resilience of our malls. The market value for offices remained stable signifying the stability of our assets amidst the competitive rates and the oversupply of spaces.

Under MFRS 140 Investment Properties, accounting adjustments were made to exclude the accrued operating lease income and capital expenditure incurred during the year to avoid double counting of assets. Taking the above into consideration, RM128.7 million was recognised as a fair value adjustment in 2022. Despite the ongoing challenges & tough market conditions, the property

value of the Group has demonstrated resilience and recorded a fair value gain, compared to a fair value loss recorded last year.

Property, Plant and Equipment

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

During the year, the Group spent RM6.5 million mainly on the upgrading of the parking management system for KLCC Parking Management's facilities coupled with the upgrading of the hotel system and booking system for MOKL Hotel & Suria KLCC. The capital expenditure was set off against depreciation charged and write-offs/disposal of assets no longer in use.

Receivables

Receivables was 13.2% lower this year at RM441.8 million compared to RM509.0 million last year mainly due to a decrease in accrued rental revenue due to the straight-lining impact of leases under MFRS 16 in KLCC REIT and Suria KLCC.

CASHFLOW REVIEW

	2022 RM'mil	2021 RM'mil
Operating activities	1,026.4	775.6
Investing activities	4.0	(41.2)
Financing activities	(884.1)	(647.6)
Change in cash and cash equivalent	146.3	86.8
Cash with PETRONAS IFSSC	783.9	644.0
Deposits with licensed banks	308.2	292.9
Cash and bank balances	12.9	22.6
Cash and cash equivalents	1,105.0	959.5

Operating Activities

The higher net cash generated from operating activities of RM1,026.4 million compared to RM775.6 million was mainly due to the revised rental rate on PETRONAS Twin Towers effective October 2021 coupled with overall improvement in receivable collection particularly from the retail segment.

Investing Activities

Cashflow from investing activities represents dividend received from the Group's associate and other capital expenditure invested during the year. In 2022, the Group received RM16.5 million dividend from associate company, which was partially offset by spending in CAPEX of RM12.5 million.

Financing Activities

The financing activities of the Group consist of servicing of interest/profit for the KLCC REIT's Sukuk Murabahah Programme (Sukuk) and term loan of the hotel. During the year, the Group made a net drawdown of RM6.5 million from the existing term loan to finance the operation and capital spending of the hotel.

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

CAPITAL MANAGEMENT

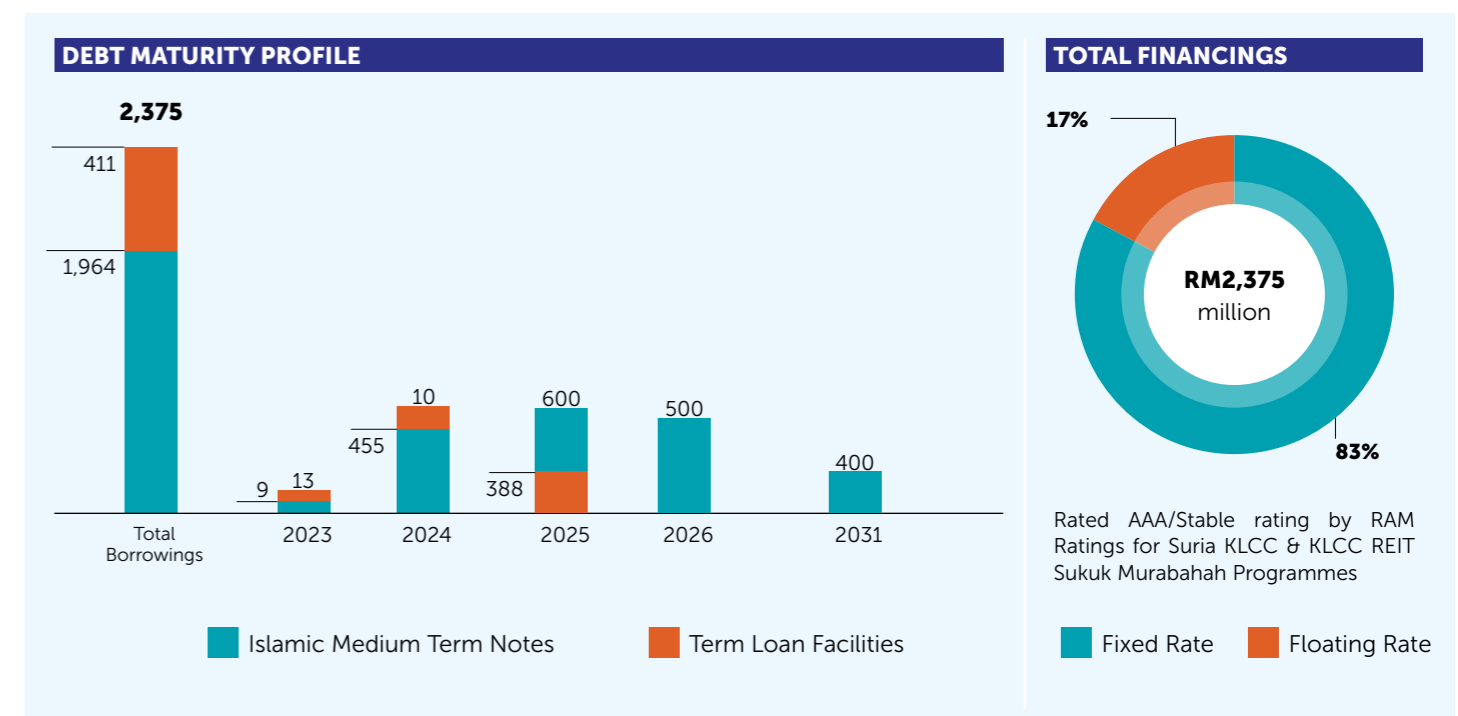
Premised on the KLCC Group Corporate Financial Policy, the Group's objective in managing capital is to maintain an optimal capital structure and ensure the availability of funds for businesses and operations whilst maximising shareholders' value. The Group continued to maintain a strong and robust balance sheet with gearing at 18.1%, well below the 50% regulatory threshold, and approximately RM2.7 billion of cash and undrawn debt facilities.

As at 31 December 2022, the Group's borrowings stood at RM2.4 billion, with 83% of total borrowings on a fixed rate. The average maturity period was shortened to 3.3 years as the next tranche of financing shall be due in April 2024. In the rising interest rate environment, the defensiveness of our balance sheet has positioned us positively and the Group anticipates a minimal impact from any further increase in Overnight Policy Rate (OPR) by Bank Negara Malaysia. The average cost of debt stood at 4.6% as at year end.

Overall, the Group's sufficient capital combined with balance sheet strength provides the capacity to deliver on our strategic objectives and the ability to capitalise on future opportunities.

	2022	2021	2020	2019	2018
Total financings (RM million)	2,375	2,370	2,340	2,335	2,245
Average cost of debt (%)	4.6	4.3	4.4	4.6	4.6
Fixed: Floating ratio	83	83	84	84	84
Average maturity period (years)	3.3	4.3	3.6	4.6	4.1
Gearing ratio (%)					
- Gross	18.1	18.2	18.0	17.8	17.1
- Net	9.7	10.8	11.3	11.1	11.5

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



**CAPITAL MANAGEMENT**

**CAPITAL EXPENDITURE**

The Group spent RM14.1 million on capital expenditure during the year largely attributable to the installation of the parking management system in KLCC Parking Management's facilities coupled with Suria KLCC's modernisation of the building control system and the space reconfiguration at Level 4 of the mall.

**FINANCIAL RISK MANAGEMENT**

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

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

**Credit Risk**

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

Credit risk from the retail segment was mitigated due to the improvement of retail tenants' sale.

Trade Receivables of the Group as at 31 December 2022 reduced by 66% from 2021 with improved collection in the retail segment, amidst the normalisation of business.

Trade Receivables' Aging	RM'mil
Not past due	3,316
Past due 1 to 30 days	2,155
Past due 31 to 60 days	887
Past due 61 to 90 days	1,041
Past due more than 90 days	8,925
	16,324
Less: Allowance for impairment loss on trade receivable	(7,574)
	8,750

**CAPITAL MANAGEMENT**

The Group has decreased the allowance for impairment loss on trade receivable from RM9.1 million to RM7.6 mil during the year, to reflect the current credit risk profile and the economic conditions.

Nevertheless, the retail operators continue to carry out extensive credit evaluation using qualitative and quantitative criteria for new tenants alike. Constant monitoring of the tenants' ability to pay rent is also part of the credit risk mitigation.

Similarly, the hotel segment also conducts thorough reviews and assessments of the credit worthiness of their guests.

**Liquidity Risk**

Liquidity risk is the possibility of the Group encountering difficulties in meeting its obligations.

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

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

**Foreign Currency Risk**

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

NO. OF ASSETS	NLA (SQ. FT.)	AVERAGE OCCUPANCY	REVENUE CONTRIBUTION BY SEGMENT
5 (2021: 5)	5.6 million (2021: 5.6 million)	100% (2021: 100%)	40% (2021: 49%)



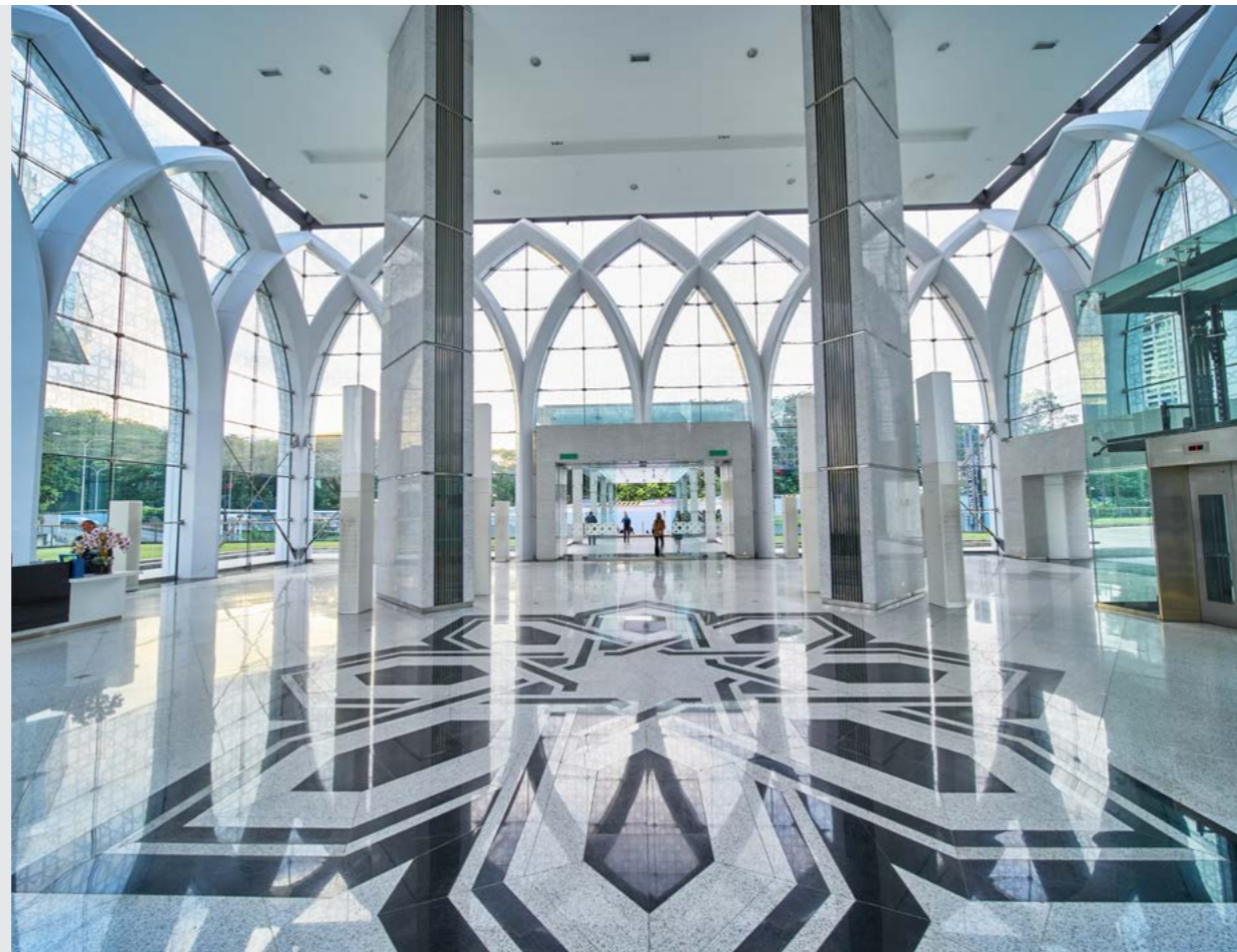
# THE PLACE TO WORK

We are recognised for creating innovative workplaces that have stood of test of time, thriving sustainably and commercially

# OPERATIONS REVIEW



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



## WE SUPPORTED OUR TENANT INITIATIVES IN IMPROVING EFFICIENCY AND RESILIENCE IN THE WORKPLACE BY LEVERAGING DIGITALISATION

Despite the ongoing challenges, the average occupancy rate of the Klang Valley office market has decreased in the current year and is expected to decline in short to medium term due to the influx of incoming supply and the existing oversupply situation. The huge incoming supply is likely to exert pressure on the occupancy rate, as supply is expected to outstrip demand in the Klang Valley market.

The infusion of new mega projects in the market could bolster the country's reputation and augment the supply of high-quality stock but as the market primarily relies on the relocation of existing tenants, a significant number of older office buildings may become vacant as tenants move to newer developments. This will put further pressure on landlords of older buildings to either lease them at lower rents or undertake refurbishment works with a focus on incorporating eco-friendly materials and smart technologies to ensure the long-term sustainability and attractiveness of the buildings. However, due to the escalating costs of construction, landlords may delay such renovations and opt for a more opportune period to undertake the refurbishments.

In recent years, the Klang Valley office market has seen an excess of new office buildings being constructed, which has resulted in an oversupply of office space. The abundance of vacant new office buildings in the market combined with a large number of empty older buildings is putting pressure on landlords to become more competitive in the market. Some landlords have already begun reducing their asking rents and offering incentives such as rental rebates to attract tenants. Although it is unlikely for gross asking rents to decline dramatically, landlords will likely become more flexible in terms of rental rates and offer extended rent-free periods, resulting in lower effective rentals. This trend is projected to persist in the short to medium term until the oversupply situation is mitigated. In the meantime, tenants will continue to have a strong bargaining position, with a wide range of options available to them.

As at 31 December, the office segment contributed 40% of the Group's total revenue reaffirming KLCCP Stapled Group's standing as a diversified office-focused REIT in Malaysia.

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

During the year, our office portfolio retained its 100% occupancy and continued to drive commanding top-quartile rentals. The long-term locked-in tenancies also underpin the stability of the revenue stream for this segment, shielding the Group from soft market conditions.

### INDUSTRY LANDSCAPE AND OPERATING CHALLENGES

Malaysia's economic recovery from the pandemic has been strong since the reopening of borders in April 2022, fueled by domestic demand and robust exports. The growth has been further supported by steady growth in the services and manufacturing sectors. However, inflationary pressures, economic uncertainty and climate change continue to linger and hamper Malaysia's economic fundamentals.

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

Our strategy for our office segment was anchored in providing safe and conducive office space incorporating well maintained amenities and outstanding services as well as promoting sustainable and environmental-friendly practices.

1. Connectivity and vibrancy at Menara Dayabumi

In providing our tenants and our various stakeholders to have a place that better supports connectedness, a 10-metre pedestrian bridge connecting Menara Dayabumi and Central Market was completed during the year. The bridge was officially opened to the public, for better access and to enhance the connectivity crossing Klang River to & from Dayabumi-Central Market. This asset enhancement will bring further visibility of Menara Dayabumi which is already well connected to a transportation hub with covered walkways and the LRT, KTM and MRT stations.



During the year, soft landscaping works was completed at the phase 3 redevelopment site to rejuvenate the area and complementing Kuala Lumpur Heritage Trail.

2. Digital acceleration

We supported our tenant initiatives in improving efficiency and resilience in the workplace by leveraging digitalisation. During the year, we collaborated with our tenant to install facial recognition devices for improved security and contactless access at PETRONAS Twin Towers.



3. Sustainable buildings

The new Visitor Management System was introduced to provide a seamless experience for visitors entering the office buildings - PETRONAS Twin Towers, Menara 3 PETRONAS and Kompleks Dayabumi. The initiative started as Proof-of-Concept for 6 months at PETRONAS Twin Towers and subsequently went live at other buildings in June 2022. The transition from manual to digital registration have brought savings of 432 manhours and improved registration efficiency by 96%. This benefitted more than 70,000 visitors across the buildings.

KLCC REIT achieved Green Building Index of Gold for PETRONAS Twin Towers and Silver for Menara 3 PETRONAS in 2019. Over the years, the Group has been progressively replaced all the lighting within the common areas, office buildings and car parks to LED lighting towards its energy management efficiency and carbon footprint reduction.

In 2022, our facilities management company, KLCC Urusharta completed the one-off works on modernising the LED lighting for the external façade of the PETRONAS Twin Towers, replacing the metal halide lightings. The upgrading to LED comprised over 900 lights. This not only enhanced the majesticness of the iconic twin towers, and improved the customer and tenant experience as the twin towers is now able to be lit up in various colours, but are expected to potentially save energy consumption and maintenance cost.

OPERATIONS REVIEW

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2022 RM'mil	2021 RM'mil	Variance %	2022 RM'mil	2021 RM'mil	Variance %	2022 %
PETRONAS Twin Towers	401.4	401.2	0.0	356.6	354.2	0.7	69%
Menara 3 PETRONAS	92.7	92.7	0.0	90.4	90.3	0.1	17%
Menara ExxonMobil	45.1	44.9	0.4	30.3	31.0	(2.3)	6%
Menara Dayabumi	41.6	40.7	2.2	27.3	33.2	(17.8)	5%
Menara Maxis*	-	-	-	14.4	14.0	2.1	3%
Total Office Segment	580.8	579.5	0.2	519.0	522.8	(0.7)	100%
Citypoint Development	-	-	-	(0.1)	(0.3)	(66.7)	n.m
<b>Total</b>	<b>580.8</b>	<b>579.5</b>	<b>0.2</b>	<b>518.9</b>	<b>522.5</b>	<b>(0.7)</b>	<b>100%</b>

\* Share of results of associates ; n.m – not meaningful

In 2022, revenue for the office segment remained stable with a marginal increase to RM580.8 million. The stability and resiliency of this segment is supported by the Triple Net Lease (TNL) agreements for PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi and the long-term lease agreement of Menara ExxonMobil.

PETRONAS Twin Towers remain the largest contributor at 69% or RM401.4 million followed by Menara 3 PETRONAS at 17% or RM92.7 million. Under the TNL arrangement with PETRONAS, all property expenses and outgoings are borne by the tenant which PBT is safeguarded.

PBT of the segment decreased marginally due to soft landscaping cost incurred at the phase 3 redevelopment site of Dayabumi.

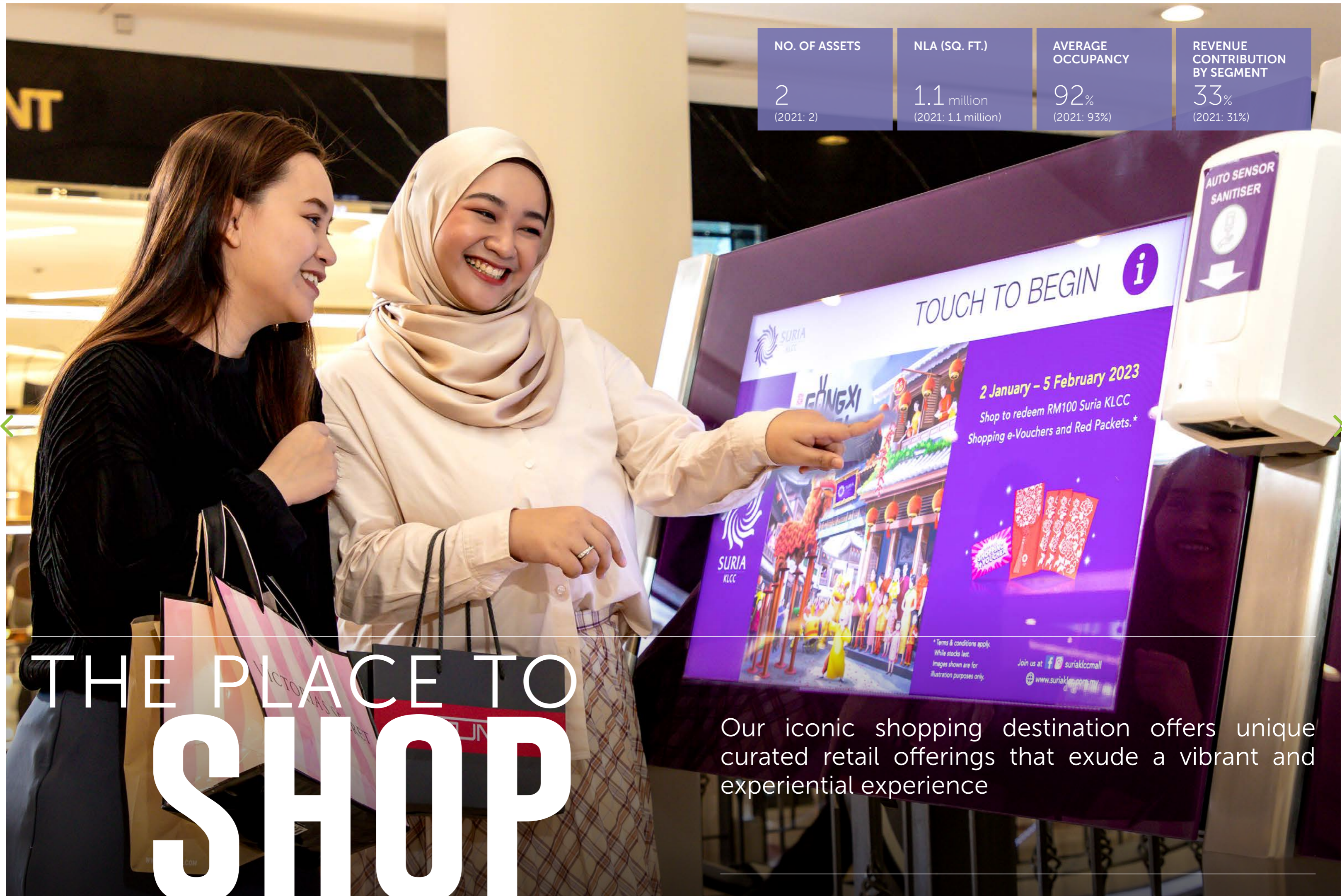
PROSPECTS

2023 will continue to be a tenant-led market due to the prolonged oversupply in Kuala Lumpur. Aggressive offerings such as attractive tenancy terms and incentives will be on the cards to attract tenants.

Our office segment anchored by the Triple Net Lease Agreements with defensive long-term locked-in tenancy structure for the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara Dayabumi will continue to anchor and lend stability to the Group. Despite the office oversupply setbacks, our high-quality prime Grade A offices with long-term leases will cement resilient earnings with stable rental yield and defined cash flow returns.

With the return of our office tenants to the workplace in full force in 2022, albeit their flexible working arrangements, we expect our office portfolio to remain stable going into 2023.

NO. OF ASSETS	NLA (SQ. FT.)	AVERAGE OCCUPANCY	REVENUE CONTRIBUTION BY SEGMENT
2 (2021: 2)	1.1 million (2021: 1.1 million)	92% (2021: 93%)	33% (2021: 31%)



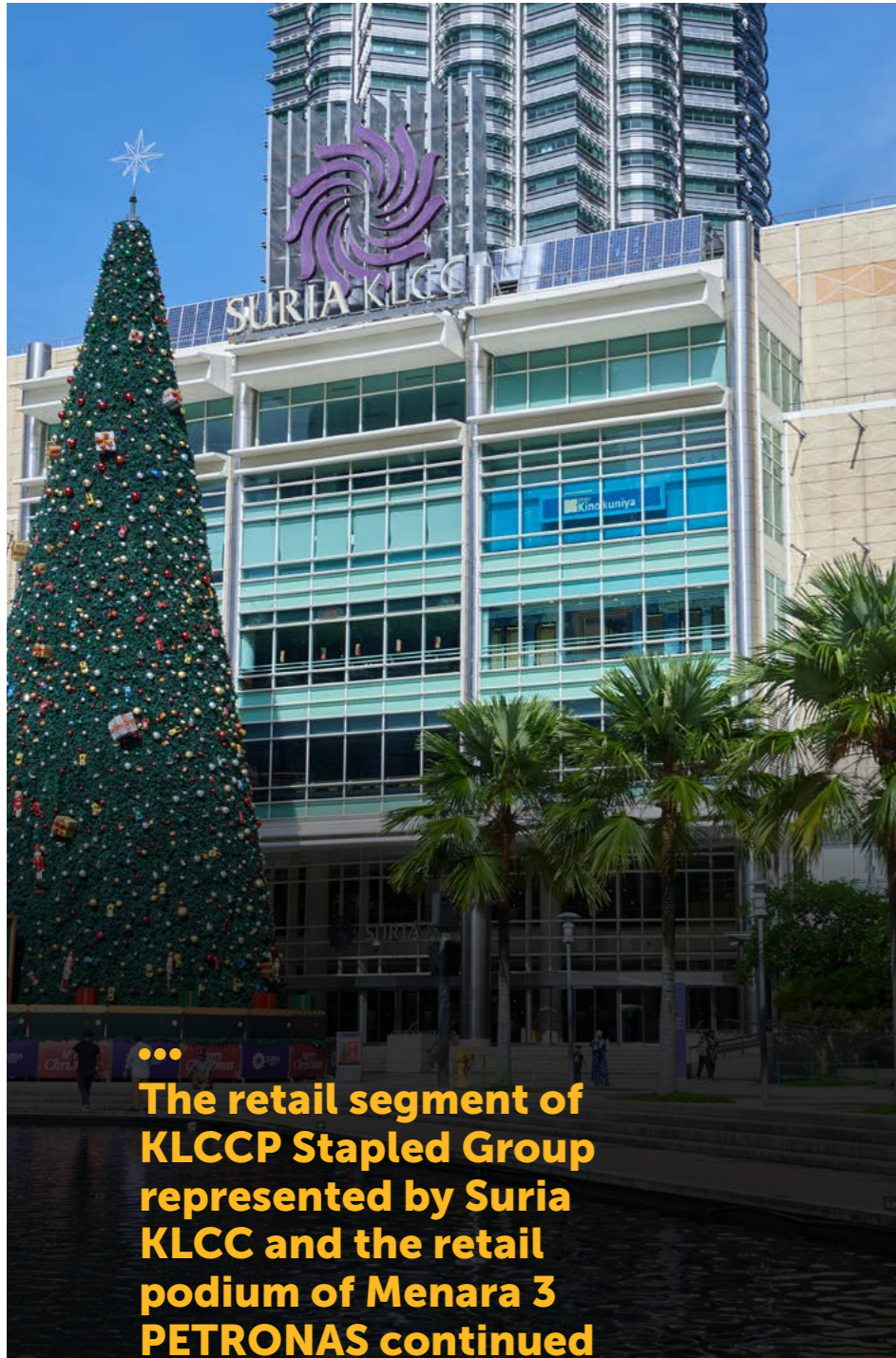
# THE PLACE TO SHOP

Our iconic shopping destination offers unique curated retail offerings that exude a vibrant and experiential experience



OPERATIONS REVIEW

OPERATIONS REVIEW



...  
**The retail segment of KLCCP Stapled Group represented by Suria KLCC and the retail podium of Menara 3 PETRONAS continued to drive performance and growth for the Group amidst the challenging operating environment.**



Located in the heart of Kuala Lumpur, our malls have a diversified tenant base which houses more than 350 speciality stores, offering a wide range of brand selections: from international fashions and flagship stores to local favourite hangouts.

Over the years, Suria KLCC continued to evolve and paved the way in leading the retail industry, delivering on customers' needs and curating exciting shopping experiences, in line with its tag line, "Always Something New".

With containment of the pandemic a national priority, Suria KLCC played its part in creating a safe shopping environment for its customers. It was the first mall to invest in automated temperature scanning at each main entrance to facilitate efficient customer

flow. With the transition to the endemic phase, Suria KLCC implemented its customer-friendly measures which included removal of individual temperature checks at entrances and waiving the requirement for compulsory masking for shoppers.

**INDUSTRY LANDSCAPE AND OPERATING CHALLENGES**

Malaysia's retail industry rebounded strongly, with sales soaring 96.0% in 3Q2022, supported by the full reopening of the economy. For the full year of 2022, the country's retail sales growth was revised upwards to 41.6% from the earlier projection of 31.7%. The MIER Consumer Sentiments Index (CSI) has risen to 105.3 points in 4Q2022, below the 100-point optimism threshold. This is stemming from the expected increase in income and job opportunities.

SURIA KLCC CONTINUED TO EVOLVE AND PAVED THE WAY IN LEADING THE RETAIL INDUSTRY, DELIVERING ON CUSTOMERS' NEEDS AND CURATING EXCITING SHOPPING EXPERIENCES

Major shopping districts such as KLCC and Bukit Bintang, which have traditionally relied on foreign tourists, have struggled due to the pandemic and travel restrictions. In response, retailers have focused on attracting domestic tourists and expanding their online presence in order to stay relevant in the face of increased competition from e-commerce and online shopping.

The relaxation of standard operating procedures for number of individuals in retail centers has also led to the expansion of food and beverage retailers and the debut of new convenience stores. These stores have rebranded to focus more on ready-to-eat selections and café sections, reflecting changes in consumer consumption trends. Retailers had to find ways to remain competitive in an increasingly crowded and complex market. In order to stay relevant and attract foot traffic, physical stores had to seek for ways to stand out and offer value to customers. This involved introducing new and innovative retail concepts, as well as incorporating technologies like contactless payments and virtual experiences to enhance the shopping experience.

The rise of e-commerce has brought new opportunities and challenges for retailers where it provided a new channel for businesses to reach and engage with customers. It also led to an increase of competition and the need for businesses to effectively navigate the complexities of online marketing and sales.

OPERATIONS REVIEW

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

As we emerged from the depth of the pandemic, Suria KLCC relied on the strength of its team and strong business partnering in capitalising on the recovery momentum. Suria KLCC treated the retail tenants, suppliers and partners fairly, and most importantly, responded prudently to each challenge during and after the pandemic. The entire team also designed specific assistance packages towards sustainability of the retail partners. This enabled Suria KLCC to maintain occupancy above Malaysian averages and ensure that its valued partners had the best chance of enduring the challenges.



1. Working with Retail Partners towards customer experience

After a challenging 2 years disruption by the pandemic, Suria KLCC gained momentum and saw the return of its shoppers – both local and tourist; benefitted also from the return of office workers in the surrounding office buildings within the city centre and the pick-up in corporate and MICE events within the KLCC Precinct.

The mall carried out targeted marketing campaigns and rewarded shoppers to boost footfall and drive tenant sales. After successful runs in 2020 and 2021, The Golden Ticket Campaign returned to Suria KLCC for its third consecutive year. Staying true to the campaign title, the mall rewarded over RM450,000 worth of Suria KLCC vouchers to their lucky shoppers. This boosted footfalls and significant direct sales for its retail partners.

Suria KLCC also upped its mall decorations of key festive events at the mall centre court as well as at the Esplanade, KLCC Park. The time-tested mall decorations along with heightened customer experiences included interactive setups, motion-activated lighting, and photo booths with complimentary photo printouts. Suria KLCC also provided marketing support via in-mall advertising on digital screen and digital directories as well as digital marketing support on Suria KLCC's social media channels to assist its retail partners in promoting their brands, products and services.

These efforts drew sustained footfall to the mall and increased customer spend resulting in tenant sales registering record-breaking sales as at December 2022, the highest sales ever recorded. Tenant sales more than doubled that of 2021 and even surpassed pre-pandemic levels by 9.5%.

During the year, Suria KLCC invested RM7.5 million in the upkeep of the mall - maintaining and upgrading the escalators, fire lifts and building control systems, and reconfiguring the floor space at Level 4.

2. Always Something New

During one of the most arduous periods in the history of retail globally, the recognition of Suria KLCC as a strong business partner was underscored as the mall welcomed 16 alluring brands to enhance the vibrancy of its offerings further. The London-born Burger & Lobster made its debut at Suria KLCC, the first downtown Kuala Lumpur restaurant. Some other prominent tenants included i.T a multi-brand fashion house from Hong Kong, Kenangan Coffee, Indonesia's top coffee chain, and Boucarad luxury watches and accessories.

The mall continues to retain its exclusive retail partners, namely Bally, De Beers, Alexander McQueen, Blancpain, Kinokuniya, Bape & Bape Café, Berluti, Maje, Sandro, and I.T. Store. This enhances overall vibrancy of the mall and creates an elevated and enjoyable shopping experience of "Always Something New".

During the year, Suria KLCC completed the reconfiguration of approximately 12,000 sq. ft. of the previous Food Court area at level 4. All tenants have been fully secured and the space is targeted to open by mid-2023. NITORI, Japan's largest furniture and home furnishing brand, offering a wide range of large furnishings and interior accessories made its presence in Suria KLCC in February 2023.

As part of the digital revolution, Suria KLCC embarked on the issuance of Suria KLCC Shopping e-Vouchers (SKLCC) to have a systematic data management system to provide a more targeted retail experience. This enables customers and businesses to purchase vouchers that are paperless which can be spent across the mall.

Suria KLCC launched an online booking platform in May 2022 on the mall's website for F&B and beauty services outlets to better manage the crowd. The booking platform also aims to enhance the shopping experience, where customers can pre-plan their day in the mall by reserving service appointments or securing seats in restaurants. This booking platform is a continuous digital initiative for better connectivity with the customer and is part of the many collaborative efforts between the mall and the retail tenants.



OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

3. Uplifting local communities with the #YouMatter campaign

A defining moment for Suria KLCC was when it addressed the issue of mental health, an issue that took on increased importance during the pandemic. In 2021, Suria KLCC launched a month-long mental health awareness campaign themed "We Are With You" to raise public awareness of mental health issues while promoting an environment of acceptance and compassion. This campaign saw the creation of Safe Space @ Suria KLCC, the first safe space of its kind in Malaysia nested within a mall, by devoting valuable retail space that would otherwise be rented out to create a never-before-seen corner that addressed mental health head-on.

As part of Suria KLCC's pledge to make mental health a long-term focus in addition to its mission to support impactful organisations to build inclusive communities through collaborative high-impact programmes, Suria KLCC relaunched the Safe Space in conjunction with World Mental Health Day in October 2022.

For the 2022 campaign, Suria KLCC opted to highlight mental health issues afflicting the youth, hence the tagline #YouMatter. Following the success of last year's campaign, Suria KLCC joined hands with the Green Ribbon Group, the Mental Illness Awareness and Support Association (MIASA), and The Body Shop.

Suria KLCC also pledged to support NGOs championing mental health through monetary support from the sales of the "Suria Ribbon Pin" – an ongoing fundraising initiative by Suria KLCC to symbolise mental health awareness. Over RM30,000 was raised and donated to mental health-related NGOs such as Befrienders KL, Green Ribbon Group, MIASA and the Malaysian Mental Health Association (MMHA).



Industry validation of Suria KLCC's efforts came when We Are With You – A Mental Health Awareness Campaign took home the Gold Award for Best Experiential Marketing 2020-2022 at the Malaysia Shopping Malls Association Award Ceremony in October 2022. This proves that even its peers recognise that Suria KLCC is doing something meaningful and unique.



OPERATIONS REVIEW



FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2022 RM'mil	2021 RM'mil	Variance %	2022 RM'mil	2021 RM'mil	Variance %	2022 %
Suria KLCC	445.2	327.7	35.9	349.3	223.2	56.5	94
Menara 3 PETRONAS (Retail Podium)	38.9	30.1	29.2	22.3	14.4	54.9	6
<b>Total Retail Segment</b>	<b>484.1</b>	<b>357.8</b>	<b>35.3</b>	<b>371.6</b>	<b>237.6</b>	<b>56.4</b>	<b>100</b>

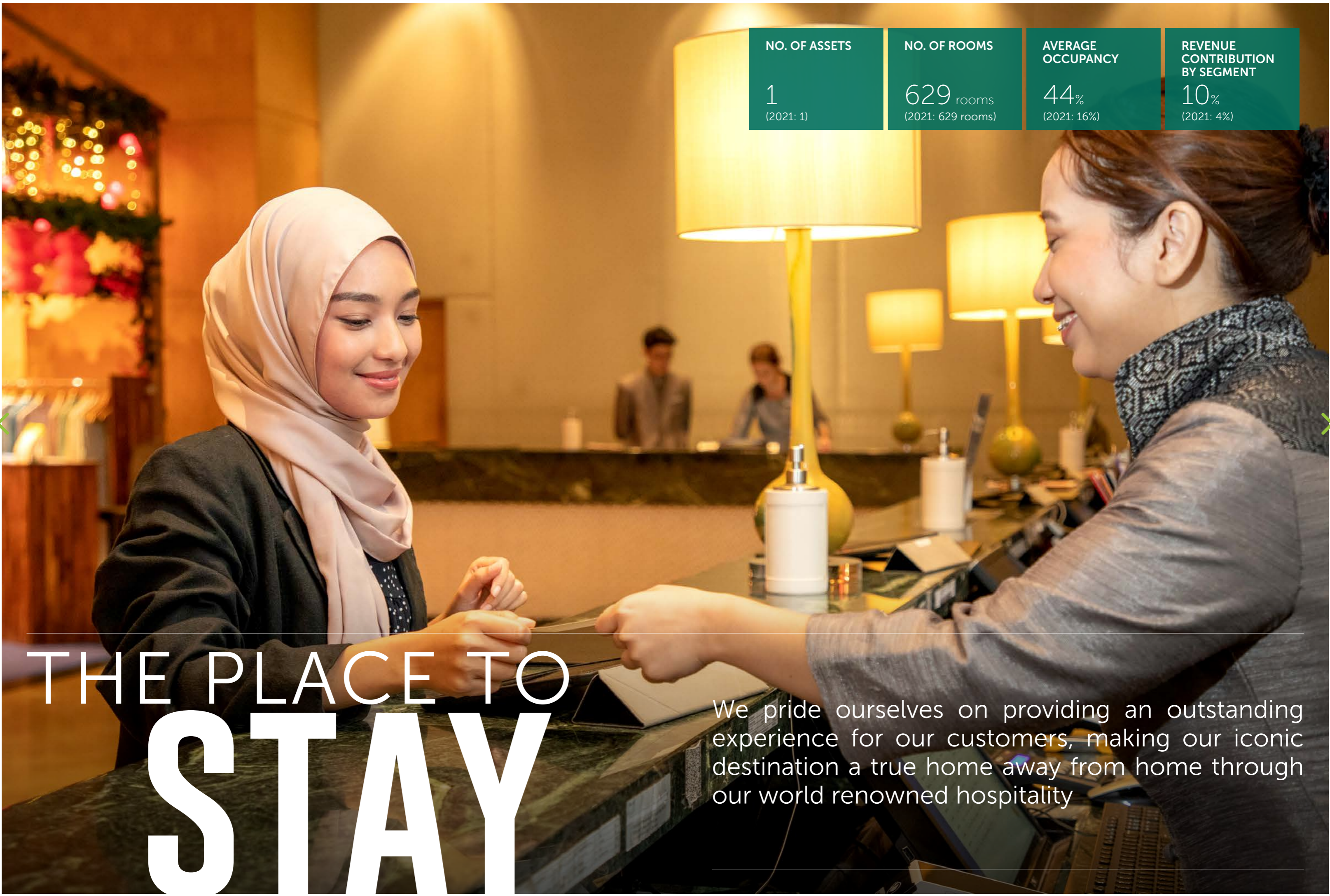
The operating and financial performance for 2022 reflected the ongoing resilience of the retail sector as the recovery from Covid-19 gained momentum towards the second half of 2022. The retail segment recorded a 35.3% increase in revenue and 56.4% in PBT driven by improved tenant sales, rental from new leases and advertising income. The retail segment contributed 33% of the overall KLCCP Stapled Group's revenue.

PROSPECTS

The clouds of Covid-19 pandemic and high inflation have not dissipated, but the retail industry rebounded strongly, with sales soaring, supported by the full reopening of the economy. Moving forward, despite the higher footfall supporting retail sales growth and coupled with sustained occupancy levels that are expected to drive positive rental reversions. Rising interest rates and a weaker economic outlook may threatened the growth momentum.

The path to recovery is gradual and unpredictable, the segment remains resolute and determined to rise to the challenges ahead. Suria KLCC with its strategic location and iconic stature supported a vibrant community of a modern integrated development positions Suria KLCC favourably to continue to perform well in 2023 and beyond. With a solid, stable team and continuous extensive research undertaken to ensure that the tenant mix is relevant. The mall remain agile to prepare for future trends and opportunities. Suria KLCC will continue to drive innovative marketing programmes to bring more quality traffic into the mall to drive sales for its retail partners.

NO. OF ASSETS	NO. OF ROOMS	AVERAGE OCCUPANCY	REVENUE CONTRIBUTION BY SEGMENT
1 (2021: 1)	629 rooms (2021: 629 rooms)	44% (2021: 16%)	10% (2021: 4%)



# THE PLACE TO STAY

We pride ourselves on providing an outstanding experience for our customers, making our iconic destination a true home away from home through our world renowned hospitality

OPERATIONS REVIEW

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**The hotel segment for KLCCP Stapled Group is represented by Mandarin Oriental, Kuala Lumpur (MOKL Hotel). MOKL Hotel continues to be the city's most iconic and desired luxury hotel, benefiting from brand recognition that is second to none.**



## MOKL HOTEL REMAINS THE PREFERRED CHOICE FOR STAYCATIONS AND SOCIAL EVENTS FOR BOTH BUSINESS AND LEISURE

No. 2 for Best Asia Pacific Hotels for Business Travel; Malaysia's Best Hotel Restaurant 2022 – Lai Po Heen and World Spa Awards World's Best Hotel Spa Brand 2022. For the year 2022, MOKL Hotel maintained its guest satisfaction score at 87%.

With 24 years of proven record for high-end luxury service delivery and the best address in town with direct access to PETRONAS Twin Towers, KLCC Park and Suria KLCC, MOKL Hotel remains the preferred choice for staycations and social events for both business and leisure.

MOKL Hotel has steadily navigated the challenges brought by the pandemic, enduring multiple lockdowns, borders closure, strict restrictions, and the emergence of Covid-19 variants. Despite the tribulations, the hotel captured the domestic market with confidences providing a safe environment with its "We Care" program putting the guests at ease.

The reopening of international borders in April 2022 rebooted the tourism and hospitality industry. Coupled with the gradual easing of Covid-19 restrictions amidst the high inoculation drive in Malaysia, MOKL Hotel capitalised on the pent-up demand with enticing offerings and promotional packages for staycations and leisure travels. The travel business regained momentum with travelers from Singapore, Middle East, United States and Europe.

The hotel continued to be recognised by the industry, winning 13 awards and accolades - Asean Green Hotel Standard 2022 - 2024 by Ministry of Tourism; Forbes Travel Guide 2022 - Four Star Award Winner; TripAdvisor Travellers' Choice Award 2022; DestinAsian Readers' Choice Awards 2022 -ranked No. 9 Best Hotels in Malaysia (Bronze); 29<sup>th</sup> Annual World Travel Awards 2022 – Malaysia's Leading Business Hotel, Malaysia's Leading City Hotel, Malaysia's Leading Hotel Suite; CNBC Best Hotels. Ranked

### INDUSTRY LANDSCAPE AND OPERATING CHALLENGES

The year 2022 marked the gradual recovery of the hospitality industry in the country with hotel's performance returning to the levels of 2019, giving new hope to the sector that was hard-hit by the pandemic. The rebound was driven by a favourable second half of the year with strong increase in occupancy, higher average room rates and the up-tick in demand of MICE and corporate events. Industry experts anticipate that this positive trend will continue into 2023 as developers and hotel owners complete developments that were initially planned for completion in 2020-2021.

While the demand for hotel rooms has showed signs of improvement, the industry continues to face challenges – intense price wars from increase in supply of hotel rooms, labour shortages and elevated operating and food costs.

In a bid to stay competitive in this environment, larger hotels with robust financials are implementing rebranding, redevelopment, renovation, and refurbishment strategies. Nevertheless, despite these initiatives, the industry may experience prolonged breakeven periods amidst intense competition and the looming concerns of inflationary pressures.

OPERATIONS REVIEW

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

The long-awaited opening of the borders in the second quarter of 2022, provided the hospitality industry with an unprecedented pent-up demand leading to a faster ramp-up than expected. MOKL Hotel's strategy for the year was to capitalise on the recovery momentum as business activities began to accelerate. MOKL Hotel enhanced its personalisation of guests experience, drove the room rates, and maximised the premium inventory occupancy. This proved successful when the hotel experienced the best month in December 2022 in the hotel's history with commendable occupancy and room rates, bringing the segment to an optimistic year end performance.

1. Food & Beverage offerings and promotion

Targeting at the return of international travellers and meeting the demand of the domestic market, MOKL Hotel prepared an exciting calendar of F&B activities during the year, adapting the offerings to the seasons and the pandemic circumstances.

The hotel's personalised curation focused on style and exclusivity resulted in record breaking performances during the year exceeding RM26 million in revenue. All the F&B outlets outperformed, particularly Mosaic, Mandarin Grill, and Aqua which contributed a remarkable over 200% growth compared to 2021.

Banqueting saw 33 events and 14 wedding generating more than RM16 million in revenue whilst the Mooncake sales hit over RM2.0 million in revenue, the highest since the hotel's opening.



2. Strategic Partnerships and Collaboration

In a bid to expand to a new clientele base whilst retaining the existing loyal guests, MOKL Hotel continued to embark on strategic partnerships and collaborations. The hotel partnered with corporates locally and within the region to capture the various markets for room and F&B. It also collaborated with Tourism Malaysia to capture the Middle East and European regions and was the only hotel featured in Tourism Malaysia's 2023 promotional video of "Malaysia Truly Asia". In further strengthening MICE leads, the hotel collaborated with the Malaysian Convention & Exhibition Bureau (MyCEB) which generated leads and potential revenue for the hotel.



MOKL Hotel's collaboration with Tatler House which started in 2021, continued during the year as the branded suite collaboration, attracted exclusive events of highly acclaimed luxury brands - Prada, BMW, Chopard, Martell, Melium, MHD, Louis XIII, LA Mer, Lancome, Johnnie Walker and Burberry.

After the successful launch of Little Explorers Kids Club at the level 3 leisure area in early 2022, MOKL Hotel further expanded its offerings with the appointment and collaboration of Wonder Minds Malaysia, the leading expert in children's education in the country. The Kids club will be manned by professional experts with month-long calendar of activities, professionally curated to have the hotel's young guests enjoy and learn, while parents unwind and experience the many offerings during their stay.

3. On-boarding with sustainable initiatives

MOKL Hotel is part of the KLCC Business Events Alliance (KLCCBEA), a collaboration with Kuala Lumpur Convention Centre and the other KLCC owned hotels within the KLCC Precinct. KLCCBEA commits to contribute towards the Sustainable Development Goals (SDG) to create a sustainable Precinct and to make Kuala Lumpur as Asia's SDG hub.

As part of the hotel's efforts towards sustainability, during the year, MOKL Hotel visited an Artificial Intelligence (AI) sustainable farm and was inspired by the idea of growing food sustainably (less land, less water) via precision farming that deliver consistent yield and quality whole year round. Stemming from this and to promote sustainable wellness, nutrition, and sustainable agriculture, the hotel featured the vegetables and produce from this integrated farm in their enhanced menu offerings at Lai Po Heen and Mandarin Grill since July 2022.

The hotel installed a new digital platform called "helloMO", a new way to communicate with guests from the moment guests confirm their reservation. The system is accessible by scanning a QR code, creating an automatic two-way communication channel between the hotel's 24-hour ready team and the guests. The system organises guests' stay and support guests with every need while at the hotel.

FINANCIAL REVIEW

	2022 RM'mil	2021 RM'mil	Variance %
Revenue	146.9	46.5	>200
Loss before tax	(23.5)	(65.9)	64.3

In 2022, the hotel segment recorded a robust performance with a three-fold increase in revenue from RM46.5 million in 2021 to RM146.9 million and reduced the losses to RM23.5 million as the Covid-19 curbed over and international borders reopened.

The hotel's resilient performance was backed by higher average occupancy at 44% compared to 16%, spurred by a steady return in number of tourists and strong demand for MICE & corporate events. The hotel recorded lower losses arising from better profit margin achieved attributed to the pent-up demand in the high-yielding room category.

PROSPECTS

The hospitality industry is gradually returning to its pre-Covid-19 performance after two challenging years. The imminent return of China tourists in 2023 is expected to boost the industry further. However, headwinds on margin expansion given rising wages, utility costs, food and beverage costs, insurance, and capital expenditure increases as well as oversupply in the hotel market, are expected to persist.

Despite the challenges, MOKL Hotel will continue in its quest to deliver world-class hospitality, enhance its brand value, and capitalise on the return of tourists and pent-up demand for MICE events. The hotel will focus on elevating its guests experience with an "Urban Resort Oasis" feel and personalising the guests experience through the MO Experience page. This page is an enhanced feature on MO.com webpage which allows the hotel's Fans of M.O. to select unique experiences specially tailored by its experienced and fulltime "Les Clef d'Or" concierges. With its acclaimed service of internationally renowned Peter Burwash International Tennis Academy, experienced fitness instructors and spa experts, the hotel is set to further improve its guests experience, setting them apart from their competition.

NO. OF FACILITIES MANAGED	NO. OF CAR PARK BAYS MANAGED	REVENUE CONTRIBUTION BY SEGMENT
25 (2021: 25)	14,815 (2021: 13,211)	17% (2021: 16%)

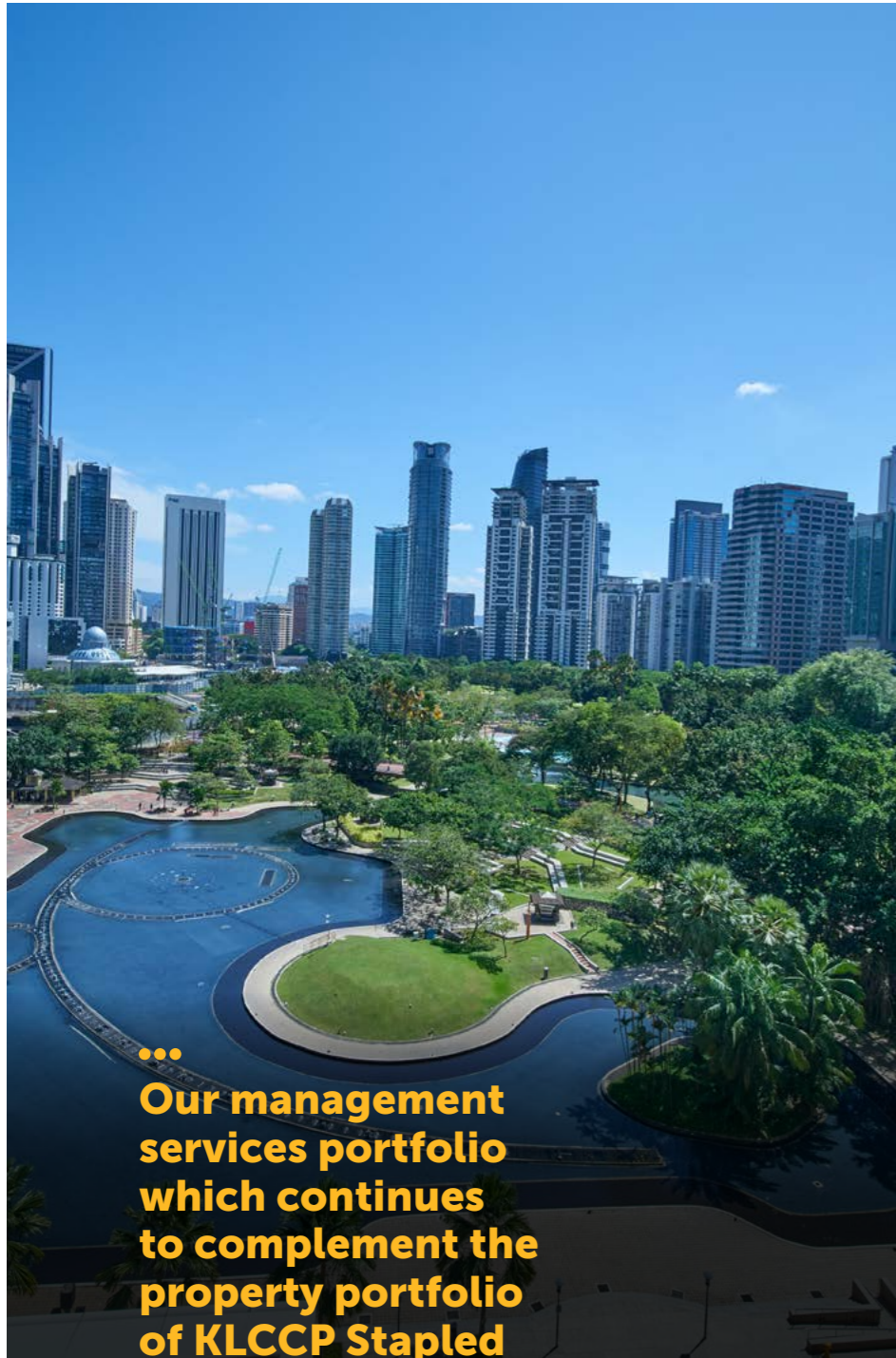


# THE PLACE TO PLAY

The luscious greenery and inspiring spaces, connect our communities in a harmonious setting, evoking a sense of place

OPERATIONS REVIEW

OPERATIONS REVIEW



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



KLCC Urusharta (KLCCUH), our facilities management arm undertakes the management of all the office buildings within the KLCCP Stapled Group portfolio, common facilities and common estates which include KLCC Park, all within KLCC Development as well as various PETRONAS and KLCC (Holdings) facilities. KLCCUH provides a comprehensive range of services in the realm of facilities management and is a Solutions Partners, from space management to tenant experience.

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

THE GROUP PROVIDES A COMPREHENSIVE RANGE OF SERVICES IN THE REALM OF FACILITIES MANAGEMENT AIMED AT BEING THE SOLUTIONS PARTNER, FROM SPACE MANAGEMENT TO TENANT EXPERIENCE

**INDUSTRY LANDSCAPE AND OPERATING CHALLENGES**

The Malaysian facility management (FM) market is considered to be one of the more advanced markets in the region, with a significant presence of both domestic and global companies. The market is also benefiting from the country's ongoing construction and renovation activities, as well as the increasing adoption of advanced technologies in building services.

In addition, the government's regulations on energy efficiency and energy performance have further propelled the industry towards the integration of smart and innovative technologies. This, coupled with the growing awareness among building services stakeholders, have resulted in an overall shift towards higher technology adoption within the market.

The parking and mobility industry continues to evolve its solutions to meet and exceed the needs of customers and organisations. More and more facility managers are looking for one solution that merges parking technology and management into one to fuel operational performance and satisfy customer expectations.



OPERATIONS REVIEW

OPERATIONS REVIEW

STRATEGIC INITIATIVES FOR THE YEAR

Both KLCCUH and KPM geared themselves to serve their customers with the return of office tenants and higher retail footfall. KLCCUH Tenant Care team ensured the return to office protocols were implemented and ready to welcome the office tenants back whilst the KPM team was on hand to service the return of the season parkers. They continued to strengthen efforts to boost operational services and improved the delivery of quality services that transcend their customers' needs.

1. Charging ahead into EV

In accelerating our sustainable mobility, during the year 35 units of EV chargers were deployed within KLCC Precinct increasing the existing 20 units of EV chargers to 55, making KLCC the venue with the largest number of EV charging points in Malaysia. This is part of the collaboration with Gentari Sdn Bhd to jointly explore opportunities in potential projects and services related to green mobility and renewables to be implemented within the KLCC Group's development. Gentari Sdn Bhd is a wholly owned subsidiary of PETRONAS tasked with accelerating the adoption and commercialisation of clean energy. KLCC will be their EV charging infrastructure flagship location. In 2023, another 42 units of EV chargers will be installed across the Group's managed facilities such as, Alamanda Shopping Centre, Herriot-Watt University Malaysia, Menara Dayabumi and Lot 310 Car Park.

With KLCC Group's diverse portfolio, ranging from offices, shopping malls, hotels, and gas district cooling, the Group has an abundance of lands and available spaces that will give opportunities for the Group to collaborate with Gentari in the future.

2. Expanding managed car park footprint & convenience

KPM, our car parking management services company, continued to deliver high standards of service levels to improve and enhance customer experience. Towards delivering a seamless parking payment experience, during the year, KPM successfully extended the Setel payment option to almost all its parking locations. Providing Setel creates convenience for customers as it offers various modes of e-wallet payment and encourages more visitors to our car park. With this implementation, KPM successfully converted 16,000 visitors into Setel users.

Our parking management system is now fully integrated with other online systems for payment i.e. Touch & Go, credit/debit card as well as online banking. Approximately 98% of visitors to KPM's managed car parks utilise the cashless payment method in paying their parking fare. This is a testament to the Group's pursuit to continuously improve customer experience validated by the satisfaction score hit 83%.



In 2022, KPM successfully secured the operation of an additional 1,604 car parking bays at various locations in the Putrajaya precinct, bringing the total number of managed car parking bays to 14,815. KPM also established an operations dashboard which cuts across different sections of Finance, HSSE, Assurance and Operations and serving as a single of functional source of truth for KPM's day to day operations. This dashboard provides real time monitoring and assists in decision making by leveraging data analytics from multiple points within the parking operations.

3. Integrated Building Command Centre (IBCC) services extended

In 2021, we launched the Integrated Building Command Centre (IBCC), a smart facilities management system to provide centralised 24-hour command centre to manage our facilities' building management systems in real time. Features of the IBCC include energy management, automation system and sensor monitoring system which were designed in a modular way to monitor and control.

This year, the system capabilities were upgraded not only to command but as well to control, optimising the efficiency and effectiveness of daily operations. Currently, three systems are able to be controlled remotely from the IBCC.

With the new workflow under IBCC's control feature, response time is improved as immediate feedback and instant communication can take place. Tenant Care & Building Control Systems (BCS) Operators are able to utilise and view live data from the integrated sensors. This dashboard not only provides live data, it also showcases historical trending data which assists BCS operators in troubleshooting and ultimately improving tenant experience.



**KLCC Precinct CCTV**  
Crisis Control

**Temperature Setpoint of the AHU**  
Proactive monitoring & ability to intervene on the temperature control from IBCC based on Heat Map Monitoring

**KLCC Park Irrigation System**  
Proactive monitoring and control of the irrigation system by switching on the pumps remotely from IBCC

FINANCIAL REVIEW

Property	REVENUE			PROFIT BEFORE TAX (Excluding fair value adjustments)			PBT contribution
	2022 RM'mil	2021 RM'mil	Variance %	2022 RM'mil	2021 RM'mil	Variance %	2022 %
Facilities Management	171.9	138.2	24.4	10.4	12.2	(15.0)	38
Car Park Management	59.8	36.7	62.9	25.6	13.9	83.5	93
Others	15.7	12.4	26.6	(8.5)	(7.8)	(9.0)	(31)
<b>Total Segment</b>	<b>247.4</b>	<b>187.3</b>	<b>32.1</b>	<b>27.5</b>	<b>18.3</b>	<b>50.1</b>	<b>100</b>

For the financial year 2022, the management services segment generated total revenue of RM247.4 million, an increase of 32.1% from the previous year, constituting 17% of KLCCP Stapled Group's revenue.

Facilities Management reported a growth of 24.4% in revenue attributable to the significant management fees contribution from the modernisation of external lightning of PETRONAS Twin Towers. However, the PBT for the year contracted by 15.0% mainly due to the higher operating expenditure incurred.

The footfall increases in Suria KLCC and return of the office tenants from the office within the Group and surrounding offices resulted in significant improvement in car parking income. Year-on-year season & transient car count rose by 23% and 88%, respectively.

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

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

PROSPECTS

The onset of Covid-19, brought new customer demands, new cost pressures and new ways of working to many organisations, fast-tracking the road to digitalisation and sustainability. As new technologies emerge, management services professionals had to keep abreast with the latest tools and techniques to ensure efficient operations.

Leveraging on the IBCC to bridge silos between people, technologies and systems in facilities, KLCCUH as a progressive facility manager, is on track with its ongoing transformation initiatives striving towards becoming a future-ready facilities management company. KLCCUH will continue to improve and implement green initiatives in the quest to reduce the carbon footprint for the benefit of our tenants.

Our car parking management company will continue to improve its parking services with smart parking solutions. The collaboration with Gentari will be further expanded to include solar energy projects, deployment of Electric Vehicle (EV) Fleet Hubs and the use of clean energy.

We believe value comes from creating spaces that improve how our tenants and communities come together to live, work, and connect. We strive to understand the needs of our tenants and manage our properties & parking to the highest standards, leveraging innovative technologies to meet tomorrow's customers' requirements today.

# KLCC REIT FINANCIAL HIGHLIGHTS

## TOTAL PORTFOLIO REVENUE (RM'000)

<b>2022</b>	<b>578,843</b>
2021	569,728
2020	581,224
2019	591,363
2018	588,523

## TOTAL PORTFOLIO NET PROPERTY INCOME (RM'000)

<b>2022</b>	<b>548,460</b>
2021	541,475
2020	551,999
2019	561,565
2018	558,408

## DISTRIBUTION PER UNIT (SEN)

<b>2022</b>	<b>27.29</b>
2021	25.01
2020	23.50
2019	25.00
2018	23.35

## INVESTMENT PROPERTIES

<b>2022</b>	<b>9,175,267</b>
2021	9,113,553
2020	9,189,014
2019	9,193,989
2018	9,190,831

## REVENUE (RM'000)

<b>2022</b>	<b>539,903</b>	<b>38,940</b>	<b>578,843</b>
2021	539,606	30,122	569,728
2020	550,650	30,574	581,224
2019	557,486	33,877	591,363
2018	557,500	31,023	588,523

## NET PROPERTY INCOME (RM'000)

<b>2022</b>	<b>521,161</b>	<b>27,299</b>	<b>548,460</b>
2021	521,392	20,083	541,475
2020	532,141	19,858	551,999
2019	537,786	23,779	561,565
2018	537,823	20,585	558,408

OFFICE RETAIL

# KLCC REIT VALUE ADDED STATEMENT

	2022 (RM'000)	2021 (RM'000)
Total Turnover	<b>578,843</b>	569,728
Profit income	<b>4,032</b>	2,315
Fair value adjustments of investment properties	<b>61,635</b>	(76,979)
Operating and tax expenses	<b>(36,547)</b>	(20,555)
	<b>607,963</b>	474,509
<b>Reconciliation</b>		
Profit for the year	<b>503,298</b>	369,396
Finance costs	<b>59,119</b>	59,777
Managers fees	<b>44,946</b>	44,736
Trustee fees	<b>600</b>	600
	<b>607,963</b>	474,509
<b>Value distributed</b>		
<b>Trust expenses</b>		
Managers fees	<b>44,946</b>	44,736
Trustee fees	<b>600</b>	600
<b>Providers of capital</b>		
Finance costs	<b>59,119</b>	59,777
Income distribution	<b>502,063</b>	431,115
<b>Reinvestment and growth</b>		
Undistributed income	<b>(54,236)</b>	7,562
Capital reserve*	<b>55,471</b>	(69,281)
	<b>607,963</b>	474,509

\* 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	2022	2021	2020	2019	2018
Revenue (RM'000)	<b>578,843</b>	569,728	581,224	591,363	588,523
Net Property Income (RM'000)	<b>548,460</b>	541,475	551,999	561,565	558,408
Total Comprehensive Income: (RM'000)					
- Realised	<b>447,827</b>	438,677	444,247	454,409	450,362
- Unrealised	<b>55,471</b>	(69,281)	(4,576)	(20,761)	(9,701)
Income available for distribution (realised) (RM'000)	<b>505,265</b>	467,654	447,372	451,569	421,928
Income distribution <sup>1</sup>	<b>492,676</b>	451,515	424,253	451,333	421,545
Distribution per unit (DPU) (sen)	<b>27.29</b>	25.01	23.50	25.00	23.35
Distribution Yield <sup>2</sup> (%)	<b>5.66</b>	5.13	4.24	4.81	4.83
Basic Earnings per Unit (sen)	<b>27.88</b>	20.46	24.35	24.02	24.41
Management expense ratio <sup>3</sup> (%)	<b>0.59</b>	0.59	0.59	0.60	0.60

## STATEMENT OF FINANCIAL POSITION

Key Data & Financial Ratios	As at 31 Dec 22	As at 31 Dec 21	As at 31 Dec 20	As at 31 Dec 19	As at 31 Dec 18
Investment Properties (RM'000)	<b>9,175,267</b>	9,113,553	9,189,014	9,193,989	9,190,831
Total Assets (RM'000)	<b>9,608,338</b>	9,604,975	9,706,139	9,696,441	9,663,354
Total Financings (RM'000)	<b>1,363,874</b>	1,366,310	1,368,704	1,370,738	1,371,907
Total Liabilities (RM'000)	<b>1,589,977</b>	1,587,849	1,627,294	1,623,085	1,571,952
Total Unitholders' Fund (RM'000)	<b>8,018,361</b>	8,017,126	8,078,845	8,073,356	8,091,402
Total Net Asset Value (NAV) (RM'000)	<b>8,018,361</b>	8,017,126	8,078,845	8,073,356	8,091,402
Net Asset Value (NAV) per unit:					
- before distribution (RM)	<b>4.44</b>	4.44	4.47	4.47	4.48
- after distribution (RM)	<b>4.38</b>	4.37	4.42	4.41	4.42
Highest NAV per unit (RM)	<b>4.46</b>	4.50	4.50	4.52	4.52
Lowest NAV per unit (RM)	<b>4.39</b>	4.44	4.45	4.45	4.45
Gearing ratio (%)	<b>14.2</b>	14.2	14.1	14.1	14.2
Average cost of debt (%)	<b>4.34</b>	4.34	4.50	4.35	4.50
Debt Service Cover Ratio (times)	<b>9.4</b>	6.5	8.2	8.6	8.6

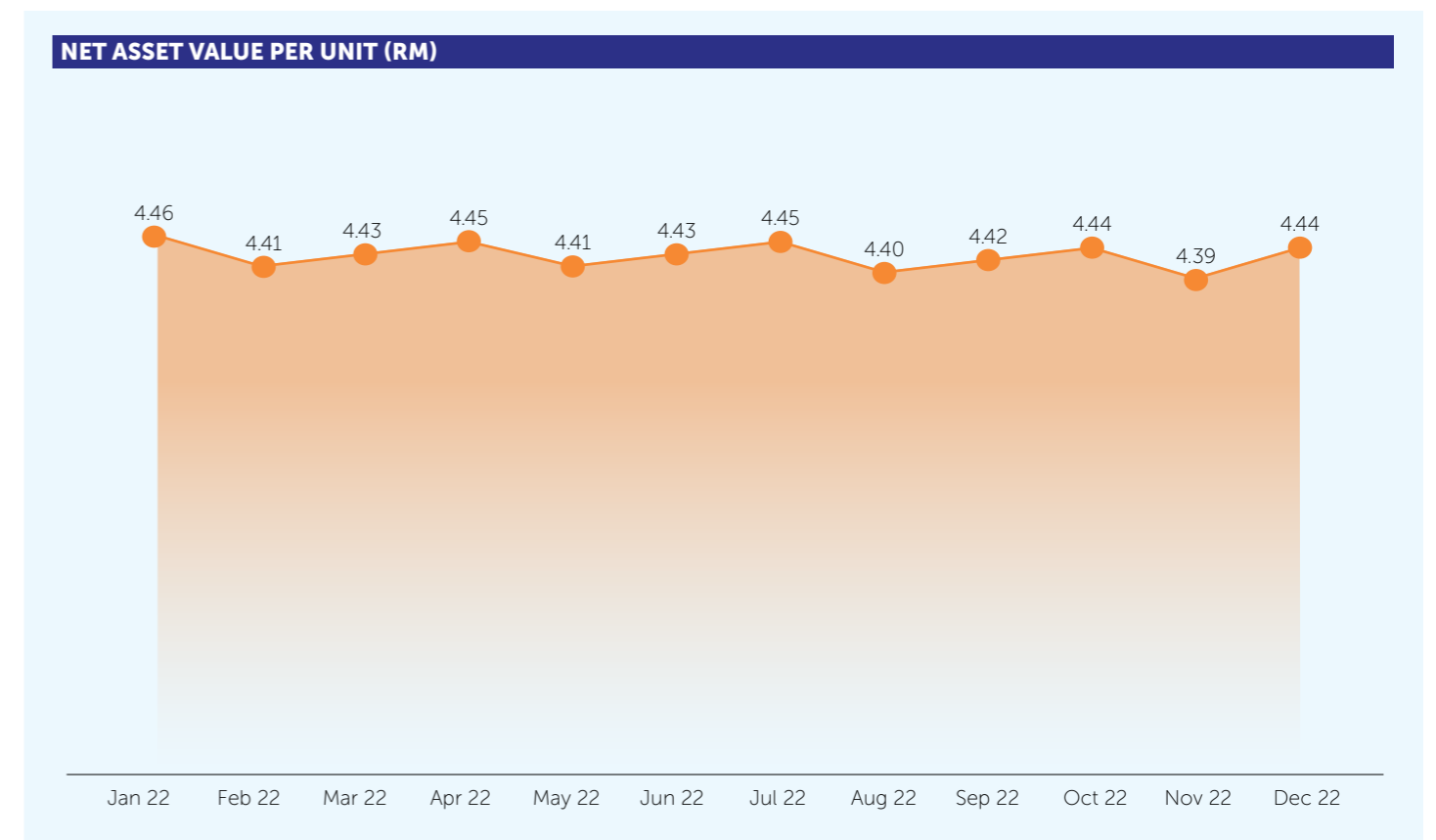
<sup>1</sup> Includes the 2022 fourth income distribution payable on 28 February 2023.

<sup>2</sup> Based on DPU of KLCCP Stapled Group of 38.00 sen (2021: 33.60 sen) and the closing price of KLCC Stapled Securities of RM6.71 (2021: RM6.55) as KLCC REIT units are stapled with KLCCP ordinary shares and traded as a single price quotation.

<sup>3</sup> 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



## TRADING PRICE PERFORMANCE OF KLCC STAPLED SECURITIES<sup>1</sup>

Trading Summary	2022	2021	2020	2019	2018
Stapled Securities Closing Price at 31 December (RM)	<b>6.71</b>	6.55	7.08	7.90	7.66
Highest Traded Price for the year (RM)	<b>7.10</b>	7.17	8.26	8.40	8.00
Lowest Traded Price for the year (RM)	<b>6.33</b>	6.32	7.08	7.68	6.88
Capital Appreciation (%)	<b>2.4</b>	(7.5)	(10.4)	3.1	(11.3)
Annual Total Return (%) <sup>2</sup>	<b>8.1</b>	(2.4)	(6.1)	7.9	(6.5)
Average Total Return (3 years) (%)	<b>(0.1)</b>	(0.2)	(1.6)	3.2	7.9
Average Total Return (5 years) (%)	<b>0.2</b>	0.2	5.1	8.3	10.7
Number of Stapled Securities ('000)	<b>1,805,333</b>	1,805,333	1,805,333	1,805,333	1,805,333
Market Capitalisation (RM'000)	<b>12,113,784</b>	11,824,931	12,781,758	14,262,131	13,828,851

<sup>1</sup> 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.

<sup>2</sup> Annual total return comprises capital appreciation from 1 January 2022 to 31 December 2022 of 2.4% (2021: -7.5%) and distribution yield of KLCCP Stapled Group of (5.66%) (2021: 5.13%).

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

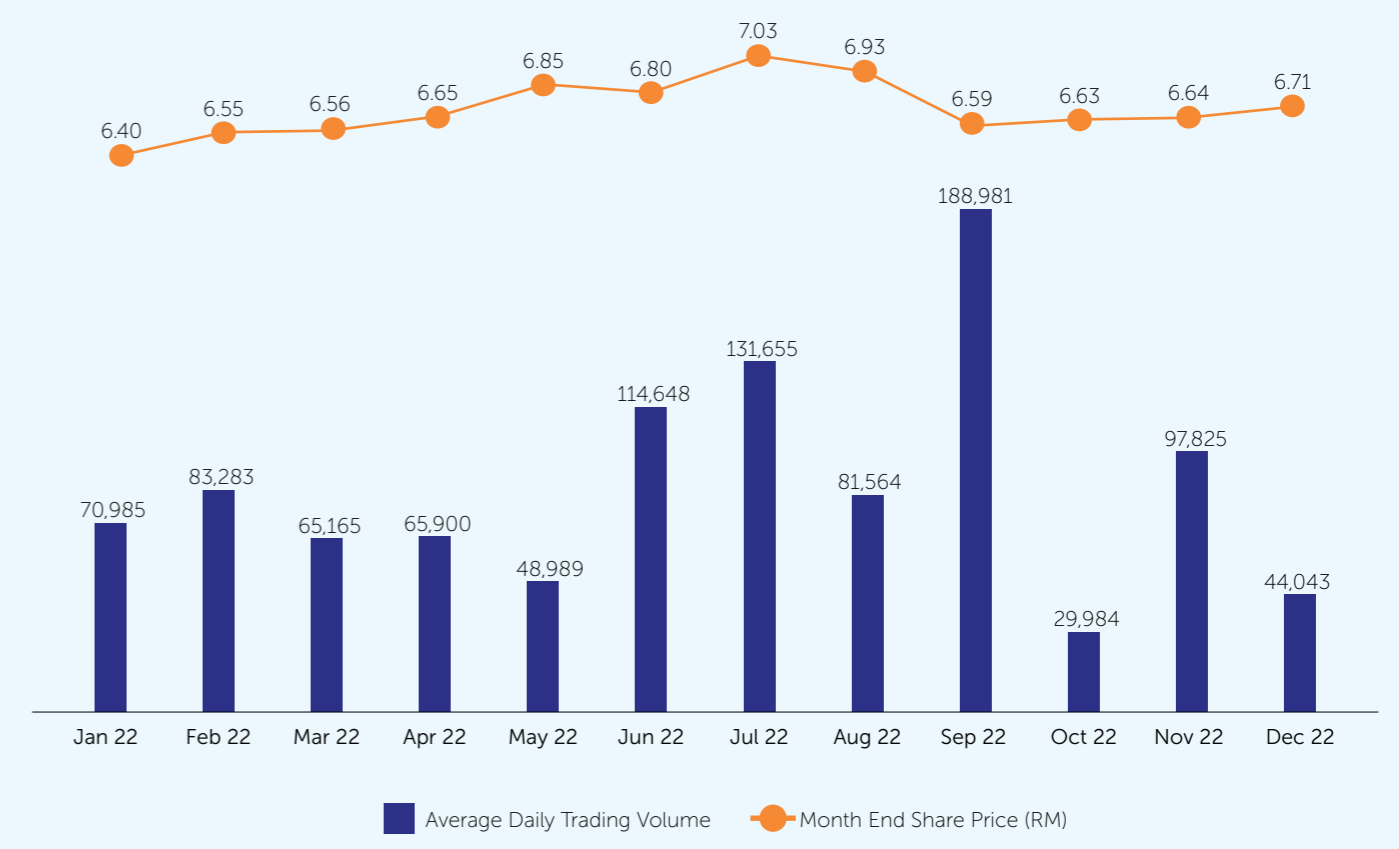
KLCC REIT FUND PERFORMANCE

MARKET CAPITALISATION, SHARE PRICE PERFORMANCE AND NUMBER OF STAPLED SECURITIES

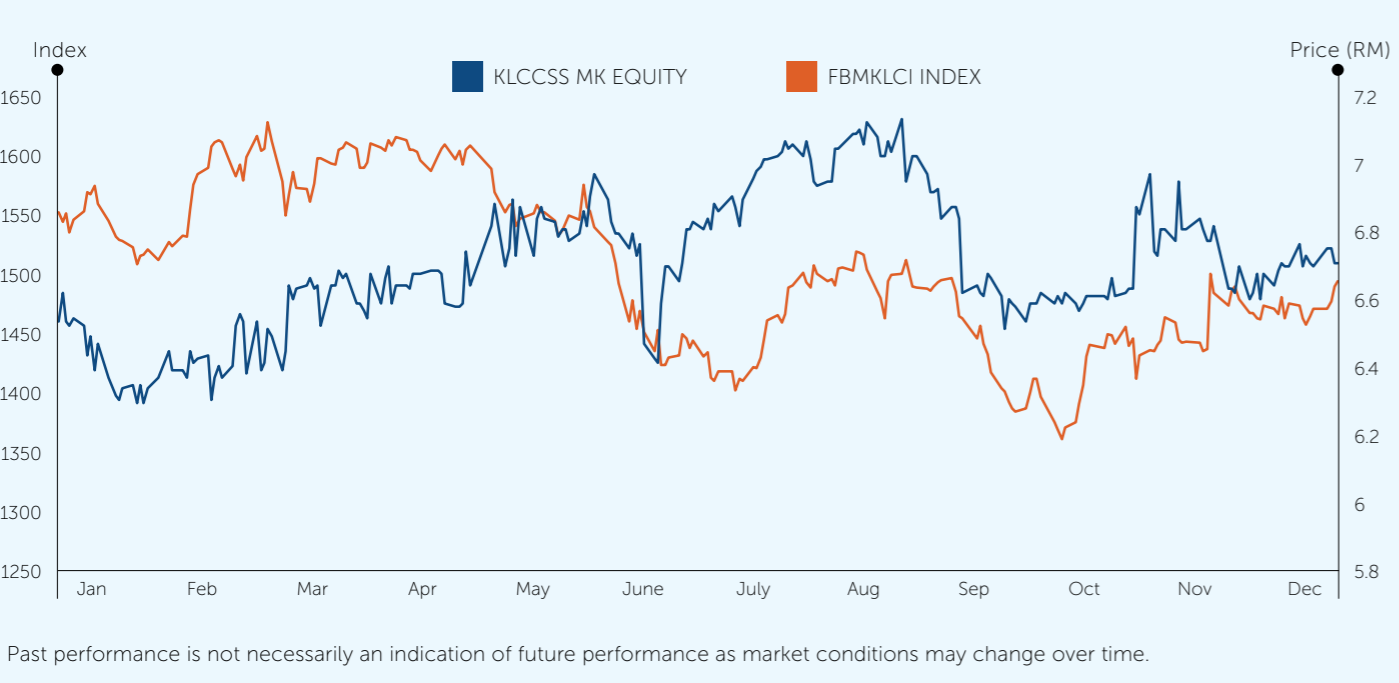


KLCC REIT FUND PERFORMANCE

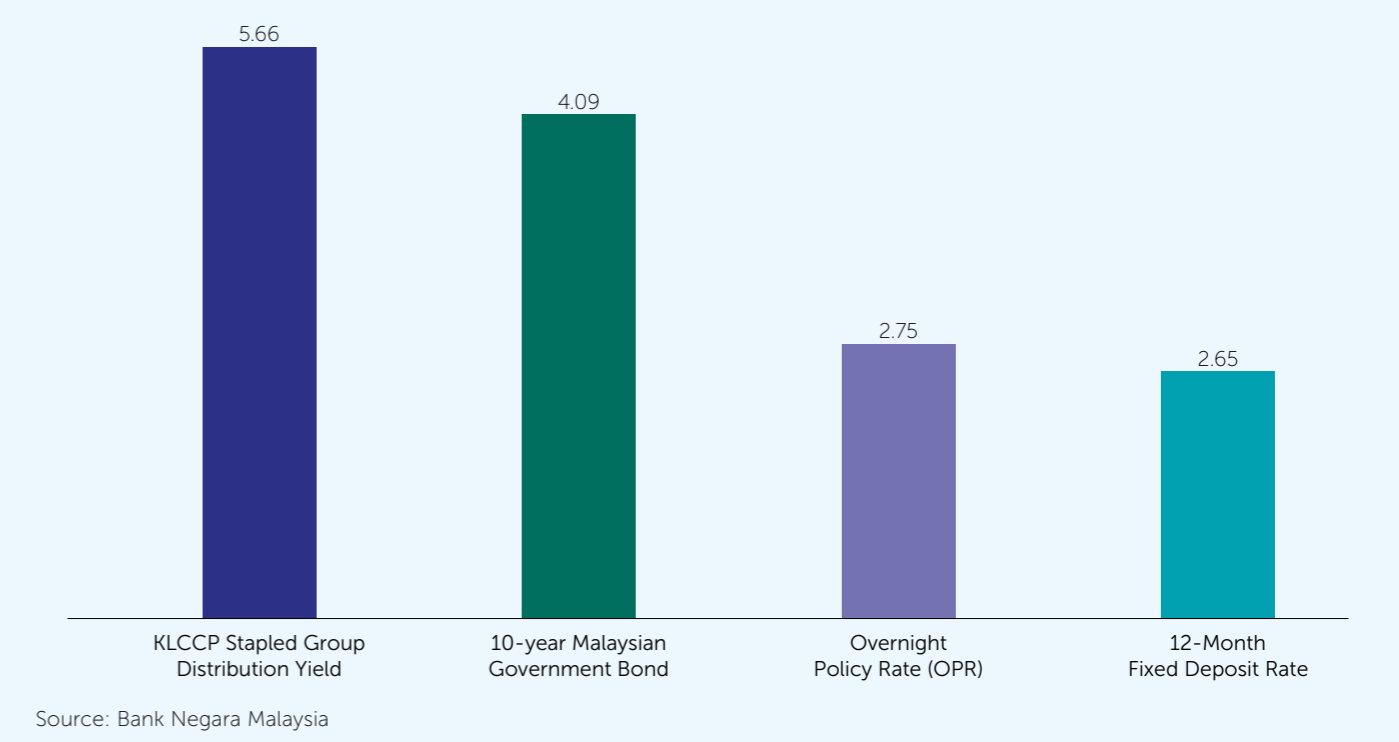
KLCC STAPLED SECURITIES MONTHLY TRADING PERFORMANCE



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



COMPARATIVE YIELDS AS AT 31 DECEMBER 2022 (%)



# 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 and an Amended and Restated Trust Deed dated 3 September 2019 entered into between the Manager and Maybank Trustees Berhad (the Trustee). The Amended and Restated Trust Deed was registered and lodged with the Securities Commission (SC) on 16 October 2019 and 17 October 2019 respectively. The Fund was listed on the Main Board of Bursa Malaysia Securities Berhad on 9 May 2013.

The key objective of the Fund is to provide unitholders with stable distributions of income supported by KLCC REIT's strategy of improving returns from its property portfolio and capital growth.

KLCC REIT Management Sdn Bhd (the Manager), the Manager of KLCC Real Estate Investment Trust (KLCC REIT or the Fund), is pleased to submit the Manager's financial and operational review for the financial year ended 31 December 2022.

**STRONG AND STABLE**

## 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.

## MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

### OVERVIEW OF PROPERTY PORTFOLIO

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

The properties with a combined NLA of over 4.5 million sq. ft. are located in the prime area of Kuala Lumpur City Centre, popularly known as KLCC, within the 100-acre KLCC Development. The internationally renowned 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.

**ASSET PERFORMANCE**

### KEY HIGHLIGHTS 2022

- The steadfast performance of KLCC REIT, backed by its long-term, locked-in leases lends stability to KLCCP Stapled Group, contributing **50.1%** of the Group's PBT.
- Retail podium of Menara 3 PETRONAS recorded encouraging performance with revenue of RM38.9 million, 29.2% higher than last year.
- Distribution per unit (DPU) of **27.29 sen**, an **increase of 9.1%**, testament to the Group's ability to effectively deliver on its growth strategy and maximise shareholder returns.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Financial Review

	2022 RM'mil	2021 RM'mil	Variance (%)
Revenue	<b>578.8</b>	569.7	1.6
Net Property Income	<b>548.5</b>	541.5	1.3
Profit for the year*	<b>447.8</b>	438.7	2.1
Income Available for Distribution*	<b>505.3</b>	467.7	8.0
Income Distribution*	<b>492.7</b>	451.5	9.1
Earnings per unit* (EPU) (sen)	<b>24.81</b>	24.30	2.1
Distribution per unit (DPU) (sen)	<b>27.29</b>	25.01	9.1

\* Excluding fair value adjustments

2022 saw the recovery in the Malaysian economy from the challenging 2 years of Covid-19 as the Nation transitioned to the endemic phase. Businesses reconvened as movement restrictions were gradually uplifted and the international borders reopened. We witnessed encouraging growth and revival of the retail and tourism industries.

Globally, there were rising short & long-term interest rates and geopolitical risks resulting in supply chain disruptions. In Malaysia,

the labour shortage became an issue due to uncertainties in labour imports, increasing the cost of services and disrupting the economies of scale.

Whilst the cost structure of KLCC REIT is predominantly fixed, the Manager focused on improving productivity, which will translated to sustainable and stable distributions of income to the unit holders.

In 2022, KLCC REIT recorded a profit (excluding fair value adjustments) of RM447.8 million at the back of revenue of RM578.8 million. The increase in both profit and revenue by 2.1% and 1.6% respectively compared to last year signifies the gradual improvement in the retail segment on top of the stability of office segment. KLCC REIT continues to contribute the major portion of KLCCP Stapled Group's revenue at 39.7%, with a net asset value of RM4.44 sen per unit as of 31 December 2022.

Income available for distribution increased by 9.1% mainly contributed by the higher cash arising from the full-year impact of the upward rental revisions in the PETRONAS Twin Towers which took effect in October 2021. Reflecting a better performance this year, KLCC REIT distributed a total amount of RM492.7 million to the unit holders for the financial year 2022, with a DPU of 27.29 sen.

	Revenue			Net Property Income			Profit for the Year*		
	2022 RM'mil	2021 RM'mil	Variance (%)	2022 RM'mil	2021 RM'mil	Variance (%)	2022 RM'mil	2021 RM'mil	Variance (%)
PETRONAS Twin Towers	<b>401.4</b>	401.2	0.0	<b>400.7</b>	400.2	0.1	<b>323.8</b>	321.4	0.8
Menara ExxonMobil	<b>45.8</b>	45.7	0.2	<b>27.9</b>	28.7	(2.6)	<b>22.7</b>	23.4	(3.1)
Menara 3 PETRONAS	<b>92.7</b>	92.7	0.0	<b>92.5</b>	92.5	0.0	<b>80.7</b>	80.8	(0.1)
<b>Total for Office Segment</b>	<b>539.9</b>	539.6	0.1	<b>521.2</b>	521.4	0.0	<b>427.2</b>	425.6	0.4
Menara 3 PETRONAS (Retail Podium)	<b>38.9</b>	30.1	29.2	<b>27.3</b>	20.1	35.9	<b>20.6</b>	13.1	57.7
<b>Total for Retail Segment</b>	<b>38.9</b>	30.1	29.2	<b>27.3</b>	20.1	35.9	<b>20.6</b>	13.1	57.7
<b>Total</b>	<b>578.8</b>	569.7	1.6	<b>548.5</b>	541.5	1.3	<b>447.8</b>	438.7	2.1

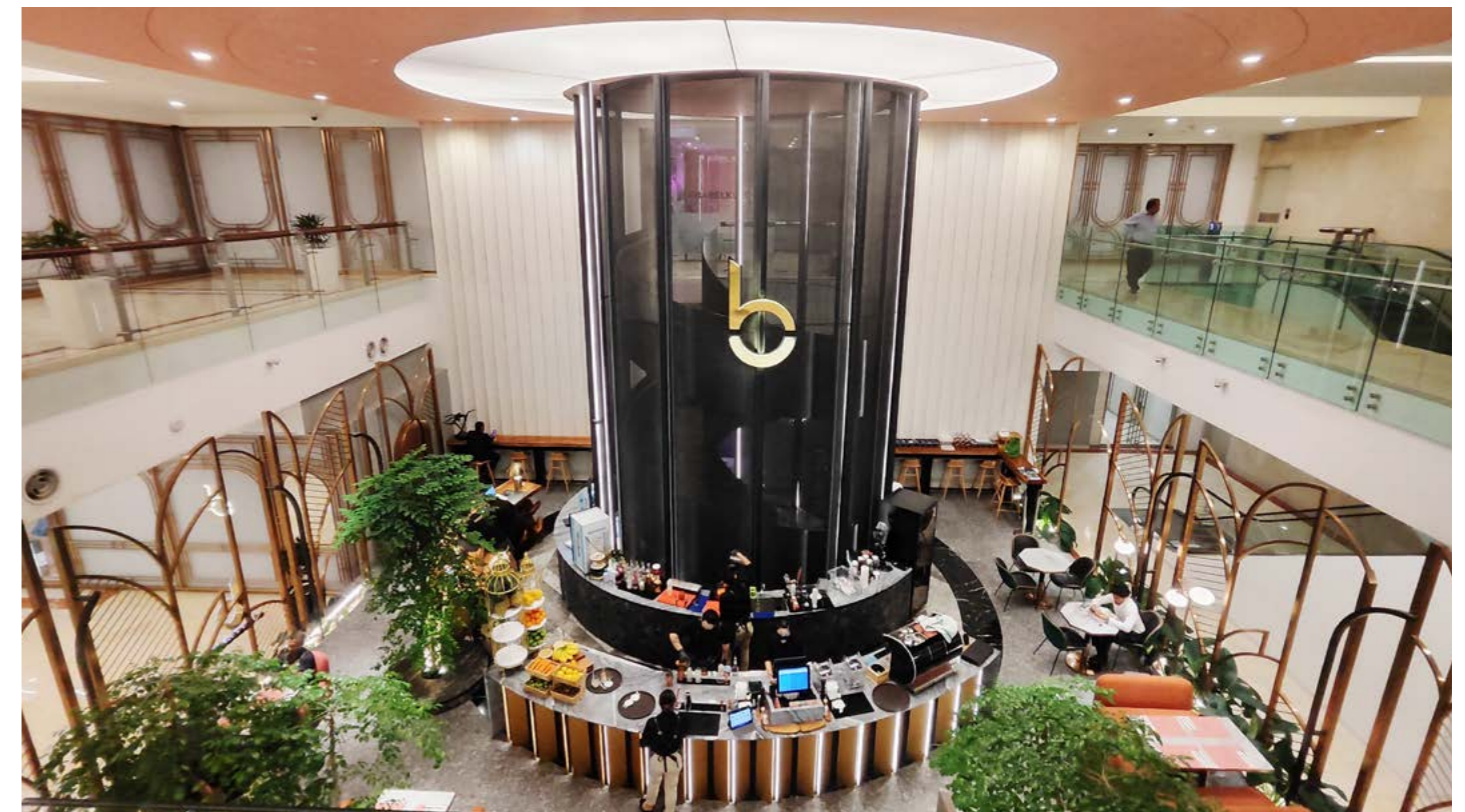
\* Excluding fair value adjustments

As an office-centric diversified REIT, 93.3% of the revenue was contributed from PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS. The performance of the three investment properties generated net property income (excluding fair value adjustments) of RM521.2 million at the back of revenue of RM539.9 million. PETRONAS Twin Towers remained KLCC REIT's highest revenue contributor at 69.4%, contributing 73.1% of the total net property income (NPI).

Performance of retail podium of Menara 3 PETRONAS recorded an improvement in revenue and NPI compared to 2021 by 29.2% and 35.9% respectively mainly due to improved tenants' sales captured during the year as the business normalised. Customer counts significantly improved by 85% compared to 2021.

Menara ExxonMobil's profit for the year decreased by 3.1% due to the higher operating expenses during the year from utility expenses.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW



Office segment

National Property Information Centre (NAPIC) of Malaysia reported that the property sector has shown signs of recovery in the second half of 2022 as the economy reopened, but office and retail segments remained challenging amid a supply glut. However, with the opening of offices across the business, we have seen positive activities in this sector with the growth of services and office-based employment continuing to drive demand.

Amidst the headwinds, KLCC REIT's office performance remained stable, underpinned by its triple net lease (TNL) and long-term agreements. The locked-in long-term leases with the TNL agreements for Menara 3 PETRONAS and PETRONAS Twin Towers which were extended in November 2020 for a further 15 years to 2041 and 2042 respectively put KLCC REIT on a strong footing.

The long-term leases with two anchor tenants in Menara ExxonMobil also provide the stability towards the office segment.

KLCC REIT office segment remains the foundation within the Group's overall performance, underpinned by the 100% occupancy in all of the office buildings, providing a stable cash flow and sustainable rental income. The upward rental revision in the lease of PETRONAS Twin Towers since October 2021 further improved the cash position of KLCC REIT.

Retail segment

With Covid-19 changing the consumer sentiment and lifestyle, the retail industry has exponentially evolved in the last few years, marked by growing awareness amongst consumers, rise in disposable incomes, changing behavior and growing integration of online and offline retail formats.

This led to our encouraging performance with revenue of RM38.9 million, 29.2% higher than last year. The retailers in Menara 3 PETRONAS recorded higher sales, as the mall heightened sales and retailing events during the year to promote shopping activities. The retail podium of Menara 3 PETRONAS experienced a surge in customer count compared to last year by 85%.

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

Assets and Liabilities

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

	2022 RM'mil	2021 RM'mil	Variance (%)
<b>ASSETS</b>			
Investment Properties	9,175.3	9,113.6	0.7
Receivables	321.2	383.3	(16.2)
Cash and Bank Balances	111.1	106.8	4.0
Others	0.8	1.3	(38.5)
	<b>9,608.4</b>	<b>9,605.0</b>	<b>0.0</b>
<b>LIABILITIES</b>			
Financings	1,363.9	1,366.30	(0.2)
Others	226.1	221.60	2.0
	<b>1,590.0</b>	<b>1,587.90</b>	<b>0.1</b>
Unitholders Fund	8,018.4	8,017.1	0.0
Net Asset Value per unit (NAV per unit) (RM)	<b>4.44</b>	4.44	0.0

The receivables balance is primarily made of accrued lease income recognised and varied over the lease term. The accrued revenue resulted from the straight-lining effect in the recognition of the step-up rates in the triple net lease arrangements whereby all future revenue of the tenancy locked-in period is accounted for in constant amounts across the entire lease period.

The decrease of RM62.1 million in receivables from RM383.3 million last year means that the rental received is now higher than the revenue recognised during the year, representing the unwinding of the built-up of accrued lease income in the previous years.

A higher cash balance was recorded at RM111.1 million compared to RM106.8 million mainly due to the step-up rents from PETRONAS Twin Towers and higher rental income from the retail podium of Menara 3 PETRONAS.

NAV per unit was maintained at RM4.44.

MARKET VALUE OF INVESTMENT PROPERTIES

KLCC REIT's portfolio of investment properties remained resilient throughout the year 2022. The locked-in, long-term tenancies with our tenants shielded the investments against the challenging economic backdrop. The market value increased by RM1.0 million, attributed from the improved value in the retail podium of Menara 3 PETRONAS, marking an encouraging recovery from last year. The market values of the PETRONAS Twin Towers and Menara ExxonMobil were maintained.

Market value as of 31 December 2022 of RM9.5 billion was adjusted under the requirements of MFRS 140 Investment Property to account for accrued lease income and additions during the year. Due to the unwinding impact of accrued lease income, a RM61.6 million gain on fair value adjustment was recognised in the income statement.

The market value by property and the changes in value is as below:

Property	Market Value		Changes in Value	
	31 Dec 2022 RM'mil	31 Dec 2021 RM'mil	RM'mil	%
PETRONAS Twin Towers	6,940.0	6,940.0	-	-
Menara ExxonMobil	532.0	532.0	-	-
Menara 3 PETRONAS	2,021.0	2,020.0	1.0	0.0
<b>Total</b>	<b>9,493.0</b>	<b>9,492.0</b>	<b>1.0</b>	<b>0.0</b>
Less: Adjustment*			60.6	
<b>Fair value gain FY2022</b>			<b>61.6</b>	0.6

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

MANAGER'S FINANCIAL AND OPERATIONAL REVIEW

OPERATIONAL REVIEW

Asset Management

With the post-Covid-19 new normal unfolding, 2022 served as a renewed reminder of the necessity to build resilience and strength against disruptive events. To safeguard the Fund as well as its stakeholder's well-being amid the challenging times, The Manager continues to make improvements to its buildings, adapting to changing requirements and enhance environmental performance.

During the year, the Manager together with its tenant, PETRONAS installed a facial recognition system, an additional security measure at the PETRONAS Twin Towers. This is part of the digitalisation efforts to provide a contactless and efficient way to verify the identities of every visitor entering the building.

The Manager prioritises asset quality initiatives to preserve the pristine condition of the properties in order to maintain the iconic stature and performance of the assets for continuity and long-term prospects.

The Integrated Building Command Centre (IBCC) plays a major role to enable the Manager to better manage energy efficiency and reduce operating cost. During the year, the system capabilities were upgraded from command to control, optimising the efficiency and effectiveness of daily operations.

As embedded in our shared values, the Manager constantly strives to provide the right solutions to its tenants beyond simple asset management, instead striving to cultivate an environment that fosters greater communication, collaboration and flexibility.

Income Distribution

The Manager remain committed to enhance value to its unitholders and distributed 97.5% of its distributable income for the financial year 2022.

Based on the total income available for distribution of RM505.3 million, the Manager has recommended and the Trustee has approved a total income distribution of 27.29 sen for the year ended 31 December 2022, which was 2.28 sen higher than previous year.

Income Distribution	Income Distribution per unit (sen)	Income Distribution (RM'000)	Remarks
First Interim Distribution	7.01	126,554	29 June 2022
Second Interim Distribution	7.01	126,554	28 September 2022
Third Interim Distribution	6.96	125,651	23 December 2022
Fourth Interim Distribution	6.31	113,917	To be paid on 28 February 2023
<b>Total</b>	<b>27.29</b>	<b>492,676</b>	

Capital Management

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

KLCC REIT's borrowing remained at RM1.4 billion, representing a gearing ratio of 14.2%. The significant debt headroom supports financing for future growth and is kept well below the 50% gearing cap as imposed by the Securities Commission (SC). To date, KLCC REIT remains one of the lowest-g geared M-REITs in the country.

	2022	2021
Total borrowings (RM'mil)	1,363.9	1,366.3
Average Cost of Debt (%)	4.34	4.34
Fixed : Floating (ratio)	100:0	100:0
Average maturity period (years)	4.1	5.1
Debt service cover ratio (times)	9.4	6.5
Gearing ratio (%)	14.2	14.2
RAM Rating of Sukuk	AAA	AAA

During the year, RAM Ratings reaffirmed the AAA/Stable rating of KLCC REIT's Sukuk Murabahah Programme.

**MANAGER'S FINANCIAL AND OPERATIONAL REVIEW**

**MARKET REVIEW**

Malaysia's economy has been on a recovery trajectory amidst the stabilising pandemic situation throughout 2022. Normalising economic activity and influx of tourists has pushed demand for the retail trade, accommodation, and food and beverage (F&B) sectors, and growth in these industries will likely carry into early 2023.

According to Bank Negara Malaysia, although domestic financial markets may face the risk of higher volatility, spillovers to domestic financial intermediation are expected to remain contained, supported by Malaysia's healthy external position and well-capitalised banking system. The central bank foresees a GDP growth of 4% to 5% next year amid a challenging global growth outlook.

For more information, please refer to the Market Report section on pages 30 to 45.

**Office Market Overview**

The office market in KL City remains challenging due to the structural imbalances between supply and demand. According to Savills, this situation will take some time to overcome, and tenants will continue to enjoy favourable leasing conditions in the interim.

Physical occupancy rates continued to increase as workers return to the office, amid hybrid schedules and flexible working arrangements. Tenant-led demand in KL City remains good for prime offices and the flight to quality spaces continues.

For more information, please refer to the Market Report section on pages 30 to 45.

**Retail Market Overview**

2022 saw a rapid rebound in the retail sector as Covid-19 related disruptions receded and patterns of business and economic activity normalised. Nonetheless, consumers are expected to be more cautious about spending, especially on big-ticket items, due to the uncertainty of the expected global recession and the rising inflation rate in 2023.

For more information, please refer to the Market Report section on pages 30 to 45.



**OUTLOOK**

Bank Negara Malaysia (BNM) reported that Malaysia's GDP for 2023 will be moderate between 4.0% to 5.0%. This projection is also in line with the World Bank's Global Economic Prospects report released in January 2023. The GDP growth for 2023 is likely to be backed by strong fundamentals and diversified economic structure, coupled with ongoing policy support to cushion the impact of the rising cost of living.

'Neutral' stance has been recorded for the real estate investment trust (REIT), as the favourable outlook for some sub-segments particularly retail and industrial are neutralised by less optimistic projections for others. After a strong operating performance in 2022, fueled by post-pandemic reopening tailwinds, the pace of growth M-REITs sector is expected to slow in 2023.

Bank Negara Malaysia Press Release - 'Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022.'

Despite the economy being fully reopened and the return of office workers, the persistent glut in the office sector will continue to pose challenges. However, KLCC REIT's offices remain shielded from these challenges backed by its long-term locked-in leases with high-quality tenant. The Manager, in collaboration with its tenant, will continue to increase the property value and preserve the established stature and prestigious of these assets through enhancement initiatives.

After a challenging 2 years, disrupted by the pandemic, Suria KLCC gained momentum and saw the return of its shoppers - both local and tourist; benefitted also from the return of office workers in the surrounding office buildings within the city centre and pick-up in corporate and MICE events within the KLCC Precinct, the retail podium of Menara 3 PETRONAS will continue to leverage Suria KLCC's standing as a premier shopping destination and the mall will continue to create new and desirable experiences, revitalising its offerings, and enhancing its physical spaces for the shoppers.

**MANAGER'S FINANCIAL AND OPERATIONAL REVIEW**

**MATERIAL LITIGATION**

The Manager is not aware of any material litigation since the balance sheet date as at 31 December 2022 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 2022, the Manager's fee comprised the following:

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

The Manager's total management fee of RM44.9 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 within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of KLCC REIT.

**SOFT COMMISSION**

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





## SUSTAINABILITY STRATEGY AND APPROACH

It is fundamental to the future value of our business and to lessen our impact on the environment and society that we act now. We have an opportunity to make a meaningful difference by working with our tenants, customers, suppliers, communities and sector peers to achieve the common sustainability goals. We also provide buildings that are energy efficient and resilient to climate change, and that promote the health and wellbeing of the occupants and the surrounding areas.

Guided by the five critical dimensions in United Nation's 2030 agenda for sustainable development which includes Prosperity, Planet, People and Partnership and Peace; we are committed to deliver financial value and societal benefits in a responsible and holistic manner, by balancing the economic, environment and social needs of our stakeholders.

Our group will:

- Responsibly manage our material sustainability matters, the risks and opportunities impacting our business and the industry at large
- Create long-term sustainable business values for our stakeholders, customers, and community
- Minimise environmental impacts and reduce carbon emission resulting from our business operations
- Prioritise stakeholders' well-being, safety and security
- Align our business operations to the highest principles of governance

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

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

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

# TOGETHER TOWARDS A SUSTAINABLE FUTURE

# SUSTAINABILITY STEERING COMMITTEE CHAIRMAN'S MESSAGE



**MOHAINEE BINTI TAHIR**  
Head, Group Strategy and Sustainability

...  
**DEAR SHAREHOLDERS,**  
**In 2022, the world embarked on the recovery path - post pandemic transition. The recovery from the pre-Covid-19 era, however, has not been smooth due to the political and economic instability around the world, and the unpredictable effects of climate change. Closer to home, Malaysia experienced the worst flooding in recent years.**

Despite the economic challenges, our commitment to being a leader in Environmental, Social and Governance (ESG) matters remain unchanged. In this Sustainability Report (the Report), we set forth our ESG targets and approach on the material sustainability matters and disclose our progress to date.

Actioning our commitment on ESG management, the Group has established a department dedicated to ESG matters. This department is responsible to oversee and steer the day-to-day management on material sustainability matters in the KLCCP Stapled Group.

## 2022 HIGHLIGHTS

This year, the KLCCP Stapled Group has issued our inaugural statement of support for the Ten Principles of the United Nations Global Compact on Human Rights, Labour, Environment and Anti-Corruption, strengthening our commitment to contributing towards the United Nations Sustainable Development Goals (SDGs). The Report discloses our progress and contribution in achieving the SDGs.

The Group's 5-year Sustainability Roadmap continues to guide us on our journey towards our goals of Building a Smart, Safe & Sustainable KLCC Precinct, Building an Agile, Inclusive & Sustainable Workforce in a VUCA World, and Combating Climate Change & Reducing Environmental Impact.

Our achievements during the year under review have progressed commendably as we have accomplished remarkable traction towards these Goals.

Digitalisation initiatives continued to progress swiftly during the year. The Group has established information management dashboards and platforms - Procurement Integrated Dashboard, Parking Management Dashboard and Parking Management System 2.0 to provide real time information for effective monitoring and prompt responses by the process owners, to ultimately improve our stakeholders' experiences.

The Group continues to focus on people's wellness in 2022. A CARE program designed to improve awareness on mental illness, was rolled out to train our employees on the methods (Check Signal, Apply Conversation, Reassure Support and Ensure Help) to identify and manage colleagues under mental stress, and build resilience at workplace.

Online platforms promoting health and wellbeing are also made available. The "Central - Digital Workplace" offers weekly tricks and tips, recipes, courses, live events, and webinars to our hotel employees. Further, the Group initiated the KLCC MyWellness, a digital health care platform providing comprehensive mental health support for our employees.

Now that we are in the post pandemic transition era, physical sports activities came back in action in 2022. Our KLCC Sports and Recreation Club organised Bowling Tournaments, White Water Rafting and Cave Exploration for our employees, aimed to cultivate team bonding and a sense of belonging.

Upskilling and reskilling our workforce were another focus in 2022 as we want a high performing workforce to win in the future marketplace. The Group invested RM1.0 million on training and achieved an average of 28 training hours per employee in 2022.

We are on the right track to achieve our targets on carbon emission, resources consumption and waste disposal as articulated in the KLCCP Stapled Group's 5-year sustainability roadmap. This year, our records showed significant reduction from the 2015 base year figures. These numbers are higher than the 2021 record, but this is arguably due to the continued movement control order in 2021. Compared to 2015, the Group successfully reduced 33% GHG emission and 30% water usage. Our retail and hotel businesses successfully diverted 10% and 52% respectively, their waste, (mainly food wastes) in 2022.

## TAKING CLIMATE ACTION

We appreciate how urgent it is to take action on the impact of climate change on the economy and society. As a responsible organisation, we continuously analyse our business operations to mitigate climate change issues and identify opportunities to provide climate resilient facilities. The ESG agenda is a serious consideration in crafting our strategies. In demonstrating our commitment to the ESG agenda we undertake to provide a comprehensive disclosure of our ESG agenda and achievements to our stakeholders.

The Bursa Malaysia has revised the Main Market Listing Requirement to elevate the sustainability practices and disclosure (Enhanced Sustainability Disclosure) of listed entities. Climate-related disclosures are to be aligned with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD Recommendations), by financial year ending on 31 December 2025 onwards. In preparation, we have undertaken numerous assessments to determine our readiness. The Group has established a sustainability governance structure and risk management processes to support the essential TCFD pillars. With that foundation in place, we plan to implement measures and targets in line with the TCFD recommendations. We shall report our progress in phases, commencing 2023.

## Charting our way towards Net Zero Carbon Emission (NZCE)

We have set the carbon reduction targets in the KLCCP Stapled Group 5-year Sustainability Roadmap (2019-2023) towards **achieving low carbon emission in the Group**. We are on track to achieve these targets in 2023. We have also streamlined our GHG emission data in 2022, pursuant to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004), to establish an accurate and verifiable database. This allowed us to credibly **determine our carbon emission reduction targets beyond 2023**.

Moving forward, we will chart the carbon reduction pathway for the Group, **aspiring to achieve a 25% reduction in 2030**.

Increasingly, affordable and scalable solutions are being made available. Collectively, as individuals or organised entities, we can leapfrog to cleaner, more resilient economies. The KLCCP Stapled Group is fully **committed to the ESG agenda - we are a solutions partner to all our stakeholders, enriching lives for a sustainable future**.

# OUR CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



## OUR CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In tandem with declaration of our support to The Ten Principles of the United Nations Global Compact, we list our contribution to achieving the United Nations Sustainable Development Goals (UNSDGs) targets.

**3 GOOD HEALTH AND WELL-BEING**  
Ensure healthy lives and promote well-being for all at all ages

SDG Targets	Our Contribution
<b>3.9</b> By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	<ul style="list-style-type: none"> <li>Responsible Hazardous Waste Management in all our assets and operations, in compliance with the Environmental Quality (Scheduled Waste) Regulations 2005</li> </ul>

**5 GENDER EQUALITY**  
Achieve gender equality and empower all women and girls

SDG Targets	Our Contribution
<b>5.5</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	<ul style="list-style-type: none"> <li>4 out of 8 board directors are women</li> <li>41.4% of senior management level staff are women</li> <li>37.6% of our employees are women</li> </ul>

**6 CLEAN WATER AND SANITATION**  
Ensure availability and sustainable management of water and sanitation for all

SDG Targets	Our Contribution
<b>6.4</b> By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	<ul style="list-style-type: none"> <li>Implementation of water conservation efforts in our assets. Our consumption reduction from base year 2015, for Office, Retail and Hotel respectively:                             <ul style="list-style-type: none"> <li>Office: <b>28%</b></li> <li>Retail: <b>33%</b></li> <li>Hotel: <b>22%</b></li> </ul> </li> </ul>

**7 AFFORDABLE AND CLEAN ENERGY**  
Ensure access to affordable, reliable, sustainable, and modern energy for all

SDG Targets	Our Contribution
<b>7.1</b> By 2030, ensure universal access to affordable, reliable and modern energy services	<ul style="list-style-type: none"> <li>Installed 57 Electric Vehicle (EV) chargers at car parks within KLCC Precinct</li> </ul>
<b>7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix	<ul style="list-style-type: none"> <li>Suria KLCC's Solar Panels generated 415,241 kWh in 2022, about 1% of its total energy consumption</li> </ul>

OUR CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

**8 DECENT WORK AND ECONOMIC GROWTH**  
**Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all**

SDG Targets	Our Contribution
<b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	<ul style="list-style-type: none"> <li>KLCCP HSE policy ensures safe working environment for all employees. We recorded zero fatalities. Our Occupational Safety and Health management system is certified to ISO45001, audited annually by external certification body</li> </ul>

**11 SUSTAINABLE CITIES AND COMMUNITIES**  
**Make cities and human settlements inclusive, safe, resilient and sustainable**

SDG Targets	Our Contribution
<b>11.6</b> By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	<ul style="list-style-type: none"> <li>In 2022, through various waste prevention, reduction, recycling and composting efforts, we achieved the following waste diversion rates:                             <ul style="list-style-type: none"> <li>Office: <b>1%</b></li> <li>Retail: <b>10%</b></li> <li>Hotel: <b>52%</b></li> </ul> </li> </ul>

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
**Ensure sustainable consumption and production patterns**

SDG Targets	Our Contribution
<b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources	<ul style="list-style-type: none"> <li>Eliminated 100% of single-use plastic in hotel operations</li> <li>Achieved the following waste diversion rates:                             <ul style="list-style-type: none"> <li>Office: <b>1%</b></li> <li>Retail: <b>10%</b></li> <li>Hotel: <b>52%</b></li> </ul> </li> </ul>
<b>12.3</b> By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses	<ul style="list-style-type: none"> <li>Suria KLCC food court converted 128 tonnes of food waste (4% of total waste) to black soldier fly larvae which will be used as animal feed</li> <li>MOKL Hotel composted 270 tonnes of food waste (41% of total waste generated)</li> </ul>
<b>12.4</b> By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment	<ul style="list-style-type: none"> <li>Responsible Hazardous Waste Management in all our assets and operations, in compliance with Environmental Quality (Scheduled Waste) Regulations 2005</li> </ul>

OUR CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**  
**Ensure sustainable consumption and production patterns**

SDG Targets	Our Contribution
<b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	<ul style="list-style-type: none"> <li>Achieved the following waste diversion rates:                             <ul style="list-style-type: none"> <li>Office: <b>1%</b> of 830 tonnes</li> <li>Retail: <b>10%</b> of 3,291 tonnes</li> <li>Hotel: <b>52%</b> of 687 tonnes</li> </ul> </li> </ul>
<b>12.6</b> Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	<ul style="list-style-type: none"> <li>KLCCP Stapled Group has been disclosing our Sustainability performance in our Annual Report since 2014</li> <li>The Group discloses its sustainability data in the ESG World Platform on our corporate website</li> <li>The Group was recognised by The Asset with a Platinum Award - for excellence in Environmental, Social and Governance for 3 consecutive years</li> </ul>

**13 CLIMATE ACTION**  
**Take urgent action to combat climate change and its impacts**

SDG Targets	Our Contribution
<b>13.1</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	<ul style="list-style-type: none"> <li>Conducted preliminary assessment of our climate change actions against the TCFD Recommendations</li> </ul>
<b>13.3</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	<ul style="list-style-type: none"> <li>Commenced company-wide communication on ESG and climate change via e-learning on climate change awareness and Human Rights</li> <li>Included a preliminary assessment on the climate change related risk in our annual enterprise risk review exercise</li> </ul>

**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**  
**Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**

SDG Targets	Our Contribution
<b>16.5</b> Substantially reduce corruption and bribery in all their forms	<ul style="list-style-type: none"> <li>Zero Corruption Cases in 2022</li> <li>All operations implemented anti-bribery management system</li> <li>100% employees underwent ABMS awareness training</li> </ul>

# KLCCP AND KLCC REIT BOARDS OF DIRECTORS

## EFFECTIVE STEWARDSHIP TOWARDS GOVERNANCE EXCELLENCE



**Datuk Md. Shah bin Mahmood**  
Executive Director/  
Chief Executive Officer



**Liza binti Mustapha**  
Non-Independent  
Non-Executive Director



**Farina binti Farikhullah Khan**  
Independent  
Non-Executive Director



**Tan Sri Ahmad Nizam bin Salleh**  
Chairman/Non-Independent  
Non-Executive Director



**Dato' Jamaludin bin Osman**  
Independent  
Non-Executive Director



**Chong Chye Neo**  
Independent  
Non-Executive Director



**Dato' Sr. Mazuki bin A. Aziz**  
Independent  
Non-Executive Director



**Datin Noor Lily Zuriati binti Abdullah**  
Independent  
Non-Executive Director

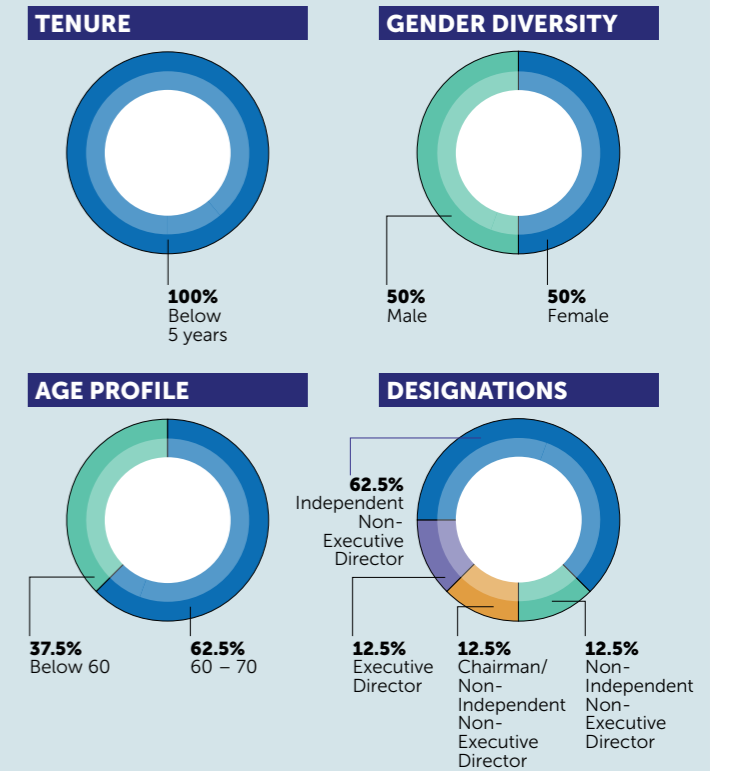


**Lim Siew Mei**  
Company Secretary



**Yeap Kok Leong**  
Company Secretary

### KLCCP AND KLCC REIT BOARDS OF DIRECTORS



SKILLS MATRIX	
Business Management	3
Strategy Development	4
International/Regional Business	3
Engineering	2
Corporate Planning and Development	3
Risk Management	3
Operations	2
Project Management	3
Finance & Audit	2
Economics	1
Human Resource	2
Strategy planning	2
Commercial/ Marketing	2
Information Technology/ Digital	1
Construction	1
Quantity Survey	1
Law	1

EXPERIENCE	
Banking and Finance	4
Oil and Gas	5
Engineering	4
Regional/ International	4
Technology Strategy	1
Renewable Energy	1
Legal and Compliance	1

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Nationality: Malaysian | Age: 67 | Gender: Male



**TAN SRI AHMAD NIZAM BIN SALLEH**

**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, Pelaburan Hartanah Berhad
- 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
- Member of PETRONAS Management Committee
- Chairman PETRONAS Risk Management Council
- Chairman PETRONAS Central Tender Committee
- Chairman, PETRONAS
- Chairman, Yayasan PETRONAS
- Pro-Chancellor, Universiti Teknologi PETRONAS

**BOARD SKILL MATRIX**

- Business Management
- Strategy Development
- International Business
- Business/Company Transformation and Restructuring

**INDUSTRY EXPERIENCE**

- Banking and Finance
- Oil and Gas
- Regional / International

**CHAIRMAN  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DATE OF APPOINTMENT TO THE BOARD:**

- (i) 21 December 2018 [KLCC Property Holdings Berhad (KLCCP)]
- (ii) 21 December 2018 [KLCC REIT Management Sdn Bhd (KLCCRM)]

**BOARD COMMITTEE:**

Nil

**OTHER DIRECTORSHIPS:**

**Listed Issuers:**

- Nil

**Public Companies:**

- Pelaburan Hartanah Berhad

Nationality: Malaysian | Age: 53 | Gender: Male



**DATUK MD. SHAH BIN MAHMOOD**

**ACADEMIC/PROFESSIONAL QUALIFICATIONS**

- Bachelor's Degree in Electrical Engineering (Instrumentation), Universiti Teknologi Mara (UITM)
- Advanced Management Program, Harvard Business School, USA
- Senior Management Development Programme, PETRONAS - INSEAD

**WORKING EXPERIENCE**

**Present Appointments:**

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

**Past Experiences:**

- Held management positions covering various divisions in PETRONAS:
  - Business Development Unit
  - Corporate Planning and Development Division (CPDD)
  - Head (Solar Project)
  - Research & Technology (R&T)
  - Head, Project Studies for Project Delivery and Technology (PD&T)
  - Project Director of LNG Regasification Facilities (RGT2) Project in Pengerang, Johor
- Head, Commercial & Business Development, PETRONAS LNG Sdn Bhd
- Head of Strategy and Business Development, Gas & New Energy Business
- Member of PETRONAS Corporate Investment Committee (CIC), Sustainability Development & HSSE Council, Leadership Team for SKG19 (Project Management) and Advisory Committee for SKG02 (Business Planners)

**BOARD SKILL MATRIX**

- Engineering
- Business Development
- Strategy Development
- Corporate Planning and Development
- Risk Management
- Operations and Maintenances
- Project Management
- Business/Company Transformation and Restructuring

**INDUSTRY EXPERIENCE**

- Oil and Gas
- Engineering
- Technology Strategy
- Renewable Energy

**EXECUTIVE DIRECTOR/  
CHIEF EXECUTIVE OFFICER**

**DATE OF APPOINTMENT TO THE BOARD:**

- (i) 10 MAY 2021 (KLCCP)
- (ii) 10 MAY 2021 (KLCCRM)

**BOARD COMMITTEE:**

Nil

**OTHER DIRECTORSHIPS:**

**Listed Issuers:**

- Nil

**Public Companies:**

- Kuala Lumpur City Park Berhad
- Midciti Sukuk Berhad

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Nationality: Malaysian | Age: 52 | Gender: Female



LIZA BINTI MUSTAPHA

ACADEMIC/PROFESSIONAL QUALIFICATIONS

- Fellow of the Association of Chartered Certified Accountants
- BSc. Economics (Accounting & Finance), The London School of Economics and Political Science, University of London
- Advance Management Program at Harvard Business School, USA

WORKING EXPERIENCE

Present Appointments:

- Executive Vice President & Group Chief Financial Officer, PETRONAS
- Director of PETRONAS's subsidiaries
- Treasurer of Malaysian Petroleum Club

Past Experiences:

- Vice President Group Procurement, PETRONAS
- Group Financial Controller, PETRONAS
- Chief Financial Officer for PETRONAS Upstream Business
- Senior General Manager of PETRONAS Group Treasury
- Chief Financial Officer of PETRONAS Gas Berhad

BOARD SKILL MATRIX

- Finance & Audit
- Corporate Planning & Development
- Operations
- Risk Management
- Oil & Gas

INDUSTRY EXPERIENCE

- Banking and Finance
- Oil and Gas

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

DATE OF APPOINTMENT TO THE BOARD:

- (i) 12 OCTOBER 2020 (KLCCP)
- (ii) 12 OCTOBER 2020 (KLCCRM)

BOARD COMMITTEE:

Nil

OTHER DIRECTORSHIPS:

Listed Issuers:

- MISC Berhad

Public Companies:

- PETRONAS

Nationality: Malaysian | Age: 50 | Gender: Female



FARINA BINTI FARIQHULLAH KHAN

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, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Member, Board Risk Committee, PETRONAS Gas Berhad
- Chairman, Group Nomination and Remuneration Committee, AMMB Holdings Berhad
- Member, Audit and Examination Committee, AMMB Holdings Berhad
- Member, Risk Management Committee, AMBank Islamic Berhad
- Member, Audit and Examination Committee, AMBank Islamic Berhad
- Member, Audit Committee, Icon Offshore Berhad
- Member, Audit Committee, EnQuest Plc
- Member, Remuneration and Social Responsibility Committee, EnQuest Plc

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 SKILL MATRIX

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

INDUSTRY EXPERIENCE

- Banking and Finance
- Oil and Gas
- Regional / International

INDEPENDENT NON-EXECUTIVE DIRECTOR

DATE OF APPOINTMENT TO THE BOARD:

- (i) 23 APRIL 2018 (KLCCP)
- (ii) 23 APRIL 2018 (KLCCRM)

BOARD COMMITTEE:

- Chairperson, Board Audit Committees of KLCCP and KLCCRM (Appointed as member on 23 April 2018) (Re-designated as Chairperson on 12 October 2018)
- Member, Board Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed on 3 April 2019)
- Member, Board Risk Committees of KLCCP and KLCCRM (Appointed on 9 December 2021)

OTHER DIRECTORSHIPS:

Listed Issuers:

- PETRONAS Gas Berhad
- AMMB Holdings Berhad
- Icon Offshore Berhad

Public Companies:

- AMBank Islamic Berhad

Foreign Companies

- EnQuest Plc

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Nationality: Malaysian | Age: 68 | Gender: Male



**DATO' JAMALUDIN BIN OSMAN**

- ACADEMIC/PROFESSIONAL QUALIFICATIONS**
- Bachelor's Degree, Civil Engineering, Universiti Teknologi Malaysia
  - Member of Institute of Engineers Malaysia
  - Management Development Programme, Asian Institute of Management

- WORKING EXPERIENCE**  
**Present Appointments:**
- Member, Audit Committee, MMC Corporation Berhad

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

- BOARD SKILL MATRIX**
- Engineering
  - Business Management
  - Strategic Planning
  - Marketing
  - Project Management

- INDUSTRY EXPERIENCE**
- Engineering

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DATE OF APPOINTMENT TO THE BOARD:**

- (i) 1 JANUARY 2020 (KLCCP)
- (ii) 1 JANUARY 2020 (KLCCRM)

**BOARD COMMITTEE:**

- Member, Board Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed on 23 April 2021)
- Chairman, Board Risk Committees of KLCCP and KLCCRM (Appointed on 9 December 2021)

**OTHER DIRECTORSHIPS:**

- Listed Issuers:**
- NIL

**Public Companies:**

- MMC Corporation Berhad

Nationality: Malaysian | Age: 60 | Gender: Female



**CHONG CHYE NEO**

- ACADEMIC/PROFESSIONAL QUALIFICATIONS**
- Bachelor of Science (Hons), Computer Science, Universiti Sains Malaysia
  - Executive Education, Harvard Business School, USA

- WORKING EXPERIENCE**  
**Present Appointments:**
- Honorary Member, American Malaysian Chamber of Commerce
  - Member of Institute of Corporate Directors Malaysia

- Past Experiences:**  
Over 30 years in information technology industry within IBM group:
- Managing Director/ Chief Executive Officer, IBM Malaysia
  - Client Director, Financial Market, IBM Malaysia
  - Director, Intellectual Property Business Development, IBM ASEAN
  - Director, Business Partners Organisation, IBM ASEAN
  - Director, Mid Market, IBM ASEAN/South Asia
  - General Manager, Storage Systems, IBM ASEAN/South Asia
  - Regional Leader, Marketing, IBM ASEAN
  - Country Head, Enterprise Systems Group, IBM Malaysia
  - Various roles in IBM (engineering, sales, marketing and operations in Malaysia). Asia Pacific sales roles covering Japan, Korea, Greater China Group, ASEAN/ South Asia, Australia/ New Zealand

- BOARD SKILL MATRIX**
- Information Technology / Digital
  - Business and Strategy Development
  - Commercial/Marketing
  - International/Regional Business

- INDUSTRY EXPERIENCE**
- Banking and Finance
  - Manufacturing
  - Regional / International

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DATE OF APPOINTMENT TO THE BOARD:**

- (i) 10 MAY 2021 (KLCCP)
- (ii) 10 MAY 2021 (KLCCRM)

**BOARD COMMITTEE:**

- Chairperson, Board Nomination and Remuneration Committees of KLCCP and KLCCRM (Appointed on 9 December 2021) (Redesignated as Chairperson on 29 April 2022)
- Member, Board Audit Committees of KLCCP and KLCCRM (Appointed on 9 December 2021)

**OTHER DIRECTORSHIPS:**

- Listed Issuers:**
- Bursa Malaysia Berhad
  - Hong Leong Financial Group Berhad

**Public Companies:**

- QSR Brands (M) Holdings Bhd



KLCCP AND KLCC REIT BOARDS OF DIRECTORS

KLCCP AND KLCC REIT BOARDS OF DIRECTORS

Nationality: Malaysian | Age: 67 | Gender: Male



**DATO' SR. MAZUKI BIN AZIZ**

**ACADEMIC/PROFESSIONAL QUALIFICATIONS**

- Bachelor of Quantity Surveying, Universiti Teknologi Malaysia
- Registered with Board of Quantity Surveyors Malaysia
- Fellow, Royal Institute of Surveyors Malaysia

**WORKING EXPERIENCE**

**Present Appointments:**

- Perunding DMA Sdn Bhd - Managing Director
- Integrated Project Information Management Sdn Bhd - Non-Executive Chairman

**Past Experiences:**

- Head of General Buildings Unit, Cawangan Kontrak dan Ukur Bahan, Jabatan Kerja Raya Malaysia
- Held several positions in UDA Holding Berhad:
  - Independent Director of Board of Directors
  - Chairman of Audit and Risk Committee of the Board
  - Member of Tender Committee of the Board
- Involved in a few committees with the Board of Quantity Surveyors Malaysia (BQSM):
  - Chairman Professional Practice Committee of the Board
  - Member of Registration Committee of the Board
  - Member of Ethics Committee of the Board

**BOARD SKILL MATRIX**

- Construction
- Business Management
- Strategic Planning
- Quantity Survey
- Project Management

**INDUSTRY EXPERIENCE**

- Engineering

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DATE OF APPOINTMENT TO THE BOARD:**

- (i) 9 DECEMBER 2021 (KLCCP)
- (ii) 9 DECEMBER 2021 (KLCCRM)

**BOARD COMMITTEE:**

- Member, Board Audit Committees of KLCCP and KLCCRM (Appointed on 29 April 2022)

**OTHER DIRECTORSHIPS:**

**Listed Issuers:**

- NIL

**Public Companies:**

- NIL

Nationality: Malaysian | Age: 64 | Gender: Female



**DATIN NOOR LILY ZURIATI BINTI ABDULLAH**

**ACADEMIC/PROFESSIONAL QUALIFICATIONS**

- LLB (Hons), University of London, United Kingdom
- Certificate in Legal Practice, Qualifying Board for Legal Profession Malaysia
- Certificate in Senior Management Development Programme, INSEAD
- Certificate in Leadership Excellence, PETRONAS (LEAP) Programme
- Licensed Company Secretary

**WORKING EXPERIENCE**

**Present Appointments:**

- Independent Non-Executive Director and Chairman of Risk Committee, Reach Energy Berhad
- Member of Institute of Corporate Directors Malaysia

**Past Experiences:**

- General Counsel/Head, Company Secretary, Legal & Corporate Secretariat Department, PETRONAS Chemicals Group Berhad
- General Counsel/Head of Legal, Technology & Engineering Division, PETRONAS
- Senior Legal Counsel/Head, Company Secretary, Legal & Corporate Affairs Department, PETRONAS International Corporation Limited (Egypt)
- Senior Legal Counsel (Head, Special Project), Legal Department, Gas Business Unit, PETRONAS
- Senior Legal Counsel/Head, Company Secretary, Legal and Corporate Secretariat Department, PETRONAS Dagangan Berhad
- Senior Legal Counsel/Head, Company Secretary, Legal and Corporate Secretariat Department, Malaysia LNG Group of Companies

**BOARD SKILL MATRIX**

- Law
- Risk Management
- Strategy Development
- International/Regional Business
- Human Resource

**INDUSTRY EXPERIENCE**

- Oil and Gas
- Regional / International
- Legal and Compliance
- Engineering, Procurement and Construction Contract (EPCC)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**DATE OF APPOINTMENT TO THE BOARD:**

- (i) 9 December 2021 (KLCCP)
- (ii) 9 December 2021 (KLCCRM)

**BOARD COMMITTEE:**

- Member, Board Risk Committees of KLCCP and KLCCRM (Appointed on 9 December 2021)

**OTHER DIRECTORSHIPS:**

**Listed Issuers:**

- Reach Energy Berhad

**Public Companies:**

- NIL

# KLCCP AND KLCC REIT MANAGEMENT TEAM

## KLCCP AND KLCC REIT MANAGEMENT TEAM



**DATUK MD. SHAH BIN MAHMOOD**  
Chief Executive Officer

Please refer to his profile on page 135.



**DATO TS. IZWAN HASLI BIN MOHD IBRAHIM**  
Executive Director/  
Senior General Manager,  
KLCC Urusharta Sdn Bhd



**MOHD AKMAM BIN YEOP**  
General Manager,  
KLCC Parking Management  
Sdn Bhd



**AHMAD ZAHID BIN ZAINAL ABIDIN**  
General Manager,  
Legal and Company Secretarial,  
KLCCP  
Head of Legal,  
KLCCRM



**SHABUDDIN BIN AHMAD**  
General Manager,  
Health, Safety & Environment,  
KLCCP



**HASSAN BIN RAMADI**  
Senior General Manager,  
Development &  
Commercial Leasing,  
KLCCP  
Head of Leasing/  
Asset Manager,  
KLCCRM



**FAIZUL HARRIS BIN MOHD KAMAL**  
Acting General Manager,  
Digital,  
KLCCP



**ROHIZAL BIN KADIR**  
Chief Financial Officer/  
Chief Investment Officer,  
KLCC Property Holdings  
Berhad (KLCCP)  
Head of Investment/  
Head of Finance,  
KLCC REIT Management  
Sdn Bhd (KLCCRM)



**MOHAINEE BINTI TAHIR**  
Senior General Manager,  
Strategy & Sustainability,  
KLCCP



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



**HO MEI LING**  
General Manager,  
Governance, Risk & Assurance,  
KLCCP



**NORFAZLI A SAMAD**  
Senior Manager,  
Corporate Security,  
KLCCP



**CHRISTIAN TAVELLI**  
General Manager,  
Mandarin Oriental,  
Kuala Lumpur



**SALHA BINTI AHMAD DAHLAN**  
General Manager,  
Human Capital,  
KLCCP



**LIM SIEW MEI**  
Head Company Secretary,  
KLCCP  
Company Secretary,  
KLCCP & KLCCRM  
Compliance Officer,  
KLCCRM

None of the Directors and 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.

KLCCP AND KLCC REIT MANAGEMENT TEAM

**ROHIZAL BIN KADIR**

**Nationality:** Malaysian  
**Age:** 45  
**Gender:** Male

**Date of Appointment:**

- 1 December 2022
- Chief Financial Officer/Chief Investment Officer, KLCC Property Holdings Berhad
- Head of Investment/Head of Finance, KLCC REIT Management Sdn Bhd

**Academic/Professional Qualifications:**

- Degree in Accountancy (First-Class Honours), Universiti Teknologi Mara (UITM)
- Member of Malaysian Institute of Accountants (MIA)

**Past Experience:**

- Head of Business Finance, Putrajaya Holdings Sdn Bhd
- Head of Financial Control, Strategic Finance, KLCC Group
- Head of Finance, Project Delivery & Technology (PD&T), PETRONAS
- Chief Financial Officer, PICL (Egypt) Ltd
- Head, Business Planning & Performance Reporting, Upstream Finance, PETRONAS
- Head Corporate & Services PETRONAS Carigali (Oman) Ltd (PC Oman)

**Present Appointments:**

- Director of KLCC's subsidiaries and associate companies, and subsidiaries of KLCCP
- Director, Midciti Sukuk Berhad

**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

**MOHAINEE BINTI TAHIR**

**Nationality:** Malaysian  
**Age:** 59  
**Gender:** Female

**Date of Appointment:**

- 1 July 2022
- Senior General Manager, Strategy & Sustainability, KLCC Property Holdings Berhad

**Academic/Professional Qualifications:**

- Bachelor of Science, Accounting
- Master of Business Admin (MBA)

**Past Experience:**

- Peat Marwick Consultants
- Maju Holdings Sdn Bhd
- PA Consulting (M) Sdn Bhd
- Putrajaya Holdings Sdn Bhd

**Present Appointments:**

- NIL

**Responsibilities:**

- Shape & steer Enterprise Corporate Strategy & Business Development and Commercial steering to ensure business performance via strategy & robust enterprise portfolio planning & management, culture of innovation excellence, enterprise branding and group-wide change management agenda

**DATO' TS. IZWAN HASLI BIN MOHD IBRAHIM**

**Nationality:** Malaysian  
**Age:** 44  
**Gender:** Male

**Date of Appointment:**

- 2 December 2019
- Executive Director/Senior General Manager, KLCC Urusharta Sdn Bhd

**Academic/Professional Qualifications:**

- M.Sc. Information Technology, Rensselaer Polytechnic Institute, New York, USA.
- B.Sc. Mechanical Engineering, Rensselaer Polytechnic Institute, New York, USA.
- Professional Technologist, Malaysia Board of Technologists (MBOT)

**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:
  - Team Lead for KLCC Projects
  - Senior Network Engineer for Global Network
  - Head of Desktop Computing System
  - General Manager of Business Development and Client Management
- System Analyst, PETRONAS Carigali Sdn Bhd

**Present Appointments:**

- Director, KLCC Parking Management Sdn Bhd
- Director, PETRONAS Digital 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

**MOHD AKMAM BIN YEOP**

**Nationality:** Malaysian  
**Age:** 51  
**Gender:** Male

**Date of Appointment:**

- 1 September 2020
- General Manager, KLCC Parking Management Sdn Bhd

**Academic/Professional Qualifications:**

- B.Sc (Hons) Quantity Surveying, Liverpool John Moores University, England

**Past Experience:**

- Head of Department, KLCC Central Operation, KLCC Parking Management Sdn Bhd
- Project Senior Quantity Surveyor, Business and Technical Services Department, KLCC Projek Sdn Bhd
- Project Quantity Surveyor, KLCC Projek Sdn Bhd for Putrajaya Development Project and Jabal Omar Development Project, Makkah, Saudi Arabia

**Present Appointments:**

- Director, KLCC Parking Management Sdn Bhd

**Responsibilities:**

- Accountable for the strategic direction and development of Parking Management to support the KLCC Group and Statement of Purpose
- Lead Division towards achieving MFT 50.30.0 by delivering maximum value, efficiency, optimisation and operational direction of car park utilization accordance with governance, policies, procedures without compromising Customer Experience

**ANDREW WILLIAM BRIEN**

**Nationality:** Australian  
**Age:** 59  
**Gender:** Male

**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
- Graduate Australian Institute Company Directors

**Past Experience:**

- 6 years sales and marketing experience with Colgate Palmolive Pty Ltd, Australia in both regional and national roles
- 30 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

**Responsibilities:**

- Oversee 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

**CHRISTIAN TAVELLI**

**Nationality:** Italian  
**Age:** 48  
**Gender:** Male

**Date of Appointment:**

- 6 December 2019
- General Manager, Mandarin Oriental Kuala Lumpur

**Academic/Professional Qualifications:**

- Executive MBA, ESESA, Málaga, Spain
- Bachelor of Arts "Hospitality and Tourism Management", Glion Institute of Higher Education, Montreux, Switzerland

**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

**Present Appointments:**

- NIL

**Responsibilities:**

- Manage the operation of a 629 rooms hotel, 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 600 professionals to success through proper training and ensuring colleagues satisfaction

KLCCP AND KLCC REIT MANAGEMENT TEAM

KLCCP AND KLCC REIT MANAGEMENT TEAM

**AHMAD ZAHID BIN ZAINAL ABIDIN**

**Nationality:** Malaysian  
**Age:** 55  
**Gender:** Male

**Date of Appointment:**

- 1 July 2022
- General Manager, Legal & Company Secretarial, KLCCP
- Head of Legal, KLCCRM

**Academic/Professional Qualifications:**

- Bachelor of Laws (LLB) (Hons.), International Islamic University Malaysia (IIUM)

**Past Experience:**

- 10 years working experience as a Senior / Leadership position in Legal Advisory
- Leading multiple cross/functional teams including agile team is an added advantage

**Present Appointments:**

- Director of KLCCP's subsidiaries and associate companies, and subsidiaries of KLCCP

**Responsibilities:**

- Steer and advise all legal, conveyancing and company secretarial aspects of the organisation to safeguard organisation's compliance to relevant regulatory requirements

**HASSAN BIN RAMADI**

**Nationality:** Malaysian  
**Age:** 56  
**Gender:** Male

**Date of Appointment:**

- 1 April 2022
- Senior General Manager, Development & Commercial Leasing, KLCCP
- Head of Leasing/Asset Manager, KLCCRM

**Academic/Professional Qualifications:**

- Bachelor of Building, University of New South Wales, Australia

**Past Experience:**

- Zakaria Lee and Partners, Quantity Surveyor
- Landmarks Engineering Sdn Bhd, Assistant Project Manager
- Executive Tenders and Contract, Putrajaya Holdings Sdn Bhd (PJH)
- Manager Project Coordination, PJH
- Senior Manager, Project Coordination, PJH
- General Manager, Project Coordination, PJH
- Senior General Manager, Development and Operation, PJH

**Present Appointments:**

- Exco Chairman of Setia Putrajaya
- Director of PJH's subsidiaries

**Responsibilities:**

- Formulate enterprise strategic plan for short, mid and long-term on strategic business vision and mission with key targets for the group
- Identify business opportunities for enterprise portfolio, advise on business model and partnership
- Identify, assess, and formulate marketing portfolio, risks and risk mitigation
- Shape and evaluate leasing and leasing strategy in generating revenue by securing new clients and sustaining existing clients
- Shape and evaluate asset development in order to sustain the company growth
- Maintain effective relationship management with the stakeholders

**HO MEI LING**

**Nationality:** Malaysian  
**Age:** 59  
**Gender:** Female

**Date of Appointment:**

- 28 October 2013
- General Manager, Governance, Risk & Assurance, KLCCP

**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 minimise 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

**SALHA BINTI AHMAD DAHLAN**

**Nationality:** Malaysian  
**Age:** 47  
**Gender:** Female

**Date of Appointment:**

- 1 April 2022
- General Manager, Human Capital, KLCCP

**Academic/Professional Qualifications:**

- Bachelor of Engineering (Manufacturing) (Honours), International Islamic University Malaysia

**Past Experience:**

- Head, People Development, Project Delivery & Technology, PETRONAS
- Head, People Strategy & Planning, Downstream Corporate Office, PETRONAS
- HR Merger & Acquisition, Downstream Corporate Office, PETRONAS
- HR Planner, VP Oil Office, Oil Business, PETRONAS
- Manager, Capability Development, PETRONAS Penapisan (Melaka) Sdn Bhd
- System Analyst, SAP Business Support, PETRONAS

**Present Appointments:**

- NIL

**Responsibilities:**

- Lead and shape strategies to drive human capital objectives and realise KLCC Group of Companies' aspirations
- Steer development of capable and credible talent pipeline towards achieving desired workforce performance & productivity, to meet current and future business requirements
- Strategise and implement conducive workforce and workplace experience by establishing progressive policies and procedures, maintain good rapport with all stakeholders, in line with the statutory/regulatory requirements and relevant industry practices to safeguard company's reputation

**SHABUDDIN BIN AHMAD**

**Nationality:** Malaysian  
**Age:** 55  
**Gender:** Male

**Date of Appointment:**

- 1 September 2022
- General Manager, Health, Safety & Environment, KLCCP

**Academic/Professional Qualifications:**

- Diploma in Chemical Engineering, University of Technology Malaysia (UTM)
- Master in OSH Management, University of Technology Malaysia (UTM)

**Past Experience:**

- Assume duty as Occupational Safety and Health Officer at Petroleum Safety Division Department of Occupational Safety & Health (DOSH), Government of Malaysia, focusing of Enforcement of Petroleum Safety Act, Occupational Safety & Health Act (OSHA 1994) & Factories & Machinery Act 1967
- Lead Health and Safety Department of Putrajaya Holdings Sdn Bhd for 25 years, focusing on HSE Management System

**Present Appointments:**

- NIL

**Responsibilities:**

- Leading, guiding and integrating Group HSE Strategies, Monitor, Control and guide the formulation and implementation of Group HSE Strategies, Policies and processes to support established business goal and objectives in safeguarding people, environment, asset and corporate image in all areas of Group operations
- Advise and direct Group in formulation and implementation of HSE Management framework and performance, independently review and appraise Group HSE performance, operational processes in ensuring project objectives are adequately met and regulatory requirements are complied with

**FAIZUL HARRIS BIN MOHD KAMAL**

**Nationality:** Malaysian  
**Age:** 49  
**Gender:** Male

**Date of Appointment:**

- 1 April 2022
- Acting General Manager, Digital, KLCCP

**Academic/Professional Qualifications:**

- Diploma in Computer Science
- Bachelor of Sciences (Bsc) in Information Technology

**Past Experience:**

- Project/Program Manager – E-Government Initiatives: Fujitsu Systems Business (M) Berhad
- Project Manager: iPerintis
- Manager, Microsoft Practice: iPerintis
- Technical Delivery Manager: PETRONAS ICT
- Manager, Data Centre Operations: PETRONAS ICT
- Head, Common Support: PETRONAS Digital

**Present Appointments:**

- NIL

**Responsibilities:**

- Lead the formulation of Enterprise Digital Technology strategy, policy and roadmap including Digital, Information Technology (IT), Operational Technology (OT), Cybersecurity (compliance & governance) and Enterprise Data blueprints to align & synergise long, intermediate & short-term digital technology vision & strategy for the organisation
- Lead and steer optimisation of digital initiatives, digital and technological solutions coordinating resources & maximise value creation together with business partners within KLCC Group through assessment of current and anticipating business needs
- Lead the formulation of Enterprise Digital Technology standards and guidelines on IT, OT, Data, Cyber Security governance, infrastructure (hardware & software), customer service, design & project delivery and operational standards, Etc

KLCCP AND KLCC REIT MANAGEMENT TEAM

**NORFAZLI BIN A SAMAD**

**Nationality:** Malaysian  
**Age:** 49  
**Gender:** Male

**Date of Appointment:**

1 May 2022  

- Senior Manager, Corporate Security, KLCCP

**Academic/Professional Qualifications:**

- Bachelors in Accounting, Universiti Utara Malaysia (UUM)
- Certified Fraud Examiner (CFE)

**Past Experience:**

- Criminal Investigation Department, Seremban and Rembau, Negeri Sembilan (Polis Diraja Malaysia - PDRM)
- Commercial Crime Investigation Department, Bukit Aman
- Petronas Group Security
- Group Internal Audit

**Present Appointments:**

- NIL

**Responsibilities:**

- Custodian and SME for Enterprise Security Risk Management
- Provide guidance and advise on security matters to the Group
- Formulate Security Policy, procedures and manuals based on Petronas Security Management System and Security Control Framework
- Lead Internal Investigation on all security cases across the Group
- Formulate Security Capability Development program
- Lead Security Awareness and crime preparation program Group wide

**LIM SIEW MEI**

**Nationality:** Malaysian  
**Age:** 60  
**Gender:** Female

**Date of Appointment:**

1 April 2022  

- (Head Company Secretary, KLCCP)
- 27 June 2022 (Company Secretary, KLCCP)
- 27 June 2022 (Company Secretary, KLCCRM)
- 21 September 2022 (Compliance Officer, KLCCRM)

**Academic/Professional Qualifications:**

- LL.M. (Merit) University of Cumbria
- Fellow of the Chartered Governance Institute of UK & Ireland
- Fellow Member of the Chartered Secretaries Malaysia
- Associate of the Chartered Tax Institute of Malaysia

**Past Experience:**

- More than 25 years of broad corporate practice founded on the KLCC real estate development and management.
- From the core of investment in strategic properties, asset management in equity and joint venture, to the fields of specialist property services. Closing in on structuring ownership and transactions, private debt, and the contemporaneous capital markets compliance management
- Stints of a total of 10 years intermediate experience in the management consulting practice of KPMG Malaysia and commercial banking head office operations in Public Bank

**Present Appointments:**

- Group Company Secretary, KLCCP Stapled Group
- Board Committee Secretary of the KLCCP and KLCCRM Audit Committees, Nomination and Remuneration Committees, as well as their Risk Committees respectively
- EXCO Committee Secretary of the Asas Klasik Sdn Bhd Owner Committee
- Group Company Secretary for KLCC (Holdings) Sdn Bhd and Group
- Committee Secretary of the Policy Implementation Committee, Impiana KLCC Hotel

**Responsibilities:**

- Control of corporate governance application within the framework of evolving laws, regulations, and listing rules
- Safeguard the board policies/processes/procedures and its committees for effective system of corporate governance
- Strategic governance implementation on a balance of the interests of the board/management/other stakeholders
- Shaping service level of group company secretariat for commercial and business operational excellence
- Coaching and talent development in board governance and compliance management

PROFILE OF SHARIAH ADVISER

ABOUT THE SHARIAH ADVISER, CIMB ISLAMIC BANK BERHAD (CIMB ISLAMIC)

As the 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 is headquartered in Kuala Lumpur and offers innovative and comprehensive Shariah-compliant financial solutions in consumer banking, wholesale banking, investment banking, private banking, as well as wealth and asset management products and services. 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 Guidelines for Shariah Advisers 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 industry'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 7 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

**AHMAD SUHAIMI YAHYA**

Director & Regional Head

Ahmad Suhaimi is currently the Regional Head, Shariah Advisory & Governance, CIMB Islamic Bank and brings with him over 27 year worth of experience in fiqh al-muamalat (Islamic commercial law) and Islamic finance. Prior to joining CIMB, he was the Chief Shariah Officer of Hong Leong Islamic Bank Berhad (HLISB), Chief Regional Shariah Officer of Kuwait Finance House (Malaysia) Berhad (KFHMB), Senior Vice President and Head of Shariah of RHB Islamic Bank Berhad (RHBIB). Before joining RHBIB, he was the in-house Shariah Advisor and the Director of Shariah Division of KFHMB. He was one of the pioneer staff of KFHMB, the first foreign Islamic bank licensed by Bank Negara Malaysia (BNM). Before joining KFHMB, he had served the Securities Commission Malaysia (SC)'s Islamic Capital Market. He had also experience in teaching Shariah (Islamic Law) whereby he had been lecturing at the International Islamic University Malaysia (IIUM) before joining SC.

He is currently a member of the High Shariah Supervisory Board of Central Bank of Oman (CBO), the Chairman of Shariah Governance Committee, Association of Islamic Banking Institutions Malaysia (AIBIM), Exco member (Secretary) of Association of Shariah Advisors in Islamic Finance (ASAS), a member of Accreditation and Exemptions Review Panel (AEP) for the CIIF'S Chartered Professional in Islamic Finance (CPIF) Programme and a member of Board of Studies, Kolej Pengajian Islam Johor (MARSAH). He was appointed as a member of the Shariah Advisory Council of Securities Commission Malaysia from 2010-2012, a member of Panel Pakar Muamalat JAKIM, a member of BNM's Industry Committee for Shariah Standard Review 2013 and Board of Studies, IIUM Institute of Islamic Banking and Finance (IIBF) in 2011. He was also the Shariah Advisor of KFH Investment Co. in Kuwait 2014-2015.

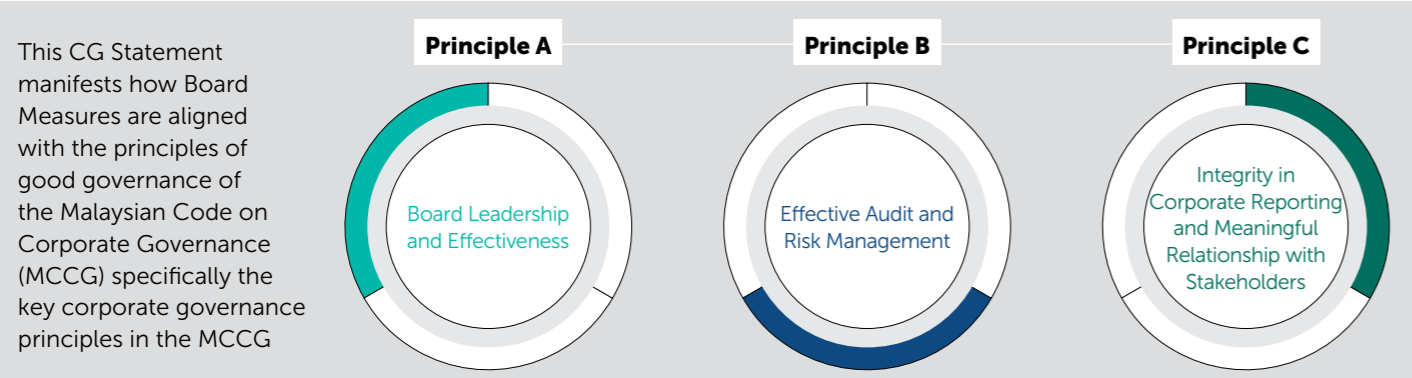
He holds a degree in Shariah from the Al-Azhar University, Egypt and Master degree in Shariah from Cairo University, Egypt with First Class Honours. He also holds a professional certification as a Certified Shariah Advisor and Auditor (CSAA) by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) in Bahrain and Certified Shariah Advisor (CSA) by ASAS.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT



**The Board is pleased to introduce the 2022 Corporate Governance Overview Statement (CG Statement) describing the governance practices relating to operations of the Board and its Committees and how the Board has discharged its responsibilities during the year.**

The purpose of this statement is to explain how the Board assessed the Group's governance environment with informed decisions to secure a commitment to high standards of corporate governance. The strength of the Board's leadership is assessed through the clarity of the actions it takes and transparency surrounding the standards, processes and culture it ultimately sets.



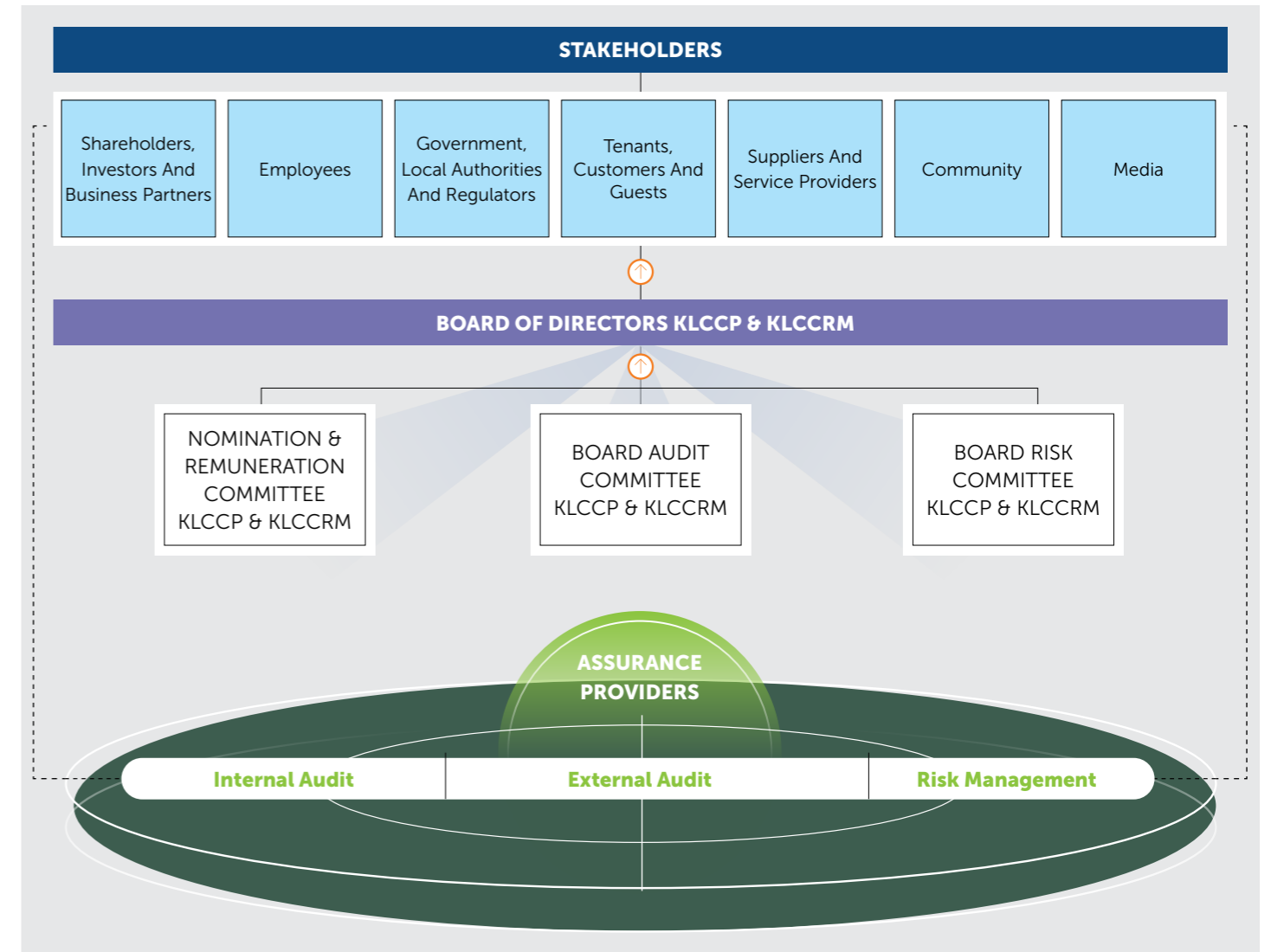
This statement is to be read with the Corporate Governance Report (CG Report) which contains details on the application of each of the practice as well as the departures and alternative measures established within the Group. The CG Report is available on the KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

Prudent leadership of the Board coupled with strategic management guidance define how the Group safeguards stakeholders. The governance framework supports this approach of diligent and effective controls emphasis. The Board inspires its Leadership Team to drive robust business performance and strategies execution upon effective governance and financial practices.

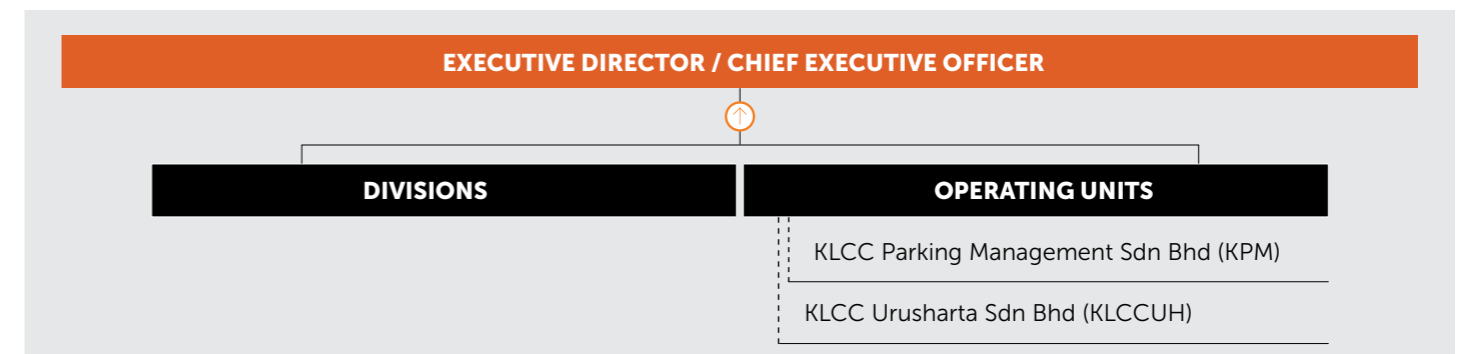
\* Note: In this report, unless the context otherwise requires any reference to singular number shall be deemed to include the plural number and vice versa

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### THE GOVERNANCE FRAMEWORK Board & Board Committees



### Executive Director & Leadership Team

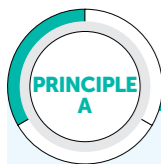


### KEY GOVERNANCE ENHANCEMENTS

- During the year, governance enhancements implemented by the Board include:
- Directors' Fit and Proper Policy for appointment and re-election of Directors in the Group.
  - Sustainability questionnaire for the 2022 Board Effectiveness Evaluation 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT



BOARD LEADERSHIP AND EFFECTIVENESS

i) Board Responsibilities

The Board is responsible for the overall leadership of the Group and for promoting its long-term sustainability and success by providing leadership within a framework of prudent and effective controls.

The Board safeguards stakeholder value-creation. The Board ensures that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental, social and governance (ESG) considerations thereby strengthening the sustainability in the Group's operations. Through sustainability practices, the Group is more flexible, able to create durable and sustainable value and eventually maintains the confidence of its stakeholders.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interest of the Group. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Group is managed, controlled and operated. The Board is satisfied that it has fulfilled these duties and obligations during the year under review.

In discharging the Board's duties and responsibilities effectively, the Board is guided by KLCC Property Holdings

Berhad (KLCCP)'s Board Charter, which provides the framework for the performance of the Board's functions and duties, vis-a-vis Management and the Group. The Board Charter has been developed to give prominence to the Board's commitment to high standards of corporate governance, adopting best practices, applicable rules and regulations, process and procedure to guide the Board in discharging their duties and functions.

The roles of Chairman and CEO are held by separate individuals, and their responsibilities are also well defined in the Board Charter. The Chairman of the Board is not a member of the Board committees. This is to ensure the objectivity of the Chairman and the Board is not impaired, particularly during deliberation on the recommendations put forth by the Board committees.

The Board has a schedule of matters specifically reserved to it for decision and has approved the written terms of reference (TOR) of the various Board committee, namely the Board Audit Committee (BAC), Nomination and Remuneration Committees (NRC) and Board Risk Committee (BRC) to which it has delegated its authority in certain matters to support the Board in the performance of its duties and responsibilities.

The constitution of KLCCP, Board Charter as well as the respective TORs of the BAC, NRC and BRC are available on KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

To read more on leadership and effectiveness of the Board, please refer to the NRC Report, BAC Report, Statement of Risk Management and Internal Control, and Sustainability Report of this Integrated Annual Report

ii) Board Composition and Diversity

The Board recognises the need for it to strategically evolve as a dynamic board in accordance with the strategic direction of the Group. Hence, the Board actively reviews its composition to ensure the right balance of independence and diversity to effectively discharge its collective responsibilities. Diversity is important to ensure the Group remains relevant and sustainable in the rapidly transforming and evolving business environment. In this regard, the NRC are responsible for reviewing the Board composition periodically and make recommendation to the Board. Further activities of the NRC are provided in the NRC Report.

As of the date of this report, the Board of KLCCP and that of KLCC REIT Management Sdn Bhd (KLCCRM) have reconstituted their respective board compositions with 63% independent directors. Each Board currently consists of eight (8) members, led by a Non-Executive Chairman, and supported by one (1) Executive Director as well as seven (7) Non-Executive Directors. Five (5) of the Non-Executive Directors fulfill the criteria of independence, as defined in the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) while the remaining two (2) Non-Executive Directors [including the Chairman] are Non-Independent Directors.



The current overall Board composition is diverse in terms of age, gender including variable skills, experience and knowledge (Board Diversity Policy) enabling them to provide effective oversight, strategic guidance and constructive challenge, examines proposals on strategy and empowers the CEO to implement strategies approved by the Board. This is to ensure diversity and inclusiveness of views as well as to facilitate effective decision-making and constructive deliberation during its meeting. The Board Diversity Policy aims to achieve 30% women directors in line with the country's aspirational target of 30% representation of women directors. To-date, the representation of women directors on the Board is 50%.

The Board Diversity Policy, which is approved by KLCCP Board and applicable to KLCCRM, is available on KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my). Further details on the Board Diversity Policy are described in the CG Report.

To read more on Board members, please refer to their respective profiles on pages 134 to 141.

iii) Directors' Independence

The Board recognises the important contributions of Independent Non-Executive Directors (INEDs) to good corporate governance. The INEDs play a significant role in providing unbiased and independent views, advice and judgment which bring objective and scrutiny to the Board's deliberation and decision-making. Their role is also important to protect the interests of minority shareholders. All directors, regardless of their independent status, are required to act in the best interests of the Group and to exercise unfettered and independent judgement. Thus, the Board is also of the view that all directors exercise independent judgment at all times.

To avoid any conflict of interest, all Board members declare their interest where applicable at all Board meetings.

In line with the Listing Requirements of Bursa Securities, none of the INEDs of KLCCP and KLCCRM have exceeded a cumulative term limit of nine (9) years. The Board has adopted the policy to limit the tenure of INEDs up to nine (9) years as recommended by the MCGG.

iv) Directors' Appointment, Resignation and Re-election

The appointment, resignation and re-election of Directors are governed by the Companies Act 2016, Listing Requirements, Guidelines on Listed REIT, other applicable rules and regulations as well as the best practices of MCGG. The NRC reviews the size, structure, diversity and composition of the Board and makes recommendations on new appointments by taking into consideration the Board Skills Matrix and the Board Diversity Policy and ensures that the appointment process is rigorous and transparent. The re-election of directors is recommended by the NRC based on the satisfactory performance of the directors concerned and their contribution to the Board.

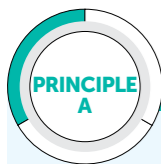
During the year under review, the Board has approved a fit and proper policy (DFP Policy) for the appointment and re-appointment of directors of the Group. Three (3) high-level considerations that underpin the DFP Policy can be categorised as follows:

- i. Character and integrity;
- ii. Experience and competence; and
- iii. Time and commitment.

The said DFP Policy will be implemented for future appointment and re-appointment of directors within the Group.

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BOARD LEADERSHIP AND EFFECTIVENESS

In addition, the Group practices a formal and transparent process on the appointment of new Directors. The nomination of Non-Independent Non-Executive Directors (NINED) to the Board is made by Petroliaam Nasional Berhad (PETRONAS) being the majority shareholder of the Group. The nomination of INEDs to the Board is made through the engagement of a professional recruiting firm to find most suitable candidates to fill the vacant positions or via recommendations by the Board members.

In order to promote objectivity and independent judgement in line with the best practices of the MCGG, the Board ensures that no person is to be appointed, re-appointed, elected or re-elected as a director of the Board, or continue to serve as a director if the person is or becomes an active politician.

To read more on the appointment, resignation, re-election of Directors, and directors' appointment process are provided in the NRC Report contained in this Integrated Annual Report.

Further, the Board also observes a cooling-off period of three (3) years before any appointment of any professional advisors or consultants, including former audit partners and its affiliates, as independent directors to the Board.

Pursuant to the Listing Requirements and Constitution of KLCCP, one-third of the Directors of KLCCP for the time being shall retire from office once at least in each three (3) years and shall be eligible for re-election at the Annual General Meeting (AGM).

In addition, the Director appointed via casual vacancy or an addition to the existing Board KLCCP, shall hold office only until the conclusion of the next AGM and shall be eligible for re-election at such meeting.

v) Board Meetings and Access to Management, Company Secretaries, Information and External Experts

All Directors are encouraged to declare their time commitment to the Board 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 Board. The Board believes that all members must be equally responsible for their overall core responsibilities.

The Board meets 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 business performance of KLCCP Stapled Group.

Management proposes the agendas for upcoming meetings of Board committees and Boards. Once the agendas have been finalised, all papers are uploaded onto an electronic Board paper system, which provides immediate and secured access by the Board members.

The Board will be continuously updated by the CEO on the business and operations of the Group through CEO briefings to the Board which forms part of the Board agendas.

At each Board meeting, the Chairman ensures adequate time is allocated for thorough deliberation on key issues, including the Committee Chairs to report on the contents of discussions and any recommendations to the Board which requires approval and the actions to be taken by the Board.

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 Board.

To avoid any conflict of interest, all Board members must immediately declare if they have any interests in transactions to be deliberated by the Board. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from participating in the deliberation and Board decisions on the matter as he/she is an interested party.

During the year under review, six (6) Board Meetings of KLCCP and six (6) Board Meetings of KLCCRM were held respectively. The proceedings of all meetings of the Board including all issues raised, enquiries made and responses thereto, were also presented and recorded in the minutes of the respective Board meetings. Where necessary, decisions have been taken by way of circular resolutions. The Chairmen of BAC, NRC and BRC also update the Board on the proceedings of their respective Committee meetings.

The Directors' commitment in carrying out their duties and responsibilities is reflected by their attendance at the Board and Board Committees meetings held during the year. The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities.

KLCCP and KLCCRM Board meetings attendance for financial year ended 31 December 2022 is as follows:

NO. OF MEETINGS ATTENDED		
KLCCP	Directors	KLCCRM
<b>Executive</b>		
6/6	Datuk Md. Shah bin Mahmood (Chief Executive Officer)	6/6
<b>Non-Executive</b>		
6/6	Tan Sri Ahmad Nizam Bin Salleh (Chairman)	6/6
6/6	Liza binti Mustapha	6/6
6/6	Farina binti Farikhullah Khan	6/6
6/6	Dato' Jamaludin bin Osman	6/6
5/6	Chong Chye Neo	5/6
6/6	Dato' Sr. Mazuki bin A Aziz	6/6
6/6	Datin Noor Lily Zuriati binti Abdullah	6/6
2/2	Habibah binti Abdul (retired on 12 April 2022)	2/2

The Board members are supported by Company Secretaries who provide advisory services to the Board, particularly on corporate governance and compliance issues, including compliance to the relevant rules/ procedures, laws and regulatory requirements. The details of the Company Secretaries relating to qualification, training programmes attended, and others are disclosed in the CG Report. All Directors have unrestricted access to the advice and services of the Company Secretaries.

The Directors are also having direct access to Management and unrestricted access to any information relating to the Group in discharging their duties. The Board seeks advice from Management when required and are able to interact directly with Management on any aspect of KLCCP Stapled Group's operations or businesses under its purview. Management is invited to attend Board meetings to give an update and report to the Board on matters pertinent to their respective areas of responsibility, to present new proposals or to brief on actions implemented pursuant to recommendations made by the Board.

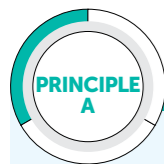
Additionally, the Directors may obtain independent professional advice at company expense through an agreed procedure on specific issues that would aid in their deliberations and determination of a decision that would benefit KLCCP Stapled Group.

The deliberations at the Board Committees and Board meetings are properly recorded and communicated to Management for necessary action. Minutes of Board Committees and Board meetings, which include records of the Board Committees and Board decisions, are properly maintained by the in-house Company Secretary.



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BOARD LEADERSHIP AND EFFECTIVENESS

vi) The Board 2022 Activities and Priorities

The Board of KLCCP and KLCCRM are responsible for the long-term success of the Group and are accountable to the holders of Stapled Securities as well as other stakeholders in ensuring that the Group is appropriately managed and achieves the strategic objectives that have been set.

The table below shows the key focus areas for the Board which appear as items on the Board's agenda at the respective Board meetings throughout the year.

KLCCP	
<ul style="list-style-type: none"> <li>Reviewed and approved business plans and budget for FY2023 and forecast from FY2024 to FY2027.</li> <li>Reviewed projected cash flows and distribution for KLCCP Stapled Group.</li> <li>Oversaw the proper conduct of KLCCP Stapled Group's business.</li> <li>Reviewed and approved quarterly results for FY2022 and the audited financial statements of KLCCP for the financial year ended 31 December 2021.</li> <li>Reviewed and approved recurrent related party transactions of KLCCP Stapled Group.</li> <li>Reviewed and approved the proposed changes to the Board and Board Committees' compositions.</li> <li>Reviewed and endorsed the evaluation findings of the Board, Board Committees and Individual Directors.</li> <li>Reviewed and endorsed the re-election of Directors retiring pursuant to KLCCP Constitution and recommended the same for holders of the Stapled Securities' approval.</li> <li>Reviewed and recommended Directors' remuneration for the holders of Stapled Securities' approval.</li> <li>Reviewed and approved the reports and statements for inclusion into the Integrated Annual Report 2021 and the Sustainability Report 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Ensured the implementation of policies, procedures and practices relating to operational and corporate governance.</li> <li>Reviewed and approved KLCCP's principal risks and proposed mitigations, and ensured appropriate measures were implemented to manage these risks.</li> <li>Reviewed the adequacy and integrity of KLCCP Stapled Group's management information and internal control system.</li> <li>Declaration of dividends.</li> <li>Reviewed succession planning for KLCCP.</li> <li>Ensured compliance to Critical Legal Areas and regulations by adopting relevant policies, frameworks, and guidelines.</li> <li>Reviewed the KLCC Group sustainability matters update and enhancement.</li> <li>Reviewed the updates on ISO37001 Anti-Bribery Management System for FY2022.</li> <li>Reviewed the Cyber Security disaster recovery procedures for applications within KLCC Group.</li> <li>Reviewed the KLCCP Stapled Group Portfolio Analysis including the outlook of current portfolio mix.</li> <li>Reviewed and approved the new high level organisational structure.</li> <li>Reviewed and approved the revision of limits of authority to reflect the new operating model.</li> </ul>

vii) Training and Professional Development of Directors

The Board recognises 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 marketplace, 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 onboarding programme for newly appointed Directors.

To read more on the list of Directors' Training and Professional Development, please refer to the NRC Report of this Integrated Annual Report.

The table below shows the key focus areas for the Board which appear as items on the Board's agenda at the respective Board meetings throughout the year.

KLCCRM	
<ul style="list-style-type: none"> <li>Reviewed and approved the budget for FY2023 and forecast from FY2024 to FY2027.</li> <li>Reviewed projected cash flows and distributions for KLCC REIT.</li> <li>Oversaw the proper conduct of KLCC REIT's business.</li> <li>Reviewed and approved the quarterly results of KLCC REIT for FY2022 and the audited financial statements of KLCC REIT and KLCCRM for the financial year ended 31 December 2021.</li> <li>Reviewed and approved recurrent related party transactions of KLCCRM.</li> <li>Reviewed and approved the proposed changes to the Board and Board Committees' compositions.</li> <li>Reviewed and endorsed the evaluation findings of the Board, Board Committees and Individual Directors.</li> <li>Reviewed and endorsed the re-election of Directors retiring pursuant to KLCCRM Constitution and recommended the same for shareholder's approval.</li> <li>Reviewed and recommended Directors' remuneration for shareholder's approval.</li> <li>Reviewed and approved the reports and statements for inclusion into the Integrated Annual Report 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Ensured the implementation of policies, procedures and practices relating to operational and corporate governance.</li> <li>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.</li> <li>Reviewed the adequacy and integrity of KLCC REIT's management information and internal control system.</li> <li>Determined and approved income distributions to the holders of Stapled Securities and payments of management fees to the Manager.</li> <li>Reviewed the Cyber Security disaster recovery procedures for applications within KLCC Group.</li> <li>Reviewed the KLCCP Stapled Group Portfolio Analysis including the outlook of current portfolio mix.</li> </ul>

viii) Board Effectiveness Evaluation

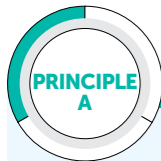
The Board Effectiveness Evaluation (BEE) is to evaluate the performance of the Board, Board Committees, individual members of the Board, as well as identifying any gaps or areas of improvement, where required.

The Board is aware of the importance for an externally facilitated BEE as recommended in the MCCG. The Board will continue to uphold this best practice, as stipulated in the Board Charter of KLCCP that the BEE shall be conducted by independent experts at least once every three (3) years beginning FY2020.

For the year under review, the BEE, which is under the purview of the NRC, was conducted internally via a digital platform. In promoting openness in communication between the Board and Management and fostering a trust culture, the BEE for FY2022 included a section on Management feedback for the Board. In addition, the BEE also included questions on the Group's sustainability matters.

The findings from the BEE were presented to the NRC for deliberation and appropriate recommendations were made to the Board. Details on the process and parameters of the BEE are provided in the NRC Report contained in this Integrated Annual Report.

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ix) Integrity and Ethics

The Board acknowledges its roles in establishing a corporate culture of integrity and ethical conduct within the Group. The Board is guided by the PETRONAS Code of Conduct and Business Ethics (CoBE) and the Anti-Bribery and Corruption Manual (including No Gift Policy), which was adopted by the Group. The Group has also adopted the enhanced PETRONAS' Whistle-blowing Policy which provides and facilitates whistleblowing communication and feedback channels between the Group and its employees, directors and members of public. The CoBE, Whistle-blowing Policy, and the Anti-Bribery and Corruption Manual, are described in the CG Report and is available on KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

The Board places emphasis on combatting bribery and corruption. As part of KLCCP Stapled Group's implementation of Adequate Procedures, the Board of KLCCP and its subsidiaries (including KLCCRM) had

executed an Integrity Pledge against bribery and corruption. In addition, KLCCP, KLCCRM and other subsidiaries of the Group had approved a Policy Statement on Anti-Bribery and Corruption with zero tolerance to any form of bribery and corruption culture.

The Board was updated on the implementation progress of ISO 37001:2016 Anti Bribery Management System (ABMS). The Board reviewed the ABMS Action Plan throughout 2022, which includes the conduct of SIRIM Surveillance Audit No.2 on ABMS undertaken by a competent Certification Body, SIRIM QAS International Sdn Bhd.

The Group continued the implementation of the 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.

To read more on CoBE, Anti-Bribery and Corruption Manual, enhanced Whistleblowing Policy, Policy Statement on Anti-Bribery and Corruption, ISO 37001:2016 ABMS certificate, please visit [www.klcc.com.my](http://www.klcc.com.my)

x) Directors' Remuneration

In determining Directors' fees and meeting allowances as well as meeting allowances for the Board Committees (collectively "Directors Remuneration"), the Board adheres 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 and Board Committees of KLCCRM are entitled for meeting allowances only if meetings are held on a different date from the scheduled meetings of the Board and Board Committees of KLCCP.

To read more on Directors Remuneration for the year under review are provided in the NRC Report of this Integrated Annual Report as well as in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



EFFECTIVE AUDIT AND RISK MANAGEMENT

i) Board Audit Committee

The Board had established the BAC for KLCCP and KLCCRM with the objective of assisting the Board in fulfilling its responsibilities primarily relating to financial management, financial accounting, risk management framework and process, and internal control systems of the Group. The Board is assisted by the respective BAC to provide independent scrutiny of the processes in place to monitor the Group's financial and non-financial reporting, and the quality of the same.

The Chairperson of the BAC as well as its members are professionals. 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 the Group's financial statements prior to recommending the same to the Board for approval.

The Board is responsible for ensuring that the 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 Integrated Annual Report.

KLCCP and KLCCRM adopted the Framework on External Auditors and established a formal policy and procedure to assess the suitability, objectivity and independence of the external auditors in tandem with the practice of the MCCG.

The BAC meets with the external auditors to discuss their audit plans, fees, audit findings and their reviews of the Group's financial statements. The meetings are held in the presence of the CEO and relevant Management staff.

To read more on the BAC and a summary of their work, please refer to the BAC Report contained in this Integrated Annual Report as well as the CG Report.

From time to time, the external auditors will highlight matters that require further attention of the BAC and the Board. The Board has obtained assurance from the external auditors on their independence in discharging their duties throughout the conduct of the audit engagement.

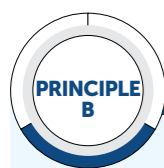
During the year under review, the BAC also met with the external auditors twice without the presence of the CEO and Management. In addition, the external auditors are also present at the AGM to provide their professional and independent clarification on issues and concerns raised by the holders of Stapled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

In respect to the Internal Audit function, the BAC is responsible to review and approve the appointment of the Head of GIA. The Head of GIA also has unrestricted access and reports directly to the BAC to support the BAC in discharging their oversight responsibilities.

The BAC is also responsible to review the internal audit programs, processes, audit plans and investigations as well as the results of the same that were undertaken, and whether or not appropriate actions have been taken based on the recommendations of the Internal Auditors.

During the year under review, the BAC had formally met the Internal Auditors on five (5) occasions to review the findings and recommendations arising from internal control reviews conducted by the Internal Auditors. A declaration of organisational independence of the internal audit activity, followed by a private session with the BAC without the presence of the CEO and management were also conducted.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



EFFECTIVE AUDIT AND RISK MANAGEMENT

ii) Board Risk Committee

Pursuant to the MCGG Step-Up Practice, the BRC was established on 9 December 2021. The BRC assists the Board in ensuring effective risk oversight across the Group. In addition to matters pertaining to risk policies, strategies, principal risks and risk practices, the scope of the BRC also encompasses environmental, social and governance, (ESG) compliance and sustainability matters.

During the year under review, the BRC has reviewed and assessed the readiness of KLCCP Stapled Group to comply with Bursa Malaysia's Requirement on Enhanced Sustainability Disclosure, which the gaps closure plan has been established and reported to the Board.

Moving into 2023, the BRC will continue to diligently monitor risks associated to the business operations as well as overall financial risk, operational risk and ESG matters.

To read more on the BRC and a summary of their work, please refer to the BRC Report contained in this Integrated Annual Report as well as the CG Report.

iii) Risk Management and Internal Control Framework

The Board through the Board Committees have overall responsibility for maintaining a sound system of risk management and internal control for the Group that provide reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal policies, frameworks and guidelines.

The Board has implemented the KLCC Group Enterprise Risk Management Framework (ERM Framework) which outlines the risk policy, risk governance and structure, risk measurement and risk operations and system. The Board has 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.

The Group's risk appetite is reviewed annually by the Board to ensure the risk statements and thresholds are reflective of the internal and external changes to ensure achievement of its strategic objectives.

Annual review of the Corporate Risk Profiles was also carried out in compliance with the ERM Framework where the principal risks were 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 transition to endemic phase.

The status of the principal risks, key risk indicator and risk appetite performances are deliberated at the BRC and Board on a quarterly basis to safeguard business interests and ensure risks are being managed effectively.

The Group has an effective internal control system which sets out the processes and frameworks required to ensure effective and efficient delivery of the Group's strategic objectives. The internal control system is designed to identify and mitigate the potential risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material financial misstatement or loss.

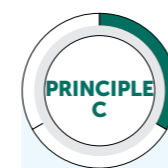
In this respect, the internal audit function assists the Group in accomplishing its goals by bringing a systematic and disciplined approach in evaluating the effectiveness of governance, risk management and control processes which includes anti-corruption and whistle-blowing. This function serves as an important source of advice for the BAC concerning areas of weaknesses or deficiencies in internal processes to facilitate appropriate remedial measures by the Group. GIA adopts a systematic and risk-based approach in reviewing KLCCP Stapled Group's governance, risk management and internal controls, guided by the COSO (i.e. The Committee of Sponsoring Organisations of the Treadway Commission) Internal Control – Integrated Framework.

The internal audit function is undertaken by the Group Internal Audit (GIA) of KLCC (Holdings) Sdn Bhd (KLCCH). To support the BAC in discharging their responsibilities, the Head of GIAD of KLCCH reports directly to the BAC. The Head of GIA is a certified internal auditor (CIA), certified information systems auditor (CISA) and a member of the Institute of Internal Auditors, and Information Systems Audit and Control Association (ISACA).

GIA undertakes their activities in accordance to the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and its IA Charter. GIA appoints a qualified and independent external assessor to conduct Quality Assessment Review (QAR) at least once every five years as per IIA IPPF and its IA Charter.

To read more on the risk management and internal control practices as well as the internal audit activities, please refer to the BAC Report and Statement on Risk Management and Internal Control contained in this Integrated Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT



INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

i) Engagement with Stakeholders

The Board is committed to continuous improvement in corporate governance principles, policies and practices, and does so by remaining abreast of evolving regulations and best practices. This is further enhanced through engagement with regulators and industry bodies, and through seeking regular feedback from other stakeholders.

The Group establishes and maintains proactive dialogue with all stakeholders. In doing so, the Group recognises the stakeholder needs are dynamic and that the Group needs to be responsive to the evolving stakeholder landscape. During the year under review, a number of events were held to maintain an open communication with the investors, holders of Stapled Securities, business partners and other communities, with the presence of the CEO, the Chief Financial Officer and the Head of Investor Relations. By partnering with various stakeholders, understanding their challenges and managing risks, the Group embraces its role as a solutions partner to its stakeholders.

To read more on Investor Relations, please refer to Stakeholder Management Report contained in this Integrated Annual Report.

ii) Annual General Meeting

The Board considers the annual general meeting as the principal forum for effective open dialogue with the holders of Stapled Securities.

During the AGMs, the CEO presented a comprehensive review of the Group's performance initiatives and value created for the holders of Stapled Securities. The Board, Senior Management and external auditors were also present at the AGMs to provide answers and clarification to the holders of Stapled Securities.

The 19<sup>th</sup> Annual General Meeting of KLCCP and 9<sup>th</sup> Annual General Meeting of KLCC REIT (AGMs) were convened virtually via remote participation and voting facilities.

KLCCP and KLCC REIT received 98 pre-submitted and live questions from the holders of Stapled Securities. The questions from the Minority Shareholders Watch Group and the responses by Management were shared with all the holders of Stapled Securities for their information.

The notice and agenda of the AGMs together with the Forms of Proxy were given to holders of Stapled Securities 42 days before the AGMs. Each item of special business included in the notice of the AGMs was accompanied by an explanatory note on the effects of the proposed resolutions.

KLCCP and KLCC REIT had engaged Tricor Investor and Issuing House Services Sdn Bhd as the Poll Administrator and BDO Consulting Sdn Bhd as Independent Scrutineer for the AGMs.

Before the AGMs, the holders of Stapled Securities were encouraged and given sufficient opportunity as well as time by the Board to submit questions pertaining to the Integrated Annual Report, resolutions being proposed and the business of the Group in general prior to seeking approval from the holders of Stapled Securities on the resolutions.

Minutes of the AGMs, which included issues raised by the holders of Stapled Securities and responses by the KLCCP and KLCC REIT Boards, were made available on the KLCCP Stapled Group's corporate website within 30 business days after the AGMs.

To read more on matters relating to the proceedings of the AGM is disclosed in the CG Report

GOVERNANCE INITIATIVES AND OUTLOOK

The Board believes that good governance is essential in supporting the realisation of business objectives of KLCCP Stapled Group.

Moving forward, the Board will continue to strengthen its stewardship of the corporate governance practices and procedures throughout the Group, in pursuit of safeguarding the interest of all the Group's shareholders and stakeholders.

*This Statement is made in accordance with the resolution of the Board of Directors on 31 January 2023.*

# NOMINATION AND REMUNERATION COMMITTEES REPORT

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

## TERMS OF REFERENCE

The Terms of Reference (TORs) describing the roles and functions of the respective NRCs of KLCCP and KLCCRM are available for public access, especially by holders of the Stapled Securities on KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

## COMPOSITION

The NRCs consist of three members, all of whom are Independent Non-Executive Directors. Members of the NRCs possess sound judgment, objectivity, management experience, professionalism, integrity and knowledge of the industry.

## MEETINGS AND ATTENDANCE

The NRCs met twice during the year and details of attendance are set out below:

Committee Members	Meeting Attendance	
	KLCCP	KLCCRM
<b>Chairperson</b>		
(i) <b>Chong Chye Neo</b> Independent Non-Executive Director (Appointed as Chairperson on 29 April 2022)	2/2	2/2
<b>Members</b>		
(ii) <b>Farina binti Farikhullah Khan</b> Independent Non-Executive Director	2/2	2/2
(iii) <b>Dato' Jamaludin bin Osman</b> Independent Non-Executive Director	2/2	2/2
(iv) <b>Habibah binti Abdul</b> Senior Independent Non-Executive Director (Ceased as Chairperson and member of NRC on 12 April 2022)	1/1	1/1

The agenda and a set of meeting papers encompassing information relevant to the business of the meetings were distributed to the NRCs members via a secured board meeting automation system no less than 6 days from the date of the meetings.

All the proceedings and resolutions of the meetings were recorded by the Company Secretary. Minutes of the meetings were circulated to all NRCs members and tabled for confirmation at the next NRCs meeting, after which the said minutes were circulated to the Boards for notation.

The Chief Executive Officer (CEO), Head of Human Capital Department and other representatives of the Group were also invited by the NRCs to attend and deliberate on specific matters which required their input or advice.

## ACTIVITIES DURING THE PERIOD UNDER REVIEW

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

Categories	Activities
<b>Board membership</b>	<ul style="list-style-type: none"> <li>Reviewed and endorsed the re-election of Directors contingent upon the performance of the Directors stated in the Board Effectiveness Evaluation results and Directors' Fit and Proper assessment.</li> <li>Reviewed and recommended to the Boards on the proposed appointment of NRCs Chairperson.</li> <li>Reviewed and recommended to the Board Audit Committees (BACs) of the Boards on the proposed appointment of BACs member.</li> </ul>
<b>Board fees &amp; benefits</b>	<ul style="list-style-type: none"> <li>Reviewed the fees payable to Non-Executive Directors for the holders of Stapled Securities' approval.</li> </ul>
<b>Key Management Personnel</b>	<ul style="list-style-type: none"> <li>Reviewed and endorsed the appointment of Chief Financial Officer (CFO).</li> <li>Reviewed the performance of KLCCP CEO's direct reports.</li> </ul>
<b>Board Performance Evaluation</b>	<ul style="list-style-type: none"> <li>Assessed on the effectiveness of the Boards, Board Committees, and Individual Directors through Board Effectiveness Evaluation FY2022.</li> <li>Discussed the evaluation results for Board Effectiveness Evaluation on FY2021 and recommended necessary actions for board effectiveness enhancement.</li> </ul>
<b>Succession Planning</b>	<ul style="list-style-type: none"> <li>Discussed the updates on succession management (i.e. KLCCP Leadership Bench Strength) following the approved Succession Management Framework.</li> <li>Discussed the updates on Talent Readiness Assessment and Matching to the identified Success Profiles.</li> <li>Discussed the updates on organisation effectiveness review for enhancement of role demarcation and redefining of Critical Position Profiles.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Reviewed and endorsed the Nomination and Remuneration Report for FY2021.</li> <li>Reviewed and endorsed the Directors' Fit &amp; Proper Policy.</li> </ul>

## BOARD AND BOARD COMMITTEES COMPOSITION REVIEW

### (i) Appointment

KLCCP and KLCCRM practice a formal and transparent procedure for appointment of new directors which is led by the NRCs.

The NRCs continuously evaluate current Boards composition as part of the Boards' endeavor to enhance the mix of board's skills and competencies.

All nominees to the Boards are first considered by the NRCs. The NRCs will then recommend the nominees for the Boards' approvals. The search and selection process for any appointment of additional directors will take 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 are also guided by the Board Diversity Policy and the Board Skills Matrix in the selection process.

Newly appointed Directors will then be invited for induction programme which is designed for the new directors to understand the business and operations of the Group. Each induction programme includes the following:

- Key Business Operations and Financials
- Sustainability matters of the Group
- Corporate Governance
- Compliance and Ethics
- Future outlook and Growth of the Group

**NOMINATION AND REMUNERATION COMMITTEES REPORT**

The appointment process for a director is set out in the diagram below:



**(ii) Resignation / Retirement**

Cik Habibah binti Abdul, who had served as a board member for 9 years, retired as a Senior Independent Non-Executive Director of KLCCP and KLCCRM after the conclusion of the AGM of KLCCP held on 12 April 2022.

**(iii) Board Committees**

The NRCs reviewed the composition of the Board Committees in order to maintain an appropriate balance of skills and experience required to fulfil their roles in supporting the Boards effectively. During the year, the NRCs endorsed and recommended to the Boards on the appointment of Puan Chong Chye Neo as the Chairperson of the NRCs.

In addition, the NRCs also endorsed and recommended to the BACs on the appointment of Dato' Sr. Marzuki bin A Aziz as a member of the BACs.

The details for the changes to the composition of NRCs and BACs can be found in the NRCs Report and the BACs Report.

**RE-ELECTION OF DIRECTORS**

During the year under review, KLCCP and KLCCRM Boards, with the recommendation of NRCs, endorsed the re-election of directors who are subject to retirement in accordance with the provisions of the respective Constitution of KLCCP and KLCCRM.

The following Directors are due for retirement and are eligible for re-election pursuant to the respective Constitution:

1. Puan Farina binti Farikullah Khan,
2. Dato' Jamaludin bin Osman, and
3. Puan Liza binti Mustapha.

The three retiring Directors had indicated their willingness to seek re-election at the forthcoming AGM of KLCCP to be held in April 2023. Further, the retiring Directors had also completed the fit and proper assessment in the prescribed form in accordance with the Directors' Fit and Proper Policy of KLCCP and submit to the NRCs.

Prior to recommending the re-election of the Directors, the NRCs also reviewed the individual directors' performance of the retiring Directors in terms of their performance and contribution. Based on the outcome of the Board Effectiveness Evaluation FY2022, the NRCs are of the opinion that the Directors had discharged his/her duties effectively and had provided valuable contribution to the leadership of the Group.

**SUCCESSION PLANNING**

**(a) Board Succession Planning**

The NRCs continued to monitor the composition of the Boards and Boards committees to ensure a right and effective board structure.

**NOMINATION AND REMUNERATION COMMITTEES REPORT**

**(b) Senior Management Succession Planning**

During the year under review, KLCCP NRC was updated on the success profiles of critical positions, and the results of talent readiness assessment and matching to the identified success profiles as well as organisation effectiveness review.

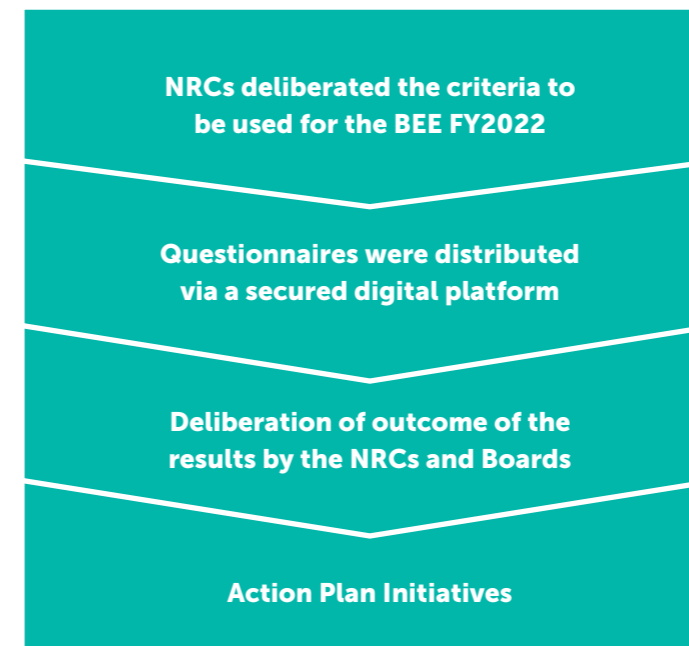
KLCCP NRC also deliberated and reviewed the potential successor of the CFO to replace Encik Annuar Marzuki bin Abdul Aziz who resigned on 30 November 2022. KLCCP NRC recommended Encik Rohizal bin Kadir, who was the Financial Controller of KLCCP, to be appointed as the CFO effective 1 December 2022. The position of KLCCP's CFO encompasses the function of a Chief Investment Officer. Due to the stapled securities structure of KLCCP and KLCC REIT, Encik Rohizal is also appointed as the CFO of KLCCRM. Accordingly, Encik Rohizal also acts as the Head of Investment/Head of Finance of KLCCRM.

**BOARDS AND INDIVIDUAL DIRECTORS' EFFECTIVENESS EVALUATION**

The effectiveness of the Boards and Board Committees is reviewed annually.

As disclosed in the last year's Integrated Annual Report on areas for improvement by the Boards following the evaluation results and proposed enhancements to be undertaken, the NRCs are pleased to inform that action plans have been implemented by the Boards accordingly in 2022.

The Board, Board Committees and Directors' Effectiveness Evaluation for FY2022 (BEE FY2022) was conducted internally through an assessment process led by the NRCs. The process of the BEE FY2022 involved the following steps:



In promoting openness in communication between the Board and Management, and fostering trust culture, the BEE FY2022 included questions for Management feedback to the Boards.

The criteria agreed by the NRCs for the BEE FY2022 are as follows:

Section	Criteria
<b>Board</b>	<ul style="list-style-type: none"> <li>• Overall Board Effectiveness</li> <li>• Organisation of the Board</li> <li>• Board Composition</li> <li>• Looking Forward (Succession Planning &amp; Development)</li> <li>• Communication with Shareholders</li> <li>• Board Audit Committee Evaluation</li> <li>• NRC Evaluation</li> <li>• Board Risk Committee Evaluation</li> </ul>
<b>Directors' Self &amp; Peer Evaluation</b>	<ul style="list-style-type: none"> <li>• Fit and Proper, and Participation</li> <li>• Board Chairman Evaluation</li> <li>• Chief Executive Officer (CEO) Evaluation</li> <li>• Reinforce Independence of Independent Directors</li> </ul>
<b>Individual Director Self Evaluation</b>	<ul style="list-style-type: none"> <li>• Calibre and Competency</li> </ul>
<b>Management Feedback (to be completed by Management)</b>	<ul style="list-style-type: none"> <li>• Board Relationship with the Management</li> </ul>

The outcome of the BEE FY2022 was deliberated in January 2023 and concluded that collectively the Boards continue to operate in an effective manner. One of the key areas for improvement highlighted in the BEE FY2022 is to organise training and development on target for Environmental, Social and Governance (ESG).

The NRCs collectively agreed that the current composition of the Boards is relevant and that the members have appropriate knowledge and experience and continue to add value to the business towards another fruitful year.

**NOMINATION AND REMUNERATION COMMITTEES REPORT**

**TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS**

Any Director can request further information to support their individual duties or collective Board role. The arrangements are overseen by the Company Secretary and can be internally or externally facilitated, with sessions typically originating from technical Board discussions, an identified training opportunity or area of general interest relating to the Group. To remain abreast of, and connected to, broader societal trends, expectations and issues, the Directors are encouraged to participate in seminars and events hosted by external organisations. Discussions with peers, other sectors and individuals in different professional and personal situations develop broader perspectives and insights, which can translate into different thinking styles and more robust debate within Board discussions.

The list of training programmes attended by the directors:

<p><b>Tan Sri Ahmad Nizam bin Salleh</b></p> <ul style="list-style-type: none"> <li>Round-table discussions on Regional Real Estate Growth</li> <li>Investment in Property Assets Policy Dialogue</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>	<p><b>Datuk Md. Shah bin Mahmood</b></p> <ul style="list-style-type: none"> <li>Dissecting Environmental Factors in Sustainability Investments</li> <li>KSY115: Prevention of Financial Crime and Market Misconduct under CMSA 2007</li> <li>3<sup>rd</sup> Annual Malaysian REIT Forum 2022</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>
<p><b>Liza binti Mustapha</b></p> <ul style="list-style-type: none"> <li>CERAWEEK 2022</li> <li>CFO Network Update Call: Q2 2022</li> <li>MIDF Conversations</li> <li>IIC-SIDC Corporate Governance Conference 2022: Investment Stewardship in Times of Heightened Sustainability Demands</li> <li>Khazanah Megatrends Forum 2022 (KMF2022)</li> <li>J.P Morgan International Council Client Forum</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>	<p><b>Farina binti Farikhullah Khan</b></p> <ul style="list-style-type: none"> <li>Decommissioning 101 session with Boston -Consulting Group</li> <li>Corporate Governance Session</li> <li>Anti-Corruption Training</li> <li>Sustainability Awareness</li> <li>Recovery and Resolution Planning</li> <li>Task Force on Climate-Related Financial Disclosure (TCFD)</li> <li>Cyber Security</li> <li>PETRONAS Board Excellence : Roundtable Programme</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>
<p><b>Dato' Jamaludin bin Osman</b></p> <ul style="list-style-type: none"> <li>Environmental, Social &amp; Governance (ESG) and Sustainability</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>	<p><b>Chong Chye Neo</b></p> <ul style="list-style-type: none"> <li>BNM MyFintech Week Masterclass</li> <li>Reimagining a world without passwords</li> <li>Metaverse and Web 3.0</li> <li>MetaFinance: The Next Frontier of the Global Economy</li> <li>An Eu-Malaysian Dialogue – Fighting Climate Change</li> <li>Leadership Perspectives – Board Effectiveness</li> <li>Climate Governance – A standing item on board agendas</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>
<p><b>Dato' Sr. Mazuki bin A Aziz</b></p> <ul style="list-style-type: none"> <li>Audit Oversight Board</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>	<p><b>Datin Noor Lily Zuriati binti Abdullah</b></p> <ul style="list-style-type: none"> <li>How To Be An Effective NED in a Disruptive World</li> <li>Corporate Governance &amp; Remuneration Practices For The ESG Practices</li> <li>ESG Oversight - Role of The Board</li> <li>Strategic Away Day on Rental Market and Office Asset Classes</li> </ul>

**NOMINATION AND REMUNERATION COMMITTEES REPORT**

**REMUNERATION**

**(a) Directors' Remuneration**

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. The remuneration of the Boards is based on the KLCCP Non-Executive Directors' (NEDs) Remuneration Framework which is available on the corporate website of KLCCP at [www.klcc.com.my](http://www.klcc.com.my).

A summary of KLCCP NEDs Remuneration Framework is set out below:

Element	How it operates
<b>Retainer Fee</b>	The NEDs are to be paid a fixed retainer fee.
<b>Special Fee</b>	Special Fee is payable to the NEDs with special experience and skills critical for the company's success.
<b>Meeting Allowance</b>	The NEDs shall be paid attendance allowance for every meeting (Board & Board Committees Meetings) attended.
<b>Petrol Allowance</b>	The NEDs are each given petrol card with a fixed maximum amount per annum.
<b>Others</b>	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 2022, a total of RM1,294,500.00 was paid to the Board members of KLCCP being the Directors' Remuneration.

The payment was made following the approval of the resolution tabled at the AGM of KLCCP held on 12 April 2022 where the holders of Stapled Securities had approved the payment of directors' fee and benefits with effect from 13 April 2022 until the next AGM to be held in 2023.

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

**(i) KLCCP**

	Director's Fee (RM)	Board Meeting Allowance* (RM)	Audit Committee Meeting Allowance* (RM)	Nomination & Remuneration Meeting Allowance* (RM)	Board Risk Committee Meeting Allowance* (RM)	Petrol Allowance (RM)	Total (RM)
<b>Executive Director</b>							
Datuk Md. Shah bin Mahmood	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Non-Executive Directors</b>							
Tan Sri Ahmad Nizam bin Salleh	240,000	21,000	n/a	n/a	n/a	6,000	267,000
Habibah binti Abdul (Retired w.e.f. 12.04.2022)	34,000	7,000	7,000	3,500	n/a	2,000	53,500
Farina binti Farikhullah Khan	120,000	21,000	17,500	7,000	10,500	6,000	182,000
Dato' Jamaludin bin Osman	120,000	21,000	n/a	7,000	14,000	6,000	168,000
Liza binti Mustapha#	120,000	21,000	n/a	n/a	n/a	n/a	141,000

**NOMINATION AND REMUNERATION COMMITTEES REPORT**

	Director's Fee (RM)	Board Meeting Allowance* (RM)	Audit Committee Meeting Allowance* (RM)	Nomination & Remuneration Meeting Allowance* (RM)	Board Risk Committee Meeting Allowance* (RM)	Petrol Allowance (RM)	Total (RM)
<b>Non-Executive Directors</b>							
Chong Chye Neo	120,000	17,500	17,500	7,000	n/a	6,000	168,000
Datin Noor Lily Zuriati binti Abdullah	120,000	21,000	n/a	n/a	10,500	6,000	157,500
Dato' Sr. Mazuki bin A Aziz	120,000	21,000	10,500	n/a	n/a	6,000	157,500
<b>Total</b>	<b>994,000</b>	<b>150,500</b>	<b>52,500</b>	<b>24,500</b>	<b>35,000</b>	<b>38,000</b>	<b>1,294,500</b>

**Note:**

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

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

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

The details are also disclosed in KLCCP Stapled Group Corporate Governance Report, which is accessible at KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

The Executive Director cum CEO of KLCCP and KLCCRM, Datuk Md. Shah bin Mahmood is the Group CEO of KLCC (Holding) Sdn Bhd (KLCC) and is assigned to KLCCP and KLCCRM to undertake all responsibilities of the Executive Director and CEO. KLCCP reimbursed KLCC for the services rendered by Datuk Md. Shah bin Mahmood in the form of management fees with an amount of RM 1,048,802.

The NRCs had reviewed and endorsed the proposed NEDs' Remuneration for 2023/2024 for consideration by the Boards prior to recommending for approval by the holders of Stapled Securities at the forthcoming AGM of KLCCP to be held in April 2023 and the shareholder of KLCCRM.

**(b) Senior Management Remuneration**

The overall structure of Senior Management remuneration in accordance with the remuneration policy approved by the Board anchored on the performance capability, experience and requirements based on the level of job grades.

*This Statement is made in accordance with the resolution of the Board of Directors on 31 January 2023.*

# BOARD AUDIT COMMITTEES REPORT

**The Board Audit Committees (BACs) of KLCCP and KLCCRM were established on 9 July 2004 and 12 December 2012 respectively.**

**TERMS OF REFERENCE**

The Terms of Reference (TORs) describing the roles and functions of the respective BACs of KLCCP and KLCCRM are available for public access, especially by holders of the Stapled Securities on KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

**COMPOSITION**

The BACs consist of three members, all of whom are Independent Non-Executive Directors. Members of the BACs possess sound judgment, objectivity, management experience, professionalism, integrity and knowledge of the industry.

**MEETINGS AND ATTENDANCE**

During the year, 5 meetings of the BAC of KLCCP and 4 meetings of the BAC of KLCCRM were held respectively. The details of attendance are set out below:

Committee Members	Meeting Attendance	
	KLCCP	KLCCRM
<b>Chairperson</b>		
(i) Farina binti Farikhullah Khan Independent Non-Executive Director	5/5	4/4
<b>Members</b>		
(ii) Habibah Binti Abdul Senior Independent Non-Executive Director (Ceased as member w.e.f 12 April 2022)	2/2	1/1
(iii) Chong Chye Neo Independent Non-Executive Director	5/5	4/4
(iv) Dato' Sr. Mazuki bin A Aziz Independent Non-Executive Director (Appointed as member w.e.f. 29 April 2022)	3/3	3/3

The agenda and a set of meeting papers encompassing information relevant to the business of the meetings were distributed to the BACs members via a secured board meeting automation system no less than 6 days from the date of the meetings.

All the proceedings and resolutions of the meetings were recorded by the Company Secretary. Minutes of the meetings were circulated to all BACs members and tabled for confirmation at the next BACs meeting, after which the said minutes were circulated to the Boards for notation.

The Chief Executive Officer (CEO), Chief Financial Officer, Group Internal Audit of KLCC (Holdings) Sdn Bhd, representatives from the external auditors, and other representatives of the Group were also invited by the BACs to attend and deliberate on specific matters which required their input or advice.

**SUMMARY OF THE WORK OF THE BOARD AUDIT COMMITTEES**

The BACs 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 BACs during the financial year ended 31 December 2022 are described below:-

**Internal Audit**

(a) During the first quarter of 2022, the BACs reviewed and approved the Performance Report of the GIA's Strategy and Balanced Scorecard (BSC) for 2021. BSC for 2022 was also reviewed during the first quarter of 2022 with comments, and the revised BSC 2022 was approved in the second quarter of 2022. Subsequently, the half-year Performance Report of the GIA's 2022 BSC was also reviewed and approved by the BACs;

**BOARD AUDIT COMMITTEES REPORT**

- (b) Deliberated and approved the internal audit reports which highlighted major findings, agreed mitigation actions and management's responses;
- (c) Deliberated and approved the Quarterly Audit Status Reports which highlighted the outstanding agreed mitigation actions to ensure all audit issues are resolved within the agreed stipulated period;
- (d) Deliberated and approved the revised annual audit plan for 2022 to address more pressing issues affecting the organisation due to changes in risk exposures and business environment; and
- (e) Deliberated and approved the annual audit plan for activities to be undertaken for 2023.

**Financial Statements and Reporting**

- (a) Reviewed and discussed the unaudited quarterly financial results of KLCCP Stapled Group as well as the potential financial impact from the Covid-19 pandemic 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 Main Market Listing Requirements (MMLR), Malaysian Financial Reporting Standards, Companies Act 2016, Listed 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 BACs recommended the same for the Boards' consideration and approvals;
- (c) The BACs 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 2022 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.

**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 2022, 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 with external auditors on issues arising from financial audits and other matters in the absence of the Management, twice this year; and
- (d) Reviewed the independence and objectivity of the external auditors and their services rendered including non-audit services:

- For KLCCP, the BAC 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 BAC 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#
<b>Statutory Audit</b>	660	233	97
<b>Non-Audit Fee</b>	16	16	-
<b>Total</b>	<b>676</b>	<b>249</b>	<b>97</b>

**Note:**

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

The Boards of KLCCP and KLCCRM considered the provision of other services by the external auditors to KLCCP Stapled Group as 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.

**BOARD AUDIT COMMITTEES REPORT**

**Related Party Transactions**

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

**Corporate Governance and Regulatory Compliance**

- (a) Reviewed and recommended to the Boards on the following:
  - Corporate Governance (CG) Overview Statement and CG Report;
  - Statement on Risk Management and Internal Control;
  - BACs Report; and
- (b) Reviewed and recommended to the Boards on the proposed changes to the compositions of the BACs. During the year under review, the compositions of the BACs were revised as follow:
  - Cik Habibah binti Abdul ceased as a member of BACs on 12 April 2022 following her retirement as a Director at the conclusion of 19<sup>th</sup> AGM of KLCCP and pursuant to the Constitution of KLCCRM on 12 April 2022;
  - Dato' Sr. Mazuki bin A Aziz was appointed as a member of BACs on 29 April 2022.

**INTERNAL AUDIT FUNCTION**

The BACs are supported by Group Internal Audit (GIA) of KLCC (Holdings) Sdn Bhd (KLCCCH) in their oversight over governance, risk management and controls established and implemented by the management of the KLCCP Stapled Group. GIA provides an independent and objective risk-based assurance and advisory activity designed to add value and improve KLCCP Stapled Group's operations in achieving its goals. This is accomplished by adopting a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management and control processes within the Group.

The GIA is governed by its Internal Audit Charter approved by the respective BACs which establishes a framework for its effective and efficient functioning. The GIA of KLCCCH adopts a risk-based approach in executing the planning and assurance activities, guided by internal policies, procedures, the COSO (The Committee of Sponsoring Organisations of the Treadway Commission) Internal Control Integrated Framework and the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors.

For the financial year ended 31 December 2022, the GIA of KLCCCH had executed the following activities:

- (1) Conducted assurance activities based on the approved annual audit plan 2022 covering:
  - Audit on Security Management Services at KLCC Precinct & Dayabumi;
  - Audit on Mandarin Oriental, Kuala Lumpur;
  - Audit on Leasing and Tenancy Management Activities (Thematic); and
  - Audit on KLCC Group Procurement (Thematic).

The resulting audit reports, including findings, recommendations and management responses, were presented to the BACs except for the Audit on KLCC Group Procurement (Thematic) which will be presented in the BACs meeting to be held in 2023.

- (2) Conducted periodic monitoring and reporting on the implementation status of agreed corrective action items by the managements of KLCCP and KLCCRM to ensure key risks and control weaknesses were addressed effectively and timely, where the status of implementation of the said agreed corrective actions were reported to the BACs on a quarterly basis;
- (3) Re-evaluated the annual audit plan for 2022 to address emerging key risks affecting the organisation due to changes in business environment for deliberations and approvals by the BACs; and
- (4) Prepared annual audit plans for 2023 to ensure that all high-risk areas in significant businesses and support units were assessed and identified for the BACs' deliberations and approvals.

The total costs incurred for the internal audit activities of KLCCP Stapled Group for the year amounted to RM 577,710.

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

***This Statement is made in accordance with the resolution of the Board of Directors on 31 January 2023.***



# BOARD RISK COMMITTEES REPORT

**The Board Risk Committees (BRCs) were established on 9 December 2021 by the Board of Directors of KLCCP and KLCCRM respectively.**

## TERMS OF REFERENCE

The Terms of Reference (TOR) of the BRCs sets out the direction, guidance, and oversight of all aspects of the risk policies, strategies, principal risks, risk practices as well as relating to the Environment, Social & Governance Compliance including sustainability matters which are aligned with the requirements of the Malaysian Code of Corporate Governance.

The TOR for the respective BRCs are available on the KLCCP Stapled Group's corporate website at [www.klcc.com.my](http://www.klcc.com.my).

## COMPOSITION

The BRCs consist of three members, all of whom are Independent Non-Executive Directors. Members of the BRCs possess sound judgement, objectivity, management experience, professionalism, integrity and knowledge of the industry.

## MEETINGS AND ATTENDANCE

The BRCs met four times during the year and details of attendance are set out below:

Committee Members	Meeting Attendance	
	KLCCP	KLCCRM
<b>Chairman</b>		
(i) <b>Dato' Jamaludin bin Osman</b> Independent Non-Executive Director	4/4	4/4
<b>Members</b>		
(ii) <b>Farina binti Farikhullah Khan</b> Independent Non-Executive Director	3/4	3/4
(iii) <b>Datin Noor Lily Zuriati binti Abdullah</b> Independent Non-Executive Director	3/4	3/4

The agenda and a set of meeting papers encompassing information relevant to the business of the meetings were distributed to the BRCs members via a secured board meeting automation system no less than 6 days from the date of the meetings.

All the proceedings and resolutions of the meetings were recorded by the Company Secretary. Minutes of the meetings were circulated to all BRCs members and tabled for confirmation at the next BRCs meeting, after which the said minutes were circulated to the Boards for notation.

The Chief Executive Officer (CEO), Chief Financial Officer, Head of Governance, Risk and Assurance, Head of Group Strategy and Sustainability and other representatives of the Group were also invited by the BRCs to attend and deliberate on specific matters which required their input or advice.

## BRC'S ACTIVITIES 2022

A summary of the key matters considered during the year is as follows:

### Risk Management

- (a) Reviewed quarterly updates on KRI and risk appetite results to gain early insights of any potential risk exposure to the Group.
- (b) Annual review of risk appetite to provide comprehensiveness to the current risk appetite statement in ensuring the financial and non-financial risk exposure and type of risk to be pursued or retained by KLCCP Stapled Group in achieving its strategic objectives are properly defined. The annual review is crucial to reflect the threshold during this transitional period to the endemic phase.
- (c) Annual review of risk profiling exercise to review, assess and update the principal risks 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 transitional period to the endemic phase.

### Environmental, Social & Governance (ESG)

Reviewed and assessed the readiness of KLCCP Stapled Group to comply with the Main Market Listing Requirements (MMLR) of Bursa Malaysia on Enhanced Sustainability Disclosure, which the gaps closure plan has been established and reported to the Board.

## ANNUAL REPORTING

The BRCs reviewed the BRCs Reports and SORMIC for the financial year ended 31 December 2022 to ensure that the reports are prepared in compliance with the requirements and guidelines of the MMLR of Bursa Malaysia

To read more on the ESG, please refer to Sustainability Report of this Integrated Annual Report.

**This Statement is made in accordance with the resolution of the Board of Directors on 31 January 2023.**

# 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 Stapled Group.**

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 guided by KLCC Group Enterprise Risk Management Framework (the ERM Framework) 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.**

The ERM 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.

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, BRCs 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, BRCs and the Management on a quarterly basis.

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

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

The RMC serves as a central platform of KLCCP Stapled Group to assist the Management in identifying principal risks, reviewing and recommending frameworks, methodologies, measurement, providing guidance and direction in the implementation and 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 BRCs and the Boards for deliberation and approval.

The RMC in discharging its risk management function, is assisted by the Governance, Risk & Assurance department 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.

Concerns on all principal risks are shared with Group Internal Audit (GIA) of KLCC (Holdings) Sdn Bhd (KLCC) 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 KLCCP Stapled Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Profiling

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, BRCs and the Boards for their deliberation and guidance on a quarterly basis.

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

<b>i</b>	<b>ii</b>	<b>iii</b>	<b>iv</b>
Review of quarterly update on KRI and risk appetite results to gain an early insight of any potential risk exposure to the Company.	Annual review of the Risk Appetite to ensure the risk statements and thresholds are reflective of the internal and external changes.	Annual review of Corporate Risk Profile in compliance with the ERM Framework where the principal risks 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 transition to endemic phase.	Annual review of Risk Profile for entities under KLCCP Stapled Group namely 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:**

<b>Human Capital</b>	<b>Security</b>	<b>Finance</b>	<b>Market</b>
<b>Asset Management</b>	<b>Supplier</b>	<b>Health, Safety &amp; Environment</b>	<b>Facilities Management</b>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Crisis Management

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 HSE and areas beyond HSE which are Human Capital, Financial, Digital, Facility Management and Legal and Regulatory 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.

During the year under review, KLCCP Stapled Group conducted the following exercises:

- Emergency evacuation & fire drill exercise including briefing on Fire & Life safety program on evacuation procedure with floor safety managers and tenants at Kompleks Dayabumi and Menara ExxonMobil;
- Basic first aid awareness at PETRONAS Twin Towers for tenants and floor safety managers and
- Testing and exercising via walk through sessions with all risk owners to review all identified credible scenarios other than HSE located at Kompleks Dayabumi.

These exercises are to ensure the readiness and effectiveness of the communication process and the recovery action plan in responding to the crisis whereby risk owners are made aware of their roles and response preparedness in the event of emergency/crisis.

Based on the above exercises, staffs and tenants were trained and familiarised with the respective roles and responsibilities in the event of crisis.

Business Continuity Management

Business Continuity Management was established to provide guidance in resuming key business functions in the event crisis occurs and has a major or catastrophic impact on business in terms of financial, operation and reputation.

During the year, KLCCP Stapled Group conducted an update review of the Business Impact Analysis (BIA) to identify the critical business functions (CBF). 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.

The testing and exercising for Call Tree Verification exercise to validate that phone numbers and contact lists of relevant personnel and stakeholders are accurate and up to date, was conducted twice this year to ensure effectiveness of communication to CBF staffs upon activation of BCP. This is to ensure that the CBF staffs are contactable to carry out their designated roles accordingly. Based on the call tree verification exercises, CBF staffs were trained to respond promptly to the activation of BCP.

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), Anti Bribery and Corruption Manual, enhanced Whistle-Blowing Policy 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 Zero Tolerance against Bribery and Corruption Culture including 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 BAC of KLCCP and BAC 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.

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 GIA of KLCCCH provides an independent and objective assurance on the efficiency and effectiveness of governance, risk management and internal controls implemented by KLCCP Stapled Group, to the BACs of KLCCP and KLCCRM. This is to support the BACs in the discharge of their oversight over governance and internal controls responsibilities. The BACs have full access to the services of GIA and receive reports on all audits that are performed via quarterly BACs meetings.

Governed by the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and its Internal Audit Charter, the GIA of KLCCCH is independent of the activities being audited and performs its duties with integrity, objectivity, confidentiality and competency. The GIA of KLCCCH is also a corporate member of the IIA Malaysia chapter.

GIA adopts a systematic and risk-based approach in reviewing KLCCP Stapled Group's governance, risk management and internal controls, guided by the COSO (i.e. The Committee of Sponsoring Organisations of the Treadway Commission) Internal Control – Integrated Framework.

GIA also performs a risk based annual audit plan by assessing the risk profile, materiality, past audit history, business developments, feedbacks and requests, organisational changes, new regulations, result of reviews by other assurance providers and any other significant changes and developments within and outside the organisation.

**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 31 January 2023.*

# 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 2022 or entered into since the end of the previous year, except as disclosed in the Prospectus of 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)**

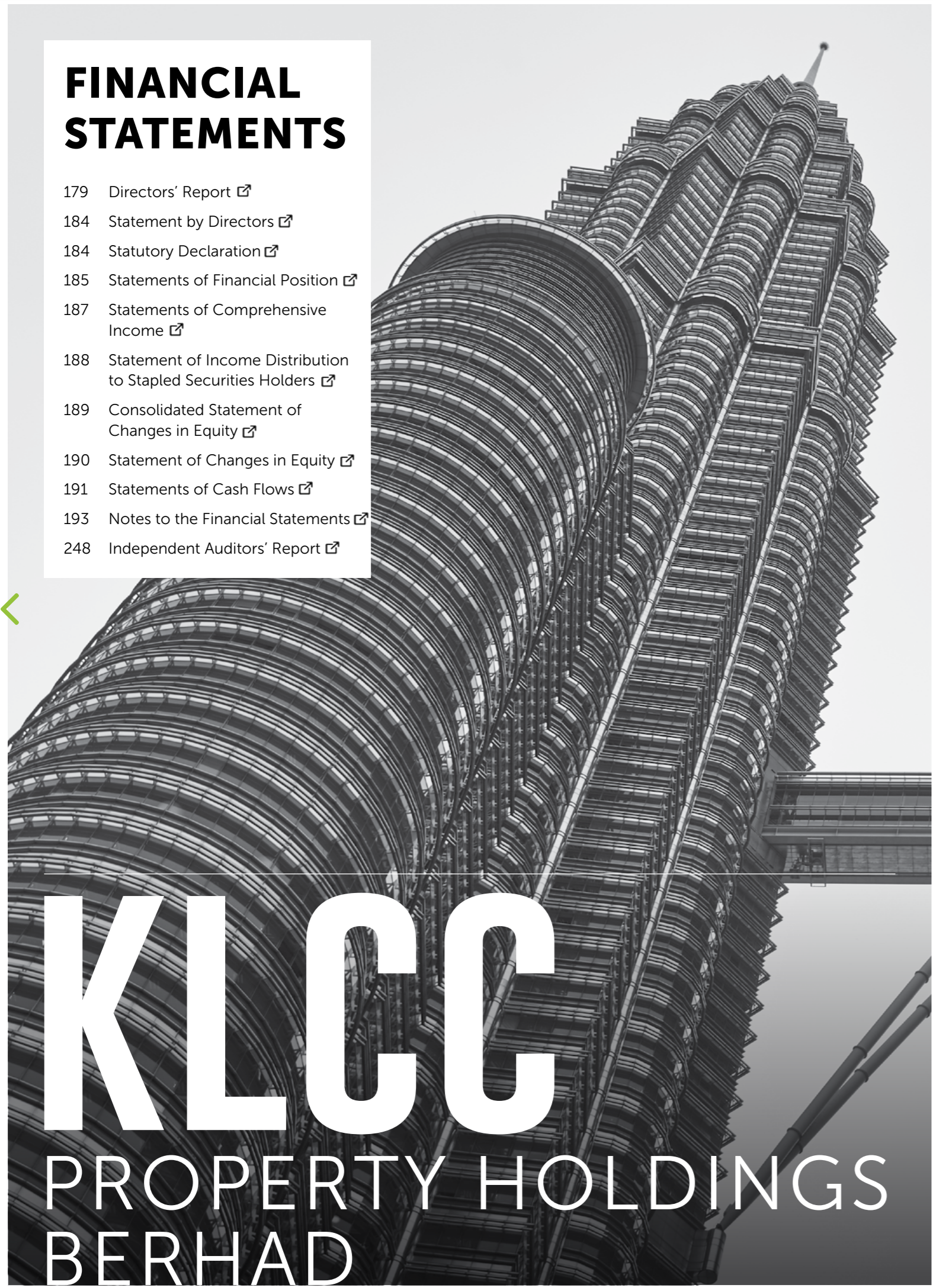
Both KLCCP and KLCC REIT did not seek any mandate from the holders of Stapled Securities on RRPT during the financial year.

**(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.

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# KLCC

## PROPERTY HOLDINGS BERHAD

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

### 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 and Board of Directors deems such information included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

### 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) 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	911,554	268,797
Attributable to:		
Equity holders of the Company	279,365	268,797
Non-controlling interests relating to KLCC REIT	503,298	-
Other non-controlling interests	128,891	-
	911,554	268,797

### 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.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

### DIVIDENDS

The amount of dividends paid by the Company since 31 December 2021 were as follows:

	RM'000
In respect of the financial year ended 31 December 2021 as reported in the Directors' Report in that year:	
A fourth interim dividend of 5.77%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 28 January 2022 and paid on 28 February 2022.	104,168
In respect of the financial year ended 31 December 2022:	
A first interim dividend of 0.99%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 24 May 2022 and paid on 29 June 2022.	17,873
A second interim dividend of 0.99%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 9 August 2022 and paid on 28 September 2022.	17,873
A third interim dividend of 1.04%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 10 November 2022 and paid on 23 December 2022.	18,775
	158,689

A fourth interim dividend in respect of the financial year ended 31 December 2022, of 7.69%, tax exempt under the single tier system on 1,805,333,083 ordinary shares, declared on 31 January 2023, amounting to a dividend payable of RM138,830,114 will be payable on 28 February 2023.

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 2023.

### DIRECTORS OF THE COMPANY

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

Tan Sri Ahmad Nizam Bin Salleh  
Farina Binti Farikhullah Khan  
Dato' Jamaludin Bin Osman  
Liza Binti Mustapha  
Md. Shah Bin Mahmood  
Chong Chye Neo  
Dato' Sr. Mazuki Bin A. Aziz  
Datin Noor Lily Zuriati Binti Abdullah  
Habibah Binti Abdul

(retired w.e.f. 12 April 2022)

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

### DIRECTORS OF THE COMPANY (CONTD.)

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act 2016.

The names of the directors of the subsidiaries are set out in their respective subsidiary's directors' report and the Board of the Company deems such information is included in the Directors' Report of the Company by such reference and shall form part of the Directors' Report of the Company.

### 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			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	

#### Direct

Tan Sri Ahmad Nizam Bin Salleh	10,000	-	-	10,000
Md. Shah Bin Mahmood	6,000	-	-	6,000

	Number of Shares in Petronas Gas Berhad			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	

#### Direct

Tan Sri Ahmad Nizam Bin Salleh	2,000	-	-	2,000
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None of the other Directors holding office as at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

### 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 shown below), 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	1,295	1,295
	1,295	1,295

\* The remuneration of the Executive Director is paid to immediate holding company, KLCC (Holdings) Sdn. Bhd. as disclosed in Note 25.

### 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 per annum.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

### 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;
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
- (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; and
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2022 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	660	233

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 January 2023.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 185 to 247 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 2022 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 31 January 2023.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

## STATUTORY DECLARATION

I, Rohizal Bin Kadir, 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 185 to 247 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 Rohizal Bin Kadir  
in Kuala Lumpur, Wilayah Persekutuan  
on 31 January 2023.

Rohizal Bin Kadir  
(MIA Membership No. 50742)

BEFORE ME:

**Y.M. Tengku Nur Athiya Tengku Fariddudin**  
Commissioner for Oaths

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	5	570,929	604,999	147	286
Investment properties	6	15,722,780	15,586,571	-	-
Investment in subsidiaries	7	-	-	1,371,793	1,371,773
Investment in an associate	8	265,023	271,425	99,195	99,195
Right-of-use assets	29	3,913	5,623	388	3,548
Deferred tax assets	9	1,464	707	1,437	651
Other receivables	11	328,988	393,197	-	-
		<b>16,893,097</b>	16,862,522	<b>1,472,960</b>	1,475,453
<b>Current Assets</b>					
Inventories	10	1,558	1,354	-	-
Trade and other receivables	11	102,018	89,343	9,919	8,065
Tax recoverable		7,813	24,357	5,846	5,473
Cash and bank balances	12	1,104,972	959,528	647,539	538,621
		<b>1,216,361</b>	1,074,582	<b>663,304</b>	552,159
<b>TOTAL ASSETS</b>		<b>18,109,458</b>	17,937,104	<b>2,136,264</b>	2,027,612
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable to Equity Holders of the Company</b>					
Share capital	13	1,823,386	1,823,386	1,823,386	1,823,386
Capital reserve	2.21	2,897,190	2,860,830	-	-
Retained profits	14	392,812	308,496	304,307	194,199
		<b>5,113,388</b>	4,992,712	<b>2,127,693</b>	2,017,585
Non-controlling interests ("NCI") relating to KLCC REIT	7	8,018,361	8,017,126	-	-
<b>Stapled Securities holders interests in the Group</b>		<b>13,131,749</b>	13,009,838	<b>2,127,693</b>	2,017,585
Other NCI	7	2,035,529	2,029,638	-	-
<b>Total Equity</b>		<b>15,167,278</b>	15,039,476	<b>2,127,693</b>	2,017,585

**STATEMENTS OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-Current Liabilities</b>					
Deferred revenue	15	<b>82,633</b>	88,832	-	-
Other long term liabilities	16	<b>126,928</b>	144,475	-	-
Financings	17	<b>2,355,887</b>	2,347,926	-	404
Deferred tax liabilities	9	<b>53,982</b>	51,384	-	-
		<b>2,619,430</b>	2,632,617	-	404
<b>Current Liabilities</b>					
Trade and other payables	18	<b>281,308</b>	236,946	<b>8,166</b>	6,328
Financings	17	<b>22,586</b>	27,986	<b>405</b>	3,295
Taxation		<b>18,856</b>	79	-	-
		<b>322,750</b>	265,011	<b>8,571</b>	9,623
<b>Total Liabilities</b>		<b>2,942,180</b>	2,897,628	<b>8,571</b>	10,027
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,109,458</b>	17,937,104	<b>2,136,264</b>	2,027,612
Net asset value ("NAV")		<b>13,131,749</b>	13,009,838		
Less: Fourth interim distribution		<b>(252,747)</b>	(227,472)		
<b>Net NAV after distribution</b>		<b>12,879,002</b>	12,782,366		
<b>Number of stapled securities/ shares in circulation ('000)</b>		<b>1,805,333</b>	1,805,333		
<b>NAV per stapled security/share (RM)</b>					
- before distribution		<b>7.27</b>	7.21		
- after distribution		<b>7.13</b>	7.08		

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

**STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	19	<b>1,459,251</b>	1,171,056	<b>294,169</b>	202,227
<b>Operating profit</b>	20	<b>958,796</b>	785,180	<b>253,735</b>	170,929
Fair value adjustments of investment properties	6	<b>128,676</b>	(144,457)	-	-
Interest/profit income	21	<b>27,068</b>	18,487	<b>14,372</b>	9,629
Financing costs	22	<b>(105,759)</b>	(105,176)	<b>(98)</b>	(249)
Share of profit of an associate	8	<b>10,098</b>	11,763	-	-
<b>Profit before tax</b>	23	<b>1,018,879</b>	565,797	<b>268,009</b>	180,309
Tax (expense)/benefit	26	<b>(107,325)</b>	(31,768)	<b>788</b>	149
<b>PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME</b>		<b>911,554</b>	534,029	<b>268,797</b>	180,458
<b>Profit attributable to:</b>					
Equity holders of the Company		<b>279,365</b>	126,456	<b>268,797</b>	180,458
NCI relating to KLCC REIT	7	<b>503,298</b>	369,396	-	-
		<b>782,663</b>	495,852	<b>268,797</b>	180,458
Other NCI	7	<b>128,891</b>	38,177	-	-
		<b>911,554</b>	534,029	<b>268,797</b>	180,458
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
Basic/diluted	27	<b>15.47</b>	7.00		
<b>Earnings per stapled security (sen):</b>					
Basic/diluted	27	<b>43.35</b>	27.47		

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 2022

	Group	
	2022 RM'000	2021 RM'000
Overall distributable income is derived as follows:		
Profit attributable to the equity holders of the Company	279,365	126,456
Add: Unrealised fair value adjustments attributable to the equity holders	(36,360)	44,254
	<b>243,005</b>	170,710
Distributable income of KLCC REIT	505,265	467,655
Total available for income distribution	<b>748,270</b>	638,365
Distribution to equity holders of the Company in respect of financial year ended 31 December:		
First interim dividend of 0.99% (2021: 0.99%)	(17,873)	(17,873)
Second interim dividend of 0.99% (2021: 0.99%)	(17,873)	(17,873)
Third interim dividend of 1.04% (2021: 0.84%)	(18,775)	(15,165)
Fourth interim dividend of 7.69% (2021: 5.77%)	(138,830)	(104,168)
	<b>(193,351)</b>	(155,079)
Distribution to KLCC REIT holders in respect of financial year ended 31 December:		
First interim income distribution of 7.01% (2021: 6.01%)	(126,554)	(108,501)
Second interim income distribution of 7.01% (2021: 6.01%)	(126,554)	(108,501)
Third interim income distribution of 6.96% (2021: 6.16%)	(125,651)	(111,209)
Fourth interim income distribution of 6.31% (2021: 6.83%)	(113,917)	(123,304)
	<b>(492,676)</b>	(451,515)
Balance undistributed	<b>62,243</b>	31,771

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 2022

Group	Note	← Attributable to Equity Holders of the Company →				Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000 (Note 7)	Other NCI RM'000	Total Equity RM'000
		Non-distributable Share Capital RM'000 (Note 13)	← Distributable →		Retained Profits RM'000				
			Capital Reserve RM'000						
<b>At 1 January 2022</b>		<b>1,823,386</b>	<b>308,496</b>	<b>2,860,830</b>	<b>4,992,712</b>	<b>8,017,126</b>	<b>2,029,638</b>	<b>15,039,476</b>	
Total comprehensive income for the year		-	279,365	-	279,365	503,298	128,891	911,554	
Transfer of fair value adjustments net of tax	2.21	-	(36,360)	36,360	-	-	-	-	
Dividends paid	28	-	(158,689)	-	(158,689)	(502,063)	(123,000)	(783,752)	
<b>At 31 December 2022</b>		<b>1,823,386</b>	<b>392,812</b>	<b>2,897,190</b>	<b>5,113,388</b>	<b>8,018,361</b>	<b>2,035,529</b>	<b>15,167,278</b>	
<b>At 1 January 2021</b>		1,823,386	206,750	2,905,084	4,935,220	8,078,845	2,063,894	15,077,959	
Total comprehensive income for the year		-	126,456	-	126,456	369,396	38,177	534,029	
Transfer of fair value adjustments net of tax	2.21	-	44,254	(44,254)	-	-	-	-	
Dividends paid	28	-	(68,964)	-	(68,964)	(431,115)	(72,433)	(572,512)	
<b>At 31 December 2021</b>		1,823,386	308,496	2,860,830	4,992,712	8,017,126	2,029,638	15,039,476	

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 2022

Company	Note	Non-distributable Share Capital RM'000 (Note 13)	Distributable Retained Profits RM'000	Total Equity RM'000
<b>At 1 January 2022</b>		<b>1,823,386</b>	<b>194,199</b>	<b>2,017,585</b>
Total comprehensive income for the year		-	<b>268,797</b>	<b>268,797</b>
Dividends paid	28	-	<b>(158,689)</b>	<b>(158,689)</b>
<b>At 31 December 2022</b>		<b>1,823,386</b>	<b>304,307</b>	<b>2,127,693</b>
<b>At 1 January 2021</b>		1,823,386	82,705	1,906,091
Total comprehensive income for the year		-	180,458	180,458
Dividends paid	28	-	(68,964)	(68,964)
<b>At 31 December 2021</b>		1,823,386	194,199	2,017,585

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	<b>1,018,879</b>	565,797	<b>268,009</b>	180,309
Adjustments for:				
Interest/profit income	<b>(27,068)</b>	(18,487)	<b>(14,372)</b>	(9,629)
Financing costs	<b>105,763</b>	105,176	<b>98</b>	249
Amortisation of accrued rental income and deferred revenue	<b>58,135</b>	28,469	-	-
Depreciation of property, plant and equipment	<b>40,488</b>	42,074	<b>139</b>	205
Depreciation of right-of-use assets	<b>4,490</b>	4,594	<b>3,160</b>	3,160
Dividend income	-	-	<b>(271,500)</b>	(182,250)
Investment property written off	<b>13</b>	358	-	-
Loss/(gain) on disposal of property, plant and equipment	<b>30</b>	(6)	-	-
(Gain)/loss on fair value adjustments of investment properties	<b>(128,676)</b>	144,457	-	-
Impairment on investment property under construction	<b>115</b>	252	-	-
(Reversal)/allowance for impairment losses of receivables	<b>(1,496)</b>	6,104	-	-
Bad debts written off	-	2	-	-
Share of profit of an associate	<b>(10,098)</b>	(11,763)	-	-
Derecognition of leases	<b>(9)</b>	-	-	-
Remeasurement of leases	<b>(44)</b>	-	-	-
<b>Operating cash flows before changes in working capital</b>	<b>1,060,522</b>	867,027	<b>(14,466)</b>	(7,956)
Changes in working capital:				
Trade and other receivables	<b>15,509</b>	(2,615)	<b>(248)</b>	1,475
Amount due from subsidiaries	-	-	<b>(188)</b>	834
Amount due from related companies	<b>(5,262)</b>	(6,790)	<b>(829)</b>	(369)
Amount due from immediate holding company	<b>(27,813)</b>	(4,632)	<b>(609)</b>	(501)
Amount due to ultimate holding company	<b>(599)</b>	4,940	<b>(1,572)</b>	(814)
Trade and other payables	<b>28,125</b>	(19,043)	<b>3,410</b>	1,641
Inventories	<b>(204)</b>	57	-	-
Cash generated from/(used in) operations	<b>1,070,278</b>	838,944	<b>(14,502)</b>	(5,690)
Interest/profit income received	<b>26,297</b>	18,536	<b>14,372</b>	9,629
Tax paid	<b>(70,176)</b>	(81,887)	<b>(371)</b>	(1,621)
Tax refunded	<b>12</b>	-	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>1,026,411</b>	775,593	<b>(501)</b>	2,318

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 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received from subsidiaries	-	-	<b>255,000</b>	175,650
Dividends received from an associate	<b>16,500</b>	6,600	<b>16,500</b>	6,600
Purchase of property, plant and equipment	<b>(6,512)</b>	(9,322)	-	-
Subsequent expenditure on investment properties	<b>(6,004)</b>	(38,470)	-	-
Proceeds from disposal of property, plant and equipment	<b>3</b>	15	-	-
<b>Net cash generated from/(used in) investing activities</b>	<b>3,987</b>	(41,177)	<b>271,500</b>	182,250
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of borrowings	<b>16,540</b>	42,449	-	-
Drawdown of Sukuk Murabahah	-	400,000	-	-
Repayment of borrowings	<b>(10,000)</b>	(10,000)	-	-
Repayment of Sukuk Murabahah	-	(400,000)	-	-
Repayment of lease liabilities	<b>(4,880)</b>	(4,938)	<b>(3,392)</b>	(3,394)
Dividends paid to shareholders	<b>(158,689)</b>	(68,964)	<b>(158,689)</b>	(68,964)
Dividends paid to other NCI	<b>(123,000)</b>	(72,433)	-	-
Dividends paid to NCI relating to KLCC REIT	<b>(501,840)</b>	(430,620)	-	-
Interest/profit expenses paid	<b>(103,085)</b>	(102,040)	-	-
Decrease/(increase) in deposits restricted	<b>841</b>	(1,110)	-	-
<b>Net cash used in financing activities</b>	<b>(884,113)</b>	(647,656)	<b>(162,081)</b>	(72,358)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>146,285</b>	86,760	<b>108,918</b>	112,210
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>956,525</b>	869,765	<b>538,621</b>	426,411
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 12)</b>	<b>1,102,810</b>	956,525	<b>647,539</b>	538,621
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	<b>1,260</b>	35,992	-	-
Accruals	<b>12,852</b>	11,256	-	-
	<b>14,112</b>	47,248	-	-
Cash paid for additions in prior years	<b>11,256</b>	11,800	-	-
Cash paid for additions in current year	<b>1,260</b>	35,992	-	-
Total cash paid for investment properties and property, plant and equipment	<b>12,516</b>	47,792	-	-

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 2022

**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. ("KLCC") and Petroliaim 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 31 January 2023.

**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 ("MFRS"), International Financial Reporting Standards ("IFRS") 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 2022, the Group and the Company adopted new MFRS and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Basis of Consolidation (Contd.)

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 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 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 transaction costs.

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

#### 2.5 Goodwill

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

#### 2.6 Property, Plant and Equipment

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.6 Property, Plant and Equipment (Contd.)

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.

#### 2.7 Investment Properties

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.8 Impairment of Non-Financial Assets

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

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

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

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

#### 2.9 Inventories

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

#### 2.10 Cash and Cash Equivalents

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

#### 2.11 Financial Assets

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.11 Financial Assets (Contd.)

##### (i) Recognition and initial measurement (Contd.)

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 (or profit in the context of Islamic financial assets) ("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

##### 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 SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest/profit 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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.11 Financial Assets (Contd.)

##### (iii) Derecognition (Contd.)

A financial asset is derecognised when: (Contd.)

- (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 be required to repay.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 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, financings and payables.

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

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

##### (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 financings)

This is the category most relevant to the Group and the Company. After initial recognition, interest/profit-bearing loans and financings 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/profit-bearing loans and financings.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 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.

#### 2.17 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**2.18 Taxation (Contd.)**

**(ii) Deferred tax (Contd.)**

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

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

**2.19 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 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:

	2022 RM	2021 RM
United States Dollar	4.41	4.17

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

**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.

Contingent rent such as turnover rent is recognised as income in the profit or loss on an accrual basis.

**(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;
- 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/profit income**

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

**(e) Dividend income**

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



## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 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 financing rate at the lease commencement date because the interest/profit 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/profit 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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.23 Leases (Contd.)

##### As a lessee (Contd.)

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.25 Fair Value Measurement (Contd.)

##### (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.

#### 2.26 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2022, 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 2022

Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to Illustrative Examples MFRS 16	Accompanying MFRS 16 Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations (Reference to the Conceptual Framework)
Amendments to MFRS 116	Property, Plant and Equipment (Property, Plant and Equipment - Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract - Cost of Fulfilling a Contract)

### 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)	
	2022 RM'000	2021 RM'000
<b>Yield rate</b>		
+ 0.25%	<b>(343,404)</b>	(351,342)
- 0.25%	<b>365,542</b>	362,347
<b>Discount rate</b>		
+ 0.25%	<b>(225,839)</b>	(230,251)
- 0.25%	<b>235,751</b>	226,723

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**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
<b>Group</b>								
<b>Cost</b>								
At 1 January 2022	634,033	6,076	158,271	195,024	85,697	1,149	10,312	1,090,562
Additions	-	3,171	610	1,281	1,389	-	-	6,451
Transfer within property, plant and equipment	522	(1,606)	236	602	246	-	-	-
Disposals	-	-	(111)	-	(29)	(12)	-	(152)
Write off	-	-	(54)	-	(1)	-	-	(55)
At 31 December 2022	634,555	7,641	158,952	196,907	87,302	1,137	10,312	1,096,806
<b>Accumulated Depreciation</b>								
At 1 January 2022	144,454	-	113,127	143,297	73,475	975	10,235	485,563
Charge for the year (Note 23)	7,462	-	11,322	14,974	6,579	75	76	40,488
Disposals	-	-	(78)	-	(29)	(12)	-	(119)
Write off	-	-	(54)	-	(1)	-	-	(55)
At 31 December 2022	151,916	-	124,317	158,271	80,024	1,038	10,311	525,877
<b>Net Carrying Amount</b>	<b>482,639</b>	<b>7,641</b>	<b>34,635</b>	<b>38,636</b>	<b>7,278</b>	<b>99</b>	<b>1</b>	<b>570,929</b>
<b>Cost</b>								
At 1 January 2021	634,184	3,526	158,093	190,950	83,928	1,149	10,312	1,082,142
Additions	815	2,761	266	3,884	1,596	-	-	9,322
Transfer within property, plant and equipment	(459)	(211)	6	228	436	-	-	-
Transfer to investment properties	(507)	-	-	-	-	-	-	(507)
Disposals	-	-	(73)	(38)	(2)	-	-	(113)
Write off	-	-	(21)	-	(261)	-	-	(282)
At 31 December 2021	634,033	6,076	158,271	195,024	85,697	1,149	10,312	1,090,562
<b>Accumulated Depreciation</b>								
At 1 January 2021	136,718	-	100,212	129,211	66,789	864	10,081	443,875
Charge for the year (Note 23)	8,033	-	13,007	14,119	6,650	111	154	42,074
Transfer within property, plant and equipment	(297)	-	-	-	297	-	-	-
Disposals	-	-	(71)	(33)	-	-	-	(104)
Write off	-	-	(21)	-	(261)	-	-	(282)
At 31 December 2021	144,454	-	113,127	143,297	73,475	975	10,235	485,563
<b>Net Carrying Amount</b>	<b>489,579</b>	<b>6,076</b>	<b>45,144</b>	<b>51,727</b>	<b>12,222</b>	<b>174</b>	<b>77</b>	<b>604,999</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

\* Land and buildings

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2022	85,889	389,797	20,230	138,117	634,033
Transfer within property, plant and equipment	-	-	282	240	522
At 31 December 2022	85,889	389,797	20,512	138,357	634,555
<b>Accumulated Depreciation</b>					
At 1 January 2022	-	85,268	19,510	39,676	144,454
Charge for the year	-	5,414	285	1,763	7,462
At 31 December 2022	-	90,682	19,795	41,439	151,916
<b>Net Carrying Amount</b>	<b>85,889</b>	<b>299,115</b>	<b>717</b>	<b>96,918</b>	<b>482,639</b>
<b>Cost</b>					
At 1 January 2021	85,889	389,797	20,054	138,444	634,184
Additions	-	-	176	639	815
Transfer within property, plant and equipment	-	-	-	(459)	(459)
Transfer to investment property	-	-	-	(507)	(507)
At 31 December 2021	85,889	389,797	20,230	138,117	634,033
<b>Accumulated Depreciation</b>					
At 1 January 2021	-	79,854	18,949	37,915	136,718
Charge for the year	-	5,414	561	2,058	8,033
Transfer within property, plant and equipment	-	-	-	(297)	(297)
At 31 December 2021	-	85,268	19,510	39,676	144,454
<b>Net Carrying Amount</b>	<b>85,889</b>	<b>304,529</b>	<b>720</b>	<b>98,441</b>	<b>489,579</b>

Property, plant and equipment of a subsidiary at carrying amount of RM541,071,000 (2021: RM568,471,000) has been pledged as securities for loan facilities as disclosed in Note 17.

**NOTES TO THE FINANCIAL STATEMENTS**

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**5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>Company</b>					
<b>Cost</b>					
At 1 January 2022/					
31 December 2022	<b>7,223</b>	<b>2,364</b>	<b>8</b>	<b>1,865</b>	<b>11,460</b>
<b>Accumulated Depreciation</b>					
At 1 January 2022	<b>7,054</b>	<b>2,338</b>	<b>8</b>	<b>1,774</b>	<b>11,174</b>
Charge for the year (Note 23)	<b>53</b>	<b>14</b>	<b>-</b>	<b>72</b>	<b>139</b>
At 31 December 2022	<b>7,107</b>	<b>2,352</b>	<b>8</b>	<b>1,846</b>	<b>11,313</b>
<b>Net Carrying Amount</b>	<b>116</b>	<b>12</b>	<b>-</b>	<b>19</b>	<b>147</b>
<b>Cost</b>					
At 1 January 2021/					
31 December 2021	7,223	2,364	8	1,865	11,460
<b>Accumulated Depreciation</b>					
At 1 January 2021	7,000	2,303	8	1,658	10,969
Charge for the year (Note 23)	54	35	-	116	205
At 31 December 2021	7,054	2,338	8	1,774	11,174
<b>Net Carrying Amount</b>	169	26	-	91	286

**6. INVESTMENT PROPERTIES**

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
<b>Group</b>				
At 1 January 2022	<b>14,984,803</b>	<b>464,000</b>	<b>137,768</b>	<b>15,586,571</b>
Additions	<b>7,546</b>	<b>-</b>	<b>115</b>	<b>7,661</b>
Write off	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>(13)</b>
Impairment (Note 23)	<b>-</b>	<b>-</b>	<b>(115)</b>	<b>(115)</b>
Fair value adjustments	<b>128,676</b>	<b>-</b>	<b>-</b>	<b>128,676</b>
At 31 December 2022	<b>15,121,012</b>	<b>464,000</b>	<b>137,768</b>	<b>15,722,780</b>
At 1 January 2021	15,101,437	455,000	136,768	15,693,205
Additions	27,845	8,829	1,252	37,926
Transfer from property, plant and equipment (Note 5)	507	-	-	507
Write off	(358)	-	-	(358)
Impairment (Note 23)	-	-	(252)	(252)
Fair value adjustments	(144,628)	171	-	(144,457)
At 31 December 2021	14,984,803	464,000	137,768	15,586,571

**NOTES TO THE FINANCIAL STATEMENTS**

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**6. INVESTMENT PROPERTIES (CONTD.)**

The following investment properties are held under lease terms:

	Group	
	2022 RM'000	2021 RM'000
Completed investment property	<b>377,000</b>	376,000
IPUC land at fair value	<b>186,000</b>	186,000
IPUC at cost	<b>115,000</b>	115,000
	<b>678,000</b>	677,000

The investment properties are stated at fair value, which have been determined based on valuations performed by an independent professional valuers. 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. During the financial year, the Group has recognised a total fair value gain of RM128,676,000.

The Group has also performed a review of the recoverable amount on the IPUC during the financial year. Consequently, the Group has recognised an impairment loss on the IPUC amounting to RM114,906 (2021: RM252,000) during the financial year.

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

	Group	
	2022 RM'000	2021 RM'000
Rental income	<b>1,064,918</b>	937,239
Direct operating expenses of income generating investment properties	<b>(93,427)</b>	(91,894)
	<b>971,491</b>	845,345

**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
<b>2022</b>				
- Office properties	-	-	<b>9,238,305</b>	<b>9,238,305</b>
- Retail properties	-	-	<b>6,068,707</b>	<b>6,068,707</b>
- Land	-	-	<b>278,000</b>	<b>278,000</b>
	-	-	<b>15,585,012</b>	<b>15,585,012</b>
<b>2021</b>				
- Office properties	-	-	9,176,342	9,176,342
- Retail properties	-	-	5,994,461	5,994,461
- Land	-	-	278,000	278,000
	-	-	15,448,803	15,448,803

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**6. INVESTMENT PROPERTIES (CONTD.)**

**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.

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

	2022 RM'000	2021 RM'000
Valuation per valuers' report	15,914,000	15,842,000
Less: Accrued rental income	(328,988)	(393,197)
	<b>15,585,012</b>	15,448,803
Adjusted valuation on 1 January	<b>15,448,803</b>	15,556,437
Additions	7,546	36,674
Transfer from investment properties	-	507
Write off	(13)	(358)
Gain/(loss) on fair value adjustments of investment properties	<b>128,676</b>	(144,457)
At 31 December	<b>15,585,012</b>	15,448,803

**NOTES TO THE FINANCIAL STATEMENTS**

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**6. INVESTMENT PROPERTIES (CONTD.)**

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2022	2021	
Investment method (refer a)	<b>Office:</b>			The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	<b>4.50 - 12.99</b>	4.95 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	<b>5.95 - 12.70</b>	5.94 - 12.40	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	<b>2.50</b>	2.40	- expected inflation rate was lower/(higher)
	- Reversion	<b>2.21 - 2.50</b>	2.20 - 2.40	- expected inflation rate was lower/(higher)
	Void rate (%)	<b>5.00 - 12.50</b>	5.00 - 15.00	- void rate was lower/(higher)
	Term yield (%)	<b>5.75 - 6.75</b>	5.75 - 6.75	- term yield rate was lower/(higher)
	Reversionary yield (%)	<b>6.00 - 7.25</b>	6.00 - 7.25	- reversionary yield was lower/(higher)
Discount rate (%)	<b>5.75 - 7.25</b>	5.75 - 7.25	- discount rate was lower/(higher)	
	<b>Retail:</b>			
	Market rental rate (RM/psf/month)			
	- Term	<b>3.00 - 432.00</b>	1.10 - 407.69	- expected market rental growth was higher/(lower)
	- Reversion	<b>3.00 - 407.69</b>	2.91 - 395.46	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	<b>6.15 - 7.00</b>	5.75 - 6.80	- expected inflation rate was lower/(higher)
	- Reversion	<b>6.15 - 7.35</b>	5.75 - 7.14	- expected inflation rate was lower/(higher)
	Void rate (%)	<b>5.00 - 8.00</b>	5.00 - 8.00	- void rate was lower/(higher)
	Term yield (%)	<b>6.25 - 6.50</b>	6.25 - 7.00	- term yield rate was lower/(higher)
	Reversionary yield (%)	<b>6.50 - 7.00</b>	6.50 - 6.75	- reversionary yield was lower/(higher)
Discount rate (%)	<b>6.25 - 7.00</b>	6.25 - 7.00	- discount rate was lower/(higher)	
Residual method (refer b)	- Expected rate of return (%)	<b>15.00</b>	15.00	The estimated fair value would increase/(decrease) if: - expected rate of return was lower/(higher)
	- Gross Development Value (RM million)	<b>1,572</b>	1,572	- gross development value was higher/(lower)
	- Gross Development Costs (RM million)	<b>1,178</b>	1,178	- gross development costs was lower/(higher)
	- Financing costs (%)	<b>6.00</b>	6.00	- financing costs was lower/(higher)
	- Discount rate (%)	<b>7.00</b>	7.00	- discount rate was lower/(higher)

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**6. INVESTMENT PROPERTIES (CONTD.)**

- (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**

	Note	Company	
		2022 RM'000	2021 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	(i)	724,230	724,210
Capital reduction		(780,916)	(780,916)
Write-down in value	(ii)	(3,296,954)	(3,296,954)
Impairment loss	(iii)	(990)	(990)
		<b>1,371,793</b>	1,371,773

- (i) During the year, a subsidiary, Arena Johan Sdn. Bhd. has issued ordinary shares to the Company to settle its amount due to the Company.
- (ii) The investments in certain subsidiaries have been adjusted to their recoverable amount subsequent to the disposal of their assets and liabilities to KLCC REIT.
- (iii) An impairment review of the carrying amount of investment in subsidiaries at the reporting date was undertaken by comparing it to respective recoverable amount. No additional impairment was recognised during the year (2021: RM nil).

**NOTES TO THE FINANCIAL STATEMENTS**

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**7. INVESTMENT IN SUBSIDIARIES (CONTD.)**

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2022 %	2021 %	
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
<b>Subsidiary of KLCC REIT</b>			
Midciti Sukuk Berhad ("MSB") *	100	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme all matters relating to it

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

- \* 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**7. INVESTMENT IN SUBSIDIARIES (CONTD.)**
**Non-controlling interests relating to KLCC REIT**

	2022	2021
<b>NCI percentage of ownership interest and voting interest</b>	<b>100%</b>	100%
Carrying amount of NCI (RM'000)	<b>8,018,361</b>	8,017,126
Profit allocated to NCI (RM'000)	<b>503,298</b>	369,396

**Summarised financial information before intra-group elimination**

	2022 RM'000	2021 RM'000
Non-current assets - Investment properties	<b>9,175,267</b>	9,113,553
Non-current assets - Others	<b>318,510</b>	379,735
Current assets	<b>114,561</b>	111,687
Non-current liabilities	<b>(1,542,703)</b>	(1,536,518)
Current liabilities	<b>(47,274)</b>	(51,331)
Net assets	<b>8,018,361</b>	8,017,126
Revenue	<b>578,843</b>	569,728
Profit for the year, representing total comprehensive income	<b>503,298</b>	369,396
Cash flows generated from operating activities	<b>565,033</b>	499,057
Cash flows used in investing activities	<b>(83)</b>	(1,306)
Cash flows used in financing activities	<b>(560,680)</b>	(490,378)
Net increase in cash and cash equivalents	<b>4,270</b>	7,373
Dividend paid to NCI relating to KLCC REIT	<b>(502,063)</b>	(431,115)

**Other non-controlling interests in subsidiaries**

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

	2022		
	SKSB	Other immaterial subsidiary	Total
<b>NCI percentage of ownership interest and voting interest</b>	<b>40.0%</b>		
Carrying amount of NCI (RM'000)	<b>1,997,292</b>	<b>38,237</b>	<b>2,035,529</b>
Profit/(loss) allocated to NCI (RM'000)	<b>133,951</b>	<b>(5,060)</b>	<b>128,891</b>

	2021		
	SKSB	Other immaterial subsidiary	Total
<b>NCI percentage of ownership interest and voting interest</b>	<b>40.0%</b>		
Carrying amount of NCI (RM'000)	1,986,341	43,297	2,029,638
Profit/(loss) allocated to NCI (RM'000)	53,436	(15,259)	38,177

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**7. INVESTMENT IN SUBSIDIARIES (CONTD.)**
**Other non-controlling interests in subsidiaries (Contd.)**
**Summarised financial information of significant subsidiary before intra-group elimination**

SKSB	2022 RM'000	2021 RM'000
Non-current assets - Investment properties	<b>5,568,745</b>	5,495,250
Non-current assets - Others	<b>16,476</b>	18,513
Current assets	<b>198,848</b>	248,516
Non-current liabilities	<b>(655,485)</b>	(676,672)
Current liabilities	<b>(135,354)</b>	(119,754)
Net assets	<b>4,993,230</b>	4,965,853
Revenue	<b>456,019</b>	333,874
Profit for the year, representing total comprehensive income	<b>334,877</b>	133,589
Cash flows generated from operating activities	<b>327,772</b>	193,893
Cash flows used in investing activities	<b>(7,914)</b>	(12,107)
Cash flows used in financing activities	<b>(337,085)</b>	(210,746)
Net decrease in cash and cash equivalents	<b>(17,227)</b>	(28,960)
Dividends paid to other NCI	<b>(123,000)</b>	(72,433)

**8. INVESTMENT IN AN ASSOCIATE**

	2022 RM'000	2021 RM'000
<b>Group</b>		
Unquoted shares at cost	<b>99,195</b>	99,195
Share of post-acquisition reserves	<b>165,828</b>	172,230
	<b>265,023</b>	271,425
<b>Company</b>		
Unquoted shares at cost	<b>99,195</b>	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest	
			2022 %	2021 %
Impian Klasik Sdn. Bhd. ("IKSB") *	Malaysia	Property Investment	<b>33</b>	33

\* Audited by a firm of auditors other than Ernst &amp; Young PLT.

**NOTES TO THE FINANCIAL STATEMENTS**

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**8. INVESTMENT IN AN ASSOCIATE (CONTD.)**

The summarised financial statements of the associate are as follows:

	2022 RM'000	2021 RM'000
Non-current assets	731,988	770,412
Current assets	74,747	56,433
Total assets	806,735	826,845
Non-current liabilities	96,060	96,616
Current liabilities	2,576	2,728
Total liabilities	98,636	99,344
<b>Results</b>		
Revenue	56,668	55,427
Profit for the year, representing total comprehensive income	30,597	35,648
Share of profit for the year	10,098	11,763
Other information		
- Share of dividends	16,500	6,600

**Reconciliation of net assets to carrying amount as at 31 December 2022**

	2022 RM'000	2021 RM'000
Group's share of net assets	233,673	240,075
Goodwill	31,350	31,350
	265,023	271,425

**9. DEFERRED TAX**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	50,677	64,809	(651)	(351)
Recognised in profit or loss (Note 26)	1,841	(14,132)	(786)	(300)
At 31 December	52,518	50,677	(1,437)	(651)

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	
	2022 RM'000	2021 RM'000
Deferred tax assets	(1,464)	(707)
Deferred tax liabilities	53,982	51,384
	52,518	50,677

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**9. DEFERRED TAX (CONTD.)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Liabilities of the Group:**

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2022	68,893	35,390	4,785	109,068
Recognised in profit or loss	1,796	6,164	(1,262)	6,698
At 31 December 2022	70,689	41,554	3,523	115,766
At 1 January 2021	67,378	43,088	6,501	116,967
Recognised in profit or loss	1,515	(7,698)	(1,716)	(7,899)
At 31 December 2021	68,893	35,390	4,785	109,068

**Deferred Tax Assets of the Group:**

	Unutilised tax losses, unabsorbed capital and investment tax allowances RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2022	(53,598)	(1,285)	(3,508)	(58,391)
Recognised in profit or loss	(5,141)	482	(198)	(4,857)
At 31 December 2022	(58,739)	(803)	(3,706)	(63,248)
At 1 January 2021	(47,166)	(2,317)	(2,675)	(52,158)
Recognised in profit or loss	(6,432)	1,032	(833)	(6,233)
At 31 December 2021	(53,598)	(1,285)	(3,508)	(58,391)

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2022 RM'000	2021 RM'000
Unutilised tax losses	67,663	67,663



**NOTES TO THE FINANCIAL STATEMENTS**

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**9. DEFERRED TAX (CONTD.)**

In accordance with the provision of Malaysian Finance Act 2021 requirement, the unutilised tax losses are available for utilisation in the next ten years, for which, any excess at the end of the tenth year will be disregarded. Unabsorbed capital and investment tax allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the these items during the year until there is probable future taxable profits against which the Group can utilise the benefits.

**Deferred Tax Liabilities/(Assets) of the Company:**

	Unutilised tax losses, unabsorbed capital and investment tax allowances RM'000	Property, plant and equipment RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2022	-	19	(36)	(634)	(651)
Recognised in profit or loss	(177)	(4)	33	(638)	(786)
At 31 December 2022	(177)	15	(3)	(1,272)	(1,437)

	Property, plant and equipment RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2021	(10)	(33)	(308)	(351)
Recognised in profit or loss	29	(3)	(326)	(300)
At 31 December 2021	19	(36)	(634)	(651)

**10. INVENTORIES**

The inventories comprise general merchandise and operating supplies, and are stated at cost.

**NOTES TO THE FINANCIAL STATEMENTS**

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**11. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-current</b>				
<b>Other receivables</b>				
Accrued rental income	328,988	393,197	-	-
<b>Current</b>				
<b>Trade receivables</b>	16,324	34,458	-	-
Less: Allowance for impairment	(7,574)	(9,076)	-	-
Trade receivables, net of impairment	8,750	25,382	-	-
<b>Other receivables</b>				
Other receivables and deposits	18,924	18,104	2,642	2,394
Amount due from:				
Subsidiaries	-	-	1,834	1,666
Ultimate holding company	258	20	-	-
Immediate holding company	58,187	30,213	1,462	853
Other related companies	15,899	15,624	3,981	3,152
Total other receivables	93,268	63,961	9,919	8,065
<b>Total</b>	<b>102,018</b>	<b>89,343</b>	<b>9,919</b>	<b>8,065</b>
Trade receivables	8,750	25,382	-	-
Other receivables	422,256	457,158	9,919	8,065
Add: Cash and bank balances (Note 12)	1,104,972	959,528	647,539	538,621
Less: Accrued rental income (Note 6)	(328,988)	(393,197)	-	-
Total financial assets carried at amortised cost	1,206,990	1,048,871	657,458	546,686

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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**12. CASH AND BANK BALANCES**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash with PETRONAS				
Integrated Financial Shared Services Centre	<b>783,890</b>	643,961	<b>647,519</b>	538,566
Cash and bank balances	<b>12,896</b>	22,646	<b>20</b>	55
Deposits with licensed banks	<b>308,186</b>	292,921	-	-
	<b>1,104,972</b>	959,528	<b>647,539</b>	538,621
Less: Deposits restricted	<b>(2,162)</b>	(3,003)	-	-
Cash and cash equivalents	<b>1,102,810</b>	956,525	<b>647,539</b>	538,621

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/profit bearing balances amounting to RM793,623,000 (2021: RM662,360,000) and RM647,534,000 (2021: RM538,566,000) respectively.

The weighted average effective interest/profit rates applicable to the deposits with licensed banks of the Group is 3.94% per annum (2021: 2.03% per annum).

Deposits with licensed banks of the Group have an average maturity of 68 days (2021: 45 days).

**13. SHARE CAPITAL**

	Group/Company			
	Number of ordinary shares		Amount	
	2022	2021	2022 RM'000	2021 RM'000
<b>Issued and fully paid:</b>				
At 1 January/ 31 December	<b>1,805,333</b>	1,805,333	<b>1,823,386</b>	1,823,386

**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.

**14. RETAINED PROFITS**

As at 31 December 2022, the Company may distribute the entire balance of the retained profits under the single-tier system.

**15. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**16. OTHER LONG TERM LIABILITIES**

	Group	
	2022 RM'000	2021 RM'000
Security deposit payables	<b>126,928</b>	144,475

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/profit rates of 4.33% to 4.73% (2021: 4.33% to 4.73%) per annum.

**17. FINANCINGS**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Short term financings</b>				
<b>Secured:</b>				
Sukuk Murabahah				
- KLCC REIT	<b>8,874</b>	11,310	-	-
Term loans	<b>12,508</b>	12,106	-	-
Lease liabilities	<b>1,204</b>	4,570	<b>405</b>	3,295
	<b>22,586</b>	27,986	<b>405</b>	3,295
<b>Long term financings</b>				
<b>Secured:</b>				
Sukuk Murabahah				
- KLCC REIT	<b>1,355,000</b>	1,355,000	-	-
- Other subsidiary	<b>600,000</b>	600,000	-	-
Term loans	<b>398,182</b>	391,644	-	-
Lease liabilities	<b>2,705</b>	1,282	-	404
	<b>2,355,887</b>	2,347,926	-	404
<b>Total financings</b>	<b>2,378,473</b>	2,375,912	<b>405</b>	3,699
<b>Total financings which are secured, comprise:</b>				
Sukuk Murabahah (a)	<b>1,963,874</b>	1,966,310	-	-
Term loans (b)	<b>410,690</b>	403,750	-	-
Lease liabilities	<b>3,909</b>	5,852	<b>405</b>	3,699
	<b>2,378,473</b>	2,375,912	<b>405</b>	3,699

**NOTES TO THE FINANCIAL STATEMENTS**

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**17. FINANCINGS (CONTD.)**

The payment/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
<b>2022</b>					
<b>Secured</b>					
Sukuk Murabahah	1,963,874	8,874	455,000	1,100,000	400,000
Term loans	410,690	12,508	10,000	388,182	-
Lease liabilities	3,909	1,204	1,053	1,652	-
	<b>2,378,473</b>	<b>22,586</b>	<b>466,053</b>	<b>1,489,834</b>	<b>400,000</b>
<b>2021</b>					
<b>Secured</b>					
Sukuk Murabahah	1,966,310	11,310	-	1,555,000	400,000
Term loans	403,750	12,106	10,000	381,644	-
Lease liabilities	5,852	4,570	1,282	-	-
	2,375,912	27,986	11,282	1,936,644	400,000

**(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 RM400 million Sukuk Murabahah upon maturity in prior year on 23 April 2021 and on the same date issued RM400 million of Sukuk Murabahah with a profit rate of 4.00% per annum and maturing on 23 April 2031. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026
10 years	400,000,000	4.00%	23 April 2031

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 drawdown at the profit rate of 4.73% per annum and payable in 10 years.

**NOTES TO THE FINANCIAL STATEMENTS**

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**17. FINANCINGS (CONTD.)**

**(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.

Type of Facilities	Revised Principal Limit (RM'000)
Term Loan Facility 3	102,000

Term loan facility 3 was approved on 25 May 2016. The subsidiary has utilised RM78 million from the total facility of RM102 million.

The term loan facility 3 is repayable by way of 6 annual principal repayments of RM2.5 million each and one final principal payment of the remainder sum.

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 5.13% per annum (2021: 3.60% per annum).

Other information on financial risks of financings are disclosed in Note 32.

**NOTES TO THE FINANCIAL STATEMENTS**

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**17. FINANCINGS (CONTD.)**
**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 paid RM'000	Total RM'000
<b>Balance at 1 January 2022</b>	<b>1,966,310</b>	<b>403,750</b>	<b>5,852</b>	<b>-</b>	<b>2,375,912</b>
<b>Changes from financing cash flows</b>					
Repayment of term loan	-	(10,000)	-	-	(10,000)
Drawdown of term loan	-	16,540	-	-	16,540
Repayment of lease liabilities	-	-	(4,880)	-	(4,880)
Dividend paid	-	-	-	(783,529)	(783,529)
Interest/profit paid	(87,142)	(15,943)	-	-	(103,085)
<b>Total changes from financing cash flows</b>	<b>(87,142)</b>	<b>(9,403)</b>	<b>(4,880)</b>	<b>(783,529)</b>	<b>(884,954)</b>
<b>Other changes</b>					
Liability-related					
Interest/profit expenses	84,706	16,343	210	-	101,259
Acquisition of new lease	-	-	98	-	98
Derecognition of lease	-	-	(350)	-	(350)
Remeasurement of lease	-	-	2,979	-	2,979
Dividend payable	-	-	-	783,529	783,529
<b>Total liability-related other changes</b>	<b>84,706</b>	<b>16,343</b>	<b>2,937</b>	<b>783,529</b>	<b>887,515</b>
<b>Balance at 31 December 2022</b>	<b>1,963,874</b>	<b>410,690</b>	<b>3,909</b>	<b>-</b>	<b>2,378,473</b>
<b>Balance at 1 January 2021</b>	1,968,704	371,085	9,655	-	2,349,444
<b>Changes from financing cash flows</b>					
Repayment of Sukuk Murabahah	(400,000)	-	-	-	(400,000)
Drawdown of Sukuk Murabahah	400,000	-	-	-	400,000
Repayment of term loan	-	(10,000)	-	-	(10,000)
Drawdown of term loan	-	42,449	-	-	42,449
Repayment of lease liabilities	-	-	(4,938)	-	(4,938)
Dividend paid	-	-	-	(572,017)	(572,017)
Interest/profit paid	(88,136)	(13,904)	-	-	(102,040)
<b>Total changes from financing cash flows</b>	<b>(88,136)</b>	<b>18,545</b>	<b>(4,938)</b>	<b>(572,017)</b>	<b>(646,546)</b>
<b>Other changes</b>					
Liability-related					
Interest/profit expenses	85,742	14,120	390	-	100,252
Acquisition of new lease	-	-	745	-	745
Dividend payable	-	-	-	572,017	572,017
<b>Total liability-related other changes</b>	<b>85,742</b>	<b>14,120</b>	<b>1,135</b>	<b>572,017</b>	<b>673,014</b>
<b>Balance at 31 December 2021</b>	<b>1,966,310</b>	<b>403,750</b>	<b>5,852</b>	<b>-</b>	<b>2,375,912</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**17. FINANCINGS (CONTD.)**
**Reconciliation of movement of liabilities to cash flows arising from financing activities (Contd.)**
**Company**

	Lease liabilities RM'000	Dividend paid RM'000	Total RM'000
<b>Balance at 1 January 2022</b>	<b>3,699</b>	<b>-</b>	<b>3,699</b>
<b>Changes from financing cash flows</b>			
Repayment lease liabilities	(3,392)	-	(3,392)
Dividend paid	-	(158,689)	(158,689)
<b>Total changes from financing cash flows</b>	<b>(3,392)</b>	<b>(158,689)</b>	<b>(162,081)</b>
<b>Other changes</b>			
Liability-related			
Interest/profit expenses	98	-	98
Dividend payable	-	158,689	158,689
<b>Total liability-related other changes</b>	<b>98</b>	<b>158,689</b>	<b>158,787</b>
<b>Balance at 31 December 2022</b>	<b>405</b>	<b>-</b>	<b>405</b>
<b>Balance at 1 January 2021</b>	6,844	-	6,844
<b>Changes from financing cash flows</b>			
Repayment lease liabilities	(3,394)	-	(3,394)
Dividend paid	-	(68,964)	(68,964)
<b>Total changes from financing cash flows</b>	<b>(3,394)</b>	<b>(68,964)</b>	<b>(72,358)</b>
<b>Other changes</b>			
Liability-related			
Interest/profit expenses	249	-	249
Dividend payable	-	68,964	68,964
<b>Total liability-related other changes</b>	<b>249</b>	<b>68,964</b>	<b>69,213</b>
<b>Balance at 31 December 2021</b>	<b>3,699</b>	<b>-</b>	<b>3,699</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**18. TRADE AND OTHER PAYABLES**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables	<b>44,931</b>	21,020	<b>438</b>	57
<b>Other payables</b>				
Other payables	<b>146,918</b>	142,169	<b>7,324</b>	4,295
Security deposits	<b>78,165</b>	57,276	-	-
Amount due to:				
Ultimate holding company	<b>7,699</b>	8,060	<b>404</b>	1,976
Immediate holding company	<b>227</b>	66	-	-
Other related companies	<b>3,368</b>	8,355	-	-
	<b>236,377</b>	215,926	<b>7,728</b>	6,271
Total trade and other payables	<b>281,308</b>	236,946	<b>8,166</b>	6,328
Add: Financings (Note 17)	<b>2,378,473</b>	2,375,912	<b>405</b>	3,699
Other long term liabilities (Note 16)	<b>126,928</b>	144,475	-	-
Total financial liabilities carried at amortised cost	<b>2,786,709</b>	2,757,333	<b>8,571</b>	10,027

Amounts due to 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.

**19. REVENUE**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property investment				
- Office	<b>580,818</b>	579,459	-	-
- Retail	<b>484,100</b>	357,780	-	-
Hotel operations	<b>146,910</b>	46,527	-	-
Management services	<b>247,423</b>	187,290	<b>22,669</b>	19,977
Dividend income from subsidiaries	-	-	<b>255,000</b>	175,650
Dividend income from an associate	-	-	<b>16,500</b>	6,600
	<b>1,459,251</b>	1,171,056	<b>294,169</b>	202,227

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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. OPERATING PROFIT**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue (Note 19)	<b>1,459,251</b>	1,171,056	<b>294,169</b>	202,227
Cost of revenue:				
- Cost of services and goods	<b>(360,587)</b>	(260,504)	-	-
Gross profit	<b>1,098,664</b>	910,552	<b>294,169</b>	202,227
Selling and distribution expenses	<b>(12,047)</b>	(6,758)	-	-
Administration expenses	<b>(133,700)</b>	(122,036)	<b>(40,525)</b>	(31,299)
Other operating income	<b>5,879</b>	3,422	<b>91</b>	1
Operating profit	<b>958,796</b>	785,180	<b>253,735</b>	170,929

**21. INTEREST/PROFIT INCOME**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest and profit income from:				
Deposits	<b>27,068</b>	18,487	<b>14,372</b>	9,629

**22. FINANCING COSTS**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest/profit expense on:				
Term loans	<b>16,343</b>	14,120	-	-
Sukuk Murabahah	<b>84,706</b>	85,742	-	-
Lease liabilities	<b>206</b>	390	<b>98</b>	249
Accretion of financial instruments	<b>4,504</b>	4,924	-	-
	<b>105,759</b>	105,176	<b>98</b>	249

**NOTES TO THE FINANCIAL STATEMENTS**

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**23. PROFIT BEFORE TAX**

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Employee benefits expense (Note 24)	132,791	104,239	25,956	19,732
Directors' remuneration (Note 25)	1,295	1,144	1,295	1,133
Fee in relation to services of Executive Director	1,049	785	1,049	785
Auditors' remuneration				
- Statutory audit	660	641	233	226
- Non-statutory audit	16	16	16	16
Valuation fees	448	908	-	-
Depreciation of property, plant and equipment (Note 5)	40,488	42,074	139	205
Depreciation of right-of-use assets (Note 29)	4,490	4,594	3,160	3,160
Rental of plant and machinery	358	316	83	65
Investment properties written off	13	358	-	-
Loss/(gain) on disposal of property, plant and equipment	30	(6)	-	-
Impairment of investment property under construction	115	252	-	-
(Reversal)/allowance for impairment losses of receivables	(1,496)	6,104	-	-
Bad debts written off	-	2	-	-

**24. EMPLOYEE BENEFITS EXPENSE**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages, salaries and others	122,752	94,638	23,515	17,325
Contributions to defined contribution plan	10,039	9,601	2,441	2,407
Total (Note 23)	132,791	104,239	25,956	19,732

**25. DIRECTORS' REMUNERATION**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company				
Executive *	-	-	-	-
Non-Executive:				
Fees	1,295	1,144	1,295	1,133
	1,295	1,144	1,295	1,133

\* The remuneration of the Executive Director is paid to KLCC as fee in relation to services of Executive Director as disclosed in Note 23.

**NOTES TO THE FINANCIAL STATEMENTS**

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**25. DIRECTORS' REMUNERATION (CONTD.)**

Included in Directors' remuneration is the fee paid directly to PETRONAS in respect of the Non-Executive Director appointed by the ultimate holding company.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Analysis excluding benefits-in-kind:				
Total Non-Executive Directors' remuneration (Note 23)	1,295	1,144	1,295	1,133

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Group		Company	
	2022	2021	2022	2021
Executive Director	1	1	1	1
Non-Executive Directors				
RMNil - RM50,000	-	2	-	2
RM50,001 - RM100,000	1	2	1	2
RM100,001 - RM150,000	1	-	1	-
RM150,001 - RM200,000	5	4	5	4
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	1	1	1	1

**26. TAX EXPENSE/(BENEFIT)**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current income tax:				
Malaysian income tax	111,672	46,792	-	333
Over provision of tax in prior year	(6,188)	(892)	(2)	(182)
	105,484	45,900	(2)	151
Deferred tax (Note 9):				
Relating to origination and reversal of temporary differences	2,034	(13,882)	(786)	(180)
Over provision of deferred tax in prior year	(193)	(250)	-	(120)
	1,841	(14,132)	(786)	(300)
Total tax expense/(benefit)	107,325	31,768	(788)	(149)

Domestic current income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year.

**NOTES TO THE FINANCIAL STATEMENTS**

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**26. TAX EXPENSE/(BENEFIT) (CONTD.)**

A reconciliation of income tax expense/(benefit) applicable to profit before taxation at the statutory income tax rate to income tax expense/(benefit) at the effective income tax rate of the Group and of the Company is as follows:

	2022 RM'000	2021 RM'000
<b>Group</b>		
Profit before taxation	1,018,879	565,797
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	244,531	135,791
Effect of prosperity tax ("Cukai Makmur")	19,748	-
Expenses not deductible for tax purposes	24,312	55,018
Income not subject to tax	(178,625)	(155,775)
Effects of share of profit of an associate	(2,424)	(2,823)
Deferred tax recognised at different tax rates	6,164	(7,698)
Deferred tax assets not recognised during the year	-	8,397
Over provision of deferred tax in prior year	(193)	(250)
Over provision of taxation in prior year	(6,188)	(892)
Tax expense	107,325	31,768
<b>Company</b>		
Profit before taxation	268,009	180,309
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	64,322	43,274
Expenses not deductible for tax purposes	3,485	2,923
Income not subject to tax	(68,593)	(46,044)
Over provision of deferred tax in prior year	-	(120)
Over provision of taxation in prior year	(2)	(182)
Tax benefit	(788)	(149)

The Finance Act 2021 gazetted on 31 December 2021 enacted Cukai Makmur on companies that generate chargeable income up to first RM100 million will be taxed at 24% and the remaining chargeable income will be taxed at one-off rate of 33% for year of assessment 2022.

**NOTES TO THE FINANCIAL STATEMENTS**

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**27. EARNINGS PER SHARE/STAPLED SECURITY - BASIC AND DILUTED**

Basic/diluted 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 shares in issue during the financial year.

Basic/diluted 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.

	2022	2021
Profit attributable to equity holders of the Company (RM'000)	279,365	126,456
Profit attributable to NCI relating to KLCC REIT (RM'000)	503,298	369,396
Profit attributable to stapled securities holders (RM'000)	782,663	495,852
Weighted average number of stapled securities/shares in issue ('000)	1,805,333	1,805,333
Basic/diluted earnings per share (sen)	15.47	7.00
Basic/diluted earnings per stapled security (sen)	43.35	27.47

Basic earnings per share/stapled security equals to diluted earnings per share/stapled security as there are no potential dilutive units in issue.

**28. DIVIDENDS**

	Dividends recognised in year		Net dividends per ordinary share	
	2022 RM'000	2021 RM'000	2022 Sen	2021 Sen
<b>Recognised during the year:</b>				
A fourth interim dividend of 5.77% (2020: 1.00%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2021/2020	104,168	18,053	5.77	1.00
A first interim dividend of 0.99% (2021: 0.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021	17,873	17,873	0.99	0.99
A second interim dividend of 0.99% (2021: 0.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021	17,873	17,873	0.99	0.99
A third interim dividend of 1.04% (2021: 0.84%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021	18,775	15,165	1.04	0.84
	158,689	68,964	8.79	3.82

A fourth interim dividend in respect of the financial year ended 31 December 2022, of 7.69%, tax exempt under the single tier system on 1,805,333,083 ordinary shares, declared on 31 January 2023, amounting to a dividend payable of RM138,830,114 will be paid on 28 February 2023.

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 2023.

**NOTES TO THE FINANCIAL STATEMENTS**

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**29. 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 equipment 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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As at 1 January	5,623	9,472	3,548	6,708
Additions	98	745	-	-
Depreciation (Note 23)	(4,490)	(4,594)	(3,160)	(3,160)
Derecognition	(341)	-	-	-
Remeasurement	3,023	-	-	-
As at 31 December	3,913	5,623	388	3,548

Set out below are the carrying amounts of lease liabilities (included under interest/profit-bearing loans and financings) and the movements during the year:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As at 1 January	5,852	9,655	3,699	6,844
Additions	98	745	-	-
Accretion of interest/profit	210	390	98	249
Payments	(4,880)	(4,938)	(3,392)	(3,394)
Derecognition	(350)	-	-	-
Remeasurement	2,979	-	-	-
As at 31 December	3,909	5,852	405	3,699
Current	1,204	4,570	405	3,295
Non-Current	2,705	1,282	-	404

The maturity analysis of lease liabilities are disclosed in Note 32.

The following are the amounts recognised in profit or loss:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation expense of right-of-use assets	4,490	4,594	3,160	3,160
Interest expense on lease liabilities	210	390	98	249
Total amount recognised in profit or loss	4,700	4,984	3,258	3,409

**NOTES TO THE FINANCIAL STATEMENTS**

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**29. RIGHT-OF-USE ASSETS (CONTD.)**

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)).

**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	
	2022 RM'000	2021 RM'000
Not later than 1 year	972,249	1,019,211
Later than 1 year but not later than 5 years	2,858,507	2,767,221
More than 5 years	7,316,505	7,601,144
	11,147,261	11,387,576

**30. COMMITMENTS**
**Capital commitments**

	Group	
	2022 RM'000	2021 RM'000
<b>Approved and contracted for</b>		
Property, plant and equipment	135	2,483
Investment property	5,830	11,542
	5,965	14,025
<b>Approved but not contracted for</b>		
Property, plant and equipment	16,803	69,492
Investment property	36,222	35,843
	53,025	105,335

**31. RELATED PARTY DISCLOSURES**
**(a) Controlling related party relationships are as follows:**

- (i) PETRONAS, the ultimate holding company, and its subsidiaries.
- (ii) Subsidiaries of the Company as disclosed in Note 7.



**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**31. RELATED PARTY DISCLOSURES (CONTD.)**

(b) Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows:

**Income/(expense)**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Federal Government of Malaysia:</b>				
Property licences and taxes	(13,372)	(13,346)	(2)	(1)
Sales and Service Tax and Tourism Tax	(19,295)	(12,289)	(705)	(717)
<b>Government of Malaysia's related entities:</b>				
Purchase of utilities	(17,428)	(12,424)	-	-
Hotel revenue	3,330	1,559	-	-
Wages Subsidy Programme	812	2,772	-	-
<b>Ultimate Holding Company:</b>				
Rental income	611,723	583,496	-	-
Facilities management and manpower fees	109,099	88,128	-	-
Interest income	17,178	11,432	14,301	9,601
Rental of car park spaces	(6,737)	(3,645)	-	-
Fees for representation on the Board of Directors *	(141)	(162)	(141)	(159)
Hotel revenue	2,877	309	-	-
Centralised Head Office Services charges	(10,541)	(9,616)	(2,813)	(2,771)
<b>Immediate Holding Company:</b>				
General management services fee payables	(5,532)	(1,228)	(2,306)	(521)
General management services fee receivables	4,624	4,116	4,624	4,116
Fee in relation to services of Executive Director	(1,049)	(785)	(1,049)	(785)
<b>Subsidiaries:</b>				
Facilities management and manpower fees	-	-	(305)	(201)
General management services fee receivable	-	-	6,919	7,576
Hotel charges	-	-	(342)	(249)

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**31. RELATED PARTY DISCLOSURES (CONTD.)**

(b) Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows: (Contd.)

**Income/(expense) (Contd.)**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Other Related Companies:</b>				
Facilities management and manpower fees	41,557	30,687	-	-
General management services fee receivable	11,043	8,285	11,126	8,285
Hotel revenue	17	84	-	-
Management and incentive fees	3,740	2,721	-	-
Chilled water supply	(25,728)	(26,961)	-	-
Project management fees	(8,502)	(2,556)	-	-
Fees for secondment of Executive Director	(1,434)	(891)	-	-
Rental of car park spaces	(6,483)	(2,724)	-	-

\* Free paid directly to PETRONAS in respect of the Non-Executive Director appointed by the ultimate holding company.

The Directors of the Company are of the opinion that the above transactions and transactions detailed elsewhere were undertaken at mutually agreed terms between the parties in the normal course of business and the terms and conditions are established under negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2022 are disclosed in Notes 11 and 18.

**(c) Compensation of key management personnel**
**Directors**

The remuneration of Directors is disclosed in Note 25.

**Other key management personnel**

Encik Md. Shah Bin Mahmood, 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 23.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 32. FINANCIAL INSTRUMENTS

#### Financial Risk Management

As the Group and the Company own a diverse property portfolio, the Group and the Company are exposed to various risks that are particular to its various businesses. These risks arise in the normal course of the Group's and the Company's business.

The Group has a Risk Management Framework and Guidelines that set the foundation for the establishment of effective risk management across the Group.

The Group's and the Company's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

The Group and the Company have exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments in the normal course of the Group's and the Company's business.

#### Credit Risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. Credit risk arises from its operating activities, primarily for trade receivables and long term receivables. The credit risk arising from the Group's and the Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guidelines.

#### Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Company may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset 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).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 32. FINANCIAL INSTRUMENTS (CONTD.)

#### Credit Risk (Contd.)

#### Receivables (Contd.)

The exposure of credit risk for receivables at the reporting date by business segment was:

	Group	
	2022 RM'000	2021 RM'000
Property investment		
- Office	361	114
- Retail	11,835	32,261
Hotel operations	3,594	1,850
Management services	534	233
	16,324	34,458
Less: Allowance for impairment losses	(7,574)	(9,076)
	8,750	25,382

#### Recognition and measurement of impairment loss

MFRS 9 requires impairment losses for financial assets to be based on incurred loss approach with a forward-looking 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.

The ageing of trade receivables as at the reporting date was:

	Group	
	2022 RM'000	2021 RM'000
At net:		
Not past due	3,316	1,670
Past due 1 to 30 days	2,155	6,389
Past due 31 to 60 days	887	4,359
Past due 61 to 90 days	1,041	3,406
Past due more than 90 days	8,925	18,634
	16,324	34,458
Less: Allowance for impairment losses	(7,574)	(9,076)
	8,750	25,382

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**32. FINANCIAL INSTRUMENTS (CONTD.)**
**Credit Risk (Contd.)**
Recognition and measurement of impairment loss (Contd.)

The movement in the allowance account is as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	9,076	3,362
(Reversal)/allowance for impairment	(1,502)	6,104
Allowance written off	-	(390)
At 31 December	7,574	9,076

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2022.

**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/ 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
<b>31 December 2022</b>							
<b>Group</b>							
<b>Financial Liabilities</b>							
Sukuk Murabahah	1,963,874	4.16-4.73	2,252,067	95,855	1,127,656	575,559	452,997
Term loans	410,690	5.13	461,459	31,622	30,262	399,575	-
Trade and other payables	281,308	-	281,308	281,308	-	-	-
Lease liabilities	3,909	3.42-5.49	4,275	1,380	1,171	1,724	-
Other long term liabilities	126,928	4.33-4.73	213,677	-	33,439	37,203	143,035
<b>Company</b>							
<b>Financial Liabilities</b>							
Lease liabilities	405	3.42-5.03	409	409	-	-	-
Trade and other payables	8,166	-	8,166	8,166	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**32. FINANCIAL INSTRUMENTS (CONTD.)**
**Liquidity Risk (Contd.)**
**Maturity analysis (Contd.)**

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: (Contd.)

	Carrying amount RM'000	Effective interest/ 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
<b>31 December 2021</b>							
<b>Group</b>							
<b>Financial Liabilities</b>							
Sukuk Murabahah	1,966,310	4.16-4.73	2,330,088	98,291	87,142	1,675,658	468,997
Term loans	403,750	3.60	450,856	26,349	23,882	400,625	-
Trade and other payables	236,946	-	236,946	236,946	-	-	-
Lease liabilities	5,852	3.42-5.25	6,035	5,068	967	-	-
Other long term liabilities	144,475	4.33-4.73	233,654	-	50,668	56,652	126,334
<b>Company</b>							
<b>Financial Liabilities</b>							
Lease liabilities	3,699	3.42-5.03	3,803	3,394	409	-	-
Trade and other payables	6,328	-	6,328	6,328	-	-	-

\* The contractual cash flow is inclusive of the principal and interest/profit but excluding interest accretion due to MFRS 9 measurement.

**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/profit rate risk, currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include loans and financings and deposits.

**Interest/Profit Rate Risk**

Interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rates. As the Group has no significant interest/profit-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest/profit rates. The Group's interest/profit-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest/profit rate risk arises primarily from interest/profit-bearing financings. Financings at floating rates expose the Group to cash flow interest/profit rate risk. Financings obtained at fixed rates expose the Group to fair value interest/profit rate risk. The Group manages its interest/profit rate exposure through a balanced portfolio of fixed and floating rate financings.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**32. FINANCIAL INSTRUMENTS (CONTD.)**

**Interest/Profit Rate Risk (Contd.)**

The interest/profit rate profile of the Group's and the Company's interest/profit-bearing financial instruments, based on carrying amount as at reporting date was:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Fixed rate instruments</b>				
Financial assets	308,186	292,921	-	-
Financial liabilities	(1,963,874)	(1,966,310)	-	-
<b>Floating rate instruments</b>				
Financial assets	793,623	662,360	647,534	538,566
Financial liabilities	(410,690)	(403,750)	-	-

**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/profit rate basis points	Group Profit or loss RM'000	Company Profit or loss RM'000
<b>2022</b>			
KLIBOR	-50	(1,915)	(3,238)
KLIBOR	+50	1,915	3,238
<b>2021</b>			
KLIBOR	-50	(1,293)	(2,693)
KLIBOR	+50	1,293	2,693

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 RM. 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, financings, and trade and other payables.

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and short term financings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of other long term liabilities approximate its fair value amount.

**NOTES TO THE FINANCIAL STATEMENTS**

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**32. FINANCIAL INSTRUMENTS (CONTD.)**

**Fair Values (Contd.)**

This analysis assumes that all other variables remain constant.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Group</b>					
<b>2022</b>					
<b>Financial liabilities</b>					
Sukuk Murabahah	-	1,910,468	-	1,910,468	1,963,874
<b>2021</b>					
<b>Financial liabilities</b>					
Sukuk Murabahah	-	1,923,603	-	1,923,603	1,966,310

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 financings at the reporting date. There has been no transfer between Level 1, 2 and 3 fair values during the financial year.

**33. CAPITAL MANAGEMENT**

The Group and the Company define capital as total equity and debt of the Group and the Company. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximise shareholder value. The Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

The Group and the Company monitor and maintain a prudent level of total debts to total assets ratio to optimise shareholder value and to ensure compliance with covenants under debt, shareholders' agreements and regulatory requirements, if any.

The debt to equity ratio as at 31 December 2022 and 31 December 2021 is as follows:

	Group	
	2022	2021
Total debt (RM'000)	2,378,473	2,375,912
Total equity (excluding Other NCI) (RM'000)	13,131,749	13,009,838
Debt equity ratio	18:82	18:82

As part of the prudent capital management, the Group and the Company have reviewed the principal risks to ascertain their relevant and potential impact from the Covid-19 pandemic to safeguard the Group's capital and key business activities and to ensure the precaution and mitigation measures are implemented. There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

**NOTES TO THE FINANCIAL STATEMENTS**

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**34. SEGMENTAL INFORMATION**
**(a) Reporting Format**

Segment information is presented in respect of the Group's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest/profit-earning assets and revenue, interest/profit-bearing financings 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/profit-earning assets and revenue, interest/profit-bearing financings and expenses, and corporate assets and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis. These transfers are eliminated on consolidation.

**NOTES TO THE FINANCIAL STATEMENTS**

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**34. SEGMENTAL INFORMATION (CONTD.)**
**Business Segments**
**31 December 2022**

	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
<b>Revenue</b>						
External customers	580,818	484,100	146,910	247,423	-	1,459,251
Inter-segment revenue	1,203	10,859	-	63,489	(75,551)	-
<b>Total revenue</b>	<b>582,021</b>	<b>494,959</b>	<b>146,910</b>	<b>310,912</b>	<b>(75,551)</b>	<b>1,459,251</b>
<b>Results</b>						
Operating profit	504,369	408,530	(7,435)	70,344	(17,012)	958,796
Fair value adjustments on investment properties	61,963	66,713	-	-	-	128,676
Financing costs						(105,759)
Interest/profit income						27,068
Share of profit of an associate						10,098
Tax expense						(107,325)
Profit after tax but before non-controlling interests						911,554
Segment assets	10,185,720	6,279,267	573,314	174,205	631,929	17,844,435
Investment in an associate	-	-	-	99,195	165,828	265,023
<b>Total assets</b>						<b>18,109,458</b>
<b>Total liabilities</b>	<b>1,595,433</b>	<b>803,359</b>	<b>450,657</b>	<b>112,080</b>	<b>(19,349)</b>	<b>2,942,180</b>
Capital expenditure	98	7,992	1,280	4,741	-	14,111
Depreciation	496	917	28,648	14,917	-	44,978
Non-cash items other than depreciation	99	(1,490)	48	2	-	(1,341)

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**34. SEGMENTAL INFORMATION (CONTD.)**
**Business Segments (Contd.)**
**31 December 2021**

	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
<b>Revenue</b>						
External customers	579,459	357,780	46,527	187,290	-	1,171,056
Inter-segment revenue	967	6,216	-	65,637	(72,820)	-
<b>Total revenue</b>	<b>580,426</b>	<b>363,996</b>	<b>46,527</b>	<b>252,927</b>	<b>(72,820)</b>	<b>1,171,056</b>
<b>Results</b>						
Operating profit	511,810	272,168	(51,897)	65,102	(12,003)	785,180
Fair value adjustments on investment properties	(55,824)	(87,633)	-	(1,000)	-	(144,457)
Financing costs						(105,176)
Interest/profit income						18,487
Share of profit of an associate						11,763
Tax expense						(31,768)
Profit after tax but before non-controlling interests						534,029
Segment assets	10,162,099	6,255,560	580,036	146,859	521,125	17,665,679
Investment in an associate	-	-	-	99,195	172,230	271,425
<b>Total assets</b>						<b>17,937,104</b>
<b>Total liabilities</b>	<b>1,592,153</b>	<b>809,583</b>	<b>437,145</b>	<b>80,042</b>	<b>(21,295)</b>	<b>2,897,628</b>
Capital expenditure	25,819	13,081	1,379	6,969	-	47,248
Depreciation	633	2,371	30,415	13,249	-	46,668
Non-cash items other than depreciation	269	6,354	(8)	1	-	6,616

The operating profit of property investment - office is inclusive of impairment of IPUC of RM114,906 (2021: RM252,000). Excluding the impairment, operating profit is at RM511,925,000 (2021: RM512,062,000).

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**35. PRONOUNCEMENTS YET IN EFFECT**

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

**Effective for annual periods beginning on or after 1 January 2023**

Amendments to MFRS 101	Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
Amendments to MFRS 101	Presentation of Financial Statements (Disclosure of Accounting Policies)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
Amendments to MFRS 112	Income taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

**Effective for annual periods beginning on or after 1 January 2024**

Amendments to MFRS 101	Presentation of Financial Statements (Non-current Liabilities with covenants)
Amendments to MFRS 16	Leases (Lease Liability in a Sale and Leaseback)

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.

**36. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY**

The MASB has issued pronouncements which are not effective, but for which are not relevant to the operations of the Group and of the Company and hence, no further disclosure is warranted.

**Effective for annual periods beginning on or after 1 January 2023**

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts (Initial application of MFRS 17 and MFRS 9 - Comparative Information)

**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	Investment in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

## 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 2022 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 185 to 247.

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 2022, and of their financial performance and their 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 2022, the carrying value of the Group's completed investment properties carried at fair value amounted to RM15,585,012,000 which represents 86% of the Group's total assets. The Group adopts the fair value model for its completed investment properties. The valuation of completed 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 has engaged external valuers to determine the fair value of the completed investment properties at the reporting date and a fair value gain of RM128,676,000 has been recognised during the year.

In addition, as at 31 December 2022, the Group's investment properties under construction ("IPUC") carried at cost amounting to RM137,768,000 has an indicator of impairment as the progress of the construction has been affected by the Covid-19 pandemic. The Group has estimated the recoverable amount of the IPUC by engaging an external valuer to determine the fair value of the IPUC for impairment assessment purposes and an impairment of RM114,906 has been recognised during the year.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

### Valuation of investment properties (Contd.)

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 assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

### Information other than the financial statements and auditors' report thereon

The 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.

### 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.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

### Auditors' responsibilities for the audit of the financial statements (Contd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

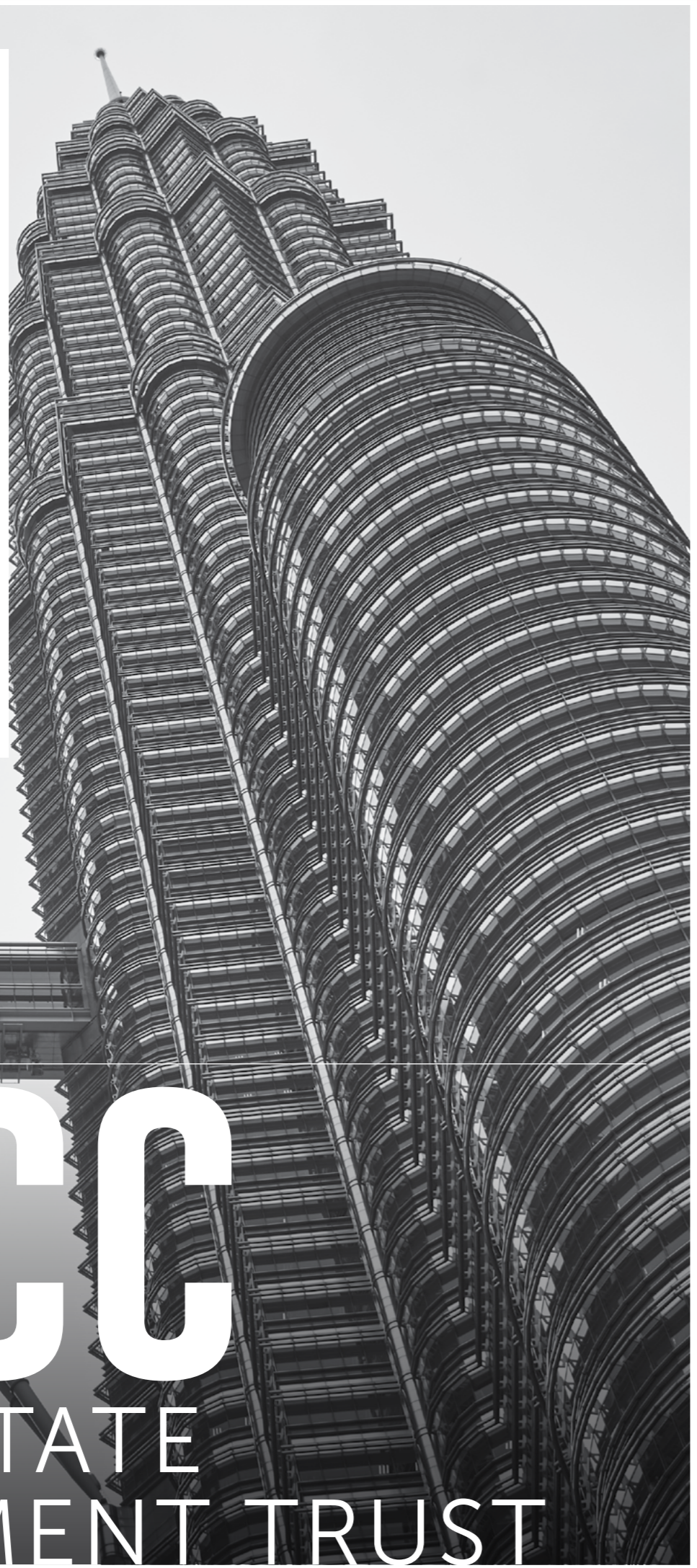
Kuala Lumpur, Malaysia  
31 January 2023

**Muhammad Syarizal Bin Abdul Rahim**  
No. 03157/01/2025 J  
Chartered Accountant



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# KLCC REAL ESTATE INVESTMENT TRUST

INTEGRATED ANNUAL REPORT 2022

## MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

### 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	503,298	503,305

### 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 2021:	
Fourth interim income distribution of 6.83% on 1,805,333,083 units, declared on 28 January 2022 and paid on 28 February 2022	123,304
In respect of the financial year ended 31 December 2022:	
First interim income distribution of 7.01% on 1,805,333,083 units, declared on 24 May 2022 and paid on 29 June 2022	126,554
Second interim income distribution of 7.01% on 1,805,333,083 units, declared on 09 August 2022 and paid on 28 September 2022	126,554
Third interim income distribution of 6.96% on 1,805,333,083 units, declared on 10 November 2022 and paid on 23 December 2022	125,651
	502,063

A fourth interim income distribution in respect of the financial year ended 31 December 2022 of 6.31% on 1,805,333,083 units, declared on 31 January 2023, amounting to an income distribution payable of RM113,917,000 will be payable on 28 February 2023.

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 2023.

## MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

### RESERVES AND PROVISIONS

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

### DIRECTORS

The Directors who have served on the Board of the Manager during the financial year and up to the date of this report are:

Tan Sri Ahmad Nizam Bin Salleh  
Farina Binti Farikhullah Khan  
Dato' Jamaludin Bin Osman  
Liza Binti Mustapha  
Md. Shah Bin Mahmood  
Chong Chye Neo  
Dato' Sr. Mazuki Bin A. Aziz  
Datin Noor Lily Zuriati Binti Abdullah  
Habibah Binti Abdul

(retired w.e.f. 12 April 2022)

### 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 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	
<b>Direct</b>				
Tan Sri Ahmad Nizam Bin Salleh	10,000	-	-	10,000
Md. Shah Bin Mahmood	6,000	-	-	6,000

	Number of Shares in Petronas Gas Berhad			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	
<b>Direct</b>				
Tan Sri Ahmad Nizam Bin Salleh	2,000	-	-	2,000

None of the other Directors holding office as at 31 December 2022 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 2022

### 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 a benefit included in the aggregate amount of emoluments received or due and receivable 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 of the Manager regard Petroliaam 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 that no provision for doubtful debts was necessary; 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 2022

### OTHER STATUTORY INFORMATION (CONTD.)

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 to make any the provision for doubtful debts in respect of the financial statements of the Group and of the Fund;
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Fund misleading;
- (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; and
- (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 2022 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	97	92

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 31 January 2023.

**Tan Sri Ahmad Nizam Bin Salleh**

**Md. Shah Bin Mahmood**

# STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 260 to 303 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 2022 and of the results of their financial performance and cash flows for the year ended 31 December 2022.

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 31 January 2023.

**Tan Sri Ahmad Nizam Bin Salleh**

**Md. Shah Bin Mahmood**

# STATUTORY DECLARATION

I, Rohizal Bin Kadir, 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 260 to 303 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 Rohizal Bin Kadir  
in Kuala Lumpur, Wilayah Persekutuan  
on 31 January 2023.

Rohizal Bin Kadir  
(MIA Membership No. 50742)

BEFORE ME:

**Y.M. Tengku Nur Athiya Tengku Fariddudin**  
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 2022. 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 7.01 sen per unit distributed on 29 June 2022;
- (ii) Second interim income distribution of 7.01 sen per unit distributed on 28 September 2022;
- (iii) Third interim income distribution of 6.96 sen per unit distributed on 23 December 2022;
- (iv) Fourth interim income distribution of 6.31 sen per unit for year ended 31 December 2022 declared and will be payable on 28 February 2023.

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**  
[Registration No.: 196301000109 (5004-P)]

**NORHAZLIANA BINTI MOHAMMED HASHIM**  
Head, Unit Trust & Corporate 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 the applicable guidelines, rulings and decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 31 December 2022.

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's Guidelines on Islamic Capital Market Products and Services and Guidelines on Listed Real Estate Investment Trusts. The percentage ratio of Shariah Non-Compliant Rental for the financial year ended 31 December 2022 is 1.16%;
- (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**

**AHMAD SUHAIMI BIN YAHYA**  
Regional Head, Shariah Advisory & Governance, Group Islamic Banking  
Designated Person Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Fund	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	5	777	1,288	777	1,288
Investment properties	6	9,175,267	9,113,553	9,175,267	9,113,553
Trade and other receivables	8	317,733	378,447	317,733	378,447
Investment in a subsidiary	7	-	-	*	*
		<b>9,493,777</b>	9,493,288	<b>9,493,777</b>	9,493,288
<b>Current Assets</b>					
Trade and other receivables	8	3,497	4,893	3,497	4,893
Cash and bank balances	9	111,064	106,794	110,978	106,728
		<b>114,561</b>	111,687	<b>114,475</b>	111,621
<b>TOTAL ASSETS</b>		<b>9,608,338</b>	9,604,975	<b>9,608,252</b>	9,604,909
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>					
<b>Unitholders' Fund</b>					
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	373,980	318,509	373,980	318,509
Retained profits		425,485	479,721	425,547	479,776
<b>Total Unitholders' Fund</b>		<b>8,018,361</b>	8,017,126	<b>8,018,423</b>	8,017,181
<b>Non-Current Liabilities</b>					
Other long term liabilities	11	69,474	65,746	69,474	65,746
Amount due to a subsidiary	12	-	-	1,355,000	1,355,000
Financing	13	1,355,000	1,355,000	-	-
Deferred tax liability	14	41,553	35,389	41,553	35,389
Other payables	15	76,676	80,383	76,676	80,383
		<b>1,542,703</b>	1,536,518	<b>1,542,703</b>	1,536,518

\* Represents RM2 in Midciti Sukuk Berhad

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Fund	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current Liabilities</b>					
Other payables	15	38,400	40,021	38,337	39,950
Amount due to a subsidiary	12	-	-	8,789	11,260
Financing	13	8,874	11,310	-	-
		<b>47,274</b>	51,331	<b>47,126</b>	51,210
<b>Total Liabilities</b>		<b>1,589,977</b>	1,587,849	<b>1,589,829</b>	1,587,728
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>		<b>9,608,338</b>	9,604,975	<b>9,608,252</b>	9,604,909
<b>Number of units in circulation ('000 units)</b>		<b>1,805,333</b>	1,805,333	<b>1,805,333</b>	1,805,333
<b>Net asset value ("NAV")</b>					
- before income distribution		<b>8,018,361</b>	8,017,126	<b>8,018,423</b>	8,017,181
- after income distribution		<b>7,904,444</b>	7,893,822	<b>7,904,506</b>	7,893,877
<b>NAV per unit (RM)</b>					
- before income distribution		<b>4.44</b>	4.44	<b>4.44</b>	4.44
- after income distribution		<b>4.38</b>	4.37	<b>4.38</b>	4.37

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 2022

	Note	Group		Fund	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	16	578,843	569,728	578,843	569,728
Property operating expenses	17	(30,383)	(28,253)	(30,376)	(28,247)
<b>Net property income</b>		<b>548,460</b>	541,475	<b>548,467</b>	541,481
Fair value adjustments of investment properties	6	61,635	(76,979)	61,635	(76,979)
Profit income		4,032	2,315	4,032	2,315
		<b>614,127</b>	466,811	<b>614,134</b>	466,817
Management fees	18	(44,946)	(44,736)	(44,946)	(44,736)
Trustee's fees	19	(600)	(600)	(600)	(600)
Financing costs	20	(59,119)	(59,777)	(59,119)	(59,777)
<b>Profit before tax</b>	21	<b>509,462</b>	361,698	<b>509,469</b>	361,704
Tax (expense)/benefit	22	(6,164)	7,698	(6,164)	7,698
<b>PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME</b>		<b>503,298</b>	369,396	<b>503,305</b>	369,402
<b>Basic earnings per unit (sen)</b>	23	<b>27.88</b>	20.46	<b>27.88</b>	20.46

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Income Distribution</b>				
Total comprehensive income for the financial year	<b>503,298</b>	369,396	<b>503,305</b>	369,402
Add/(less) Adjustments:				
Accrued rental income	<b>60,714</b>	31,839	<b>60,714</b>	31,839
Amortisation of deferred revenue	<b>(4,070)</b>	(3,829)	<b>(4,070)</b>	(3,829)
Amortisation of premium for Sukuk Murabahah	<b>(2,436)</b>	(2,077)	<b>(2,436)</b>	(2,077)
Deferred tax liabilities	<b>6,164</b>	(7,698)	<b>6,164</b>	(7,698)
Depreciation of property, plant and equipment	<b>515</b>	634	<b>515</b>	634
Allowance for impairment loss of trade receivables	-	(2)	-	(2)
Accretion of financial instruments	<b>2,715</b>	2,413	<b>2,715</b>	2,413
Fair value adjustments of investment properties	<b>(61,635)</b>	76,979	<b>(61,635)</b>	76,979
	<b>1,967</b>	98,259	<b>1,967</b>	98,259
Total income available for distribution	<b>505,265</b>	467,655	<b>505,272</b>	467,661
Distribution to unitholders in respect of financial year 2022:				
First interim income distribution of 7.01% (2021: 6.01%) on 1,805,333,083 units	<b>(126,554)</b>	(108,501)	<b>(126,554)</b>	(108,501)
Second interim income distribution of 7.01% (2021: 6.01%) on 1,805,333,083 units	<b>(126,554)</b>	(108,501)	<b>(126,554)</b>	(108,501)
Third interim income distribution of 6.96% (2021: 6.16%) on 1,805,333,083 units	<b>(125,651)</b>	(111,209)	<b>(125,651)</b>	(111,209)
Fourth interim income distribution of 6.31% (2021: 6.83%) on 1,805,333,083 units	<b>(113,917)</b>	(123,304)	<b>(113,917)</b>	(123,304)
Balance undistributed	<b>12,589</b>	16,140	<b>12,596</b>	16,146

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 2022

Group	Non-distributable		Distributable		Total Group RM'000
	Unitholders' Capital RM'000 (Note 10)	Merger Reserve RM'000	Capital Reserve RM'000 (Note 2.17)	Retained Profits RM'000	
<b>As at 1 January 2022</b>	<b>7,212,684</b>	<b>6,212</b>	<b>318,509</b>	<b>479,721</b>	<b>8,017,126</b>
Total comprehensive income for the year	-	-	-	<b>503,298</b>	<b>503,298</b>
Transfer of fair value adjustments net of tax	-	-	<b>55,471</b>	<b>(55,471)</b>	-
Income distribution (Note 24)	-	-	-	<b>(502,063)</b>	<b>(502,063)</b>
Net total comprehensive income for the year attributable to unitholders	-	-	<b>55,471</b>	<b>(54,236)</b>	<b>1,235</b>
<b>As at 31 December 2022</b>	<b>7,212,684</b>	<b>6,212</b>	<b>373,980</b>	<b>425,485</b>	<b>8,018,361</b>
<b>As at 1 January 2021</b>	7,212,684	6,212	387,790	472,159	8,078,845
Total comprehensive income for the year	-	-	-	369,396	369,396
Transfer of fair value adjustments net of tax	-	-	(69,281)	69,281	-
Income distribution (Note 24)	-	-	-	(431,115)	(431,115)
Net total comprehensive loss for the year attributable to unitholders	-	-	(69,281)	7,562	(61,719)
<b>As at 31 December 2021</b>	<b>7,212,684</b>	<b>6,212</b>	<b>318,509</b>	<b>479,721</b>	<b>8,017,126</b>

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 2022

Fund	Non-distributable		Distributable		Total Funds RM'000
	Unitholders' Capital RM'000 (Note 10)	Merger Reserve RM'000	Capital Reserve RM'000 (Note 2.17)	Retained Profits RM'000	
<b>As at 1 January 2022</b>	<b>7,212,684</b>	<b>6,212</b>	<b>318,509</b>	<b>479,776</b>	<b>8,017,181</b>
Total comprehensive income for the year	-	-	-	<b>503,305</b>	<b>503,305</b>
Transfer of fair value adjustments net of tax	-	-	<b>55,471</b>	<b>(55,471)</b>	-
Income distribution (Note 24)	-	-	-	<b>(502,063)</b>	<b>(502,063)</b>
Net total comprehensive income for the year attributable to unitholders	-	-	<b>55,471</b>	<b>(54,229)</b>	<b>1,242</b>
<b>As at 31 December 2022</b>	<b>7,212,684</b>	<b>6,212</b>	<b>373,980</b>	<b>425,547</b>	<b>8,018,423</b>
<b>As at 1 January 2021</b>	7,212,684	6,212	387,790	472,208	8,078,894
Total comprehensive income for the year	-	-	-	369,402	369,402
Transfer of fair value adjustments net of tax	-	-	(69,281)	69,281	-
Income distribution (Note 24)	-	-	-	(431,115)	(431,115)
Net total comprehensive loss for the year attributable to unitholders	-	-	(69,281)	7,568	(61,713)
<b>As at 31 December 2021</b>	<b>7,212,684</b>	<b>6,212</b>	<b>318,509</b>	<b>479,776</b>	<b>8,017,181</b>

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 2022

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	509,462	361,698	509,469	361,704
Adjustments for:				
Profit income	(4,032)	(2,315)	(4,032)	(2,315)
Financing costs	59,119	59,777	59,119	59,777
Accrued rental income and amortisation of deferred revenue	56,644	28,010	56,644	28,010
Depreciation of property, plant and equipment	515	634	515	634
Reversal of allowance for impairment on trade receivable	-	(2)	-	(2)
Fair value adjustments on investment properties	(61,635)	76,979	(61,635)	76,979
<b>Operating cash flows before changes in working capital</b>	<b>560,073</b>	<b>524,781</b>	<b>560,080</b>	<b>524,787</b>
Changes in working capital:				
Trade and other receivables	1,545	494	1,545	494
Trade and other payables	(468)	(28,431)	(495)	(28,324)
Cash generated from operations	561,150	496,844	561,130	496,957
Profit income received	3,883	2,213	3,883	2,213
<b>Net cash generated from operating activities</b>	<b>565,033</b>	<b>499,057</b>	<b>565,013</b>	<b>499,170</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions for investment properties (Note 6)	(79)	(1,011)	(79)	(1,011)
Purchase of property, plant and equipment (Note 5)	(4)	(295)	(4)	(295)
<b>Net cash used in investing activities</b>	<b>(83)</b>	<b>(1,306)</b>	<b>(83)</b>	<b>(1,306)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Income distributions paid	(501,840)	(430,620)	(501,840)	(430,620)
Financing cost paid	(58,840)	(59,758)	(58,840)	(59,758)
Proceeds from issuance of Sukuk Murabahah	-	400,000	-	-
Payment of Sukuk Murabahah	-	(400,000)	-	-
<b>Net cash used in financing activities</b>	<b>(560,680)</b>	<b>(490,378)</b>	<b>(560,680)</b>	<b>(490,378)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,270</b>	<b>7,373</b>	<b>4,250</b>	<b>7,486</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>106,794</b>	<b>99,421</b>	<b>106,728</b>	<b>99,242</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)</b>	<b>111,064</b>	<b>106,794</b>	<b>110,978</b>	<b>106,728</b>

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 2022

## 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. ("KLCCCH") and Petrolia 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 31 January 2023.

## 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 ("MFRS"), International Financial Reporting Standards ("IFRS"), 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 1 January 2022, the Group and the Fund adopted new MFRS and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Basis of Consolidation (Contd.)

##### 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 Fund and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

The estimated useful life for the current year is as follows:

Building improvements	5 to 6 years
Office equipment	5 years

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Property, Plant and Equipment (Contd.)

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 in Subsidiary

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.

#### 2.7 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.7 Impairment of Non-Financial Assets (Contd.)

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.

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 (or profit in the context of Islamic financial assets) ("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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.9 Financial Assets (Contd.)

##### (ii) Subsequent measurement (Contd.)

##### 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 SPPI 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.

##### (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 be 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).

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.10 Impairment of Financial Assets (Contd.)

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.

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, financings and payables.

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

The Group's and the Fund's financial liabilities include trade and other payables, amount due to holding company, fellow subsidiaries and other related companies and financings.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.12 Financial Liabilities (Contd.)

##### (ii) Subsequent measurement (Contd.)

##### 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 costs and financings.

##### (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 financier 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.15 Taxation (Contd.)

##### (ii) Deferred tax

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

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

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

#### 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.

#### 2.19 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.19 Revenue Recognition (Contd.)

##### (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:

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

#### 2.21 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.22 Fair Value Measurement (Contd.)

##### (i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market 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.

#### 2.23 Current versus non-current classification

The Group and the Fund present assets and liabilities in statements of financial position based on current/non-current classification.

An asset is current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2022, 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 2022

Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations (Reference to the Conceptual Framework)
Amendments to Illustrative Examples MFRS 16	Accompanying MFRS 16 Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 116	Property, Plant and Equipment (Property, Plant and Equipment - Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract - Cost of Fulfilling a Contract)

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and of 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:

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)**
**4.2 Key sources of estimation uncertainty (Contd.)**
**Fair valuation of investment properties (Contd.)**

	Fair value Increase/(decrease)	
	2022 RM'000	2021 RM'000
<b>Yield rate</b>		
- 0.25%	<b>175,000</b>	153,000
+ 0.25%	<b>(153,000)</b>	(163,000)
<b>Discount rate</b>		
- 0.25%	<b>214,000</b>	204,000
+ 0.25%	<b>(195,000)</b>	(218,000)

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**

	Group/Fund			
	Building Improvements RM'000	Office Equipment RM'000	Work-in Progress RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2022	<b>2,250</b>	<b>1,042</b>	<b>51</b>	<b>3,343</b>
Additions	-	4	-	4
Transfer	-	51	(51)	-
At 31 December 2022	<b>2,250</b>	<b>1,097</b>	-	<b>3,347</b>
<b>Accumulated Depreciation</b>				
At 1 January 2022	<b>1,562</b>	<b>493</b>	-	<b>2,055</b>
Charge for the year (Note 21)	<b>331</b>	<b>184</b>	-	<b>515</b>
<b>At 31 December 2022</b>	<b>1,893</b>	<b>677</b>	-	<b>2,570</b>
<b>Net Carrying Amount</b>	<b>357</b>	<b>420</b>	-	<b>777</b>
<b>Cost</b>				
At 1 January 2021	2,950	605	-	3,555
Additions	267	-	28	295
Transfer (to)/from investment property	(967)	437	23	(507)
At 31 December 2021	2,250	1,042	51	3,343
<b>Accumulated Depreciation</b>				
At 1 January 2021	1,367	54	-	1,421
Charge for the year (Note 21)	492	142	-	634
Transfer	(297)	297	-	-
<b>At 31 December 2021</b>	<b>1,562</b>	<b>493</b>	-	<b>2,055</b>
<b>Net Carrying Amount</b>	<b>688</b>	<b>549</b>	<b>51</b>	<b>1,288</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**6. INVESTMENT PROPERTIES**

	Group/Fund	
	2022 RM'000	2021 RM'000
At 1 January	<b>9,113,553</b>	9,189,014
Fair value adjustments	<b>61,635</b>	(76,979)
Additions during the year	<b>79</b>	1,011
Transfer from property, plant and equipment	-	507
At 31 December	<b>9,175,267</b>	9,113,553

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 method used in determining the valuations is the investment method.

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

	Group/Fund	
	2022 RM'000	2021 RM'000
Rental income	<b>578,843</b>	569,728
Direct operating expenses	<b>(28,046)</b>	(26,791)
	<b>550,797</b>	542,937

**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
<b>2022</b>				
- Office properties	-	-	<b>8,675,305</b>	<b>8,675,305</b>
- Retail properties	-	-	<b>499,962</b>	<b>499,962</b>
	-	-	<b>9,175,267</b>	<b>9,175,267</b>
<b>2021</b>				
- Office properties	-	-	<b>8,614,342</b>	<b>8,614,342</b>
- Retail properties	-	-	<b>499,211</b>	<b>499,211</b>
	-	-	<b>9,113,553</b>	<b>9,113,553</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**6. INVESTMENT PROPERTIES (CONTD.)**

**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.

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

	Group/Fund	
	2022 RM'000	2021 RM'000
Valuation per valuer's reports	9,493,000	9,492,000
Less: Accrued rental income	(317,733)	(378,447)
	<b>9,175,267</b>	9,113,553

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**6. INVESTMENT PROPERTIES (CONTD.)**

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2022	2021	
Investment method (refer below)	<b>Office:</b> Market rental rate (RM/psf/month)			The estimated fair value would increase/(decrease) if:
	- Term	<b>8.50 - 12.99</b>	8.50 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	<b>9.25 - 12.70</b>	9.25 - 12.40	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	<b>2.50</b>	2.40	- expected inflation rate was lower/(higher)
	- Reversion	<b>2.40 - 2.50</b>	2.40	- expected inflation rate was lower/(higher)
	Void rate (%)	<b>5.00</b>	5.00	- void rate was lower/(higher)
	Term yield (%)	<b>5.75 - 6.00</b>	5.75 - 6.00	- term yield rate was lower/(higher)
	Reversionary yield (%)	<b>6.00 - 6.25</b>	6.00 - 6.25	- reversionary yield was lower/(higher)
	Discount rate (%)	<b>5.75 - 6.25</b>	5.75 - 6.25	- discount rate was lower/(higher)
	<b>Retail:</b> Market rental rate (RM/psf/month)			The estimated fair value would increase/(decrease) if:
	- Term	<b>6.61 - 120.50</b>	6.26 - 121.22	- expected market rental growth was higher/(lower)
	- Reversion	<b>7.33 - 150.12</b>	7.33 - 150.12	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	<b>6.15</b>	5.75	- expected inflation rate was lower/(higher)
	- Reversion	<b>6.15</b>	5.75	- expected inflation rate was lower/(higher)
	Void rate (%)	<b>5.00</b>	5.00	- void rate was lower/(higher)
	Term yield (%)	<b>6.25</b>	6.25	- term yield rate was lower/(higher)
	Reversionary yield (%)	<b>6.50</b>	6.50	- reversionary yield was lower/(higher)
	Discount rate (%)	<b>6.25 - 6.50</b>	6.25 - 6.50	- 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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**6. INVESTMENT PROPERTIES (CONTD.)**
**Valuation processes applied by the Group and the Fund for Level 3 fair value**

The fair value of investment properties is determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuer provides the fair value of the Group's and of the Fund's investment properties portfolio annually. Changes in Level 3 fair values are analysed by the Management annually based on the valuation reports from the independent professional valuer.

Description of property	Tenure of land	Existing use	Location	Date of acquisition	Acquisition cost RM'000	Carrying value as at	Carrying value as at	Fair value as at	Fair value as at	Percentage of Net Asset Value as at	
						31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 %	31.12.2021 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10.04.2013	6,500,000	<b>6,692,681</b>	6,635,156	<b>6,940,000</b>	6,940,000	<b>86.6</b>	86.6
Menara 3 PETRONAS	Freehold	Office & retail	Kuala Lumpur	10.04.2013	1,790,000	<b>1,950,586</b>	1,946,397	<b>2,021,000</b>	2,020,000	<b>25.2</b>	25.2
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10.04.2013	450,000	<b>532,000</b>	532,000	<b>532,000</b>	532,000	<b>6.6</b>	6.6
					8,740,000	<b>9,175,267</b>	9,113,553	<b>9,493,000</b>	9,492,000		

**7. INVESTMENT IN SUBSIDIARY**

	Fund	
	2022 RM	2021 RM
Unquoted shares at cost	<b>2</b>	2

Details of the subsidiary, which is incorporated in Malaysia, are as follows:

Name of Subsidiary	Proportion of ownership interest		Principal Activity
	2022 %	2021 %	
Midciti Sukuk Berhad ("MSB")	<b>100</b>	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**8. TRADE AND OTHER RECEIVABLES**

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-Current</b>				
Accrued rental income	<b>317,733</b>	378,447	<b>317,733</b>	378,447
<b>Current</b>				
<b>Trade receivables</b>	<b>222</b>	1,168	<b>222</b>	1,168
<b>Other receivables</b>				
Other receivables and deposits	<b>2,892</b>	3,030	<b>2,892</b>	3,030
Amount due from:				
Ultimate holding company	-	20	-	20
Fellow subsidiaries	<b>383</b>	675	<b>383</b>	675
Total other receivables	<b>3,275</b>	3,725	<b>3,275</b>	3,725
Total	<b>3,497</b>	4,893	<b>3,497</b>	4,893
Trade receivables	<b>222</b>	1,168	<b>222</b>	1,168
Other receivables	<b>3,275</b>	3,725	<b>3,275</b>	3,725
	<b>3,497</b>	4,893	<b>3,497</b>	4,893
Add: Cash and bank balances (Note 9)	<b>111,064</b>	106,794	<b>110,978</b>	106,728
Total financial assets carried at amortised cost	<b>114,561</b>	111,687	<b>114,475</b>	111,621

Amount due from ultimate holding company and fellow subsidiaries which arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

**9. CASH AND BANK BALANCES**

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	<b>185</b>	768	<b>137</b>	740
Deposits with licensed banks	<b>110,879</b>	106,026	<b>110,841</b>	105,988
	<b>111,064</b>	106,794	<b>110,978</b>	106,728

The weighted average effective profit rate applicable to the deposits with licensed banks for the Group and the Fund at the reporting date were 4.31% per annum (2021: 1.91% per annum) and 4.31% per annum (2021: 1.91% per annum) respectively.

Deposits with licensed banks for the Group and Fund have average maturity of 49 days (2021: 46 days) and 42 days (2021: 39 days).



**NOTES TO THE FINANCIAL STATEMENTS**

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**10. UNITHOLDERS' CAPITAL**

	Fund			
	Number of Units		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
<b>Issued and fully paid:</b>				
At 1 January/31 December	<b>1,805,333</b>	1,805,333	<b>7,212,684</b>	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 2022, the Manager did not hold any units in the Fund. However, parties related to the Manager held units in the Fund as follows:

	Group/Fund			
	Number of Units		Market value	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
<b>Direct unitholdings of parties related to the Manager</b>				
KLCCH	<b>1,167,639</b>	1,167,639	<b>7,834,858</b>	7,648,035
PETRONAS	<b>40,817</b>	40,817	<b>273,882</b>	267,351
	<b>1,208,456</b>	1,208,456	<b>8,108,740</b>	7,915,386
<b>Indirect unitholdings of parties related to the Manager</b>				
PETRONAS	<b>1,167,639</b>	1,167,639	<b>7,834,858</b>	7,648,035

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 2022 of RM6.71 per unit (2021: RM6.55 per unit).

**11. OTHER LONG TERM LIABILITIES**

	Group/Fund	
	2022 RM'000	2021 RM'000
Security deposits payable	<b>69,474</b>	65,746

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 effective profit rates at 4.33 % (2021: 4.33%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

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**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	
	2022 RM'000	2021 RM'000
<b>Short term financing</b>		
Secured:		
Sukuk Murabahah	<b>8,874</b>	11,310
<b>Long term financing</b>		
Secured:		
Sukuk Murabahah	<b>1,355,000</b>	1,355,000
<b>Total financing</b>		
Secured:		
Sukuk Murabahah	<b>1,363,874</b>	1,366,310

**Terms and debt payment 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
<b>31 December 2022</b>					
<b>Secured</b>					
Sukuk Murabahah	<b>1,363,874</b>	<b>8,874</b>	<b>455,000</b>	<b>500,000</b>	<b>400,000</b>
<b>31 December 2021</b>					
<b>Secured</b>					
Sukuk Murabahah	1,366,310	11,310	-	955,000	400,000

**NOTES TO THE FINANCIAL STATEMENTS**

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**13. FINANCING (CONTD.)**
**(a) Sukuk Murabahah**

Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 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 RM400 million Sukuk Murabahah upon maturity in prior year on 23 April 2021 and on the same date issued RM400 million of Sukuk Murabahah with a profit rate of 4.00% per annum and maturing on 23 April 2031. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026
10 years	400,000,000	4.00%	23 April 2031

The profit rate is payable semi-annually and disclosed as short term financing.

**Reconciliation of the movement of liabilities to cash flows arising from financing activities**

	Sukuk Murabahah RM'000	Dividend paid RM'000	Total RM'000
<b>Balance at 1 January 2022</b>	<b>1,366,310</b>	<b>-</b>	<b>1,366,310</b>
<b>Changes from financing cash flows</b>			
Financing cost paid	(58,840)	-	(58,840)
Income distribution paid	-	(501,840)	(501,840)
<b>Total changes from financing cash flows</b>	<b>(58,840)</b>	<b>(501,840)</b>	<b>(560,680)</b>
<b>Other changes</b>			
Liability-related			
Financing cost	56,404	-	56,404
Dividend payable	-	501,840	501,840
<b>Total liability-related other changes</b>	<b>56,404</b>	<b>501,840</b>	<b>558,244</b>
<b>Balance at 31 December 2022</b>	<b>1,363,874</b>	<b>-</b>	<b>1,363,874</b>
<b>Balance at 1 January 2021</b>	1,368,704	-	1,368,704
<b>Changes from financing cash flows</b>			
Proceeds from issuance of Sukuk Murabahah	400,000	-	400,000
Payment of Sukuk Murabahah	(400,000)	-	(400,000)
Financing cost paid	(59,758)	-	(59,758)
Income distribution paid	-	(430,620)	(430,620)
<b>Total changes from financing cash flows</b>	<b>(59,758)</b>	<b>(430,620)</b>	<b>(490,378)</b>
<b>Other changes</b>			
Liability-related			
Financing cost	57,364	-	57,364
Dividend payable	-	430,620	430,620
<b>Total liability-related other changes</b>	<b>57,364</b>	<b>430,620</b>	<b>487,984</b>
<b>Balance at 31 December 2021</b>	1,366,310	-	1,366,310

**NOTES TO THE FINANCIAL STATEMENTS**

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**14. DEFERRED TAX LIABILITY**
**Deferred Tax Liabilities of the Group/Fund:**

	Investment properties RM'000
At 1 January 2022	35,389
Recognised in profit or loss (Note 22)	6,164
At 31 December 2022	41,553
At 1 January 2021	43,087
Recognised in profit or loss (Note 22)	(7,698)
At 31 December 2021	35,389

**15. OTHER PAYABLES**

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-Current</b>				
Deferred revenue	76,676	80,383	76,676	80,383
<b>Current</b>				
Other payables	23,981	24,416	23,975	24,413
Security deposits payable	1,763	3,497	1,763	3,497
Amount due to:				
Ultimate holding company	249	-	249	-
Immediate holding company	60	68	3	-
Fellow subsidiaries	11,759	11,464	11,759	11,464
Other related companies	588	576	588	576
Total other payables	38,400	40,021	38,337	39,950
Add: Financing (Note 13)	1,363,874	1,366,310	-	-
Amount due to a subsidiary	-	-	1,363,789	1,366,260
Other long term liabilities (Note 11)	69,474	65,746	69,474	65,746
Total financial liabilities carried at amortised cost	1,471,748	1,472,077	1,471,600	1,471,956

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.

Amounts due to holding company, fellow subsidiaries and other related companies which arose in the normal course of business are unsecured, interest-free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 16. REVENUE

	Group/Fund	
	2022 RM'000	2021 RM'000
Investment properties		
- Office	539,903	539,606
- Retail	38,940	30,122
	<b>578,843</b>	569,728

### 17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Utilities expenses	10,365	8,606	10,365	8,606
Maintenance expenses	10,684	10,555	10,684	10,555
Quit rent and assessment	3,441	3,441	3,441	3,441
Other operating expenses	5,893	5,651	5,886	5,645
	<b>30,383</b>	28,253	30,376	28,247

### 18. MANAGEMENT FEES

	Group/Fund	
	2022 RM'000	2021 RM'000
Base fee	28,492	28,492
Performance fee	16,454	16,244
	<b>44,946</b>	44,736

The Manager will receive the following fees from KLCC REIT:

- 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.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

### 20. FINANCING COSTS

	Group/Fund	
	2022 RM'000	2021 RM'000
Profit expense:		
Sukuk Murabahah	56,404	57,364
Accretion of financial instruments	2,715	2,413
	<b>59,119</b>	59,777

### 21. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Audit fees	97	94	92	89
Valuation fees	220	670	220	670
Property manager fee	95	95	95	95
Depreciation (Note 5)	515	634	515	634
Reversal of allowance for impairment of trade receivable (Note 28)	-	(2)	-	(2)

### 22. TAX EXPENSE/(BENEFIT)

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 2022 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% (2021: 10%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

**NOTES TO THE FINANCIAL STATEMENTS**

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**22. TAX EXPENSE/(BENEFIT) (CONTD.)**

Reconciliation of the tax benefit is as follows:

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	509,462	361,698	509,469	361,704
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	122,271	86,809	122,273	86,809
Expenses not deductible for tax purposes	15,632	27,156	15,630	27,156
Income not subject to tax	(137,903)	(113,965)	(137,903)	(113,965)
Deferred tax recognised at different tax rate	6,164	(7,698)	6,164	(7,698)
Tax expense/(benefit)	6,164	(7,698)	6,164	(7,698)

**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.

	Group		Fund	
	2022	2021	2022	2021
Profit attributable to unitholders (RM'000)	503,298	369,396	503,305	369,402
Weighted average number of units in issue ('000)	1,805,333	1,805,333	1,805,333	1,805,333
Basic earnings per unit (sen)	27.88	20.46	27.88	20.46

**NOTES TO THE FINANCIAL STATEMENTS**

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**24. INCOME DISTRIBUTION**

	Income distribution recognised in year		Net income distribution per unit	
	2022 RM'000	2021 RM'000	2022 Sen	2021 Sen
<b>For the financial year ended 31 December 2022</b>				
A first interim income distribution of 7.01% on 1,805,333,083 units	126,554	-	7.01	-
A second interim income distribution of 7.01% on 1,805,333,083 units	126,554	-	7.01	-
A third interim income distribution of 6.96% on 1,805,333,083 units	125,651	-	6.96	-
<b>For the financial year ended 31 December 2021</b>				
A first interim income distribution of 6.01% on 1,805,333,083 units	-	108,501	-	6.01
A second interim income distribution of 6.01% on 1,805,333,083 units	-	108,501	-	6.01
A third interim income distribution of 6.16% on 1,805,333,083 units	-	111,209	-	6.16
A fourth interim income distribution of 6.83% on 1,805,333,083 units	123,304	-	6.83	-
<b>For the financial year ended 31 December 2020</b>				
A fourth interim income distribution of 5.70% on 1,805,333,083 units	-	102,904	-	5.70
	502,063	431,115	27.81	23.88

**NOTES TO THE FINANCIAL STATEMENTS**

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**24. INCOME DISTRIBUTION (CONTD.)**

A fourth interim income distribution in respect of the financial year ended 31 December 2022 of 6.31% on 1,805,333,083 units, declared on 31 January 2023 amounting to an income distribution payable of RM113,917,000 will be payable on 28 February 2023.

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 2023.

Distribution to unitholders is from the following sources:

	Group	
	2022 RM'000	2021 RM'000
Net property income	548,460	541,475
Profit income	4,032	2,315
Fair value adjustments of investment properties	61,635	(76,979)
	<b>614,127</b>	466,811
Less: Expenses	(104,665)	(105,113)
Tax (expense)/benefit	(6,164)	7,698
Profit for the year	503,298	369,396
Add: Non-cash items	1,967	98,259
Add: Brought forward undistributed income available for distribution	80,728	64,588
Total available for income distribution	585,993	532,243
Less: Income distributed	(378,759)	(328,211)
Less: Income to be distributed on 28 February 2023	(113,917)	(123,304)
Balance undistributed income available for distribution	93,317	80,728
Distribution per unit (sen)	27.29	25.01

**NOTES TO THE FINANCIAL STATEMENTS**

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**25. MANAGEMENT EXPENSE RATIO**

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total Trust expenses	46,568	46,909	46,563	46,904
Net asset value at the end of the financial year	8,018,361	8,017,126	8,018,423	8,017,181
Less: Fourth interim income distribution	(113,917)	(123,304)	(113,917)	(123,304)
Net asset value at the end of the financial year, after interim income distribution	7,904,444	7,893,822	7,904,506	7,893,877
Management Expense Ratio ("MER")	0.59	0.59	0.59	0.59

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	
	2022 RM'000	2021 RM'000
<b>Approved but not contracted for</b>		
Investment properties	6,663	7,700

**(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	
	2022 RM'000	2021 RM'000
Not later than 1 year	584,736	598,386
Later than 1 year but not later than 5 years	2,363,722	2,373,145
More than 5 years	7,035,696	7,600,212
	<b>9,984,154</b>	10,571,743

**NOTES TO THE FINANCIAL STATEMENTS**

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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) KLCCCH, 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:**

Income/(expense)	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Federal Government of Malaysia</b>				
Property licenses and other taxes	<b>(3,441)</b>	(3,441)	<b>(3,441)</b>	(3,441)
<b>Government of Malaysia's related entities</b>				
Purchase of utilities	<b>(4,001)</b>	(2,780)	<b>(4,001)</b>	(2,780)
<b>Ultimate Holding Company</b>				
Rental income	<b>570,278</b>	542,615	<b>570,278</b>	542,615
<b>Fellow subsidiaries</b>				
Management fees	<b>(44,946)</b>	(44,736)	<b>(44,946)</b>	(44,736)
Property management fees	<b>(2,299)</b>	(1,892)	<b>(2,299)</b>	(1,892)
Property maintenance fees	<b>(9,514)</b>	(9,614)	<b>(9,514)</b>	(9,614)
Property advertising and marketing fees	<b>(869)</b>	(626)	<b>(869)</b>	(626)
Carpark income	<b>741</b>	793	<b>741</b>	793
<b>Other related company</b>				
Chilled water supply	<b>(6,364)</b>	(5,826)	<b>(6,364)</b>	(5,826)

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 2022 are disclosed in Notes 8, 12 and 15.

**NOTES TO THE FINANCIAL STATEMENTS**

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**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).

**NOTES TO THE FINANCIAL STATEMENTS**

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**28. FINANCIAL INSTRUMENTS (CONTD.)**
**Credit Risk (Contd.)**
Receivables (Contd.)

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment losses as at the end of the reporting period is analysed below:

	Group/Fund	
	2022 RM'000	2021 RM'000
<b>At net</b>		
Current	113	100
Past due 1 to 30 days	-	144
Past due 31 to 60 days	107	188
Past due 61 to 90 days	-	213
Past due more than 90 days	2	523
	<b>222</b>	<b>1,168</b>
Trade receivables	222	1,168
Less: Impairment losses	-	-
Net trade receivable (Note 8)	<b>222</b>	<b>1,168</b>

The movements in the allowance account are as follows:

	Group/Fund	
	2022 RM'000	2021 RM'000
At 1 January	-	95
Reversal of allowance for impairment (Note 21)	-	(2)
Allowance written off	-	(93)
At 31 December	-	-

Recognition and measurement of impairment loss

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.

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2022.

**NOTES TO THE FINANCIAL STATEMENTS**

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**28. FINANCIAL INSTRUMENTS (CONTD.)**
**Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's 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:

	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
<b>Group</b>							
<b>Financial Liabilities</b>							
<b>31 December 2022</b>							
Sukuk Murabahah	1,363,874	4.16	1,595,151	67,553	499,042	575,559	452,997
Other payables	38,400	-	38,400	38,400	-	-	-
Other long term liabilities	69,474	4.33	150,639	-	3,751	3,853	143,035
<b>31 December 2021</b>							
Sukuk Murabahah	1,366,310	4.16	1,644,871	69,989	58,840	1,047,045	468,997
Other payables	40,021	-	40,021	40,021	-	-	-
Other long term liabilities	65,746	4.33	140,115	-	7,220	6,601	126,334
<b>Fund</b>							
<b>Financial Liabilities</b>							
<b>31 December 2022</b>							
Amount due to a subsidiary	1,363,789	4.16	1,598,195	58,199	503,348	580,179	456,469
Other payables	38,337	-	38,337	38,337	-	-	-
Other long term liabilities	69,474	4.33	150,639	-	3,751	3,853	143,035
<b>31 December 2021</b>							
Amount due to a subsidiary	1,366,260	4.16	1,645,479	60,670	52,968	1,059,238	472,603
Other payables	39,950	-	39,950	39,950	-	-	-
Other long term liabilities	65,746	4.33	140,155	-	7,220	6,601	126,334

**NOTES TO THE FINANCIAL STATEMENTS**

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**28. FINANCIAL INSTRUMENTS (CONTD.)**

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: profit rate risk, foreign currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include 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.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Fixed rate instruments</b>				
Financial assets	110,879	106,026	110,841	105,988
Financial liabilities	(1,363,874)	(1,366,310)	(1,363,789)	(1,366,260)

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**28. FINANCIAL INSTRUMENTS (CONTD.)**

**Fair Value Information (Contd.)**

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>2022</b>					
<b>Financial liabilities</b>					
Sukuk Murabahah	-	1,308,646	-	1,308,646	1,363,874
<b>2021</b>					
<b>Financial liabilities</b>					
Sukuk Murabahah	-	1,368,904	-	1,368,904	1,366,310

For other financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental financing 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.

**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.

As part of the prudent capital management, the Directors have reviewed the principal risks to ascertain their relevant and potential impact from the Covid-19 pandemic to safeguard the Group's capital and key business activities and to ensure the precaution and mitigation measures are implemented.

The Group's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on the Group is to ensure it maintains a healthy gearing ratio of maximum 50% of the total asset value at the time the financing is incurred, in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing ratio that will provide an ideal financing to total assets ratio that also complies with regulatory requirements.



**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**29. CAPITAL MANAGEMENT (CONTD.)**

The financing to total assets ratio as at 31 December 2022 is as follows:

	Group	
	2022	2021
Total financing (RM'000)	<b>1,363,874</b>	1,366,310
Total assets (RM'000)	<b>9,608,338</b>	9,604,975
Financing to total assets ratio	<b>14.2%</b>	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.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**30. SEGMENT INFORMATION (CONTD.)**

**(b) Allocation basis and transfer pricing (Contd.)**

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**

	Property investment - Office RM'000	Property investment - Retail RM'000	Consolidated RM'000
<b>31 December 2022</b>			
<b>Revenue</b>			
External customers	<b>539,903</b>	<b>38,940</b>	<b>578,843</b>
<b>Results</b>			
Net property income	<b>521,161</b>	<b>27,299</b>	<b>548,460</b>
Profit income			<b>4,032</b>
Fair value adjustments on investment properties			<b>61,635</b>
Management fees			<b>(44,946)</b>
Trustee's fees			<b>(600)</b>
Financing costs			<b>(59,119)</b>
Tax expense			<b>(6,164)</b>
Profit after tax			<b>503,298</b>
Depreciation			<b>515</b>
Non-cash items other than depreciation			<b>1,452</b>
<b>Total assets</b>	<b>8,983,929</b>	<b>624,409</b>	<b>9,608,338</b>
<b>Total liabilities</b>	<b>1,577,456</b>	<b>12,521</b>	<b>1,589,977</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**30. SEGMENT INFORMATION (CONTD.)**
**(b) Allocation basis and transfer pricing (Contd.)**
**Business Segments (Contd.)**

	Property investment - Office RM'000	Property investment - Retail RM'000	Consolidated RM'000
<b>31 December 2021</b>			
<b>Revenue</b>			
External customers	539,606	30,122	569,728
<b>Results</b>			
Net property income	521,392	20,083	541,475
Profit income			2,315
Fair value adjustments on investment properties			(76,979)
Management fees			(44,736)
Trustee's fees			(600)
Financing costs			(59,777)
Tax benefit			7,698
Profit after tax			369,396
Depreciation			634
Non-cash items other than depreciation			97,625
<b>Total assets</b>	8,979,760	625,215	9,604,975
<b>Total liabilities</b>	1,574,429	13,420	1,587,849

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022

**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 2023**

Amendments to MFRS 101	Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
Amendments to MFRS 101	Presentation of Financial Statements (Disclosure of Accounting Policies)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
Amendments to MFRS 112	Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

**Effective for annual periods beginning on or after 1 January 2024**

Amendments to MFRS 101	Presentation of Financial Statements (Non-current Liabilities with Covenants)
Amendments to MFRS 16	Leases (Lease Liability in a Sale and Leaseback)

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 2023**

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)

**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)

# 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 2022 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value 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 260 to 303.

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 2022, 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 audit 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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund 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 2022, the carrying value of the Group and of the Fund's investment properties amounted to RM9,175,267,227 which represents 95% of the Group and of the Fund's total assets. The Group and the Fund 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 and the Fund 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 firm of independent valuer, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firm of independent valuer;
- We obtained an understanding of the methodology adopted by the independent valuer 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 valuer 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 assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- 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 valuer;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

### Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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.

The Trustee is responsible for overseeing the Fund's financial reporting process.

### 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.

## INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

### Auditors' responsibilities for the audit of the financial statements (Contd.)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Kuala Lumpur, Malaysia  
31 January 2023

**Muhammad Syarizal Bin Abdul Rahim**  
No. 03157/01/2025 J  
Chartered Accountant

# CORPORATE INFORMATION

<b>KLCC PROPERTY HOLDINGS BERHAD ("KLCCP")</b> [Reg. no. (200401003073) (641576-U)]	<b>KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT")</b>
<b>MANAGER FOR KLCC REIT ("THE MANAGER") KLCC REIT Management Sdn Bhd</b> [Reg. no. (201201042293) (1026769-H)]	

**BOARDS OF DIRECTORS OF KLCCP AND THE MANAGER**

**Tan Sri Ahmad Nizam bin Salleh**  
*(Chairman/Non-Independent Non-Executive Director)*

**Datuk Md. Shah bin Mahmood**  
*(Executive Director/Chief Executive Officer)*

**Puan Liza binti Mustapha**  
*(Non-Independent Non-Executive Director)*

**Puan Farina binti Farikhullah Khan**  
*(Independent Non-Executive Director)*

**Dato' Jamaludin bin Osman**  
*(Independent Non-Executive Director)*

**Puan Chong Chye Neo**  
*(Independent Non-Executive Director)*

**Datin Noor Lily Zuriati binti Abdullah**  
*(Independent Non-Executive Director)*

**Dato' Sr. Mazuki bin A. Aziz**  
*(Independent Non-Executive Director)*

**BOARD AUDIT COMMITTEES OF KLCCP AND THE MANAGER**

**Puan Farina binti Farikhullah Khan**  
*(Chairperson)*

**Puan Chong Chye Neo**

**Dato' Sr. Mazuki bin A. Aziz**

**BOARD NOMINATION AND REMUNERATION COMMITTEES OF KLCCP AND THE MANAGER**

**Puan Chong Chye Neo**  
*(Chairperson)*

**Puan Farina binti Farikhullah Khan**

**Dato' Jamaludin bin Osman**

**BOARD RISK COMMITTEES OF KLCCP AND THE MANAGER**

**Dato' Jamaludin bin Osman**  
*(Chairman)*

**Puan Farina binti Farikhullah Khan**

**Datin Noor Lily Zuriati binti Abdullah**

**COMPANY SECRETARIES OF KLCCP AND THE MANAGER**

**Puan Lim Siew Mei**  
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(MAICSA 7020355)  
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Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Telephone No. : 03-2783 6000  
Facsimile No. : 03-2783 7810

**Encik Yeap Kok Leong**  
(SSM PC No. 202008001750)  
(MAICSA 0862549)  
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Unit 30-01, Level 30, Tower A,  
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Facsimile No. : 03-2783 9111

**REGISTERED OFFICE OF KLCCP AND THE MANAGER**

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Kuala Lumpur City Centre  
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Facsimile No. : 03-2783 7231

**CORPORATE OFFICE OF KLCCP AND THE MANAGER**

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50050 Kuala Lumpur  
Telephone No. : 03-2783 6000  
Facsimile No. : 03-2783 7810

**TRUSTEE FOR KLCC REIT**

Maybank Trustees Berhad  
8<sup>th</sup> Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Telephone No. : 03-2070 8833  
Facsimile No. : 03-2070 9387

**SHARE REGISTRAR FOR KLCCP AND KLCC REIT**

Tricor Investor & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite,  
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59200 Kuala Lumpur  
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Facsimile No. : 03-2783 9222

**PROPERTY MANAGER FOR KLCC REIT**

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**SHARIAH ADVISER FOR KLCC REIT**

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Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
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**AUDITORS**

Ernst & Young PLT  
[Firm No. 202006000003 (LLP0022760-LCA) & AF 0039]  
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50490 Kuala Lumpur  
Telephone No. : 03-7495 8000  
Facsimile No. : 03-2095 9076 / 78

**INTERNAL AUDITOR**

Group Internal Audit  
KLCC (Holdings) Sdn Bhd  
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50050 Kuala Lumpur  
Telephone No. : 03-2783 6000  
Facsimile No. : 03-2783 7810

**PRINCIPAL BANKERS FOR KLCCP AND KLCC REIT**

(a) CIMB Islamic Bank Berhad  
(b) CIMB Bank Berhad  
(c) Maybank Islamic Berhad

**STOCK EXCHANGE LISTING**

Listed on Main Market of Bursa Malaysia Securities Berhad on 9 May 2013  
Stock Code : 5235SS  
Stock Name : KLCC

# ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS

AS AT 18 JANUARY 2023

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	8,686
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	8,686
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 Holders	(%)	No. of Stapled Securities Held	(%)
Less than 100	1,320	15.196	9,522	0.000
100 to 1,000	4,165	47.950	2,390,403	0.132
1,001 to 10,000	2,676	30.808	9,739,899	0.539
10,001 to 100,000	380	4.374	11,940,002	0.661
100,001 to less than 5% of issued stapled securities	141	1.623	324,186,411	17.957
5% and above of issued stapled securities	4	0.046	1,457,066,846	80.709
<b>Total</b>	<b>8,686</b>	<b>100.00</b>	<b>1,805,333,083</b>	<b>100.00</b>

**Directors' Interests in the Listed Issuers**

None of the Directors of the Listed Issuers have any interest in the Stapled Securities.

**Directors' Interests in Related Corporations**

Name	PETRONAS Chemicals Group Berhad		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Tan Sri Ahmad Nizam bin Salleh	10,000	0.000	-	-
Datuk Md. Shah bin Mahmood	6,000	0.000	-	-

**ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS**

AS AT 18 JANUARY 2023

**Directors' Interests in Related Corporations**

Name	PETRONAS Gas Berhad			
	Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)
Tan Sri Ahmad Nizam bin Salleh	2,000	0.000	-	-

**Substantial Stapled Securities Holders of the Listed Issuers**

Name	Direct		Indirect	
	No. of Stapled Securities Held	(%)	No. of Stapled Securities Held	(%)
1. KLCC (Holdings) Sdn Bhd	1,167,638,804	64.677	-	-
2. CIMB Group Nominees (Tempatan) Sdn Bhd (Exempt AN for Petroliaam Nasional Berhad)	40,816,979	2.261	1,167,638,804#	64.677
3. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (including Portfolio Managers)	182,838,975	10.128	-	-
4. Amanahraya Trustees Berhad (Amanah Saham Bumiputera)	131,120,600	7.262	-	-

# 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.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	158,307,442	8.768
4.	Amanahraya Trustees Berhad (Amanah Saham Bumiputera)	131,120,600	7.262
5.	CIMB Group Nominees (Tempatan) Sdn Bhd (Exempt AN for Petroliaam Nasional Berhad)	40,816,979	2.260
6.	Amanahraya Trustees Berhad (Amanah Saham Malaysia)	37,999,800	2.104
7.	Lembaga Tabung Haji	27,230,400	1.508
8.	Amanahraya Trustees Berhad (Amanah Saham Malaysia 3)	17,739,800	0.982
9.	Permodalan Nasional Berhad	14,942,600	0.827
10.	Maybank Nominees (Tempatan) Sdn Bhd (Maybank Trustees Berhad For Public Ittikal Fund (N14011970240))	12,975,100	0.718
11.	Amanahraya Trustees Berhad (Amanah Saham Malaysia 2 – Wawasan)	11,192,100	0.619

**ANALYSIS OF SHAREHOLDINGS AND UNITHOLDINGS**

AS AT 18 JANUARY 2023

**Thirty Largest Stapled Securities Holders**

No.	Name	No. of Stapled Securities	%
12.	Pertubuhan Keselamatan Sosial	9,499,083	0.526
13.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (Nomura))	7,424,100	0.411
14.	Amanahraya Trustees Berhad (Amanah Saham Bumiputra 3- Didik)	7,000,000	0.387
15.	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par))	6,796,800	0.376
16.	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee Bhd For Zurich Life Insurance Malaysia Berhad (NP-Other-Reits))	6,438,700	0.356
17.	Amanahraya Trustees Berhad (Public Islamic Dividend Fund)	6,307,100	0.349
18.	Cartaban Nominees (Tempatan) Sdn Bhd (PAMB for PRULINK Equity Fund)	5,945,000	0.329
19.	Kumpulan Wang Persaraan (Diperbadankan)	5,411,600	0.299
20.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (CGS CIMB))	4,513,333	0.250
21.	Cartaban Nominees (Tempatan) Sdn Bhd (PBTB for Takafulink Dana Ekuiti)	4,029,700	0.223
22.	Lembaga Tabung Angkatan Tentera	3,985,000	0.220
23.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (Amundi))	3,964,200	0.219
24.	Amanahraya Trustees Berhad (Public Islamic Equity Fund)	3,486,700	0.193
25.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (AsianIslamic))	3,448,500	0.191
26.	HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee Bhd For Zurich General Insurance Malaysia Berhad (GI-REITS))	3,052,200	0.169
27.	Amanahraya Trustees Berhad (Amanah Saham Bumiputera 2)	3,043,700	0.168
28.	Amanahraya Trustees Berhad (ASN Umbrella For ASN Equity 3)	2,742,900	0.151
29.	Citigroup Nominees (Tempatan) Sdn Bhd (Great Eastern Life Assurance (Malaysia) Berhad (Non Par 16))	2,700,000	0.149
30.	Citigroup Nominees (Tempatan) Sdn Bhd (Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen))	2,534,200	0.140

# LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2022

## 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 31.12.2022 (RM mil)
Suria KLCC Sdn Bhd	Grant 43698 Lot 170, Seksyen 58, Town & District of Kuala Lumpur	31.12.2022 (Freehold)	A 6 storey retail centre (Suria KLCC) / Shopping Centre	28,160	143,569	24 years	5,568.7*
Asas Klasik Sdn Bhd	Grant 43700 Lot 172, Seksyen 58, Town & District of Kuala Lumpur	31.12.2022 (Freehold)	An international class hotel comprising hotel rooms and service apartments (Mandarin Oriental, Kuala Lumpur) / Hotel	8,094	92,783	24 years	541.1
Impian Cemerlang Sdn Bhd	Grant 43701, Lot 173, Seksyen 58, Town & District of Kuala Lumpur	31.12.2022 (Freehold)	A parcel of commercial land	5,726	-	-	300.8*
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	31.12.2022 (Leasehold of 99 year expiring on 27.1.2079)	A 36-storey office building (Menara Dayabumi) and a parcel of vacant contiguous commercial land / Office building	Lot 38: 52 sq m	125,988	40 years	678.0**
	PN 53463, Lot 39, Seksyen 70, Town & District of Kuala Lumpur	31.12.2022 (Leasehold of 99 years expiring on 9.11.2081)		Lot 39: 2,166 sq m			
	PN 32233, Lot 51, Seksyen 70, Town & District of Kuala Lumpur	31.12.2022 (Leasehold of 98 years expiring on 21.1.2079)		Lot 45: 25,790 sq m			
				Lot 51: 1,331 sq m			
				Total: 29,339 sq m			

\* Investment Properties stated at fair value

\*\* Investment Properties stated at fair value and IPUC stated at cost

# LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2022

## 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 31.12.2022 (RM mil)
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town & District of Kuala Lumpur	31.12.2022 (Freehold)	A 29 storey office building with 3 basement levels (Menara ExxonMobil) / Office building	3,999	74,369	26 years	532.0*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43699 Lot 171, Seksyen 58, Town & District of Kuala Lumpur	31.12.2022 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park/ Office building & retail podium	4,302	155,296	11 years	1,950.6*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town & District of Kuala Lumpur	31.12.2022 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers) / Office building	21,740	510,917	25 years	6,692.7*

\* Investment Properties stated at fair value

# 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 Tenth Annual General Meeting ("10<sup>th</sup> AGM") of KLCC Real Estate Investment Trust ("KLCC REIT") and the Twentieth Annual General Meeting ("20<sup>th</sup> AGM") of KLCC Property Holdings Berhad (the "Company" or "KLCCP") will be conducted concurrently and entirely through live streaming from the broadcast venue at the Crystal Room, Level 2, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia ("Broadcast Venue") on Thursday, 6 April 2023 at 10.30 a.m. for the following purposes:

## A. KLCC REIT

### AS ORDINARY BUSINESS:

- To receive the Audited Financial Statements for the financial year ended 31 December 2022 of KLCC REIT together with the Reports attached thereon. **(Please refer to Note 12)**

### AS SPECIAL BUSINESS:

To consider and if thought fit, to pass, with or without modifications, the following resolution:

- 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:

- the conclusion of the next Annual General Meeting of the unitholders held after the approval was given;
- 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
- revoked or varied by resolution passed by the unitholders in a unitholders' meeting,

whichever is the earlier.

## NOTICE OF ANNUAL GENERAL MEETING

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:

- To receive the Audited Financial Statements for the financial year ended 31 December 2022 of the Company and the Reports of the Directors and Auditors thereon. **(Please refer to Note 14)**
- To re-elect the following Directors who retire pursuant to the Constitution of the Company:
  - Puan Farina binti Farikhullah Khan
  - Dato' Jamaludin bin Osman
  - Puan Liza binti Mustapha
- To approve the payment of the following Directors' fees and benefits payable to Non-Executive Directors for the period commencing on the date immediately after the date of the 20<sup>th</sup> AGM up to the date of the next Annual General Meeting to be held in 2024 of the Company:

**Resolution I**  
**Resolution II**  
**Resolution III**

Category	Non-Executive Chairman	Non-Executive Directors
<b>The Company</b>	<b>(RM per annum)</b>	<b>(RM per annum)</b>
Directors' Retainer Fees	240,000	120,000
Petrol Allowance	6,000	6,000
	<b>(RM per attendance)</b>	<b>(RM per attendance)</b>
Attendance fee / Tele-Conferencing fee	3,500	3,500
<b>The Manager</b>	<b>(RM per attendance)</b>	<b>(RM per attendance)</b>
Attendance fee / Tele-Conferencing fee	3,500	3,500

**Resolution IV**

- To re-appoint Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix the Auditors' remuneration. **Resolution V**

**Resolution V**



**NOTICE OF ANNUAL GENERAL MEETING**

**AS SPECIAL BUSINESS:**

To consider and if thought fit, to pass the following resolution:

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."

8. To transact any other business for which due notice has been given.

**Resolution VI**

**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 10<sup>th</sup> AGM of KLCC REIT and the 20<sup>th</sup> AGM of KLCCP ("AGMs") via Remote Participation and Voting facilities ("RPV"), 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 **29 March 2023** and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings via RPV.

BY ORDER OF THE BOARD

**Lim Siew Mei** (SSM PC No. 201908001632) (MAICSA 7020355)  
**Yeap Kok Leong** (SSM PC No. 202008001750) (MAICSA 0862549)  
Company Secretaries

Kuala Lumpur  
28 February 2023

**Notes:**

**1. IMPORTANT NOTICE**

The 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP will be conducted concurrently and entirely through live streaming from the Broadcast Venue. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which require the Chairperson of the meeting to be present at the main venue of the meeting.

Holders of the Stapled Securities, proxy(ies) and corporate representatives **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the meetings.

Holders of the Stapled Securities are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "participate") remotely at the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. through its TIH Online website at <https://tiah.online>. **Please follow the Procedures for RPV provided in the Administrative Details for the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP and read Notes (2) to (11) below in order to participate remotely via RPV.**

2. A holder of the Stapled Securities who is entitled to attend and vote at the meetings via RPV is entitled to appoint not more than 2 proxies to attend and, to vote in his/her 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. The holders may submit questions to the Board of Directors at <https://tiah.online> to the AGMs or to use the query box to transmit questions to Board of Directors via RPV during live streaming.

3. 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.
4. Where a holder of the Stapled Securities is an exempt authorised nominee who 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.
5. 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/her holdings to be represented by each proxy.
6. A holder of the Stapled Securities who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at these AGMs via RPV must request his/her proxy to register himself/herself for RPV at **TIH Online** website at <https://tiah.online>. **Please follow the Procedures for RPV in the Administrative Details for the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP.**
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company and KLCC REIT not less than forty-eight (48) hours before the time appointed for holding the AGMs or adjourned general meetings at which the person named in the appointment proposes to vote:

NOTICE OF ANNUAL GENERAL MEETING

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company and KLCC REIT at 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, Malaysia 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, Malaysia.

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company and KLCC REIT via **TIIH Online** website at <https://tiih.online>. Kindly refer to Administrative Details on the procedures for electronic lodgement of proxy form via TIIH Online.

(b) any director and/or authorised officers in accordance with the laws of the country under which the corporate holder is incorporated.

**Explanatory Notes for Items on the Agenda**

12. Explanatory Note for Item 1

This agenda item is meant for discussion only as in accordance with the provision of Paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts, a formal approval on the Audited Financial Statements of KLCC REIT from the holders of Stapled Securities is not required. Hence, this item is not put forward to the holders of Stapled Securities for voting.

13. Explanatory Note for Item 2

Subject to passing of Resolution VI of the Company, the proposed Resolution 1, if passed, will grant a renewed mandate to the Manager of KLCC REIT to issue New Units from time to time provided that the number of the New Units to be issued, when aggregated with the number of units issued during the preceding 12 months, must not exceed 10% of the 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 9<sup>th</sup> AGM of KLCC REIT.

14. 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 Stapled Securities for the Audited Financial Statements of the Company. Hence, this item is not put forward to the holders of Stapled Securities for voting.

15. 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.

The Board recognises bona fides recommendation for shareholders' approval of the directors' re-election must be substantiated with the individual director performance and contribution. The results of the Board, Board Committees and Directors' Effectiveness Evaluation ("BEE") 2022 upon approval by the Board therefore form the basis thereof.

The Directors subject to retirement by rotation and eligible for re-election pursuant to the Constitution of the Company are Puan Farina binti Farikhullah Khan, Dato' Jamaludin bin Osman and Puan Liza binti Mustapha. The Directors have offered themselves for re-election at the 20<sup>th</sup> AGM. The Board has approved the recommendation of the Nomination and Remuneration Committee ("NRC") that the retiring directors are eligible to stand for re-election based on the BEE 2022 results as follows:

(a) Puan Farina binti Farikhullah Khan is noted to have diligently exercised independent judgement throughout the decision-making processes of the Board and Board Committees. Her professionalism and financial competencies coupled with banking industry insights are most beneficial for the Company. Puan Farina has contributed towards the KLCCP Stapled Group financial results reporting integrity premised on her leadership role in the Board Audit Committee. Her other membership in the Board Risk Committee strengthens the oversight and monitoring of the overall governance effectiveness of the system of internal control and risk management framework of the KLCCP Stapled Group.

(b) Dato' Jamaludin bin Osman has exercised independent judgement during deliberations at the Board and Board Committee meetings. His experience in property management significantly contributed to effective board decision-making.

(c) Puan Liza binti Mustapha demonstrated professionalism and impeccable integrity in her board conduct. With strong business acumen and professional competence, Puan Liza contributed by offering insights and perspectives for strategic enterprising Board matters. Committed to add value, she keeps abreast with industry developments and trends affecting the KLCCP Stapled Group.

The retiring Directors' profiles are set out in the Profiles of the Board of Directors of the Integrated Annual Report 2022 of KLCCP Stapled Group.

16. Explanatory Note for Item 5

The holders of Stapled Securities at the last AGM held on 12 April 2022 approved the Non-Executive Directors' ("NEDs") fees and benefits as per the table disclosed in Item 5 above effective 13 April 2022 until the AGM of the Company to be held in 2023 i.e. 20<sup>th</sup> AGM ("Directors Remuneration 2022/2023").

A total of RM1,294,500.00 of Non-Executive Directors' fees and benefits were incurred for the Company for the financial year ended 31 December 2022 and the details of payment are stated in the NRC Report of the KLCCP Stapled Group Integrated Annual Report 2022 and Corporate Governance Report.

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 commencing on the date immediately after the date of the 20<sup>th</sup> AGM up to the date of the next AGM to be held in 2024 and recommended that the said Directors' Remuneration shall remain unchanged as per Directors Remuneration 2022/2023. 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 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.

17. Explanatory Note for Item 6

The Board of Directors of the Company at its meeting held on 31 January 2023 endorsed for the re-appointment of Ernst & Young PLT as External Auditors of the Company for the financial year ending 31 December 2023 be presented to the holders of Stapled Securities for approval. Based on the annual assessment conducted by Board Audit Committee of the Company on suitability, independence, objectivity and performance of external auditors, Ernst & Young PLT has met the criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities.

18. 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 19<sup>th</sup> AGM.

# ADMINISTRATIVE DETAILS

## ADMINISTRATIVE DETAILS

### 10<sup>TH</sup> ANNUAL GENERAL MEETING OF KLCC REAL ESTATE INVESTMENT TRUST AND 20<sup>TH</sup> ANNUAL GENERAL MEETING OF KLCC PROPERTY HOLDINGS BERHAD

**Date** : Thursday, 6 April 2023

**Time** : 10.30 a.m.

**Broadcast Venue** : Crystal Room, Level 2, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

**Meeting Platform** : TIIH Online website at <https://tiih.online>

#### MODE OF MEETING

The Tenth Annual General Meeting ("10<sup>th</sup> AGM") of KLCC Real Estate Investment Trust ("KLCC REIT") and the Twentieth Annual General Meeting ("20<sup>th</sup> AGM") of KLCC Property Holdings Berhad (the "Company" or "KLCCP") ("AGMs") will be conducted entirely through live streaming from the Broadcast Venue.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting shall be present at the main venue of the AGMs. The holders of Stapled Securities **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the AGMs.

#### REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

The holders of Stapled Securities are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the AGMs using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its **TIIH Online** website at <https://tiih.online>.

The holders of Stapled Securities who appoint proxies to participate via RPV in the AGMs must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Tuesday, 4 April 2023 at 10.30 a.m.**

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than **Tuesday, 4 April 2023 at 10.30 a.m.** to participate via RPV in the AGMs.

Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than **Tuesday, 4 April 2023 at 10.30 a.m.** to participate via RPV in the AGMs.

**A holder of Stapled Securities who has appointed a proxy or attorney or authorised representative to participate at these AGMs via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.**

As the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP are virtual AGMs, the holders of Stapled Securities who are unable to participate in these AGMs may appoint the Chairman of the meetings as his/her proxy and indicate the voting instructions in the proxy form.

#### PROCEDURES FOR RPV

The holders of Stapled Securities/proxies/corporate representatives/attorneys who wish to participate the AGMs remotely using the RPV are to follow the requirements and procedures as summarised below:

Procedure	Action
<b>BEFORE THE DAY OF AGMS</b>	
(a) Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services" select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance.</li> <li>Registration as a user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>If you are already a user with TIIH Online, you are not required to register again. You will receive an <b>e-mail to notify</b> you that the remote participation is available for registration at TIIH Online.</li> </ul>
(b) Submit your request	<ul style="list-style-type: none"> <li><b>Registration is open from 28 February 2023 until the day of AGMs, Thursday, 6 April 2023.</b> Member(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGMs to ascertain their eligibility to participate in the AGMs using the RPV.</li> <li>Login with your user ID and password and select the corporate event: <b>"(REGISTRATION) KLCC REIT AND KLCCP AGMS 2023"</b>.</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting".</li> <li>Review your registration and proceed to register.</li> <li>The system will send an <b>e-mail to notify</b> that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the General Meeting Record of Depositors as at <b>29 March 2023</b>, the system will send you an <b>e-mail after 4 April 2023 to approve or reject your registration for remote participation.</b></li> </ul> <p><i>(Note: Please allow sufficient time for the approval of new user of TIIH Online as well as the registration for RPV in order that you can login to TIIH Online and participate in the AGMs remotely).</i></p>
<b>ON THE DAY OF THE AGMS (THURSDAY, 6 APRIL 2023)</b>	
(c) Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the AGMs at any time from <b>9.30 a.m.</b> i.e. one (1) hour before the commencement of the AGMs on <b>Thursday, 6 April 2023 at 10.30 a.m.</b></li> </ul>
(d) Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: <b>"(LIVE STREAM MEETING) KLCC REIT AND KLCCP AGMS 2023"</b> to engage in the proceedings of the AGMs remotely.</li> <li>If you have any question for the Chairperson/Board, you may use the query box to transmit your question. The Chairperson/Board will endeavor to respond to questions submitted by remote participants during the AGMs.</li> </ul>
(e) Online Remote Voting	<ul style="list-style-type: none"> <li>Voting session commences <b>from 10.30 a.m. on Thursday, 6 April 2023</b> until a time when the Chairperson announces the completion of the voting session of the AGMs.</li> <li>Select the corporate event: <b>"(REMOTE VOTING) KLCC REIT AND KLCCP AGMS 2023"</b> or if you are <b>on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box.</b></li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
(f) End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the closure of the AGMs, the Live Streaming will end.</li> </ul>

ADMINISTRATIVE DETAILS

Note to users of the RPV:

- Should your application to join the AGMs be approved, we will make available to you the rights to join the live streamed meetings and to vote remotely. Your login to **TIIH Online** on the day of meetings will indicate your presence at the virtual meetings.
- The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

GENERAL MEETING RECORD OF DEPOSITORS ("ROD")

- Only a depositor whose name appears on the ROD as at **29 March 2023** shall be entitled to attend, speak and vote at the AGMs or appoint proxies to attend and/or vote on his/her behalf.

PROXY

- The AGMs will be conducted via virtual meeting, if you are unable to attend the meetings via RPV on Thursday, 6 April 2023, you may appoint the Chairman of the meetings as proxy and indicate the voting instructions in the Proxy Form.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company and KLCC REIT not less than forty-eight (48) hours before the time appointed for holding the AGMs or adjourned general meetings at which the person named in the appointment proposes to vote:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company and KLCC REIT at 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, Malaysia 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, Malaysia.

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company and KLCC REIT via **TIIH Online** website at <https://tiih.online>. Kindly refer to Administrative Details on the procedures for electronic lodgement of proxy form via **TIIH Online**.

- Last date and time for lodging the proxy form is **Tuesday, 4 April 2023 at 10.30 a.m.** Please do read and follow the procedures to submit Proxy Form electronically below.

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

Procedure	Action
<b>i. Steps for Individual Shareholders</b>	
(a) Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance.</li> <li>If you are already a user with TIIH Online, you are not required to register again.</li> </ul>

ADMINISTRATIVE DETAILS

Procedure	Action
<b>i. Steps for Individual Shareholders</b>	
(b) Proceed with submission of Proxy Form	<ul style="list-style-type: none"> <li>After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>Select the corporate event: "<b>KLCC REIT AND KLCCP AGMS 2023 - Submission of Proxy Form</b>".</li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.</li> <li>Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.</li> <li>Review and confirm your proxy(s) appointment.</li> <li>Print proxy form for your record.</li> </ul>
<b>ii. Steps for corporation or institutional shareholders</b>	
(c) Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>Access <b>TIIH Online</b> at <a href="https://tiih.online">https://tiih.online</a></li> <li>Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "<b>Create Account by Representative of Corporate Holder</b>".</li> <li>Complete the registration form and upload the required documents.</li> <li>Registration will be verified, and you will be notified by email within one (1) to two (2) working days.</li> <li>Proceed to activate your account with the temporary password given in the email and re-set your own password.</li> <li>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</li> </ul>
(d) Proceed with submission of Proxy Form	<ul style="list-style-type: none"> <li>Login to TIIH Online at <a href="https://tiih.online">https://tiih.online</a></li> <li>Select the corporate exercise name: "<b>KLCC REIT AND KLCCP AGMS 2023: Submission of Proxy Form</b>".</li> <li>Agree to the Terms &amp; Conditions and Declaration.</li> <li>Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.</li> <li>Prepare the file for the appointment of proxies by inserting the required data.</li> <li>Submit the proxy appointment file.</li> <li>Login to <b>TIIH Online</b>, select corporate exercise name: "<b>KLCC REIT AND KLCCP AGMS 2023: Submission of Proxy Form</b>".</li> <li>Proceed to upload the duly completed proxy appointment file.</li> <li>Select "Submit" to complete your submission.</li> <li>Print the confirmation report of your submission for your record.</li> </ul>

Please ensure **ALL** the particulars as required in the Form of Proxy are completed, signed and dated accordingly.

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company and KLCC REIT at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGMs or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

A corporate which is a holder of the Stapled Securities who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with the Share Registrar of the Company and KLCC REIT at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:

- If the corporate holder of the Stapled Securities has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate holder of the Stapled Securities.

**ADMINISTRATIVE DETAILS**

- (ii) If the corporate holder of the Stapled Securities does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate holder (if any) and executed by:
  - (a) at least two (2) authorised officers, of whom one shall be a director; or
  - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate holder is incorporated.

**Poll Voting**

- The Voting at the AGMs will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- Shareholders can proceed to vote on the resolutions at any time from the commencement of the AGMs at 10.30 a.m but before the end of the voting session which will be announced by the Chairman of the Meeting. Kindly refer to item (e) of the above Procedures for RPV for guidance on how to vote remotely from **TIIH Online** website at <https://tiih.online>.
- Upon completion of the voting session for the AGMs, the Scrutineers will verify and announce the poll results followed by the Chairman’s declaration whether the resolutions are duly passed.

**PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS**

The holders of Stapled Securities may submit questions for the Boards in advance of the AGMs via Tricor’s **TIIH Online** website at <https://tiih.online> by selecting “e-Services” to login, pose questions and submit electronically no later than **Tuesday, 4 April 2023 at 10.30 a.m.** The Boards will endeavor to answer the questions received at the AGMs.

**RECORDING OR PHOTOGRAPHY**

By participating at the AGMs, you agree that no part of the AGMs proceedings may be recorded, photographed, stored in any retrieval systems, reproduced, transmitted or uploaded in any form, platform or social media or by any means whether it is mechanical, electrical, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the rights to take appropriate legal actions against anyone who violates this rule.

**ANNUAL REPORT 2022**

- The Integrated Annual Report 2022 is available at the Company’s website at [https://www.klcc.com.my/investor-relations/annual\\_report.html](https://www.klcc.com.my/investor-relations/annual_report.html).
- You may request for a printed copy of the Integrated Annual Report 2022 at <https://tiih.online> by selecting “Request for Annual Report / Circular” under the “Investor Services”. Nevertheless, we hope you would consider the environment before you decide to request for the printed copy.

**ENQUIRY**

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

**Tricor Investor & Issuing House Services Sdn. Bhd.**

General Line :+603-2783 9299  
 Fax Number :+603-2783 9222  
 Email : is.enquiry@my.tricorglobal.com

Contact persons	Telephone Number	Email
Mr. Jake Too	+603-2783 9285	Chee.Onn.Too@my.tricorglobal.com
En. Aiman Nuri	+603-2783 9262	Muhamad.Aiman@my.tricorglobal.com
Mr. David Look	+603-2783 9281	David.Look@my.tricorglobal.com



# 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. (For Nominee Account Only)

\* 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" or "KLCCP") and KLCC REAL ESTATE INVESTMENT TRUST ("KLCC REIT"), hereby appoint:

## 1. PROXY "A"

Full Name (in block letters)	NRIC/Passport No.	Proportion of shareholdings	
		No. of Stapled Securities	%
Address			

\* and/or failing him (\* delete as appropriate)

## 2. PROXY "B"

Full Name (in block letters)	NRIC/Passport No.	Proportion of shareholdings	
		No. of Stapled Securities	%
Address			

or failing him/them, the CHAIRMAN OF THE MEETINGS as \*my/our \*proxy/proxies to vote for \*me/us and on \*my/our behalf at the Tenth Annual General Meeting (10<sup>th</sup> AGM") of KLCC REIT and the Twentieth Annual General Meeting ("20<sup>th</sup> AGM") of the Company to be conducted concurrently and entirely through live streaming from the broadcast venue at the Crystal Room, Level 2, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia ("Broadcast Venue") on Thursday, 6 April 2023 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
<b>KLCC REIT</b>				
Proposed unitholders' mandate to issue new units pursuant to Paragraph 6.59 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad	1			
<b>KLCCP</b>				
Re-election of Puan Farina binti Farikhullah Khan	I			
Re-election of Dato' Jamaludin bin Osman	II			
Re-election of Puan Liza binti Mustapha	III			
Directors' fees and benefits payable to Non-Executive Directors for the period commencing on the date immediately after the date of the 20 <sup>th</sup> AGM up to the date of the next Annual General Meeting to be held in 2024 of the Company	IV			
Re-appointment of Ernst & Young PLT 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.

Fold here

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

Affix  
Stamp  
Here

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**NOTES:**

**1. IMPORTANT NOTICE**

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which require the Chairperson of the meeting to be present at the main venue of the meeting.

Holders of the Stapled Securities, proxy(ies) and corporate representatives **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the meetings.

Holders of the Stapled Securities are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "participate") remotely at the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. through its **TIIH Online** website at <https://tiih.online>. **Please follow the Procedures for RPV provided in the Administrative Details for the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP and read Notes (2) to (11) below in order to participate remotely via RPV.**

2. A holder of the stapled securities who is entitled to attend and vote at the meetings via RPV 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. The holders may submit questions to the Board of Directors at <https://tiih.online> to the AGMs or to use the query box to transmit questions to Board of Directors via RPV during live streaming.
3. 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.
4. 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.
5. 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.
6. A holder of the Stapled Securities who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at these AGMs via RPV must request his/her proxy to register himself/herself for RPV at **TIIH Online** website at <https://tiih.online>. **Please follow the Procedures for RPV in the Administrative Details for the 10<sup>th</sup> AGM of KLCC REIT and 20<sup>th</sup> AGM of KLCCP.**
7. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company and KLCC REIT not less than forty-eight (48) hours before the time appointed for holding the AGMs or adjourned general meeting at which the person named in the appointment proposes to vote:
  - (i) In hard copy form  
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company and KLCC REIT at 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, Malaysia 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, Malaysia.
  - (ii) By electronic form  
The proxy form can be electronically lodged with the Share Registrar of the Company and KLCC REIT via **TIIH Online** website at <https://tiih.online>. Kindly refer to the Administrative Details on the procedures for electronic lodgement of proxy form via **TIIH Online**.
8. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
9. Last date and time for lodging the proxy form is **Tuesday, 4 April 2023 at 10.30 a.m.**
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company and KLCC REIT at 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGMs or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. A corporate which is a holder of the Stapled Securities who has appointed a representative, please deposit the ORIGINAL certificate of appointment with the Share Registrar of the Company and KLCC REIT at 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, Malaysia, or alternatively, its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:
  - (i) If the corporate holder of the Stapled Securities has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate holder of the Stapled Securities.
  - (ii) If the corporate holder of the Stapled Securities does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate holder (if any) and executed by:
    - (a) at least two (2) authorised officers, of whom one shall be a director; or
    - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate holder is incorporated.
12. For the purpose of determining a holder of the Stapled Securities who shall be entitled to attend the 10<sup>th</sup> AGM of KLCC REIT and the 20<sup>th</sup> AGM of the Company via RPV, 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, Articles 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 29 March 2023 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the said meetings via RPV.

# CORPORATE DIRECTORY

## KLCC PROPERTY HOLDINGS BERHAD

Levels 33 & 34, Menara Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Malaysia  
Telephone : 603 2783 6000  
Facsimile : 603 2783 7810  
Website : [www.klcc.com.my](http://www.klcc.com.my)  
E-mail : [info@klcc.com.my](mailto:info@klcc.com.my)

## KLCC REIT MANAGEMENT SDN BHD

Levels 33 & 34, Menara Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur  
Malaysia  
Telephone : 603 2783 6000  
Facsimile : 603 2783 7810  
Website : [www.klcc.com.my](http://www.klcc.com.my)  
E-mail : [info@klcc.com.my](mailto: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](http://www.parking.klcc.com.my)  
E-mail : [klccparking@klcc.com.my](mailto:klccparking@klcc.com.my)

## MANDARIN ORIENTAL, KUALA LUMPUR

Kuala Lumpur City Centre  
P.O. Box 10905  
50088 Kuala Lumpur  
Malaysia  
Telephone : 603 2380 8888  
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