KLCC PROPERTY HOLDINGS BERHAD

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

PRINCIPAL ACTIVITIES

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

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

CORPORATE INFORMATION

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

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

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

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	534,029	180,458
Attributable to:		
Equity holders of the Company	126,456	180,458
Non-controlling interests relating to KLCC REIT	369,396	-
Other non-controlling interests	38,177	-
	534,029	180,458

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 2021

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2020 were as follows:

	RM'000
In respect of the financial year ended 31 December 2020 as reported in the Directors' Report in that year:	
A fourth interim dividend of 1.00%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 27 January 2021 and paid on 26 February 2021.	18,053
In respect of the financial year ended 31 December 2021:	
A first interim dividend of 0.99%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 4 May 2021 and paid on 17 June 2021.	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 17 August 2021 and paid on 29 September 2021.	17,873
A third interim dividend of 0.84%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 8 November 2021 and paid on 16 December 2021.	15,165
	68,964

A fourth interim dividend in respect of the financial year ended 31 December 2021, of 5.77%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM104,167,719 will be payable on 28 February 2022.

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 2022.

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	
Habibah Binti Abdul	
Farina Binti Farikhullah Khan	
Dato' Jamaludin Bin Osman	
Liza Binti Mustapha	
Md. Shah Bin Mahmood	(appointed w.e.f. 10 May 2021)
Chong Chye Neo	(appointed w.e.f. 10 May 2021)
Dato' Sr. Mazuki Bin A. Aziz	(appointed w.e.f. 9 December 2021)
Datin Noor Lily Zuriati Binti Abdullah	(appointed w.e.f. 9 December 2021)
Datuk Hashim Bin Wahir	(resigned w.e.f. 30 April 2021)
Datuk Pragasa Moorthi A/L Krishnasamy	(resigned w.e.f. 31 August 2021)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Annuar Marzuki Bin Abdul Aziz	
Abd Aziz Bin Abd Kadir	
Datin Faudziah Binti Ibrahim	
Andrew William Brien	
Adrian Lee Baker	
Brian Lap Hei Hung	
Harold Alan Schwartz III	
Peter James Holland Riley	
Rossana Annizah Binti Ahmad Rashid (Alternate Director to Peter James Holland Riley)	
Izwan Hasli Bin Mohd Ibrahim	
Mohd Akmam Bin Yeop @ Yeob	
Muhmat Hilme Bin Hassan	(appointed w.e.f. 10 March 2021)
Syung Hwa Matthew David Bishop	(appointed w.e.f. 1 September 2021)
Christian Andreas Hassing (Alternate Director to Syung Hwa Matthew David Bishop)	(appointed w.e.f. 1 September 2021)
Kevin William Whan (Alternate Director to Syung Hwa Matthew David Bishop)	(appointed w.e.f. 1 September 2021)
Christian Andreas Hassing (Alternate Director to Craig Alan Beattie)	(ceased w.e.f. 31 August 2021)
Kevin William Whan (Alternate Director to Craig Alan Beattie)	(ceased w.e.f. 31 August 2021)
Dato' Hashimah Binti Hashim	(resigned w.e.f. 10 March 2021)
Craig Alan Beattie	(resigned w.e.f. 31 August 2021)

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 1.1.2021	Number of Shares Bought	Number of Shares Sold	Balance as at 31.12.2021
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 1.1.2021	Number of Shares Bought	Number of Shares Sold	Balance as at 31.12.2021
Direct				
Tan Sri Ahmad Nizam Bin Salleh	2,000	-	-	2,000

None of the other Directors holding office as at 31 December 2021 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 2021

DIRECTORS' BENEFITS

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

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

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive*	-	-
Non-Executive:		
Fees	1,144	1,133
	1,144	1,133

* The remuneration of the Executive Director is paid to KLCCH 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 2021

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 writen off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

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

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

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

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

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 2021 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	641	226

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 January 2022.

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 190 to 256 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 2021 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 28 January 2022.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 190 to 256 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 28 January 2022.

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

BEFORE ME:

Zainul Abidin Bin Ahmad
Commissioner for Oaths

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	**604,999**	638,267	**286**	491
Investment properties	6	**15,586,571**	15,693,205	**-**	-
Investment in subsidiaries	7	**-**	-	**1,371,773**	1,371,715
Investment in an associate	8	**271,425**	266,262	**99,195**	99,195
Right-of-use assets	29	**5,623**	9,472	**3,548**	6,708
Deferred tax assets	9	**707**	415	**651**	351
Other receivables	11	**393,197**	427,863	**-**	-
		16,862,522	17,035,484	**1,475,453**	1,478,460
Current Assets					
Inventories	10	**1,354**	1,411	**-**	-
Trade and other receivables	11	**89,343**	81,548	**8,065**	9,562
Tax recoverable		**24,357**	5,370	**5,473**	4,003
Cash and bank balances	12	**959,528**	871,658	**538,621**	426,411
		1,074,582	959,987	**552,159**	439,976
TOTAL ASSETS		**17,937,104**	17,995,471	**2,027,612**	1,918,436
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	13	**1,823,386**	1,823,386	**1,823,386**	1,823,386
Capital reserve	2.21	**2,860,830**	2,905,084	**-**	-
Retained profits	14	**308,496**	206,750	**194,199**	82,705
		4,992,712	4,935,220	**2,017,585**	1,906,091
Non-controlling interests ("NCI") relating to KLCC REIT	7	**8,017,126**	8,078,845	**-**	-
Stapled Securities holders interests in the Group		**13,009,838**	13,014,065	**2,017,585**	1,906,091
Other NCI	7	**2,029,638**	2,063,894	**-**	-
Total Equity		**15,039,476**	15,077,959	**2,017,585**	1,906,091

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-Current Liabilities					
Deferred revenue	15	**88,832**	89,543	**-**	-
Other long term liabilities	16	**144,475**	138,494	**-**	-
Financings	17	**2,347,926**	1,919,273	**404**	3,431
Deferred tax liabilities	9	**51,384**	65,224	**-**	-
		2,632,617	2,212,534	**404**	3,431
Current Liabilities					
Trade and other payables	18	**236,946**	257,725	**6,328**	5,501
Financings	17	**27,986**	430,171	**3,295**	3,413
Taxation		**79**	17,082	**-**	-
		265,011	704,978	**9,623**	8,914
Total Liabilities		**2,897,628**	2,917,512	**10,027**	12,345
TOTAL EQUITY AND LIABILITIES		**17,937,104**	17,995,471	**2,027,612**	1,918,436
Net asset value ("NAV")		**13,009,838**	13,014,065		
Less: Fourth interim distribution		**(227,472)**	(120,957)		
Net NAV after distribution		**12,782,366**	12,893,108		
Number of stapled securities/shares in circulation ('000)		**1,805,333**	1,805,333		
NAV per stapled security/share (RM)					
- before distribution		**7.21**	7.21		
- after distribution		**7.08**	7.14		

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 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	19	**1,171,056**	1,239,150	**202,227**	175,795
Operating profit	20	**785,180**	764,474	**170,929**	140,093
Fair value adjustments of investment properties	6	**(144,457)**	(142,535)	**-**	-
Interest/profit income	21	**18,487**	23,004	**9,629**	12,334
Financing costs	22	**(105,176)**	(110,662)	**(249)**	(356)
Share of profit of an associate	8	**11,763**	12,554	**-**	-
Profit before tax	23	**565,797**	546,835	**180,309**	152,071
Tax (expense)/benefit	26	**(31,768)**	(72,120)	**149**	(810)
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		**534,029**	474,715	**180,458**	151,261
Profit/(loss) attributable to:					
Equity holders of the Company		**126,456**	(7,505)	**180,458**	151,261
NCI relating to KLCC REIT	7	**369,396**	439,671	**-**	-
		495,852	432,166	**180,458**	151,261
Other NCI	7	**38,177**	42,549	**-**	-
		534,029	474,715	**180,458**	151,261
Earnings per share attributable to equity holders of the Company (sen):					
Basic/diluted	27	**7.00**	(0.42)		
Earnings per stapled security (sen):					
Basic/diluted	27	**27.47**	23.94		

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 2021

	Group	
	2021 RM'000	2020 RM'000
Overall distributable income is derived as follows:		
Profit/(loss) attributable to the equity holders of the Company	**126,456**	(7,505)
Add: Unrealised fair value adjustments attributable to the equity holders	**44,254**	110,313
	170,710	102,808
Distributable income of KLCC REIT	**467,655**	447,372
Total available for income distribution	**638,365**	550,180
Distribution to equity holders of the Company in respect of financial year ended 31 December 2021/2020:		
First interim dividend of 0.99% (2020: 2.46%)	**(17,873)**	(44,411)
Second interim dividend of 0.99% (2020: 1.41%)	**(17,873)**	(25,455)
Third interim dividend of 0.84% (2020: 1.63%)	**(15,165)**	(29,427)
Fourth interim dividend of 5.77% (2020: 1.00%)	**(104,168)**	(18,053)
	(155,079)	(117,346)
Distribution to KLCC REIT holders in respect of financial year ended 31 December 2021/2020:		
First interim income distribution of 6.01% (2020: 5.84%)	**(108,501)**	(105,431)
Second interim income distribution of 6.01% (2020: 6.09%)	**(108,501)**	(109,945)
Third interim income distribution of 6.16% (2020: 5.87%)	**(111,209)**	(105,973)
Fourth interim income distribution of 6.83% (2020: 5.70%)	**(123,304)**	(102,904)
	(451,515)	(424,253)
Balance undistributed	**31,771**	8,581

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 2021

		← Attributable to Equity Holders of the Company →						
		Non Distributable	← Distributable →					
	Note	Share Capital RM'000	Retained Profits RM'000	Capital Reserve RM'000	Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000	Other NCI RM'000	Total Equity RM'000
At 1 January 2021		**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 loss	2.21	**-**	**44,254**	**(44,254)**	**-**	**-**	**-**	**-**
Dividends paid	28	**-**	**(68,964)**	**-**	**(68,964)**	**(431,115)**	**(72,433)**	**(572,512)**
At 31 December 2021		**1,823,386**	**308,496**	**2,860,830**	**4,992,712**	**8,017,126**	**2,029,638**	**15,039,476**
At 1 January 2020		1,823,386	299,821	3,015,397	5,138,604	8,073,356	2,081,478	15,293,438
Total comprehensive income for the year		-	(7,505)	-	(7,505)	439,671	42,549	474,715
Transfer of fair value loss	2.21	-	110,313	(110,313)	-	-	-	-
Dividends paid	28	-	(195,879)	-	(195,879)	(434,182)	(60,133)	(690,194)
At 31 December 2020		1,823,386	206,750	2,905,084	4,935,220	8,078,845	2,063,894	15,077,959

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 2021

	Note	Non Distributable Share Capital RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2021		**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)**
At 31 December 2021		**1,823,386**	**194,199**	**2,017,585**
At 1 January 2020		1,823,386	127,323	1,950,709
Total comprehensive income for the year		-	151,261	151,261
Dividends paid	28	-	(195,879)	(195,879)
At 31 December 2020		1,823,386	82,705	1,906,091

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 2021

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**565,797**	546,835	**180,309**	152,071
Adjustments for:				
Interest/profit income	**(18,487)**	(23,004)	**(9,629)**	(12,334)
Financing costs	**105,176**	110,662	**249**	356
Amortisation of accrued rental income and deferred revenue	**28,469**	(4,044)	**-**	-
Depreciation of property, plant and equipment and right-of-use assets	**46,668**	50,316	**3,365**	3,655
Dividend income	**-**	-	**(182,250)**	(155,580)
Investment property written off	**358**	-	**-**	-
(Gain)/loss on disposal of property, plant and equipment	**(6)**	4	**-**	(1)
Net loss on fair value adjustments of investment properties	**144,457**	142,535	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	990
Impairment on investment property under construction ("IPUC")	**252**	81,362	**-**	-
Allowance for impairment losses of trade receivables	**6,104**	3,127	**-**	-
Bad debts written off	**2**	-	**-**	-
Share of profit of an associate	**(11,763)**	(12,554)	**-**	-
Operating cash flows before changes in working capital	**867,027**	895,239	**(7,956)**	(10,843)
Changes in working capital:				
Trade and other receivables	**(2,615)**	(17,011)	**1,475**	(339)
Amount due from subsidiaries	**-**	-	**834**	(1,447)
Amount due from related companies	**(6,790)**	1,774	**(369)**	(761)
Amount due from immediate holding company	**(4,632)**	(23,684)	**(501)**	1
Amount due to ultimate holding company	**4,940**	11,587	**(814)**	1,150
Trade and other payables	**(19,043)**	4,565	**1,641**	(1,700)
Inventories	**57**	399	**-**	-
Cash generated from/(used in) operations	**838,944**	872,869	**(5,690)**	(13,939)
Interest/profit income received	**18,536**	23,504	**9,629**	12,336
Tax paid	**(81,887)**	(87,921)	**(1,621)**	(2,772)
Net cash generated from/(used in) operating activities	**775,593**	**808,452**	**2,318**	**(4,375)**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from subsidiaries	**-**	-	**175,650**	143,700
Dividends received from an associate	**6,600**	11,880	**6,600**	11,880
Purchase of property, plant and equipment	**(9,322)**	(12,594)	**-**	(281)
Subsequent expenditure on investment properties	**(38,470)**	(27,520)	**-**	-
Proceeds from disposal of property, plant and equipment	**15**	34	**-**	1
Net cash (used in)/generated from investing activities	**(41,177)**	(28,200)	**182,250**	155,300
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	**42,449**	17,028	**-**	-
Drawdown of Sukuk Murabahah	**400,000**	-	**-**	-
Repayment of borrowings	**(10,000)**	(10,000)	**-**	-
Payment of Sukuk Murabahah	**(400,000)**	-	**-**	-
Repayment of principal portion of lease liabilities	**(4,938)**	(4,677)	**(3,394)**	(3,394)
Dividends paid to shareholders	**(68,964)**	(195,879)	**(68,964)**	(195,879)
Dividends paid to other NCI	**(72,433)**	(60,133)	**-**	-
Dividends paid to NCI relating to KLCC REIT	**(430,620)**	(434,463)	**-**	-
Interest/profit expenses paid	**(102,040)**	(104,378)	**-**	-
(Increase)/decrease in deposits restricted	**(1,110)**	429	**-**	-
Net cash used in financing activities	**(647,656)**	(792,073)	**(72,358)**	(199,273)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**86,760**	(11,821)	**112,210**	(48,348)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**869,765**	881,586	**426,411**	474,759
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 12)	**956,525**	869,765	**538,621**	426,411
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	**35,992**	23,720	**-**	281
Accruals	**11,256**	11,800	**-**	-
	47,248	35,520	**-**	281
Cash paid for additions in prior years	**11,800**	16,394	**-**	-
Cash paid for additions in current year	**35,992**	23,720	**-**	281
Total cash paid for investment properties and property, plant and equipment	**47,792**	40,114	**-**	281

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 2021

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 January 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

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

As of 1 January 2021, the Group and the Company adopted new MFRSs and amendments to MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 3.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation (Cont'd.)

Business combination

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

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

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

Non-controlling interests

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

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

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

Loss of control

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Investments

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

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

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

2.4 Associates

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Goodwill

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

2.6 Property, Plant and Equipment

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

The estimated useful life are as follows:

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

Costs are 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Investment Properties

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

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

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

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

2.8 Impairment of Non-Financial Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Inventories

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

2.10 Cash and Cash Equivalents

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

2.11 Financial Assets

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

(i) Recognition and initial measurement

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

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

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial Assets (Cont'd.)

(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

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Impairment of Financial Assets

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

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

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

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

2.13 Provisions

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

2.14 Financial Liabilities

(i) Recognition and initial measurement

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial Liabilities (Cont'd.)

(ii) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost (loans and 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Offsetting of Financial Instruments

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

2.16 Financing Costs

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

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

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.18 Taxation (Cont'd.)

(ii) Deferred tax (Cont'd.)

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.

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 Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

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

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

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

	2021 RM	2020 RM
United States Dollar	**4.17**	4.02

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Share Capital

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

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

2.21 Capital Reserve

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

2.22 Revenue Recognition

(i) Rental income

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

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

(ii) Others

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Revenue Recognition (Cont'd.)

(ii) Others (Cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases (Cont'd.)

(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.

(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.

The Group and the Company have applied the amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) issued by MASB in June 2020. The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions arising as a direct consequence of the COVID-19 pandemic.

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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

(ii) Non-financial assets

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

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

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

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2021, 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 2021

Amendments to MFRS 7	Financial Instruments: Disclosures (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 9	Financial Instruments (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 16	Leases (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments to Interest Rate Benchmark Reform Phase 2)
Amendments to MFRS 16	Leases (Amendments to COVID-19 Related Rent Concessions beyond 30 June 2021)

Lessee

Under MFRS 16, rent concessions often meet the definition of a lease modification, unless they were envisaged in the original lease agreement. In response to the COVID-19 pandemic, MASB has issued Amendment to MFRS 16 Leases (COVID-19 Related Rent Concessions) that introduces an optional practical expedient to simplify how lessees account for rent concessions as a direct consequence of the COVID-19 pandemic.

The Group and the Company have applied the optional practical expedient by electing not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. As a result, the Group and the Company have treated the rent concessions as variable lease payments and the impact is not material to the financial statements.

Lessor

As for the COVID-19 rent concession under lessor assessment for lease modification, the Group has treated the rent concession as variable lease payments and the impact of the rent concessions, which is less than 11% (2020: 10%) of the total Group revenue, has been recognised to the profit or loss for the year.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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)	
	2021 RM'000	**2020 RM'000**
Yield rate		
+ 0.25%	**(351,342)**	(368,455)
- 0.25%	**362,347**	394,218
Discount rate		
+ 0.25%	**(230,251)**	(199,572)
- 0.25%	**226,723**	207,832

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
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5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
Cost								
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 property	**(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**
Accumulated Depreciation								
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**
Net Carrying Amount	**489,579**	**6,076**	**45,144**	**51,727**	**12,222**	**174**	**77**	**604,999**
Cost								
At 1 January 2020	631,716	31,067	155,983	160,595	79,853	1,379	10,246	1,070,839
Additions	2,242	1,291	1,915	4,265	2,819	-	66	12,598
Transfer within property, plant and equipment	227	(28,832)	270	26,291	2,044	-	-	-
Disposals	-	-	(75)	(201)	(723)	(230)	-	(1,229)
Write off	(1)	-	-	-	(65)	-	-	(66)
At 31 December 2020	634,184	3,526	158,093	190,950	83,928	1,149	10,312	1,082,142
Accumulated Depreciation								
At 1 January 2020	127,997	-	85,802	114,543	60,066	963	9,778	399,149
Charge for the year (Note 23)	8,722	-	14,494	14,835	7,499	130	303	45,983
Disposals	-	-	(84)	(167)	(711)	(229)	-	(1,191)
Write off	(1)	-	-	-	(65)	-	-	(66)
At 31 December 2020	136,718	-	100,212	129,211	66,789	864	10,081	443,875
Net Carrying Amount	497,466	3,526	57,881	61,739	17,139	285	231	638,267

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
Group					
Cost					
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**
Accumulated Depreciation					
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**
Net Carrying Amount	**85,889**	**304,529**	**720**	**98,441**	**489,579**
Cost					
At 1 January 2020	85,889	389,797	19,261	136,769	631,716
Additions	-	-	794	1,448	2,242
Transfer within property, plant and equipment	-	-	-	227	227
Write off	-	-	(1)	-	(1)
At 31 December 2020	85,889	389,797	20,054	138,444	634,184
Accumulated Depreciation					
At 1 January 2020	-	74,440	17,705	35,852	127,997
Charge for the year	-	5,414	1,245	2,063	8,722
Write off	-	-	(1)	-	(1)
At 31 December 2020	-	79,854	18,949	37,915	136,718
Net Carrying Amount	85,889	309,943	1,105	100,529	497,466

Property, plant and equipment of a subsidiary at carrying amount of RM568,471,000 (2020: RM597,515,000) has been pledged as securities for loan facilities as disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company					
Cost					
At 1 January 2021/ 31 December 2021	**7,223**	**2,364**	**8**	**1,865**	**11,460**
Accumulated Depreciation					
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**
Net Carrying Amount	**169**	**26**	**-**	**91**	**286**
Cost					
At 1 January 2020	6,959	2,364	8	2,275	11,606
Additions	264	-	-	17	281
Disposal	-	-	-	(427)	(427)
At 31 December 2020	7,223	2,364	8	1,865	11,460
Accumulated Depreciation					
At 1 January 2020	6,656	2,261	6	1,967	10,890
Charge for the year (Note 23)	344	42	2	118	506
Disposal	-	-	-	(427)	(427)
At 31 December 2020	7,000	2,303	8	1,658	10,969
Net Carrying Amount	223	61	-	207	491

NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENT PROPERTIES

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
Group				
At 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**
At 1 January 2020	15,157,412	521,000	215,768	15,894,180
Additions	20,560	-	2,362	22,922
Impairment (Note 23)	-	-	(81,362)	(81,362)
Fair value adjustments	(76,535)	(66,000)	-	(142,535)
At 31 December 2020	15,101,437	455,000	136,768	15,693,205

The following investment properties are held under lease terms:

	Group	
	2021 RM'000	2020 RM'000
Completed investment property	**376,000**	365,000
IPUC land at fair value	**186,000**	176,000
IPUC at cost	**115,000**	114,000
	677,000	655,000

The investment properties are stated at fair value, which have been determined based on valuations performed by an independent professional valuer. There are no material events that affect the valuation between the valuation date and financial year end. The valuation methods used in determining the valuations are the investment method, residual method and comparison method. During the financial year, the Group has recognised a total fair value loss of RM144,457,000 (2020: RM142,535,000).

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 RM252,000 (2020: RM81,362,000) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

6. INVESTMENT PROPERTIES (CONT'D.)

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

	Group	
	2021 RM'000	2020 RM'000
Rental income	**937,238**	997,097
Direct operating expenses of income generating investment properties	**(91,894)**	(93,306)
	845,344	903,791

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
2021				
- 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**
2020				
- Office properties	-	-	9,207,486	9,207,486
- Retail properties	-	-	6,069,951	6,069,951
- Land	-	-	279,000	279,000
	-	-	15,556,437	15,556,437

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

6. INVESTMENT PROPERTIES (CONT'D.)

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

	2021 RM'000	2020 RM'000
Valuation per valuers' report	**15,842,000**	15,984,300
Less: Accrued rental income	**(393,197)**	(427,863)
	15,448,803	15,556,437
Adjusted valuation on 1 January	**15,556,437**	15,678,412
Additions	**36,674**	20,560
Transfer from investment properties	**507**	-
Write off	**(358)**	-
Net loss on fair value adjustments of investment properties	**(144,457)**	(142,535)
At 31 December	**15,448,803**	15,556,437

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 2021	Range 2020	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer a)	**Office:**			The estimated fair value would increase/(decrease) if:
	- Market rental rate (RM/psf/month)			
	- Term	**4.95 - 12.99**	4.95 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	**5.94 - 12.40**	5.96 - 12.32	- expected market rental growth was higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	**2.40**	1.96	- expected inflation rate was lower/(higher)
	- Reversion	**2.20 - 2.40**	1.96 - 2.20	- expected inflation rate was lower/(higher)
	- Void rate (%)	**5.00 - 15.00**	5.00 - 15.00	- void rate was lower/(higher)
	- Term yield (%)	**5.75 - 6.75**	5.50 - 7.25	- term yield rate was lower/(higher)
	- Reversionary yield (%)	**6.00 - 7.25**	6.00 - 7.75	- reversionary yield was lower/(higher)
	- Discount rate (%)	**5.75 - 7.25**	5.50 - 7.75	- discount rate was lower/(higher)
	Retail:			
	- Market rental rate (RM/psf/month)			
	- Term	**1.10 - 407.69**	1.05 - 407.69	- expected market rental growth was higher/(lower)
	- Reversion	**2.91 - 395.46**	5.64 - 407.69	- expected market rental growth was higher/(lower)
	- Outgoings (RM/psf/month)			
	- Term	**5.75 - 6.80**	5.72 - 6.53	- expected inflation rate was lower/(higher)
	- Reversion	**5.75 - 7.14**	5.72 - 6.53	- expected inflation rate was lower/(higher)
	- Void rate (%)	**5.00 - 8.00**	7.00 - 10.00	- void rate was lower/(higher)
	- Term yield (%)	**6.25 - 7.00**	6.25 - 6.50	- term yield rate was lower/(higher)
	- Reversionary yield (%)	**6.50 - 6.75**	6.75 - 7.00	- reversionary yield was lower/(higher)
	- Discount rate (%)	**6.25 - 7.00**	6.25 - 7.00	- discount rate was lower/(higher)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

6. INVESTMENT PROPERTIES (CONT'D.)

Valuation technique	Significant unobservable inputs	Range 2021	Range 2020	Inter-relationship between significant unobservable inputs and fair value measurement
Residual method (refer b)				The estimated fair value would increase/ (decrease) if:
	- Expected rate of return (%)	**15.00**	15.00	- expected rate of return was lower/(higher)
	- Gross Development Value (RM million)	**1,572**	1,572	- gross development value was higher/(lower)
	- Gross Development Costs (RM million)	**1,180**	1,184	- gross development costs was lower/(higher)
	- Financing costs (%)	**6.00**	6.00	- financing costs was lower/(higher)
	- Discount rate (%)	**7.00**	7.00	- discount rate was lower/(higher)

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

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

(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 2021 RM'000	Company 2020 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)	**724,210**	724,152
Capital reduction		**(780,916)**	(780,916)
Write-down in value	(ii)	**(3,296,954)**	(3,296,954)
Impairment loss (Note 23)	(iii)	**(990)**	(990)
		1,371,773	1,371,715

(i) During the year, certain subsidiaries have issued ordinary shares to the Company through equity settlement to settle their 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 (2020: RM990,300).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest 2021 %	2020 %	Principal Activities
Suria KLCC Sdn Bhd ("SKSB")	**60**	60	Ownership and management of a shopping centre and the provision of business management services
Asas Klasik Sdn Bhd ("AKSB")	**75**	75	Property investment in a hotel
Arena Johan Sdn Bhd ("AJSB")	**100**	100	Inactive
KLCC Parking Management Sdn Bhd ("KPM")	**100**	100	Management of car park operations
KLCC Urusharta Sdn Bhd ("KLCCUH")	**100**	100	Facilities management
Kompleks Dayabumi Sdn Bhd ("KDSB")	**100**	100	Property investment
Midciti Resources Sdn Bhd ("MRSB")	**100**	100	Inactive
Impian Cemerlang Sdn Bhd ("ICSB")	**100**	100	Property investment
Arena Merdu Sdn Bhd ("AMSB")	**100**	100	Inactive
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	**100**	100	Management of a real estate investment trust
KLCC REIT	*****	*	To invest in a Shariah compliant portfolio or real estate assets and real estate related assets
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB") *	**100**	100	To undertake the issuance of Islamic 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.

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Non-controlling interests relating to KLCC REIT

	2021	2020
NCI percentage of ownership interest and voting interest	**100%**	100%
Carrying amount of NCI (RM'000)	**8,017,126**	8,078,845
Profit allocated to NCI (RM'000)	**369,396**	439,671

Summarised financial information before intra-group elimination

	2021 RM'000	2020 RM'000
Non-current assets - Investment properties	**9,113,553**	9,189,014
Non-current assets - Others	**379,735**	412,420
Current assets	**111,687**	104,705
Non-current liabilities	**(1,536,518)**	(1,132,824)
Current liabilities	**(51,331)**	(494,470)
Net assets	**8,017,126**	8,078,845
Revenue	**569,728**	581,224
Profit for the year, representing total comprehensive income	**369,396**	439,671
Cash flows generated from operating activities	**499,057**	512,578
Cash flows used in investing activities	**(1,306)**	(661)
Cash flows used in financing activities	**(490,378)**	(495,838)
Net increase in cash and cash equivalents	**7,373**	16,079
Dividend paid to NCI relating to KLCC REIT	**(431,115)**	(434,182)

Other non-controlling interests in subsidiaries

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

	2021		
	SKSB	Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
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

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7. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Other non-controlling interests in subsidiaries (Cont'd.)

	2020		
	SKSB	Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	2,005,340	58,554	2,063,894
Profit/(loss) allocated to NCI (RM'000)	56,751	(14,202)	42,549

Summarised financial information of significant subsidiary before intra-group elimination

SKSB	2021 RM'000	2020 RM'000
Non-current assets - Investment properties	**5,495,250**	5,547,423
Non-current assets - Others	**18,513**	22,921
Current assets	**248,516**	259,149
Non-current liabilities	**(676,672)**	(684,810)
Current liabilities	**(119,754)**	(131,334)
Net assets	**4,965,853**	5,013,349
Revenue	**333,874**	383,203
Profit for the year, representing total comprehensive income	**133,589**	141,876
Cash flows generated from operating activities	**193,893**	222,582
Cash flows used in investing activities	**(12,107)**	(22,105)
Cash flows used in financing activities	**(210,746)**	(180,074)
Net (decrease)/increase in cash and cash equivalents	**(28,960)**	20,403
Dividends paid to other NCI	**(72,433)**	(60,133)

8. INVESTMENT IN AN ASSOCIATE

	2021 RM'000	2020 RM'000
Group		
Unquoted shares at cost	**99,195**	99,195
Share of post-acquisition reserves	**172,230**	167,067
	271,425	266,262
Company		
Unquoted shares at cost	**99,195**	99,195

NOTES TO THE FINANCIAL STATEMENTS
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8. INVESTMENT IN AN ASSOCIATE (CONT'D.)

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %
Impian Klasik Sdn Bhd ("IKSB")*	Malaysia	Property investment	**33**	33

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

The summarised financial statements of the associate are as follows:

	2021 RM'000	2020 RM'000
Non-current assets	**770,412**	769,784
Current assets	**56,433**	43,153
Total assets	**826,845**	812,937
Non-current liabilities	**96,616**	98,776
Current liabilities	**2,728**	2,305
Total liabilities	**99,344**	101,081
Results		
Revenue	**55,427**	55,427
Profit for the year, representing total comprehensive income	**35,648**	38,041
Share of profit for the year	**11,763**	12,554
Other information		
- Share of dividends	**6,600**	11,880

Reconciliation of net assets to carrying amount as at 31 December 2021

	2021 RM'000	2020 RM'000
Group's share of net assets	**240,075**	234,912
Goodwill	**31,350**	31,350
	271,425	266,262

NOTES TO THE FINANCIAL STATEMENTS

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9. DEFERRED TAX

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	**64,809**	70,664	**(351)**	(912)
Recognised in profit or loss (Note 26)	**(14,132)**	(5,855)	**(300)**	561
At 31 December	**50,677**	64,809	**(651)**	(351)

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	
	2021 RM'000	2020 RM'000
Deferred tax assets	**(707)**	(415)
Deferred tax liabilities	**51,384**	65,224
	50,677	64,809

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 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**
At 1 January 2020	66,480	43,597	5,960	116,037
Recognised in profit or loss	898	(509)	541	930
At 31 December 2020	67,378	43,088	6,501	116,967

NOTES TO THE FINANCIAL STATEMENTS
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9. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows: (Cont'd.)

Deferred Tax Assets of the Group:

	Unutilised tax losses, unabsorbed capital and investment tax allowance RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
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)**
At 1 January 2020	(39,462)	(1,993)	(3,918)	(45,373)
Recognised in profit or loss	(7,704)	(324)	1,243	(6,785)
At 31 December 2020	(47,166)	(2,317)	(2,675)	(52,158)

Deferred tax assets have not been recognised in respect of the following item:

	Group	
	2021 RM'000	2020 RM'000
Unutilised tax losses	**37,991**	**3,003**

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 allowances and unabsorbed 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:

	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)**
At 1 January 2020	(35)	(6)	(871)	(912)
Recognised in profit or loss	25	(27)	563	561
At 31 December 2020	(10)	(33)	(308)	(351)

NOTES TO THE FINANCIAL STATEMENTS

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10. INVENTORIES

The inventories comprise general merchandise and operating supplies, and are stated at cost.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Other receivables				
Accrued rental income	**393,197**	427,863	**-**	-
Current				
Trade receivables	**34,458**	23,798	**-**	-
Less: Allowance for impairment	**(9,076)**	(3,362)	**-**	-
Trade receivables, net of impairment	**25,382**	20,436	**-**	-
Other receivables				
Other receivables and deposits	**18,104**	26,083	**2,394**	3,869
Amount due from:				
Subsidiaries	**-**	-	**1,666**	2,558
Ultimate holding company	**20**	361	**-**	-
Immediate holding company	**30,213**	25,601	**853**	352
Other related companies	**15,624**	9,067	**3,152**	2,783
Total other receivables	**63,961**	61,112	**8,065**	9,562
Total	**89,343**	81,548	**8,065**	9,562

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables	**25,382**	20,436	**-**	-
Other receivables	**457,158**	488,975	**8,065**	9,562
Add: Cash and bank balances (Note 12)	**959,528**	871,658	**538,621**	426,411
Less: Accrued rental income (Note 6)	**(393,197)**	(427,863)	**-**	-
Total financial assets carried at amortised cost	**1,048,871**	953,206	**546,686**	435,973

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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11. TRADE AND OTHER RECEIVABLES (CONT'D.)

Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purposes:

Group	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount RM'000
Amount due from ultimate holding company			
2021	**20**	**-**	**20**
2020	1,012	(651)	361

12. CASH AND BANK BALANCES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**643,961**	525,253	**538,566**	419,729
Cash and bank balances	**22,646**	13,667	**55**	5
Deposits with licensed banks	**292,921**	332,738	**-**	6,677
	959,528	871,658	**538,621**	426,411
Less: Deposits restricted	**(3,003)**	(1,893)	**-**	-
Cash and cash equivalents	**956,525**	869,765	**538,621**	426,411

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 RM662,360,000 (2020: RM536,048,000) and RM538,566,000 (2020: RM419,729,000) respectively.

The weighted average effective interest/profit rates applicable to the deposits with licensed banks of the Group is 2.03% per annum (2020: 2.02% per annum).

Deposits with licensed banks of the Group have an average maturity of 45 days (2020: 44 days).

NOTES TO THE FINANCIAL STATEMENTS

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13. SHARE CAPITAL

	Group and Company	
	Number of shares Ordinary shares '000	Amount Ordinary shares RM'000
Issued and fully paid:		
At 1 January 2021/ 31 December 2021	**1,805,333**	**1,823,386**
At 1 January 2020/ 31 December 2020	1,805,333	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 2021, 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.

16. OTHER LONG TERM LIABILITIES

	Group	
	2021 RM'000	2020 RM'000
Security deposit payables	**144,475**	138,494

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 4.16% to 4.73% per annum.

NOTES TO THE FINANCIAL STATEMENTS
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17. FINANCINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short term financings				
Secured:				
Sukuk Murabahah				
- KLCC Real Estate Investment Trust	**11,310**	413,704	**-**	-
Term loans	**12,106**	11,891	**-**	-
Lease liabilities	**4,570**	4,576	**3,295**	3,413
	27,986	430,171	**3,295**	3,413
Long term financings				
Secured:				
Sukuk Murabahah				
- KLCC Real Estate Investment Trust	**1,355,000**	955,000	**-**	-
- Other subsidiary	**600,000**	600,000	**-**	-
Term loans	**391,644**	359,194	**-**	-
Lease liabilities	**1,282**	5,079	**404**	3,431
	2,347,926	1,919,273	**404**	3,431
Total financings	**2,375,912**	2,349,444	**3,699**	6,844

		Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total financings which are secured, comprise:					
Sukuk Murabahah	(a)	**1,966,310**	1,968,704	**-**	-
Term loans	(b)	**403,750**	371,085	**-**	-
Lease liabilities		**5,852**	9,655	**3,699**	6,844
		2,375,912	2,349,444	**3,699**	6,844

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

17. FINANCINGS (CONT'D.)

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
2021					
Secured					
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**
2020					
Secured					
Sukuk Murabahah	1,968,704	413,704	-	1,055,000	500,000
Term loans	371,085	11,891	10,000	347,166	2,028
Lease liabilities	9,655	4,576	2,071	3,008	-
	2,349,444	430,171	12,071	1,405,174	502,028

(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 current 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 drawndown 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 (CONT'D.)

(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 RM62 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 3.60% per annum (2020: 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 (CONT'D.)

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group

	Sukuk Murabahah RM'000	Term loans RM'000	Lease liabilities RM'000	Dividend paid RM'000	Total RM'000
Balance at 1 January 2021	**1,968,704**	**371,085**	**9,655**	**-**	**2,349,444**
Changes from financing cash flows					
Payment 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)**
Total changes from financing cash flows	**(88,136)**	**18,545**	**(4,938)**	**(572,017)**	**(646,546)**
Other changes					
Liability-related					
Interest/profit expenses	**85,742**	**14,120**	**390**	**-**	**100,252**
Acquisition of new lease	**-**	**-**	**745**	**-**	**745**
Dividend payable	**-**	**-**	**-**	**572,017**	**572,017**
Total liability-related other changes	**85,742**	**14,120**	**1,135**	**572,017**	**673,014**
Balance at 31 December 2021	**1,966,310**	**403,750**	**5,852**	**-**	**2,375,912**
Balance at 1 January 2020	1,970,737	363,999	11,860	-	2,346,596
Changes from financing cash flows					
Repayment of term loan	-	(10,000)	-	-	(10,000)
Drawdown of term loan	-	17,028	-	-	17,028
Repayment of lease liabilities	-	-	(4,677)	-	(4,677)
Dividend paid	-	-	-	(690,475)	(690,475)
Interest/profit paid	(89,832)	(14,546)	-	-	(104,378)
Total changes from financing cash flows	(89,832)	(7,518)	(4,677)	(690,475)	(792,502)
Other changes					
Liability-related					
Interest/profit expenses	87,799	14,604	474	-	102,877
Acquisition of new lease	-	-	1,998	-	1,998
Dividend payable	-	-	-	690,475	690,475
Total liability-related other changes	87,799	14,604	2,472	690,475	795,350
Balance at 31 December 2020	1,968,704	371,085	9,655	-	2,349,444

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17. FINANCINGS (CONT'D.)

Reconciliation of movement of liabilities to cash flows arising from financing activities (Cont'd.)

Company

	Lease liabilities RM'000	Dividend paid RM'000	Total RM'000
Balance at 1 January 2021	**6,844**	**-**	**6,844**
Changes from financing cash flows			
Repayment lease liabilities	**(3,394)**	**-**	**(3,394)**
Dividend paid	**-**	**(68,964)**	**(68,964)**
Total changes from financing cash flows	**(3,394)**	**(68,964)**	**(72,358)**
Other changes			
Liability-related			
Interest/profit expenses	**249**	**-**	**249**
Dividend payable	**-**	**68,964**	**68,964**
Total liability-related other changes	**249**	**68,964**	**69,213**
Balance at 31 December 2021	**3,699**	**-**	**3,699**
Balance at 1 January 2020	7,884	-	7,884
Changes from financing cash flows			
Repayment lease liabilities	(3,394)	-	(3,394)
Dividend paid	-	(195,879)	(195,879)
Total changes from financing cash flows	(3,394)	(195,879)	(199,273)
Other changes			
Liability-related			
Interest/profit expenses	356	-	356
Acquisition of new lease	1,998	-	1,998
Dividend payable	-	195,879	195,879
Total liability-related other changes	2,354	195,879	198,233
Balance at 31 December 2020	6,844	-	6,844

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	**21,020**	10,771	**57**	318
Other payables				
Other payables	**142,169**	174,092	**4,295**	2,393
Security deposits	**57,276**	60,727	**-**	-
Amount due to:				
Ultimate holding company	**8,060**	3,461	**1,976**	2,790
Immediate holding company	**66**	86	**-**	-
Other related companies	**8,355**	8,588	**-**	-
	215,926	246,954	**6,271**	5,183
Total trade and other payables	**236,946**	257,725	**6,328**	5,501
Add: Financings (Note 17)	**2,375,912**	2,349,444	**3,699**	6,844
Other long term liabilities (Note 16)	**144,475**	138,494	**-**	-
Total financial liabilities carried at amortised cost	**2,757,333**	2,745,663	**10,027**	12,345

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property investment				
- Office	**579,459**	590,319	**-**	-
- Retail	**357,780**	406,778	**-**	-
Hotel operations	**46,527**	52,858	**-**	-
Management services	**187,290**	189,195	**19,977**	20,215
Dividend income from subsidiaries	**-**	-	**175,650**	143,700
Dividend income from an associate	**-**	-	**6,600**	11,880
	1,171,056	1,239,150	**202,227**	175,795

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue (Note 19)	**1,171,056**	1,239,150	**202,227**	175,795
Cost of revenue:				
- Cost of services and goods	**(260,504)**	(258,651)	**-**	-
Gross profit	**910,552**	980,499	**202,227**	175,795
Selling and distribution expenses	**(6,758)**	(7,073)	**-**	-
Administration expenses	**(122,036)**	(210,331)	**(31,299)**	(35,704)
Other operating income	**3,422**	1,379	**1**	2
Operating profit	**785,180**	764,474	**170,929**	140,093

21. INTEREST/PROFIT INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest and profit income from:				
Deposits	**18,487**	23,004	**9,629**	12,334

22. FINANCING COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest/profit expense on:				
Term loans	**14,120**	14,604	**-**	-
Sukuk Murabahah	**85,742**	87,799	**-**	-
Lease liabilities	**390**	474	**249**	356
Accretion of financial instruments	**4,924**	7,785	**-**	-
	105,176	110,662	**249**	356

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Employee benefits expense (Note 24)	**104,239**	97,403	**19,732**	20,558
Directors' remuneration (Note 25)	**1,144**	1,058	**1,133**	1,058
Fee in relation to services of Executive Director	**785**	1,204	**785**	1,204
Auditors' remuneration				
- Audit fees	**641**	621	**226**	219
- Others	**19**	16	**19**	16
Valuation fees	**908**	1,082	**-**	53
Depreciation of property, plant and equipment (Note 5)	**42,074**	45,983	**205**	506
Depreciation of right-of-use assets (Note 29)	**4,594**	4,333	**3,160**	3,149
Rental of plant and machinery	**316**	363	**65**	112
Investment properties written off	**358**	-	**-**	-
(Gain)/loss on disposal of property, plant and equipment	**(6)**	4	**-**	(1)
Impairment loss on investment in subsidiaries (Note 7)	**-**	-	**-**	990
Impairment of investment property under construction	**252**	81,362	**-**	-
Allowance for impairment losses of trade receivables	**6,104**	3,127	**-**	-
Bad debts written off	**2**	-	**-**	-

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Wages, salaries and others	**94,638**	87,966	**17,325**	17,975
Contributions to defined contribution plan	**9,601**	9,437	**2,407**	2,583
Total (Note 23)	**104,239**	97,403	**19,732**	20,558

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25. DIRECTORS' REMUNERATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors of the Company				
Executive*	**-**	-	**-**	-
Non-Executive:				
Fees	**1,144**	1,058	**1,133**	1,058
	1,144	1,058	**1,133**	1,058

Included in Directors' remuneration is the fee paid directly to PETRONAS in respect of the Directors who are the appointees of the ultimate holding company.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Analysis excluding benefits-in-kind:				
Total Non-Executive Directors' remuneration (Note 23)	**1,144**	1,058	**1,133**	1,058

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Group		Company	
	2021	2020	2021	2020
Executive Director*	**1**	1	**1**	1
Non-Executive Directors				
RMNil - RM50,000	**2**	1	**2**	1
RM50,001 - RM100,000	**2**	1	**2**	1
RM100,001 - RM150,000	**-**	2	**-**	2
RM150,001 - RM200,000	**4**	2	**4**	2
RM200,001 - RM250,000	**-**	-	**-**	-
RM250,001 - RM300,000	**1**	1	**1**	1

* The remuneration of the Executive Director is paid to KLCCH as disclosed in Note 23.

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26. TAX EXPENSE/(BENEFIT)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current income tax:				
Malaysian income tax	**46,792**	77,738	**333**	182
(Over)/under provision of tax in prior year	**(892)**	237	**(182)**	67
	45,900	77,975	**151**	249
Deferred tax (Note 9):				
Relating to origination and reversal of temporary differences	**(13,882)**	(3,348)	**(180)**	565
Over provision of deferred tax in prior year	**(250)**	(2,507)	**(120)**	(4)
	(14,132)	(5,855)	**(300)**	561
Total tax expense/(benefit)	**31,768**	72,120	**(149)**	810

Domestic current income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year.

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:

	2021 RM'000	2020 RM'000
Group		
Profit before taxation	**565,797**	546,835
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	**135,791**	131,240
Expenses not deductible for tax purposes	**18,641**	64,214
Income not subject to tax	**(119,398)**	(125,025)
Effects of share of profit of an associate	**(2,823)**	(3,013)
Deferred tax recognised at different tax rates	**(7,698)**	(509)
Deferred tax assets not recognised during the year	**8,397**	7,483
Over provision of deferred tax in prior year	**(250)**	(2,507)
(Over)/under provision of taxation in prior year	**(892)**	237
Tax expense	**31,768**	72,120

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26. TAX EXPENSE/(BENEFIT) (CONT'D.)

	2021 RM'000	2020 RM'000
Company		
Profit before taxation	**180,309**	152,071
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	**43,274**	36,497
Expenses not deductible for tax purposes	**2,923**	4,526
Income not subject to tax	**(46,044)**	(40,276)
Over provision of deferred tax in prior year	**(120)**	(4)
(Over)/under provision of taxation in prior year	**(182)**	67
Tax (benefit)/expense	**(149)**	810

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.

	2021	2020
Profit/(loss) attributable to equity holders of the Company (RM'000)	**126,456**	(7,505)
Profit attributable to NCI relating to KLCC REIT (RM'000)	**369,396**	439,671
Profit attributable to stapled securities holders (RM'000)	**495,852**	432,166
Weighted average number of stapled securities/shares in issue ('000)	**1,805,333**	1,805,333
Basic/diluted earnings per share (sen)	**7.00**	(0.42)
Basic/diluted earnings per stapled security (sen)	**27.47**	23.94

Basic earnings per share/stapled security equals to diluted earnings per share/stapled security as there are no potential dilutive units in issue.

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28. DIVIDENDS

	Dividends Recognised in Year		Net Dividends per Ordinary Share	
	2021 RM'000	2020 RM'000	2021 Sen	2020 Sen
Recognised during the year:				
A fourth interim dividend of 1.00% (2019: 5.35%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2020/2019	**18,053**	96,586	**1.00**	5.35
A first interim dividend of 0.99% (2020: 2.46%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2021/2020	**17,873**	44,411	**0.99**	2.46
A second interim dividend of 0.99% (2020: 1.41%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2021/2020	**17,873**	25,455	**0.99**	1.41
A third interim dividend of 0.84% (2020: 1.63%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2021/2020	**15,165**	29,427	**0.84**	1.63
	68,964	195,879	**3.82**	10.85

A fourth interim dividend in respect of the financial year ended 31 December 2021, of 5.77%, tax exempt under the single tier system on 1,805,333,083 ordinary shares amounting to a dividend payable of RM104,167,719 will be paid on 28 February 2022.

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 2022.

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 equipments with lease terms of 12 months or less and leases of office equipment with low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 January	**9,472**	11,807	**6,708**	7,859
Additions	**745**	1,998	**-**	1,998
Depreciation (Note 23)	**(4,594)**	(4,333)	**(3,160)**	(3,149)
As at 31 December	**5,623**	9,472	**3,548**	6,708

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29. RIGHT-OF-USE ASSETS (CONT'D.)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 January	**9,655**	11,860	**6,844**	7,884
Additions	**745**	1,998	**-**	1,998
Accretion of interest/profit	**390**	474	**249**	356
Payments	**(4,938)**	(4,677)	**(3,394)**	(3,394)
As at 31 December	**5,852**	9,655	**3,699**	6,844
Current	**4,570**	4,576	**3,295**	3,413
Non-current	**1,282**	5,079	**404**	3,431

The maturity analysis of lease liabilities are disclosed in Note 32.

The following are the amounts recognised in profit or loss:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Depreciation expense of right-of-use assets	**4,594**	4,333	**3,160**	3,149
Interest expense on lease liabilities	**390**	474	**249**	356
Total amount recognised in profit or loss	**4,984**	4,807	**3,409**	3,505

The Group and the Company have several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised (Note 2.23 (iv)).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Company		
	Within five years RM'000	More than five years RM'000	Total RM'000
Extension option expected not to be exercised	8,075	8,075	16,150

NOTES TO THE FINANCIAL STATEMENTS

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29. RIGHT-OF-USE ASSETS (CONT'D.)

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	
	2021 RM'000	2020 RM'000
Not later than 1 year	**1,019,211**	1,028,489
Later than 1 year but not later than 5 years	**2,767,221**	2,909,011
More than 5 years	**7,601,144**	8,202,152
	11,387,576	12,139,652

30. COMMITMENTS

Capital commitments

	Group	
	2021 RM'000	2020 RM'000
Approved and contracted for		
Property, plant and equipment	**2,483**	8,757
Investment property	**11,542**	19,790
	14,025	28,547
Approved but not contracted for		
Property, plant and equipment	**69,492**	67,097
Investment property	**35,843**	141,161
	105,335	208,258

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

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31. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows:

Income/(expense)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Federal Government of Malaysia:				
Property licences and taxes	**(13,343)**	(13,332)	**(1)**	(2)
Goods and Services Tax, Sales and Service Tax, and Tourism Tax	**(12,289)**	(14,835)	**(717)**	(644)
Government of Malaysia's related entities:				
Purchase of utilities	**(12,424)**	(15,392)	**-**	-
Hotel revenue	**1,559**	583	**-**	-
Wages Subsidy Programme	**2,772**	960	**-**	-
Ultimate Holding Company:				
Rental income	**583,778**	563,129	**-**	-
Facilities management and manpower fees	**88,128**	81,572	**-**	-
Interest income	**11,432**	14,559	**9,601**	12,237
Rental of car park spaces	**(3,645)**	(4,023)	**-**	-
Fees for representation on the Board of Directors*	**(162)**	(126)	**(159)**	(126)
Hotel revenue	**309**	646	**-**	-
Centralised Head Office Services charges	**(9,616)**	(6,691)	**(2,771)**	(2,185)
Immediate Holding Company:				
General management services fee payables	**(1,228)**	(1,445)	**(521)**	(473)
General management services fee receivables	**4,116**	3,424	**4,116**	3,424
Subsidiaries:				
Facilities management and manpower fees	**-**	-	**(201)**	(162)
General management services fee receivable	**-**	-	**7,576**	7,603
Hotel charges	**-**	-	**(249)**	(216)
Other Related Companies:				
Facilities management and manpower fees	**30,687**	40,375	**-**	-
General management services fee receivable	**8,285**	9,170	**8,285**	9,170
Hotel revenue	**145**	145	**-**	-
Management and incentive fees	**2,721**	1,397	**-**	-
Chilled water supply	**(26,961)**	(25,947)	**-**	-
Project management fees	**(2,556)**	(2,421)	**-**	-
Fees for secondment of executive director	**(891)**	(775)	**-**	-
Rental of car park spaces	**(2,724)**	(1,821)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

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31. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows: (Cont'd.)

* Fees paid directly to PETRONAS in respect of the Directors who are the appointees of the ultimate holding company.

The Directors of the Company are of the opinion that the above transactions and transactions detailed elsewhere were undertaken at mutually agreed terms between the parties in the normal course of business and the terms and conditions are established under negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2021 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
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32. FINANCIAL INSTRUMENTS (CONT'D.)

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).

The exposure of credit risk for receivables at the reporting date by business segment was:

	Group	
	2021 RM'000	**2020 RM'000**
Property investment		
- Office	**114**	319
- Retail	**32,261**	21,861
Hotel operations	**1,850**	1,010
Management services	**233**	608
	34,458	23,798
Less: Allowance for impairment losses	**(9,076)**	(3,362)
	25,382	20,436

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS (CONT'D.)

Credit Risk (Contd.)

Recognition and measurement of impairment loss

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. In determining the ECL, the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

The ageing of trade receivables as at the reporting date was:

	Group	
	2021 RM'000	2020 RM'000
At net:		
Not past due	**1,670**	1,386
Past due 1 to 30 days	**6,389**	6,697
Past due 31 to 60 days	**4,359**	5,350
Past due 61 to 90 days	**3,406**	2,900
Past due more than 90 days	**18,634**	7,465
	34,458	23,798
Less: Allowance for impairment losses	**(9,076)**	(3,362)
	25,382	20,436

The movement in the allowance account is as follows:

	Group	
	2021 RM'000	2020 RM'000
At 1 January	**3,362**	235
Allowance for impairment	**6,104**	3,127
Allowance written off	**(390)**	-
At 31 December	**9,076**	3,362

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2021.

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32. FINANCIAL INSTRUMENTS (CONT'D.)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's businesses on an ongoing basis as a result of the existing and future commitments which are not funded from internal resources. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Carrying amount RM'000	Effective interest/ profit rate %	Contractual cash flow * RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2021							
Group							
Financial Liabilities							
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**	**4.16 - 4.35**	**233,654**	**-**	**50,668**	**56,652**	**126,334**
Company							
Financial Liabilities							
Lease liabilities	**3,699**	**3.42 - 5.03**	**3,803**	**3,394**	**409**	**-**	**-**
Trade and other payables	**6,328**	**-**	**6,328**	**6,328**	**-**	**-**	**-**
31 December 2020							
Group							
Financial Liabilities							
Sukuk Murabahah	1,968,704	4.35 - 4.73	2,283,051	493,733	71,142	1,207,705	510,471
Term loans	371,085	3.60	426,087	24,963	22,710	378,414	-
Trade and other payables	257,725	-	257,725	257,725	-	-	-
Lease liabilities	9,655	3.42 - 5.25	10,189	4,676	4,676	837	-
Other long term liabilities	138,494	4.35 - 4.73	233,654	-	50,668	56,652	126,334
Company							
Financial Liabilities							
Lease liabilities	6,844	3.42 - 5.03	7,197	3,394	3,394	409	-
Trade and other payables	5,501	-	5,501	5,501	-	-	-

* The contractual cash flow is inclusive of the principal and interest/profit but excluding interest accretion due to MFRS 9 measurement.

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32. FINANCIAL INSTRUMENTS (CONT'D.)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest/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.

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Financial assets	**292,921**	332,738	**-**	6,677
Financial liabilities	**(1,966,310)**	(1,968,704)	**-**	-
Floating rate instruments				
Financial liabilities	**(403,750)**	(371,085)	**-**	-

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32. FINANCIAL INSTRUMENTS (CONT'D.)

Interest/Profit Rate Risk (Cont'd.)

Cash flow sensitivity analysis for floating rate instruments

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following interbank offered rates:

	Change in interest/profit rate basis points	Group Profit or loss RM'000
2021		
KLIBOR	**-20**	**803**
KLIBOR	**+20**	**(803)**
2020		
KLIBOR	-20	738
KLIBOR	+20	(738)

This analysis assumes that all other variables remain constant.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates predominantly in Malaysia and transacts mainly in Malaysian Ringgit. As such, it is not exposed to any significant foreign currency risk.

Fair Values

The Group's and the Company's financial instruments consist of cash and bank balances, trade and other receivables, 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.

This analysis assumes that all other variables remain constant.

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32. FINANCIAL INSTRUMENTS (CONTD.)

Fair Values (Contd.)

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
Group					
2021					
Financial liabilities					
Sukuk Murabahah	**-**	**1,923,603**	**-**	**1,923,603**	**1,966,310**
2020					
Financial liabilities					
Sukuk Murabahah	-	1,991,805	-	1,991,805	1,968,704

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 2021 and 31 December 2020 is as follows:

	Group	
	2021	2020
Total debt (RM'000)	**2,375,912**	2,349,444
Total equity (excluding Other NCI) (RM'000)	**13,009,838**	13,014,065
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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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

31 DECEMBER 2021

34. SEGMENTAL INFORMATION (CONT'D.)

Business Segments

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
Revenue						
Revenue from external customers	579,459	357,780	46,527	187,290	-	1,171,056
Inter-segment revenue	967	6,216	-	65,637	(72,820)	-
Total revenue	580,426	363,996	46,527	252,927	(72,820)	1,171,056
Results						
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
Total assets						17,937,104
Total liabilities	1,592,153	809,583	437,145	80,042	(21,295)	2,897,628
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 RM252,000 (2020: RM81,362,000). Excluding the impairment, operating profit is at RM512,062,000 (2020: RM522,216,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

34. SEGMENTAL INFORMATION (CONT'D.)

Business Segments (Cont'd.)

31 December 2020

	Property investment - Office RM'000	Property investment - Retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ Adjustment RM'000	Consolidated RM'000
Revenue						
Revenue from external customers	590,319	406,778	52,858	189,195	-	1,239,150
Inter-segment revenue	1,253	6,999	-	63,985	(72,237)	-
Total revenue	591,572	413,777	52,858	253,180	(72,237)	1,239,150
Results						
Operating profit	440,854	320,702	(49,589)	65,953	(13,446)	764,474
Fair value adjustments on investment properties	(57,287)	(75,248)	-	(10,000)	-	(142,535)
Financing costs						(110,662)
Interest/profit income						23,004
Share of profit of an associate						12,554
Tax expense						(72,120)
Profit after tax but before non-controlling interests						474,715
Segment assets	10,213,353	6,354,599	611,104	135,982	414,171	17,729,209
Investment in an associate	-	-	-	99,195	167,067	266,262
Total assets						17,995,471
Total liabilities	1,625,569	839,867	407,176	64,801	(19,901)	2,917,512
Capital expenditure	3,494	22,100	5,101	4,825	-	35,520
Depreciation	570	4,020	31,409	14,317	-	50,316
Non-cash items other than depreciation	81,362	3,127	35	(24)	-	84,500

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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 2022

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations (Amendments to Reference to the Conceptual Framework)
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 116	Property, Plant and Equipment (Amendments to Property, Plant and Equipment - Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to Onerous Contract - Cost of Fulfilling a Contract)

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	Presentation of Financial Statements (Amendments to 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 (Amendments to Definition of Accounting Estimates)
Amendments to MFRS 112	Income taxes (Amendments to Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements (Amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
Amendments to MFRS 128	Investment in Associates and Joint Ventures (Amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and of the Company in the period of initial application.

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 2022

Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018-2020)

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 (Amendments to Initial application of MFRS 17 and MFRS 9)

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 2021 of the Group and of the Company, and the statements of profit or loss and other 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 190 to 256.

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 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Valuation of investment properties

As at 31 December 2021, the carrying value of the Group's completed investment properties carried at fair value amounted to RM15,448,803,000 which represents 87% 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 loss of RM144,457,000 has been recognised during the year.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

Valuation of investment properties (Cont'd.)

In addition, as at 31 December 2021, 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 RM252,000 has been recognised during the year.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- 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

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

Lim Eng Hoe
No. 03403/12/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 January 2022

KLCC REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

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	369,396	369,402

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 2020:	
Fourth interim income distribution of 5.70% on 1,805,333,083 units, paid on 26 February 2021	102,904
In respect of the financial year ended 31 December 2021:	
First interim income distribution of 6.01% on 1,805,333,083 units, paid on 17 June 2021	108,501
Second interim income distribution of 6.01% on 1,805,333,083 units, paid on 29 September 2021	108,501
Third interim income distribution of 6.16% on 1,805,333,083 units, paid on 16 December 2021	111,209
	431,115

A fourth interim income distribution in respect of the financial year ended 31 December 2021, of 6.83% on 1,805,333,083 units amounting to an income distribution payable of RM123,304,000 will be payable on 28 February 2022.

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 2021.

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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	
Habibah Binti Abdul	
Farina Binti Farikhullah Khan	
Dato' Jamaludin Bin Osman	
Liza Binti Mustapha	
Md. Shah Bin Mahmood	(appointed w.e.f. 10 May 2021)
Chong Chye Neo	(appointed w.e.f. 10 May 2021)
Dato' Sr. Mazuki Bin A. Aziz	(appointed w.e.f. 9 December 2021)
Datin Noor Lily Zuriati Binti Abdullah	(appointed w.e.f. 9 December 2021)
Datuk Hashim Bin Wahir	(resigned w.e.f. 30 April 2021)
Datuk Pragasa Moorthi A/L Krishnasamy	(resigned w.e.f. 31 August 2021)

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 1.1.2021	Number of Shares		Balance as at 31.12.2021
		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 1.1.2021	Number of Shares		Balance as at 31.12.2021
		Bought	Sold	
Direct				
Tan Sri Ahmad Nizam Bin Salleh	2,000	-	-	2,000

None of the other Directors holding office as at 31 December 2021 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 2021

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

ISSUE OF UNITS

There were no changes in the issued and paid up units of the Fund during the financial year.

OPTIONS GRANTED OVER UNISSUED UNITS

No options were granted to any person to take up unissued units of the Fund during the year.

OTHER STATUTORY INFORMATION

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

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and 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 2021

OTHER STATUTORY INFORMATION (CONT'D.)

At the date of this report, the Manager is not aware of any circumstances:

(i) that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Fund; or

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

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

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

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

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

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

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

In the opinion of the Manager, the results of the operations of the Group and of the Fund for the financial year ended 31 December 2021 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	94	89

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 28 January 2022.

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 269 to 314 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 2021 and of the results of their financial performance and cash flows for the year ended 31 December 2021.

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 28 January 2022.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

STATUTORY DECLARATION

I, Annuar Marzuki Bin Abdul Aziz, the Officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 269 to 314 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Annuar Marzuki Bin Abdul Aziz
in Kuala Lumpur, Wilayah Persekutuan
on 28 January 2022.

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

BEFORE ME:

Zainul Abidin Bin Ahmad
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 2021. To the best of our knowledge, KLCC REIT Management Sdn Bhd ("the Manager") has managed KLCC REIT in the financial year under review in accordance to the following:

(a) the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets & Services Act 2007 and other applicable laws; and

(b) the valuation of KLCC REIT is carried out in accordance with the Deed and other regulatory requirements.

There are four (4) income distributions to the unitholders of KLCC REIT in the financial year under review, details of which are stated below:

(i) First interim income distribution of 6.01 sen per unit distributed on 17 June 2021;
(ii) Second interim income distribution of 6.01 sen per unit distributed on 29 September 2021;
(iii) Third interim income distribution of 6.16 sen per unit distributed on 16 December 2021;
(iv) Fourth interim income distribution of 6.83 sen per unit for year ended 31 December 2021 declared and will be payable on 28 February 2022.

We are of the view that the distributions are consistent with the objectives of KLCC REIT.

For and on behalf of the Trustee,
MAYBANK TRUSTEES BERHAD
[Company No.: 196301000109 (5004-P)]

BERNICE K M LAU
Head, Corporate Trust 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 2021.

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 Malaysia's Guidelines on Listed Real Estate Investment Trusts. The percentage ratio of Shariah Non-Compliant Rental for the financial year ended 31 December 2021 is 1.18%;

(b) KLCCP Stapled Securities is listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission;

(c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments; and

(d) There is no acquisition of real estate during the financial year.

For and on behalf of the Shariah Adviser
CIMB Islamic Bank Berhad

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 2021

		Group		Fund	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	**1,288**	2,134	**1,288**	2,134
Investment properties	6	**9,113,553**	9,189,014	**9,113,553**	9,189,014
Trade and other receivables	8	**378,447**	410,286	**378,447**	410,286
Investment in a subsidiary	7	**-**	-	*****	*
		9,493,288	9,601,434	**9,493,288**	9,601,434
Current Assets					
Trade and other receivables	8	**4,893**	5,284	**4,893**	5,284
Cash and bank balances	9	**106,794**	99,421	**106,728**	99,242
		111,687	104,705	**111,621**	104,526
TOTAL ASSETS		**9,604,975**	9,706,139	**9,604,909**	9,705,960
TOTAL UNITHOLDERS' FUND AND LIABILITIES					
Unitholders' Fund					
Unitholders' capital	10	**7,212,684**	7,212,684	**7,212,684**	7,212,684
Merger reserve	2.18	**6,212**	6,212	**6,212**	6,212
Capital reserve	2.17	**318,509**	387,790	**318,509**	387,790
Retained profits		**479,721**	472,159	**479,776**	472,208
Total Unitholders' Fund		**8,017,126**	8,078,845	**8,017,181**	8,078,894
Non-Current Liabilities					
Other long term liabilities	11	**65,746**	57,704	**65,746**	57,704
Amount due to a subsidiary	12	**-**	-	**1,355,000**	955,000
Financing	13	**1,355,000**	955,000	**-**	-
Deferred tax liability	14	**35,389**	43,087	**35,389**	43,087
Other payables	15	**80,383**	77,033	**80,383**	77,033
		1,536,518	1,132,824	**1,536,518**	1,132,824

* Represents RM2 in Midciti Sukuk Berhad

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Fund	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current Liabilities					
Other payables	15	**40,021**	80,766	**39,950**	80,694
Amount due to a subsidiary	12	**-**	-	**11,260**	413,548
Financing	13	**11,310**	413,704	**-**	-
		51,331	494,470	**51,210**	494,242
Total Liabilities		**1,587,849**	1,627,294	**1,587,728**	1,627,066
TOTAL UNITHOLDERS' FUND AND LIABILITIES		**9,604,975**	9,706,139	**9,604,909**	9,705,960
Number of units in circulation					
('000 units)		**1,805,333**	1,805,333	**1,805,333**	1,805,333
Net asset value ("NAV")					
- before income distribution		**8,017,126**	8,078,845	**8,017,181**	8,078,894
- after income distribution		**7,893,822**	7,975,941	**7,893,877**	7,975,990
NAV per unit (RM)					
- before income distribution		**4.44**	4.47	**4.44**	4.48
- after income distribution		**4.37**	4.42	**4.37**	4.42

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Fund	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	16	**569,728**	581,224	**569,728**	581,224
Property operating expenses	17	**(28,253)**	(29,225)	**(28,247)**	(29,219)
Net property income		**541,475**	551,999	**541,481**	552,005
Fair value adjustments of investment properties	6	**(76,979)**	(5,085)	**(76,979)**	(5,085)
Profit income		**2,315**	2,127	**2,315**	2,127
		466,811	549,041	**466,817**	549,047
Management fees	18	**(44,736)**	(45,380)	**(44,736)**	(45,380)
Trustee's fees	19	**(600)**	(600)	**(600)**	(600)
Financing costs	20	**(59,777)**	(63,899)	**(59,777)**	(63,899)
Profit before tax	21	**361,698**	439,162	**361,704**	439,168
Tax benefit	22	**7,698**	509	**7,698**	509
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		**369,396**	439,671	**369,402**	439,677
Basic/diluted earnings per unit (sen)	23	**20.46**	24.35	**20.46**	24.35

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income Distribution				
Total comprehensive income for the financial year	**369,396**	439,671	**369,402**	439,677
Add/(less) Non cash items:				
Accrued rental income	**31,839**	(377)	**31,839**	(377)
Amortisation of deferred rental income	**(3,829)**	376	**(3,829)**	376
Amortisation of premium for Sukuk Murabahah	**(2,077)**	(1,813)	**(2,077)**	(1,813)
Deferred tax liabilities	**(7,698)**	(509)	**(7,698)**	(509)
Depreciation of property, plant and equipment	**634**	381	**634**	381
Reversal of allowance for impairment loss of trade receivables	**(2)**	-	**(2)**	-
Accretion of financial instruments	**2,413**	4,558	**2,413**	4,558
Fair value adjustments of investment properties	**76,979**	5,085	**76,979**	5,085
	98,259	7,701	**98,259**	7,701
Total income available for distribution	**467,655**	447,372	**467,661**	447,378
Distribution to unitholders in respect of financial year 2021:				
1st interim income distribution of 6.01% (2020: 5.84%) on 1,805,333,083 units	**(108,501)**	(105,431)	**(108,501)**	(105,431)
2nd interim income distribution of 6.01% (2020: 6.09%) on 1,805,333,083 units	**(108,501)**	(109,945)	**(108,501)**	(109,945)
3rd interim income distribution of 6.16% (2020: 5.87%) on 1,805,333,083 units	**(111,209)**	(105,973)	**(111,209)**	(105,973)
4th interim income distribution of 6.83% (2020: 5.70%) on 1,805,333,083 units	**(123,304)**	(102,904)	**(123,304)**	(102,904)
Balance undistributed	**16,140**	23,119	**16,146**	23,125

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 2021

	Non-Distributable		Distributable		
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total Group RM'000
As at 1 January 2021	**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 surplus	**-**	**-**	**(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)**
As at 31 December 2021	**7,212,684**	**6,212**	**318,509**	**479,721**	**8,017,126**
As at 1 January 2020	7,212,684	6,212	392,366	462,094	8,073,356
Total comprehensive income for the year	-	-	-	439,671	439,671
Transfer of fair value surplus	-	-	(4,576)	4,576	-
Income distribution (Note 24)	-	-	-	(434,182)	(434,182)
Net total comprehensive loss for the year attributable to unitholders	-	-	(4,576)	10,065	5,489
As at 31 December 2020	7,212,684	6,212	387,790	472,159	8,078,845

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 2021

	Non-Distributable		Distributable		
	Unitholders' Capital RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total Funds RM'000
As at 1 January 2021	**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 surplus	**-**	**-**	**(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)**
As at 31 December 2021	**7,212,684**	**6,212**	**318,509**	**479,776**	**8,017,181**
As at 1 January 2020	7,212,684	6,212	392,366	462,137	8,073,399
Total comprehensive income for the year	-	-	-	439,677	439,677
Transfer of fair value surplus	-	-	(4,576)	4,576	-
Income distribution (Note 24)	-	-	-	(434,182)	(434,182)
Net total comprehensive loss for the year attributable to unitholders	-	-	(4,576)	10,071	5,495
As at 31 December 2020	7,212,684	6,212	387,790	472,208	8,078,894

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 2021

	Group		Fund	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**361,698**	439,162	**361,704**	439,168
Adjustments for:				
Profit income	**(2,315)**	(2,127)	**(2,315)**	(2,127)
Financing costs	**59,777**	63,899	**59,777**	63,899
Accrued rental income and amortisation of deferred revenue	**28,010**	(1)	**28,010**	(1)
Depreciation of property, plant and equipment	**634**	381	**634**	381
Reversal of allowance for impairment on trade receivable	**(2)**	-	**(2)**	-
Fair value adjustments on investment properties	**76,979**	5,085	**76,979**	5,085
Operating cash flows before changes in working capital	**524,781**	506,399	**524,787**	506,405
Changes in working capital:				
Trade and other receivables	**494**	1,910	**494**	1,910
Trade and other payables	**(28,431)**	2,099	**(28,324)**	2,020
Cash generated from operations	**496,844**	510,408	**496,957**	510,335
Profit income received	**2,213**	2,170	**2,213**	2,170
Net cash generated from operating activities	**499,057**	512,578	**499,170**	512,505
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions for investment properties (Note 6)	**(1,011)**	(110)	**(1,011)**	(110)
Purchase of property, plant and equipment (Note 5)	**(295)**	(551)	**(295)**	(551)
Net cash used in investing activities	**(1,306)**	(661)	**(1,306)**	(661)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distributions paid	**(430,620)**	(434,463)	**(430,620)**	(434,463)
Financing cost paid	**(59,758)**	(61,375)	**(59,758)**	(61,375)
Proceeds from issuance of Sukuk Murabahah	**400,000**	-	**400,000**	-
Payment of Sukuk Murabahah	**(400,000)**	-	**(400,000)**	-
Net cash used in financing activities	**(490,378)**	(495,838)	**(490,378)**	(495,838)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,373**	16,079	**7,486**	16,006
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**99,421**	83,342	**99,242**	83,236
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)	**106,794**	99,421	**106,728**	99,242

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 2021

1. CORPORATE INFORMATION

The Fund is a Malaysia-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019 (collectively referred to as the “Deed”) entered into between the Manager and Maybank Trustees Berhad (“the Trustee”) and was registered with the Securities Commission Malaysia on 16 October 2019. The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 9 May 2013. The registered office of the Manager is located at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

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

The immediate, penultimate and ultimate holding companies are KLCC Property Holdings Berhad (“KLCCP”), KLCC (Holdings) Sdn Bhd (“KLCCH”) and Petroliam Nasional Berhad (“PETRONAS”) respectively, all of which are incorporated and domiciled in Malaysia.

The principal activities of the Fund are investing directly and indirectly, in a Shariah-compliant portfolio of income producing real estate used primarily for office and retail purposes as well as real estate related assets.

The principal activity of its subsidiary is stated in Note 7 to the financial statements.

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager on 28 January 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”), applicable provisions of the Deed and the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

2.2 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Fund. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of Consolidation (Cont'd.)

Business combination

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

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

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

All intercompany transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

2.3 Business Combination under Common Control

KLCC REIT applies merger accounting to account for business combinations under common control. Under the merger accounting, assets and liabilities acquired are not restated to their respective fair values but at their carrying amounts in the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as merger reserve. No additional goodwill is recognised. The acquired business' results and the related assets and liabilities are recognised prospectively from the date on which the business combination between entities under common control occurred.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses and are depreciated on a straight line basis over the estimated useful life of the related assets.

Costs are expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Property, Plant and Equipment (Cont'd.)

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

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

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

2.5 Investment

Investment in subsidiary is stated at cost less impairment loss, if any, in the Fund's financial statements. The cost of investment includes transaction cost.

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

2.6 Investment Properties

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

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

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Impairment of Non-Financial Assets

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

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

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

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

2.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of 3 months or less.

2.9 Financial Assets

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

(i) Recognition and initial measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Financial Assets (Cont'd.)

(i) Recognition and initial measurement (Cont'd.)

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Financial Assets (Cont'd.)

(iii) Derecognition

A financial asset is derecognised when:

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

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

i. The Group and the Fund have transferred substantially all the risks and rewards of the asset; or

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

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

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

2.10 Impairment of Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Impairment of Financial Assets (Cont'd.)

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

2.11 Provisions

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

2.12 Financial Liabilities

(i) Recognition and initial measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial Liabilities (Cont'd.)

(ii) Subsequent measurement (Cont'd.)

Financial liabilities at amortised cost

This is the category most relevant to the Group and the Fund. After initial recognition, financings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective profit rate amortisation process.

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

This category generally applies to financing 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Taxation (Cont'd.)

(ii) Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is expected to be realised or the liability is expected to be settled, based on tax rates and 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue Recognition

(i) Rental income

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

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

(ii) Others

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

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

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

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

Profit income

Profit income is recognised on an accrual basis using the effective profit method.

2.20 Leases

Operating leases - the Fund as lessor

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Operating Segments

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

2.22 Fair Value Measurement

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

(i) Financial instruments

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

(ii) Non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2021, 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 2021

Amendments to MFRS 7	Financial Instruments: Disclosures (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 9	Financial Instruments (Amendments to Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments to Interest Rate Benchmark Reform - Phase 2)

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

4.2 Key sources of estimation uncertainty (Cont'd.)

Fair valuation of investment properties (Cont'd.)

The following table demonstrates the sensitivity of the fair value measurement to changes in estimated term yield rate, discount rate and its corresponding sensitivity result in a higher or lower fair value measurement:

	Fair value Increase/(decrease)	
	2021 RM'000	**2020 RM'000**
Yield rate		
- 0.25%	**153,000**	198,652
+ 0.25%	**(163,000)**	(187,145)
Discount rate		
- 0.25%	**204,000**	186,049
+ 0.25%	**(218,000)**	(178,979)

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

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5. PROPERTY, PLANT AND EQUIPMENT

	Group/Fund			
	Building Improvements RM'000	Office Equipment RM'000	Work-in Progress RM'000	Total RM'000
Cost				
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**
Accumulated Depreciation				
At 1 January 2021	**1,367**	**54**	**-**	**1,421**
Charge for the year (Note 21)	**492**	**142**	**-**	**634**
Transfer	**(297)**	**297**	**-**	**-**
At 31 December 2021	**1,562**	**493**	**-**	**2,055**
Net Carrying Amount	**688**	**549**	**51**	**1,288**
Cost				
At 1 January 2020	2,950	54	-	3,004
Additions	-	551	-	551
At 31 December 2020	2,950	605	-	3,555
Accumulated Depreciation				
At 1 January 2020	987	53	-	1,040
Charge for the year (Note 21)	380	1	-	381
At 31 December 2020	1,367	54	-	1,421
Net Carrying Amount	1,583	551	-	2,134

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES

	Group/Fund	
	2021 RM'000	2020 RM'000
At 1 January	**9,189,014**	9,193,989
Fair value adjustments	**(76,979)**	(5,085)
Additions during the year	**1,011**	110
Transfer from property, plant and equipment	**507**	-
At 31 December	**9,113,553**	9,189,014

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	
	2021 RM'000	2020 RM'000
Rental income	**569,728**	581,224
Direct operating expenses	**(26,791)**	(27,721)
	542,937	553,503

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

Fair value of investment properties is classified as Level 3.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES (CONT'D.)

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

Valuation technique	Significant unobservable inputs	Range 2021	Range 2020	Inter-relationship between significant unobservable inputs and fair value measurement
Investment method (refer below)	**Office:**			The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	**8.50 - 12.99**	8.50 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	**9.25 - 12.40**	8.80 - 12.32	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	**2.40**	1.96	- expected inflation rate was lower/(higher)
	- Reversion	**2.40**	1.96 - 2.20	- expected inflation rate was lower/(higher)
	Void rate (%)	**5.00**	5.00	- void rate was lower/(higher)
	Term yield (%)	**5.75 - 6.00**	5.50 - 6.00	- term yield rate was lower/(higher)
	Reversionary yield (%)	**6.00 - 6.25**	6.00 - 6.50	- reversionary yield was lower/(higher)
	Discount rate (%)	**5.75 - 6.25**	5.50 - 6.50	- discount rate was lower/(higher)
	Retail:			The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	**6.26 - 121.22**	6.94 - 126.84	- expected market rental growth was higher/(lower)
	- Reversion	**7.33 - 150.12**	17.54 - 121.14	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	**5.75**	5.72	- expected inflation rate was lower/(higher)
	- Reversion	**5.75**	5.72	- expected inflation rate was lower/(higher)
	Void rate (%)	**5.00**	10.00	- void rate was lower/(higher)
	Term yield (%)	**6.25**	6.25	- term yield rate was lower/(higher)
	Reversionary yield (%)	**6.50**	6.75	- reversionary yield was lower/(higher)
	Discount rate (%)	**6.25 - 6.50**	6.25 - 6.75	- discount rate was lower/(higher)

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

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT PROPERTIES (CONT'D.)

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 31.12.2021 RM'000	Carrying value as at 31.12.2020 RM'000	Fair value as at 31.12.2021 RM'000	Fair value as at 31.12.2020 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2021 %	Percentage of fair value to Net Asset Value as at 31.12.2020 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10.04.2013	6,500,000	**6,635,156**	6,680,639	**6,940,000**	7,014,000	**86.6**	86.8
Menara 3 PETRONAS	Freehold	Office & retail	Kuala Lumpur	10.04.2013	1,790,000	**1,946,397**	1,971,575	**2,020,000**	2,048,500	**25.2**	25.4
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10.04.2013	450,000	**532,000**	536,800	**532,000**	536,800	**6.6**	6.6
					8,740,000	**9,113,553**	9,189,014	**9,492,000**	9,599,300		

7. INVESTMENT IN SUBSIDIARY

	Fund 2021 RM	Fund 2020 RM
Unquoted shares at cost	**2**	2

Details of the subsidiary, which is incorporated in Malaysia, are as follows:

Name of Subsidiary	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %	Principal Activity
Midciti Sukuk Berhad ("MSB")	**100**	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

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8. TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-Current				
Accrued rental income	**378,447**	410,286	**378,447**	410,286
Current				
Trade receivables	**1,168**	501	**1,168**	501
Other receivables				
Other receivables and deposits	**3,030**	3,713	**3,030**	3,713
Amount due from ultimate holding company	**20**	-	**20**	-
Amount due from fellow subsidiaries	**675**	1,070	**675**	1,070
Total other receivables	**3,725**	4,783	**3,725**	4,783
Total	**4,893**	5,284	**4,893**	5,284
Trade receivables	**1,168**	501	**1,168**	501
Other receivables	**3,725**	4,783	**3,725**	4,783
	4,893	5,284	**4,893**	5,284
Add: Cash and bank balances (Note 9)	**106,794**	99,421	**106,728**	99,242
Total financial assets carried at amortised cost	**111,687**	104,705	**111,621**	104,526

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and bank balances	**768**	908	**740**	766
Deposits with licensed banks	**106,026**	98,513	**105,988**	98,476
	106,794	99,421	**106,728**	99,242

The weighted average effective profit rate applicable to the deposits with licensed banks at the reporting date was 1.91% per annum (2020: 1.87% per annum).

Deposits with licensed banks have an average maturity of 46 days (2020: 42 days).

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10. UNITHOLDERS' CAPITAL

	Fund			
	Number of Units		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid:				
At 1 January/31 December	**1,805,333**	1,805,333	**7,212,684**	7,212,684

Stapled Security:

Stapled security means one unit in KLCC REIT is stapled to one ordinary share in KLCCP. Holders of KLCCP Group Stapled Securities are entitled to receive distributions and dividends as declared from time to time and are entitled to one vote per stapled security at Unitholders' and Shareholders' meetings.

Accordingly, the Fund does not have authorised unitholders' capital, or par value in respect of its issued units.

As at 31 December 2021, the Manager did not hold any units in the Fund. However, parties related to the Manager held units in the Fund as follows:

	Fund			
	Number of Units		Market Value	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Direct unitholdings of parties related to the Manager				
KLCCH	**1,167,639**	1,167,639	**7,648,035**	8,266,884
PETRONAS	**40,817**	40,817	**267,351**	288,984
	1,208,456	1,208,456	**7,915,386**	8,555,868
Indirect unitholdings of parties related to the Manager				
PETRONAS	**1,167,639**	1,167,639	**7,648,035**	8,266,884

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 2021 of RM6.55 per unit (2020: RM7.08 per unit).

NOTES TO THE FINANCIAL STATEMENTS

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11. OTHER LONG TERM LIABILITIES

	Group/Fund	
	2021 RM'000	2020 RM'000
Security deposits payable	**65,746**	57,704

Security deposits payable are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on profit rates between 4.16% - 4.35% (2020: 4.35% - 4.52%) per annum.

12. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary relates to Sukuk undertaken by the subsidiary but utilised by the Fund. The profit expenses incurred on the financing is charged to the Fund. The short term amount due is unsecured and is repayable on demand. The long term amount due is unsecured and is not repayable within the next 12 months.

13. FINANCING

	Group	
	2021 RM'000	2020 RM'000
Short term financing		
Secured:		
Sukuk Murabahah	**11,310**	413,704
Long term financing		
Secured:		
Sukuk Murabahah	**1,355,000**	955,000
Total financing		
Secured:		
Sukuk Murabahah	**1,366,310**	1,368,704

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

13. FINANCING (CONT'D.)

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
31 December 2021					
Secured					
Sukuk Murabahah	**1,366,310**	**11,310**	**-**	**955,000**	**400,000**
31 December 2020					
Secured					
Sukuk Murabahah	1,368,704	413,704	-	455,000	500,000

(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 current 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.

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13. FINANCING (CONT'D.)

(a) Sukuk Murabahah (Cont'd.)

Reconciliation of the movement of liabilities to cash flows arising from financing activities

	Sukuk Murabahah RM'000	Dividend paid RM'000	Total RM'000
Balance at 1 January 2021	**1,368,704**	**-**	**1,368,704**
Changes from financing cash flows			
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)**
Total changes from financing cash flows	**(59,758)**	**(430,620)**	**(490,378)**
Other changes			
Liability-related			
Financing cost	**57,364**	**-**	**57,364**
Dividend payable	**-**	**430,620**	**430,620**
Total liability-related other changes	**57,364**	**430,620**	**487,984**
Balance at 31 December 2021	**1,366,310**	**-**	**1,366,310**
Balance at 1 January 2020	1,370,738	-	1,370,738
Changes from financing cash flows			
Financing cost paid	(61,375)	-	(61,375)
Income distribution paid	-	(434,463)	(434,463)
Total changes from financing cash flows	(61,375)	(434,463)	(495,838)
Other changes			
Liability-related			
Financing cost	59,341	-	59,341
Dividend payable	-	434,463	434,463
Total liability-related other changes	59,341	434,463	493,804
Balance at 31 December 2020	1,368,704	-	1,368,704

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 2021	**43,087**
Recognised in profit or loss (Note 22)	**(7,698)**
At 31 December 2021	**35,389**
At 1 January 2020	43,596
Recognised in profit or loss (Note 22)	(509)
At 31 December 2020	43,087

15. OTHER PAYABLES

	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-Current				
Deferred revenue	**80,383**	77,033	**80,383**	77,033
Current				
Other payables	**24,416**	62,309	**24,413**	62,304
Security deposits payable	**3,497**	5,499	**3,497**	5,499
Amount due to:				
Holding company	**68**	74	**-**	7
Fellow subsidiaries	**11,464**	12,124	**11,464**	12,124
Other related companies	**576**	760	**576**	760
Total other payables	**40,021**	80,766	**39,950**	80,694
Add: Financing (Note 13)	**1,366,310**	1,368,704	**-**	-
Amount due to a subsidiary	**-**	-	**1,366,260**	1,368,548
Other long term liabilities (Note 11)	**65,746**	57,704	**65,746**	57,704
Total financial liabilities carried at amortised cost	**1,472,077**	1,507,174	**1,471,956**	1,506,946

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.

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16. REVENUE

	Group/Fund	
	2021 RM'000	2020 RM'000
Investment properties		
- Office	**539,606**	550,650
- Retail	**30,122**	30,574
	569,728	581,224

17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Utilities expenses	**8,606**	9,918	**8,606**	9,918
Maintenance expenses	**10,555**	10,432	**10,555**	10,432
Quit rent and assessment	**3,441**	3,441	**3,441**	3,441
Other operating expenses	**5,651**	5,434	**5,645**	5,428
	28,253	29,225	**28,247**	29,219

18. MANAGEMENT FEES

	Group/Fund	
	2021 RM'000	2020 RM'000
Base fee	**28,492**	28,820
Performance fee	**16,244**	16,560
	44,736	45,380

The Manager will receive the following fees from KLCC REIT:

i) a base fee of 0.3% per annum of the total asset value of KLCC REIT (excluding cash and bank balances) at each financial year end.

ii) a performance fee of 3.00% per annum of KLCC REIT's net property income in the relevant financial year.

19. TRUSTEE'S FEE

In accordance with the Deed, an annual trusteeship fee of up to 0.025% per annum of the net asset value of KLCC REIT at each financial year end, subject to a maximum cap of RM600,000 per annum is to be paid to Trustee.

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCING COSTS

	Group/Fund	
	2021 RM'000	2020 RM'000
Profit expense:		
Sukuk Murabahah	**57,364**	59,341
Accretion of financial instruments	**2,413**	4,558
	59,777	63,899

21. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Audit fees	**94**	91	**89**	87
Valuation fees	**670**	622	**670**	622
Property manager fee	**95**	95	**95**	95
Depreciation (Note 5)	**634**	381	**634**	381
Reversal of allowance for impairment of trade receivable (Note 28)	**(2)**	-	**(2)**	-

22. TAX 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 2021 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% (2020: 10%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

22. TAX BENEFIT (CONT'D.)

Reconciliation of the tax benefit is as follows:

	Group		Fund	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Profit before taxation	**361,698**	439,162	**361,704**	439,168
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	**86,808**	105,399	**86,808**	105,400
Expenses not deductible for tax purposes	**19,017**	2,252	**19,017**	2,251
Income not subject to tax	**(105,825)**	(107,651)	**(105,825)**	(107,651)
Deferred tax recognised at different tax rate	**(7,698)**	(509)	**(7,698)**	(509)
Tax benefit	**(7,698)**	(509)	**(7,698)**	(509)

23. EARNINGS PER UNIT - BASIC AND DILUTED

Basic/diluted earnings per unit ("EPU") 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.

	2021	**2020**
Profit attributable to unitholders of the Fund (RM'000)	**369,402**	439,677
Weighted average number of units in issue ('000)	**1,805,333**	1,805,333
Basic/diluted earnings per unit (sen)	**20.46**	24.35

Diluted EPU equals to Basic EPU as there are no potential dilutive units in issue.

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24. INCOME DISTRIBUTION

	Income distribution recognised in year 2021 RM'000	Net income distribution per unit 2021 Sen	Income distribution recognised in year 2020 RM'000	Net income distribution per unit 2020 Sen
For the financial year ended 31 December 2021				
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**	-	-
For the financial year ended 31 December 2020				
A first interim income distribution of 5.84% on 1,805,333,083 units	**-**	**-**	105,431	5.84
A second interim income distribution of 6.09% on 1,805,333,083 units	**-**	**-**	109,945	6.09
A third interim income distribution of 5.87% on 1,805,333,083 units	**-**	**-**	105,973	5.87
A fourth interim income distribution of 5.70% on 1,805,333,083 units	**102,904**	**5.70**	-	-
For the financial year ended 31 December 2019				
A fourth interim income distribution of 6.25% on 1,805,333,083 units	**-**	**-**	112,833	6.25
	431,115	**23.88**	434,182	24.05

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

24. INCOME DISTRIBUTION (CONT'D.)

The fourth interim income distribution in respect of the financial year ended 31 December 2021, of 6.83% on 1,805,333,083 units amounting to an income distribution payable of RM123,304,000 will be payable on 28 February 2022.

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 2021.

Distribution to unitholders is from the following sources:

	Group	
	2021 RM'000	2020 RM'000
Net property income	**541,475**	551,999
Profit income	**2,315**	2,127
Fair value adjustments of investment properties	**(76,979)**	(5,085)
	466,811	549,041
Less: Expenses	**(105,113)**	(109,879)
Tax benefit	**7,698**	509
Profit for the year	**369,396**	439,671
Add: Non-cash items	**98,259**	7,701
Add: Brought forward undistributed income available for distribution	**64,588**	41,469
Total available for income distribution	**532,243**	488,841
Less: Income distributed	**(328,211)**	(321,349)
Less: Income to be distributed	**(123,304)**	(102,904)
Balance undistributed income available for distribution	**80,728**	64,588
Distribution per unit (sen)	**25.01**	23.50

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

25. MANAGEMENT EXPENSE RATIO

	Group	
	2021 RM'000	2020 RM'000
Total Trust expenses	**46,909**	47,437
Net asset value at the end of the financial year	**8,017,126**	8,078,845
Less: Fourth interim income distribution	**(123,304)**	(102,904)
Net asset value at the end of the financial year, after interim income distribution	**7,893,822**	7,975,941
Management Expense Ratio ("MER")	**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	
	2021 RM'000	2020 RM'000
Approved but not contracted for		
Investment properties	**7,700**	6,300

(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	
	2021 RM'000	2020 RM'000
Not later than 1 year	**598,386**	567,011
Later than 1 year but not later than 5 years	**2,373,145**	2,330,010
More than 5 years	**7,600,212**	8,202,152
	10,571,743	11,099,173

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) KLCCH, the penultimate holding company, and its subsidiaries.
(iii) KLCCP, the immediate holding company, and its subsidiaries.
(iv) Subsidiary of the Fund as disclosed in Note 7.

(b) Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows:

Income/(expense)	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Federal Government of Malaysia				
Property licenses and other taxes	**(3,441)**	(3,441)	**(3,441)**	(3,441)
Government of Malaysia's related entities				
Purchase of utilities	**(2,780)**	(3,841)	**(2,780)**	(3,841)
Ultimate Holding Company				
Rental income	**542,615**	524,811	**542,615**	524,811
Fellow subsidiaries				
Management fees	**(44,736)**	(45,380)	**(44,736)**	(45,380)
Property management fees	**(1,892)**	(1,892)	**(1,892)**	(1,892)
Property maintenance fees	**(9,614)**	(9,170)	**(9,614)**	(9,170)
Property advertising and marketing fees	**(626)**	(658)	**(626)**	(658)
Carpark income	**793**	1,019	**793**	1,019
Other related company				
Chilled water supply	**(5,826)**	(6,117)	**(5,826)**	(6,117)

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 2021 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 (CONT'D.)

Credit Risk (Cont'd.)

Receivables (Cont'd.)

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment losses as at the end of the reporting period is analysed below:

	Group/Fund	
	2021 RM'000	2020 RM'000
At net		
Current	**100**	61
Past due 1 to 30 days	**144**	364
Past due 31 to 60 days	**188**	50
Past due 61 to 90 days	**213**	-
Past due more than 90 days	**523**	121
	1,168	596
Trade receivables	**1,168**	596
Less: Impairment losses	**-**	(95)
Net trade receivable (Note 8)	**1,168**	501

The movements in the allowance account are as follows:

	Group/Fund	
	2021 RM'000	2020 RM'000
At 1 January	**95**	95
Reversal of allowance for impairment (Note 21)	**(2)**	-
Allowance written off	**(93)**	-
At 31 December	**-**	95

Recognition and measurement of impairment loss

In determining the Expected Credit Loss ("ECL"), the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises from the requirement to raise funds for the Group's 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
31 December 2021							
Group							
Financial Liabilities							
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**	**4.34**	**140,155**	**-**	**7,220**	**6,601**	**126,334**
Fund							
Financial Liabilities							
Other payables	**39,950**	**-**	**39,950**	**39,950**	**-**	**-**	**-**
Amount due to a subsidiary	**1,366,260**	**-**	**1,366,260**	**11,260**	**-**	**955,000**	**400,000**
Other long term liabilities	**65,746**	**4.34**	**140,155**	**-**	**7,220**	**6,601**	**126,334**
31 December 2020							
Group							
Financial Liabilities							
Sukuk Murabahah	1,368,704	4.35	1,569,453	465,352	42,840	550,790	510,471
Other payables	80,766	-	80,766	80,766	-	-	-
Other long term liabilities	57,704	4.36	140,155	-	7,220	6,601	126,334
Fund							
Financial Liabilities							
Other payables	80,694	-	80,694	80,694	-	-	-
Amount due to a subsidiary	1,368,548	-	1,368,548	413,548	-	455,000	500,000
Other long term liabilities	57,704	4.36	140,155	-	7,220	6,601	126,334

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Financial assets	**106,026**	98,513	**105,988**	98,476
Financial liabilities	**(1,366,310)**	(1,368,704)	**-**	-

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.

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28. FINANCIAL INSTRUMENTS (CONT'D.)

Fair Value Information (Cont'd.)

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
Group					
2021					
Financial liabilities					
Sukuk Murabahah	**-**	**1,368,904**	**-**	**1,368,904**	**1,366,310**
2020					
Financial liabilities					
Sukuk Murabahah	-	1,371,395	-	1,371,395	1,368,704

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
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29. CAPITAL MANAGEMENT (CONT'D.)

The financing to total assets ratio as at 31 December 2021 is as follows:

	Group	
	2021	**2020**
Total financing (RM'000)	**1,366,310**	1,368,704
Total assets (RM'000)	**9,604,975**	9,706,139
Financing to total assets ratio	**14.2%**	14.1%

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 2021

30. SEGMENT INFORMATION (CONT'D.)

(b) Allocation basis and transfer pricing (Cont'd.)

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
31 December 2021			
Revenue			
Revenue from external customers	**539,606**	**30,122**	**569,728**
Results			
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**
Total assets	**8,979,760**	**625,215**	**9,604,975**
Total liabilities	**1,574,429**	**13,420**	**1,587,849**

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30. SEGMENT INFORMATION (CONT'D.)

(b) Allocation basis and transfer pricing (Cont'd.)

Business Segments (Cont'd.)

	Property investment - Office RM'000	Property investment - Retail RM'000	Consolidated RM'000
31 December 2020			
Revenue			
Revenue from external customers	550,650	30,574	581,224
Results			
Net property income	532,141	19,858	551,999
Profit income			2,127
Fair value adjustments on investment properties			(5,085)
Management fees			(45,380)
Trustee's fees			(600)
Financing costs			(63,899)
Tax benefit			509
Profit after tax			439,671
Depreciation			381
Non-cash items other than depreciation			7,320
Total assets	9,056,857	649,282	9,706,139
Total liabilities	1,603,571	23,723	1,627,294

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 2022

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations (Amendments to Reference to the Conceptual Framework)
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 116	Property, Plant and Equipment (Amendments to Property, Plant and Equipment - Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to Onerous Contract - Cost of Fulfilling a Contract)

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31. PRONOUNCEMENTS YET IN EFFECT (CONT'D.)

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: (Cont'd.)

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	Presentation of Financial Statements (Amendments to 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 (Amendments to Definition of Accounting Estimates)
Amendments to MFRS 112	Income taxes (Amendments to Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements (Amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The adoption of the above pronouncements is not expected to have material impact on the financial statements of the Group and of the Fund in the period of initial application.

32. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE FUND

The MASB has issued pronouncements which are not effective, but for which are not relevant to the operations of the Group and of the Fund and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018-2020)

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 (Amendments to Initial application of MFRS 17 and MFRS 9)

Effective for a date yet to be confirmed

Amendments to MFRS 128	Investment in Associates and Joint Ventures (Amendments to 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 2021 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 269 to 314.

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 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Fund. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Valuation of investment properties

As at 31 December 2021, the carrying value of the Group's investment properties amounted to RM9,113,553,000 which represents 95% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group had engaged an external valuer to determine the fair value of the investment properties at the reporting date.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Valuation of investment properties (Cont'd.)

Our audit procedures focused on the valuations performed by firms of independent valuers, which included, amongst others, the following procedures:

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We 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 Manager of the Fund is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund that give a true and fair view in accordance with 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.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Responsibilities of the Manager for the financial statements (Cont'd.)

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 (Cont'd.)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From 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

Lim Eng Hoe
No. 03403/12/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 January 2022

LIST OF PROPERTIES OF KLCCP STAPLED GROUP

AS AT 31 DECEMBER 2021

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 31.12.2021 (RM mil)
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43685 Lot 157, Seksyen 58, Town & District of Kuala Lumpur	31.12.2021 (Freehold)	A 29 storey office building with 3 basement levels (Menara ExxonMobil) / Office building	3,999	74,369	25 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	31.12.2021 (Freehold)	A 58-storey office tower (Menara 3 PETRONAS) cum shopping podium and basement car park/ Office building & retail podium	4,302	155,296	10 years	1,946.4*
Maybank Trustees Berhad as trustee of KLCC Real Estate Investment Trust	Grant 43697 Lot 169, Seksyen 58, Town & District of Kuala Lumpur	31.12.2021 (Freehold)	Two 88-storey office towers (PETRONAS Twin Towers) / Office building	21,740	510,917	24 years	6,635.2*

* Investment Properties stated at fair value