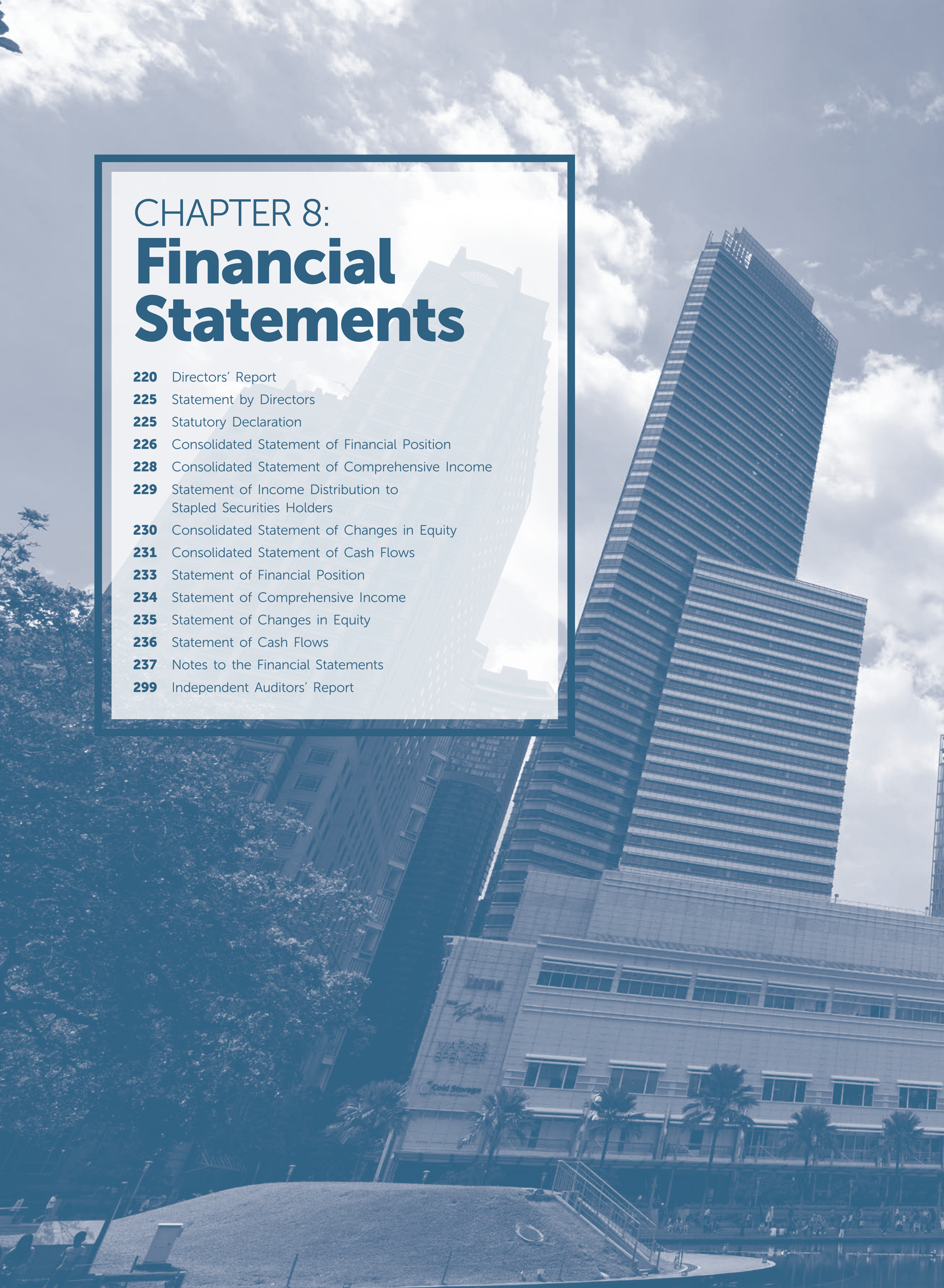

CHAPTER 8:
# Financial Statements


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KLCCP STAPLED GROUP

# Directors' Report

For The Year Ended 31 December 2023

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 2023.

## PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of investment holding, property development management and the provision of management services.

The principal activities of subsidiaries and an associate are stated in Note 5 and Note 6 to the financial statements respectively. The Board of Directors deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

## CORPORATE INFORMATION

The Company is a public limited liability company, incorporated on 7 February 2004 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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

(a) KLCC Property Holdings Berhad ("KLCCP") Group, being the Company, its existing subsidiaries and associate company; and
(b) KLCC Real Estate Investment Trust ("KLCC REIT") Group.

## HOLDING COMPANIES

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.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the year | 1,066,382 | 271,120 |
| Attributable to: | | |
| Equity holders of the Company | 396,662 | 271,120 |
| Non-controlling interests relating to KLCC REIT | 534,632 | – |
| Other non-controlling interests | 135,088 | – |
| | 1,066,382 | 271,120 |

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2022 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2022 as reported in the Directors' Report in that year: | |
| A fourth interim dividend of 7.69%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 31 January 2023 and paid on 28 February 2023. | 138,830 |
| In respect of the financial year ended 31 December 2023: | |
| A first interim dividend of 1.41%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 29 May 2023 and paid on 28 June 2023. | 25,455 |
| A second interim dividend of 1.80%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 14 August 2023 and paid on 27 September 2023. | 32,496 |
| A third interim dividend of 2.50%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 28 November 2023 and paid on 29 December 2023. | 45,134 |
| | 241,915 |

A fourth interim dividend in respect of the financial year ended 31 December 2023, of 8.00%, tax exempt under the single tier system on 1,805,333,083 ordinary shares, declared on 7 February 2024 amounting to a dividend payable of RM144,426,647 will be payable on 29 February 2024.

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 2024.

## RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year other than as disclosed in the financial statements.

## DIRECTORS

Directors who served during the financial year until the date of this report are:

Tan Sri Ahmad Nizam Bin Salleh
Farina Binti Farikhullah Khan
Dato' Jamaludin Bin Osman
Liza Binti Mustapha
Datuk Md. Shah Bin Mahmood
Chong Chye Neo
Dato' Sr. Mazuki Bin A. Aziz
Datin Noor Lily Zuriati Binti Abdullah

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are available in the respective subsidiaries' Directors' Report or at the Company's registered office that the Board deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

KLCCP STAPLED GROUP

# Directors' Report

For The Year Ended 31 December 2023

## DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interests in the shares of the Company and of 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 1.1.2023 | Number of Shares | | Balance as at 31.12.2023 |
| | | Bought | Sold | |
| **Direct** | | | | |
| Tan Sri Ahmad Nizam Bin Salleh | 10,000 | – | – | 10,000 |
| Datuk Md. Shah Bin Mahmood | 6,000 | – | – | 6,000 |

| | Number of Shares in Petronas Gas Berhad | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2023 | Number of Shares | | Balance as at 31.12.2023 |
| | | Bought | Sold | |
| **Direct** | | | | |
| Tan Sri Ahmad Nizam Bin Salleh | 2,000 | – | – | 2,000 |

None of the other Directors holding office at 31 December 2023 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit shown below), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2023 was RM1,217,000.

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 | 1,217 | 1,217 |
| | 1,217 | 1,217 |

* The remuneration of the Executive Director is paid to KLCCH as disclosed in Note 26.

## ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company 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.

## INDEMNITY AND INSURANCE COSTS

During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with 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 PETRONAS Group was RM1,290 million per occurrence and in the aggregate. The insurance premium for the Company is RM1,000.

## OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

No material contingent liability or other liability of any company in the Group 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 financial performance of the Group and of the Company for the financial year ended 31 December 2023 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.

**KLCCP STAPLED GROUP**

# Directors' Report

**For The Year Ended 31 December 2023**

## AUDITORS

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

The auditors' remuneration for the financial year ended 31 December 2023 of the Group and the Company is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| **Statutory audit fees** | | |
| Ernst & Young PLT | 706 | 249 |
| **Non audit service fees** | | |
| Ernst & Young PLT | 16 | 16 |

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

**Tan Sri Ahmad Nizam Bin Salleh**
Chairman

**Datuk Md. Shah Bin Mahmood**
Director

Kuala Lumpur,
Date: 7 February 2024

# Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 226 to 298 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 of 31 December 2023 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

**Tan Sri Ahmad Nizam Bin Salleh**
Chairman

**Datuk Md. Shah Bin Mahmood**
Director

Kuala Lumpur,
Date: 7 February 2024

# Statutory Declaration

I, Rohizal Bin Kadir, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 226 to 298 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 provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
**Rohizal Bin Kadir**
MIA Membership Number: 50742
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 7 February 2024

Rohizal Bin Kadir
BEFORE ME:

**Y.M. Tengku Nur Athiya Tengku Fariddudin**
Commissioner for Oaths

KLCCP STAPLED GROUP

# Consolidated Statement of Financial Position

As At 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | **547,763** | 570,929 |
| Investment properties | 4 | **15,953,114** | 15,722,780 |
| Investment in an associate | 6 | **266,687** | 265,023 |
| Trade and other receivables | 7 | **270,954** | 328,988 |
| Right-of-use assets | 22 | **2,495** | 3,913 |
| Deferred tax assets | 8 | **1,513** | 1,464 |
| | | **17,042,526** | 16,893,097 |
| **Current Assets** | | | |
| Inventories | 9 | **1,607** | 1,558 |
| Trade and other receivables | 7 | **94,182** | 102,018 |
| Tax recoverable | | **3,167** | 7,813 |
| Cash and bank balances | 10 | **1,192,076** | 1,104,972 |
| | | **1,291,032** | 1,216,361 |
| **TOTAL ASSETS** | | **18,333,558** | 18,109,458 |
| **EQUITY** | | | |
| **Equity Attributable to Equity Holders of the Company** | | | |
| Share capital | 11 | **1,823,386** | 1,823,386 |
| Capital reserve | 12 | **3,008,866** | 2,897,190 |
| Retained profits | 12 | **435,883** | 392,812 |
| **Total equity attributable to shareholder of the Company** | | **5,268,135** | 5,113,388 |
| Non-controlling interests ("NCI") relating to KLCC REIT | 5 | **8,070,969** | 8,018,361 |
| **Stapled Securities holders interests in the Group** | | **13,339,104** | 13,131,749 |
| Other NCI | 5 | **2,050,350** | 2,035,529 |
| **TOTAL EQUITY** | | **15,389,454** | 15,167,278 |

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-Current Liabilities** | | | |
| Trade and other payables | 14 | **149,515** | 126,928 |
| Deferred revenue | 15 | **83,951** | 82,633 |
| Financings | 13 | **1,289,572** | 2,355,887 |
| Deferred tax liabilities | 8 | **62,850** | 53,982 |
| | | **1,585,888** | 2,619,430 |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | **261,158** | 281,308 |
| Financings | 13 | **1,074,600** | 22,586 |
| Taxation | | **22,458** | 18,856 |
| | | **1,358,216** | 322,750 |
| **TOTAL LIABILITIES** | | **2,944,104** | 2,942,180 |
| **TOTAL EQUITY AND LIABILITIES** | | **18,333,558** | 18,109,458 |
| Net asset value ("NAV") | | **13,339,104** | 13,131,749 |
| Less: Fourth interim distribution | | **(259,968)** | (252,747) |
| **Net NAV after distribution** | | **13,079,136** | 12,879,002 |
| **Number of stapled securities/shares in circulation ('000)** | | **1,805,333** | 1,805,333 |
| **NAV per stapled security/share (RM)** | | | |
| – before distribution | | **7.39** | 7.27 |
| – after distribution | | **7.24** | 7.13 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

KLCCP STAPLED GROUP

# Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| Revenue | | **1,619,163** | 1,459,251 |
| **Operating profit** | 16 | **1,020,226** | 958,796 |
| Interest/profit income | 19 | **42,391** | 27,068 |
| Financing costs | 20 | **(111,312)** | (105,759) |
| Share of profit of an associate | 6 | **14,204** | 10,098 |
| Fair value adjustments of investment properties | 4 | **221,914** | 128,676 |
| **Profit before taxation** | 17 | **1,187,423** | 1,018,879 |
| Tax expense | 21 | **(121,041)** | (107,325) |
| **PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME** | | **1,066,382** | 911,554 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **396,662** | 279,365 |
| NCI relating to KLCC REIT | 5 | **534,632** | 503,298 |
| | | **931,294** | 782,663 |
| Other NCI | 5 | **135,088** | 128,891 |
| | | **1,066,382** | 911,554 |
| **Earnings per share attributable to equity holders of the Company (sen):** | | | |
| Basic/diluted | 23 | **21.97** | 15.47 |
| **Earnings per stapled security (sen):** | | | |
| Basic/diluted | 23 | **51.59** | 43.35 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

# Statement of Income Distribution to Stapled Securities Holders

For The Year Ended 31 December 2023

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| Overall distributable income is derived as follows: | | |
| Profit attributable to the equity holders of the Company | **396,662** | 279,365 |
| Add: Unrealised fair value adjustments attributable to the equity holders | **(111,676)** | (36,360) |
| | **284,986** | 243,005 |
| Distributable income of KLCC REIT | **508,925** | 505,265 |
| Total available for income distribution | **793,911** | 748,270 |
| Distribution to equity holders of the Company in respect of financial year ended 31 December: | | |
| First interim dividend of 1.41% (2022: 0.99%) | **(25,455)** | (17,873) |
| Second interim dividend of 1.80% (2022: 0.99%) | **(32,496)** | (17,873) |
| Third interim dividend of 2.50% (2022: 1.04%) | **(45,134)** | (18,775) |
| Fourth interim dividend of 8.00% (2022: 7.69%) | **(144,427)** | (138,830) |
| | **(247,512)** | (193,351) |
| Distribution to KLCC REIT holders in respect of financial year ended 31 December: | | |
| First interim income distribution of 7.09% (2022: 7.01%) | **(127,998)** | (126,554) |
| Second interim income distribution of 7.00% (2022: 7.01%) | **(126,373)** | (126,554) |
| Third interim income distribution of 6.30% (2022: 6.96%) | **(113,736)** | (125,651) |
| Fourth interim income distribution of 6.40% (2022: 6.31%) | **(115,541)** | (113,917) |
| | **(483,648)** | (492,676) |
| Balance undistributed | **62,751** | 62,243 |

## KLCCP STAPLED GROUP

# Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2023

| | | ← Attributable to Equity Holders of the Company → | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Non-distributable | ← Distributable → | | | | | |
| | Note | Share Capital RM'000 (Note 11) | Capital Reserve RM'000 (Note 12) | Retained Profits RM'000 (Note 12) | Total equity attributable to holders of the Company RM'000 | NCI relating to KLCC REIT RM'000 (Note 5) | Other NCI RM'000 | Total Equity RM'000 |
| **Balance at 1 January 2023** | | **1,823,386** | **2,897,190** | **392,812** | **5,113,388** | **8,018,361** | **2,035,529** | **15,167,278** |
| Total comprehensive income for the year | | **–** | **–** | **396,662** | **396,662** | **534,632** | **135,088** | **1,066,382** |
| Transfer of fair value adjustments net of tax | 12 | **–** | **111,676** | **(111,676)** | **–** | **–** | **–** | **–** |
| Dividends paid | | **–** | **–** | **(241,915)** | **(241,915)** | **(482,024)** | **(120,267)** | **(844,206)** |
| **Balance at 31 December 2023** | | **1,823,386** | **3,008,866** | **435,883** | **5,268,135** | **8,070,969** | **2,050,350** | **15,389,454** |
| **Balance at 1 January 2022** | | 1,823,386 | 2,860,830 | 308,496 | 4,992,712 | 8,017,126 | 2,029,638 | 15,039,476 |
| Total comprehensive income for the year | | – | – | 279,365 | 279,365 | 503,298 | 128,891 | 911,554 |
| Transfer of fair value adjustments net of tax | 12 | – | 36,360 | (36,360) | – | – | – | – |
| Dividends paid | | – | – | (158,689) | (158,689) | (502,063) | (123,000) | (783,752) |
| **Balance at 31 December 2022** | | 1,823,386 | 2,897,190 | 392,812 | 5,113,388 | 8,018,361 | 2,035,529 | 15,167,278 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **1,187,423** | 1,018,879 |
| Adjustments for: | | | |
| Interest/profit income | 19 | **(42,391)** | (27,068) |
| Financing costs | | **111,314** | 105,763 |
| Amortisation of accrued rental income and deferred revenue | | **50,972** | 58,135 |
| Depreciation of property, plant and equipment | 3 | **31,459** | 40,488 |
| Depreciation of right-of-use assets | 22 | **1,418** | 4,490 |
| Investment property written off | 4 | **–** | 13 |
| (Gain)/loss on disposal of property, plant and equipment | 17 | **(27)** | 30 |
| Gain on fair value adjustments of investment properties | 4 | **(221,914)** | (128,676) |
| Impairment on investment property under construction | 4 | **–** | 115 |
| Net reversal for impairment losses of receivables | | **(1,368)** | (1,496) |
| Bad debts written off | 17 | **1,163** | – |
| Share of profit of an associate | 6 | **(14,204)** | (10,098) |
| Derecognition of leases | | **–** | (9) |
| Remeasurement of leases | | **–** | (44) |
| **Operating cash flows before changes in working capital** | | **1,103,845** | 1,060,522 |
| Changes in working capital: | | | |
| Trade and other receivables | | **(674)** | 15,509 |
| Amount due from related companies | | **1,726** | (5,262) |
| Amount due from immediate holding company | | **12,168** | (27,813) |
| Amount due to ultimate holding company | | **4,387** | (599) |
| Trade and other payables | | **(6,983)** | 28,125 |
| Inventories | | **(49)** | (204) |
| Cash generated from operations | | **1,114,420** | 1,070,278 |
| Interest/profit income received | | **42,343** | 26,297 |
| Taxation paid | | **(104,477)** | (70,176) |
| Taxation refunded | | **503** | 12 |
| **Net cash generated from operating activities** | | **1,052,789** | 1,026,411 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Dividends received from an associate | | **12,540** | 16,500 |
| Purchase of property, plant and equipment | | **(9,255)** | (6,512) |
| Subsequent expenditure on investment properties | | **(5,435)** | (6,004) |
| Proceeds from disposal of property, plant and equipment | | **126** | 3 |
| **Net cash (used in)/generated from investing activities** | | **(2,024)** | 3,987 |

## KLCCP STAPLED GROUP
# Consolidated Statement of Cash Flows
For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Drawdown of financings | | **–** | 16,540 |
| Repayment of financings | | **(10,000)** | (10,000) |
| Repayment of lease liabilities | 22 | **(1,380)** | (4,880) |
| Dividends paid to shareholders | 24 | **(241,915)** | (158,689) |
| Dividends paid to other NCI | 5 | **(120,267)** | (123,000) |
| Dividends paid to NCI relating to KLCC REIT | | **(482,235)** | (501,840) |
| Interest/profit paid | | **(107,864)** | (103,085) |
| (Increase)/decrease in deposits restricted | | **(244)** | 841 |
| **Net cash used in financing activities** | | **(963,905)** | (884,113) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **86,860** | 146,285 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **1,102,810** | 956,525 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 10 | **1,189,670** | 1,102,810 |
| The additions in property, plant and equipment and investment properties were acquired by way of: | | | |
| Cash | | **1,838** | 1,260 |
| Accruals and right-of-use asset | | **14,974** | 12,852 |
| | | **16,812** | 14,112 |
| Cash paid for additions in prior years | | **12,852** | 11,256 |
| Cash paid for additions in current year | | **1,838** | 1,260 |
| Total cash paid for investment properties and property, plant and equipment | | **14,690** | 12,516 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

# Statement of Financial Position

As At 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | **68** | 147 |
| Investment in subsidiaries | 5 | **1,371,796** | 1,371,793 |
| Investment in an associate | 6 | **99,195** | 99,195 |
| Right-of-use assets | 22 | **–** | 388 |
| Deferred tax assets | 8 | **829** | 1,437 |
| | | **1,471,888** | 1,472,960 |
| **Current Assets** | | | |
| Trade and other receivables | 7 | **11,563** | 9,919 |
| Tax recoverable | | **2,184** | 5,846 |
| Cash and bank balances | 10 | **684,703** | 647,539 |
| | | **698,450** | 663,304 |
| **TOTAL ASSETS** | | **2,170,338** | 2,136,264 |
| **EQUITY** | | | |
| Share capital | 11 | **1,823,386** | 1,823,386 |
| Retained profits | 12 | **333,512** | 304,307 |
| **TOTAL EQUITY** | | **2,156,898** | 2,127,693 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | **13,440** | 8,166 |
| Financings | 13 | **–** | 405 |
| **TOTAL LIABILITIES** | | **13,440** | 8,571 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,170,338** | 2,136,264 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

KLCCP STAPLED GROUP

# Statement of Comprehensive Income

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| Revenue | | **300,195** | 294,169 |
| **Operating profit** | 16 | **255,408** | 253,735 |
| Interest/profit income | 19 | **21,778** | 14,372 |
| Financing costs | 20 | **(5)** | (98) |
| **Profit before taxation** | | **277,181** | 268,009 |
| Tax (expense)/benefit | 21 | **(6,061)** | 788 |
| **PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME** | | **271,120** | 268,797 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

# Statement of Changes in Equity

For The Year Ended 31 December 2023

| | Note | Non-Distributable Share Capital RM'000 (Note 11) | Distributable Retained Profits RM'000 (Note 12) | Total Equity RM'000 |
|---|---|---|---|---|
| **Balance at 1 January 2023** | | **1,823,386** | **304,307** | **2,127,693** |
| Total comprehensive income for the year | | **–** | **271,120** | **271,120** |
| Dividends paid | 24 | **–** | **(241,915)** | **(241,915)** |
| **Balance at 31 December 2023** | | **1,823,386** | **333,512** | **2,156,898** |
| **Balance at 1 January 2022** | | 1,823,386 | 194,199 | 2,017,585 |
| Total comprehensive income for the year | | – | 268,797 | 268,797 |
| Dividends paid | 24 | – | (158,689) | (158,689) |
| **Balance at 31 December 2022** | | 1,823,386 | 304,307 | 2,127,693 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

KLCCP STAPLED GROUP

# Statement of Cash Flows

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **277,181** | 268,009 |
| Adjustments for: | | | |
| Interest/profit income | 19 | **(21,778)** | (14,372) |
| Financing costs | 20 | **5** | 98 |
| Depreciation of property, plant and equipment | 3 | **79** | 139 |
| Depreciation of right-of-use assets | 22 | **388** | 3,160 |
| Dividend income | | **(274,940)** | (271,500) |
| **Operating cash flows before changes in working capital** | | **(19,065)** | (14,466) |
| Changes in working capital: | | | |
| Trade and other receivables | | **(2,638)** | (248) |
| Amount due from subsidiaries | | **321** | (188) |
| Amount due from related companies | | **(792)** | (829) |
| Amount due from immediate holding company | | **3,768** | (609) |
| Amount due to ultimate holding company | | **3,527** | (1,572) |
| Trade and other payables | | **(559)** | 3,410 |
| Cash used in operations | | **(15,438)** | (14,502) |
| Interest/profit income received | | **21,778** | 14,372 |
| Taxation paid | | **(2,294)** | (371) |
| Taxation refunded | | **503** | – |
| **Net cash generated from/(used in) operating activities** | | **4,549** | (501) |
| **CASH FLOWS FROM INVESTING ACTIVITY** | | | |
| Dividends received from subsidiaries and an associate | | | |
| **Representing the net cash generated from investing activity** | | **274,940** | 271,500 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of lease liabilities | 22 | **(410)** | (3,392) |
| Dividends paid | | **(241,915)** | (158,689) |
| **Net cash used in financing activities** | | **(242,325)** | (162,081) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **37,164** | 108,918 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **647,539** | 538,621 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 10 | **684,703** | 647,539 |

The notes set out on pages 237 to 298 are an integral part of these financial statements.

# Notes to the Financial Statements

**31 December 2023**

## 1. BASIS OF PREPARATION

### 1.1 Statement of compliance

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

As of 1 January 2023, the Group and the Company had adopted amendments to MFRS ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 30.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 31. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 32.

These financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 February 2024.

### 1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items which are measured at fair value, as disclosed in the accounting policies below.

As at 31 December 2023, the current liabilities of the Group exceeded the current assets by RM67,184,000. The net current liabilities position is due to the maturity of its RM455,000,000 and RM600,000,000 Sukuk Murabahah on 25 April 2024 and 31 December 2024 respectively. The Group has plans in place for the repayment of the Sukuk upon their maturities as disclosed in Note 27(c). Hence, the Directors have continued to prepare the financial statements on a going concern basis.

### 1.3 Functional and presentation currency

The financial statements of the Company is prepared using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company has been determined as Ringgit Malaysia ("RM"). The Group's and the Company's financial statements are presented in RM, which is the Company's reporting currency.

All financial information is presented in RM and has been rounded to the nearest thousands, unless otherwise stated.

### 1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### (i) 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.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 1. BASIS OF PREPARATION (continued)

### 1.4 Use of estimates and judgments (continued)

#### (ii) 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 amounts 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 values of the investment properties derived by the independent professional valuers is most sensitive to the estimated reversion and term yield rate and discount rate. The range of the reversion and term yield rate and the discount rate used in the valuation is described in Note 4.

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

| | Fair value Increase/(decrease) | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| **Reversion and term yield rate** | | |
| + 0.25% | **(368,044)** | (343,404) |
| – 0.25% | **381,202** | 365,542 |
| **Discount rate** | | |
| + 0.25% | **(223,705)** | (225,839) |
| – 0.25% | **223,409** | 235,751 |

The other key assumptions used to determine the fair value of the investment properties are further explained in Note 4.

## 2. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

### 2.1 Basis of Consolidation

**Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when it is exposed to, 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 only 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. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of Consolidation (continued)

#### Subsidiaries (continued)

Investments in subsidiaries are 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.

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

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

#### 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 from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as 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 acquiree'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 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.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### Non-controlling interests

Non-controlling interests at the end of 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 shareholders of the Company.

Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other consolidated statement of comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and 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.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of Consolidation (continued)

#### Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. 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 a fair value through other comprehensive income financial asset depending on the level of influence retained.

### 2.2 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 less any impairment losses, unless it is classified as held for sale or distribution. 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 such as loans and advances) 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.

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 the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is 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 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 if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Property, plant and equipment and depreciation

**Recognition and measurement**

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, financing costs are capitalised in accordance with the accounting policy on financing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components 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.

**Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or 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.

**Depreciation**

Depreciation for property, plant and equipment other than freehold land, and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

The annual rates of depreciation of the other property, plant and equipment are as follows:

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

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method 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.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Property, plant and equipment and depreciation (continued)

**Derecognition**

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

### 2.4 Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. 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.

### 2.5 Leases

#### (i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, 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.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Leases (continued)

#### (ii) Recognition and initial measurement

##### (a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental financing rate is used. Generally, the Group entities use their incremental financing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

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 on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'financings' in the statement of financial position.

##### (b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 Leases (continued)

#### (iii) Subsequent measurement

##### (a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest/profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

##### (b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Investments

Long-term investments in subsidiaries and associates are stated at cost less impairment loss, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

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.

### 2.7 Intangible assets

**Goodwill**

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1. 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.

**Other intangible assets**

Intangible assets other than goodwill are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives, other than certain recoverable expenditure incurred under a service contract which is amortised based on unit of production method, which is calculated based on entitlement of production for the period, and estimated entitlement for the remaining life of the asset.

Intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired. Impairment assessment on intangible assets with indefinite useful lives is performed annually.

The amortisation method and the useful life for intangible assets are reviewed at least at each reporting date. Intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired.

### 2.8 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

**Recognition and initial measurement**

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### Classification and subsequent measurement

#### (i) Financial assets

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), as appropriate.

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 FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

#### 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:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

#### Subsequent measurement

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.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

#### Classification and subsequent measurement (continued)

#### (ii) Financial liabilities

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

**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.

**Amortised cost (financings)**

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

#### (iii) Effective interest/profit rate method

Amortised cost was computed using the effective interest/profit rate method. This method used effective interest/profit rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.8 Financial instruments (continued)

**Classification and subsequent measurement (continued)**

**(iv) Derecognition of financial instruments**

**Financial asset**

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, 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 without retaining control of the asset or substantially all the risks and rewards of the asset.

**Financial liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

**(v) Offsetting of financial instruments**

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

### 2.9 Impairment

**(i) Financial assets**

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income.

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 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 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. MATERIAL ACCOUNTING POLICIES (continued)

### 2.9 Impairment (continued)

#### (i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

#### (ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current assets or disposal groups classifies as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows 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.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of developed properties held for sale and properties under development consists of costs associated with the acquisition of land, all costs that are directly attributable to development activities, appropriate proportions of common costs attributable to developing the properties, and interest/profit expenses incurred during the period of active development.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

### 2.12 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 2.13 Employee benefits

#### (i) Short term benefits

Wages and 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 the Company.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Such contributions are recognised as an expense in the profit or loss as incurred.

### 2.14 Taxation

Tax 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 a business combination or items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

#### (i) Current tax

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

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.14 Taxation (continued)

#### (ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases 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, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

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.

### 2.15 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency ("foreign currencies") are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.15 Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

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

| | 2023 RM | 2022 RM |
|---|---|---|
| United States Dollar | **4.60** | 4.41 |

### 2.16 Revenue

**(i) Rental income**

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

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

Contingent rent such as turnover rent is recognised as income in the profit or loss on an accrual basis.

**(ii) Others**

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

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

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

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

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

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.16 Revenue (continued)

#### (ii) Others (continued)

Performance obligation by categories are as follows:

**(a) Dividend income**

Dividend income is recognised when the shareholders' right to receive payment is established.

**(b) Hotel operations**

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

**(c) Revenue from management fees**

Revenue from management fees is recognised when the services are performed. The revenue comprises of:

**(i) Building and facilities management services**

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

**(ii) Car park operations**

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

**(d) Interest/profit income**

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

### 2.17 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 interest and other costs incurred in connection with financings are expensed as incurred, other than that capitalised in accordance with the accounting policies stated in Notes 2.3 and 2.4.

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

### 2.18 Operating segments

An operating segment is a component of the Group and of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available.

An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors, to make decisions about resources to be allocated to the segment and to assess its performance.

**KLCCP STAPLED GROUP**

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.19 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 are determined by reference to quoted market bid prices 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 use observable market data as far as possible. Fair value 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, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 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.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 2.20 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### Ordinary shares

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### Transaction costs

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. MATERIAL ACCOUNTING POLICIES (continued)

### 2.21 Current versus non-current classification

The Group and the Company present assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.22 Climate related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are:

(i) Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.

(ii) Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Group's products.

(iii) Fair value measurement. For investment properties and revalued office properties, the Group considers the effect of physical and transition risks and whether investors would consider those risks in their valuation. The Group believes it is not currently exposed to severe physical risks, but believes that investors, to some extent, would consider impacts of transition risks in their valuation, such as increasing requirements for energy efficiency of buildings due to climate related legislation and regulations as tenants' increasing demands for low-emission buildings.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | 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 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2023 | **634,555** | **7,641** | **158,952** | **196,907** | **87,302** | **1,137** | **10,312** | **1,096,806** |
| Additions | **166** | **2,530** | **2,559** | **760** | **2,377** | **–** | **–** | **8,392** |
| Transfer within property, plant and equipment | **166** | **(4,962)** | **70** | **564** | **4,162** | **–** | **–** | **–** |
| Reclassification | **(139)** | **–** | **139** | **–** | **–** | **–** | **–** | **–** |
| Disposals | **–** | **–** | **(816)** | **–** | **(13)** | **–** | **–** | **(829)** |
| At 31 December 2023 | **634,748** | **5,209** | **160,904** | **198,231** | **93,828** | **1,137** | **10,312** | **1,104,369** |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 January 2023 | **151,916** | **–** | **124,317** | **158,271** | **80,024** | **1,038** | **10,311** | **525,877** |
| Charge for the year (Note 17) | **7,164** | **–** | **8,943** | **10,386** | **4,890** | **75** | **1** | **31,459** |
| Disposals | **–** | **–** | **(717)** | **–** | **(13)** | **–** | **–** | **(730)** |
| At 31 December 2023 | **159,080** | **–** | **132,543** | **168,657** | **84,901** | **1,113** | **10,312** | **556,606** |
| **Net Carrying Amount** | **475,668** | **5,209** | **28,361** | **29,574** | **8,927** | **24** | **–** | **547,763** |
| **Cost** | | | | | | | | |
| At 1 January 2022 | 634,033 | 6,076 | 158,271 | 195,024 | 85,697 | 1,149 | 10,312 | 1,090,562 |
| Additions | – | 3,171 | 610 | 1,281 | 1,389 | – | – | 6,451 |
| Transfer within property, plant and equipment | 522 | (1,606) | 236 | 602 | 246 | – | – | – |
| Disposals | – | – | (111) | – | (29) | (12) | – | (152) |
| Write off | – | – | (54) | – | (1) | – | – | (55) |
| At 31 December 2022 | 634,555 | 7,641 | 158,952 | 196,907 | 87,302 | 1,137 | 10,312 | 1,096,806 |
| **Accumulated Depreciation** | | | | | | | | |
| At 1 January 2022 | 144,454 | – | 113,127 | 143,297 | 73,475 | 975 | 10,235 | 485,563 |
| Charge for the year (Note 17) | 7,462 | – | 11,322 | 14,974 | 6,579 | 75 | 76 | 40,488 |
| Disposals | – | – | (78) | – | (29) | (12) | – | (119) |
| Write off | – | – | (54) | – | (1) | – | – | (55) |
| At 31 December 2022 | 151,916 | – | 124,317 | 158,271 | 80,024 | 1,038 | 10,311 | 525,877 |
| **Net Carrying Amount** | 482,639 | 7,641 | 34,635 | 38,636 | 7,278 | 99 | 1 | 570,929 |

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

*Land and buildings

| Group | Freehold land RM'000 | Hotel building RM'000 | Renovation RM'000 | Building improvements RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2023 | **85,889** | **389,797** | **20,512** | **138,357** | **634,555** |
| Additions | **–** | **–** | **166** | **–** | **166** |
| Transfer within property, plant and equipment | **–** | **–** | **166** | **–** | **166** |
| Reclassification | **–** | **–** | **–** | **(139)** | **(139)** |
| At 31 December 2023 | **85,889** | **389,797** | **20,844** | **138,218** | **634,748** |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2023 | **–** | **90,682** | **19,795** | **41,439** | **151,916** |
| Charge for the year | **–** | **5,414** | **232** | **1,518** | **7,164** |
| At 31 December 2023 | **–** | **96,096** | **20,027** | **42,957** | **159,080** |
| **Net Carrying Amount** | **85,889** | **293,701** | **817** | **95,261** | **475,668** |
| **Cost** | | | | | |
| At 1 January 2022 | 85,889 | 389,797 | 20,230 | 138,117 | 634,033 |
| Transfer within property, plant and equipment | – | – | 282 | 240 | 522 |
| At 31 December 2022 | 85,889 | 389,797 | 20,512 | 138,357 | 634,555 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2022 | – | 85,268 | 19,510 | 39,676 | 144,454 |
| Charge for the year | – | 5,414 | 285 | 1,763 | 7,462 |
| At 31 December 2022 | – | 90,682 | 19,795 | 41,439 | 151,916 |
| **Net Carrying Amount** | 85,889 | 299,115 | 717 | 96,918 | 482,639 |

Property, plant and equipment of a subsidiary at carrying amount of RM526,351,000 (2022: RM541,071,000) has been pledged as securities for loan facilities as disclosed in Note 13(b).

## KLCCP STAPLED GROUP
# Notes to the Financial Statements
31 December 2023

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

| Company | Renovation RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2023/ 31 December 2023 | **7,223** | **2,364** | **8** | **1,865** | **11,460** |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2023 | **7,107** | **2,352** | **8** | **1,846** | **11,313** |
| Charge for the year (Note 17) | **53** | **9** | **–** | **17** | **79** |
| At 31 December 2023 | **7,160** | **2,361** | **8** | **1,863** | **11,392** |
| **Net Carrying Amount** | **63** | **3** | **–** | **2** | **68** |
| **Cost** | | | | | |
| At 1 January 2022/ 31 December 2022 | 7,223 | 2,364 | 8 | 1,865 | 11,460 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2022 | 7,054 | 2,338 | 8 | 1,774 | 11,174 |
| Charge for the year (Note 17) | 53 | 14 | – | 72 | 139 |
| At 31 December 2022 | 7,107 | 2,352 | 8 | 1,846 | 11,313 |
| **Net Carrying Amount** | 116 | 12 | – | 19 | 147 |

## 4. INVESTMENT PROPERTIES

| Group | Note | Completed investment properties RM'000 | IPUC land at fair value RM'000 | IPUC at cost RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 January 2023 | | **15,121,012** | **464,000** | **137,768** | **15,722,780** |
| Additions | | **8,420** | **–** | **–** | **8,420** |
| Fair value adjustments | | **208,614** | **13,300** | **–** | **221,914** |
| At 31 December 2023 | | **15,338,046** | **477,300** | **137,768** | **15,953,114** |
| At 1 January 2022 | | 14,984,803 | 464,000 | 137,768 | 15,586,571 |
| Additions | | 7,546 | – | 115 | 7,661 |
| Write off | | (13) | – | – | (13) |
| Impairment | 17 | – | – | (115) | (115) |
| Fair value adjustments | | 128,676 | – | – | 128,676 |
| At 31 December 2022 | | 15,121,012 | 464,000 | 137,768 | 15,722,780 |

## 4. INVESTMENT PROPERTIES (continued)

The following investment properties are held under lease terms:

| | Group | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Completed investment property | **451,000** | 377,000 |
| IPUC land at fair value | **187,300** | 186,000 |
| IPUC at cost | **115,000** | 115,000 |
| | **753,300** | 678,000 |

The investment properties are stated at fair value, which have been determined based on valuations performed by independent professional valuers. There are no material events that affect the valuation between the valuation date and financial year end. The valuation methods used in determining the valuations are the investment method, residual method and comparison method. During the financial year, Group has recognised a total fair value gain of RM221,914,000 (2022: RM128,676,000).

IPUC is measured at cost until the earlier of the date of construction is completed or the date at which the fair value becomes reliably determinable.

Consequently, there was no impairment loss recognised on the IPUC (2022: RM114,906) during the financial year.

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

| | Group | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Rental income | **1,098,625** | 1,064,918 |
| Direct operating expenses of income generating investment properties | **(104,683)** | (93,427) |
| | **993,942** | 971,491 |

### 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** |
|---|---|---|---|---|
| **2023** | | | | |
| – Office properties | **–** | **–** | **9,402,938** | **9,402,938** |
| – Retail properties | **–** | **–** | **6,122,408** | **6,122,408** |
| – Land | **–** | **–** | **290,000** | **290,000** |
| | **–** | **–** | **15,815,346** | **15,815,346** |
| **2022** | | | | |
| – Office properties | – | – | 9,238,305 | 9,238,305 |
| – Retail properties | – | – | 6,068,707 | 6,068,707 |
| – Land | – | – | 278,000 | 278,000 |
| | – | – | 15,585,012 | 15,585,012 |

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 4. INVESTMENT PROPERTIES (continued)

### 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 properties.

### Transfer between Level 1, 2 and 3 fair values

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

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

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| Valuation per valuers' report | **16,086,300** | 15,914,000 |
| Less: Accrued rental income | **(270,954)** | (328,988) |
| | **15,815,346** | 15,585,012 |
| Adjusted valuation on 1 January | **15,585,012** | 15,448,803 |
| Additions | **8,420** | 7,546 |
| Write off | **–** | (13) |
| Gain on fair value adjustments of investment properties | **221,914** | 128,676 |
| At 31 December | **15,815,346** | 15,585,012 |

## 4. INVESTMENT PROPERTIES (continued)

| Valuation technique | Significant unobservable inputs | Range 2023 | Range 2022 | 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** | 4.50 – 12.99 | – expected market rental growth was higher/(lower) |
| | – Reversion | **6.19 – 13.30** | 5.95 – 12.70 | – expected market rental growth was higher/(lower) |
| | – Outgoings (RM/psf/month) | | | |
| | – Term | **2.80** | 2.50 | – expected inflation rate was lower/(higher) |
| | – Reversion | **2.33 – 2.80** | 2.21 – 2.50 | – expected inflation rate was lower/(higher) |
| | – Void rate (%) | **5.00 – 12.50** | 5.00 – 12.50 | – void rate was lower/(higher) |
| | – Term yield (%) | **5.75 – 6.50** | 5.75 – 6.75 | – term yield rate was lower/(higher) |
| | – Reversionary yield (%) | **6.00 – 7.00** | 6.00 – 7.25 | – reversionary yield was lower/(higher) |
| | – Discount rate (%) | **5.75 – 7.00** | 5.75 – 7.25 | – discount rate was lower/(higher) |
| | **Retail:** | | | |
| | – Market rental rate (RM/psf/month) | | | |
| | – Term | **3.00 – 432.14** | 3.00 – 432.14 | – expected market rental growth was higher/(lower) |
| | – Reversion | **3.00 – 419.74** | 3.00 – 407.69 | – expected market rental growth was higher/(lower) |
| | – Outgoings (RM/psf/month) | | | |
| | – Term | **6.80 – 7.20** | 6.15 – 7.00 | – expected inflation rate was lower/(higher) |
| | – Reversion | **6.80 – 7.56** | 6.15 – 7.35 | – expected inflation rate was lower/(higher) |
| | – Void rate (%) | **5.00 – 8.00** | 5.00 – 8.00 | – void rate was lower/(higher) |
| | – Term yield (%) | **6.25 – 6.50** | 6.25 – 6.50 | – term yield rate was lower/(higher) |
| | – Reversionary yield (%) | **6.50 – 7.00** | 6.50 – 7.00 | – reversionary yield was lower/(higher) |
| | – Discount rate (%) | **6.25 – 7.00** | 6.25 – 7.00 | – discount rate was lower/(higher) |
| Residual method (refer b) | | | | The estimated fair value would increase/(decrease) if: |
| | – Expected rate of return (%) | **–** | 15.00 | – expected rate of return was lower/(higher) |
| | – Gross Development Value (RM million) | **–** | 1,572 | – gross development value was higher/(lower) |
| | – Gross Development Costs (RM million) | **–** | 1,178 | – gross development costs was lower/(higher) |
| | – Financing costs (%) | **–** | 6.00 | – financing costs was lower/(higher) |
| | – Discount rate (%) | **–** | 7.00 | – discount rate was lower/(higher) |
| Comparison method (refer c) | – Adjustment factors to prices of comparable properties | | | The estimated fair value would increase/(decrease) if: |
| | | **-50% – 15%** | – | – expected market condition was higher/(lower) |

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## 4. INVESTMENT PROPERTIES (continued)

(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.

## 5. INVESTMENT IN SUBSIDIARIES

| | Note | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|
| Investment at cost | | | |
| – unquoted shares | | **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) | **724,233** | 724,230 |
| Less: Capital reduction | | **(780,916)** | (780,916) |
| Less: Write-down in value | (ii) | **(3,296,954)** | (3,296,954) |
| Less: Impairment loss | (iii) | **(990)** | (990) |
| | | **1,371,796** | 1,371,793 |

**(i) Effects of conversion of amount due from subsidiaries to investment**

During the year, a subsidiary, Arena Johan Sdn Bhd has issued ordinary shares to the Company to settle its amount due to the Company.

**(ii) Write-down in value**

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) Impairment review of cost of investment in subsidiaries**

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 current and previous financial year.

## 5. INVESTMENT IN SUBSIDIARIES (continued)

| Companies incorporated in Malaysia<br>Name of subsidiaries | Effective ownership interest and voting interest<br>2023<br>% | <br>2022<br>% | Principal Activities |
|---|---|---|---|
| **Subsidiaries of the Company** | | | |
| Suria KLCC Sdn Bhd ("SKSB") | **60** | 60 | Ownership and of a shopping centre and 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 act as a special-purpose company for the purpose of raising Islamic financing for KLCC REIT. |

* 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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## 5. INVESTMENT IN SUBSIDIARIES (continued)

### Non-controlling interests in subsidiaries

| | 2023 | | | |
|---|---|---|---|---|
| | KLCC REIT 100.00% RM'000 | SKSB 40.00% RM'000 | Other individually immaterial subsidiaries RM'000 | Total RM'000 |
| **NCI percentage ownership interest and voting interest** | | | | |
| Carrying amount of NCI | 8,070,969 | 2,011,254 | 39,096 | 10,121,319 |
| Profit allocated to NCI | 534,632 | 134,229 | 859 | 669,720 |
| Dividend paid to NCI | (482,024) | (120,267) | – | (602,291) |

### Summarised financial information before intra-group elimination

| | KLCC REIT RM'000 | SKSB RM'000 |
|---|---|---|
| **As at 31 December** | | |
| Non-current assets – Investment properties | 9,271,852 | 5,615,193 |
| Non-current assets – Others | 256,593 | 18,898 |
| Current assets | 146,132 | 186,154 |
| Non-current liabilities | (1,097,163) | (78,561) |
| Current liabilities | (506,445) | (713,550) |
| Net assets | 8,070,969 | 5,028,134 |
| **Year ended 31 December** | | |
| Revenue | 582,169 | 488,403 |
| Profit for the year, representing total comprehensive income | 534,632 | 335,571 |
| Cash flows generated from operating activities | 572,327 | 327,708 |
| Cash flows used in investing activities | (419) | (4,401) |
| Cash flows used in financing activities | (540,988) | (329,898) |
| Net increase/(decrease) in cash and cash equivalents | 30,920 | (6,591) |

## 5. INVESTMENT IN SUBSIDIARIES (continued)

### Non-controlling interests in subsidiaries (continued)

| | 2022 | | | |
|---|---|---|---|---|
| | KLCC REIT 100.00% RM'000 | SKSB 40.00% RM'000 | Other individually immaterial subsidiaries RM'000 | Total RM'000 |
| **NCI percentage ownership interest and voting interest** | | | | |
| Carrying amount of NCI | 8,018,361 | 1,997,292 | 38,237 | 10,053,890 |
| Profit allocated to NCI | 503,298 | 133,951 | (5,060) | 632,189 |
| Dividend paid to NCI | (502,063) | (123,000) | – | (625,063) |

### Summarised financial information before intra-group elimination

| | KLCC REIT RM'000 | SKSB RM'000 |
|---|---|---|
| **As at 31 December** | | |
| Non-current assets – Investment properties | 9,175,267 | 5,568,745 |
| Non-current assets – Others | 318,510 | 16,476 |
| Current assets | 114,561 | 198,848 |
| Non-current liabilities | (1,542,703) | (655,485) |
| Current liabilities | (47,274) | (135,354) |
| Net assets | 8,018,361 | 4,993,230 |
| **Year ended 31 December** | | |
| Revenue | 578,843 | 456,019 |
| Profit for the year, representing total comprehensive income | 503,298 | 334,877 |
| Cash flows generated from operating activities | 565,033 | 327,772 |
| Cash flows used in investing activities | (83) | (7,914) |
| Cash flows used in financing activities | (560,680) | (337,085) |
| Net increase/(decrease) in cash and cash equivalents | 4,270 | (17,227) |

KLCCP STAPLED GROUP

# Notes to the Financial Statements

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## 6. INVESTMENT IN AN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Unquoted shares at cost | **99,195** | 99,195 | **99,195** | 99,195 |
| Share of post-acquisition reserves | **167,492** | 165,828 | **–** | – |
| | **266,687** | 265,023 | **99,195** | 99,195 |

| Companies incorporated in Malaysia | Effective ownership interest and voting interest | | |
|---|---|---|---|
| Name of associate | 2023 % | 2022 % | Principal Activity |
| **Associates of the Company** | | | |
| Impian Klasik Sdn Bhd ("IKSB")* | **33** | 33 | Property investment |

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

Summary of financial information on associate:

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | **799,390** | 731,988 |
| Current assets | **11,566** | 74,747 |
| Non-current liabilities | **(95,489)** | (96,060) |
| Current liabilities | **(2,324)** | (2,576) |
| Net assets | **713,143** | 708,099 |
| **Results** | | |
| Revenue | **57,554** | 56,668 |
| Profit for the year, representing total comprehensive income | **43,044** | 30,597 |
| **Reconciliation of net assets to carrying amount as at 31 December** | | |
| Group's share of net assets | **235,337** | 233,673 |
| Goodwill | **31,350** | 31,350 |
| Carrying amount in the statement of financial position | **266,687** | 265,023 |
| Group's share of profit from continuing operations | **14,204** | 10,098 |
| **Other information** | | |
| Dividend received | **12,540** | 16,500 |

## 7. TRADE AND OTHER RECEIVABLES

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| **Non-current** | | | | | |
| Accrued rental income | | **270,954** | 328,988 | **–** | – |
| **Current** | | | | | |
| Trade receivables | | **15,296** | 16,324 | **–** | – |
| Other receivables and deposits | | **20,371** | 18,924 | **5,280** | 2,642 |
| Amount due from: | | | | | |
| Ultimate holding company | | **1,499** | 258 | **–** | – |
| Immediate holding company | | **48,544** | 58,187 | **–** | 1,462 |
| Subsidiaries | | **–** | – | **1,510** | 1,834 |
| Related companies | | **14,669** | 15,899 | **4,773** | 3,981 |
| | | **100,379** | 109,592 | **11,563** | 9,919 |
| Less: Impairment loss | | **(6,197)** | (7,574) | **–** | – |
| | | **94,182** | 102,018 | **11,563** | 9,919 |
| Total trade and other receivables | | **365,136** | 431,006 | **11,563** | 9,919 |
| Add: Cash and bank balances | 10 | **1,192,076** | 1,104,972 | **684,703** | 647,539 |
| Less: Accrued rental income | 4 | **(270,954)** | (328,988) | **–** | – |
| Total financial assets carried at amortised cost | | **1,286,258** | 1,206,990 | **696,266** | 657,458 |

Amounts due from subsidiaries, ultimate holding company, immediate holding company and related companies arose in the normal course of business are unsecured, non-interest bearing and repayable on demand.

## 8. DEFERRED TAX

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At 1 January | | **52,518** | 50,677 | **(1,437)** | (651) |
| Recognised in profit or loss | 21 | **8,819** | 1,841 | **608** | (786) |
| At 31 December | | **61,337** | 52,518 | **(829)** | (1,437) |

Deferred tax assets and liabilities 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.

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## 8. DEFERRED TAX (continued)

Deferred tax assets and liabilities are attributable to the following:

Recognised deferred tax (assets)/liabilities

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| **Group** | | | | | | |
| Property, plant and equipment | **(417)** | (486) | **71,242** | 71,175 | **70,825** | 70,689 |
| Investment property | **–** | – | **50,874** | 41,554 | **50,874** | 41,554 |
| Lease liabilities | **(609)** | (889) | **–** | – | **(609)** | (889) |
| Right-of-use assets | **–** | – | **594** | 926 | **594** | 926 |
| Unused tax losses | **(721)** | (876) | **–** | – | **(721)** | (876) |
| Unabsorbed capital allowances | **(20,837)** | (20,048) | **–** | – | **(20,837)** | (20,048) |
| Unused investment tax allowances | **(37,815)** | (37,815) | **–** | – | **(37,815)** | (37,815) |
| Provisions | **(4,526)** | (3,715) | **–** | – | **(4,526)** | (3,715) |
| Others | **(16)** | (26) | **3,568** | 2,718 | **3,552** | 2,692 |
| | **(64,941)** | (63,855) | **126,278** | 116,373 | **61,337** | 52,518 |
| **Company** | | | | | | |
| Property, plant and equipment | **–** | – | **14** | 15 | **14** | 15 |
| Lease liabilities | **–** | (97) | **–** | – | **–** | (97) |
| Right-of-use assets | **–** | – | **–** | 93 | **–** | 93 |
| Unused tax losses | **–** | (155) | **–** | – | **–** | (155) |
| Unabsorbed capital allowances | **–** | (22) | **–** | – | **–** | (22) |
| Provisions | **(843)** | (1,271) | **–** | – | **(843)** | (1,271) |
| | **(843)** | (1,545) | **14** | 108 | **(829)** | (1,437) |

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Deferred tax assets | **(1,513)** | (1,464) |
| Deferred tax liabilities | **62,850** | 53,982 |
| | **61,337** | 52,518 |

## 8. DEFERRED TAX (continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

| Group | At 1.1.2023 RM'000 | Credited/ (Charged) to profit or loss RM'000 | At 31.12.2023 RM'000 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Property, plant and equipment | **70,689** | **136** | **70,825** |
| Investment properties | **41,554** | **9,320** | **50,874** |
| Others | **3,618** | **528** | **4,146** |
| | **115,861** | **9,984** | **125,845** |
| **Deferred tax assets** | | | |
| Unused tax losses | **(876)** | **155** | **(721)** |
| Unabsorbed capital allowances | **(20,048)** | **(789)** | **(20,837)** |
| Unused investment tax allowances | **(37,815)** | **–** | **(37,815)** |
| Others | **(4,604)** | **(531)** | **(5,135)** |
| | **(63,343)** | **(1,165)** | **(64,508)** |
| | **52,518** | **8,819** | **61,337** |

| Group | At 1.1.2022 RM'000 | Credited/ (Charged) to profit or loss RM'000 | At 31.12.2022 RM'000 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Property, plant and equipment | 68,893 | 1,796 | 70,689 |
| Investment properties | 35,390 | 6,164 | 41,554 |
| Others | 4,273 | (655) | 3,618 |
| | 108,556 | 7,305 | 115,861 |
| **Deferred tax assets** | | | |
| Unused tax losses | (721) | (155) | (876) |
| Unabsorbed capital allowances | (15,061) | (4,987) | (20,048) |
| Unused investment tax allowances | (37,816) | 1 | (37,815) |
| Others | (4,281) | (323) | (4,604) |
| | (57,879) | (5,464) | (63,343) |
| | 50,677 | 1,841 | 52,518 |

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## 8. DEFERRED TAX (continued)

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

| Company | At 1.1.2023 RM'000 | Credited/ (Charged) to profit or loss RM'000 | At 31.12.2023 RM'000 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Property, plant and equipment | **15** | **(1)** | **14** |
| Others | **93** | **(93)** | **–** |
| | **108** | **(94)** | **14** |
| **Deferred tax assets** | | | |
| Unused tax losses | **(155)** | **155** | **–** |
| Unabsorbed capital allowances | **(22)** | **22** | **–** |
| Others | **(1,368)** | **525** | **(843)** |
| | **(1,545)** | **702** | **(843)** |
| | **(1,437)** | **608** | **(829)** |

| Company | At 1.1.2022 RM'000 | Credited/ (Charged) to profit or loss RM'000 | At 31.12.2022 RM'000 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Property, plant and equipment | 19 | (4) | 15 |
| Others | 852 | (759) | 93 |
| | 871 | (763) | 108 |
| **Deferred tax assets** | | | |
| Unused tax losses | – | (155) | (155) |
| Unabsorbed capital allowances | – | (22) | (22) |
| Others | (1,522) | 154 | (1,368) |
| | (1,522) | (23) | (1,545) |
| | (651) | (786) | (1,437) |

## 9. INVENTORIES

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

## 10. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash with PETRONAS Integrated Financial Shared Services Centre | **836,772** | 783,890 | **684,688** | 647,519 |
| Cash and bank balances | **6,868** | 12,896 | **15** | 20 |
| Deposits with licensed banks | **348,436** | 308,186 | **–** | – |
| | **1,192,076** | 1,104,972 | **684,703** | 647,539 |
| Less: Deposits restricted | **(2,406)** | (2,162) | **–** | – |
| Cash and cash equivalents | **1,189,670** | 1,102,810 | **684,703** | 647,539 |

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 cash with IFSSC and cash and bank balances of the Group and of the Company are interest/profit bearing balances amounting to RM839,111,000 (2022: RM793,623,000) and RM684,698,000 (2022: RM647,534,000) respectively.

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.

The weighted average effective profit rates applicable to the deposits with licensed banks of the Group is 3.99% per annum (2022: 3.94% per annum).

Deposits with licensed banks of the Group have an average maturity of 73 days (2022: 68 days).

## 11. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2023 Unit'000 | 2022 Unit'000 | 2023 RM'000 | 2022 RM'000 |
| **Issued and fully paid:** | | | | |
| **Ordinary shares** | | | | |
| At the beginning/end of the year | **1,805,333** | 1,805,333 | **1,823,386** | 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.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

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## 12. RESERVES

### Retained profits

As at 31 December 2023, the Company may distribute the entire balance of the retained profits under the single-tier system.

### Capital reserve

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

## 13. FINANCINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| **Non-current** | | | | |
| **Secured:** | | | | |
| Sukuk Murabahah | | | | |
| – KLCC REIT | **900,000** | 1,355,000 | **–** | – |
| – Other subsidiary | **–** | 600,000 | **–** | – |
| Term loans | **388,182** | 398,182 | **–** | – |
| Lease liabilities | **1,390** | 2,705 | **–** | – |
| Total non-current secured financings | **1,289,572** | 2,355,887 | **–** | – |
| **Total non-current financings** | **1,289,572** | 2,355,887 | **–** | – |
| **Current** | | | | |
| **Secured:** | | | | |
| Sukuk Murabahah | | | | |
| – KLCC REIT | **461,422** | 8,874 | **–** | – |
| – Other subsidiary | **600,000** | – | **–** | – |
| Term loans | **11,867** | 12,508 | **–** | – |
| Lease liabilities | **1,311** | 1,204 | **–** | 405 |
| Total current secured financings | **1,074,600** | 22,586 | **–** | 405 |
| **Total current financings** | **1,074,600** | 22,586 | **–** | 405 |
| **Total financings** | **2,364,172** | 2,378,473 | **–** | 405 |

## 13. FINANCINGS (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| **Total financings which are secured, comprise:** | | | | | |
| Sukuk Murabahah | (a) | **1,961,422** | 1,963,874 | **–** | – |
| Term loans | (b) | **400,049** | 410,690 | **–** | – |
| Lease liabilities | | **2,701** | 3,909 | **–** | 405 |
| | | **2,364,172** | 2,378,473 | **–** | 405 |

### Terms and debt repayment schedule

| | Group | | | | |
|---|---|---|---|---|---|
| | Total RM'000 | Under 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | Over 5 years RM'000 |
| **2023** | | | | | |
| **Secured** | | | | | |
| Sukuk Murabahah | **1,961,422** | **1,061,422** | **–** | **500,000** | **400,000** |
| Term loans | **400,049** | **11,867** | **388,182** | **–** | **–** |
| Lease liabilities | **2,701** | **1,311** | **824** | **566** | **–** |
| | **2,364,172** | **1,074,600** | **389,006** | **500,566** | **400,000** |
| **2022** | | | | | |
| **Secured** | | | | | |
| Sukuk Murabahah | 1,963,874 | 8,874 | 1,055,000 | 500,000 | 400,000 |
| Term loans | 410,690 | 12,508 | 10,000 | 388,182 | – |
| Lease liabilities | 3,909 | 1,204 | 1,053 | 1,652 | – |
| | 2,378,473 | 22,586 | 1,066,053 | 889,834 | 400,000 |

**KLCCP STAPLED GROUP**

# Notes to the Financial Statements

**31 December 2023**

## 13. FINANCINGS (continued)

### (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.

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 maturing on 31 December 2024.

The RM455,000,000 and RM600,000,000 Sukuk Murabahah will mature on 25 April 2024 and 31 December 2024 respectively and the Group has plans in place for the repayment of the Sukuk Murabahah on the respective maturity dates. As such, the RM455,000,000 and RM600,000,000 Sukuk Murabahah are presented as current liabilities as at 31 December 2023. The Group's repayment plans are discussed in Note 27(c).

### (b) Term loans

On 27 May 2015, a subsidiary of the Group entered into a Supplemental Agreement with Public Bank Berhad to restructure the term loan with an aggregate sum of RM378 million, comprising the following:

| Type of Facilities | Revised Principal Limit (RM'000) |
|---|---|
| Term Loan Facility 1 | 239,540 |
| Term Loan Facility 2 | 138,460 |

The term loans are repayable at RM7.5 million per annum for 7 years commencing on the 3rd year with the final bullet payment of the remainder in the final year.

| Type of Facilities | Revised Principal Limit (RM'000) |
|---|---|
| Term Loan Facility 3 | 102,000 |

Term loan facility 3 was approved on 25 May 2016. The subsidiary has utilised RM78 million from the total facility of RM102 million.

The term loan facility 3 is repayable by way of 6 annual principal repayments of RM2.5 million each and one final principal payment of the remainder sum.

The term loan is secured by way of a fixed charge over the hotel property as well as debenture covering all fixed and floating assets of the hotel property as disclosed in Note 3.

The loan bears an profit rate of 4.98% per annum (2022: 5.13% per annum).

Other information on financial risks of financings are disclosed in Note 27.

## 13. FINANCINGS (continued)

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

| Group | Liabilities | | | | | |
|---|---|---|---|---|---|---|
| | Sukuk Murabahah RM'000 | Term loans RM'000 | Lease liabilities RM'000 | Dividend paid RM'000 | Other* RM'000 | Total RM'000 |
| **Balance at 1 January 2023** | **1,963,874** | **410,690** | **3,909** | **–** | **–** | **2,378,473** |
| **Changes from financing cash flows** | | | | | | |
| Repayment of term loan | **–** | **(10,000)** | **–** | **–** | **–** | **(10,000)** |
| Repayment of lease liabilities | **–** | **–** | **(1,380)** | **–** | **–** | **(1,380)** |
| Dividend paid | **–** | **–** | **–** | **(844,417)** | **–** | **(844,417)** |
| Interest/profit paid | **(87,055)** | **(20,809)** | **–** | **–** | **–** | **(107,864)** |
| **Total changes from financing cash flows** | **(87,055)** | **(30,809)** | **(1,380)** | **(844,417)** | **–** | **(963,661)** |
| **Other changes** | | | | | | |
| Liability-related | | | | | | |
| Interest/profit expenses | **84,603** | **20,168** | **172** | **–** | **654** | **105,597** |
| Dividend payable | **–** | **–** | **–** | **844,417** | **–** | **844,417** |
| Others | **–** | **–** | **–** | **–** | **(654)** | **(654)** |
| **Total liability-related other changes** | **84,603** | **20,168** | **172** | **844,417** | **–** | **949,360** |
| **Balance at 31 December 2023** | **1,961,422** | **400,049** | **2,701** | **–** | **–** | **2,364,172** |

* Other relates to commitment fee for term loan.

| Group | Liabilities | | | | |
|---|---|---|---|---|---|
| | Sukuk Murabahah RM'000 | Term loans RM'000 | Lease liabilities RM'000 | Dividend paid RM'000 | Total RM'000 |
| **Balance at 1 January 2022** | 1,966,310 | 403,750 | 5,852 | – | 2,375,912 |
| **Changes from financing cash flows** | | | | | |
| Repayment of term loan | – | (10,000) | – | – | (10,000) |
| Drawdown of term loan | – | 16,540 | – | – | 16,540 |
| Repayment of lease liabilities | – | – | (4,880) | – | (4,880) |
| Dividend paid | – | – | – | (783,529) | (783,529) |
| Interest/profit paid | (87,142) | (15,943) | – | – | (103,085) |
| **Total changes from financing cash flows** | (87,142) | (9,403) | (4,880) | (783,529) | (884,954) |
| **Other changes** | | | | | |
| Liability-related | | | | | |
| Interest/profit expenses | 84,706 | 16,343 | 210 | – | 101,259 |
| Acquisition of new lease | – | – | 98 | – | 98 |
| Derecognition of lease | – | – | (350) | – | (350) |
| Remeasurement of lease | – | – | 2,979 | – | 2,979 |
| Dividend payable | – | – | – | 783,529 | 783,529 |
| **Total liability-related other changes** | 84,706 | 16,343 | 2,937 | 783,529 | 887,515 |
| **Balance at 31 December 2022** | 1,963,874 | 410,690 | 3,909 | – | 2,378,473 |

**KLCCP STAPLED GROUP**

# Notes to the Financial Statements

31 December 2023

## 13. FINANCINGS (continued)

### Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

| Company | Liabilities | | |
|---|---|---|---|
| | Lease liabilities RM'000 | Dividend paid RM'000 | Total RM'000 |
| **Balance at 1 January 2023** | **405** | **–** | **405** |
| **Changes from financing cash flows** | | | |
| Repayment of lease liabilities | **(410)** | **–** | **(410)** |
| Dividend paid | **–** | **(241,915)** | **(241,915)** |
| **Total changes from financing cash flows** | **(410)** | **(241,915)** | **(242,325)** |
| **Liability-related other changes** | | | |
| Interest/profit expenses | **5** | **–** | **5** |
| Dividend payable | **–** | **241,915** | **241,915** |
| **Total liability-related other changes** | **5** | **241,915** | **241,920** |
| **Balance at 31 December 2023** | **–** | **–** | **–** |
| **Balance at 1 January 2022** | 3,699 | – | 3,699 |
| **Changes from financing cash flows** | | | |
| Repayment lease liabilities | (3,392) | – | (3,392) |
| Dividend paid | – | (158,689) | (158,689) |
| **Total changes from financing cash flows** | (3,392) | (158,689) | (162,081) |
| **Liability-related other changes** | | | |
| Interest/profit expenses | 98 | – | 98 |
| Dividend payable | – | 158,689 | 158,689 |
| **Total liability-related other changes** | 98 | 158,689 | 158,787 |
| **Balance at 31 December 2022** | 405 | – | 405 |

## 14. TRADE AND OTHER PAYABLES

| | Note | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|---|
| **Non-current** | | | |
| Security deposit payables | (i) | **149,515** | 126,928 |
| **Current** | | | |
| Trade payables | (ii) | **34,904** | 44,931 |
| Other payables | | **147,236** | 146,918 |
| Security deposits | | **59,075** | 78,165 |
| Amount due to: | (iii), (iv) | | |
| Ultimate holding company | | **13,327** | 7,699 |
| Immediate holding company | | **2,752** | 227 |
| Other related companies | | **3,864** | 3,368 |
| | | **261,158** | 281,308 |
| Total trade and other payables | | **410,673** | 408,236 |
| Add: Financings | 13 | **2,364,172** | 2,378,473 |
| Total financial liabilities carried at amortised cost | | **2,774,845** | 2,786,709 |

| | Note | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | (ii) | **102** | 438 |
| Other payables | | **7,101** | 7,324 |
| Amount due to: | (iii), (iv) | | |
| Ultimate holding company | | **3,931** | 404 |
| Immediate holding company | | **2,306** | – |
| | | **13,440** | 8,166 |
| Total trade and other payables | | **13,440** | 8,166 |
| Add: Financings | 13 | **–** | 405 |
| Total financial liabilities carried at amortised cost | | **13,440** | 8,571 |

i. 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 profit rates ranging from 4.34% to 4.73% (2022: 4.33% to 4.73%) per annum.

ii. Trade payables are denominated in Ringgit Malaysia and credit terms vary up from 30 to 45 days (2022: 30 to 45 days).

iii. Amount due to ultimate holding company, immediate holding company, and related companies arose in the normal course of business.

iv. The amounts due to the holding company and other related companies are unsecured, non-interest bearing and repayable on demand.

## KLCCP STAPLED GROUP
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## 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. OPERATING PROFIT

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| **Revenue** | | | | |
| Property investment | | | | |
| – Office | **582,496** | 580,818 | **–** | – |
| – Retail | **516,129** | 484,100 | **–** | – |
| Hotel operations | **210,932** | 146,910 | **–** | – |
| Management services | **309,606** | 247,423 | **25,255** | 22,669 |
| Dividend income from subsidiaries | **–** | – | **262,400** | 255,000 |
| Dividend income from an associate | **–** | – | **12,540** | 16,500 |
| | **1,619,163** | 1,459,251 | **300,195** | 294,169 |
| **Cost of revenue:** | | | | |
| – Cost of services and goods | **(448,781)** | (360,587) | **–** | – |
| **Gross profit** | **1,170,382** | 1,098,664 | **300,195** | 294,169 |
| Selling and distribution expenses | **(14,502)** | (12,047) | **–** | – |
| Administration expenses | **(140,621)** | (133,700) | **(44,793)** | (40,525) |
| Other operating income | **4,967** | 5,879 | **6** | 91 |
| **Operating profit** | **1,020,226** | 958,796 | **255,408** | 253,735 |

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.

## 17. PROFIT BEFORE TAXATION

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

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| Auditors' remuneration | | | | | |
| – Statutory audit | | **706** | 660 | **249** | 233 |
| – Non-statutory audit | | **16** | 16 | **16** | 16 |
| Depreciation | | | | | |
| – property, plant and equipment | 3 | **31,459** | 40,488 | **79** | 139 |
| – right-of-use assets | 22 | **1,418** | 4,490 | **388** | 3,160 |
| Valuation fees | | **367** | 448 | **–** | – |
| Employee benefits expense | 18 | **145,072** | 132,791 | **28,085** | 25,956 |
| Directors' remuneration | 26 | **1,217** | 1,295 | **1,217** | 1,295 |
| Fee in relation to services of Executive Director | | **1,571** | 1,049 | **1,571** | 1,049 |
| (Gain)/loss on disposal of | | | | | |
| – property, plant and equipment | | **(27)** | 30 | **–** | – |
| Investment properties written off | | **–** | 13 | **–** | – |
| Impairment of investment property under construction | 4 | **–** | 115 | **–** | – |
| Rental of plant and machinery | | **411** | 358 | **10** | 83 |
| Reversal for impairment losses of trade receivables | 27 | **(1,377)** | (1,502) | **–** | – |
| Bad debts written off | | **1,163** | – | **–** | – |

## 18. EMPLOYEE BENEFITS EXPENSE

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Wages, salaries and others | **133,207** | 122,752 | **25,050** | 23,515 |
| Defined contribution plans | **11,865** | 10,039 | **3,035** | 2,441 |
| Total | **145,072** | 132,791 | **28,085** | 25,956 |

## 19. INTEREST/PROFIT INCOME

| | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|
| Interest/profit income from: | | | | |
| Deposits | **42,391** | 27,068 | **21,778** | 14,372 |

KLCCP STAPLED GROUP

# Notes to the Financial Statements

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## 20. FINANCING COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Interest/profit expense on: | | | | |
| Term loans | **20,822** | 16,343 | **–** | – |
| Sukuk Murabahah | **84,603** | 84,706 | **–** | – |
| Lease liabilities | **172** | 206 | **5** | 98 |
| Accretion of financial instruments | **5,715** | 4,504 | **–** | – |
| | **111,312** | 105,759 | **5** | 98 |

## 21. TAX EXPENSE/(BENEFIT)

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| **Current tax expense** | | | | |
| Current year | **111,246** | 111,672 | **5,171** | – |
| Under/(over) provision of tax in prior year | **976** | (6,188) | **282** | (2) |
| **Total current tax expense** | **112,222** | 105,484 | **5,453** | (2) |
| **Deferred tax expense/(credit) (Note 8)** | | | | |
| Origination/(reversal) of temporary differences | **11,771** | 2,034 | **64** | (786) |
| (Over)/under provision in prior years | **(2,952)** | (193) | **544** | – |
| **Total deferred tax credit** | **8,819** | 1,841 | **608** | (786) |
| **Total tax expense/(benefit)** | **121,041** | 107,325 | **6,061** | (788) |

Domestic current income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

## 21. TAX EXPENSE/(BENEFIT) (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Profit before taxation | **1,187,423** | 1,018,879 |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | **284,982** | 244,531 |
| Effect of prosperity tax ("Cukai Makmur") | **–** | 19,748 |
| Expenses not deductible for tax purposes | **24,063** | 25,116 |
| Income not subject to tax | **(191,939)** | (179,429) |
| Effects of share of profit of an associate | **(3,409)** | (2,424) |
| Deferred tax recognised at different tax rates | **9,320** | 6,164 |
| Over provision of deferred tax in prior year | **(2,952)** | (193) |
| Under/(over) provision of taxation in prior year | **976** | (6,188) |
| Tax expense | **121,041** | 107,325 |

| | Company | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Profit before taxation | **277,181** | 268,009 |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | **66,523** | 64,322 |
| Expenses not deductible for tax purposes | **4,698** | 3,485 |
| Income not subject to tax | **(65,986)** | (68,593) |
| Under provision of deferred tax in prior year | **544** | – |
| Under/(over) provision of taxation in prior year | **282** | (2) |
| Tax expense/(benefit) | **6,061** | (788) |

In the previous financial year, the deferred tax assets and tax liabilities in respect of temporary differences that were realised in 2023 were originated at blended rates. The blended rates were measured at 24% on the first RM100 million of estimated chargeable income and one-off 33% on the remaining estimated chargeable income for the year of assessment 2023 in accordance with the provision of Malaysian Finance Act 2021.

The Company's current tax and deferred tax position is derived based on current tax legislation and best available information at the reporting date.

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## 22. LEASE

The Group and the Company have lease contracts for office space with contract terms of 2 to 3 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:

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| As at 1 January | | **3,913** | 5,623 | **388** | 3,548 |
| Additions | | **–** | 98 | **–** | – |
| Depreciation | 17 | **(1,418)** | (4,490) | **(388)** | (3,160) |
| Derecognition | | **–** | (341) | **–** | – |
| Remeasurement | | **–** | 3,023 | **–** | – |
| As at 31 December | | **2,495** | 3,913 | **–** | 388 |

Set out below are the carrying amounts of lease liabilities (included under interest/profit-bearing financings) and the movements during the year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| As at 1 January | **3,909** | 5,852 | **405** | 3,699 |
| Additions | **–** | 98 | **–** | – |
| Accretion of interest/profit | **172** | 210 | **5** | 98 |
| Payments | **(1,380)** | (4,880) | **(410)** | (3,392) |
| Derecognition | **–** | (350) | **–** | – |
| Remeasurement | **–** | 2,979 | **–** | – |
| As at 31 December | **2,701** | 3,909 | **–** | 405 |
| Current | **1,311** | 1,204 | **–** | 405 |
| Non-current | **1,390** | 2,705 | **–** | – |

The maturity analysis of lease liabilities are disclosed in Note 27.

## 22. LEASE (continued)

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Depreciation expense of right-of-use | **1,418** | 4,490 | **388** | 3,160 |
| Interest/profit expense on lease liabilities | **172** | 210 | **5** | 98 |
| Total amount recognised in profit or loss | **1,590** | 4,700 | **393** | 3,258 |

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 2.5 (ii)).

### Operating lease commitments

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 | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Less than one year | **1,050,257** | 972,249 |
| One to five years | **2,918,050** | 2,858,507 |
| More than five years | **6,986,158** | 7,316,505 |
| As at 31 December | **10,954,465** | 11,147,261 |

## 23. 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.

| | **2023** | **2022** |
|---|---|---|
| Profit attributable to equity holders of the Company (RM'000) | **396,662** | 279,365 |
| Profit attributable to NCI relating to KLCC REIT (RM'000) | **534,632** | 503,298 |
| Profit attributable to stapled securities holders (RM'000) | **931,294** | 782,663 |
| Weighted average number of stapled securities/shares in issue (Unit'000) | **1,805,333** | 1,805,333 |
| Basic/diluted earnings per share (sen) | **21.97** | 15.47 |
| Basic/diluted earnings per stapled security (sen) | **51.59** | 43.35 |

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

KLCCP STAPLED GROUP

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## 24. DIVIDENDS

| | Dividends Recognised in Year | | Net Dividends per Ordinary Share | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 sen | 2022 sen |
| Recognised during the year: | | | | |
| A fourth interim dividend of 7.69% (2021: 5.77%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021 | **138,830** | 104,168 | **7.69** | 5.77 |
| A first interim dividend of 1.41% (2022: 0.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2023/2022 | **25,455** | 17,873 | **1.41** | 0.99 |
| A second interim dividend of 1.80% (2022: 0.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2023/2022 | **32,496** | 17,873 | **1.80** | 0.99 |
| A third interim dividend of 2.50% (2022: 1.04%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2023/2022 | **45,134** | 18,775 | **2.50** | 1.04 |
| | **241,915** | 158,689 | **13.40** | 8.79 |

A fourth interim dividend in respect of the financial year ended 31 December 2023, of 8.00%, tax exempt under the single tier system on 1,805,333,083 ordinary shares, declared on 7 February 2024, amounting to a dividend payable of RM144,426,647 will be paid on 29 February 2024.

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 2024.

## 25. COMMITMENTS

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| **Investment properties** | | |
| Approved and contracted for | **6,070** | 5,830 |
| Approved but not contracted for | **18,383** | 36,222 |
| | **24,453** | 42,052 |
| **Property, plant and equipment** | | |
| Approved and contracted for | **9,438** | 135 |
| Approved but not contracted for | **6,249** | 16,803 |
| | **15,687** | 16,938 |

During the year, the Company has approved to enter into a share purchase agreement to acquire the remaining shares in SKSB as disclosed in Note 33.

## 26. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and an entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group.

The Group's and the Company's related parties include subsidiaries and associates as well as the Government of Malaysia and its related entities as the ultimate holding company is wholly-owned by the Government of Malaysia.

### Key management personnel compensation

**Directors**

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Directors of the Company | | | | |
| Executive* | **–** | – | **–** | – |
| Non-Executive: | | | | |
| Fees | **1,217** | 1,295 | **1,217** | 1,295 |
| | **1,217** | 1,295 | **1,217** | 1,295 |

* The remuneration of the Executive Director is paid to KLCCH as fee in relation to services of Executive Director as disclosed in Note 17.

The Company reimbursed the ultimate holding company for compensation of certain key management personnel attributable to services rendered to the Company as well as fees for Directors who are appointees of the holding company as disclosed below.

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Analysis excluding benefits-in-kind: | | | | |
| Total Non-Executive Directors' remuneration (Note 17) | **1,217** | 1,295 | **1,217** | 1,295 |

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 26. RELATED PARTY DISCLOSURES (continued)

### Key management personnel compensation (continued)

**Directors (continued)**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Executive Director* | **1** | 1 | **1** | 1 |
| Non-Executive Directors | | | | |
| RMNil – RM50,000 | **–** | – | **–** | – |
| RM50,001 – RM100,000 | **–** | 1 | **–** | 1 |
| RM100,001 – RM150,000 | **1** | 1 | **1** | 1 |
| RM150,001 – RM200,000 | **5** | 5 | **5** | 5 |
| RM200,001 – RM250,000 | **–** | – | **–** | – |
| RM250,001 – RM300,000 | **1** | 1 | **1** | 1 |

* The remuneration of the Executive Director is paid to KLCCH as fee in relation to services of Executive Director as disclosed in Note 17.

### Other key management personnel

Datuk 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 17.

### Significant transactions with related parties

The names of subsidiaries and associates all of which are incorporated in Malaysia have been disclosed in Notes 5 to 6 respectively.

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Income/(expense) | | | | |
| **Federal Government of Malaysia:** | | | | |
| Property licences and taxes | **(13,376)** | (13,372) | **–** | (2) |
| Sales and Service Tax and Tourism Tax | **(25,917)** | (19,295) | **(107)** | (705) |
| **Government of Malaysia's related entities:** | | | | |
| Purchase of utilities | **(24,733)** | (17,428) | **–** | – |
| Hotel revenue | **4,303** | 3,330 | **–** | – |
| Wages Subsidy Programme | **–** | 812 | **–** | – |

## 26. RELATED PARTY DISCLOSURES (continued)

### Significant transactions with related parties (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Income/(expense) (continued) | | | | |
| **Ultimate Holding Company:** | | | | |
| Rental income | **556,439** | 554,633 | **–** | – |
| Facilities management and manpower fees | **136,262** | 109,099 | **–** | – |
| Interest/profit income | **26,538** | 17,178 | **21,717** | 14,301 |
| Rental of car park spaces | **(7,396)** | (6,737) | **–** | – |
| Fees for representation on the Board of Directors* | **(134)** | (141) | **(134)** | (141) |
| Hotel revenue | **5,402** | 2,877 | **–** | – |
| Centralised Head Office Services charges | **(15,603)** | (10,541) | **(3,223)** | (2,813) |
| **Immediate Holding Company:** | | | | |
| General management services fee payables | **(8,382)** | (5,532) | **(3,268)** | (2,306) |
| General management services fee receivables | **4,976** | 4,624 | **4,976** | 4,624 |
| Fee in relation to services of Executive Director | **(1,571)** | (1,049) | **(1,571)** | (1,049) |
| **Subsidiaries:** | | | | |
| Facilities management and manpower fees | **–** | – | **(209)** | (305) |
| General management services fee receivable | **–** | – | **6,616** | 6,919 |
| Hotel charges | **–** | – | **(516)** | (342) |
| **Other Related Companies:** | | | | |
| Facilities management and manpower fees | **59,917** | 41,557 | **–** | – |
| General management services fee receivable | **13,662** | 11,043 | **13,662** | 11,126 |
| Hotel revenue | **2** | 17 | **–** | – |
| Management and incentive fees | **3,486** | 3,740 | **–** | – |
| Chilled water supply | **(33,814)** | (25,728) | **–** | – |
| Project management fees | **(3,048)** | (8,502) | **–** | – |
| Fees for secondment of executive director | **(644)** | (1,434) | **–** | – |
| Rental of car park spaces | **(7,480)** | (6,483) | **–** | – |

* Fee paid directly to PETRONAS in respect of the Non-Executive Director appointed by the ultimate holding company.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

Information regarding outstanding balances arising from related party transactions as at 31 December 2023 are disclosed in Notes 7 and 14.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 27. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

As the Group and the Company owns a diverse property portfolio, the Group and the Company are exposed to various risks that are particular to its various businesses. These risks arise in the normal course of the Group's and the Company's business.

The Group has a Risk Management Framework and Guidelines that set the foundation for the establishment of effective risk management across the Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures, monitors and reports the financial risks that arise in connection with their operations. The policies, standards and guidelines have been developed to identify, analyse, appraise, monitor and report 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.

### (a) Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest/profit rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Financial instruments affected by market risk include financings and deposits.

### (b) 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 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 by maintaining a mix 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 is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| **Fixed rate instruments** | | | | |
| Financial assets | **348,436** | 308,186 | **–** | – |
| Financial liabilities | **(1,961,422)** | (1,963,874) | **–** | – |
| **Floating rate instruments** | | | | |
| Financial assets | **839,111** | 793,623 | **684,698** | 647,534 |
| Financial liabilities | **(400,049)** | (410,690) | **–** | – |

## 27. FINANCIAL INSTRUMENTS (continued)

### Cash flow sensitivity analysis for floating rate instruments

The following table demonstrates the indicative pre-tax effects on the profit or loss of applying reasonably foreseeable market movements in the profit rates of floating rate instruments:

| | Increase/ (decrease) in profit rate b.p.s | Group Profit or loss RM'000 | Company Profit or loss RM'000 |
|---|---|---|---|
| **2023** | | | |
| KLIBOR | **-50** | **(2,195)** | **(3,423)** |
| KLIBOR | **+50** | **2,195** | **3,423** |
| **2022** | | | |
| KLIBOR | -50 | (1,915) | (3,238) |
| KLIBOR | +50 | 1,915 | 3,238 |

A decrease/increase in interest/profit rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

### (c) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will have insufficient funds to meet financial commitments in a timely manner. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables, and financings. In managing its liquidity risk, the Group and the Company maintains sufficient cash and liquid marketable assets. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and the Company.

The Group are in net current liabilities position of RM67,184,000 as at 31 December 2023. This is due to the reclassification of its RM455,000,000 and RM600,000,000 Sukuk Murabahah to current liabilities as the maturity dates are on 25 April 2024 and 31 December 2024 respectively. The Group has plans in place for the repayment of the Sukuk Murabahah on the respective maturity dates.

The Directors do not expect repayment risk and is currently exploring various refinancing options and source to redeem the Sukuk Murabahah. Based on the reaffirmed AAA ratings from RAM Ratings on 2 June 2023 and 4 December 2023 for the RM455,000,000 and RM600,000,000 Sukuk Murabahah respectively, the Directors are confident that the Group will be able to refinance the Sukuk Murabahah upon maturity.

## KLCCP STAPLED GROUP
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## 27. FINANCIAL INSTRUMENTS (continued)

### (c) Liquidity Risk (continued)

#### Maturity analysis

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

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 |
| **2023** | | | | | | | |
| **Financial Liabilities** | | | | | | | |
| Sukuk Murabahah | **1,961,422** | **4.16 % – 4.73 %** | **2,162,472** | **1,133,916** | **37,000** | **554,603** | **436,953** |
| Term loans | **400,049** | **5.38 %** | **429,665** | **33,025** | **396,640** | **–** | **–** |
| Trade and other payables | **410,673** | **4.34 % – 4.73 %** | **497,283** | **261,158** | **44,755** | **47,347** | **144,023** |
| Lease liabilities | **2,701** | **4.88 % – 5.49 %** | **2,896** | **1,363** | **1,150** | **383** | **–** |
| **2022** | | | | | | | |
| **Financial Liabilities** | | | | | | | |
| Sukuk Murabahah | 1,963,874 | 4.16 % – 4.73 % | 2,252,067 | 95,855 | 1,127,656 | 575,559 | 452,997 |
| Term loans | 410,690 | 5.13 % | 461,459 | 31,622 | 30,262 | 399,575 | – |
| Trade and other payables | 408,236 | 4.33 % – 4.73 % | 494,985 | 281,308 | 33,439 | 37,203 | 143,035 |
| Lease liabilities | 3,909 | 3.42 % – 5.49 % | 4,275 | 1,380 | 1,171 | 1,724 | – |

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 |
| **2023** | | | | | | | |
| **Financial Liabilities** | | | | | | | |
| Trade and other payables | **13,440** | **–** | **13,440** | **13,440** | **–** | **–** | **–** |
| **2022** | | | | | | | |
| **Financial Liabilities** | | | | | | | |
| Lease liabilities | 405 | 3.42 % – 5.03 % | 409 | 409 | – | – | – |
| Trade and other payables | 8,166 | – | 8,166 | 8,166 | – | – | – |

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

## 27. FINANCIAL INSTRUMENTS (continued)

### (d) Credit risk

Credit risk is the risk of potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group and the Company's exposures to credit risk arise principally from customers and placement in financial institutions. Credit risks are controlled by individual subsidiaries in line with Group's Risk Management Framework and Guideline.

Receivables

**Risk management objectives, policies and processes for managing the risk**

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparty and through credit approval, financial limits and monitoring procedures. Counterparty credit evaluations are done systematically using quantitative and qualitative criteria on credit risks as specified by individual operating units.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

**Concentration of credit risk**

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's principal customers with which it conducts business are located globally and there is no significant concentration of credit risk at reporting date.

**Recognition and measurement of impairment loss**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure ECL of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty 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.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

The Group and the Company have not recognised any loss allowance for trade receivables that are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

## KLCCP STAPLED GROUP
# Notes to the Financial Statements
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## 27. FINANCIAL INSTRUMENTS (continued)

### (d) Credit risk (continued)

Receivables (continued)

**Recognition and measurement of impairment loss (continued)**

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

| | Group | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| At net: | | |
| Not past due | **5,769** | 3,316 |
| Past due 1 to 30 days | **2,367** | 2,155 |
| Past due 31 to 60 days | **604** | 887 |
| Past due 61 to 90 days | **104** | 1,041 |
| Past due more than 90 days | **6,452** | 8,925 |
| | **15,296** | 16,324 |
| Less: Allowance for impairment losses | **(6,197)** | (7,574) |
| | **9,099** | 8,750 |

The movement in the allowance account is as follows:

| | Group | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| At 1 January | **7,574** | 9,076 |
| Reversal for impairment | **(1,377)** | (1,502) |
| At 31 December | **6,197** | 7,574 |

The Group does not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2023.

## 27. FINANCIAL INSTRUMENTS (continued)

### (e) Fair Values

**Recognised financial instruments**

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 amounts of other long term liabilities approximate its fair value amount.

This analysis assumes that all other variables remain constant.

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

| | Group | | | | |
|---|---|---|---|---|---|
| | 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 |
| **2023** | | | | | |
| **Financial liabilities** | | | | | |
| Sukuk Murabahah | **–** | **1,933,265** | **–** | **1,933,265** | **1,961,422** |
| **2022** | | | | | |
| **Financial liabilities** | | | | | |
| Sukuk Murabahah | – | 1,910,468 | – | 1,910,468 | 1,963,874 |

For the 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 were no transfers between Level 1, 2 and 3 fair values during the financial year (2022: no transfer between Level 1, 2 and 3 fair values).

### (f) 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.

## KLCCP STAPLED GROUP
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## 28. CAPITAL MANAGEMENT

The Group and the Company define capital as the total equity and debts of 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. As a subsidiary of PETRONAS, the Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policies.

The Group and the Company monitor and maintain a prudent level of total debts to total equity ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders' agreements.

The debt to equity ratio as at 31 December 2023 and 31 December 2022 is as follows:

| | Group | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Total debt | **2,364,172** | 2,378,473 |
| Total equity (excluding Other NCI) | **13,339,104** | 13,131,749 |
| Debt equity ratio | **18:82** | 18:82 |

## 29. 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.

## 29. SEGMENTAL INFORMATION (continued)

### (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.

**Business Segments**

| 2023<br>Business Segments | 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** | | | | | | |
| External customers | 582,496 | 516,129 | 210,932 | 309,606 | – | 1,619,163 |
| Inter-segment revenue | 1,399 | 12,484 | – | 63,261 | (77,144) | – |
| Total revenue | 583,895 | 528,613 | 210,932 | 372,867 | (77,144) | 1,619,163 |
| **Results** | | | | | | |
| Operating profit | 506,595 | 429,480 | 23,102 | 80,391 | (19,342) | 1,020,226 |
| Fair value adjustments on investment properties | 160,470 | 49,444 | – | 12,000 | – | 221,914 |
| Financing costs | | | | | | (111,312) |
| Interest/profit income | | | | | | 42,391 |
| Share of profit of an associate | | | | | | 14,204 |
| Tax expense | | | | | | (121,041) |
| Profit after tax but before non-controlling interests | | | | | | 1,066,382 |
| Segment assets | 10,336,846 | 6,335,853 | 571,852 | 157,624 | 664,696 | 18,066,871 |
| Investment in an associate | – | – | – | 99,195 | 167,492 | 266,687 |
| **Total assets** | | | | | | 18,333,558 |
| **Total liabilities** | 1,591,681 | 817,799 | 445,761 | 109,584 | (20,721) | 2,944,104 |
| Capital expenditure | 4,209 | 4,802 | 4,985 | 2,816 | – | 16,812 |
| Depreciation | 368 | 765 | 19,605 | 12,139 | – | 32,877 |
| Non-cash items other than depreciation | – | (212) | (27) | 7 | – | (232) |

**KLCCP STAPLED GROUP**

# Notes to the Financial Statements

**31 December 2023**

## 29. SEGMENTAL INFORMATION (continued)

### Business Segments (continued)

| 2022<br>Business Segments | 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** | | | | | | |
| External customers | 580,818 | 484,100 | 146,910 | 247,423 | – | 1,459,251 |
| Inter-segment revenue | 1,203 | 10,859 | – | 63,489 | (75,551) | – |
| Total revenue | 582,021 | 494,959 | 146,910 | 310,912 | (75,551) | 1,459,251 |
| **Results** | | | | | | |
| Operating profit | 504,369 | 408,530 | (7,435) | 70,344 | (17,012) | 958,796 |
| Fair value adjustments on investment properties | 61,963 | 66,713 | – | – | – | 128,676 |
| Financing costs | | | | | | (105,759) |
| Interest/profit income | | | | | | 27,068 |
| Share of profit of an associate | | | | | | 10,098 |
| Tax expense | | | | | | (107,325) |
| Profit after tax but before non-controlling interests | | | | | | 911,554 |
| Segment assets | 10,185,720 | 6,279,267 | 573,314 | 174,205 | 631,929 | 17,844,435 |
| Investment in an associate | – | – | – | 99,195 | 165,828 | 265,023 |
| **Total assets** | | | | | | 18,109,458 |
| **Total liabilities** | 1,595,433 | 803,359 | 450,657 | 112,080 | (19,349) | 2,942,180 |
| Capital expenditure | 99 | 7,992 | 1,280 | 4,741 | – | 14,112 |
| Depreciation | 496 | 917 | 28,648 | 14,917 | – | 44,978 |
| Non-cash items other than depreciation | 99 | (1,490) | 48 | 2 | – | (1,341) |

The operating profit of property investment – office is inclusive of impairment of IPUC of RMNil (2022: RM114,906). Excluding the impairment, operating profit is at RM506,595,000 (2022: RM504,483,906).

## 30. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

During the financial year, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

**Effective for annual periods beginning on or after 1 January 2023**

| | |
|---|---|
| Amendments to MFRS 101 | Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies) |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) |
| Amendments to MFRS 112 | Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) |
| Amendments to MFRS 112 | Income Taxes (International Tax Reform – Pillar Two Model Rules) |

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

## 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 the Company in these financial statements:

**Effective for annual periods beginning on or after 1 January 2024**

| | |
|---|---|
| Amendments to MFRS 16 | Leases (Lease Liability in a Sale and Leaseback) |
| Amendments to MFRS 101 | Presentation of Financial Statements (Classification of Liabilities as Current or Non-current) |
| Amendments to MFRS 101 | Presentation of Financial Statements (Non-current Liabilities with Covenants) |
| Amendments to MFRS 107 | Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures (Supplier Finance Arrangements) |

**Effective for annual periods beginning on or after 1 January 2025**

| | |
|---|---|
| Amendments to MFRS 121 | The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability |

**Effective for a date yet to be confirmed**

| | |
|---|---|
| Amendments to MFRS 10 | Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Group and the Company are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

KLCCP STAPLED GROUP

# Notes to the Financial Statements

31 December 2023

## 32. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

During the financial year, the MASB has issued pronouncements which are not relevant to the Company as listed below:

**Effective for annual periods beginning on or after 1 January 2023**

| | |
|---|---|
| MFRS 17 | Insurance Contracts |
| Amendment to MFRS 17 | Insurance Contracts<br>(Initial Application of MFRS 17 and MFRS 9 – Comparative Information) |

## 33. SUBSEQUENT EVENT

On 26 January 2024, the Company entered into a share purchase agreement to acquire the remaining 136,666,668 ordinary shares representing 40% of the issued share capital of SKSB from Ocmador (Malaysia) City Retail Centre Sdn. Bhd., Port Moresby Investments Limited and Bold Peak Sdn. Bhd., for a cash consideration of RM1,950,000,000.

The aforesaid acquisition will be funded by external financings and SKSB will become a wholly owned subsidiary of the Company upon completion.

# Independent Auditors' Report

## To The Members of KLCC Property Holdings Berhad (Incorporated in Malaysia)

### Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of KLCC Property Holdings Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information, as set out on pages 226 to 298.

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 2023, 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 2023, the carrying value of the Group's investment properties carried at fair value amounted to RM15,815,346,000 which represents 86% of the Group's total assets. The Group adopts the fair value model for its investment properties. The valuation of investment properties carried at fair value 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 investment properties carried at fair value at the reporting date and a fair value gain of RM221,914,000 has been recognised during the year.

## KLCCP STAPLED GROUP

# Independent Auditors' Report

### To The Members of KLCC Property Holdings Berhad (Incorporated in Malaysia)

*Valuation of investment properties (continued)*

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 1.4 and 4 to the financial statements respectively.

*Information other than the financial statements and auditors' report thereon*

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

*Responsibilities of the directors for the financial statements*

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

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

*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.

*Auditors' responsibilities for the audit of the financial statements (continued)*

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.

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

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
7 February 2024

CHAPTER 8:

# Financial Statements

KLCC REIT

# Manager's Report

## For The Year Ended 31 December 2023

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 2023.

### 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 5 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.

### ULTIMATE HOLDING COMPANY

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

### SUBSIDIARY

The details of the Fund's subsidiary are disclosed in Note 5 to the financial statements.

### RESULTS

| | Group RM'000 | Fund RM'000 |
|---|---|---|
| Profit for the year | 534,632 | 534,638 |

## 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 2022: | |
| Fourth interim income distribution of 6.31% on 1,805,333,083 units, declared on 31 January 2023 and paid on 28 February 2023 | 113,917 |
| In respect of the financial year ended 31 December 2023: | |
| First interim income distribution of 7.09% on 1,805,333,083 units, declared on 29 May 2023 and paid on 28 June 2023 | 127,998 |
| Second interim income distribution of 7.00% on 1,805,333,083 units, declared on 14 August 2023 and paid on 27 September 2023 | 126,373 |
| Third interim income distribution of 6.30% on 1,805,333,083 units, declared on 28 November 2023 and paid on 29 December 2023 | 113,736 |
| | 482,024 |

A fourth interim income distribution in respect of the financial year ended 31 December 2023 of 6.40% on 1,805,333,083 units, declared on 7 February 2023, amounting to an income distribution payable of RM115,541,317 will be payable on 29 February 2024.

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 2024.

## RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the year other than as disclosed in the financial statements.

## DIRECTORS

Directors who served on the Board of the Manager during the financial year until the date of this report are:

Tan Sri Ahmad Nizam Bin Salleh
Farina Binti Farikhullah Khan
Dato' Jamaludin Bin Osman
Liza Binti Mustapha
Datuk Md. Shah Bin Mahmood
Chong Chye Neo
Dato' Sr. Mazuki Bin A. Aziz
Datin Noor Lily Zuriati Binti Abdullah

KLCC REIT

# Manager's Report

For The Year Ended 31 December 2023

## 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 1.1.2023 | Number of Shares Bought | Number of Shares Sold | Balance as at 31.12.2023 |
| **Direct** | | | | |
| Tan Sri Ahmad Nizam Bin Salleh | 10,000 | – | – | 10,000 |
| Datuk Md. Shah Bin Mahmood | 6,000 | – | – | 6,000 |

| | Number of Shares in Petronas Gas Berhad | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2023 | Number of Shares Bought | Number of Shares Sold | Balance as at 31.12.2023 |
| **Direct** | | | | |
| Tan Sri Ahmad Nizam Bin Salleh | 2,000 | – | – | 2,000 |

None of the other Directors holding office at 31 December 2023 had any interest in the ordinary shares of the Fund and of its related corporations during the financial year.

## DIRECTORS OF MANAGER'S BENEFITS

Since the end of the previous financial year, no Director of the Manager has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors 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.

## 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 financial year.

## SOFT COMMISSION

There was no soft commission received by the Manager during the financial year from broker or dealer by virtue of transactions conducted for the Fund.

## OTHER STATUTORY INFORMATION

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

(i) that necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that no known bad debts have been written off and no provision made for doubtful debts; and

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

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

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

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

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate; 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 material contingent liability in respect of the Group or of the Fund that has arisen since the end of the financial year.

No material contingent liability or other liability of the Group 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 financial performance of the Group and of the Fund for the financial year ended 31 December 2023 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.

KLCC REIT

# Manager's Report

For The Year Ended 31 December 2023

## AUDITORS

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

The auditors' remuneration for the financial year ended 31 December 2023 of the Group and the Fund is as follows:

| | Group RM'000 | Fund RM'000 |
|---|---|---|
| **Statutory audit fees** | | |
| Ernst & Young PLT | 104 | 99 |

Signed on behalf of the Board of the Manager
in accordance with a resolution of the Directors of the Manager.

**Tan Sri Ahmad Nizam Bin Salleh**
Chairman

**Datuk Md. Shah Bin Mahmood**
Director

Kuala Lumpur,
Date: 7 February 2024

# Statement by The Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 312 to 358 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 2023 and of the results of their financial performance and cash flows for the year ended 31 December 2023.

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.

**Tan Sri Ahmad Nizam Bin Salleh**
Chairman

**Datuk Md. Shah Bin Mahmood**
Director

Kuala Lumpur,
Date: 7 February 2024

# Statutory Declaration

I, Rohizal Bin Kadir, the officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 312 to 358 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 provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
**Rohizal Bin Kadir**
MIA Membership Number: 50742
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 7 February 2024

Rohizal Bin Kadir
BEFORE ME:

**Y.M. Tengku Nur Athiya Tengku Fariddudin**
Commissioner for Oaths

## KLCC REIT

# 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 2023. To the best of our knowledge, KLCC REIT Management Sdn. Bhd. ("the Manager") has managed KLCC REIT in the financial year under review in accordance to the following:

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

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

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

(i) First interim income distribution of 7.09 sen per unit distributed on 28 June 2023;
(ii) Second interim income distribution of 7.00 sen per unit distributed on 27 September 2023;
(iii) Third interim income distribution of 6.30 sen per unit distributed on 29 December 2023;
(iv) Fourth interim income distribution of 6.40 sen per unit for year ended 31 December 2023 declared and will be payable on 29 February 2024.

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

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

**Norhazliana Binti Mohammed Hashim**
Head, Unit Trust & Corporate Operations

Kuala Lumpur, Malaysia

# Shariah Adviser's Report

**To the unitholders of KLCC REIT**

We have acted as the Shariah Adviser of KLCC REIT. Our responsibility is to ensure that the procedures and processes employed by KLCC REIT Management Sdn Bhd and that the provisions of the Trust Deed are in accordance with the relevant Shariah principles.

In our opinion, KLCC REIT Management Sdn Bhd has managed and administered KLCC REIT in accordance with the 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 2023.

In addition, we also confirm that the investment portfolio of KLCC REIT:

(a) Comprises investment properties and rental income which complied with the Securities Commission's Guidelines on Islamic Capital Market Products and Services and Guidelines on Listed Real Estate Investment Trusts. The percentage ratio of Shariah Non-Compliant Rental for the financial year ended 31 December 2023 is 1.19%;

(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;

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

(e) The percentage of Shariah Non-Compliant Rental by the end of 10th financial year post listing or establishment has been complied with.

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

**Ahmad Suhaimi Yahya**
Regional Head, Shariah Advisory & Governance, Group Islamic Banking
Designated Person Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

KLCC REIT

# Consolidated Statement of Financial Position

As At 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | **445** | 777 |
| Investment properties | 4 | **9,271,852** | 9,175,267 |
| Trade and other receivables | 6 | **256,148** | 317,733 |
| | | **9,528,445** | 9,493,777 |
| **Current Assets** | | | |
| Trade and other receivables | 6 | **4,148** | 3,497 |
| Cash and bank balances | 7 | **141,984** | 111,064 |
| | | **146,132** | 114,561 |
| **TOTAL ASSETS** | | **9,674,577** | 9,608,338 |
| **TOTAL UNITHOLDERS' FUND AND LIABILITIES** | | | |
| **Unitholders' Fund** | | | |
| Unitholders' capital | 8 | **7,212,684** | 7,212,684 |
| Merger reserve | 9 | **6,212** | 6,212 |
| Capital reserve | 10 | **457,860** | 373,980 |
| Retained profits | | **394,213** | 425,485 |
| **Total Unitholders' Fund** | | **8,070,969** | 8,018,361 |
| **Non-Current Liabilities** | | | |
| Other long term liabilities | 11 | **71,899** | 69,474 |
| Financing | 13 | **900,000** | 1,355,000 |
| Deferred tax liability | 14 | **50,873** | 41,553 |
| Other payables | 15 | **74,391** | 76,676 |
| | | **1,097,163** | 1,542,703 |
| **Current Liabilities** | | | |
| Other payables | 15 | **45,022** | 38,400 |
| Financing | 13 | **461,423** | 8,874 |
| | | **506,445** | 47,274 |
| **Total Liabilities** | | **1,603,608** | 1,589,977 |
| **TOTAL UNITHOLDERS' FUND AND LIABILITIES** | | **9,674,577** | 9,608,338 |
| **Number of units in circulation ('000 units)** | | **1,805,333** | 1,805,333 |
| **Net asset value ("NAV")** | | | |
| – before income distribution | | **8,070,969** | 8,018,361 |
| – after income distribution | | **7,955,428** | 7,904,444 |
| **NAV per unit (RM)** | | | |
| – before income distribution | | **4.47** | 4.44 |
| – after income distribution | | **4.41** | 4.38 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| Revenue | 16 | **582,169** | 578,843 |
| Property operating expenses | 17 | **(32,622)** | (30,383) |
| **Net property income** | | **549,547** | 548,460 |
| Fair value adjustments of investment properties | 4 | **93,200** | 61,635 |
| Profit income | | **6,138** | 4,032 |
| | | **648,885** | 614,127 |
| Management fees | 18 | **(45,084)** | (44,946) |
| Trustee's fee | 19 | **(600)** | (600) |
| Financing costs | 20 | **(59,249)** | (59,119) |
| **Profit before tax** | 21 | **543,952** | 509,462 |
| Tax expense | 22 | **(9,320)** | (6,164) |
| **PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME** | | **534,632** | 503,298 |
| **Basic earnings per unit (sen)** | 23 | **29.61** | 27.88 |

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Income Distribution** | | |
| Total comprehensive income for the financial year | **534,632** | 503,298 |
| Add/(less) Adjustments: | | |
| Accrued rental income | **61,585** | 60,714 |
| Amortisation of deferred revenue | **(4,202)** | (4,070) |
| Amortisation of premium for Sukuk Murabahah | **(2,507)** | (2,436) |
| Deferred tax liabilities | **9,320** | 6,164 |
| Depreciation of property, plant and equipment | **350** | 515 |
| Accretion of financial instruments | **2,947** | 2,715 |
| Fair value adjustments of investment properties | **(93,200)** | (61,635) |
| | **(25,707)** | 1,967 |
| Total income available for distribution | **508,925** | 505,265 |
| Distribution to unitholders in respect of financial year 2023: | | |
| First interim income distribution of 7.09% (2022: 7.01%) on 1,805,333,083 units | **(127,998)** | (126,554) |
| Second interim income distribution of 7.00% (2022: 7.01%) on 1,805,333,083 units | **(126,373)** | (126,554) |
| Third interim income distribution of 6.30% (2022: 6.96%) on 1,805,333,083 units | **(113,736)** | (125,651) |
| Fourth interim income distribution of 6.40% (2022: 6.31%) on 1,805,333,083 units | **(115,541)** | (113,917) |
| Balance undistributed | **25,277** | 12,589 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

## KLCC REIT

# Consolidated Statement of Changes in Net Asset Value

For The Year Ended 31 December 2023

| | Non-distributable | | Distributable | | |
|---|---|---|---|---|---|
| | Unitholders' Capital RM'000 (Note 8) | Merger Reserve RM'000 (Note 9) | Capital Reserve RM'000 (Note 10) | Retained Profits RM'000 | Total Group RM'000 |
| **As at 1 January 2023** | **7,212,684** | **6,212** | **373,980** | **425,485** | **8,018,361** |
| Total comprehensive income for the year | **–** | **–** | **–** | **534,632** | **534,632** |
| Transfer of fair value adjustments net of tax | **–** | **–** | **83,880** | **(83,880)** | **–** |
| Income distribution (Note 24) | **–** | **–** | **–** | **(482,024)** | **(482,024)** |
| Net total comprehensive income for the year attributable to unitholders | **–** | **–** | **83,880** | **(31,272)** | **52,608** |
| **As at 31 December 2023** | **7,212,684** | **6,212** | **457,860** | **394,213** | **8,070,969** |
| **As at 1 January 2022** | 7,212,684 | 6,212 | 318,509 | 479,721 | 8,017,126 |
| Total comprehensive income for the year | – | – | – | 503,298 | 503,298 |
| Transfer of fair value adjustments net of tax | – | – | 55,471 | (55,471) | – |
| Income distribution (Note 24) | – | – | – | (502,063) | (502,063) |
| Net total comprehensive income for the year attributable to unitholders | – | – | 55,471 | (54,236) | 1,235 |
| **As at 31 December 2022** | 7,212,684 | 6,212 | 373,980 | 425,485 | 8,018,361 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **543,952** | 509,462 |
| Adjustments for: | | | |
| Profit income | | **(6,138)** | (4,032) |
| Financing costs | 20 | **59,249** | 59,119 |
| Accrued rental income and amortisation of deferred revenue | | **57,383** | 56,644 |
| Depreciation of property, plant and equipment | 3 | **350** | 515 |
| Fair value adjustments on investment properties | 4 | **(93,200)** | (61,635) |
| **Operating cash flows before changes in working capital** | | **561,596** | 560,073 |
| Changes in working capital: | | | |
| Trade and other receivables | | **32** | 1,545 |
| Trade and other payables | | **4,626** | (468) |
| Cash generated from operations | | **566,254** | 561,150 |
| Profit income received | | **6,073** | 3,883 |
| **Net cash generated from operating activities** | | **572,327** | 565,033 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions for investment properties | 4 | **(401)** | (79) |
| Purchase of property, plant and equipment | 3 | **(18)** | (4) |
| **Net cash used in investing activities** | | **(419)** | (83) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Income distributions paid | | **(482,235)** | (501,840) |
| Financing cost paid | | **(58,753)** | (58,840) |
| **Net cash used in financing activities** | | **(540,988)** | (560,680) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **30,920** | 4,270 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **111,064** | 106,794 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 7 | **141,984** | 111,064 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

## KLCC REIT

# Statement of Financial Position

As At 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | **445** | 777 |
| Investment properties | 4 | **9,271,852** | 9,175,267 |
| Investment in a subsidiary | 5 | ***** | * |
| Trade and other receivables | 6 | **256,148** | 317,733 |
| | | **9,528,445** | 9,493,777 |
| **Current Assets** | | | |
| Trade and other receivables | 6 | **4,149** | 3,497 |
| Cash and bank balances | 7 | **141,808** | 110,978 |
| | | **145,957** | 114,475 |
| **TOTAL ASSETS** | | **9,674,402** | 9,608,252 |
| **TOTAL UNITHOLDERS' FUND AND LIABILITIES** | | | |
| **Unitholders' Fund** | | | |
| Unitholders' capital | 8 | **7,212,684** | 7,212,684 |
| Merger reserve | 9 | **6,212** | 6,212 |
| Capital reserve | 10 | **457,860** | 373,980 |
| Retained profits | | **394,281** | 425,547 |
| **Total Unitholders' Fund** | | **8,071,037** | 8,018,423 |
| **Non-Current Liabilities** | | | |
| Other long term liabilities | 11 | **71,899** | 69,474 |
| Amount due to a subsidiary | 12 | **900,000** | 1,355,000 |
| Deferred tax liability | 14 | **50,873** | 41,553 |
| Other payables | 15 | **74,391** | 76,676 |
| | | **1,097,163** | 1,542,703 |
| **Current Liabilities** | | | |
| Other payables | 15 | **45,011** | 38,337 |
| Amount due to a subsidiary | 12 | **461,191** | 8,789 |
| | | **506,202** | 47,126 |
| **Total Liabilities** | | **1,603,365** | 1,589,829 |
| **TOTAL UNITHOLDERS' FUND AND LIABILITIES** | | **9,674,402** | 9,608,252 |
| **Number of units in circulation ('000 units)** | | **1,805,333** | 1,805,333 |
| **Net asset value ("NAV")** | | | |
| – before income distribution | | **8,071,037** | 8,018,423 |
| – after income distribution | | **7,955,496** | 7,904,506 |
| **NAV per unit (RM)** | | | |
| – before income distribution | | **4.47** | 4.44 |
| – after income distribution | | **4.41** | 4.38 |

* Represents RM2 in Midciti Sukuk Berhad

The notes set out on pages 320 to 358 are an integral part of these financial statements.

# Statement of Comprehensive Income

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| Revenue | 16 | **582,169** | 578,843 |
| Property operating expenses | 17 | **(32,616)** | (30,376) |
| **Net property income** | | **549,553** | 548,467 |
| Fair value adjustments of investment properties | 4 | **93,200** | 61,635 |
| Profit income | | **6,138** | 4,032 |
| | | **648,891** | 614,134 |
| Management fees | 18 | **(45,084)** | (44,946) |
| Trustee's fee | 19 | **(600)** | (600) |
| Financing costs | 20 | **(59,249)** | (59,119) |
| **Profit before tax** | 21 | **543,958** | 509,469 |
| Tax expense | 22 | **(9,320)** | (6,164) |
| **PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME** | | **534,638** | 503,305 |
| **Basic earnings per unit (sen)** | 23 | **29.61** | 27.88 |

| | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Income Distribution** | | |
| Total comprehensive income for the financial year | **534,638** | 503,305 |
| Add/(less) Adjustments: | | |
| Accrued rental income | **61,585** | 60,714 |
| Amortisation of deferred revenue | **(4,202)** | (4,070) |
| Amortisation of premium for Sukuk Murabahah | **(2,507)** | (2,436) |
| Deferred tax liabilities | **9,320** | 6,164 |
| Depreciation of property, plant and equipment | **350** | 515 |
| Accretion of financial instruments | **2,947** | 2,715 |
| Fair value adjustments of investment properties | **(93,200)** | (61,635) |
| | **(25,707)** | 1,967 |
| Total income available for distribution | **508,931** | 505,272 |
| Distribution to unitholders in respect of financial year 2023: | | |
| First interim income distribution of 7.09% (2022: 7.01%) on 1,805,333,083 units | **(127,998)** | (126,554) |
| Second interim income distribution of 7.00% (2022: 7.01%) on 1,805,333,083 units | **(126,373)** | (126,554) |
| Third interim income distribution of 6.30% (2022: 6.96%) on 1,805,333,083 units | **(113,736)** | (125,651) |
| Fourth interim income distribution of 6.40% (2022: 6.31%) on 1,805,333,083 units | **(115,541)** | (113,917) |
| Balance undistributed | **25,283** | 12,596 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

## KLCC REIT

# Statement of Changes in Net Asset Value

### For The Year Ended 31 December 2023

| | Non-distributable | | Distributable | | |
|---|---|---|---|---|---|
| | Unitholders' Capital RM'000 (Note 8) | Merger Reserve RM'000 (Note 9) | Capital Reserve RM'000 (Note 10) | Retained Profits RM'000 | Total Funds RM'000 |
| **As at 1 January 2023** | **7,212,684** | **6,212** | **373,980** | **425,547** | **8,018,423** |
| Total comprehensive income for the year | **–** | **–** | **–** | **534,638** | **534,638** |
| Transfer of fair value adjustments net of tax | **–** | **–** | **83,880** | **(83,880)** | **–** |
| Income distribution (Note 24) | **–** | **–** | **–** | **(482,024)** | **(482,024)** |
| Net total comprehensive income for the year attributable to unitholders | **–** | **–** | **83,880** | **(31,266)** | **52,614** |
| **As at 31 December 2023** | **7,212,684** | **6,212** | **457,860** | **394,281** | **8,071,037** |
| **As at 1 January 2022** | 7,212,684 | 6,212 | 318,509 | 479,776 | 8,017,181 |
| Total comprehensive income for the year | – | – | – | 503,305 | 503,305 |
| Transfer of fair value adjustments net of tax | – | – | 55,471 | (55,471) | – |
| Income distribution (Note 24) | – | – | – | (502,063) | (502,063) |
| Net total comprehensive income for the year attributable to unitholders | – | – | 55,471 | (54,229) | 1,242 |
| **As at 31 December 2022** | 7,212,684 | 6,212 | 373,980 | 425,547 | 8,018,423 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

# Statement of Cash Flows

For The Year Ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **543,958** | 509,469 |
| Adjustments for: | | | |
| Profit income | | **(6,138)** | (4,032) |
| Financing costs | 20 | **59,249** | 59,119 |
| Accrued rental income and amortisation of deferred revenue | | **57,383** | 56,644 |
| Depreciation of property, plant and equipment | 3 | **350** | 515 |
| Fair value adjustments on investment properties | 4 | **(93,200)** | (61,635) |
| **Operating cash flows before changes in working capital** | | **561,602** | 560,080 |
| Changes in working capital: | | | |
| Trade and other receivables | | **32** | 1,545 |
| Trade and other payables | | **4,530** | (495) |
| Cash generated from operations | | **566,164** | 561,130 |
| Profit income received | | **6,073** | 3,883 |
| **Net cash generated from operating activities** | | **572,237** | 565,013 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions for investment properties | 4 | **(401)** | (79) |
| Purchase of property, plant and equipment | 3 | **(18)** | (4) |
| **Net cash used in investing activities** | | **(419)** | (83) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Income distributions paid | | **(482,235)** | (501,840) |
| Financing cost paid | | **(58,753)** | (58,840) |
| **Net cash used in financing activities** | | **(540,988)** | (560,680) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **30,830** | 4,250 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **110,978** | 106,728 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 7 | **141,808** | 110,978 |

The notes set out on pages 320 to 358 are an integral part of these financial statements.

KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 1. BASIS OF PREPARATION

### 1.1 Statement of compliance

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

As of 1 January 2023, the Group and the Fund had adopted amendments to MFRS ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 31.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Fund and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 32. New and revised pronouncements that are not relevant to the operations of the Group and of the Fund are set out in Note 33.

These financial statements were approved and authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager on 7 February 2024.

### 1.2 Basis of measurement

The financial statements of the Group and of the Fund have been prepared on historical cost basis except for certain items which are measured at fair value, as disclosed in the accounting policies below.

As at 31 December 2023, the current liabilities of the Group and the Fund exceeded the current assets by RM360,313,000 and RM360,245,000 respectively. The net current liabilities positions are due to the maturity of their RM455,000,000 Sukuk Murabahah on 25 April 2024. The Manager has plans in place for the repayment of the Sukuk Murabahah upon its maturity as disclosed in Note 28. Hence, the Manager continues to prepare the financial statements of the Group and the Fund on a going concern basis.

### 1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's and the Fund's financial statements are presented in RM, which is the Fund's reporting currency.

All financial information is presented in RM and has been rounded to the nearest thousands, unless otherwise stated.

### 1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### (i) 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.

## 1. BASIS OF PREPARATION (continued)

### 1.4 Use of estimates and judgments (continued)

#### (ii) 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 amounts of assets and liabilities within the next financial year is discussed below:

**Fair value 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 values and there are no material events that affect the valuation between the valuation date and financial year end.

The determined fair values of the investment properties by the independent professional valuer is most sensitive to the estimated reversion and term yield rate and discount rate. The range of the yield rate and the discount rate used in the valuation is described in Note 4.

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

| | Fair value Increase/(decrease) | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| **Reversion and term yield rate** | | |
| – 0.25% | **182,000** | 175,000 |
| + 0.25% | **(169,000)** | (153,000) |
| **Discount rate** | | |
| – 0.25% | **209,000** | 214,000 |
| + 0.25% | **(199,000)** | (195,000) |

The other key assumptions used to determine the fair value of the investment properties, are further explained in Note 4.

## 2. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Fund, unless otherwise stated.

### 2.1 Basis of Consolidation

**Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Fund. The Group controls an entity when it is exposed to, 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 only 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.

KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of Consolidation (continued)

**Subsidiaries (continued)**

Investments in subsidiaries are measured in the Fund'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.

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

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

**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 from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as 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 acquiree'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 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.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**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. MATERIAL ACCOUNTING POLICIES (continued)

### 2.2 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, financing costs are capitalised in accordance with the accounting policy on financing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant components 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.

#### Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Fund 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.

#### Depreciation

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

The annual rates of depreciation of the other property, plant and equipment are as follows:

| | |
|---|---|
| Building improvements | 5 to 6 years |
| Office equipment | 5 years |

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method 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.

#### Derecognition

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.

KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. 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.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in the profit or loss in the period in which the item is derecognised.

### 2.4 Leases

#### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Fund assess whether:

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Fund allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### (ii) Recognition and initial measurement

**As a lessor**

When the Group and the Fund act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Fund make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.4 Leases (continued)

#### (ii) Recognition and initial measurement (continued)

**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 term 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.

#### (iii) Subsequent measurement

**As a lessor**

The Group and the Fund recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Revenue".

The Group and the Fund recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Fund's net investment in the lease. The Group and the Fund aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Fund apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 Financial Instruments as stated in Note 2.7.

### 2.5 Investment in Subsidiary

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

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

### 2.6 Financial instruments

**Recognition and initial measurement**

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.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument.

**KLCC REIT**

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments (continued)

**Classification and subsequent measurement**

**(i) Financial assets**

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), as appropriate.

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

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

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

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

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

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

**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.

**Subsequent measurement**

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

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments (continued)

**Classification and subsequent measurement (continued)**

**(ii) Financial liabilities**

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 other payables and financings.

**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.

**Amortised cost (financing)**

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 financing.

**(iii) Effective profit rate method**

Amortised cost was computed using the effective profit rate method. This method used effective profit rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

**KLCC REIT**

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial instruments (continued)

#### (iv) Derecognition

**Financial asset**

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, 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 without retaining control of the asset or substantially all the risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

**Financial liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

#### (v) Offsetting of financial instruments

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

### 2.7 Impairment

#### (i) Financial assets

The Group and the Fund recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income.

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.

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. MATERIAL ACCOUNTING POLICIES (continued)

### 2.7 Impairment (continued)

#### (i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Fund consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available. The Group and the Fund assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Fund consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Fund in full, without recourse by the Group and the Fund to actions such as realising security.

#### (ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current assets or disposal groups classifies as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows 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.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

## KLCC REIT
# Notes to the Financial Statements
31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Fund in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

### 2.9 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.

### 2.10 Taxation

Tax 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 a business combination or items recognised directly in equity, in which case it is recognised in equity or 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.

#### (ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases 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, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.3, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

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

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.11 Revenue

#### (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 from contracts with customers 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 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:

(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 rate method.

### 2.12 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.

### 2.13 Operating segments

An operating segment is a component of the Group and of the Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Fund's other components, and for which discrete financial information is available.

An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors, to make decisions about resources to be allocated to the segment and to assess its performance.

## KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.14 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.

### 2.15 Equity instruments

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.

### 2.16 Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Fund by the weighted average number of ordinary shares outstanding during the period.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.17 Current versus non-current classification

The Group and the Fund present assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.18 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are:

(i) Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.

(ii) Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Group's products.

(iii) Fair value measurement. For investment properties and revalued office properties, the Group considers the effect of physical and transition risks and whether investors would consider those risks in their valuation. The Group believes it is not currently exposed to severe physical risks, but believes that investors, to some extent, would consider impacts of transition risks in their valuation, such as increasing requirements for energy efficiency of buildings due to climate related legislation and regulations as tenants' increasing demands for low-emission buildings.

## KLCC REIT
# Notes to the Financial Statements
31 December 2023

## 3. PROPERTY, PLANT AND EQUIPMENT

| | Note | Group/Fund | | | |
|---|---|---|---|---|---|
| | | Building Improvements RM'000 | Office Equipment RM'000 | Project-in Progress RM'000 | Total RM'000 |
| **At 31 December 2023** | | | | | |
| **Cost** | | | | | |
| At 1 January 2023 | | **2,250** | **1,097** | **–** | **3,347** |
| Additions | | **–** | **18** | **–** | **18** |
| At 31 December 2023 | | **2,250** | **1,115** | **–** | **3,365** |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2023 | | **1,893** | **677** | **–** | **2,570** |
| Charge for the year | 21 | **181** | **169** | **–** | **350** |
| At 31 December 2023 | | **2,074** | **846** | **–** | **2,920** |
| **Net Carrying Amount** | | **176** | **269** | **–** | **445** |
| **At 31 December 2022** | | | | | |
| **Cost** | | | | | |
| At 1 January 2022 | | 2,250 | 1,042 | 51 | 3,343 |
| Additions | | – | 4 | – | 4 |
| Transfer within property, plant and equipment | | – | 51 | (51) | – |
| At 31 December 2022 | | 2,250 | 1,097 | – | 3,347 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2022 | | 1,562 | 493 | – | 2,055 |
| Charge for the year | 21 | 331 | 184 | – | 515 |
| At 31 December 2022 | | 1,893 | 677 | – | 2,570 |
| **Net Carrying Amount** | | 357 | 420 | – | 777 |

## 4. INVESTMENT PROPERTIES

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| At 1 January | **9,175,267** | 9,113,553 |
| Fair value adjustments | **93,200** | 61,635 |
| Additions during the year | **3,385** | 79 |
| At 31 December | **9,271,852** | 9,175,267 |

The Group and the Fund incurred costs on investment properties during the year by way of:

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Cash | **401** | 79 |
| Other payables | **2,984** | – |
| | **3,385** | 79 |

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 | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Rental income | **582,169** | 578,843 |
| Direct operating expenses | **(30,229)** | (28,046) |
| | **551,940** | 550,797 |

### 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 |
|---|---|---|---|---|
| **2023** | | | | |
| – Office properties | **–** | **–** | **8,764,638** | **8,764,638** |
| – Retail properties | **–** | **–** | **507,214** | **507,214** |
| | **–** | **–** | **9,271,852** | **9,271,852** |
| **2022** | | | | |
| – Office properties | – | – | 8,675,305 | 8,675,305 |
| – Retail properties | – | – | 499,962 | 499,962 |
| | – | – | 9,175,267 | 9,175,267 |

KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 4. INVESTMENT PROPERTIES (continued)

### 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 values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

### Level 3 fair value

For Level 3 fair value, the Group/Fund uses various valuation techniques in determining the fair value of its investment properties. Such techniques include discounted cash flow method, investment method and market comparable method.

### Transfer between Level 1, 2 and 3 fair values

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

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

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Valuation per valuer's reports | **9,528,000** | 9,493,000 |
| Less: Accrued rental income | **(256,148)** | (317,733) |
| | **9,271,852** | 9,175,267 |

## 4. INVESTMENT PROPERTIES (continued)

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 2023 | Range 2022 | 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 | **9.55 – 13.30** | 9.25 – 12.70 | – expected market rental growth was higher/(lower) |
| | – Outgoings (RM/psf/month) | | | |
| | – Term | **2.80** | 2.50 | – expected inflation rate was lower/(higher) |
| | – Reversion | **2.70 – 2.80** | 2.40 – 2.50 | – expected inflation rate was lower/(higher) |
| | – Void rate (%) | **5.00** | 5.00 | – void rate was lower/(higher) |
| | – Term yield (%) | **5.75 – 6.00** | 5.75 – 6.00 | – term yield rate was lower/(higher) |
| | – Reversionary yield (%) | **6.00 – 6.25** | 6.00 –6.25 | – reversionary yield was lower/(higher) |
| | – Discount rate (%) | **5.75 – 6.25** | 5.75 – 6.25 | – discount rate was lower/(higher) |
| | **Retail:** | | | The estimated fair value would increase/(decrease) if: |
| | – Market rental rate (RM/psf/month) | | | |
| | – Term | **6.97 – 138.87** | 6.61 – 120.50 | – expected market rental growth was higher/(lower) |
| | – Reversion | **7.50 – 165.39** | 7.33 – 150.12 | – expected market rental growth was higher/(lower) |
| | – Outgoings (RM/psf/month) | | | |
| | – Term | **6.80** | 6.15 | – expected inflation rate was lower/(higher) |
| | – Reversion | **6.80** | 6.15 | – expected inflation rate was lower/(higher) |
| | – Void rate (%) | **5.00** | 5.00 | – void rate was lower/(higher) |
| | – Term yield (%) | **6.25** | 6.25 | – term yield rate was lower/(higher) |
| | – Reversionary yield (%) | **6.50** | 6.50 | – reversionary yield was lower/(higher) |
| | – Discount rate (%) | **6.25 – 6.50** | 6.25 – 6.50 | – discount rate was lower/(higher) |

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

### 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.

## KLCC REIT
# Notes to the Financial Statements
31 December 2023

## 4. INVESTMENT PROPERTIES (continued)

| Description of property | Tenure of land | Existing use | Location | Date of acquisition | Acquisition cost RM'000 | Carrying value as at 31.12.2023 RM'000 | Carrying value as at 31.12.2022 RM'000 | Fair value as at 31.12.2023 RM'000 | Fair value as at 31.12.2022 RM'000 | Percentage of fair value to NAV as at 31.12.2023 % | Percentage of fair value to NAV as at 31.12.2022 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| PETRONAS Twin Towers | Freehold | Office | Kuala Lumpur | 10.04.2013 | 6,500,000 | **6,760,206** | 6,692,681 | 6,950,000 | 6,940,000 | 86.1 | 86.6 |
| Menara 3 PETRONAS | Freehold | Office & retail | Kuala Lumpur | 10.04.2013 | 1,790,000 | **1,971,646** | 1,950,586 | 2,038,000 | 2,021,000 | 25.3 | 25.2 |
| Menara ExxonMobil | Freehold | Office | Kuala Lumpur | 10.04.2013 | 450,000 | **540,000** | 532,000 | 540,000 | 532,000 | 6.7 | 6.6 |
| | | | | | 8,740,000 | **9,271,852** | 9,175,267 | 9,528,000 | 9,493,000 | | |

## 5. INVESTMENT IN SUBSIDIARY

| | Fund 2023 RM | Fund 2022 RM |
|---|---|---|
| Unquoted shares at cost | **2** | 2 |

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

| Name of Subsidiary | Effective ownership interest and voting interest 2023 % | Effective ownership interest and voting interest 2022 % | Principal Activity |
|---|---|---|---|
| Midciti Sukuk Berhad ("MSB") | **100** | 100 | To act as a special-purpose company for the purpose of raising Islamic financing for KLCC REIT. |

## 6. TRADE AND OTHER RECEIVABLES

| | Group | | Fund | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| **Non-current** | | | | |
| Accrued rental income | **256,148** | 317,733 | **256,148** | 317,733 |
| **Current** | | | | |
| Trade receivables | **144** | 222 | **144** | 222 |
| Other receivables and deposits | **3,005** | 2,892 | **3,006** | 2,892 |
| Amount due from: | | | | |
| Ultimate holding company | **276** | – | **276** | – |
| fellow subsidiaries | **723** | 383 | **723** | 383 |
| Total trade and other receivables | **4,148** | 3,497 | **4,149** | 3,497 |
| Total | **260,296** | 321,230 | **260,297** | 321,230 |

| | Group | | Fund | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Trade receivables | **144** | 222 | **144** | 222 |
| Other receivables | **4,004** | 3,275 | **4,005** | 3,275 |
| | **4,148** | 3,497 | **4,149** | 3,497 |
| Add: Cash and bank balances (Note 7) | **141,984** | 111,064 | **141,808** | 110,978 |
| Total financial assets carried at amortised cost | **146,132** | 114,561 | **145,957** | 114,475 |

Amount due from ultimate holding company and fellow subsidiaries arose in the normal course of business and are unsecured, non-interest bearing and repayable on demand.

## 7. CASH AND BANK BALANCES

| | Group | | Fund | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Cash and bank balances | **383** | 185 | **246** | 137 |
| Deposits with licensed banks | **141,601** | 110,879 | **141,562** | 110,841 |
| | **141,984** | 111,064 | **141,808** | 110,978 |

The weighted average effective profit rate applicable to the deposits with licensed banks for the Group and the Fund at the reporting date were 3.91% per annum (2022: 4.31% per annum) and 3.91% per annum (2022: 4.31% per annum) respectively.

Deposits with licensed banks for the Group and Fund have average maturity of 58 days (2022: 49 days) and 56 days (2022: 42 days) respectively.

## KLCC REIT
# Notes to the Financial Statements
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## 8. UNITHOLDERS' CAPITAL

| | Fund | | | |
|---|---|---|---|---|
| | Number of Units | | Amount | |
| | 2023 '000 | 2022 '000 | 2023 RM'000 | 2022 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 2023, the Manager did not hold any units in the Fund. However, parties related to the Manager held units in the Fund as follows:

| | Group/Fund | | | |
|---|---|---|---|---|
| | Number of Units | | Market value | |
| | 2023 '000 | 2022 '000 | 2023 RM'000 | 2022 RM'000 |
| **Direct unitholdings of parties related to the Manager** | | | | |
| KLCCH | **1,167,639** | 1,167,639 | **8,278,561** | 7,834,858 |
| PETRONAS | **40,817** | 40,817 | **289,393** | 273,882 |
| | **1,208,456** | 1,208,456 | **8,567,954** | 8,108,740 |
| **Indirect unitholdings of parties related to the Manager** | | | | |
| PETRONAS | **1,167,639** | 1,167,639 | **8,278,561** | 7,834,858 |

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 2023 of RM7.09 per unit (2022: RM6.71 per unit).

## 9. 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.

## 10. 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.

## 11. OTHER LONG TERM LIABILITIES

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Security deposits payable | **71,899** | 69,474 |

Security deposits payable are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on effective profit rates at 4.34% (2022: 4.33%) 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 | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| **Short term financing** | | |
| Secured: | | |
| Sukuk Murabahah | **461,423** | 8,874 |
| **Long term financing** | | |
| Secured: | | |
| Sukuk Murabahah | **900,000** | 1,355,000 |
| **Total financing** | | |
| Secured: | | |
| Sukuk Murabahah | **1,361,423** | 1,363,874 |

**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 2023** | | | | | |
| **Secured** | | | | | |
| Sukuk Murabahah | **1,361,423** | **461,423** | **–** | **500,000** | **400,000** |
| **31 December 2022** | | | | | |
| **Secured** | | | | | |
| Sukuk Murabahah | 1,363,874 | 8,874 | 455,000 | 500,000 | 400,000 |

## KLCC REIT
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## 13. FINANCING (continued)

### (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.

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.

The RM455,000,000 Sukuk Murabahah will mature on 25 April 2024. As such, the RM455,000,000 Sukuk Murabahah is presented as current liabilities as at 31 December 2023. The Manager's repayment plans are discussed in Note 28.

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

| Group | Sukuk Murabahah RM'000 | Dividend paid RM'000 | Total RM'000 |
|---|---|---|---|
| Balance at 1 January 2023 | **1,363,874** | **–** | **1,363,874** |
| **Changes from financing cash flows** | | | |
| Financing cost paid | **(58,753)** | **–** | **(58,753)** |
| Income distributions paid | **–** | **(482,235)** | **(482,235)** |
| **Total changes from financing cash flows** | **(58,753)** | **(482,235)** | **(540,988)** |
| **Other changes** | | | |
| Liability-related | | | |
| Financing cost | **56,302** | **–** | **56,302** |
| Dividend payable | **–** | **482,235** | **482,235** |
| **Total liability-related other changes** | **56,302** | **482,235** | **538,537** |
| Balance at 31 December 2023 | **1,361,423** | **–** | **1,361,423** |
| | | | |
| Balance at 1 January 2022 | 1,366,310 | – | 1,366,310 |
| **Changes from financing cash flows** | | | |
| Financing cost paid | (58,840) | – | (58,840) |
| Income distributions paid | – | (501,840) | (501,840) |
| **Total changes from financing cash flows** | (58,840) | (501,840) | (560,680) |
| **Other changes** | | | |
| Liability-related | | | |
| Financing cost | 56,404 | – | 56,404 |
| Dividend payable | – | 501,840 | 501,840 |
| **Total liability-related other changes** | 56,404 | 501,840 | 558,244 |
| Balance at 31 December 2022 | 1,363,874 | – | 1,363,874 |

## 14. DEFERRED TAX LIABILITY

| | Note | Group/Fund 2023 RM'000 | Group/Fund 2022 RM'000 |
|---|---|---|---|
| At 1 January | | **41,553** | 35,389 |
| Recognised in profit or loss | 22 | **9,320** | 6,164 |
| At 31 December | | **50,873** | 41,553 |

## 15. OTHER PAYABLES

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Fund 2023 RM'000 | Fund 2022 RM'000 |
|---|---|---|---|---|---|
| **Non-Current** | | | | | |
| Deferred revenue | | **74,391** | 76,676 | **74,391** | 76,676 |
| **Current** | | | | | |
| Other payables | | **28,841** | 23,981 | **28,833** | 23,975 |
| Security deposits payable | | **2,683** | 1,763 | **2,685** | 1,763 |
| Amount due to: | | | | | |
| Ultimate holding company | | **247** | 249 | **247** | 249 |
| Immediate holding company | | **678** | 60 | **673** | 3 |
| Fellow subsidiaries | | **11,880** | 11,759 | **11,880** | 11,759 |
| Other related companies | | **693** | 588 | **693** | 588 |
| Total other payables | | **45,022** | 38,400 | **45,011** | 38,337 |
| Add: Financing | 13 | **1,361,423** | 1,363,874 | **–** | – |
| Amount due to a subsidiary | | **–** | – | **1,361,191** | 1,363,789 |
| Other long term liabilities | 11 | **71,899** | 69,474 | **71,899** | 69,474 |
| Total financial liabilities carried at amortised cost | | **1,478,344** | 1,471,748 | **1,478,101** | 1,471,600 |

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.

## KLCC REIT

# Notes to the Financial Statements

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## 16. REVENUE

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Investment properties | | |
| – Office | **541,959** | 539,903 |
| – Retail | **40,210** | 38,940 |
| | **582,169** | 578,843 |

## 17. PROPERTY OPERATING EXPENSES

| | Group | | Fund | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Utilities expenses | **12,551** | 10,365 | **12,551** | 10,365 |
| Maintenance expenses | **10,737** | 10,684 | **10,737** | 10,684 |
| Quit rent and assessment | **3,441** | 3,441 | **3,441** | 3,441 |
| Other operating expenses | **5,893** | 5,893 | **5,887** | 5,886 |
| | **32,622** | 30,383 | **32,616** | 30,376 |

## 18. MANAGEMENT FEES

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Base fee | **28,598** | 28,492 |
| Performance fee | **16,486** | 16,454 |
| | **45,084** | 44,946 |

The Manager will receive the following fees from KLCC REIT:

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

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

## 19. TRUSTEE'S FEE

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

## 20. FINANCING COSTS

| | Group/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Profit expense: | | |
| Sukuk Murabahah | **56,302** | 56,404 |
| Accretion of financial instruments | **2,947** | 2,715 |
| | **59,249** | 59,119 |

## 21. PROFIT BEFORE TAX

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

| | | Group | | Fund | |
|---|---|---|---|---|---|
| | **Note** | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| Auditors' remuneration | | **104** | 97 | **99** | 92 |
| Valuation fees | | **160** | 220 | **160** | 220 |
| Property manager fee | | **95** | 95 | **95** | 95 |
| Depreciation | 3 | **350** | 515 | **350** | 515 |

## 22. TAX EXPENSE

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of KLCC REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the unitholders' in the basis period of KLCC REIT for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of KLCC REIT financial year which forms the basis period for a year of assessment, KLCC REIT will be subject to income tax at the prevailing statutory rate on its total taxable income. Income which has been taxed at the KLCC REIT level will have tax credits attached when subsequently distributed to unitholders.

As at the date of this financial statements, KLCC REIT has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2023 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% (2022: 10%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

KLCC REIT

# Notes to the Financial Statements

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## 22. TAX EXPENSE (continued)

Reconciliation of the tax expense is as follows:

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Profit before tax | **543,952** | 509,462 |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | **130,548** | 122,271 |
| Expenses not deductible for tax purposes | **15,935** | 15,632 |
| Income not subject to tax | **(146,483)** | (137,903) |
| Deferred tax recognised at different tax rate | **9,320** | 6,164 |
| Tax expense | **9,320** | 6,164 |

| | Fund | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Profit before tax | **543,958** | 509,469 |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | **130,550** | 122,273 |
| Expenses not deductible for tax purposes | **15,933** | 15,630 |
| Income not subject to tax | **(146,483)** | (137,903) |
| Deferred tax recognised at different tax rate | **9,320** | 6,164 |
| Tax expense | **9,320** | 6,164 |

## 23. BASIC EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing profit for the year attributable to unitholders of the Fund by the weighted average number of units in issue during the financial year.

| | Group | | Fund | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Profit attributable to unitholders (RM'000) | **534,632** | 503,298 | **534,638** | 503,305 |
| Weighted average number of units in issue ('000) | **1,805,333** | 1,805,333 | **1,805,333** | 1,805,333 |
| Basic earnings per unit (sen) | **29.61** | 27.88 | **29.61** | 27.88 |

## 24. INCOME DISTRIBUTION

| | Income distribution recognised in year | | Net income distribution per unit | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 sen | 2022 sen |
| Recognised during the year: | | | | |
| A fourth interim income distribution of 6.31% (2021: 6.83%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021 | **113,917** | 123,304 | **6.31** | 6.83 |
| A first interim income distribution of 7.09% (2022: 7.01%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2023/2022 | **127,998** | 126,554 | **7.09** | 7.01 |
| A second interim income distribution of 7.00% (2022: 7.01%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2023/2022 | **126,373** | 126,554 | **7.00** | 7.01 |
| A third interim income distribution of 6.30% (2022: 6.96%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2023/2022 | **113,736** | 125,651 | **6.30** | 6.96 |
| | **482,024** | 502,063 | **26.70** | 27.81 |

A fourth interim income distribution in respect of the financial year ended 31 December 2023 of 6.40% on 1,805,333,083 units, declared on 7 February 2024 amounting to an income distribution payable of RM115,541,317 will be payable on 29 February 2024.

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 2024.

Distribution to unitholders is from the following sources:

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Net property income | **549,547** | 548,460 |
| Profit income | **6,138** | 4,032 |
| Fair value adjustments of investment properties | **93,200** | 61,635 |
| | **648,885** | 614,127 |
| Less: Expenses | **(104,933)** | (104,665) |
| Tax expense | **(9,320)** | (6,164) |
| Profit for the year | **534,632** | 503,298 |
| (Less)/add: Non-cash items | **(25,707)** | 1,967 |
| Add: Brought forward undistributed income available for distribution | **93,317** | 80,728 |
| Total available for income distribution | **602,242** | 585,993 |
| Less: Income distributed | **(368,107)** | (378,759) |
| Less: Income to be distributed on 29 February 2024 (2022: 28 February 2023) | **(115,541)** | (113,917) |
| Balance undistributed income available for distribution | **118,594** | 93,317 |
| Distribution per unit (sen) | **26.79** | 27.29 |

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## 25. MANAGEMENT EXPENSE RATIO

| | Group | | Fund | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Total Trust expenses | **46,956** | 46,568 | **46,951** | 46,563 |
| Net asset value at the end of the financial year | **8,070,969** | 8,018,361 | **8,071,037** | 8,018,423 |
| Less: Fourth interim income distribution | **(115,541)** | (113,917) | **(115,541)** | (113,917) |
| Net asset value at the end of the financial year, after interim income distribution | **7,955,428** | 7,904,444 | **7,955,496** | 7,904,506 |
| Management Expense Ratio ("MER") | **0.59** | 0.59 | **0.59** | 0.59 |

The calculation of MER is based on the total fees and expenses incurred by the Group and the Fund in the financial year, including Manager's fee and Trustee's fee, auditors' remuneration, tax agent's fee, valuation fees and other Trust expenses to the net asset value (after the fourth interim income distribution) at the end of the respective financial year.

## 26. COMMITMENTS

### (a) Capital commitments

| | Group/Fund | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| **Approved but not contracted for** | | |
| Investment properties | **7,050** | 6,663 |

### (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 | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Not later than 1 year | **616,355** | 584,736 |
| Later than 1 year but not later than 5 years | **2,370,196** | 2,363,722 |
| More than 5 years | **6,722,989** | 7,035,696 |
| | **9,709,540** | 9,984,154 |

## 27. RELATED PARTY DISCLOSURES

### (a) Significant transactions with related parties

(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 5.

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

| | Group | | Fund | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| **Income/(expense)** | | | | |
| **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 | **(5,064)** | (4,001) | **(5,064)** | (4,001) |
| **Ultimate Holding Company** | | | | |
| Rental income | **515,320** | 513,188 | **515,320** | 513,188 |
| **Fellow subsidiaries** | | | | |
| Management fees | **(45,084)** | (44,946) | **(45,084)** | (44,946) |
| Property management fees | **(2,349)** | (2,299) | **(2,349)** | (2,299) |
| Property maintenance fees | **(9,312)** | (9,514) | **(9,312)** | (9,514) |
| Property advertising and marketing fees | **(873)** | (869) | **(873)** | (869) |
| Carpark income | **839** | 741 | **839** | 741 |
| **Other related company** | | | | |
| Chilled water supply | **(7,487)** | (6,364) | **(7,487)** | (6,364) |

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 2023 are disclosed in Notes 6, 12 and 15.

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## 28. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The Group has a Risk Management Framework and Guidelines that set the foundation for the establishment of effective risk management across the Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Fund's goal in risk management are to ensure that the management understands, measures, monitors and reports the financial risks that arise in connection with their operations. The policies, standards and guidelines have been developed to identify, analyse, appraise, monitor and report 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 market risk, profit rate risk, liquidity risk and credit risk arising from its use of financial instruments in the normal course of the Group's and the Fund's business.

### Market Risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Fund are exposed to include profit rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could affect the value of the Group's and the Fund's financial assets, liabilities or expected future cash flows.

Financial instruments affected by market risk include financings 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 | |
|---|---|---|---|---|
| | **2023 RM'000** | **2022 RM'000** | **2023 RM'000** | **2022 RM'000** |
| **Fixed rate instruments** | | | | |
| Financial assets | **141,601** | 110,879 | **141,562** | 110,841 |
| Financial liabilities | **(1,361,423)** | (1,363,874) | **(1,361,191)** | (1,363,789) |

## 28. FINANCIAL INSTRUMENTS (continued)

### 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 raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The Group and the Fund are in net current liabilities position of RM360,313,000 and RM360,245,000 respectively as at 31 December 2023. This is due to the reclassification of their RM455,000,000 Sukuk Murabahah to current liabilities as maturity date is on 25 April 2024 and the Manager has plans in place for the repayment of the Sukuk Murabahah upon its maturity.

The Manager does not expect repayment risk and is currently exploring various refinancing options and source to redeem the Sukuk Murabahah. Based on the reaffirmed AAA ratings from RAM Ratings on 2 June 2023, the Manager is confident that the Group and the Fund will be able to refinance the Sukuk Murabahah upon maturity.

### 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:

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 |
| **Financial Liabilities** | | | | | | | |
| **31 December 2023** | | | | | | | |
| Sukuk Murabahah | **1,361,423** | **4.16%** | **1,533,859** | **505,303** | **37,000** | **554,603** | **436,953** |
| Other payables | **45,022** | **–** | **45,022** | **45,022** | **–** | **–** | **–** |
| Other long term liabilities | **71,899** | **4.34%** | **148,501** | **–** | **2,811** | **5,452** | **140,238** |
| **31 December 2022** | | | | | | | |
| Sukuk Murabahah | 1,363,874 | 4.16% | 1,595,151 | 67,553 | 499,042 | 575,559 | 452,997 |
| Other payables | 38,400 | – | 38,400 | 38,400 | – | – | – |
| Other long term liabilities | 69,474 | 4.33% | 150,639 | – | 3,751 | 3,853 | 143,035 |

## KLCC REIT
# Notes to the Financial Statements
31 December 2023

### 28. FINANCIAL INSTRUMENTS (continued)

#### Liquidity Risk (continued)

#### Maturity analysis (continued)

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: (continued)

| | Fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 |
| **Financial Liabilities** | | | | | | | |
| **31 December 2023** | | | | | | | |
| Amount due to a subsidiary | **1,361,191** | **4.16%** | **1,533,628** | **505,072** | **37,000** | **554,603** | **436,953** |
| Other payables | **45,011** | **–** | **45,011** | **45,011** | **–** | **–** | **–** |
| Other long term liabilities | **71,899** | **4.34%** | **148,501** | **–** | **2,811** | **5,452** | **140,238** |
| **31 December 2022** | | | | | | | |
| Amount due to a subsidiary | 1,363,789 | 4.16% | 1,598,195 | 58,199 | 503,348 | 580,179 | 456,469 |
| Other payables | 38,337 | – | 38,337 | 38,337 | – | – | – |
| Other long term liabilities | 69,474 | 4.33% | 150,639 | – | 3,751 | 3,853 | 143,035 |

#### Credit risk

Credit risk is the risk of potential exposure of the Group and of the Fund to losses in the event of non-performance by counterparties. The Group and the Fund's exposures to credit risk arise principally from customers and placement in financial institutions. Credit risks are controlled by individual subsidiaries in line with Group's Risk Management Framework and Guideline.

#### Receivables

#### Risk management objectives, policies and processes for managing the risk

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.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Fund.

The Group and the Fund use ageing analysis and credit limit review to monitor the credit quality of the receivables. The Fund monitors the results of its subsidiary regularly. Any customers exceeding their credit limit are monitored closely. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

With respect to the trade and other receivables which have no realistic prospect of recovery, the gross carrying amounts of the credit impaired receivables will be written off (either in partial or in full).

## 28. FINANCIAL INSTRUMENTS (continued)

### Credit risk (continued)

### Receivables (continued)

#### Recognition and measurement of impairment loss

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Fund perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

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.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Fund's historical experience.

The Group and the Fund have not recognised any loss allowance for trade receivables that 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/Fund | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| **At net:** | | |
| **Not past due:** | **143** | 113 |
| Past due 1 to 30 days | **1** | – |
| Past due 31 to 60 days | **–** | 107 |
| Past due 61 to 90 days | **–** | – |
| Past due more than 90 days | **–** | 2 |
| | **144** | 222 |
| Trade receivables | **144** | 222 |
| Less: Impairment losses | **–** | – |
| Net trade receivable | **144** | 222 |

The Group does not typically negotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2023 and 31 December 2022.

KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 28. FINANCIAL INSTRUMENTS (continued)

### Fair Value Information

### Recognised financial instruments

The Group's and the Fund's financial instruments consist of cash and cash equivalents, investments and financing, trade and other receivables, financing, other payables and various debt.

The carrying amounts of cash and cash equivalents, trade and other receivables, other payables and short term financing approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of other long term liabilities approximate its fair value amount.

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

| | Fair value of financial instruments not carried at fair value | | | | |
|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Carrying amount RM'000 |
| **2023** | | | | | |
| **Financial liabilities** | | | | | |
| Sukuk Murabahah | **–** | **1,329,409** | **–** | **1,329,409** | **1,361,423** |
| **2022** | | | | | |
| **Financial liabilities** | | | | | |
| Sukuk Murabahah | – | 1,308,646 | – | 1,308,646 | 1,363,874 |

For the 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 were no transfers between Level 1, 2 and 3 fair values during the financial year (2022: no transfer between Level 1, 2 and 3 fair values).

## 29. CAPITAL MANAGEMENT

The Group and the Fund define capital as the total equity and debts of the Fund. The objective of the Group's and the Fund'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. As a subsidiary of Petroliam Nasional Berhad ("PETRONAS"), the Group's and the Fund's approach in managing capital is set out in the KLCC Group Corporate Financial Policies.

The Group and the Fund monitor and maintain a prudent level of total debts to total equity ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders' agreements.

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.

## 29. CAPITAL MANAGEMENT (continued)

The financing to total assets ratio as at 31 December 2023 is as follows:

| | Group | |
|---|---|---|
| | **2023 RM'000** | **2022 RM'000** |
| Total financing | **1,361,423** | 1,363,874 |
| Total assets | **9,674,577** | 9,608,338 |
| Financing to total assets ratio | **14.1%** | 14.2% |

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution year, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of the Group's distributable income. It is the intention of the Manager to distribute at least 90% of the Group's distributable income on a quarterly basis or such other intervals as the Manager may determine at its absolute discretion.

## 30. SEGMENT INFORMATION

### (a) Reporting format

Segment information is presented in respect of the Group's and the Fund's business segments.

Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financing, financing and expenses, and corporate assets and expenses.

The Group and the Fund comprises the following main business segments:

| | |
|---|---|
| Property investment – Office | Rental of office spaces and other related activities. |
| Property investment – Retail | Rental of retail spaces and other related activities. |

Details on geographical segments are not applicable as the Group operates predominantly in Malaysia.

## KLCC REIT
# Notes to the Financial Statements
31 December 2023

## 30. SEGMENT INFORMATION (continued)

### (b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit-earning assets and revenue, profit-bearing financing and corporate assets and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Inter-segment transactions have been entered into in the normal course of business and have been established on commercial basis. These transfers are eliminated on consolidation.

**Business Segments**

| 31 December 2023 | Property investment – Office RM'000 | Property investment – Retail RM'000 | Consolidated RM'000 |
|---|---|---|---|
| **Revenue** | | | |
| External customers | 541,959 | 40,210 | 582,169 |
| **Results** | | | |
| Net property income | 521,624 | 27,923 | 549,547 |
| Profit income | | | 6,138 |
| Fair value adjustments on investment properties | | | 93,200 |
| Management fees | | | (45,084) |
| Trustee's fee | | | (600) |
| Financing costs | | | (59,249) |
| Tax expense | | | (9,320) |
| Profit after tax | | | 534,632 |
| Depreciation | | | 350 |
| Non-cash items other than depreciation | | | (26,057) |
| **Segment assets** | 8,901,655 | 630,938 | 9,532,593 |
| Cash and bank balances | | | 141,984 |
| Consolidated total assets | | | 9,674,577 |
| **Segment liabilities** | 216,497 | 25,688 | 242,185 |
| Financing | | | 1,361,423 |
| Consolidated total liabilities | | | 1,603,608 |

## 30. SEGMENT INFORMATION (continued)

### (b) Allocation basis and transfer pricing (continued)

**Business Segments (continued)**

| 31 December 2022 | Property investment – Office RM'000 | Property investment – Retail RM'000 | Consolidated RM'000 |
|---|---|---|---|
| **Revenue** | | | |
| External customers | 539,903 | 38,940 | 578,843 |
| **Results** | | | |
| Net property income | 521,161 | 27,299 | 548,460 |
| Profit income | | | 4,032 |
| Fair value adjustments on investment properties | | | 61,635 |
| Management fees | | | (44,946) |
| Trustee's fee | | | (600) |
| Financing costs | | | (59,119) |
| Tax expense | | | (6,164) |
| Profit after tax | | | 503,298 |
| Depreciation | | | 515 |
| Non-cash items other than depreciation | | | 1,452 |
| **Segment assets** | 8,872,865 | 624,409 | 9,497,274 |
| Cash and bank balances | | | 111,064 |
| Consolidated total assets | | | 9,608,338 |
| **Segment liabilities** | 213,582 | 12,521 | 226,103 |
| Financing | | | 1,363,874 |
| Consolidated total liabilities | | | 1,589,977 |

## 31. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

During the financial year, the Group and the Fund adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

**Effective for annual periods beginning on or after 1 January 2023**

| | |
|---|---|
| Amendments to MFRS 101 | Presentation of Financial Statements and MFRS Practice – Statement 2 (Disclosure of Accounting Policies) |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) |
| Amendments to MFRS 112 | Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) |
| Amendments to MFRS 112 | Income Taxes (International Tax Reform – Pillar Two Model Rules) |

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Fund.

KLCC REIT

# Notes to the Financial Statements

31 December 2023

## 32. 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 the Fund in these financial statements:

**Effective for annual periods beginning on or after 1 January 2024**

| | |
|---|---|
| Amendments to MFRS 16 | Leases<br>(Lease Liability in a Sale and Leaseback) |
| Amendments to MFRS 101 | Presentation of Financial Statements<br>(Classification of Liabilities as Current or Non-current) |
| Amendments to MFRS 101 | Presentation of Financial Statements<br>(Non-current Liabilities with Covenants) |
| Amendments to MFRS 107 | Statement of Cash Flows and MFRS 7 Financial Instruments:<br>Disclosures (Supplier Finance Arrangements) |

**Effective for annual periods beginning on or after 1 January 2025**

| | |
|---|---|
| Amendments to MFRS 121 | The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability |

**Effective for a date yet to be confirmed**

| | |
|---|---|
| Amendments to MFRS 10 | Consolidated Financial Statements:<br>Sale or Contribution of Assets between an Investor and its Associate or Joint venture |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures:<br>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Group and the Fund are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts on the financial statements of the Group and the Fund.

## 33. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE FUND

During the financial year, the MASB has issued pronouncements which are not relevant to the Group and of the Fund as listed below:

**Effective for annual periods beginning on or after 1 January 2023**

| | |
|---|---|
| MFRS 17 | Insurance Contracts |
| Amendment to MFRS 17 | Insurance Contracts<br>(Initial Application of MFRS 17 and MFRS 9 – Comparative Information) |

# 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 2023 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information, as set out on pages 312 to 358.

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 2023, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

*Basis for opinion*

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

*Independence and other ethical responsibilities*

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

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

*Valuation of investment properties*

As at 31 December 2023, the carrying value of the Group and of the Fund's investment properties carried at fair value amounted to RM9,271,852,000 which represents 96% of the Group and of the Fund's total assets. The Group and the Fund adopt the fair value model for its investment properties. The valuation of investment properties carried at fair value is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group and the Fund has engaged an external valuer to determine the fair value of the investment properties at the reporting date and a fair value gain of RM93,200,000 has been recognised during the year.

## KLCC REIT

# Independent Auditors' Report

### To the unitholders of KLCC Real Estate Investment Trust

*Valuation of investment properties (continued)*

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

- We considered the objectivity, independence and expertise of independent valuer;
- We obtained an understanding of the methodology adopted by the independent valuer in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuer to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuer;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 1.4 and 4 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.

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.

*Auditors' responsibilities for the audit of the financial statements (continued)*

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 and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other matters

This report is made solely to the unitholders of the Fund, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
7 February 2024

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2025 J
Chartered Accountant