

FINANCIAL STATEMENTS

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KLCC

PROPERTY HOLDINGS BERHAD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries and associate are stated in Notes 7 and 8 to the financial statements respectively and Board of Directors deems such information included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

CORPORATE INFORMATION

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

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

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	911,554	268,797
Attributable to:		
Equity holders of the Company	279,365	268,797
Non-controlling interests relating to KLCC REIT	503,298	-
Other non-controlling interests	128,891	-
	911,554	268,797

RESERVES AND PROVISIONS

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2021 were as follows:

	RM'000
In respect of the financial year ended 31 December 2021 as reported in the Directors' Report in that year:	
A fourth interim dividend of 5.77%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 28 January 2022 and paid on 28 February 2022.	104,168
In respect of the financial year ended 31 December 2022:	
A first interim dividend of 0.99%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 24 May 2022 and paid on 29 June 2022.	17,873
A second interim dividend of 0.99%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 9 August 2022 and paid on 28 September 2022.	17,873
A third interim dividend of 1.04%, tax exempt under single tier system on 1,805,333,083 ordinary shares, was declared on 10 November 2022 and paid on 23 December 2022.	18,775
	158,689

A fourth interim dividend in respect of the financial year ended 31 December 2022, of 7.69%, tax exempt under the single tier system on 1,805,333,083 ordinary shares, declared on 31 January 2023, amounting to a dividend payable of RM138,830,114 will be payable on 28 February 2023.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2023.

DIRECTORS OF THE COMPANY

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

Tan Sri Ahmad Nizam Bin Salleh

Farina Binti Farikhullah Khan

Dato' Jamaludin Bin Osman

Liza Binti Mustapha

Md. Shah Bin Mahmood

Chong Chye Neo

Dato' Sr. Mazuki Bin A. Aziz

Datin Noor Lily Zuriati Binti Abdullah

Habibah Binti Abdul

(retired w.e.f. 12 April 2022)

DIRECTORS OF THE COMPANY (CONTD.)

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

The names of the directors of the subsidiaries are set out in their respective subsidiary's directors' report and the Board of the Company deems such information is included in the Directors' Report of the Company by such reference and shall form part of the Directors' Report of the Company.

DIRECTORS' INTERESTS

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

	Number of Shares in Petronas Chemicals Group Berhad			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	
Direct				
Tan Sri Ahmad Nizam Bin Salleh	10,000	-	-	10,000
Md. Shah Bin Mahmood	6,000	-	-	6,000

	Number of Shares in Petronas Gas Berhad			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	
Direct				
Tan Sri Ahmad Nizam Bin Salleh	2,000	-	-	2,000

None of the other Directors holding office as at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit shown below), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive*	-	-
Non-Executive:		
Fees	1,295	1,295
	1,295	1,295

* The remuneration of the Executive Director is paid to immediate holding company, KLCC (Holdings) Sdn. Bhd. as disclosed in Note 25.

ULTIMATE HOLDING COMPANY

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

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNIFICATION TO DIRECTORS AND OFFICERS

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

OTHER STATUTORY INFORMATION

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

- (i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Audit fees	660	233

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 January 2023.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 185 to 247 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of the results of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 January 2023.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

STATUTORY DECLARATION

I, Rohizal Bin Kadir, the officer primarily responsible for the financial management of KLCC Property Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 185 to 247 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Rohizal Bin Kadir
in Kuala Lumpur, Wilayah Persekutuan
on 31 January 2023.

Rohizal Bin Kadir
(MIA Membership No. 50742)

BEFORE ME:

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	570,929	604,999	147	286
Investment properties	6	15,722,780	15,586,571	-	-
Investment in subsidiaries	7	-	-	1,371,793	1,371,773
Investment in an associate	8	265,023	271,425	99,195	99,195
Right-of-use assets	29	3,913	5,623	388	3,548
Deferred tax assets	9	1,464	707	1,437	651
Other receivables	11	328,988	393,197	-	-
		16,893,097	16,862,522	1,472,960	1,475,453
Current Assets					
Inventories	10	1,558	1,354	-	-
Trade and other receivables	11	102,018	89,343	9,919	8,065
Tax recoverable		7,813	24,357	5,846	5,473
Cash and bank balances	12	1,104,972	959,528	647,539	538,621
		1,216,361	1,074,582	663,304	552,159
TOTAL ASSETS		18,109,458	17,937,104	2,136,264	2,027,612
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	13	1,823,386	1,823,386	1,823,386	1,823,386
Capital reserve	2.21	2,897,190	2,860,830	-	-
Retained profits	14	392,812	308,496	304,307	194,199
		5,113,388	4,992,712	2,127,693	2,017,585
Non-controlling interests ("NCI") relating to KLCC REIT	7	8,018,361	8,017,126	-	-
Stapled Securities holders interests in the Group		13,131,749	13,009,838	2,127,693	2,017,585
Other NCI	7	2,035,529	2,029,638	-	-
Total Equity		15,167,278	15,039,476	2,127,693	2,017,585

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-Current Liabilities					
Deferred revenue	15	82,633	88,832	-	-
Other long term liabilities	16	126,928	144,475	-	-
Financings	17	2,355,887	2,347,926	-	404
Deferred tax liabilities	9	53,982	51,384	-	-
		2,619,430	2,632,617	-	404
Current Liabilities					
Trade and other payables	18	281,308	236,946	8,166	6,328
Financings	17	22,586	27,986	405	3,295
Taxation		18,856	79	-	-
		322,750	265,011	8,571	9,623
Total Liabilities		2,942,180	2,897,628	8,571	10,027
TOTAL EQUITY AND LIABILITIES		18,109,458	17,937,104	2,136,264	2,027,612
Net asset value ("NAV")		13,131,749	13,009,838		
Less: Fourth interim distribution		(252,747)	(227,472)		
Net NAV after distribution		12,879,002	12,782,366		
Number of stapled securities/ shares in circulation ('000)		1,805,333	1,805,333		
NAV per stapled security/share (RM)					
- before distribution		7.27	7.21		
- after distribution		7.13	7.08		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	19	1,459,251	1,171,056	294,169	202,227
Operating profit	20	958,796	785,180	253,735	170,929
Fair value adjustments of investment properties	6	128,676	(144,457)	-	-
Interest/profit income	21	27,068	18,487	14,372	9,629
Financing costs	22	(105,759)	(105,176)	(98)	(249)
Share of profit of an associate	8	10,098	11,763	-	-
Profit before tax	23	1,018,879	565,797	268,009	180,309
Tax (expense)/benefit	26	(107,325)	(31,768)	788	149
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		911,554	534,029	268,797	180,458
Profit attributable to:					
Equity holders of the Company		279,365	126,456	268,797	180,458
NCI relating to KLCC REIT	7	503,298	369,396	-	-
		782,663	495,852	268,797	180,458
Other NCI	7	128,891	38,177	-	-
		911,554	534,029	268,797	180,458
Earnings per share attributable to equity holders of the Company (sen):					
Basic/diluted	27	15.47	7.00		
Earnings per stapled security (sen):					
Basic/diluted	27	43.35	27.47		

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

STATEMENT OF INCOME DISTRIBUTION TO STAPLED SECURITIES HOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group	
	2022 RM'000	2021 RM'000
Overall distributable income is derived as follows:		
Profit attributable to the equity holders of the Company	279,365	126,456
Add: Unrealised fair value adjustments attributable to the equity holders	(36,360)	44,254
	243,005	170,710
Distributable income of KLCC REIT	505,265	467,655
Total available for income distribution	748,270	638,365
Distribution to equity holders of the Company in respect of financial year ended 31 December:		
First interim dividend of 0.99% (2021: 0.99%)	(17,873)	(17,873)
Second interim dividend of 0.99% (2021: 0.99%)	(17,873)	(17,873)
Third interim dividend of 1.04% (2021: 0.84%)	(18,775)	(15,165)
Fourth interim dividend of 7.69% (2021: 5.77%)	(138,830)	(104,168)
	(193,351)	(155,079)
Distribution to KLCC REIT holders in respect of financial year ended 31 December:		
First interim income distribution of 7.01% (2021: 6.01%)	(126,554)	(108,501)
Second interim income distribution of 7.01% (2021: 6.01%)	(126,554)	(108,501)
Third interim income distribution of 6.96% (2021: 6.16%)	(125,651)	(111,209)
Fourth interim income distribution of 6.31% (2021: 6.83%)	(113,917)	(123,304)
	(492,676)	(451,515)
Balance undistributed	62,243	31,771

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Note	← Attributable to Equity Holders of the Company →			Total equity attributable to holders of the Company RM'000	NCI relating to KLCC REIT RM'000 (Note 7)	Other NCI RM'000	Total Equity RM'000
		Non-distributable	← Distributable →					
			Share Capital RM'000 (Note 13)	Retained Profits RM'000				
At 1 January 2022		1,823,386	308,496	2,860,830	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	2.21	-	(36,360)	36,360	-	-	-	-
Dividends paid	28	-	(158,689)	-	(158,689)	(502,063)	(123,000)	(783,752)
At 31 December 2022		1,823,386	392,812	2,897,190	5,113,388	8,018,361	2,035,529	15,167,278
At 1 January 2021		1,823,386	206,750	2,905,084	4,935,220	8,078,845	2,063,894	15,077,959
Total comprehensive income for the year		-	126,456	-	126,456	369,396	38,177	534,029
Transfer of fair value adjustments net of tax	2.21	-	44,254	(44,254)	-	-	-	-
Dividends paid	28	-	(68,964)	-	(68,964)	(431,115)	(72,433)	(572,512)
At 31 December 2021		1,823,386	308,496	2,860,830	4,992,712	8,017,126	2,029,638	15,039,476

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Company	Note	Non-distributable Share Capital RM'000 (Note 13)	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 January 2022		1,823,386	194,199	2,017,585
Total comprehensive income for the year		-	268,797	268,797
Dividends paid	28	-	(158,689)	(158,689)
At 31 December 2022		1,823,386	304,307	2,127,693
At 1 January 2021		1,823,386	82,705	1,906,091
Total comprehensive income for the year		-	180,458	180,458
Dividends paid	28	-	(68,964)	(68,964)
At 31 December 2021		1,823,386	194,199	2,017,585

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,018,879	565,797	268,009	180,309
Adjustments for:				
Interest/profit income	(27,068)	(18,487)	(14,372)	(9,629)
Financing costs	105,763	105,176	98	249
Amortisation of accrued rental income and deferred revenue	58,135	28,469	-	-
Depreciation of property, plant and equipment	40,488	42,074	139	205
Depreciation of right-of-use assets	4,490	4,594	3,160	3,160
Dividend income	-	-	(271,500)	(182,250)
Investment property written off	13	358	-	-
Loss/(gain) on disposal of property, plant and equipment	30	(6)	-	-
(Gain)/loss on fair value adjustments of investment properties	(128,676)	144,457	-	-
Impairment on investment property under construction	115	252	-	-
(Reversal)/allowance for impairment losses of receivables	(1,496)	6,104	-	-
Bad debts written off	-	2	-	-
Share of profit of an associate	(10,098)	(11,763)	-	-
Derecognition of leases	(9)	-	-	-
Remeasurement of leases	(44)	-	-	-
Operating cash flows before changes in working capital	1,060,522	867,027	(14,466)	(7,956)
Changes in working capital:				
Trade and other receivables	15,509	(2,615)	(248)	1,475
Amount due from subsidiaries	-	-	(188)	834
Amount due from related companies	(5,262)	(6,790)	(829)	(369)
Amount due from immediate holding company	(27,813)	(4,632)	(609)	(501)
Amount due to ultimate holding company	(599)	4,940	(1,572)	(814)
Trade and other payables	28,125	(19,043)	3,410	1,641
Inventories	(204)	57	-	-
Cash generated from/(used in) operations	1,070,278	838,944	(14,502)	(5,690)
Interest/profit income received	26,297	18,536	14,372	9,629
Tax paid	(70,176)	(81,887)	(371)	(1,621)
Tax refunded	12	-	-	-
Net cash generated from/(used in) operating activities	1,026,411	775,593	(501)	2,318

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from subsidiaries	-	-	255,000	175,650
Dividends received from an associate	16,500	6,600	16,500	6,600
Purchase of property, plant and equipment	(6,512)	(9,322)	-	-
Subsequent expenditure on investment properties	(6,004)	(38,470)	-	-
Proceeds from disposal of property, plant and equipment	3	15	-	-
Net cash generated from/(used in) investing activities	3,987	(41,177)	271,500	182,250
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	16,540	42,449	-	-
Drawdown of Sukuk Murabahah	-	400,000	-	-
Repayment of borrowings	(10,000)	(10,000)	-	-
Repayment of Sukuk Murabahah	-	(400,000)	-	-
Repayment of lease liabilities	(4,880)	(4,938)	(3,392)	(3,394)
Dividends paid to shareholders	(158,689)	(68,964)	(158,689)	(68,964)
Dividends paid to other NCI	(123,000)	(72,433)	-	-
Dividends paid to NCI relating to KLCC REIT	(501,840)	(430,620)	-	-
Interest/profit expenses paid	(103,085)	(102,040)	-	-
Decrease/(increase) in deposits restricted	841	(1,110)	-	-
Net cash used in financing activities	(884,113)	(647,656)	(162,081)	(72,358)
NET INCREASE IN CASH AND CASH EQUIVALENTS	146,285	86,760	108,918	112,210
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	956,525	869,765	538,621	426,411
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 12)	1,102,810	956,525	647,539	538,621
The additions in investment properties and property, plant and equipment were acquired by way of:				
Cash	1,260	35,992	-	-
Accruals	12,852	11,256	-	-
	14,112	47,248	-	-
Cash paid for additions in prior years	11,256	11,800	-	-
Cash paid for additions in current year	1,260	35,992	-	-
Total cash paid for investment properties and property, plant and equipment	12,516	47,792	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 January 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

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

As of 1 January 2022, the Group and the Company adopted new MFRS and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described in Note 3.

2.2 Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.2 Basis of Consolidation (Contd.)****Business combination**

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

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

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

Non-controlling interests

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

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

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

Loss of control

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

2.3 Investments

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Associates

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

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

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

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

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

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

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

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

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

2.5 Goodwill

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

2.6 Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.6 Property, Plant and Equipment (Contd.)**

The estimated useful life are as follows:

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

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

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

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

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

2.7 Investment Properties

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.8 Impairment of Non-Financial Assets

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

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

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

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

2.9 Inventories

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

2.10 Cash and Cash Equivalents

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

2.11 Financial Assets

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

(i) Recognition and initial measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.11 Financial Assets (Contd.)****(i) Recognition and initial measurement (Contd.)**

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

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

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

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

(ii) Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

(iii) Derecognition

A financial asset is derecognised when:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.11 Financial Assets (Contd.)

(iii) Derecognition (Contd.)

A financial asset is derecognised when: (Contd.)

- (b) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - i. The Group and the Company have transferred substantially all the risks and rewards of the asset; or
 - ii. The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

2.12 Impairment of Financial Assets

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

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

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

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

2.13 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.14 Financial Liabilities****(i) Recognition and initial measurement**

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

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

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

(ii) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost (loans and financings)

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

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

This category generally applies to interest/profit-bearing loans and financings.

(iii) Derecognition

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

2.15 Offsetting of Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.16 Financing Costs

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

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

2.17 Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

2.18 Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.18 Taxation (Contd.)****(ii) Deferred tax (Contd.)**

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

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

2.19 Foreign Currencies**(i) Functional and Presentation Currency**

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

(ii) Foreign Currency Transactions

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

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

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

	2022	2021
	RM	RM
United States Dollar	4.41	4.17

2.20 Share Capital

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

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

2.21 Capital Reserve

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.22 Revenue Recognition

(i) Rental income

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

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

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

(ii) Others

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

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

- i. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- ii. the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- iii. the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

(a) Hotel operations

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

(b) Building and facilities management services

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

(c) Car park operations

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

(d) Interest/profit income

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

(e) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.23 Leases**

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

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

As a lessee

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

(i) Right-of-use assets

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

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

(ii) Lease liabilities

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.23 Leases (Contd.)

As a lessee (Contd.)

(iv) Extension options

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

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

As a lessor

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

2.24 Operating Segments

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

2.25 Fair Value Measurement

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

(i) Financial instruments

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.25 Fair Value Measurement (Contd.)****(ii) Non-financial assets**

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

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

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

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

2.26 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2022, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to Illustrative Examples MFRS 16	Accompanying MFRS 16 Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations (Reference to the Conceptual Framework)
Amendments to MFRS 116	Property, Plant and Equipment (Property, Plant and Equipment - Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract - Cost of Fulfilling a Contract)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical Judgement Made in Applying Accounting Policies

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

4.2 Key Sources of Estimation Uncertainty

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

Fair value of investment properties

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

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

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

	Fair value Increase/(decrease)	
	2022 RM'000	2021 RM'000
Yield rate		
+ 0.25%	(343,404)	(351,342)
- 0.25%	365,542	362,347
Discount rate		
+ 0.25%	(225,839)	(230,251)
- 0.25%	235,751	226,723

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

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5. PROPERTY, PLANT AND EQUIPMENT

	Lands and buildings* RM'000	Project in progress RM'000	Furniture and fittings RM'000	Plant and equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Crockery, linen and utensils RM'000	Total RM'000
Group								
Cost								
At 1 January 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 23)	7,462	-	11,322	14,974	6,579	75	76	40,488
Disposals	-	-	(78)	-	(29)	(12)	-	(119)
Write off	-	-	(54)	-	(1)	-	-	(55)
At 31 December 2022	151,916	-	124,317	158,271	80,024	1,038	10,311	525,877
Net Carrying Amount	482,639	7,641	34,635	38,636	7,278	99	1	570,929
Cost								
At 1 January 2021	634,184	3,526	158,093	190,950	83,928	1,149	10,312	1,082,142
Additions	815	2,761	266	3,884	1,596	-	-	9,322
Transfer within property, plant and equipment	(459)	(211)	6	228	436	-	-	-
Transfer to investment properties	(507)	-	-	-	-	-	-	(507)
Disposals	-	-	(73)	(38)	(2)	-	-	(113)
Write off	-	-	(21)	-	(261)	-	-	(282)
At 31 December 2021	634,033	6,076	158,271	195,024	85,697	1,149	10,312	1,090,562
Accumulated Depreciation								
At 1 January 2021	136,718	-	100,212	129,211	66,789	864	10,081	443,875
Charge for the year (Note 23)	8,033	-	13,007	14,119	6,650	111	154	42,074
Transfer within property, plant and equipment	(297)	-	-	-	297	-	-	-
Disposals	-	-	(71)	(33)	-	-	-	(104)
Write off	-	-	(21)	-	(261)	-	-	(282)
At 31 December 2021	144,454	-	113,127	143,297	73,475	975	10,235	485,563
Net Carrying Amount	489,579	6,076	45,144	51,727	12,222	174	77	604,999

5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

* Land and buildings

	Freehold land RM'000	Hotel building RM'000	Renovation RM'000	Building improvements RM'000	Total RM'000
Group					
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
Cost					
At 1 January 2021	85,889	389,797	20,054	138,444	634,184
Additions	-	-	176	639	815
Transfer within property, plant and equipment	-	-	-	(459)	(459)
Transfer to investment property	-	-	-	(507)	(507)
At 31 December 2021	85,889	389,797	20,230	138,117	634,033
Accumulated Depreciation					
At 1 January 2021	-	79,854	18,949	37,915	136,718
Charge for the year	-	5,414	561	2,058	8,033
Transfer within property, plant and equipment	-	-	-	(297)	(297)
At 31 December 2021	-	85,268	19,510	39,676	144,454
Net Carrying Amount	85,889	304,529	720	98,441	489,579

Property, plant and equipment of a subsidiary at carrying amount of RM541,071,000 (2021: RM568,471,000) has been pledged as securities for loan facilities as disclosed in Note 17.

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5. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company					
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 23)	53	14	-	72	139
At 31 December 2022	7,107	2,352	8	1,846	11,313
Net Carrying Amount	116	12	-	19	147
Cost					
At 1 January 2021/ 31 December 2021	7,223	2,364	8	1,865	11,460
Accumulated Depreciation					
At 1 January 2021	7,000	2,303	8	1,658	10,969
Charge for the year (Note 23)	54	35	-	116	205
At 31 December 2021	7,054	2,338	8	1,774	11,174
Net Carrying Amount	169	26	-	91	286

6. INVESTMENT PROPERTIES

	Completed investment properties RM'000	IPUC land at fair value RM'000	IPUC at cost RM'000	Total RM'000
Group				
At 1 January 2022	14,984,803	464,000	137,768	15,586,571
Additions	7,546	-	115	7,661
Write off	(13)	-	-	(13)
Impairment (Note 23)	-	-	(115)	(115)
Fair value adjustments	128,676	-	-	128,676
At 31 December 2022	15,121,012	464,000	137,768	15,722,780
At 1 January 2021	15,101,437	455,000	136,768	15,693,205
Additions	27,845	8,829	1,252	37,926
Transfer from property, plant and equipment (Note 5)	507	-	-	507
Write off	(358)	-	-	(358)
Impairment (Note 23)	-	-	(252)	(252)
Fair value adjustments	(144,628)	171	-	(144,457)
At 31 December 2021	14,984,803	464,000	137,768	15,586,571

6. INVESTMENT PROPERTIES (CONTD.)

The following investment properties are held under lease terms:

	Group	
	2022 RM'000	2021 RM'000
Completed investment property	377,000	376,000
IPUC land at fair value	186,000	186,000
IPUC at cost	115,000	115,000
	678,000	677,000

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

The Group has also performed a review of the recoverable amount on the IPUC during the financial year. Consequently, the Group has recognised an impairment loss on the IPUC amounting to RM114,906 (2021: RM252,000) during the financial year.

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

	Group	
	2022 RM'000	2021 RM'000
Rental income	1,064,918	937,239
Direct operating expenses of income generating investment properties	(93,427)	(91,894)
	971,491	845,345

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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
2021				
- Office properties	-	-	9,176,342	9,176,342
- Retail properties	-	-	5,994,461	5,994,461
- Land	-	-	278,000	278,000
	-	-	15,448,803	15,448,803

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6. INVESTMENT PROPERTIES (CONTD.)**Policy on transfer between levels**

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

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

	2022 RM'000	2021 RM'000
Valuation per valuers' report	15,914,000	15,842,000
Less: Accrued rental income	(328,988)	(393,197)
	15,585,012	15,448,803
Adjusted valuation on 1 January	15,448,803	15,556,437
Additions	7,546	36,674
Transfer from investment properties	-	507
Write off	(13)	(358)
Gain/(loss) on fair value adjustments of investment properties	128,676	(144,457)
At 31 December	15,585,012	15,448,803

6. INVESTMENT PROPERTIES (CONTD.)

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2022	2021	
Investment method (refer a)	Office:			The estimated fair value would increase/(decrease) if:
	Market rental rate (RM/psf/month)			
	- Term	4.50 - 12.99	4.95 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	5.95 - 12.70	5.94 - 12.40	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	2.50	2.40	- expected inflation rate was lower/(higher)
	- Reversion	2.21 - 2.50	2.20 - 2.40	- expected inflation rate was lower/(higher)
	Void rate (%)	5.00 - 12.50	5.00 - 15.00	- void rate was lower/(higher)
	Term yield (%)	5.75 - 6.75	5.75 - 6.75	- term yield rate was lower/(higher)
	Reversionary yield (%)	6.00 - 7.25	6.00 - 7.25	- reversionary yield was lower/(higher)
	Discount rate (%)	5.75 - 7.25	5.75 - 7.25	- discount rate was lower/(higher)
	Retail:			
	Market rental rate (RM/psf/month)			
	- Term	3.00 - 432.00	1.10 - 407.69	- expected market rental growth was higher/(lower)
	- Reversion	3.00 - 407.69	2.91 - 395.46	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	6.15 - 7.00	5.75 - 6.80	- expected inflation rate was lower/(higher)
- Reversion	6.15 - 7.35	5.75 - 7.14	- 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 - 7.00	- term yield rate was lower/(higher)	
Reversionary yield (%)	6.50 - 7.00	6.50 - 6.75	- reversionary yield was lower/(higher)	
Discount rate (%)	6.25 - 7.00	6.25 - 7.00	- discount rate was lower/(higher)	
Residual method (refer b)	- Expected rate of return (%)	15.00	15.00	- expected rate of return was lower/(higher)
	- Gross Development Value (RM million)	1,572	1,572	- gross development value was higher/(lower)
	- Gross Development Costs (RM million)	1,178	1,178	- gross development costs was lower/(higher)
	- Financing costs (%)	6.00	6.00	- financing costs was lower/(higher)
	- Discount rate (%)	7.00	7.00	- discount rate was lower/(higher)

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6. INVESTMENT PROPERTIES (CONTD.)

- (a) Investment method entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.
- (b) Residual method is used to value a property that has development potential. The value of the property will be the residual of the potential value less the construction costs and the required profit from the project.

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

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

Valuation processes applied by the Group for Level 3 fair value

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

7. INVESTMENT IN SUBSIDIARIES

	Note	Company	
		2022 RM'000	2021 RM'000
Unquoted shares, at cost		4,530,109	4,530,109
Discount on loans to subsidiaries		196,314	196,314
Effects of conversion of amounts due from subsidiaries to investment	(i)	724,230	724,210
Capital reduction		(780,916)	(780,916)
Write-down in value	(ii)	(3,296,954)	(3,296,954)
Impairment loss	(iii)	(990)	(990)
		1,371,793	1,371,773

- (i) During the year, a subsidiary, Arena Johan Sdn. Bhd. has issued ordinary shares to the Company to settle its amount due to the Company.
- (ii) The investments in certain subsidiaries have been adjusted to their recoverable amount subsequent to the disposal of their assets and liabilities to KLCC REIT.
- (iii) An impairment review of the carrying amount of investment in subsidiaries at the reporting date was undertaken by comparing it to respective recoverable amount. No additional impairment was recognised during the year (2021: RM nil).

7. INVESTMENT IN SUBSIDIARIES (CONTD.)

Details of subsidiaries are as follows:

Name of Subsidiaries	Proportion of ownership interest		Principal Activities
	2022 %	2021 %	
Suria KLCC Sdn. Bhd. ("SKSB")	60	60	Ownership and management of a shopping centre and the provision of business management services
Asas Klasik Sdn. Bhd. ("AKSB")	75	75	Property investment in a hotel
Arena Johan Sdn. Bhd. ("AJSB")	100	100	Inactive
KLCC Parking Management Sdn. Bhd. ("KPM")	100	100	Management of car park operations
KLCC Urusharta Sdn. Bhd. ("KLCCUH")	100	100	Facilities management
Kompleks Dayabumi Sdn. Bhd. ("KDSB")	100	100	Property investment
Midciti Resources Sdn. Bhd. ("MRSB")	100	100	Inactive
Impian Cemerlang Sdn. Bhd. ("ICSB")	100	100	Property investment
Arena Merdu Sdn. Bhd. ("AMSB")	100	100	Inactive
KLCC REIT Management Sdn Bhd ("KLCC REIT Management")	100	100	Management of a real estate investment trust
KLCC REIT	*	*	To invest in a Shariah compliant portfolio or real estate assets and real estate related assets
Subsidiary of KLCC REIT			
Midciti Sukuk Berhad ("MSB") *	100	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme all matters relating to it

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

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

- (i) the Group exercises power over KLCC REIT by virtue of its control over KLCC REIT Management, the manager of KLCC REIT; and
- (ii) KLCC REIT units are stapled to the ordinary shares of the Company such that the shareholders of the Company are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT.

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7. INVESTMENT IN SUBSIDIARIES (CONTD.)**Non-controlling interests relating to KLCC REIT**

	2022	2021
NCI percentage of ownership interest and voting interest	100%	100%
Carrying amount of NCI (RM'000)	8,018,361	8,017,126
Profit allocated to NCI (RM'000)	503,298	369,396

Summarised financial information before intra-group elimination

	2022 RM'000	2021 RM'000
Non-current assets - Investment properties	9,175,267	9,113,553
Non-current assets - Others	318,510	379,735
Current assets	114,561	111,687
Non-current liabilities	(1,542,703)	(1,536,518)
Current liabilities	(47,274)	(51,331)
Net assets	8,018,361	8,017,126
Revenue	578,843	569,728
Profit for the year, representing total comprehensive income	503,298	369,396
Cash flows generated from operating activities	565,033	499,057
Cash flows used in investing activities	(83)	(1,306)
Cash flows used in financing activities	(560,680)	(490,378)
Net increase in cash and cash equivalents	4,270	7,373
Dividend paid to NCI relating to KLCC REIT	(502,063)	(431,115)

Other non-controlling interests in subsidiaries

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

	2022		
	SKSB	Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,997,292	38,237	2,035,529
Profit/(loss) allocated to NCI (RM'000)	133,951	(5,060)	128,891

	2021		
	SKSB	Other immaterial subsidiary	Total
NCI percentage of ownership interest and voting interest	40.0%		
Carrying amount of NCI (RM'000)	1,986,341	43,297	2,029,638
Profit/(loss) allocated to NCI (RM'000)	53,436	(15,259)	38,177

7. INVESTMENT IN SUBSIDIARIES (CONTD.)**Other non-controlling interests in subsidiaries (Contd.)****Summarised financial information of significant subsidiary before intra-group elimination**

SKSB	2022 RM'000	2021 RM'000
Non-current assets - Investment properties	5,568,745	5,495,250
Non-current assets - Others	16,476	18,513
Current assets	198,848	248,516
Non-current liabilities	(655,485)	(676,672)
Current liabilities	(135,354)	(119,754)
Net assets	4,993,230	4,965,853
Revenue	456,019	333,874
Profit for the year, representing total comprehensive income	334,877	133,589
Cash flows generated from operating activities	327,772	193,893
Cash flows used in investing activities	(7,914)	(12,107)
Cash flows used in financing activities	(337,085)	(210,746)
Net decrease in cash and cash equivalents	(17,227)	(28,960)
Dividends paid to other NCI	(123,000)	(72,433)

8. INVESTMENT IN AN ASSOCIATE

	2022 RM'000	2021 RM'000
Group		
Unquoted shares at cost	99,195	99,195
Share of post-acquisition reserves	165,828	172,230
	265,023	271,425
Company		
Unquoted shares at cost	99,195	99,195

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Principal Activity	Proportion of ownership interest	
			2022 %	2021 %
Impian Klasik Sdn. Bhd. ("IKSB") *	Malaysia	Property Investment	33	33

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

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8. INVESTMENT IN AN ASSOCIATE (CONTD.)

The summarised financial statements of the associate are as follows:

	2022 RM'000	2021 RM'000
Non-current assets	731,988	770,412
Current assets	74,747	56,433
Total assets	806,735	826,845
Non-current liabilities	96,060	96,616
Current liabilities	2,576	2,728
Total liabilities	98,636	99,344
Results		
Revenue	56,668	55,427
Profit for the year, representing total comprehensive income	30,597	35,648
Share of profit for the year	10,098	11,763
Other information		
- Share of dividends	16,500	6,600

Reconciliation of net assets to carrying amount as at 31 December 2022

	2022 RM'000	2021 RM'000
Group's share of net assets	233,673	240,075
Goodwill	31,350	31,350
	265,023	271,425

9. DEFERRED TAX

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	50,677	64,809	(651)	(351)
Recognised in profit or loss (Note 26)	1,841	(14,132)	(786)	(300)
At 31 December	52,518	50,677	(1,437)	(651)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are as follows:

	Group	
	2022 RM'000	2021 RM'000
Deferred tax assets	(1,464)	(707)
Deferred tax liabilities	53,982	51,384
	52,518	50,677

9. DEFERRED TAX (CONTD.)

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

Deferred Tax Liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2022	68,893	35,390	4,785	109,068
Recognised in profit or loss	1,796	6,164	(1,262)	6,698
At 31 December 2022	70,689	41,554	3,523	115,766
At 1 January 2021	67,378	43,088	6,501	116,967
Recognised in profit or loss	1,515	(7,698)	(1,716)	(7,899)
At 31 December 2021	68,893	35,390	4,785	109,068

Deferred Tax Assets of the Group:

	Unutilised tax losses, unabsorbed capital and investment tax allowances RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2022	(53,598)	(1,285)	(3,508)	(58,391)
Recognised in profit or loss	(5,141)	482	(198)	(4,857)
At 31 December 2022	(58,739)	(803)	(3,706)	(63,248)
At 1 January 2021	(47,166)	(2,317)	(2,675)	(52,158)
Recognised in profit or loss	(6,432)	1,032	(833)	(6,233)
At 31 December 2021	(53,598)	(1,285)	(3,508)	(58,391)

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

	Group	
	2022 RM'000	2021 RM'000
Unutilised tax losses	67,663	67,663

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9. DEFERRED TAX (CONTD.)

In accordance with the provision of Malaysian Finance Act 2021 requirement, the unutilised tax losses are available for utilisation in the next ten years, for which, any excess at the end of the tenth year will be disregarded. Unabsorbed capital and investment tax allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the these items during the year until there is probable future taxable profits against which the Group can utilise the benefits.

Deferred Tax Liabilities/(Assets) of the Company:

	Unutilised tax losses, unabsorbed capital and investment tax allowances RM'000	Property, plant and equipment RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2022	-	19	(36)	(634)	(651)
Recognised in profit or loss	(177)	(4)	33	(638)	(786)
At 31 December 2022	(177)	15	(3)	(1,272)	(1,437)

	Property, plant and equipment RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2021	(10)	(33)	(308)	(351)
Recognised in profit or loss	29	(3)	(326)	(300)
At 31 December 2021	19	(36)	(634)	(651)

10. INVENTORIES

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

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Other receivables				
Accrued rental income	328,988	393,197	-	-
Current				
Trade receivables	16,324	34,458	-	-
Less: Allowance for impairment	(7,574)	(9,076)	-	-
Trade receivables, net of impairment	8,750	25,382	-	-
Other receivables				
Other receivables and deposits	18,924	18,104	2,642	2,394
Amount due from:				
Subsidiaries	-	-	1,834	1,666
Ultimate holding company	258	20	-	-
Immediate holding company	58,187	30,213	1,462	853
Other related companies	15,899	15,624	3,981	3,152
Total other receivables	93,268	63,961	9,919	8,065
Total	102,018	89,343	9,919	8,065
Trade receivables	8,750	25,382	-	-
Other receivables	422,256	457,158	9,919	8,065
Add: Cash and bank balances (Note 12)	1,104,972	959,528	647,539	538,621
Less: Accrued rental income (Note 6)	(328,988)	(393,197)	-	-
Total financial assets carried at amortised cost	1,206,990	1,048,871	657,458	546,686

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

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12. CASH AND BANK BALANCES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash with PETRONAS				
Integrated Financial Shared Services Centre	783,890	643,961	647,519	538,566
Cash and bank balances	12,896	22,646	20	55
Deposits with licensed banks	308,186	292,921	-	-
	1,104,972	959,528	647,539	538,621
Less: Deposits restricted	(2,162)	(3,003)	-	-
Cash and cash equivalents	1,102,810	956,525	647,539	538,621

The Group's and the Company's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC") to enable more efficient cash management for the Group and the Company.

Included in deposits restricted are monies held on behalf of clients held in designated accounts, which represent cash calls less payments in the course of rendering building and facilities management services on behalf of clients.

Included in cash with IFSSC and cash and bank balances of the Group and of the Company are interest/profit bearing balances amounting to RM793,623,000 (2021: RM662,360,000) and RM647,534,000 (2021: RM538,566,000) respectively.

The weighted average effective interest/profit rates applicable to the deposits with licensed banks of the Group is 3.94% per annum (2021: 2.03% per annum).

Deposits with licensed banks of the Group have an average maturity of 68 days (2021: 45 days).

13. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares		Amount	
	2022	2021	2022 RM'000	2021 RM'000
Issued and fully paid:				
At 1 January/ 31 December	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.

14. RETAINED PROFITS

As at 31 December 2022, the Company may distribute the entire balance of the retained profits under the single-tier system.

15. DEFERRED REVENUE

Deferred revenue relates to the excess of the principal amount of security deposits received over their fair value which is accounted for as prepaid lease income and amortised over the lease term on a straight line basis.

16. OTHER LONG TERM LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
Security deposit payables	126,928	144,475

Security deposit payables are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on interest/profit rates of 4.33% to 4.73% (2021: 4.33% to 4.73%) per annum.

17. FINANCINGS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short term financings				
Secured:				
Sukuk Murabahah				
- KLCC REIT	8,874	11,310	-	-
Term loans	12,508	12,106	-	-
Lease liabilities	1,204	4,570	405	3,295
	22,586	27,986	405	3,295
Long term financings				
Secured:				
Sukuk Murabahah				
- KLCC REIT	1,355,000	1,355,000	-	-
- Other subsidiary	600,000	600,000	-	-
Term loans	398,182	391,644	-	-
Lease liabilities	2,705	1,282	-	404
	2,355,887	2,347,926	-	404
Total financings	2,378,473	2,375,912	405	3,699
Total financings which are secured, comprise:				
Sukuk Murabahah (a)	1,963,874	1,966,310	-	-
Term loans (b)	410,690	403,750	-	-
Lease liabilities	3,909	5,852	405	3,699
	2,378,473	2,375,912	405	3,699

NOTES TO THE FINANCIAL STATEMENTS

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17. FINANCINGS (CONTD.)**The payment/repayment schedules are as follows:****Group**

	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2022					
Secured					
Sukuk Murabahah	1,963,874	8,874	455,000	1,100,000	400,000
Term loans	410,690	12,508	10,000	388,182	-
Lease liabilities	3,909	1,204	1,053	1,652	-
	2,378,473	22,586	466,053	1,489,834	400,000
2021					
Secured					
Sukuk Murabahah	1,966,310	11,310	-	1,555,000	400,000
Term loans	403,750	12,106	10,000	381,644	-
Lease liabilities	5,852	4,570	1,282	-	-
	2,375,912	27,986	11,282	1,936,644	400,000

(a) Sukuk Murabahah

Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 billion subject to a combined limit of RM3 billion. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

The Group had paid its RM400 million Sukuk Murabahah upon maturity in prior year on 23 April 2021 and on the same date issued RM400 million of Sukuk Murabahah with a profit rate of 4.00% per annum and maturing on 23 April 2031. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026
10 years	400,000,000	4.00%	23 April 2031

The profit rate is payable semi-annually.

Another subsidiary of the Group also issued Sukuk Murabahah of up to RM600 million on 31 December 2014. The Sukuk Murabahah consists of ICP of up to RM300 million and IMTN of up to RM600 million subject to a combined limit of RM600 million. It is secured against assignment and charge over the Finance Service Account of the subsidiary. RM600 million has been drawdown at the profit rate of 4.73% per annum and payable in 10 years.

17. FINANCINGS (CONTD.)**(b) Term loans**

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

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

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

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

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

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

The term loan is secured by way of a fixed charge over the hotel property as well as debenture covering all fixed and floating assets of the hotel property as disclosed in Note 5.

The loan bears an interest rate of 5.13% per annum (2021: 3.60% per annum).

Other information on financial risks of financings are disclosed in Note 32.

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17. FINANCINGS (CONTD.)**Reconciliation of movement of liabilities to cash flows arising from financing activities****Group**

	Sukuk Murabahah RM'000	Term loans RM'000	Lease liabilities RM'000	Dividend paid RM'000	Total RM'000
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
Balance at 1 January 2021	1,968,704	371,085	9,655	-	2,349,444
Changes from financing cash flows					
Repayment of Sukuk Murabahah	(400,000)	-	-	-	(400,000)
Drawdown of Sukuk Murabahah	400,000	-	-	-	400,000
Repayment of term loan	-	(10,000)	-	-	(10,000)
Drawdown of term loan	-	42,449	-	-	42,449
Repayment of lease liabilities	-	-	(4,938)	-	(4,938)
Dividend paid	-	-	-	(572,017)	(572,017)
Interest/profit paid	(88,136)	(13,904)	-	-	(102,040)
Total changes from financing cash flows	(88,136)	18,545	(4,938)	(572,017)	(646,546)
Other changes					
Liability-related					
Interest/profit expenses	85,742	14,120	390	-	100,252
Acquisition of new lease	-	-	745	-	745
Dividend payable	-	-	-	572,017	572,017
Total liability-related other changes	85,742	14,120	1,135	572,017	673,014
Balance at 31 December 2021	1,966,310	403,750	5,852	-	2,375,912

17. FINANCINGS (CONTD.)

Reconciliation of movement of liabilities to cash flows arising from financing activities (Contd.)

Company

	Lease liabilities RM'000	Dividend paid RM'000	Total RM'000
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)
Other changes			
Liability-related			
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
Balance at 1 January 2021	6,844	-	6,844
Changes from financing cash flows			
Repayment lease liabilities	(3,394)	-	(3,394)
Dividend paid	-	(68,964)	(68,964)
Total changes from financing cash flows	(3,394)	(68,964)	(72,358)
Other changes			
Liability-related			
Interest/profit expenses	249	-	249
Dividend payable	-	68,964	68,964
Total liability-related other changes	249	68,964	69,213
Balance at 31 December 2021	3,699	-	3,699

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables	44,931	21,020	438	57
Other payables				
Other payables	146,918	142,169	7,324	4,295
Security deposits	78,165	57,276	-	-
Amount due to:				
Ultimate holding company	7,699	8,060	404	1,976
Immediate holding company	227	66	-	-
Other related companies	3,368	8,355	-	-
	236,377	215,926	7,728	6,271
Total trade and other payables	281,308	236,946	8,166	6,328
Add: Financings (Note 17)	2,378,473	2,375,912	405	3,699
Other long term liabilities (Note 16)	126,928	144,475	-	-
Total financial liabilities carried at amortised cost	2,786,709	2,757,333	8,571	10,027

Amounts due to ultimate holding company, immediate holding company and other related companies which arose in the normal course of business are unsecured, interest free and repayable on demand.

19. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property investment				
- Office	580,818	579,459	-	-
- Retail	484,100	357,780	-	-
Hotel operations	146,910	46,527	-	-
Management services	247,423	187,290	22,669	19,977
Dividend income from subsidiaries	-	-	255,000	175,650
Dividend income from an associate	-	-	16,500	6,600
	1,459,251	1,171,056	294,169	202,227

All the revenue of the Group and of the Company are derived from the same geographical market as the Group and the Company operate predominantly in Malaysia. The services are transferred to the customers at a point in time.

20. OPERATING PROFIT

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue (Note 19)	1,459,251	1,171,056	294,169	202,227
Cost of revenue:				
- Cost of services and goods	(360,587)	(260,504)	-	-
Gross profit	1,098,664	910,552	294,169	202,227
Selling and distribution expenses	(12,047)	(6,758)	-	-
Administration expenses	(133,700)	(122,036)	(40,525)	(31,299)
Other operating income	5,879	3,422	91	1
Operating profit	958,796	785,180	253,735	170,929

21. INTEREST/PROFIT INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest and profit income from:				
Deposits	27,068	18,487	14,372	9,629

22. FINANCING COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest/profit expense on:				
Term loans	16,343	14,120	-	-
Sukuk Murabahah	84,706	85,742	-	-
Lease liabilities	206	390	98	249
Accretion of financial instruments	4,504	4,924	-	-
	105,759	105,176	98	249

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23. PROFIT BEFORE TAX

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Employee benefits expense (Note 24)	132,791	104,239	25,956	19,732
Directors' remuneration (Note 25)	1,295	1,144	1,295	1,133
Fee in relation to services of Executive Director	1,049	785	1,049	785
Auditors' remuneration				
- Statutory audit	660	641	233	226
- Non-statutory audit	16	16	16	16
Valuation fees	448	908	-	-
Depreciation of property, plant and equipment (Note 5)	40,488	42,074	139	205
Depreciation of right-of-use assets (Note 29)	4,490	4,594	3,160	3,160
Rental of plant and machinery	358	316	83	65
Investment properties written off	13	358	-	-
Loss/(gain) on disposal of property, plant and equipment	30	(6)	-	-
Impairment of investment property under construction	115	252	-	-
(Reversal)/allowance for impairment losses of receivables	(1,496)	6,104	-	-
Bad debts written off	-	2	-	-

24. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages, salaries and others	122,752	94,638	23,515	17,325
Contributions to defined contribution plan	10,039	9,601	2,441	2,407
Total (Note 23)	132,791	104,239	25,956	19,732

25. DIRECTORS' REMUNERATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Company				
Executive *	-	-	-	-
Non-Executive:				
Fees	1,295	1,144	1,295	1,133
	1,295	1,144	1,295	1,133

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

25. DIRECTORS' REMUNERATION (CONTD.)

Included in Directors' remuneration is the fee paid directly to PETRONAS in respect of the Non-Executive Director appointed by the ultimate holding company.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Analysis excluding benefits-in-kind:				
Total Non-Executive Directors' remuneration (Note 23)	1,295	1,144	1,295	1,133

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

	Group		Company	
	2022	2021	2022	2021
Executive Director	1	1	1	1
Non-Executive Directors				
RMNil - RM50,000	-	2	-	2
RM50,001 - RM100,000	1	2	1	2
RM100,001 - RM150,000	1	-	1	-
RM150,001 - RM200,000	5	4	5	4
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	1	1	1	1

26. TAX EXPENSE/(BENEFIT)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current income tax:				
Malaysian income tax	111,672	46,792	-	333
Over provision of tax in prior year	(6,188)	(892)	(2)	(182)
	105,484	45,900	(2)	151
Deferred tax (Note 9):				
Relating to origination and reversal of temporary differences	2,034	(13,882)	(786)	(180)
Over provision of deferred tax in prior year	(193)	(250)	-	(120)
	1,841	(14,132)	(786)	(300)
Total tax expense/(benefit)	107,325	31,768	(788)	(149)

Domestic current income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year.

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26. TAX EXPENSE/(BENEFIT) (CONTD.)

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

	2022 RM'000	2021 RM'000
Group		
Profit before taxation	1,018,879	565,797
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	244,531	135,791
Effect of prosperity tax ("Cukai Makmur")	19,748	-
Expenses not deductible for tax purposes	24,312	55,018
Income not subject to tax	(178,625)	(155,775)
Effects of share of profit of an associate	(2,424)	(2,823)
Deferred tax recognised at different tax rates	6,164	(7,698)
Deferred tax assets not recognised during the year	-	8,397
Over provision of deferred tax in prior year	(193)	(250)
Over provision of taxation in prior year	(6,188)	(892)
Tax expense	107,325	31,768
Company		
Profit before taxation	268,009	180,309
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	64,322	43,274
Expenses not deductible for tax purposes	3,485	2,923
Income not subject to tax	(68,593)	(46,044)
Over provision of deferred tax in prior year	-	(120)
Over provision of taxation in prior year	(2)	(182)
Tax benefit	(788)	(149)

The Finance Act 2021 gazetted on 31 December 2021 enacted Cukai Makmur on companies that generate chargeable income up to first RM100 million will be taxed at 24% and the remaining chargeable income will be taxed at one-off rate of 33% for year of assessment 2022.

27. EARNINGS PER SHARE/STAPLED SECURITY - BASIC AND DILUTED

Basic/diluted earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Basic/diluted earnings per stapled security amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company and unitholders of the KLCC REIT by the weighted average number of stapled securities in issue during the financial year.

	2022	2021
Profit attributable to equity holders of the Company (RM'000)	279,365	126,456
Profit attributable to NCI relating to KLCC REIT (RM'000)	503,298	369,396
Profit attributable to stapled securities holders (RM'000)	782,663	495,852
Weighted average number of stapled securities/shares in issue ('000)	1,805,333	1,805,333
Basic/diluted earnings per share (sen)	15.47	7.00
Basic/diluted earnings per stapled security (sen)	43.35	27.47

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

28. DIVIDENDS

	Dividends recognised in year		Net dividends per ordinary share	
	2022 RM'000	2021 RM'000	2022 Sen	2021 Sen
Recognised during the year:				
A fourth interim dividend of 5.77% (2020: 1.00%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2021/2020	104,168	18,053	5.77	1.00
A first interim dividend of 0.99% (2021: 0.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021	17,873	17,873	0.99	0.99
A second interim dividend of 0.99% (2021: 0.99%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021	17,873	17,873	0.99	0.99
A third interim dividend of 1.04% (2021: 0.84%) on 1,805,333,083 ordinary shares for financial year ended 31 December 2022/2021	18,775	15,165	1.04	0.84
	158,689	68,964	8.79	3.82

A fourth interim dividend in respect of the financial year ended 31 December 2022, of 7.69%, tax exempt under the single tier system on 1,805,333,083 ordinary shares, declared on 31 January 2023, amounting to a dividend payable of RM138,830,114 will be paid on 28 February 2023.

The financial statements for the current year do not reflect this fourth interim dividend. Such dividend will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

29. RIGHT-OF-USE ASSETS

The Group and the Company have lease contracts for office space with contract terms of 3 to 4 years and the lease contracts do not contain variable lease payments.

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

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As at 1 January	5,623	9,472	3,548	6,708
Additions	98	745	-	-
Depreciation (Note 23)	(4,490)	(4,594)	(3,160)	(3,160)
Derecognition	(341)	-	-	-
Remeasurement	3,023	-	-	-
As at 31 December	3,913	5,623	388	3,548

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As at 1 January	5,852	9,655	3,699	6,844
Additions	98	745	-	-
Accretion of interest/profit	210	390	98	249
Payments	(4,880)	(4,938)	(3,392)	(3,394)
Derecognition	(350)	-	-	-
Remeasurement	2,979	-	-	-
As at 31 December	3,909	5,852	405	3,699
Current	1,204	4,570	405	3,295
Non-Current	2,705	1,282	-	404

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

The following are the amounts recognised in profit or loss:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation expense of right-of-use assets	4,490	4,594	3,160	3,160
Interest expense on lease liabilities	210	390	98	249
Total amount recognised in profit or loss	4,700	4,984	3,258	3,409

29. RIGHT-OF-USE ASSETS (CONTD.)

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

Operating lease commitments - as lessor

The Group has entered into non-cancellable commercial property leases on its investment properties. The future minimum rental receivable under these operating leases at the reporting date is as follows:

	Group	
	2022 RM'000	2021 RM'000
Not later than 1 year	972,249	1,019,211
Later than 1 year but not later than 5 years	2,858,507	2,767,221
More than 5 years	7,316,505	7,601,144
	11,147,261	11,387,576

30. COMMITMENTS**Capital commitments**

	Group	
	2022 RM'000	2021 RM'000
Approved and contracted for		
Property, plant and equipment	135	2,483
Investment property	5,830	11,542
	5,965	14,025
Approved but not contracted for		
Property, plant and equipment	16,803	69,492
Investment property	36,222	35,843
	53,025	105,335

31. RELATED PARTY DISCLOSURES**(a) Controlling related party relationships are as follows:**

- (i) PETRONAS, the ultimate holding company, and its subsidiaries.
- (ii) Subsidiaries of the Company as disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

31. RELATED PARTY DISCLOSURES (CONTD.)

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

Income/(expense)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Federal Government of Malaysia:				
Property licences and taxes	(13,372)	(13,346)	(2)	(1)
Sales and Service Tax and Tourism Tax	(19,295)	(12,289)	(705)	(717)
Government of Malaysia's related entities:				
Purchase of utilities	(17,428)	(12,424)	-	-
Hotel revenue	3,330	1,559	-	-
Wages Subsidy Programme	812	2,772	-	-
Ultimate Holding Company:				
Rental income	611,723	583,496	-	-
Facilities management and manpower fees	109,099	88,128	-	-
Interest income	17,178	11,432	14,301	9,601
Rental of car park spaces	(6,737)	(3,645)	-	-
Fees for representation on the Board of Directors *	(141)	(162)	(141)	(159)
Hotel revenue	2,877	309	-	-
Centralised Head Office Services charges	(10,541)	(9,616)	(2,813)	(2,771)
Immediate Holding Company:				
General management services fee payables	(5,532)	(1,228)	(2,306)	(521)
General management services fee receivables	4,624	4,116	4,624	4,116
Fee in relation to services of Executive Director	(1,049)	(785)	(1,049)	(785)
Subsidiaries:				
Facilities management and manpower fees	-	-	(305)	(201)
General management services fee receivable	-	-	6,919	7,576
Hotel charges	-	-	(342)	(249)

31. RELATED PARTY DISCLOSURES (CONTD.)

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

Income/(expense) (Contd.)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other Related Companies:				
Facilities management and manpower fees	41,557	30,687	-	-
General management services fee receivable	11,043	8,285	11,126	8,285
Hotel revenue	17	84	-	-
Management and incentive fees	3,740	2,721	-	-
Chilled water supply	(25,728)	(26,961)	-	-
Project management fees	(8,502)	(2,556)	-	-
Fees for secondment of Executive Director	(1,434)	(891)	-	-
Rental of car park spaces	(6,483)	(2,724)	-	-

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

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2022 are disclosed in Notes 11 and 18.

(c) Compensation of key management personnel**Directors**

The remuneration of Directors is disclosed in Note 25.

Other key management personnel

Encik Md. Shah Bin Mahmood, Executive Director and Chief Executive Officer of the Company is an employee of KLCCH. KLCCH charges fees in consideration for his services to the Company as disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS**Financial Risk Management**

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

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

The Group's and the Company's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

The Group and the Company have exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments in the normal course of the Group's and the Company's business.

Credit Risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. Credit risk arises from its operating activities, primarily for trade receivables and long term receivables. The credit risk arising from the Group's and the Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guidelines.

Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Company may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset as reported in the statement of financial position.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Company, a significant portion of these receivables are related companies.

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

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

32. FINANCIAL INSTRUMENTS (CONTD.)**Credit Risk (Contd.)**Receivables (Contd.)

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

	Group	
	2022 RM'000	2021 RM'000
Property investment		
- Office	361	114
- Retail	11,835	32,261
Hotel operations	3,594	1,850
Management services	534	233
	16,324	34,458
Less: Allowance for impairment losses	(7,574)	(9,076)
	8,750	25,382

Recognition and measurement of impairment loss

MFRS 9 requires impairment losses for financial assets to be based on incurred loss approach with a forward-looking ECL approach. In determining the ECL, the probability of default assigned to each customer is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

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

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

	Group	
	2022 RM'000	2021 RM'000
At net:		
Not past due	3,316	1,670
Past due 1 to 30 days	2,155	6,389
Past due 31 to 60 days	887	4,359
Past due 61 to 90 days	1,041	3,406
Past due more than 90 days	8,925	18,634
	16,324	34,458
Less: Allowance for impairment losses	(7,574)	(9,076)
	8,750	25,382

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. FINANCIAL INSTRUMENTS (CONTD.)**Credit Risk (Contd.)**

Recognition and measurement of impairment loss (Contd.)

The movement in the allowance account is as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	9,076	3,362
(Reversal)/allowance for impairment	(1,502)	6,104
Allowance written off	-	(390)
At 31 December	7,574	9,076

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

Liquidity Risk

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

Maturity analysis

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

	Carrying amount RM'000	Effective interest/ profit rate %	Contractual cash flow * RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2022							
Group							
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	281,308	-	281,308	281,308	-	-	-
Lease liabilities	3,909	3.42-5.49	4,275	1,380	1,171	1,724	-
Other long term liabilities	126,928	4.33-4.73	213,677	-	33,439	37,203	143,035
Company							
Financial Liabilities							
Lease liabilities	405	3.42-5.03	409	409	-	-	-
Trade and other payables	8,166	-	8,166	8,166	-	-	-

32. FINANCIAL INSTRUMENTS (CONTD.)**Liquidity Risk (Contd.)****Maturity analysis (Contd.)**

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

	Carrying amount RM'000	Effective interest/ profit rate %	Contractual cash flow * RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
31 December 2021							
Group							
Financial Liabilities							
Sukuk Murabahah	1,966,310	4.16-4.73	2,330,088	98,291	87,142	1,675,658	468,997
Term loans	403,750	3.60	450,856	26,349	23,882	400,625	-
Trade and other payables	236,946	-	236,946	236,946	-	-	-
Lease liabilities	5,852	3.42-5.25	6,035	5,068	967	-	-
Other long term liabilities	144,475	4.33-4.73	233,654	-	50,668	56,652	126,334
Company							
Financial Liabilities							
Lease liabilities	3,699	3.42-5.03	3,803	3,394	409	-	-
Trade and other payables	6,328	-	6,328	6,328	-	-	-

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest/profit rate risk, currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include loans and financings and deposits.

Interest/Profit Rate Risk

Interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rates. As the Group has no significant interest/profit-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest/profit rates. The Group's interest/profit-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest/profit rate risk arises primarily from interest/profit-bearing financings. Financings at floating rates expose the Group to cash flow interest/profit rate risk. Financings obtained at fixed rates expose the Group to fair value interest/profit rate risk. The Group manages its interest/profit rate exposure through a balanced portfolio of fixed and floating rate financings.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS (CONTD.)**Interest/Profit Rate Risk (Contd.)**

The interest/profit rate profile of the Group's and the Company's interest/profit-bearing financial instruments, based on carrying amount as at reporting date was:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments				
Financial assets	308,186	292,921	-	-
Financial liabilities	(1,963,874)	(1,966,310)	-	-
Floating rate instruments				
Financial assets	793,623	662,360	647,534	538,566
Financial liabilities	(410,690)	(403,750)	-	-

Cash flow sensitivity analysis for floating rate instruments

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

	Change in interest/profit rate basis points	Group Profit or loss RM'000	Company Profit or loss RM'000
2022			
KLIBOR	-50	(1,915)	(3,238)
KLIBOR	+50	1,915	3,238
2021			
KLIBOR	-50	(1,293)	(2,693)
KLIBOR	+50	1,293	2,693

This analysis assumes that all other variables remain constant.

Foreign Currency Risk

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

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

Fair Values

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

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

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

32. FINANCIAL INSTRUMENTS (CONTD.)**Fair Values (Contd.)**

This analysis assumes that all other variables remain constant.

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

	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group					
2022					
Financial liabilities					
Sukuk Murabahah	-	1,910,468	-	1,910,468	1,963,874
2021					
Financial liabilities					
Sukuk Murabahah	-	1,923,603	-	1,923,603	1,966,310

For financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental lending rate for similar types of financings at the reporting date. There has been no transfer between Level 1, 2 and 3 fair values during the financial year.

33. CAPITAL MANAGEMENT

The Group and the Company define capital as total equity and debt of the Group and the Company. The objective of the Group's and the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximise shareholder value. The Group's and the Company's approach in managing capital is set out in the KLCC Group Corporate Financial Policy.

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

The debt to equity ratio as at 31 December 2022 and 31 December 2021 is as follows:

	Group	
	2022	2021
Total debt (RM'000)	2,378,473	2,375,912
Total equity (excluding Other NCI) (RM'000)	13,131,749	13,009,838
Debt equity ratio	18:82	18:82

As part of the prudent capital management, the Group and the Company have reviewed the principal risks to ascertain their relevant and potential impact from the Covid-19 pandemic to safeguard the Group's capital and key business activities and to ensure the precaution and mitigation measures are implemented. There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

34. SEGMENTAL INFORMATION**(a) Reporting Format**

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

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

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

The Group comprises the following main business segments:

Property investment - Office	Rental of office spaces and other related activities.
Property investment - Retail	Rental of retail spaces and other related activities.
Hotel operations	Rental of hotel rooms, the sale of food and beverages and other related activities.
Management services	Facilities management, car park operations, management of a real estate investment trust and general management services.

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

(b) Allocation Basis and Transfer Pricing

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

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

34. SEGMENTAL INFORMATION (CONTD.)**Business Segments****31 December 2022**

	Property investment - office RM'000	Property investment - retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/ adjustment RM'000	Consolidated RM'000
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	98	7,992	1,280	4,741	-	14,111
Depreciation	496	917	28,648	14,917	-	44,978
Non-cash items other than depreciation	99	(1,490)	48	2	-	(1,341)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

34. SEGMENTAL INFORMATION (CONTD.)**Business Segments (Contd.)****31 December 2021**

	Property investment - office RM'000	Property investment - retail RM'000	Hotel operations RM'000	Management services RM'000	Elimination/adjustment RM'000	Consolidated RM'000
Revenue						
External customers	579,459	357,780	46,527	187,290	-	1,171,056
Inter-segment revenue	967	6,216	-	65,637	(72,820)	-
Total revenue	580,426	363,996	46,527	252,927	(72,820)	1,171,056
Results						
Operating profit	511,810	272,168	(51,897)	65,102	(12,003)	785,180
Fair value adjustments on investment properties	(55,824)	(87,633)	-	(1,000)	-	(144,457)
Financing costs						(105,176)
Interest/profit income						18,487
Share of profit of an associate						11,763
Tax expense						(31,768)
Profit after tax but before non-controlling interests						<u>534,029</u>
Segment assets	10,162,099	6,255,560	580,036	146,859	521,125	17,665,679
Investment in an associate	-	-	-	99,195	172,230	<u>271,425</u>
Total assets						<u>17,937,104</u>
Total liabilities	1,592,153	809,583	437,145	80,042	(21,295)	<u>2,897,628</u>
Capital expenditure	25,819	13,081	1,379	6,969	-	47,248
Depreciation	633	2,371	30,415	13,249	-	46,668
Non-cash items other than depreciation	269	6,354	(8)	1	-	6,616

The operating profit of property investment - office is inclusive of impairment of IPUC of RM114,906 (2021: RM252,000). Excluding the impairment, operating profit is at RM511,925,000 (2021: RM512,062,000).

35. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
Amendments to MFRS 101	Presentation of Financial Statements (Disclosure of Accounting Policies)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
Amendments to MFRS 112	Income taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 101	Presentation of Financial Statements (Non-current Liabilities with covenants)
Amendments to MFRS 16	Leases (Lease Liability in a Sale and Leaseback)

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

36. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

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

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts (Initial application of MFRS 17 and MFRS 9 - Comparative Information)

Effective for a date yet to be confirmed

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KLCC Property Holdings Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 185 to 247.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Valuation of investment properties

As at 31 December 2022, the carrying value of the Group's completed investment properties carried at fair value amounted to RM15,585,012,000 which represents 86% of the Group's total assets. The Group adopts the fair value model for its completed investment properties. The valuation of completed investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group has engaged external valuers to determine the fair value of the completed investment properties at the reporting date and a fair value gain of RM128,676,000 has been recognised during the year.

In addition, as at 31 December 2022, the Group's investment properties under construction ("IPUC") carried at cost amounting to RM137,768,000 has an indicator of impairment as the progress of the construction has been affected by the Covid-19 pandemic. The Group has estimated the recoverable amount of the IPUC by engaging an external valuer to determine the fair value of the IPUC for impairment assessment purposes and an impairment of RM114,906 has been recognised during the year.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

Valuation of investment properties (Contd.)

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

- We considered the objectivity, independence and expertise of the firms of independent valuers;
- We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KLCC PROPERTY HOLDINGS BERHAD

Auditors' responsibilities for the audit of the financial statements (Contd.)

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

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

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

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

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

Kuala Lumpur, Malaysia
31 January 2023

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KLCC
REAL ESTATE
INVESTMENT TRUST

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Manager of KLCC Real Estate Investment Trust ("KLCC REIT" or "the Fund"), KLCC REIT Management Sdn.Bhd. ("the Manager"), has pleasure in submitting their report and the audited financial statements of the Group and of the Fund for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

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

CORPORATE INFORMATION

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

RESULTS

	Group RM'000	Fund RM'000
Profit for the year	503,298	503,305

DISTRIBUTION OF INCOME

The amount of income distributions paid by the Fund were as follows:

	RM'000
In respect of the financial year ended 31 December 2021:	
Fourth interim income distribution of 6.83% on 1,805,333,083 units, declared on 28 January 2022 and paid on 28 February 2022	123,304
In respect of the financial year ended 31 December 2022:	
First interim income distribution of 7.01% on 1,805,333,083 units, declared on 24 May 2022 and paid on 29 June 2022	126,554
Second interim income distribution of 7.01% on 1,805,333,083 units, declared on 09 August 2022 and paid on 28 September 2022	126,554
Third interim income distribution of 6.96% on 1,805,333,083 units, declared on 10 November 2022 and paid on 23 December 2022	125,651
	502,063

A fourth interim income distribution in respect of the financial year ended 31 December 2022 of 6.31% on 1,805,333,083 units, declared on 31 January 2023, amounting to an income distribution payable of RM113,917,000 will be payable on 28 February 2023.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2023.

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have served on the Board of the Manager during the financial year and up to the date of this report are:

Tan Sri Ahmad Nizam Bin Salleh

Farina Binti Farikhullah Khan

Dato' Jamaludin Bin Osman

Liza Binti Mustapha

Md. Shah Bin Mahmood

Chong Chye Neo

Dato' Sr. Mazuki Bin A. Aziz

Datin Noor Lily Zuriati Binti Abdullah

Habibah Binti Abdul

(retired w.e.f. 12 April 2022)

DIRECTORS OF MANAGER'S INTERESTS

The Directors in office at the end of the year who have interests in the units of the Fund and its related corporations as recorded in the Register of Directors' Shareholdings are as follows:

	Number of Shares in Petronas Chemicals Group Berhad			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	

Direct

Tan Sri Ahmad Nizam Bin Salleh	10,000	-	-	10,000
Md. Shah Bin Mahmood	6,000	-	-	6,000

	Number of Shares in Petronas Gas Berhad			
	Balance as at 1.1.2022	Number of Shares		Balance as at 31.12.2022
		Bought	Sold	

Direct

Tan Sri Ahmad Nizam Bin Salleh	2,000	-	-	2,000
--------------------------------	-------	---	---	-------

None of the other Directors holding office as at 31 December 2022 had any interest in the units of the Fund and of its related corporations during the financial year.

DIRECTORS OF MANAGER'S BENEFITS

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

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

SOFT COMMISSION

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

ULTIMATE HOLDING COMPANY

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

ISSUE OF UNITS

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

OPTIONS GRANTED OVER UNISSUED UNITS

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

OTHER STATUTORY INFORMATION

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

- (i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
- (ii) any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

MANAGER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

OTHER STATUTORY INFORMATION (CONTD.)

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

- (i) that would render it necessary to write off any bad debts or to make any the provision for doubtful debts in respect of the financial statements of the Group and of the Fund;
- (ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Fund misleading;
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate; and
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Fund misleading.

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

- (i) any charge on the assets of the Group or of the Fund that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Fund that has arisen since the end of the financial year.

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

In the opinion of the Manager, the results of the operations of the Group and of the Fund for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Fund RM'000
Audit fees	97	92

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 31 January 2023.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 260 to 303 are drawn up in accordance with the provision of the Trust Deed dated 2 April 2013 and an Amended and Restated Trust Deed dated 3 September 2019 (collectively referred to as the "Deed"), the Securities Commission's Guidelines on Listed Real Estate Investment Trusts in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2022 and of the results of their financial performance and cash flows for the year ended 31 December 2022.

For and on behalf of the Manager,
KLCC REIT MANAGEMENT SDN. BHD.

Signed on behalf of the Board of the Manager in accordance with a resolution of the directors of the Manager dated 31 January 2023.

Tan Sri Ahmad Nizam Bin Salleh

Md. Shah Bin Mahmood

STATUTORY DECLARATION

I, Rohizal Bin Kadir, the officer of the Manager primarily responsible for the financial management of KLCC Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 260 to 303 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Rohizal Bin Kadir
in Kuala Lumpur, Wilayah Persekutuan
on 31 January 2023.

Rohizal Bin Kadir
(MIA Membership No. 50742)

BEFORE ME:

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

TRUSTEE'S REPORT

To the unitholders of KLCC REIT

We have acted as Trustee of KLCC Real Estate Investment Trust ("KLCC REIT") for the financial year ended 31 December 2022. To the best of our knowledge, KLCC REIT Management Sdn. Bhd. ("the Manager") has managed KLCC REIT in the financial year under review in accordance to the following:

- (a) the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets & Services Act 2007 and other applicable laws; and
- (b) the valuation of KLCC REIT is carried out in accordance with the Deed and other regulatory requirements.

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

- (i) First interim income distribution of 7.01 sen per unit distributed on 29 June 2022;
- (ii) Second interim income distribution of 7.01 sen per unit distributed on 28 September 2022;
- (iii) Third interim income distribution of 6.96 sen per unit distributed on 23 December 2022;
- (iv) Fourth interim income distribution of 6.31 sen per unit for year ended 31 December 2022 declared and will be payable on 28 February 2023.

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

For and on behalf of the Trustee,

MAYBANK TRUSTEES BERHAD

[Registration No.: 196301000109 (5004-P)]

NORHAZLIANA BINTI MOHAMMED HASHIM

Head, Unit Trust & Corporate Operations

Kuala Lumpur, Malaysia

SHARIAH ADVISER'S REPORT

To the unitholders of KLCC REIT

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

In our opinion, KLCC REIT Management Sdn. Bhd. has managed and administered KLCC REIT in accordance with Shariah principles and complied with the applicable guidelines, rulings and decisions issued by the Securities Commission Malaysia pertaining to Shariah matters for the financial year ended 31 December 2022.

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

- (a) Comprises investment properties and rental income which complied with the Securities Commission's Guidelines on Islamic Capital Market Products and Services and Guidelines on Listed Real Estate Investment Trusts. The percentage ratio of Shariah Non-Compliant Rental for the financial year ended 31 December 2022 is 1.16%;
- (b) KLCCP Stapled Securities is listed on Bursa Malaysia Securities Berhad which have been classified as Shariah-compliant by Shariah Advisory Council of the Securities Commission;
- (c) Cash placement and liquid assets, which are placed in Shariah-compliant investments and/or instruments; and
- (d) There is no acquisition of real estate during the financial year.

For and on behalf of the Shariah Adviser

CIMB Islamic Bank Berhad

AHMAD SUHAIMI BIN YAHYA

Regional Head, Shariah Advisory & Governance, Group Islamic Banking
Designated Person Responsible for Shariah Advisory

Kuala Lumpur, Malaysia

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Fund	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	777	1,288	777	1,288
Investment properties	6	9,175,267	9,113,553	9,175,267	9,113,553
Trade and other receivables	8	317,733	378,447	317,733	378,447
Investment in a subsidiary	7	-	-	*	*
		9,493,777	9,493,288	9,493,777	9,493,288
Current Assets					
Trade and other receivables	8	3,497	4,893	3,497	4,893
Cash and bank balances	9	111,064	106,794	110,978	106,728
		114,561	111,687	114,475	111,621
TOTAL ASSETS		9,608,338	9,604,975	9,608,252	9,604,909
TOTAL UNITHOLDERS' FUND AND LIABILITIES					
Unitholders' Fund					
Unitholders' capital	10	7,212,684	7,212,684	7,212,684	7,212,684
Merger reserve	2.18	6,212	6,212	6,212	6,212
Capital reserve	2.17	373,980	318,509	373,980	318,509
Retained profits		425,485	479,721	425,547	479,776
Total Unitholders' Fund		8,018,361	8,017,126	8,018,423	8,017,181
Non-Current Liabilities					
Other long term liabilities	11	69,474	65,746	69,474	65,746
Amount due to a subsidiary	12	-	-	1,355,000	1,355,000
Financing	13	1,355,000	1,355,000	-	-
Deferred tax liability	14	41,553	35,389	41,553	35,389
Other payables	15	76,676	80,383	76,676	80,383
		1,542,703	1,536,518	1,542,703	1,536,518

* Represents RM2 in Midciti Sukuk Berhad

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Fund	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current Liabilities					
Other payables	15	38,400	40,021	38,337	39,950
Amount due to a subsidiary	12	-	-	8,789	11,260
Financing	13	8,874	11,310	-	-
		47,274	51,331	47,126	51,210
Total Liabilities		1,589,977	1,587,849	1,589,829	1,587,728
TOTAL UNITHOLDERS' FUND AND LIABILITIES		9,608,338	9,604,975	9,608,252	9,604,909
Number of units in circulation ('000 units)		1,805,333	1,805,333	1,805,333	1,805,333
Net asset value ("NAV")					
- before income distribution		8,018,361	8,017,126	8,018,423	8,017,181
- after income distribution		7,904,444	7,893,822	7,904,506	7,893,877
NAV per unit (RM)					
- before income distribution		4.44	4.44	4.44	4.44
- after income distribution		4.38	4.37	4.38	4.37

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Fund	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	16	578,843	569,728	578,843	569,728
Property operating expenses	17	(30,383)	(28,253)	(30,376)	(28,247)
Net property income		548,460	541,475	548,467	541,481
Fair value adjustments of investment properties	6	61,635	(76,979)	61,635	(76,979)
Profit income		4,032	2,315	4,032	2,315
		614,127	466,811	614,134	466,817
Management fees	18	(44,946)	(44,736)	(44,946)	(44,736)
Trustee's fees	19	(600)	(600)	(600)	(600)
Financing costs	20	(59,119)	(59,777)	(59,119)	(59,777)
Profit before tax	21	509,462	361,698	509,469	361,704
Tax (expense)/benefit	22	(6,164)	7,698	(6,164)	7,698
PROFIT FOR THE YEAR, REPRESENTING TOTAL COMPREHENSIVE INCOME		503,298	369,396	503,305	369,402
Basic earnings per unit (sen)	23	27.88	20.46	27.88	20.46

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income Distribution				
Total comprehensive income for the financial year	503,298	369,396	503,305	369,402
Add/(less) Adjustments:				
Accrued rental income	60,714	31,839	60,714	31,839
Amortisation of deferred revenue	(4,070)	(3,829)	(4,070)	(3,829)
Amortisation of premium for Sukuk Murabahah	(2,436)	(2,077)	(2,436)	(2,077)
Deferred tax liabilities	6,164	(7,698)	6,164	(7,698)
Depreciation of property, plant and equipment	515	634	515	634
Allowance for impairment loss of trade receivables	-	(2)	-	(2)
Accretion of financial instruments	2,715	2,413	2,715	2,413
Fair value adjustments of investment properties	(61,635)	76,979	(61,635)	76,979
	1,967	98,259	1,967	98,259
Total income available for distribution	505,265	467,655	505,272	467,661
Distribution to unitholders in respect of financial year 2022:				
First interim income distribution of 7.01% (2021: 6.01%) on 1,805,333,083 units	(126,554)	(108,501)	(126,554)	(108,501)
Second interim income distribution of 7.01% (2021: 6.01%) on 1,805,333,083 units	(126,554)	(108,501)	(126,554)	(108,501)
Third interim income distribution of 6.96% (2021: 6.16%) on 1,805,333,083 units	(125,651)	(111,209)	(125,651)	(111,209)
Fourth interim income distribution of 6.31% (2021: 6.83%) on 1,805,333,083 units	(113,917)	(123,304)	(113,917)	(123,304)
Balance undistributed	12,589	16,140	12,596	16,146

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Non-distributable		Distributable		Total Group RM'000
	Unitholders' Capital RM'000 (Note 10)	Merger Reserve RM'000	Capital Reserve RM'000 (Note 2.17)	Retained Profits RM'000	
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
As at 1 January 2021	7,212,684	6,212	387,790	472,159	8,078,845
Total comprehensive income for the year	-	-	-	369,396	369,396
Transfer of fair value adjustments net of tax	-	-	(69,281)	69,281	-
Income distribution (Note 24)	-	-	-	(431,115)	(431,115)
Net total comprehensive loss for the year attributable to unitholders	-	-	(69,281)	7,562	(61,719)
As at 31 December 2021	7,212,684	6,212	318,509	479,721	8,017,126

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

STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE YEAR ENDED 31 DECEMBER 2022

Fund	Non-distributable		Distributable		Total Funds RM'000
	Unitholders' Capital RM'000 (Note 10)	Merger Reserve RM'000	Capital Reserve RM'000 (Note 2.17)	Retained Profits RM'000	
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
As at 1 January 2021	7,212,684	6,212	387,790	472,208	8,078,894
Total comprehensive income for the year	-	-	-	369,402	369,402
Transfer of fair value adjustments net of tax	-	-	(69,281)	69,281	-
Income distribution (Note 24)	-	-	-	(431,115)	(431,115)
Net total comprehensive loss for the year attributable to unitholders	-	-	(69,281)	7,568	(61,713)
As at 31 December 2021	7,212,684	6,212	318,509	479,776	8,017,181

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	509,462	361,698	509,469	361,704
Adjustments for:				
Profit income	(4,032)	(2,315)	(4,032)	(2,315)
Financing costs	59,119	59,777	59,119	59,777
Accrued rental income and amortisation of deferred revenue	56,644	28,010	56,644	28,010
Depreciation of property, plant and equipment	515	634	515	634
Reversal of allowance for impairment on trade receivable	-	(2)	-	(2)
Fair value adjustments on investment properties	(61,635)	76,979	(61,635)	76,979
Operating cash flows before changes in working capital	560,073	524,781	560,080	524,787
Changes in working capital:				
Trade and other receivables	1,545	494	1,545	494
Trade and other payables	(468)	(28,431)	(495)	(28,324)
Cash generated from operations	561,150	496,844	561,130	496,957
Profit income received	3,883	2,213	3,883	2,213
Net cash generated from operating activities	565,033	499,057	565,013	499,170
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions for investment properties (Note 6)	(79)	(1,011)	(79)	(1,011)
Purchase of property, plant and equipment (Note 5)	(4)	(295)	(4)	(295)
Net cash used in investing activities	(83)	(1,306)	(83)	(1,306)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distributions paid	(501,840)	(430,620)	(501,840)	(430,620)
Financing cost paid	(58,840)	(59,758)	(58,840)	(59,758)
Proceeds from issuance of Sukuk Murabahah	-	400,000	-	-
Payment of Sukuk Murabahah	-	(400,000)	-	-
Net cash used in financing activities	(560,680)	(490,378)	(560,680)	(490,378)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,270	7,373	4,250	7,486
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	106,794	99,421	106,728	99,242
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 9)	111,064	106,794	110,978	106,728

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. CORPORATE INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of the Directors of the Manager on 31 January 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

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

As of 1 January 2022, the Group and the Fund adopted new MFRS and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described in Note 3.

2.2 Basis of Consolidation

Subsidiary

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.2 Basis of Consolidation (Contd.)****Business combination**

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

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

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

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

2.3 Business Combination under Common Control

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

2.4 Property, Plant and Equipment

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

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

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

The estimated useful life for the current year is as follows:

Building improvements	5 to 6 years
Office equipment	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Property, Plant and Equipment (Contd.)

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

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

2.5 Investment in Subsidiary

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

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

2.6 Investment Properties

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

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

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

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

2.7 Impairment of Non-Financial Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.7 Impairment of Non-Financial Assets (Contd.)**

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

2.8 Cash and Cash Equivalents

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

2.9 Financial Assets

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

(i) Recognition and initial measurement

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial Assets (Contd.)

(ii) Subsequent measurement (Contd.)

Financial assets at amortised cost

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

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

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

(iii) Derecognition

A financial asset is derecognised when:

- (a) The rights to receive cash flows from the asset have expired; or
- (b) The Group and the Fund have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - i. The Group and the Fund have transferred substantially all the risks and rewards of the asset; or
 - ii. The Group and the Fund have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

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

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

2.10 Impairment of Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.10 Impairment of Financial Assets (Contd.)**

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

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

2.11 Provisions

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

2.12 Financial Liabilities**(i) Recognition and initial measurement**

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

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

The Group's and the Fund's financial liabilities include trade and other payables, amount due to holding company, fellow subsidiaries and other related companies and financings.

(ii) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.12 Financial Liabilities (Contd.)

(ii) Subsequent measurement (Contd.)

Financial liabilities at amortised cost

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

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

This category generally applies to financing costs and financings.

(iii) Derecognition

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

2.13 Offsetting of Financial Instruments

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

2.14 Financing Costs

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

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

2.15 Taxation

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

(i) Current tax

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.15 Taxation (Contd.)****(ii) Deferred tax**

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

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

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

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

2.16 Equity Instrument

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

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

2.17 Capital Reserve

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

2.18 Merger Reserve

KLCC REIT adopts merger accounting as its accounting policy to account for business combination under common control. In accordance with its policy, the difference between the fair value of the units issued as consideration and the aggregate carrying amount of assets and liabilities acquired as of the date of business combination is included in equity as merger reserve.

2.19 Revenue Recognition**(i) Rental income**

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.19 Revenue Recognition (Contd.)

(ii) Others

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

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

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

Profit income

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

2.20 Leases

Operating leases - the Fund as lessor

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

2.21 Operating Segments

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

2.22 Fair Value Measurement

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.22 Fair Value Measurement (Contd.)****(i) Financial instruments**

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

(ii) Non-financial assets

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

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

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

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

2.23 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

3. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

As of 1 January 2022, the Group and the Fund have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations (Reference to the Conceptual Framework)
Amendments to Illustrative Examples MFRS 16	Accompanying MFRS 16 Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 116	Property, Plant and Equipment (Property, Plant and Equipment - Proceeds before Intended Use)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contract - Cost of Fulfilling a Contract)

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical judgement made in applying accounting policies

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

4.2 Key sources of estimation uncertainty

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

Fair valuation of investment properties

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

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

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

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)**4.2 Key sources of estimation uncertainty (Contd.)****Fair valuation of investment properties (Contd.)**

	Fair value Increase/(decrease)	
	2022 RM'000	2021 RM'000
Yield rate		
- 0.25%	175,000	153,000
+ 0.25%	(153,000)	(163,000)
Discount rate		
- 0.25%	214,000	204,000
+ 0.25%	(195,000)	(218,000)

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

5. PROPERTY, PLANT AND EQUIPMENT

	Group/Fund			
	Building Improvements RM'000	Office Equipment RM'000	Work-in Progress RM'000	Total RM'000
Cost				
At 1 January 2022	2,250	1,042	51	3,343
Additions	-	4	-	4
Transfer	-	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 (Note 21)	331	184	-	515
At 31 December 2022	1,893	677	-	2,570
Net Carrying Amount	357	420	-	777
Cost				
At 1 January 2021	2,950	605	-	3,555
Additions	267	-	28	295
Transfer (to)/from investment property	(967)	437	23	(507)
At 31 December 2021	2,250	1,042	51	3,343
Accumulated Depreciation				
At 1 January 2021	1,367	54	-	1,421
Charge for the year (Note 21)	492	142	-	634
Transfer	(297)	297	-	-
At 31 December 2021	1,562	493	-	2,055
Net Carrying Amount	688	549	51	1,288

6. INVESTMENT PROPERTIES

	Group/Fund	
	2022 RM'000	2021 RM'000
At 1 January	9,113,553	9,189,014
Fair value adjustments	61,635	(76,979)
Additions during the year	79	1,011
Transfer from property, plant and equipment	-	507
At 31 December	9,175,267	9,113,553

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

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

	Group/Fund	
	2022 RM'000	2021 RM'000
Rental income	578,843	569,728
Direct operating expenses	(28,046)	(26,791)
	550,797	542,937

Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
- Office properties	-	-	8,675,305	8,675,305
- Retail properties	-	-	499,962	499,962
	-	-	9,175,267	9,175,267
2021				
- Office properties	-	-	8,614,342	8,614,342
- Retail properties	-	-	499,211	499,211
	-	-	9,113,553	9,113,553

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6. INVESTMENT PROPERTIES (CONTD.)**Policy on transfer between levels**

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

Level 1 fair value

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

Level 2 fair value

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

Level 3 fair value

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

Transfer between Level 1, 2 and 3 fair values

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

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

	Group/Fund	
	2022 RM'000	2021 RM'000
Valuation per valuer's reports	9,493,000	9,492,000
Less: Accrued rental income	(317,733)	(378,447)
	9,175,267	9,113,553

6. INVESTMENT PROPERTIES (CONTD.)

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

Valuation technique	Significant unobservable inputs	Range		Inter-relationship between significant unobservable inputs and fair value measurement
		2022	2021	
Investment method (refer below)	Office: Market rental rate (RM/psf/month)			The estimated fair value would increase/(decrease) if:
	- Term	8.50 - 12.99	8.50 - 12.99	- expected market rental growth was higher/(lower)
	- Reversion	9.25 - 12.70	9.25 - 12.40	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	2.50	2.40	- expected inflation rate was lower/(higher)
	- Reversion	2.40 - 2.50	2.40	- 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	6.61 - 120.50	6.26 - 121.22	- expected market rental growth was higher/(lower)
	- Reversion	7.33 - 150.12	7.33 - 150.12	- expected market rental growth was higher/(lower)
	Outgoings (RM/psf/month)			
	- Term	6.15	5.75	- expected inflation rate was lower/(higher)
	- Reversion	6.15	5.75	- 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.

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6. INVESTMENT PROPERTIES (CONTD.)**Valuation processes applied by the Group and the Fund for Level 3 fair value**

The fair value of investment properties is determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuer provides the fair value of the Group's and of the Fund's investment properties portfolio annually. Changes in Level 3 fair values are analysed by the Management annually based on the valuation reports from the independent professional valuer.

Description of property	Tenure of land	Existing use	Location	Date of acquisition	Acquisition cost RM'000	Carrying value as at	Carrying value as at	Fair value as at	Fair value as at	Percentage of Net Asset Value as at	
						31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 %	31.12.2021 %
PETRONAS Twin Towers	Freehold	Office	Kuala Lumpur	10.04.2013	6,500,000	6,692,681	6,635,156	6,940,000	6,940,000	86.6	86.6
Menara 3 PETRONAS	Freehold	Office & retail	Kuala Lumpur	10.04.2013	1,790,000	1,950,586	1,946,397	2,021,000	2,020,000	25.2	25.2
Menara ExxonMobil	Freehold	Office	Kuala Lumpur	10.04.2013	450,000	532,000	532,000	532,000	532,000	6.6	6.6
					8,740,000	9,175,267	9,113,553	9,493,000	9,492,000		

7. INVESTMENT IN SUBSIDIARY

	Fund	
	2022 RM	2021 RM
Unquoted shares at cost	2	2

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

Name of Subsidiary	Proportion of ownership interest		Principal Activity
	2022 %	2021 %	
Midciti Sukuk Berhad ("MSB")	100	100	To undertake the issuance of Islamic medium term notes ("Sukuk") under a medium term notes programme and all matters relating to it.

8. TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-Current				
Accrued rental income	317,733	378,447	317,733	378,447
Current				
Trade receivables	222	1,168	222	1,168
Other receivables				
Other receivables and deposits	2,892	3,030	2,892	3,030
Amount due from:				
Ultimate holding company	-	20	-	20
Fellow subsidiaries	383	675	383	675
Total other receivables	3,275	3,725	3,275	3,725
Total	3,497	4,893	3,497	4,893
Trade receivables	222	1,168	222	1,168
Other receivables	3,275	3,725	3,275	3,725
	3,497	4,893	3,497	4,893
Add: Cash and bank balances (Note 9)	111,064	106,794	110,978	106,728
Total financial assets carried at amortised cost	114,561	111,687	114,475	111,621

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

9. CASH AND BANK BALANCES

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	185	768	137	740
Deposits with licensed banks	110,879	106,026	110,841	105,988
	111,064	106,794	110,978	106,728

The weighted average effective profit rate applicable to the deposits with licensed banks for the Group and the Fund at the reporting date were 4.31% per annum (2021: 1.91% per annum) and 4.31% per annum (2021: 1.91% per annum) respectively.

Deposits with licensed banks for the Group and Fund have average maturity of 49 days (2021: 46 days) and 42 days (2021: 39 days).

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10. UNITHOLDERS' CAPITAL

	Fund			
	Number of Units		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 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 2022, the Manager did not hold any units in the Fund. However, parties related to the Manager held units in the Fund as follows:

	Group/Fund			
	Number of Units		Market value	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Direct unitholdings of parties related to the Manager				
KLCCCH	1,167,639	1,167,639	7,834,858	7,648,035
PETRONAS	40,817	40,817	273,882	267,351
	1,208,456	1,208,456	8,108,740	7,915,386
Indirect unitholdings of parties related to the Manager				
PETRONAS	1,167,639	1,167,639	7,834,858	7,648,035

The market value of the units held by the parties related to the Manager is determined by using the closing market value of the Fund as at 31 December 2022 of RM6.71 per unit (2021: RM6.55 per unit).

11. OTHER LONG TERM LIABILITIES

	Group/Fund	
	2022 RM'000	2021 RM'000
Security deposits payable	69,474	65,746

Security deposits payable are interest-free, unsecured and refundable upon expiry of the respective lease agreements. The fair values at initial recognition were determined based on effective profit rates at 4.33 % (2021: 4.33%) per annum.

12. AMOUNT DUE TO A SUBSIDIARY

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

13. FINANCING

	Group	
	2022 RM'000	2021 RM'000
Short term financing		
Secured:		
Sukuk Murabahah	8,874	11,310
Long term financing		
Secured:		
Sukuk Murabahah	1,355,000	1,355,000
Total financing		
Secured:		
Sukuk Murabahah	1,363,874	1,366,310

Terms and debt payment schedule :

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
31 December 2022					
Secured					
Sukuk Murabahah	1,363,874	8,874	455,000	500,000	400,000
31 December 2021					
Secured					
Sukuk Murabahah	1,366,310	11,310	-	955,000	400,000

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13. FINANCING (CONTD.)**(a) Sukuk Murabahah**

Sukuk Murabahah consists of Islamic Commercial Programme ("ICP") of up to RM500 million and Islamic medium term notes ("IMTN") of up to RM3 billion subject to a combined limit of RM3 billion. It is primarily secured against assignment and charge over the Finance Service Account and Revenue Account maintained by the REIT Trustee.

The Group had paid its RM400 million Sukuk Murabahah upon maturity in prior year on 23 April 2021 and on the same date issued RM400 million of Sukuk Murabahah with a profit rate of 4.00% per annum and maturing on 23 April 2031. Details of the drawdown that are outstanding as at year end are as follows:

Tenure	Value (RM)	Profit rate	Maturity
10 years	455,000,000	4.80%	25 April 2024
7 years	500,000,000	4.20%	25 April 2026
10 years	400,000,000	4.00%	23 April 2031

The profit rate is payable semi-annually and disclosed as short term financing.

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

	Sukuk Murabahah RM'000	Dividend paid RM'000	Total RM'000
Balance at 1 January 2022	1,366,310	-	1,366,310
Changes from financing cash flows			
Financing cost paid	(58,840)	-	(58,840)
Income distribution 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
Balance at 1 January 2021	1,368,704	-	1,368,704
Changes from financing cash flows			
Proceeds from issuance of Sukuk Murabahah	400,000	-	400,000
Payment of Sukuk Murabahah	(400,000)	-	(400,000)
Financing cost paid	(59,758)	-	(59,758)
Income distribution paid	-	(430,620)	(430,620)
Total changes from financing cash flows	(59,758)	(430,620)	(490,378)
Other changes			
Liability-related			
Financing cost	57,364	-	57,364
Dividend payable	-	430,620	430,620
Total liability-related other changes	57,364	430,620	487,984
Balance at 31 December 2021	1,366,310	-	1,366,310

14. DEFERRED TAX LIABILITY**Deferred Tax Liabilities of the Group/Fund:**

	Investment properties RM'000
At 1 January 2022	35,389
Recognised in profit or loss (Note 22)	6,164
At 31 December 2022	41,553
At 1 January 2021	43,087
Recognised in profit or loss (Note 22)	(7,698)
At 31 December 2021	35,389

15. OTHER PAYABLES

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-Current				
Deferred revenue	76,676	80,383	76,676	80,383
Current				
Other payables	23,981	24,416	23,975	24,413
Security deposits payable	1,763	3,497	1,763	3,497
Amount due to:				
Ultimate holding company	249	-	249	-
Immediate holding company	60	68	3	-
Fellow subsidiaries	11,759	11,464	11,759	11,464
Other related companies	588	576	588	576
Total other payables	38,400	40,021	38,337	39,950
Add: Financing (Note 13)	1,363,874	1,366,310	-	-
Amount due to a subsidiary	-	-	1,363,789	1,366,260
Other long term liabilities (Note 11)	69,474	65,746	69,474	65,746
Total financial liabilities carried at amortised cost	1,471,748	1,472,077	1,471,600	1,471,956

Deferred revenue relates to the excess of the principal amount of security deposits received over their fair value which is accounted for as prepaid lease income and amortised over the lease term on a straight line basis.

Amounts due to holding company, fellow subsidiaries and other related companies which arose in the normal course of business are unsecured, interest-free and repayable on demand.

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16. REVENUE

	Group/Fund	
	2022 RM'000	2021 RM'000
Investment properties		
- Office	539,903	539,606
- Retail	38,940	30,122
	578,843	569,728

17. PROPERTY OPERATING EXPENSES

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Utilities expenses	10,365	8,606	10,365	8,606
Maintenance expenses	10,684	10,555	10,684	10,555
Quit rent and assessment	3,441	3,441	3,441	3,441
Other operating expenses	5,893	5,651	5,886	5,645
	30,383	28,253	30,376	28,247

18. MANAGEMENT FEES

	Group/Fund	
	2022 RM'000	2021 RM'000
Base fee	28,492	28,492
Performance fee	16,454	16,244
	44,946	44,736

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	
	2022 RM'000	2021 RM'000
Profit expense:		
Sukuk Murabahah	56,404	57,364
Accretion of financial instruments	2,715	2,413
	59,119	59,777

21. PROFIT BEFORE TAX

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

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Audit fees	97	94	92	89
Valuation fees	220	670	220	670
Property manager fee	95	95	95	95
Depreciation (Note 5)	515	634	515	634
Reversal of allowance for impairment of trade receivable (Note 28)	-	(2)	-	(2)

22. TAX EXPENSE/(BENEFIT)

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

As at the date of this financial statements, KLCC REIT has declared more than 90% of its distributable income to unitholders for the financial year ended 31 December 2022 accordingly. No provision for income tax expense has been made for the year.

Deferred tax liability has been provided for the investment properties held by KLCC REIT at 10% (2021: 10%) which reflects the expected manner of recovery of the investment properties, i.e. recovered through sale.

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22. TAX EXPENSE/(BENEFIT) (CONTD.)

Reconciliation of the tax benefit is as follows:

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation	509,462	361,698	509,469	361,704
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	122,271	86,809	122,273	86,809
Expenses not deductible for tax purposes	15,632	27,156	15,630	27,156
Income not subject to tax	(137,903)	(113,965)	(137,903)	(113,965)
Deferred tax recognised at different tax rate	6,164	(7,698)	6,164	(7,698)
Tax expense/(benefit)	6,164	(7,698)	6,164	(7,698)

23. BASIC EARNINGS PER UNIT

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

	Group		Fund	
	2022	2021	2022	2021
Profit attributable to unitholders (RM'000)	503,298	369,396	503,305	369,402
Weighted average number of units in issue ('000)	1,805,333	1,805,333	1,805,333	1,805,333
Basic earnings per unit (sen)	27.88	20.46	27.88	20.46

24. INCOME DISTRIBUTION

	Income distribution recognised in year		Net income distribution per unit	
	2022 RM'000	2021 RM'000	2022 Sen	2021 Sen
For the financial year ended 31 December 2022				
A first interim income distribution of 7.01% on 1,805,333,083 units	126,554	-	7.01	-
A second interim income distribution of 7.01% on 1,805,333,083 units	126,554	-	7.01	-
A third interim income distribution of 6.96% on 1,805,333,083 units	125,651	-	6.96	-
For the financial year ended 31 December 2021				
A first interim income distribution of 6.01% on 1,805,333,083 units	-	108,501	-	6.01
A second interim income distribution of 6.01% on 1,805,333,083 units	-	108,501	-	6.01
A third interim income distribution of 6.16% on 1,805,333,083 units	-	111,209	-	6.16
A fourth interim income distribution of 6.83% on 1,805,333,083 units	123,304	-	6.83	-
For the financial year ended 31 December 2020				
A fourth interim income distribution of 5.70% on 1,805,333,083 units	-	102,904	-	5.70
	502,063	431,115	27.81	23.88

NOTES TO THE FINANCIAL STATEMENTS

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24. INCOME DISTRIBUTION (CONTD.)

A fourth interim income distribution in respect of the financial year ended 31 December 2022 of 6.31% on 1,805,333,083 units, declared on 31 January 2023 amounting to an income distribution payable of RM113,917,000 will be payable on 28 February 2023.

The financial statements for the current year do not reflect this fourth interim income distribution. Such income distribution will be accounted for in equity as an appropriation of profits in the financial year ending 31 December 2023.

Distribution to unitholders is from the following sources:

	Group	
	2022 RM'000	2021 RM'000
Net property income	548,460	541,475
Profit income	4,032	2,315
Fair value adjustments of investment properties	61,635	(76,979)
	614,127	466,811
Less: Expenses	(104,665)	(105,113)
Tax (expense)/benefit	(6,164)	7,698
Profit for the year	503,298	369,396
Add: Non-cash items	1,967	98,259
Add: Brought forward undistributed income available for distribution	80,728	64,588
Total available for income distribution	585,993	532,243
Less: Income distributed	(378,759)	(328,211)
Less: Income to be distributed on 28 February 2023	(113,917)	(123,304)
Balance undistributed income available for distribution	93,317	80,728
Distribution per unit (sen)	27.29	25.01

25. MANAGEMENT EXPENSE RATIO

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total Trust expenses	46,568	46,909	46,563	46,904
Net asset value at the end of the financial year	8,018,361	8,017,126	8,018,423	8,017,181
Less: Fourth interim income distribution	(113,917)	(123,304)	(113,917)	(123,304)
Net asset value at the end of the financial year, after interim income distribution	7,904,444	7,893,822	7,904,506	7,893,877
Management Expense Ratio ("MER")	0.59	0.59	0.59	0.59

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

26. COMMITMENTS**(a) Capital commitments**

	Group/Fund	
	2022 RM'000	2021 RM'000
Approved but not contracted for		
Investment properties	6,663	7,700

(b) Operating lease commitments - as lessor

The Group has entered into non-cancellable commercial property lease on its investment properties. The future minimum rental receivable under this non-cancellable operating lease at the reporting date is as follows:

	Group/Fund	
	2022 RM'000	2021 RM'000
Not later than 1 year	584,736	598,386
Later than 1 year but not later than 5 years	2,363,722	2,373,145
More than 5 years	7,035,696	7,600,212
	9,984,154	10,571,743

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

27. RELATED PARTY DISCLOSURES**(a) Controlling related party relationships are as follows:**

- (i) PETRONAS, the ultimate holding company, and its subsidiaries.
- (ii) KLCCCH, the penultimate holding company, and its subsidiaries.
- (iii) KLCCP, the immediate holding company, and its subsidiaries.
- (iv) Subsidiary of the Fund as disclosed in Note 7.

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

Income/(expense)	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
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	(4,001)	(2,780)	(4,001)	(2,780)
Ultimate Holding Company				
Rental income	570,278	542,615	570,278	542,615
Fellow subsidiaries				
Management fees	(44,946)	(44,736)	(44,946)	(44,736)
Property management fees	(2,299)	(1,892)	(2,299)	(1,892)
Property maintenance fees	(9,514)	(9,614)	(9,514)	(9,614)
Property advertising and marketing fees	(869)	(626)	(869)	(626)
Carpark income	741	793	741	793
Other related company				
Chilled water supply	(6,364)	(5,826)	(6,364)	(5,826)

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2022 are disclosed in Notes 8, 12 and 15.

28. FINANCIAL INSTRUMENTS

Financial Risk Management

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

The Group's and the Fund's goal in risk management is to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Fund. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

The Group and the Fund have exposure to credit risk, liquidity risk and market risk arising from its use of financial instruments in the normal course of the Group's and the Fund's business.

Credit Risk

Credit risk is the potential exposure of the Group and the Fund to losses in the event of non-performance by counterparties. Credit risk arises from its operating activities, primarily for trade receivables and long term receivables. The credit risk arising from the Group's and the Fund's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guidelines.

Receivables

The Group and the Fund minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units. Depending on the creditworthiness of the counterparty, the Group and the Fund may require collateral or other credit enhancements.

The maximum exposure to credit risk for the Group and the Fund are represented by the carrying amount of each financial asset.

A significant portion of these receivables are regular customers who have been transacting with the Group and in the case of the Fund, a significant portion of these receivables are related companies.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTD.)**Credit Risk (Contd.)**Receivables (Contd.)

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

	Group/Fund	
	2022 RM'000	2021 RM'000
At net		
Current	113	100
Past due 1 to 30 days	-	144
Past due 31 to 60 days	107	188
Past due 61 to 90 days	-	213
Past due more than 90 days	2	523
	222	1,168
Trade receivables	222	1,168
Less: Impairment losses	-	-
Net trade receivable (Note 8)	222	1,168

The movements in the allowance account are as follows:

	Group/Fund	
	2022 RM'000	2021 RM'000
At 1 January	-	95
Reversal of allowance for impairment (Note 21)	-	(2)
Allowance written off	-	(93)
At 31 December	-	-

Recognition and measurement of impairment loss

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

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

The Group and the Fund do not typically renegotiate the terms of trade receivables. There were no renegotiated balances outstanding as at 31 December 2022.

28. FINANCIAL INSTRUMENTS (CONTD.)**Liquidity Risk**

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

Maturity analysis

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

	Carrying amount RM'000	Effective profit rate %	Contractual cash flow RM'000	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Financial Liabilities							
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
31 December 2021							
Sukuk Murabahah	1,366,310	4.16	1,644,871	69,989	58,840	1,047,045	468,997
Other payables	40,021	-	40,021	40,021	-	-	-
Other long term liabilities	65,746	4.33	140,115	-	7,220	6,601	126,334
Fund							
Financial Liabilities							
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
31 December 2021							
Amount due to a subsidiary	1,366,260	4.16	1,645,479	60,670	52,968	1,059,238	472,603
Other payables	39,950	-	39,950	39,950	-	-	-
Other long term liabilities	65,746	4.33	140,155	-	7,220	6,601	126,334

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

28. FINANCIAL INSTRUMENTS (CONTD.)**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: profit rate risk, foreign currency risk and other price risk, such as equity risk and commodity risk.

Financial instruments affected by market risk include financing and deposits.

Profit Rate Risk

Profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. As the Group has no significant profit-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market profit rates. The Group's and the Fund's profit-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's and the Fund's profit rate risk arises primarily from profit-bearing financing. Financing at variable rates expose the Group to cash flow profit rate risk. Financing obtained at fixed rates expose the Group and the Fund to fair value profit rate risk. The Group and the Fund manage their profit expense rate exposure through a balanced portfolio of fixed and variable rate financing.

The profit rate profile of the Group's and the Fund's profit-bearing financial instruments based on carrying amount as at reporting date was:

	Group		Fund	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments				
Financial assets	110,879	106,026	110,841	105,988
Financial liabilities	(1,363,874)	(1,366,310)	(1,363,789)	(1,366,260)

Foreign Currency Risk

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

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

Fair Value Information

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

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

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

28. FINANCIAL INSTRUMENTS (CONTD.)**Fair Value Information (Contd.)**

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

Group	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
2022					
Financial liabilities					
Sukuk Murabahah	-	1,308,646	-	1,308,646	1,363,874
2021					
Financial liabilities					
Sukuk Murabahah	-	1,368,904	-	1,368,904	1,366,310

For other financial instruments listed above, fair values have been determined by discounting expected future cash flows at market incremental financing rate for similar types of financing at the reporting date.

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

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to provide unitholders with regular and stable distributions which is supported by the Group's strategy of improving returns from its property portfolio and capital growth, while maintaining an appropriate capital structure. The Manager intends to continue with the strategies currently adopted by the Group to increase the income and consequently, the value of its property portfolio for continued growth through (i) active asset management strategy and (ii) acquisition growth strategy.

As part of the prudent capital management, the Directors have reviewed the principal risks to ascertain their relevant and potential impact from the Covid-19 pandemic to safeguard the Group's capital and key business activities and to ensure the precaution and mitigation measures are implemented.

The Group's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on the Group is to ensure it maintains a healthy gearing ratio of maximum 50% of the total asset value at the time the financing is incurred, in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing ratio that will provide an ideal financing to total assets ratio that also complies with regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS

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29. CAPITAL MANAGEMENT (CONTD.)

The financing to total assets ratio as at 31 December 2022 is as follows:

	Group	
	2022	2021
Total financing (RM'000)	1,363,874	1,366,310
Total assets (RM'000)	9,608,338	9,604,975
Financing to total assets ratio	14.2%	14.2%

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

30. SEGMENT INFORMATION**(a) Reporting format**

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

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

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

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

Property investment - Office Rental of office space and other related activities.

Property investment - Retail Rental of retail space and other related activities.

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

(b) Allocation basis and transfer pricing

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

30. SEGMENT INFORMATION (CONTD.)**(b) Allocation basis and transfer pricing (Contd.)**

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

Business Segments

	Property investment - Office RM'000	Property investment - Retail RM'000	Consolidated RM'000
31 December 2022			
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 fees			(600)
Financing costs			(59,119)
Tax expense			(6,164)
Profit after tax			503,298
Depreciation			515
Non-cash items other than depreciation			1,452
Total assets	8,983,929	624,409	9,608,338
Total liabilities	1,577,456	12,521	1,589,977

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30. SEGMENT INFORMATION (CONTD.)**(b) Allocation basis and transfer pricing (Contd.)****Business Segments (Contd.)**

	Property investment - Office RM'000	Property investment - Retail RM'000	Consolidated RM'000
31 December 2021			
Revenue			
External customers	539,606	30,122	569,728
Results			
Net property income	521,392	20,083	541,475
Profit income			2,315
Fair value adjustments on investment properties			(76,979)
Management fees			(44,736)
Trustee's fees			(600)
Financing costs			(59,777)
Tax benefit			7,698
Profit after tax			369,396
Depreciation			634
Non-cash items other than depreciation			97,625
Total assets	8,979,760	625,215	9,604,975
Total liabilities	1,574,429	13,420	1,587,849

31. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Fund in these financial statements:

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)
Amendments to MFRS 101	Presentation of Financial Statements (Disclosure of Accounting Policies)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
Amendments to MFRS 112	Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 101	Presentation of Financial Statements (Non-current Liabilities with Covenants)
Amendments to MFRS 16	Leases (Lease Liability in a Sale and Leaseback)

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

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

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

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 - Comparative Information)

Effective for a date yet to be confirmed

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

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KLCC Real Estate Investment Trust ("KLCC REIT" or the "Fund"), which comprise the statements of financial position as at 31 December 2022 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 260 to 303.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2022, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Valuation of investment properties

As at 31 December 2022, the carrying value of the Group and of the Fund's investment properties amounted to RM9,175,267,227 which represents 95% of the Group and of the Fund's total assets. The Group and the Fund adopts the fair value model for its investment properties. The valuation of investment properties is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, rental income data, yield rate and discount rate) which are based on current and future market or economic conditions. The Group and the Fund had engaged an external valuer to determine the fair value of the investment properties at the reporting date.

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

- We considered the objectivity, independence and expertise of the firm of independent valuer;
- We obtained an understanding of the methodology adopted by the independent valuer in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- We had discussions with the independent valuer to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuer;
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile; and
- We also evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive. The Group's disclosures on the valuation sensitivity and significant assumptions used, including relationships between key unobservable inputs and fair values, are included in Notes 4.2 and 6 to the financial statements respectively.

Information other than the financial statements and auditors' report thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of financial statements of the Group and of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

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

The Trustee is responsible for overseeing the Fund's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE UNITHOLDERS OF KLCC REAL ESTATE INVESTMENT TRUST

Auditors' responsibilities for the audit of the financial statements (Contd.)

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

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

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

Other matters

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

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

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

Kuala Lumpur, Malaysia
31 January 2023