

**KLCC PROPERTY HOLDINGS BERHAD (641576-U)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2018**

	Second quarter ended		Cumulative 6 months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Revenue	345,001	337,519	690,113	674,176
Operating expenses	(95,683)	(90,449)	(189,798)	(179,924)
<b>Operating profit</b>	<b>249,318</b>	<b>247,070</b>	<b>500,315</b>	<b>494,252</b>
Interest/profit income	6,953	7,178	13,228	15,651
Finance costs	(26,769)	(27,346)	(53,350)	(56,855)
Share of profit of an associate	3,233	3,175	6,429	6,409
<b>Profit before taxation</b>	<b>232,735</b>	<b>230,077</b>	<b>466,622</b>	<b>459,457</b>
Taxation	(26,522)	(25,229)	(51,737)	(51,172)
<b>Profit for the period, representing total comprehensive income</b>	<b>206,213</b>	<b>204,848</b>	<b>414,885</b>	<b>408,285</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	67,655	65,131	135,579	131,728
Non-controlling interests relating to KLCC Real Estate Investment Trust (KLCC REIT)	111,493	112,827	224,240	222,955
	179,148	177,958	359,819	354,683
Other non-controlling interests	27,065	26,890	55,066	53,602
	206,213	204,848	414,885	408,285
<b>Dividend/income distribution to stapled security holders:</b>				
<u>Quarter ended 30 June 2018/2017</u>				
Realised distributable income - KLCCP	67,655	65,131	135,579	131,728
Realised distributable income - KLCC REIT	102,099	98,280	205,415	197,643
Total realised distributable income	169,754	163,411	340,994	329,371
Unrealised distributable income - KLCC REIT	9,394	14,547	18,825	25,312
	179,148	177,958	359,819	354,683
Distribution rate (%) <sup>1</sup>	92.52%	95.01%	92.12%	94.28%
Dividend/income distribution	157,064	155,259	314,128	310,517
<b>Dividend/income distribution per stapled security (sen)</b>	<b>8.70</b>	<b>8.60</b>	<b>17.40</b>	<b>17.20</b>
<b>Earnings per stapled security (sen)</b>				
– Basic	9.92	9.86	19.93	19.65

<sup>1</sup> Rounded to two decimal points.

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)

**KLCC PROPERTY HOLDINGS BERHAD** (641576-U)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	<b>30-Jun-18</b> <b>RM'000</b>	<b>31-Dec-17</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	676,473	667,237
Investment properties	15,671,378	15,667,475
Investment in an associate	262,870	256,441
Deferred tax assets	690	690
Trade and other receivables	406,755	388,842
	<u>17,018,166</u>	<u>16,980,685</u>
<b>Current assets</b>		
Inventories	1,589	1,743
Trade and other receivables	69,335	57,888
Tax recoverable	1,793	1,984
Cash and cash equivalents	706,213	750,262
	<u>778,930</u>	<u>811,877</u>
<b>TOTAL ASSETS</b>	<u><b>17,797,096</b></u>	<u><b>17,792,562</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the company</b>		
Share capital	1,823,386	1,823,386
Capital reserve	2,929,350	2,929,350
Retained profits	211,480	225,492
	<u>4,964,216</u>	<u>4,978,228</u>
<b>Equity attributable to unit holders of the KLCC REIT</b>	<u><b>8,080,070</b></u>	<u><b>8,050,264</b></u>
<b>Total equity attributable to equity holders of KLCCP and KLCC REIT</b>	<u><b>13,044,286</b></u>	<u><b>13,028,492</b></u>
<b>Other non-controlling interests</b>	<u><b>2,029,663</b></u>	<u><b>2,018,364</b></u>
<b>Total equity</b>	<u><b>15,073,949</b></u>	<u><b>15,046,856</b></u>
<b>Non-current liabilities</b>		
Deferred revenue	39,504	41,934
Other long term liabilities	136,103	133,945
Long term borrowings	1,817,166	2,225,666
Deferred taxation	27,732	27,935
	<u>2,020,505</u>	<u>2,429,480</u>
<b>Current liabilities</b>		
Trade and other payables	245,291	268,346
Short term borrowings	427,107	25,411
Taxation	30,244	22,469
	<u>702,642</u>	<u>316,226</u>
<b>Total liabilities</b>	<u><b>2,723,147</b></u>	<u><b>2,745,706</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>17,797,096</b></u>	<u><b>17,792,562</b></u>
<b>Net assets value per stapled security (RM)</b>	<b>7.23</b>	<b>7.22</b>

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)

**KLCC PROPERTY HOLDINGS BERHAD (641576-U)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

	← Attributable to equity holders of the Company →				Total equity attributable to equity holders of KLCCP RM'000	Equity attributable to unit holders of KLCC REIT <sup>2</sup> RM'000	Other non- controlling interests RM'000	Total Equity RM'000
	Share capital RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Capital reserve <sup>1</sup> RM'000				
<b>As at 1 January 2017</b>	1,805,333	18,053	204,555	2,854,041	<b>4,881,982</b>	7,912,211	1,983,832	<b>14,778,025</b>
Total comprehensive income for the period	–	–	131,728	–	<b>131,728</b>	222,955	53,602	<b>408,285</b>
Transition in accordance with Section 618(2) of the Companies Act 2016 to no par value regime on 31 January 2017	18,053	(18,053)	–	–	–	–	–	–
Dividends paid/declared	–	–	(131,248)	–	<b>(131,248)</b>	(201,836)	(38,267)	<b>(371,351)</b>
<b>As at 30 June 2017</b>	<b>1,823,386</b>	–	205,035	2,854,041	<b>4,882,462</b>	7,933,330	1,999,167	<b>14,814,959</b>
<b>As at 1 January 2018</b>	1,823,386	–	225,492	2,929,350	<b>4,978,228</b>	8,050,264	2,018,364	<b>15,046,856</b>
Adjustment on initial application of MFRS 9 <sup>3</sup>	–	–	(109)	–	<b>(109)</b>	–	(34)	<b>(143)</b>
<b>At 1 January 2018, restated</b>	1,823,386	–	225,383	2,929,350	<b>4,978,119</b>	8,050,264	2,018,330	<b>15,046,713</b>
Total comprehensive income for the period	–	–	135,579	–	<b>135,579</b>	224,240	55,066	<b>414,885</b>
Dividends paid/declared	–	–	(149,482)	–	<b>(149,482)</b>	(194,434)	(43,733)	<b>(387,649)</b>
<b>As at 30 June 2018</b>	<b>1,823,386</b>	–	211,480	2,929,350	<b>4,964,216</b>	8,080,070	2,029,663	<b>15,073,949</b>

<sup>1</sup> Capital reserve arises from the surplus of revaluation of investment properties that will be distributed upon the sale of investment properties.

<sup>2</sup> Equity attributable to unit holders of KLCC REIT consists of Unitholders' Fund (RM7,212,684,000), Merger Reserve (RM6,212,000), Capital Reserve (RM422,828,000) and Retained Profit (RM438,346,000).

<sup>3</sup> Recognition of expected credit losses ('ECL') on trade receivables balances.

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018**

	Cumulative 6 months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	466,622	459,457
Adjustments for:		
Interest/profit income	(13,228)	(15,651)
Finance costs	53,350	55,053
Accrued rental income	(20,343)	(22,293)
Depreciation	18,463	16,060
Allowance for impairment losses	226	-
Write off of receivables	-	6
Loss on disposal of property, plant and equipment	83	-
Share of results of an associate	(6,429)	(6,410)
	<u>32,122</u>	<u>26,765</u>
Operating profit before changes in working capital	498,744	486,222
Changes in working capital:		
Trade and other receivables	(916)	(4,294)
Amount due from/to ultimate holding company	(8,278)	(3,760)
Amount due from/to immediate holding company	503	-
Amount due from/to related companies	(4,853)	772
Trade and other payables	(14,890)	9,068
Inventories	154	67
	<u>(28,280)</u>	<u>1,853</u>
Interest/profit income received	12,265	17,541
Tax paid	(43,974)	(44,845)
<b>Net cash generated from operating activities</b>	<u><b>438,755</b></u>	<u><b>460,771</b></u>
<b>Cash flows from investing activities</b>		
Dividends received	-	21,070
Purchase of property, plant and equipment	(28,444)	(25,343)
Cost incurred for investment properties	(9,097)	(25,149)
Proceeds from disposal of property, plant and equipment	87	167
<b>Net cash used in investing activities</b>	<u><b>(37,454)</b></u>	<u><b>(29,255)</b></u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(7,500)	(300,000)
Dividends paid to equity holders of the company	(149,482)	(75,282)
Dividends paid to non-controlling interests relating to KLCC REIT	(194,147)	(102,543)
Dividends paid to other non-controlling interests	(43,733)	(38,267)
Interest/profit expense paid	(50,488)	(56,681)
Decrease/(increase) in deposits restricted	2,425	(5,213)
<b>Net cash used in financing activities</b>	<u><b>(442,925)</b></u>	<u><b>(577,986)</b></u>

**KLCC PROPERTY HOLDINGS BERHAD (641576-U)**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018**

	Cumulative 6 months ended	
	30-Jun-18	30-Jun-17
	RM'000	RM'000
<b>Net decrease in cash and cash equivalents</b>	<b>(41,624)</b>	(146,470)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>737,017</b>	1,011,991
<b>Cash and cash equivalents at the end of the period</b>	<b><u>695,393</u></b>	<u>865,521</u>
<b>Cash and cash equivalents at the end of the period comprises:</b>		
Cash and bank balances	<b>400,225</b>	62,507
Deposits	<b><u>305,988</u></b>	<u>811,456</u>
	<b>706,213</b>	873,963
Less: Deposits restricted <sup>1</sup>	<b><u>(10,820)</u></b>	<u>(8,442)</u>
	<b><u>695,393</u></b>	<u>865,521</u>

<sup>1</sup> *Deposit restricted relates to monies held on behalf of clients in designated accounts which represent cash calls less payments in the course of rendering management services on behalf of clients.*

(The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.)

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1 Corporate information**

KLCC Property Holdings Berhad (“KLCCP”) is a public limited liability company incorporated and domiciled in Malaysia. One ordinary share of KLCCP is stapled with one unit of KLCC Real Estate Investment Trust (“KLCC REIT”) to create the stapled securities. These stapled securities are listed on Bursa Malaysia Securities Berhad.

By virtue of KLCCP and KLCC REIT agreeing to combine their business by contract (i.e. Stapling Deed between KLCCP and KLCC REIT even though KLCCP owns no units in KLCC REIT and vice versa), KLCCP is deemed to be the controlling entity (i.e. parent) for accounting purposes as it is identified to be the party with power to govern the financial and operating policies of KLCC REIT. Therefore, the consolidated accounts of KLCCP will reflect 100% non-controlling interest relating to KLCC REIT.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 August 2018.

**A2 Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 30 June 2018 are unaudited and have been prepared in compliance with the requirements of paragraph 9.22 and 9.44 of the *Main Market Listing Requirements* of Bursa Malaysia Securities Berhad, MFRS 134 *Interim Financial Reporting* issued by Malaysian Accounting Standards Board (“MASB”) and with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The consolidated financial statements of the Group for the year ended 31 December 2017 are available upon request from the Company’s registered office at Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

**A3 Accounting policies**

The accounting policies applied in this interim financial report are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017, except as described below.

The Group has adopted MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* from 1 January 2018. Other new standards with effective date from 1 January 2018 do not have a material effect on the Group’s financial statements. The changes arising from these adoptions are as described below:

(a) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. The standard provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The adoption of MFRS 15 does not have a material effect on the Group’s financial statements.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTD.)**

**A3 Accounting policies (Contd.)**

(b) MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision for MFRS 9, the Group has elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained profits, equity attributable to non-controlling interests and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

	<b>Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM'000</b>
Decrease in retained profits	(109)
Decrease in equity attributable to non-controlling interests	(34)
Decrease in trade receivables	<u>(143)</u>

**A4 Audit Report**

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTD.)**

**A5 Segmental information**

	Second quarter ended			Cumulative 6 months ended		
	30-Jun-18			30-Jun-18		
	KLCCP	KLCC REIT	Group	KLCCP	KLCC REIT	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
Property investment:						
Office	9,856	139,263	<b>149,119</b>	19,728	278,174	<b>297,902</b>
Retail	115,342	7,638	<b>122,980</b>	230,852	15,827	<b>246,679</b>
Hotel operations	37,188	–	<b>37,188</b>	81,080	–	<b>81,080</b>
Management services	53,619	–	<b>53,619</b>	101,081	–	<b>101,081</b>
	216,005	146,901	<b>362,906</b>	432,741	294,001	<b>726,742</b>
Elimination			<b>(17,905)</b>			<b>(36,629)</b>
			<b>345,001</b>			<b>690,113</b>
<b>Operating profit</b>						
Property investment:						
Office	7,798	122,416	<b>130,214</b>	15,842	245,975	<b>261,817</b>
Retail	96,901	4,443	<b>101,344</b>	192,540	9,099	<b>201,639</b>
Hotel operations	68	–	<b>68</b>	6,299	–	<b>6,299</b>
Management services	21,149	–	<b>21,149</b>	38,664	–	<b>38,664</b>
	125,916	126,859	<b>252,775</b>	253,345	255,074	<b>508,419</b>
Elimination			<b>(3,457)</b>			<b>(8,104)</b>
			<b>249,318</b>			<b>500,315</b>
Interest/profit income	6,116	837	<b>6,953</b>	11,837	1,391	<b>13,228</b>
Finance cost	(11,586)	(15,183)	<b>(26,769)</b>	(23,153)	(30,197)	<b>(53,350)</b>
Share of profit of an associate company	3,233	–	<b>3,233</b>	6,429	–	<b>6,429</b>
Taxation	(26,522)	–	<b>(26,522)</b>	(51,737)	–	<b>(51,737)</b>
<b>Profit for the period / Total comprehensive income for the period</b>			<b>206,213</b>			<b>414,885</b>



**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTD.)**

**A5 Segmental information (Contd.)**

	As at 30-Jun-18		
	KLCCP RM'000	KLCC REIT RM'000	Group RM'000
<b>Total assets</b>			
Property investment — Office	1,111,973	9,122,573	<b>10,234,546</b>
Property investment — Retail	5,671,613	533,299	<b>6,204,912</b>
Hotel operations	685,818	—	<b>685,818</b>
Management services	185,091	—	<b>185,091</b>
	<u>7,654,495</u>	<u>9,655,872</u>	<u><b>17,310,367</b></u>
Eliminations and adjustments			<u><b>486,729</b></u>
			<u><b>17,797,096</b></u>
<b>Total liabilities</b>			
Property investment — Office	25,503	1,551,125	<b>1,576,628</b>
Property investment — Retail	777,792	24,678	<b>802,470</b>
Hotel operations	427,421	—	<b>427,421</b>
Management services	36,783	—	<b>36,783</b>
	<u>1,267,499</u>	<u>1,575,803</u>	<u><b>2,843,302</b></u>
Eliminations and adjustments			<u><b>(120,155)</b></u>
			<u><b>2,723,147</b></u>

**A6 Unusual items**

During the quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

**A7 Changes in estimates**

There were no changes in the estimates of amounts reported that have a material effect on the results in the quarter under review except the impairment on financial assets under MFRS 9 explained under Note A3 Accounting Policies.

**A8 Changes in statutory tax rate**

There were no changes to the corporate tax rate during the quarter under review. However, Section 61A of the Malaysian Income Tax Act 1967 exempts KLCC REIT from the normal corporate tax in a year of assessment (“YA”) if KLCC REIT distributes at least 90% of its total taxable income in the same YA.

**A9 Seasonal or cyclical factors**

The Group’s hotel operations were impacted by the seasonal or cyclical factors affecting the occupancy rate and food and beverage business of the hotel.

The other segments are not affected by seasonal or cyclical factors.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTD.)**

**A10 Dividends paid**

The Board of Directors declared interim dividends comprising 2.98 sen and 5.72 sen relating to KLCCP and KLCC REIT respectively in respect of three months period ended 31 March 2018 totaling 8.70 sen per stapled security.

The KLCCP dividend of 2.98 sen per share (tax exempt under the single-tier tax system) amounting to RM53.80 million and the KLCC REIT income distribution of 5.72 sen per unit amounting to RM103.27 million were paid on 29 June 2018.

**A11 Debt and equity securities**

There were no other material events subsequent to the end of the quarter under review that have not been reflected in the interim financial statements.

**A12 Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

**A13 Discontinued operation**

There were no discontinued operations in the Group during the quarter under review.

**A14 Capital commitments**

The amount of capital commitments not provided for in the interim financial statements as at 30 June 2018 is as follows:

	<b>RM'000</b>
Approved and contracted for	113,889
Approved but not contracted for	222,245
	<u>336,134</u>

**A15 Changes in contingent liabilities and contingent assets**

There were no changes in the contingent liabilities or contingent assets of the Group during the quarter under review.

**A16 Property development activity**

KLCC REIT did not undertake any property development activities during the quarter under review.

**A17 Material and subsequent events**

There was no other material event subsequent to the end of the quarter under review that has not been reflected in the interim financial statements.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Performance review**

	Second quarter ended			Cumulative 6 months ended		
	30-Jun-18 RM'000	30-Jun-17 RM'000	Change %	30-Jun-18 RM'000	30-Jun-17 RM'000	Change %
Revenue:						
Property investment:						
Office	<b>149,119</b>	149,186	(0.04)	<b>297,902</b>	294,934	1.01
Retail	<b>122,980</b>	121,972	0.83	<b>246,679</b>	243,783	1.19
Hotel operations	<b>37,188</b>	36,549	1.75	<b>81,080</b>	75,635	7.20
Management services	<b>53,619</b>	48,122	11.42	<b>101,081</b>	95,789	5.52
Elimination	<b>(17,905)</b>	(18,310)		<b>(36,629)</b>	(35,965)	
	<b>345,001</b>	337,519	2.22	<b>690,113</b>	674,176	2.36
Profit before tax ("PBT"):						
Property investment:						
Office *	<b>119,112</b>	120,150	(0.86)	<b>239,416</b>	237,825	0.67
Retail	<b>95,667</b>	94,266	1.49	<b>189,930</b>	187,079	1.52
Hotel operations	<b>(4,099)</b>	(1,670)	145.45	<b>(1,720)</b>	(1,495)	(15.05)
Management services	<b>21,396</b>	17,975	19.03	<b>39,066</b>	36,569	6.83
Elimination	<b>659</b>	(644)		<b>(70)</b>	(521)	
	<b>232,735</b>	230,077	1.16	<b>466,622</b>	459,457	1.56

\* Includes share of profit of an associate.

**Variance analysis by segment**

**Property investment — Office**

Q2 2018 revenue and PBT remain relatively stable.

YTD revenue and PBT increased by 1.0% and 0.7% respectively reflecting the 100% occupancy in Menara ExxonMobil in April 2017.

**Property investment — Retail**

Q2 2018 and YTD revenue and PBT reported an increase as a result of higher rental rates becoming effective and higher occupancy rates.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B1 Performance review (contd.)**

**Hotel operations**

Q2 2018 and YTD revenue increased by 1.75% and 7.20% respectively driven by higher average room rate generated by the new refurbished rooms.

However, Q2 2018 and YTD PBT reported a loss on the back of higher depreciation and interest costs on fully refurbished rooms.

**Management services**

Q2 2018 and YTD Revenue and PBT recorded an increase contributed by additional revenue from new contracts under facilities management operations.

**B2 Variation of results against preceding quarter**

	<b>Quarter ended</b>		
	<b>30-Jun-18</b>	<b>31-Mar-18</b>	<b>Change</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue:			
Property investment:			
Office	<b>149,119</b>	148,783	0.23
Retail	<b>122,980</b>	123,699	(0.58)
Hotel operations	<b>37,188</b>	43,892	(15.27)
Management services	<b>53,619</b>	47,462	12.97
Elimination	<b>(17,905)</b>	(18,724)	
	<b><u>345,001</u></b>	<b><u>345,112</u></b>	(0.03)
Profit before tax:			
Property investment:			
Office *	<b>119,112</b>	120,304	(0.99)
Retail	<b>95,667</b>	94,263	1.49
Hotel operations	<b>(4,099)</b>	2,379	(272.30)
Management services	<b>21,396</b>	17,670	21.09
Elimination	<b>659</b>	(729)	
	<b><u>232,735</u></b>	<b><u>233,887</u></b>	(0.49)

\* Includes share of profit of an associate.

Despite the increase in revenue and PBT generated from the revenue from new facilities management contracts, Q2 PBT reported a decrease of 0.5% as compared to Q1 2018.

The decline in PBT is mainly as a result of the loss reported in the hotel segment of RM4.1 million. The loss in the hotel segment was as a result of lower occupancy during the festive months (Q2: 47%, Q1: 53%) and loss of banqueting events post general election.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B3 Prospects for financial year 2018**

The Directors expect the Group's performance to remain stable on the back of long term lease arrangements. The retail segment is expected to remain resilient amidst challenging market conditions.

Whilst the hotel segment is expected to benefit from the newly refurbished rooms, this segment will continue to operate in a competitive environment as a result of an increase of room inventory in the market.

**B4 Profit forecast**

No profit forecast was issued for the financial period.

**B5 Taxation**

Taxation comprises the following:

	<b>Second quarter ended</b>		<b>Cumulative 6 months ended</b>	
	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
In respect of the current period:				
Malaysian income tax	<b>26,624</b>	25,327	<b>51,940</b>	51,281
Deferred tax	<b>(102)</b>	(98)	<b>(203)</b>	(109)
	<b>26,522</b>	25,229	<b>51,737</b>	51,172

Overall effective tax rate is lower as income from KLCC REIT is not subject to tax in accordance with Section 61A of the Malaysian Income Tax Act 1967.

**B6 Sales of unquoted investments and/or properties**

There was no disposal of unquoted investments or properties during the quarter under review.

**B7 Quoted and marketable securities**

There was no purchase or disposal of quoted and marketable securities during the quarter under review.

**B8 Status of corporate proposal announced**

There was no corporate proposal announced but not completed as at the date of this report.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B9 Borrowings**

	As at 30-Jun-18		Group RM'000
	KLCCP RM'000	KLCC REIT RM'000	
Short term:			
<u>Secured</u>			
Term loans	10,433	–	<b>10,433</b>
Sukuk Murabahah	–	416,674	<b>416,674</b>
	<u>10,433</u>	<u>416,674</u>	<u><b>427,107</b></u>
Long term:			
<u>Secured</u>			
Term loans	362,166	–	<b>362,166</b>
Sukuk Murabahah	600,000	855,000	<b>1,455,000</b>
	<u>962,166</u>	<u>855,000</u>	<u><b>1,817,166</b></u>
	<u>972,599</u>	<u>1,271,674</u>	<u><b>2,244,273</b></u>

Repayment schedule:

	Within 1 year RM'000	1–2 years RM'000	2–5 years RM'000	More than 5 years RM'000	Group total RM'000
<u>KLCCP</u>					
Term loans	10,433	7,500	22,500	332,166	<b>372,599</b>
Sukuk Murabahah	–	–	–	600,000	<b>600,000</b>
	<u>10,433</u>	<u>7,500</u>	<u>22,500</u>	<u>932,166</u>	<u><b>972,599</b></u>
<u>KLCC REIT</u>					
Sukuk Murabahah	416,674	400,000	400,000	55,000	<b>1,271,674</b>
	<u>427,107</u>	<u>407,500</u>	<u>422,500</u>	<u>987,166</u>	<u><b>2,244,273</b></u>

**B10 Material litigation**

The Group has no outstanding material litigation as at the date of this report.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B11 Dividend/income distribution**

The Board of Directors has declared the following dividend/income distribution for the quarter ended 30 June 2018:

	<b>Total stapled securities</b>	<b>Dividend/income distribution per stapled securities Sen</b>	<b>Total dividend/income distribution payable RM'000</b>
KLCCP <sup>1</sup>	1,805,333,083	3.05	55,063
KLCC REIT <sup>2,3</sup>	1,805,333,083	5.65	102,001
Group		<u>8.70</u>	<u>157,064</u>

The dividend and income distribution for KLCCP and KLCC REIT will be paid on 28 September 2018. The book closure date in respect of both the aforesaid interim dividend and income distribution is 3 September 2018.

<sup>1</sup> Dividend declared under KLCCP is tax exempt under single-tier system.

<sup>2</sup> Income distribution to unitholders will be subjected to withholding tax at the following rates:

<u>Unitholders</u>	<b>Withholding tax rate</b>
Individuals and all other non-corporate investors such as institutional investors (resident and non-resident)	10%
Non-resident corporate investors	24%
Resident corporate investors	0%

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**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B11 Dividend/income distribution (contd.)**

<sup>3</sup> Distributions by KLCC REIT to unitholders are from the following sources:

	Second quarter ended		Cumulative 6 months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
<b>Revenue</b>				
Property investment - Office	139,263	139,245	278,174	274,716
Property investment - Retail	7,638	7,941	15,827	16,695
	<b>146,901</b>	147,186	<b>294,001</b>	291,411
Profit income	837	1,091	1,391	3,349
	<b>147,738</b>	148,277	<b>295,392</b>	294,760
Less: Expenses	(36,245)	(35,450)	(71,152)	(71,805)
<b>Profit for the period</b>	<b>111,493</b>	112,827	<b>224,240</b>	222,955
Less: Non cash items	(9,394)	(14,547)	(18,825)	(25,312)
<b>Total realised income available for the period</b>	<b>102,099</b>	98,280	<b>205,415</b>	197,643
Add: Brought forward undistributed realised income available for distribution	40,901	21,960	40,850	21,890
<b>Total realised income available for distribution *</b>	<b>143,000</b>	120,240	<b>246,265</b>	219,533
Less: Total income distributed for the period	–	–	(103,265)	(99,293)
Less: Income to be distributed for the quarter	(102,001)	(98,210)	(102,001)	(98,210)
<b>Balance undistributed realised income available for distribution</b>	<b>40,999</b>	22,030	<b>40,999</b>	22,030
<b>Distribution per unit (sen)</b>	<b>5.65</b>	5.44	<b>11.37</b>	10.94

\* There are no unrealised losses arising during the period or brought forward from previous year.



**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B12 Summary of Net Assets Value ("NAV")**

	No. of units listed	NAV RM'000	NAV per unit	
			before distribution RM	after distribution RM
KLCC REIT <sup>1</sup>	1,805,333,083	8,080,070	4.48	4.42
KLCCP Stapled Group	1,805,333,083	13,044,286	7.23	7.14

<sup>1</sup> An analysis of KLCC REIT's performance based on changes in NAV and NAV per unit, after distribution, since 31 March 2018 is as follows:

	As at 30-Jun-18	As at 31-Mar-18	Changes
NAV (after distribution) (RM'000)	<b>7,978,069</b>	7,968,577	9,492
NAV per unit (after distribution) (RM)	<b>4.42</b>	4.41	0.01

The increase in NAV and NAV per unit (after distribution) primarily resulted from profit generated during the quarter of RM111.5 million, net-off against income distribution for the quarter of RM102.1 million.

**B13 Profit for the period**

	Second quarter ended		Cumulative 6 months ended	
	30-Jun-18 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000	30-Jun-17 RM'000
Profit for the period is arrived after charging:				
Depreciation of property, plant and equipment	<b>9,098</b>	8,206	<b>18,463</b>	16,060
Allowance for impairment losses	<b>14</b>	—	<b>226</b>	—
Write off of receivables	—	6	—	6
Loss on disposal of property, plant and equipment	<b>34</b>	—	<b>83</b>	—

Other than the above, the items listed under Appendix 9B Note 16 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

**NOTES ON THE QUARTERLY REPORT — 30 JUNE 2018**

**B EXPLANATORY NOTES PURSUANT TO PART A AND PART D OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD.)**

**B13 Earnings per stapled securities ("EPSS")**

	Second quarter ended		Cumulative 6 months ended	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Profit attributable to ordinary equity holders of the Company (RM'000)	67,655	65,131	135,579	131,728
Profit attributable to unitholders of KLCC REIT (RM'000)	111,493	112,827	224,240	222,955
	<u>179,148</u>	<u>177,958</u>	<u>359,819</u>	<u>354,683</u>
Weighted average number of stapled securities in issue ('000 units)	1,805,333	1,805,333	1,805,333	1,805,333
Basic EPSS (Sen)	<u>9.92</u>	<u>9.86</u>	<u>19.93</u>	<u>19.65</u>

**B14 Limits or restrictions imposed under the Guidelines on Listed REITs issued by Securities Commission Malaysia ("the Guidelines")**

The Group is in compliance with the limits or restrictions imposed under the Guidelines.

**BY ORDER OF THE BOARD**

Abd Aziz Bin Abd Kadir (LS0001718)  
Yeap Kok Leong (MAICSA0862549)  
Company Secretaries  
Kuala Lumpur