

**KIP REIT™**

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# **ANNUAL REPORT 2021**

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**CELEBRATING  
FIVE  
YEARS**



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### Disclaimer

This annual report, prepared by the Manager for KIP Real Estate Investment Trust may contain certain forward-looking statements and is prepared based on the Manager's current view of future events that may involve certain assumptions, risks and uncertainties. Unitholders and investors are advised that past performance does not necessarily signify its future performance.

# VISION

To be a leading Real Estate Investment Trust with sustainability and community engagement at the forefront of our investment strategies.

## MISSION

Creating value for our stakeholders to ensure sustainable growth for our KIP REIT community.

- **For our investors:** we strive to deliver sustainable returns for our investors with a steady stream of distribution income generated by our unique portfolio of assets.
- **For our business partners:** we see and treat our tenants as our business partners. We are building a community of assets as a platform for our business partners to expand their enterprises together with our growing community of properties, be it local SMEs or established brands.
- **For our shoppers:** we want our shoppers to feel at home at all of our community-centric malls, where they can access their daily necessities and create long-lasting memories with other members of their communities.
- **For our employees:** we treat our people with our utmost respect. We are committed to training our employees to reach their full potential professionally and grow together as a team.
- **For our community:** we are committed to helping the communities in our areas of operation by supporting causes to promote environmental sustainability and to foster economic and social development.

## CORE VALUES

### KNOW-HOW

We are committed to leveraging our core capabilities in identifying investment opportunities and management of our properties to ensure that we maximise value creation for all of our stakeholders. Our management team takes pride in making carefully considered decisions to deliver high-quality investments.

### INTEGRITY

We are driven by our desire to do the right thing for our stakeholders in everything we do. We ensure that the way we conduct our businesses is with an open and honest mind-set.

### PEOPLE

At the heart of our investment fund is our community of people. We strive to serve each and every one of our stakeholders with our dedication to maximise their value.

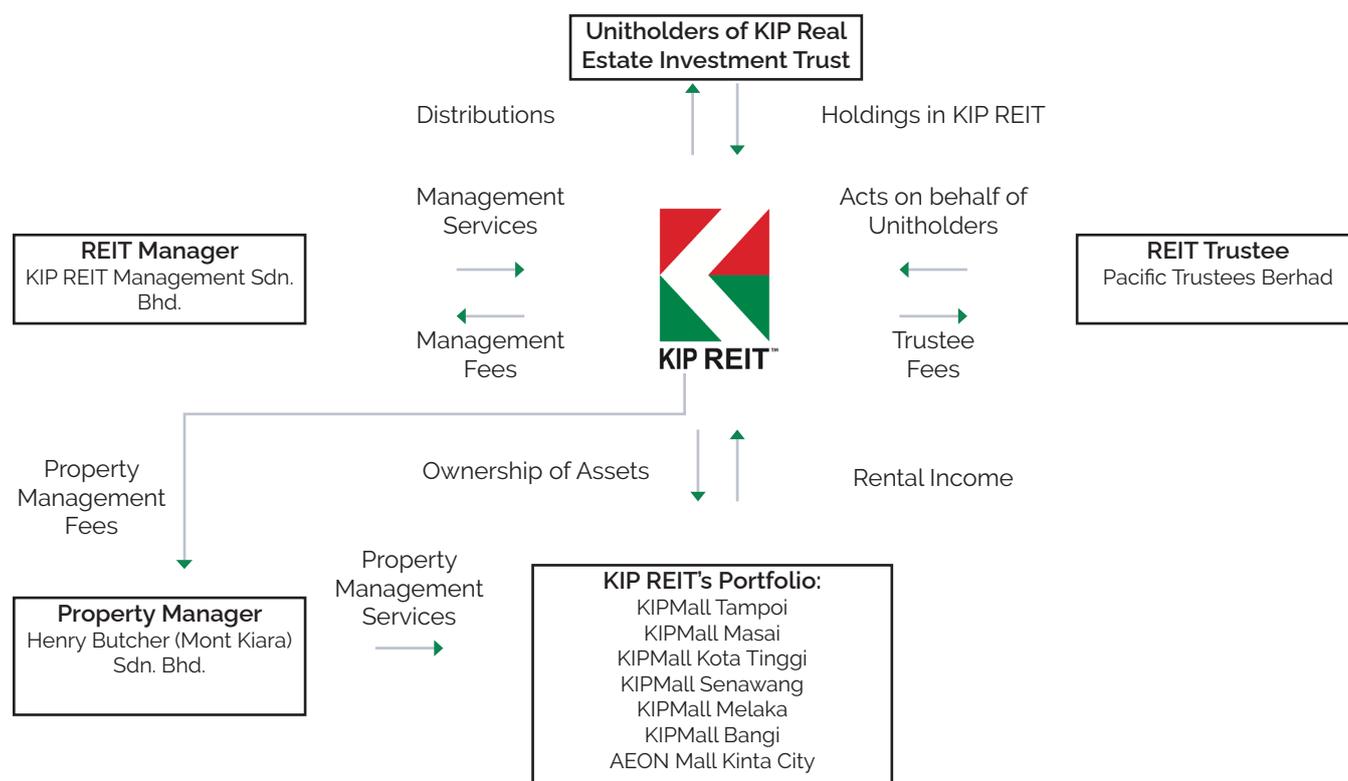
# ABOUT KIP REIT

KIP Real Estate Investment Trust ("KIP REIT") is a Malaysia-domiciled real estate investment trust established on 2 November 2016 pursuant to the deed of trust dated 2 November 2016, an amended and restated deed dated 12 December 2019, and a supplementary deed dated 29 September 2020 (collectively referred to as the "Deeds") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"), listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 February 2017 and regulated by the Securities Commission Act 1993, the Securities Commission Malaysia's ("SC") Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines"), the Bursa Securities Main Market Listing Requirements ("MMLR"), the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings.

KIP REIT's property portfolio consists of seven community-centric malls strategically located in suburban areas across Peninsula Malaysia. The portfolio consists of six malls under the branding of KIPMall which are located across the Southern and Central regions in Tampoi, Masai, Kota Tinggi, Melaka, Senawang and Bangi. Following the successful acquisition of AEON Mall Kinta City, KIP REIT's portfolio expanded in the Northern Region in Ipoh.

Following unitholders' approval of the change in investment policy on 29 September 2020, the principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing real estate used primarily for retail purposes, and for industrial or commercial purposes, including, without limiting the generality of the foregoing, warehousing facilities, logistics facilities and manufacturing sites as well as real estate-related assets.

The REIT structure is as follows:



# ABOUT KIP REIT

## Salient Features of KIP REIT

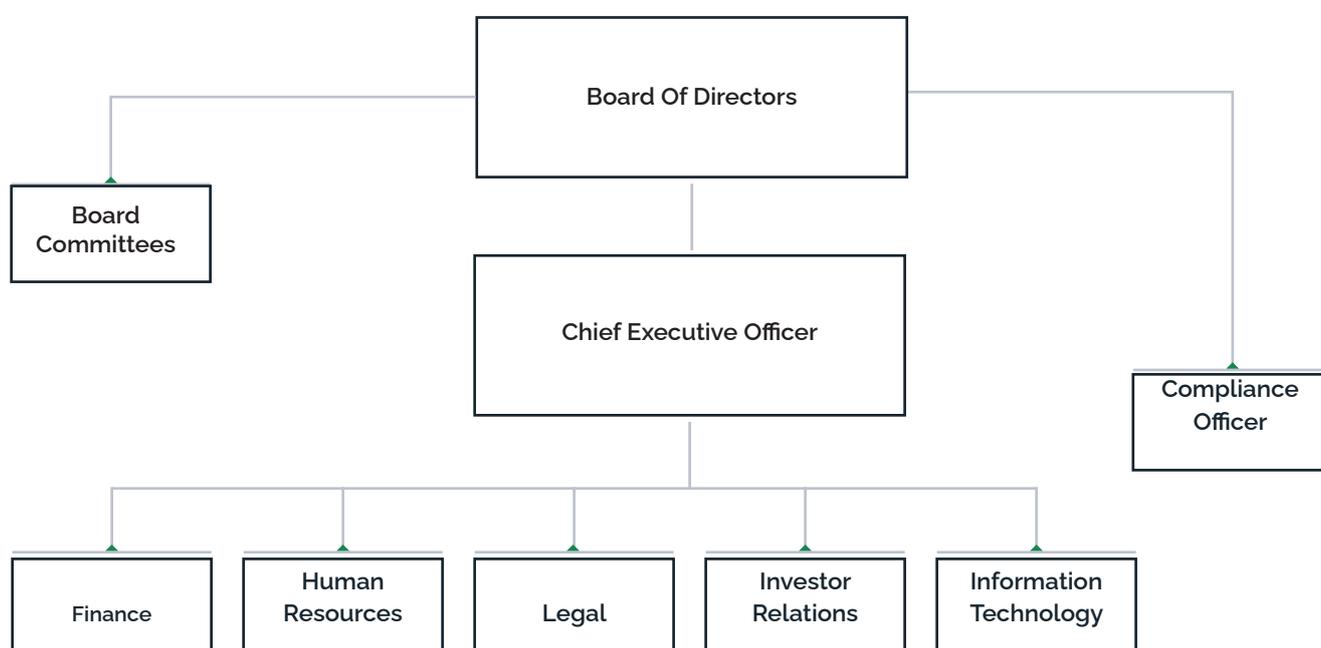
Name of REIT	KIP Real Estate Investment Trust ("KIP REIT")
REIT Type	Income stability and growth
Duration / Termination	Earlier of the occurrence of any circumstance as stated in the deed or 999 years from the establishment of KIP REIT.
The Manager	KIP REIT Management Sdn. Bhd. (Reg. No. 201501044317 (1169638-M))
The Trustee	Pacific Trustees Berhad (Reg. No. 199401031319 (317001-A))
Investment Objective	The key objective is to provide unitholders with regular and stable distributions, sustainable long-term unit price, distributable Income and capital growth, while maintaining an appropriate capital structure.
Investment Strategies	The Manager intends to increase the income and consequently, the value of the Investment Properties by implementing the following strategies, including: <ul style="list-style-type: none"> <li>• Active asset management and enhancement</li> <li>• Acquisition growth</li> <li>• Capital and risk management</li> </ul>
Authorised Investments	Real estate used primarily for retail purposes, and for industrial or commercial purposes, including, without limiting the generality of the foregoing, warehousing facilities, logistics facilities and manufacturing sites, special purpose vehicles, real-estate related assets, non-real estate-related assets, cash, deposits, money market instruments and any other investments not specified above but specified as a permissible investment in the REIT Guidelines or as otherwise permitted by the SC.
Authorised Investments Limits	The investments of KIP REIT are subject to the following investment limits imposed by the REIT Guidelines: <ul style="list-style-type: none"> <li>• at least 75.0% of KIP REIT's Total Asset Value must be invested in Real Estate and/or SPVs at all times; and</li> <li>• not more than 25.0% of KIP REIT's Total Asset Value may be invested in Non-Real Estate Related Assets and/or cash, deposits and money market instruments provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows: <ul style="list-style-type: none"> <li>• the value of KIP REIT's investments in securities issued by any single issuer must not exceed 5.0% of KIP REIT's Total Asset Value;</li> <li>• the value of KIP REIT's investments in securities issued by any group of companies must not exceed 10.0% of KIP REIT's Total Asset Value; and</li> <li>• KIP REIT's investments in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or such other limits and investments as may be permitted by the SC or the REIT Guidelines.</li> </ul> </li> </ul>
Borrowing Limits	Up to 50% of the total asset value of KIP REIT at the time the borrowings are incurred.
Investors' Profile	Suitable for investors with long-term investment objectives who seeks regular income distribution and long-term capital appreciation, and who understands the risks related to the real estate industry and REITs.
Distribution Policy	KIP REIT shall distribute up to 100.0% of KIP REIT's Distributable Income on a half-yearly basis for the Financial Period Ended 30 June 2017 and Financial Year Ending 30 June 2018 and thereafter at least 90% of KIP REIT's Distributable Income.  The income distribution policy for KIP REIT has changed from half-yearly basis to quarterly basis with effect from 31 March 2017 onward, and has been approved by the Trustee and the Manager on 27 April 2017.

# ABOUT THE MANAGER

The Manager by virtue of the Deeds was appointed to act as the management company of KIP REIT on behalf of its Unitholders. The Manager is responsible for the administration and management of KIP REIT as well as the implementation of KIP REIT's investment and business strategies.

The Manager is a wholly owned subsidiary of KIP Homes Sdn. Bhd. and was incorporated in Malaysia on 15 December 2016. The Board of Directors of the Manager comprises of individuals who have diversified experience in their respective fields of expertise.

The corporate structure of the Manager by function is as follows:



# Letter to Unitholders

## Dear Unitholders,

Financial year 2021 ("FY2021") proved to be yet another exceptional year not least from the indiscriminate impact of Coronavirus ("Covid-19"). More than a year on from the onset of the pandemic, KIP REIT continues to be tested in many ways that no one could have predicted. Yet true to our spirit, we close another financial year with strength, courage and determination to work closely together with our valued business partners to overcome these obstacles.

We knew that tumultuous times were ahead as we entered into the pandemic and an early decision was made to focus on what we could do to better serve our communities. We channelled our efforts into our people, from our valued tenants, many of whom are Small Medium Enterprises and whom we consider the heart of our economy; to our colleagues who have provided their unwavering support during these unprecedented times. I take heart that together, we continue to look after one another as we recalibrate and adjust to new norms, many of which are likely to stay in the foreseeable future. We are conscious that our collective effort to play our respective parts will lay the foundation to maintaining a strong company in these times of uncertainty and to upholding unitholders' value sustainably.

### Navigating through the Pandemic

The pandemic has accelerated the speed of change in an already fast-evolving business environment. What we once knew as old norms now require rapid transformation. Much like the global business community, we learnt to quickly adapt to the fluidity of the situation and ensured processes are in place to navigate through the pandemic. To address these new challenges, we embraced changes as opportunities to improve. Among others, we sought to minimise business disruptions by activating our Business Continuity Plan, upgraded our information technology system to facilitate remote working and streamlined processes to achieve greater operational efficiency. We held true to our belief in the need for continuous improvement, even more so in times of adversity.

While the pandemic brought about its set of challenges, new opportunities have also arisen throughout the financial year. We took stock and sought for areas of improvement and growth. We are happy to announce that several Asset Enhancement Initiatives were approved during FY2021 for KIPMall Masai, KIPMall Tampoi and KIPMall Bangi to accommodate for new partnerships with tenants and to remain relevant in this dynamic business environment. We also gained overwhelming support from our unitholders in our Fourth Annual General Meeting ("AGM") to change KIP REIT's investment policy to allow investment in commercial and industrial assets, giving us an opportunity to diversification. In these times of change, we recognise that being proactive in the management of KIP REIT's portfolio will stand us in good stead.

The pandemic has brought on changes at a dizzying pace but our commitment to our people remains constant for us during these unprecedented times. The health and safety of our valued tenants, shoppers and employees is on the top of our priority. We continue to abide by the recommendations from the relevant ministries in imposing social distancing, crowd control and sanitisation measures. We are also conscious that it is our duty to work closely with our valued tenants to promote the long-term sustainability of our business partnerships. Rental concessions have been considered on a case by case basis as part of the support offered to our tenants during these trying times. We are hopeful that together we are able to come out of this crisis in a position of strength.

### Performance review

We know that times will be turbulent in the immediate term but we remain committed to approaching this crisis with our grit and tenacity. We are committed to acting swiftly by implementing financial measures and operational decisions to achieve greater efficiencies and to realise opportunities presented to us.

# Letter to Unitholders

Despite the considerable impact that the Covid-19 pandemic has brought on, KIP REIT has recorded another year of satisfactory financial performance. Although Gross Revenue has seen a slight decline of 0.4% from RM74.5 million to RM74.2 million due to various impact from the pandemic, Net Property Income saw a marginal increase of 1.2% from RM56.0 million in FY2020 to RM56.7 million in FY2021 on the back of operational efficiencies. While occupancy rate has slightly dipped to 89.6% (FY2020: 90.7%), we have focused leasing strategies to bring in new and exciting partnerships.

KIP REIT has also maintained a healthy balance sheet despite the challenging market conditions. The gearing ratio stood at 37.0% (FY2020: 37.1%) as at 30 June 2021 which remains well below the threshold as prescribed by the SC REIT Guidelines. Despite the uncertainties posed by the Covid-19 pandemic, KIP REIT remains compliant with its financial covenants and maintains a healthy liquidity. Following the second annual review, Ratings Agency Malaysia has on 12 July 2021 reaffirmed the AAA long-term rating of RM210.0 million Class A Notes under KIP REIT's wholly owned subsidiary, KIP REIT Capital Sdn. Bhd.'s first issuance in 2019 on the basis of its stable outlook.

In view of performance of the Fund, I am pleased to announce that the Board has approved a final income distribution of 2.1 sen per unit, bringing total annual distribution per unit to 6.84 sen in FY2021. This represents 90.3% of current year distributable income and yield of 8.09% based on KIP REIT's closing unit price of RM0.845 as at 30 June 2021.

## Looking Ahead

As we reflect over the past year, it is undeniable that the Covid-19 pandemic has taken a toll on the Malaysian economy; its effect more apparent in some industries, including retail, as restrictions in various forms of Movement Control Orders and the National Recovery Plans being imposed from time to time throughout much of the financial year.

There is, however, welcomed signs of progress in the national vaccination programme which coupled with the announced government aid package will assist in the recovery of the nation's economy in wake of the pandemic.

We remain cautiously optimistic of the opportunities that lie ahead of us. While we will continue to leverage our strength in maintaining a portfolio focused on the provision of essential services to the surrounding communities, we are acutely aware that close monitoring of this fast-evolving environment will lay the foundation of KIP REIT's performance. We will also simultaneously explore growth opportunities and seek for yield accretive assets to diversify our portfolio. We know that the road to recovery from the pandemic will be a challenging one but we are confident that our prudent management of KIP REIT's portfolio will allow us to emerge from this pandemic stronger.

## Appreciation and Acknowledgement

With that, on behalf of the Board of Directors of KIP REIT Management Sdn. Bhd., I would like to take this opportunity to express our gratitude to all of our stakeholders from our unitholders, employees, business partners, financiers and the members of the media for growing with us through these trying times.

## Tribute

Lastly, it is with deep regret and sadness that we announce the demise of non-independent executive director, Dato' Chew Lak Seong who passed on peacefully on 25 June 2021. He was a diligent leader who exemplified integrity, honesty and humility during his tenure as our Managing Director. His legacy will live on and serve as an inspiration to us all.

DATO' DR SYED HUSSAIN BIN SYED HUSMAN, JP  
*Chairman of the Board*

# FY2021 HIGHLIGHTS

## Gross Revenue



**RM 74,249,000**

(FY20: 74,540,000)

## Net Property Income



**RM56,662,000**

(FY20: 56,018,000)

## Asset Under Management



**RM808,000,000**

(FY20: 807,000,000)

## Net Lettable Area



**1,481,761 Sq. Ft.**

(FY20: 1,478,046)

## Average Occupancy



**89.6%**

(FY20: 90.7%)

## Net Asset Value per Unit



**RM1.0160**

(FY20: 1.0090)

## Distribution per Unit



**6.84 sen**

(FY20: 6.18)

## Distribution Yield



**8.09%**

(FY20: 7.77%)

## Market Capitalisation

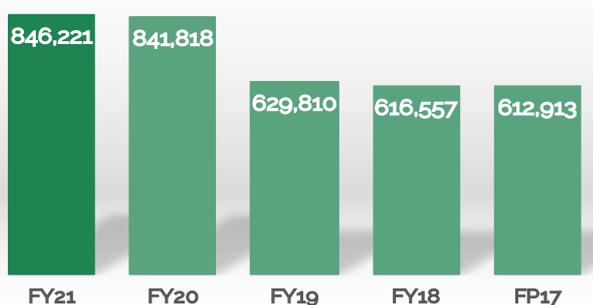


**RM426,978,500**

(FY20: 401,713,500)

# PERFORMANCE AT A GLANCE\*

Total Assets (RM'000)



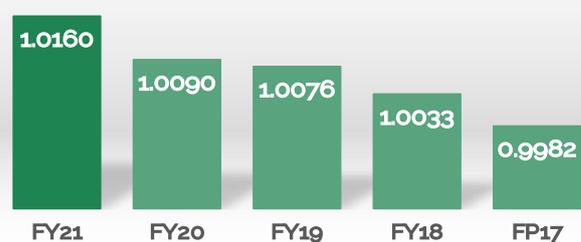
Gross Revenue (RM'000)



Net Property Income (RM'000)



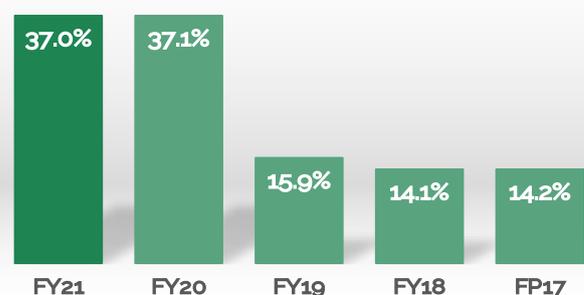
Net Asset Value per Unit (RM)



Distribution per Unit (sen)



Gearing Ratio



\* FP17 data presented consists of 5 months data

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS DIRECTION OVERVIEW

KIP REIT was constituted pursuant to the Deed entered into between the Manager and Trustee. It was listed on the Main Market of Bursa Securities on 6 February 2016. The principal activity of the Trust is to invest in a portfolio of real estate properties in Malaysia. Following unitholders' approval, KIP REIT's investment policy has extended beyond the original retail focused properties to include industrial and commercial real estate. As at 30 June 2021, KIP REIT has a market capitalisation of approximately RM427.0 million and a portfolio independently valued at RM808.0 million.

### Investment Objectives

KIP REIT's key objectives are to provide Unitholders with regular and stable income distributions, sustainable long-term unit price and capital growth while maintaining an appropriate capital structure.

### Investment Policies

The principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing real estate used primarily for retail purposes, and for industrial or commercial purposes, including, without limiting the generality of the foregoing, warehousing facilities, logistics facilities and manufacturing sites as well as real estate-related assets.

The Manager may, in consultation with the Trustee and subject to the Relevant Laws and Requirements, from time to time change the investment policy of KIP REIT.

The Trustee shall ensure that it is fully informed at all times by the Manager of the investment policy and of any changes made by the Manager to the investment policy of KIP REIT. Unless otherwise provided by the Relevant Laws and Requirements, any modification to this Trust Deed involving any material change to the investment policy set out for KIP REIT, must be approved by Unitholders by way of a resolution of not less than two-third of all Unitholders present and voting at a Unitholders' meeting duly convened and held in accordance with the Deed.

### Investment Strategies

#### Active Asset Management and Enhancement

- Executing proactive leasing and cost management strategies to maximise returns for Unitholders
- Leveraging local expertise in areas of operation to provide for optimised rental income, net lettable space and occupancy rates

#### Acquisition Growth

- Sourcing of yield accretive retail assets providing sustainable income and capital appreciation in line with KIP REIT's investment strategies

#### Capital and Risk Management

- Optimising capital structure to maximise Unitholder returns
- Adopting an appropriate mix of debt and equity in financing acquisitions and managing refinancing risks

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

	FY2021 (RM '000)	FY2020 (RM '000)	FY2019 (RM '000)	FY2018 (RM '000)	FP2017* (RM'000)
Gross Revenue	74,249	74,540	63,065	62,773	26,350
Net Property Income	56,662	56,018	41,953	41,918	17,525
Borrowing Costs	(13,294)	(14,117)	(5,292)	(4,626)	(1,825)
Profit Before Taxation	35,221	31,883	34,049	37,610	14,660
Realised Profit	36,068	31,851	30,691	34,293	14,660
Unrealised Profit / (Loss)	(847)	32	3,357	3,317	N/A
Distribution per Unit (sen)	6.84	6.18	6.03	6.83	2.92
Distribution Yield (%)	8.09%	7.77%	7.18%	8.54%	7.61%
Management Expense Ratio	1.51%	2.08%	1.27%	0.76%	0.41%

\* FP17 data presented consists of 5 months data

### Gross Revenue

For FY2021, KIP REIT recorded total gross revenue of RM74.2 million as compared to RM74.5 million in FY2020. Total gross revenue is comprised of Gross Rental Income of RM65.0 million (FY2020: RM66.0 million) and revenue from contracts with customers of RM9.2 million (FY2020: RM8.5 million). The slight decline of 0.4% from the previous financial year is predominately due to amortisation of rental rebates granted to eligible tenants as assistance in FY2020, additional rental assistance provided to affected tenants during FY2021 and a slight decline in occupancy rate during the Covid-19 pandemic. The effect of the decline was partially cushioned by the step up rental at AEON Mall Kinta City.

The three contributors of total gross revenue are AEON Mall Kinta City at RM17.1 million (FY2020: RM15.0 million), KIPMall Masai at RM15.6 million (FY2020: RM16.4 million), and KIPMall Tampoi at RM15.3 million (FY2020: RM16.5 million). The slight decline in gross revenue at KIPMall Masai and KIPMall Tampoi is reflective of, among others, the transitional period during the fitting out of mini-anchors Jalan Jalan Japan and Mr. Dollar and Mr. Toy at the respective malls.

The performance of each investment property is set out in the table below:

	FY2021 (RM '000)	FY2020 (RM '000)	FY2019 (RM '000)	FY2018 (RM '000)
KIPMall Tampoi	15,307	16,455	16,903	16,233
KIPMall Kota Tinggi	5,399	5,740	5,983	6,195
KIPMall Masai	15,596	16,388	16,461	16,454
KIPMall Senawang	2,951	2,821	2,853	3,150
KIPMall Melaka	6,618	6,064	6,457	5,657
KIPMall Bangi	11,231	12,090	14,408	15,084
AEON Mall Kinta City	17,147	14,982	-	-
Total	74,249	74,540	63,065	62,773

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONT.)

### Property Expenses

Total property expenses of each investment property are set out in the table below:

	FY2021 (RM '000)	FY2020 (RM '000)	FY2019 (RM '000)	FY2018 (RM '000)
KIPMall Tampoi	3,224	3,526	4,111	4,269
KIPMall Kota Tinggi	1,854	1,881	2,249	2,282
KIPMall Masai	3,283	3,552	3,898	3,953
KIPMall Senawang	1,744	1,774	2,033	2,034
KIPMall Melaka	3,189	3,423	4,003	3,786
KIPMall Bangi	3,665	3,787	4,818	4,531
AEON Mall Kinta City	628	579	-	-
<b>Total</b>	<b>17,557</b>	<b>18,522</b>	<b>21,112</b>	<b>20,855</b>

A total of RM17.6 million of property expenses was recorded in FY2021 as compared to RM18.5 million in FY2020. The decline of 5.0% of property expenses is the result of factors including tighter fiscal management, a 10% discount on electricity expenses granted to the properties as part of the Covid-19 package and a decrease in reimbursements costs following the streamlining of workflow and structuring of headcount at the property management level.

### Net Property Income

Net Property Income for FY2021 increased by 1.2% from RM56.0 million to RM56.7million on the back of operational efficiency achieved during the financial year.

### Profit for the Year

KIP REIT recorded a 10.5% increase in Profit from RM31.9 million to RM35.2 million as a result of lower non-property expenses. One-off expenses incidental to the acquisition of AEON Mall Kinta City of RM3.5 million were incurred in last financial year and borrowing costs had also declined by 5.8% on the back of lower Overnight Policy Rate.

### Income Distribution

The Manager had recommended to the Trustee on 29 July 2021 and the Trustee had approved on 29 July 2021 a final income distribution of 2.1 sen per unit totalling RM10.6 million. Four quarterly income distributions were declared with a Distribution Per Unit of 6.84 sen per unit totalling RM34.6 million in total distribution, representing 90.3% of current year realised distributable income. This translates to a distribution yield of 8.09% based on KIP REIT's closing unit price of 0.845 as at 30 June 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONT.)

	Quarter Ended	Date Declared	Distribution per Unit (sen)	Payment Date
1st Interim	30 Sep 2020	20 Oct 2020	1.55	23 Nov 2020
2nd Interim	31 Dec 2020	19 Jan 2021	1.59	19 Feb 2021
3rd Interim	31 Mar 2021	20 Apr 2021	1.60	25 May 2021
Final	30 Jun 2021	29 July 2021	2.10	27 Aug 2021
Total			6.84	

### Key Financial Position

The performance of each investment property is set out in the table below:

	FY2021 (RM '000)	FY2020 (RM '000)	FY2019 (RM '000)	FY2018 (RM '000)	FP2017* (RM '000)
Investment Properties	808,000	807,000	599,300	585,000	580,000
Total Asset Value	846,221	841,818	629,810	616,557	612,913
Trade Receivables	2,769	1,961	483	1,325	2,533
Borrowings	312,708	312,427	100,169	86,975	86,786
Net Asset Value					
Before Income Distribution	545,060	541,016	541,018	542,059	509,451
After Income Distribution	513,378	509,839	509,133	506,951	504,398
Gearing (%)	37.0	37.1	15.9	14.1	14.2
Unit Price (RM)	0.845	0.795	0.840	0.800	0.920
Market Capitalisation	426,979	401,714	424,452	404,240	464,876
Units in Circulation	505,300	505,300	505,300	505,300	505,300
Net Asset Value per Unit (RM)	1.0160	1.0090	1.0076	1.0033	0.9982

\* FP17 data presented consists of 5 months data

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONT.)

### Investment Properties Expenses

Total Asset Value increased by 0.5% to RM846.2 million as compared to RM841.8 million. KIP REIT's investment properties represent approximately 95.5% of Total Asset Value and are stated at fair value based on valuations performed by independent professional valuer, CBRE|WTW. Based on the valuation reports dated 8 July 2021, the fair value of KIP REIT's investment properties at 30 June 2021 was RM808.0 million.

	Carrying Value Before Revaluation (RM'000)	Market Value (RM '000)	Unrealised Gain / (Loss)
KIPMall Tampoi	163,445	163,000	(445)
KIPMall Kota Tinggi	56,231	56,000	(231)
KIPMall Masai	168,177	170,000	1,823
KIPMall Senawang	23,152	25,000	(152)
KIPMall Melaka	48,000	48,000	0
KIPMall Bangi	130,099	126,000	(4,099)
AEON Mall Kinta City	217,743	220,000	2,257
Total	808,847	808,000	(847)

### Trade Receivables

Trade receivables saw an increase from RM1.6 million to RM2.4 million during this financial year as a result of rising economic challenges faced by tenants in view of the restrictions imposed. Countermeasures are being implemented to monitor the ageing profile to maintain strict control over outstanding receivables. Overdue balances are regularly reviewed and ongoing communication with tenants to closely follow up on rental arrears taking into consideration of current economic environment.

### Total Borrowings

There were no material changes to the borrowing structure during FY2021. KIP REIT's gearing ratio remains well below the 50% threshold under SC's REIT Guidelines.

KIP REIT's wholly owned subsidiary issued its maiden Medium Term Note with a nominal value of RM310.0 million with a perpetual term of up to RM2.0 billion under the Medium Term Note Programme in July 2019 for the acquisition of AEON Mall Kinta City. The issuance comprises of RM210.0 million of fixed borrowing rate and RM100.0 million of floating borrowing rate, acting as a natural hedge against movement in interest rates. As a result, the latter portion has benefited from the cut in the Overnight Policy Rate to 1.75 % as at 7 July 2021 lowering the blended effective rate accordingly.

### Net Asset Value

	As at 30 Jun 21	As at 30 Jun 20	As at 30 Jun 19	As at 30 Jun 18	As at 30 Jun 17
Before Income Distribution	1.0787	1.0707	1.0707	1.0727	1.0082
After Income Distribution	1.0160	1.0090	1.0076	1.0033	0.9982

KIP REIT's Net Asset Value per unit after income distribution is 1.0160 as compared to RM1.009 in the previous financial year reflecting an improvement from the higher realised profit after tax.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (CONT.)

### Capital Management

The Manager is committed to effectively manage KIP REIT's capital and to continue as a going concern while maintaining greater value to Unitholders through the optimisation of debt and equity.

	As at 30 Jun 21	As at 30 Jun 20	As at 30 Jun 19	As at 30 Jun 18	As at 30 Jun 17
Borrowing	312,708	312,437	100,169	86,975	86,786
Total Asset Value	846,221	841,818	629,810	616,557	612,913

### Cash Flows and Liquidity

The rolling forecast of liquidity requirements are monitored to ensure that there is sufficient liquidity to meet operational needs while maintaining sufficient headroom on the committed borrowings. Adequate cash, cash equivalents and bank facilities are maintained and monitored to finance operations, to make distributions to Unitholder and to mitigate the effects of fluctuations in cash flows.

### Performance Benchmarks

	FY2021	FY2020	FY2019	FY2018	FP2017	Year on Year Commentary
Management Expense Ratio (%) <sup>1</sup>	1.5	2.1	1.3	0.8	0.4	Management Expense Ratio is comparatively lower than the previous financial year due to higher one-off expenses in FY2020 in relation to the acquisition of AEON Mall Kinta City.
Total Returns (%) <sup>2</sup>	14.4	2.4	12.2	(4.5)	(4.4)	The closing unit price as at 30 June 2021 has stabilised from the impact brought on by Covid-19 as compared to previous financial year.
Average Total Returns (3 years) (%) <sup>3</sup>	9.7	3.4	N/A	N/A	N/A	Average total return has increased by 6.3 percentage point on the back of higher distribution being declared during this financial year coupled with the increase in unit price.
Distribution Yield (%) <sup>4</sup>	8.1	7.8	7.2	8.5	7.6	Distribution yield has increased by 0.3 percentage point on the back higher distribution income for the year.
Net Asset Value per Unit After Income Distribution (RM) <sup>5</sup>	1.0160	1.0090	1.0076	1.0033	0.9982	Net Asset Value per unit increased due to increase in net realised profit during the year of 10.5%.
Unit Price (RM) <sup>6</sup>	0.845	0.795	0.840	0.800	0.920	KIP REIT's unit price increased by 6.3% as the overall market sentiment has stabilised since the beginning of the Covid-19 pandemic.

<sup>1</sup> The ratio of expenses incurred in operating KIP REIT of RM7.7 million (FY2020: RM10.6 million) to the average Net Asset Value of KIP REIT of RM513.4 million (after income distribution) (FY2020: RM509.8 million).

<sup>2</sup> Total return represents the change in unit price during the year plus distribution yield for the year.

<sup>3</sup> Average total return is the sum of the return rates of KIP REIT over a given number of years divided by that number of years.

<sup>4</sup> Based on Distribution per Unit of 6.84 sen (FY2020: 6.18 sen) divided by its closing unit price as at 30 June 2021 of RM0.845 (30 June 2020: RM0.795).

<sup>5</sup> Net Asset Value of KIP REIT is determined by deducting the value of all KIP REIT's liabilities from the total asset value, divided by total issued units.

<sup>6</sup> Unit price is determined based on the unit price as at 30 June 2021 for FY2021 and 30 June 2020 for FY2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL REVIEW

### Tenancy Management

As at 30 June 2021, the total number of tenancies stood at 807 (FY2020: 855), which accounted for 1,349,901 square feet of total Net Lettable Area, representing 91.10% of total Net Lettable Area of 1,481,761 square feet. The overall average occupancy rate of the KIP REIT portfolio stood at 89.62% for FY2021.

Fluctuating numbers of Covid-19 infections throughout the financial year has resulted in restrictions being imposed from time to time causing disruptions across the retail sector. The Manager expects that market uncertainties will likely exert pressure on rental rates and rental renewals in the near-term future. As a result, targeted countermeasures have been put in place including offering shorter term tenancies and short-term extensions to tenancies.

### Tenancy Expiry Profile

The tenancy expiry profile from FY2022 to FY2026 is provided in the table below. The average length of the tenancies is 1.7 years. The duration of tenancies is dependent on the tenant's nature of business, with key and anchor tenants being offered longer tenures. KIP REIT's portfolio is well-spread to mitigate tenant concentration risks. As at 30 June 2021, the weighted average lease expiry of KIP REIT's portfolio stood at 3.2 years by occupied Net Lettable Area and 2.6 years by Gross Rental Income.

Tenancies expiring in KIPMall Tampoi contributes to the largest number of tenancies expiring in FY2022. For tenancies which expired during FY2021, 71.3% renewal rate was achieved despite the challenging market conditions.

	Total Number of Tenancies	Occupied Net Lettable Expiring (%)	Gross Rental Income Expiring (%)
FY2022	410	18.2	28.9
FY2023	345	26.1	36.0
FY2024	51	16.3	8.6
FY2025	-	0.0	0.0
FY2026	1	39.4	26.5
Total	807	100.0	100.0

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL REVIEW

### Occupancy Rate

KIP REIT's portfolio average occupancy rate stood at 89.6% for FY2021, which is a slight decrease from 90.7% from the previous financial year. All KIPMalls experienced slight decline in occupancy rate except for KIPMall Melaka and KIPMall Bangi. The occupancy rate for KIPMall Tampoi and KIPMall Masai fell by 8.9 and 6.5 percentage point respectively due to a transitional period for fitting out works by anchor tenants during the financial year. AEON Mall Kinta City retains a 100% occupancy based on the Master Lease Agreement arrangement. The portfolio occupancy rate is summarized in the table below.

	FY2021 (%)	FY2020 (%)	FY2019 (%)	FY2018 (%)	FP2017 (%)
KIPMall Tampoi	88.5	97.4	97.7	96.2	94.0
KIPMall Kota Tinggi	88.0	92.8	91.3	92.8	93.9
KIPMall Masai	88.9	95.4	93.7	94.7	89.8
KIPMall Senawang	78.2	80.9	79.5	80.6	77.7
KIPMall Melaka	80.1	76.6	80.6	69.1	75.4
KIPMall Bangi	81.9	78.6	86.0	83.3	78.3
AEON Mall Kinta City	100.0	100.0	N/A	N/A	N/A
Total	89.6	90.7	87.8	85.0	83.3

# MANAGEMENT DISCUSSION

## AND ANALYSIS OPERATIONAL REVIEW (CONT.)

### Trade Sector Analysis

Supermarket and Home Decor, Gifts, Souvenirs and Stationery are the two largest trade sectors both accounting for 24.3% each of total Occupied Net Lettable Area ("ONLA") cumulatively at the KIPMalls under KIP REIT's portfolio. In terms of Gross Rental Income, the two largest contributing trade sectors are Fashion Apparel and Fresh Market at 21.6% and 20.5% respectively.

	ONLA (%)	GRI (%)
Fresh Market	8.9	20.5
Food & Beverages	6.8	11.9
Supermarket	24.3	8.3
Fashion Apparel	13.3	21.6
Entertainment & Leisure	5.1	3.0
Beauty, Health & Wellness	2.8	5.8
Timepieces & Jewellery	0.6	1.6
Home Decor, Gifts, Souvenirs & Stationery	24.3	11.3
IT/ Electronic/Digital	9.5	11.8
Furniture/Show Gallery	1.6	1.5
Sundry & Services	2.8	2.6
Total	100.0	100.0

### Asset Enhancement Initiatives

Strategic Asset Enhancement Initiatives have been approved during the financial year to improve upon the income producing capability of KIP REIT's portfolio.

The re-purposing of 20,000 square feet of NLA at KIPMall Masai has been completed in the financial year to accommodate for premises required for mini-anchor Jalan Jalan Japan. The conversion of this space has allowed for greater utilisation of floor area at the new wing.

A facelift asset enhancement programme at KIPMall Bangi has also been approved during the financial year. The refurbishment initiative is planned to be comprehensive including interior designing works, enhancing of existing facilities and façade upgrading. The estimated time of completion will take place by 2023.

Asset Enhancement Initiatives have also been approved at KIPMall Tampoi to accommodate a mini-anchor slated to take possession in FY2022. The works planned is estimated to be completed by Q2FY2022.

# MANAGEMENT DISCUSSION AND ANALYSIS RISK MANAGEMENT OVERVIEW

Effective risk management is a fundamental part of the Manager's corporate governance and is embedded in management processes. The Manager is guided by the principles of the Enterprise Risk Management system in identifying, evaluating, treating and monitoring key risks faced by KIP REIT in a dynamic business environment. A robust and sound system of risk management and internal control could mitigate the impact of business disruptions posed by the Covid-19 pandemic.

Principle Risks	Sources of Opportunities	Mitigating Measures
<b>Business Continuity</b> Varying degrees of restrictions imposed during the financial year may result in business disruption	Strengthening of organisational infrastructures to promote sustainability of management operations and to minimise adverse impact.	<ul style="list-style-type: none"> <li>Reviewed and activated existing Business Continuity Plan in line with the expedient changes as a result of the pandemic</li> <li>Upgrade in technological infrastructure to facilitate work from home and in alignment with KIP REIT's IT Usage Policy</li> </ul>
<b>Economic and Political Landscape</b> Macroeconomic trends and political uncertainties may result in financial volatility and pose challenges in the operating environment for KIP REIT and its valued business partners	Diversification of assets of portfolio by asset class, geographic location and tenant base focused on the provision of daily necessities to the surrounding communities to spread concentration risk.	<ul style="list-style-type: none"> <li>Continuous monitoring of economic and political trends to ensure appropriate strategies are adopted in line with the business environment</li> <li>Leverage strength in tenancy mix focused on essential goods</li> <li>Working with tenants during the pandemic to ensure promote long term sustainability of their businesses through active engagement and rental concessions on a case by case basis</li> <li>Following unitholders' approval, amended investment policy to allow for the evaluation of commercial and industrial assets, which allow diversification of geographic and asset class</li> </ul>
<b>Credit</b> Recovery of outstanding receivables may be hindered by muted economic activities resulting in impairment loss, bad debts written off or high legal fees in pursuance of outstanding rental and may ultimately result in lower net income	Successful management of credit would reduce the risk of cashflow management issues.	<ul style="list-style-type: none"> <li>Credit control measures include close monitoring of ageing profile, engaging in open and honest discourse with tenants on rental collection and offering rental concessions to support long term sustainability of tenant's businesses</li> </ul>
<b>Capital and Liquidity</b> Poor capital and liquidity management may result in KIP REIT's ability to continue as a going concern	Successful management of capital and liquidity allows for more accurate cashflow planning.	<ul style="list-style-type: none"> <li>The Medium Term Note held under KIP REIT's wholly owned subsidiary, KIP REIT Capital Sdn. Bhd., is structured in a manner which acts as a natural hedge with a floating and fixed portion.</li> <li>Bank Negara's announcement of the cutting of Overnight Policy Rate has resulted in lower financing costs</li> <li>Diligent management of capital and promoting financial discipline to maximise value to unitholders</li> </ul>
<b>Investment</b> Poor investment decisions in relation to acquisitions and disposals may adversely impact the profitability of KIP REIT	A portfolio of yield accretive investment asset would increase unitholder returns.	<ul style="list-style-type: none"> <li>Offers for acquisition and disposals are evaluated by the Investment Steering Committee against a strict set of criteria</li> <li>Recommendations from the Investment Steering Committee are presented to the Board and Trustee for approval</li> <li>Due diligence performed for all acquisitions and disposals</li> <li>External consultants are to engaged to appraise the asset for acquisition or disposal and effect the necessary transactions</li> </ul>
<b>Business Integrity and Compliance</b> Incidences of fraud, non-compliance and unlawful activities may result in the Manager's ability to carry out its management duties for KIP REIT	Strong corporate governance practices including compliance with relevant regulation and guidelines by the applicable authorities alongside adherence to business integrity principles creates greater value for unitholders.	<ul style="list-style-type: none"> <li>The Manager continues to monitor the performance of KIP REIT's Anti-Bribery Management System which was implemented in line with Section 17A of the Malaysian Anti-Corruption (Amendment) Commission Act 2018</li> <li>Quarterly review on the performance is tabled to the Audit and Risk Management Committee and approved by the Board on KIP REIT's anti-bribery and corruption practices</li> </ul>

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

### Overall Economic Conditions

The Covid-19 pandemic continues to impact all facets of the Malaysian economy well into FY2021 with varying degrees of restrictions being imposed from time to time. Impact on growth was expected to be less severe than experienced in 2020 with better than expected economic activity in the first quarter of 2021. As reported in Q1 of 2021, Malaysia's Gross Domestic Product saw a 0.5% decline in the first quarter of the year as compared to a decrease of 3.4% in the preceding quarter. However, the recent re-imposition of nationwide containment measures to curb the resurgence of Covid-19 cases is expected to dampen the growth momentum. All essential economic sectors are allowed to continue operations at a reduced capacity and higher adaptability to work remotely has mitigated the impact of the imposed restrictions. The government has also announced several support packages to alleviate financial burdens for households and businesses. The national vaccination programme is also underway and is slated to support growth recovery in 2022. However, uncertainties in the market continues to pose challenges to all sectors of the economy and economic recovery will be significantly less than originally expected earlier in the year.

Private consumption posted a smaller decrease of 1.5% (Q4 2020: -3.5%) as at the first quarter of the year influenced by the expenditures of essential items. Headline inflation has spiked as expected due to low fuel prices in the second quarter of last year. The spike is projected to moderate in the near term. For 2021, headline inflation is projected to average between 0.5% and 1.5% for the year.

(Source: Bank Negara Malaysia Quarterly Bulletin)

### Retail Industry Overview

The Covid-19 pandemic continues to adversely impact the Malaysia retail landscape throughout much of the financial year, with shopper footfall fluctuating across the varying degrees of restrictions imposed. For the first quarter of 2021, the retail industry posted a negative growth of 9.9% sales as compared to a 11.9% decline in the same period of last year. That said, consumer confidence remains weak and spending remains focused on essential goods and services. Additionally, nationwide restrictions announced from 1 June 2021 under the National Recovery Phase will continue to impact the retail industry and non-essential services remain prohibited from operating.

### Geographic Specific Commentary

The following section is extracted from CBRE|WTW valuation report:

#### Retail in Johor

Johor Bahru has seen the completion of one mall during this financial year, adding 8,698 square meters of retail space in the city. According to NAPIC, overall performance of shopping complex continue to soften, however, Johor has managed to secure an average occupancy of 74.9%.

#### Retail in Melaka

Melaka has an overall 31 retail complexes with 6.8 million square feet of space as at Q1 2020. Melaka Town, being the capital city and administrative centre of the State, leads the supply with 18 retail complexes of about 4.2 million square feet. Melaka Tengah where KIPMall Melaka is located, has 9 retail complexes contributing about 1.7 million square feet with no new completions in the period.

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# MANAGEMENT DISCUSSION AND ANALYSIS MARKET REVIEW (CONT.)

## Retail in Negeri Sembilan

Negeri Sembilan has an overall 92 retail complexes with 6.4 million square feet of space as at Q1 2020. Seremban leads the state with 33 retail complexes of about 3.7 million square feet followed by Putra Nilai (8 retail complexes, 0.9 million square feet).

According to NAPIC, there is no pipeline supply of new retail space for the next 2-3 years.

## Retail in Selangor

Selangor has an overall 154 retail complexes with 40.1 million square feet of space as at Q1 2020. Klang leads the state with 21 retail complexes of about 5.1 million square feet followed by Shah Alam (20 retail complexes, 5.6 million square feet). 3 complexes were completed in 2020 followed by 1 completion in Q1 2021, which added 1.6 million square feet of space into the market.

According to NAPIC, there is no supply of new retail space for the next 2-3 years in Bandar Baru Bangi. Existing supply remains with 5 retail complexes with a total space of 0.6 million square feet.

## Retail in Perak

According to the property market report by Valuation and Property Services Department (JPPH), there are 75 existing shopping complexes in Perak offering a total retail space of approximately 10.25 million square feet in the retail market. Shopping centres are predominantly located in Ipoh. No new construction or approval has been recorded for shopping complexes.

## **Prospects**

The Manager remains cautious in the near term future as the Covid-19 pandemic continues to pose challenges to the retail industry. Private spending is expected to continue to drive the Malaysian economy although consumer sentiments remains subdued as a result of rising Covid-19 infections in Malaysia. Much of the retail sector will continue to be affected by the Covid-19 pandemic with restrictions expected to be imposed from time to time and social distancing measures to continue to be imposed in the near future. The Manager will continue to monitor the situation and adapt accordingly to strike an appropriate balance between occupancy rates and rental reversion in addition to leveraging its "essential goods and services" leasing strategies in the management of the respective KIPMalls. The Manager continues to seek for acquisition opportunities that may arise in the coming financial year inclusive of industrial or commercial properties including warehousing facilities, logistics facilities and manufacturing sites.

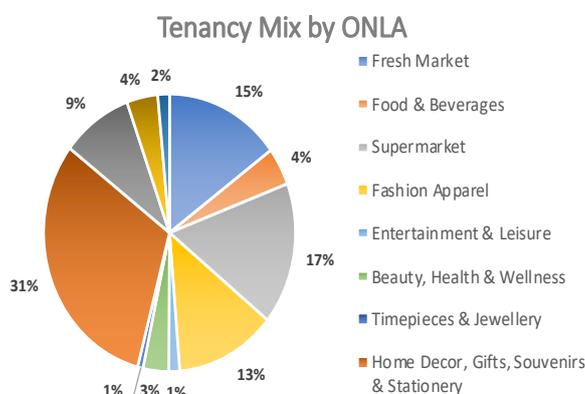
# PROPERTY DETAILS

## KIPMall Tampoi

### Building Details

Address	Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim	
Description	Single-storey retail centre with a mezzanine floor with 579 numbers of car park bays	
Age of Building	17 years	
Existing Use	Retail Mall	
Title Information	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim	
Encumbrances	Charged to Malaysian Trustees Berhad registered on 29 September 2019; Private Caveat on Land lodged by Malaysian Trustees Berhad registered on 18 July 2019	
Tenure	99 years, expiring on 24 September 2092	
Gross Floor Area	234,321 sq. ft.	
Net Lettable Area	163,785 sq. ft.	
Acquisition Date	6 February 2017	
Acquisition Price	RM150.0 million	
Appraised Value	RM163.0 million	
Valuer	CBRE WTW	
Valuation Date	30 June 2021	
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021) No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah Dg/D 40100 Shah Alam Selangor  Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021) Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur	
Average Occupancy Rate for the Financial Year Ended 30 June 2021	88.5%	
Weighted Average Lease Expiry	ONLA: 1.8 years	GRI: 1.6 years

Top 5 Tenants by ONLA	Top 5 Tenants by GRI
PASARAYA HWA THAI SDN. BHD.	PASARAYA HWA THAI SDN. BHD.
MR DOLLAR SDN. BHD.	GREAT ZONE HOUSEHOLD CENTRE SDN. BHD.
MR. D.I.Y (M) SDN. BHD.	MR DOLLAR SDN. BHD.
WEI YANLIN	TIAN SING SHOES TRADING
LIONMAS FURNISHERS (M) SDN. BHD.	WEI YANLIN



# PROPERTY DETAILS

## KIPMall Kota Tinggi

### Building Details

Address	No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim	
Description	Single-storey retail centre with a mezzanine floor with 196 numbers of car park bays	
Age of Building	13 years	
Existing Use	Retail Mall	
Title Information	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim	
Encumbrances	Charged to Malayan Banking Berhad; Private caveat on Land lodged by Malayan Banking Berhad on 25 November 2018	
Tenure	Freehold	
Gross Floor Area	113,958 sq. ft.	
Net Lettable Area	76,205 sq. ft.	
Acquisition Date	6 February 2017	
Acquisition Price	RM55.0 million	
Appraised Value	RM56.0 million	
Valuer	CBRE WTW	
Valuation Date	30 June 2021	
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021) No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah D9/D 40100 Shah Alam Selangor  Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021) Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur	
Average Occupancy Rate for the Financial Year Ended 30 June 2021	88.0%	
Weighted Average Lease Expiry	ONLA: 2.1 years	GRI: 1.8 years

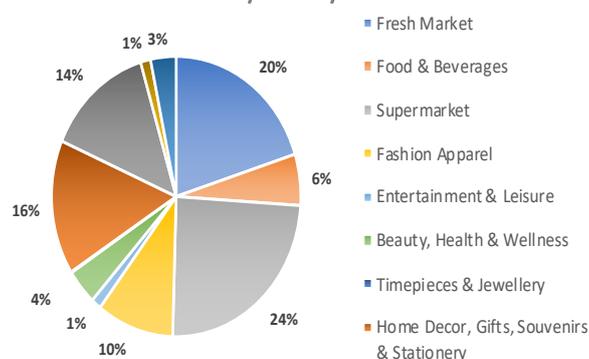
### Top 5 Tenants by ONLA

PASARAYA SONGMART (KOTA TINGGI) SDN. BHD.
LIONMAS FURNISHERS (M) SDN. BHD.
MR. DOLLAR SDN. BHD.
LINKME LM TRADING SDN. BHD.
QSR STORES SDN. BHD.

### Top 5 Tenants by GRI

PASARAYA SONGMART (KOTA TINGGI) SDN. BHD.
SIANG HENG MARKETING SDN. BHD.
LINKME LM TRADING SDN. BHD.
LIONMAS FURNISHERS (M) SDN. BHD.
MR. DOLLAR SDN. BHD.

### Tenancy Mix by ONLA



# PROPERTY DETAILS

## KIPMall Masai

### Building Details

Address	Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim
Description	Single-storey retail centre with a mezzanine floor with 628 numbers of car park bays
Age of Building	10 years
Existing Use	Retail Mall
Title Information	PN 70766, Lot 198634 , Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim
Encumbrances	Charged to Malaysian Trustees Berhad registered on 2 October 2019; Private caveat lodged by Malaysian Trustees Berhad on 18 July 2019
Tenure	99 years, expiring on 28 December 2108
Gross Floor Area	247,900 sq. ft.
Net Lettable Area	151,836 sq. ft.
Acquisition Date	6 February 2017
Acquisition Price	RM157.0 million
Appraised Value	RM170.0 million
Valuer	CBRE WTW
Valuation Date	30 June 2021

### Property Manager

Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021)  
No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah Dg/D 40100 Shah Alam Selangor

Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021)  
Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur

### Average Occupancy Rate for the Financial Year Ended 30 June 2021

88.9%

### Weighted Average Lease Expiry

ONLA: 2.1 years

GRI: 1.9 years

### Top 5 Tenants by ONLA

PASARAYA HWA THAI SDN. BHD.

BOK MARKETING SDN. BHD.

MR D.I.Y. (M) SDN. BHD.

LINKME LM TRADING SDN. BHD.

YYU FASHION

### Top 5 Tenants by GRI

PASARAYA HWA THAI SDN. BHD.

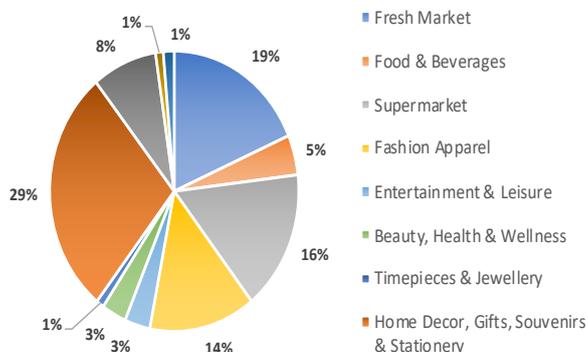
BOK MARKETING SDN. BHD.

MR D.I.Y. (M) SDN. BHD.

YYU FASHION

LINKME LM TRADING SDN. BHD.

### Tenancy Mix by ONLA



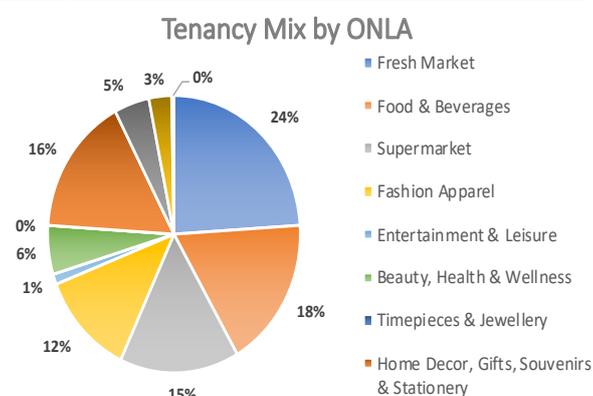
# PROPERTY DETAILS

## KIPMall Senawang

### Building Details

<b>Address</b>	No. 1, Jalan KLS 1, Lavender Heights, 70450 Seremban, Negeri Sembilan Darul Khusus	
<b>Description</b>	Single-storey retail centre with a mezzanine floor with 584 numbers of car park bays	
<b>Age of Building</b>	8 years	
<b>Existing Use</b>	Retail Mall	
<b>Title Information</b>	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus	
<b>Encumbrances</b>	N/A	
<b>Tenure</b>	Freehold	
<b>Gross Floor Area</b>	175,095 sq. ft.	
<b>Net Lettable Area</b>	116,919 sq. ft.	
<b>Acquisition Date</b>	6 February 2017	
<b>Acquisition Price</b>	RM38.0 million	
<b>Appraised Value</b>	RM25.0 million	
<b>Valuer</b>	CBRE WTW	
<b>Valuation Date</b>	30 June 2021	
<b>Property Manager</b>	Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021) No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah D9/D 40100 Shah Alam Selangor	
	Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021) Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur	
<b>Average Occupancy Rate for the Financial Year Ended 30 June 2021</b>	78.2%	
<b>Weighted Average Lease Expiry</b>	ONLA: 2.3 years	GRI: 1.7 years

Top 5 Tenants by ONLA	Top 5 Tenants by GRI
TF VALUE-MART	TF VALUE-MART
MR D.I.Y. (M) SDN. BHD.	QSR STORES SDN. BHD.
PORCELAIN INN SDN. BHD.	MR D.I.Y. (M) SDN. BHD.
QSR STORES SDN. BHD.	PORCELAIN INN SDN. BHD.
Y PAY MORE STORE SDN. BHD.	WATSON'S PERSONAL CARE STORES SDN. BHD.



# PROPERTY DETAILS

## KIPMall Melaka

### Building Details

Address	No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350 Melaka	
Description	Two storey retail centre with 521 numbers of car park bays	
Age of Building	7 years	
Existing Use	Retail Mall	
Title Information	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka	
Encumbrances	N/A	
Tenure	99 years, expiring on 17 November 2112	
Gross Floor Area	276,987 sq. ft.	
Net Lettable Area	188,063 sq. ft.	
Acquisition Date	6 February 2017	
Acquisition Price	RM50.0 million	
Appraised Value	RM48.0 million	
Valuer	CBRE WTW	
Valuation Date	30 June 2021	
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021) No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah D9/D 40100 Shah Alam Selangor	
	Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021) Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur	
Average Occupancy Rate for the Financial Year Ended 30 June 2021	80.1%	
Weighted Average Lease Expiry	ONLA: 1.9 years	GRI: 1.5 years

### Top 5 Tenants by ONLA

Bachang Family Store Sdn. Bhd.

MR. D.I.Y (M) SDN. BHD.

Omega Genius Sdn. Bhd.

DODE Concept

LT Retail Sdn. Bhd.

### Top 5 Tenants by GRI

Bachang Family Store Sdn. Bhd.

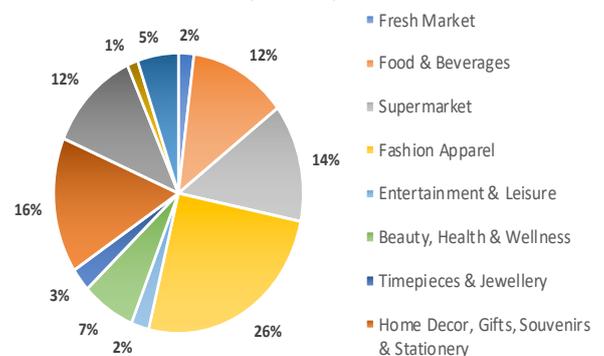
MR. D.I.Y (M) SDN. BHD.

LIONMAS FURNISHERS (M) SDN. BHD.

LT Retail Sdn. Bhd.

PORCELAIN INN SDN. BHD.

### Tenancy Mix by ONLA



# PROPERTY DETAILS

## KIPMall Bangi

### Building Details

<b>Address</b>	No. 1, Jalan Medan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan
<b>Description</b>	Five storey shopping centre with one level of mezzanine floor and two levels of basement car park with 483 numbers of car park bays
<b>Age of Building</b>	21 years
<b>Existing Use</b>	Retail Mall
<b>Title Information</b>	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan
<b>Encumbrances</b>	Charged to Malaysian Trustees Berhad registered on 2 October 2019; Private caveat lodged by Malaysian Trustees Berhad on 18 July 2019.
<b>Tenure</b>	99 years, expiring on 14 July 2093
<b>Gross Floor Area</b>	348,203 sq. ft.
<b>Net Lettable Area</b>	254,772 sq. ft.
<b>Acquisition Date</b>	6 February 2017
<b>Acquisition Price</b>	RM130.0 million
<b>Appraised Value</b>	RM126.0 million
<b>Valuer</b>	CBRE WTW
<b>Valuation Date</b>	30 June 2021

**Property Manager**  
Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021)  
No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah D9/D 40100 Shah Alam Selangor

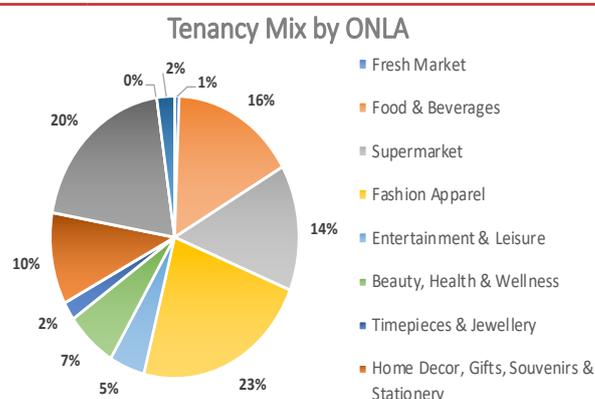
Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021)  
Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur

**Average Occupancy Rate for the Financial Year Ended 30 June 2021**  
81.9%

**Weighted Average Lease Expiry**  
ONLA: 1.9 years

GRI: 1.6 years

Top 5 Tenants by ONLA	Top 5 Tenants by GRI
GCH RETAIL (MALAYSIA) SDN. BHD.	GCH RETAIL (MALAYSIA) SDN. BHD.
BOK MARKETING SDN. BHD.	BOK MARKETING SDN. BHD.
LIVE SPORT GALLERY ENTERPRISE	CENTRAL MARKET FISH HEAD CURRY SDN. BHD.
PUSAT KAIN SILK HOUSE SDN. BHD.	QSR STORES SDN. BHD.
MR. D.I.Y (M) SDN. BHD.	PIZZA HUT RESTAURANTS SDN. BHD.



# PROPERTY DETAILS

## AEON Mall Kinta City

### Building Details

<b>Address</b>	2, Jalan Teh Lean Swee, Taman Ipoh Selatan, 31400 Ipoh, Perak
<b>Description</b>	Three storey shopping mall comprising two (2) levels of retail lots, one level of car park and cinema and one (1) level of car park and bowling alley at the rooftop – total car park 1,547 numbers of car park bays
<b>Age of Building</b>	23 years
<b>Existing Use</b>	Shopping Mall
<b>Title Information</b>	Lot No. 320549, Mukim of Hulu Kinta, District of Kinta, Perak
<b>Encumbrances</b>	Private caveat entered by Malaysian Trustees Berhad on 18 July 2019; Leased to AEON Co. (M) Bhd for 10 years commencing from 29 September 2015 and ending on 28 September 2025
<b>Tenure</b>	Freehold
<b>Gross Floor Area</b>	1,068,749 sq. ft.
<b>Net Lettable Area</b>	530,181 sq. ft.
<b>Acquisition Date</b>	30 June 2019
<b>Acquisition Price</b>	RM208.0 million
<b>Appraised Value</b>	RM220.0 million
<b>Valuer</b>	CBRE WTW
<b>Valuation Date</b>	30 June 2021
<b>Property Manager</b>	Azmi & Co. (Shah Alam) Sdn. Bhd. (between 1 July 2020 until 14 April 2021) No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah D9/D 40100 Shah Alam Selangor  Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. (effective 15 April 2021) Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur
<b>Master Lessee</b>	AEON Co. (M) Berhad

# INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

The Covid-19 pandemic has exponentially accelerated changes in the business environment and economic participants have been made to rethink the ways of doing business. Despite the need to adapt to new norms, the Manager remains committed to preserving two-way communication with the investment community to keep them informed of the way the Manager is navigating through the pandemic together with our valued tenants.

## Investor Engagement

Throughout much of the financial year, movement restrictions of varying degrees had been imposed from time to time. The Manager has adapted its communication channels accordingly and in line with the SC's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers. In observance with social distancing measures, the Manager leveraged video-conferencing technology to conduct all of its quarterly briefings and held KIP REIT's Fourth AGM on 29 September 2020 virtually.

During these engagements, the Manager provided insights into KIP REIT's financial performance, operational review, initiatives taken in light of the Covid-19 pandemic and shared its perspectives on industry trends and challenges. From July 2020 to June 2021, the management team participated in the following events:

Date	Event
9 Jul 20	Investors Meeting: AmResearch
30 Jul 20	Analyst briefing on Q4FY2020 results
29 Sep 20	KIP REIT AGM
21 Oct 20	Analyst briefing on Q1FY2021 results
11 Dec 20	Investors Meeting: RHB Research
20 Jan 21	Analyst' briefing on Q2FY2021 results
20 Jan 21	Investors Meeting: Capital Dynamics Asset Management
20 Jan 21	Financial Blogger Meeting: Savvee Investment. Publication date 22 January 2021.
8 Mar 21	Financial Blogger Meeting: 12Invest. Publication date 20 April 2021
21 Apr 21	Analyst briefing on Q3FY2021 results
5 May 21	Financial Blogger Meeting: StockPick2U. Publication date 21 May 2021.

## Press Release And Media Coverage

The Manager continues to engage the media throughout the financial year to disseminate timely updates through press releases and conducting interviews. This allows for the widening of communication spectrum and for information to be disseminated to members of the public. Media mentions can be found on KIP REIT's corporate website.

The Manager's Investor Relations team is the link between the Fund and the investing community, acting as an intermediary to disseminate information on KIP REIT's progress, strategies and prospects by conducting regular engagement with both existing and potential investors through multiple platforms. This approach is essential and important in establishing transparent communication, instilling confidence while maintaining close affinity with investors, analysts, and shareholders, allowing them to make enlightened and appropriate investment decisions.

## Bursa Securities

Pursuant to Bursa Securities MMLR, disclosure of material information to the exchange must be made in a timely manner. The Manager remains committed to making such disclosures in the prescribed time frame as provided by the Bursa Securities through BursaLINK, inclusive of quarterly financial results, audited financial statements and all other material or relevant information. The announcements can be found on KIP REIT's corporate website.

## AGM

In accordance with the SC's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers and in observance with social distancing rules, the fifth AGM shall be held on a fully virtual basis via online meeting and is scheduled on 29 September 2021 at 10.30am.

# INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

## Other Channels Of Communication Briefing Packs, Factsheet And Analyst Briefings

To supplement the relevant investor engagements, the Investor Relations team prepares concise reports in the form of briefing decks and/or fact sheets which are disseminated immediately after the announcements are released on Bursa Securities. Briefing decks are prepared by the Investor Relations team to include essential information and figures typically required for analysts and media coverage. The Investor Relations team also arranges analyst briefings when the Fund embarks on major events to communicate the details of the same to the investing community.

## Quarterly Financials And Annual Report

Quarterly financial results are prepared in a comprehensive and succinct manner to ensure information is disseminated clearly. The Manager remains committed to promoting transparency in the management of KIP REIT and has provided all relevant information in accordance with Bursa Securities MMLR and SC's REIT Guidelines. All quarterly financial results are immediately available through announcement via Bursa LINK and can also be accessed through the corporate website.

KIP REIT's FY2020 Annual Report alongside the Notice for KIP REIT's Fourth Annual General Meeting and administrative guide was made available for unitholders before the AGM. The notice in the national language and English was also advertised on daily newspapers and via Bursa LINK. The information is presented in a manner and in time for unitholders to deliberate matters prior to attending the meeting and making the relevant investment decisions.

Following the Supplementary Trust Deed dated 29 September 2020 entered into by the Trustee and the Manager, the provisions for the issuance of reports, notices and other documents have been amended to allow for distribution via technological means.

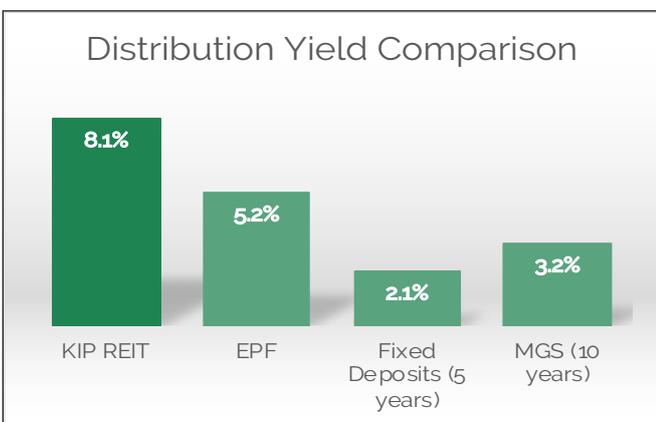
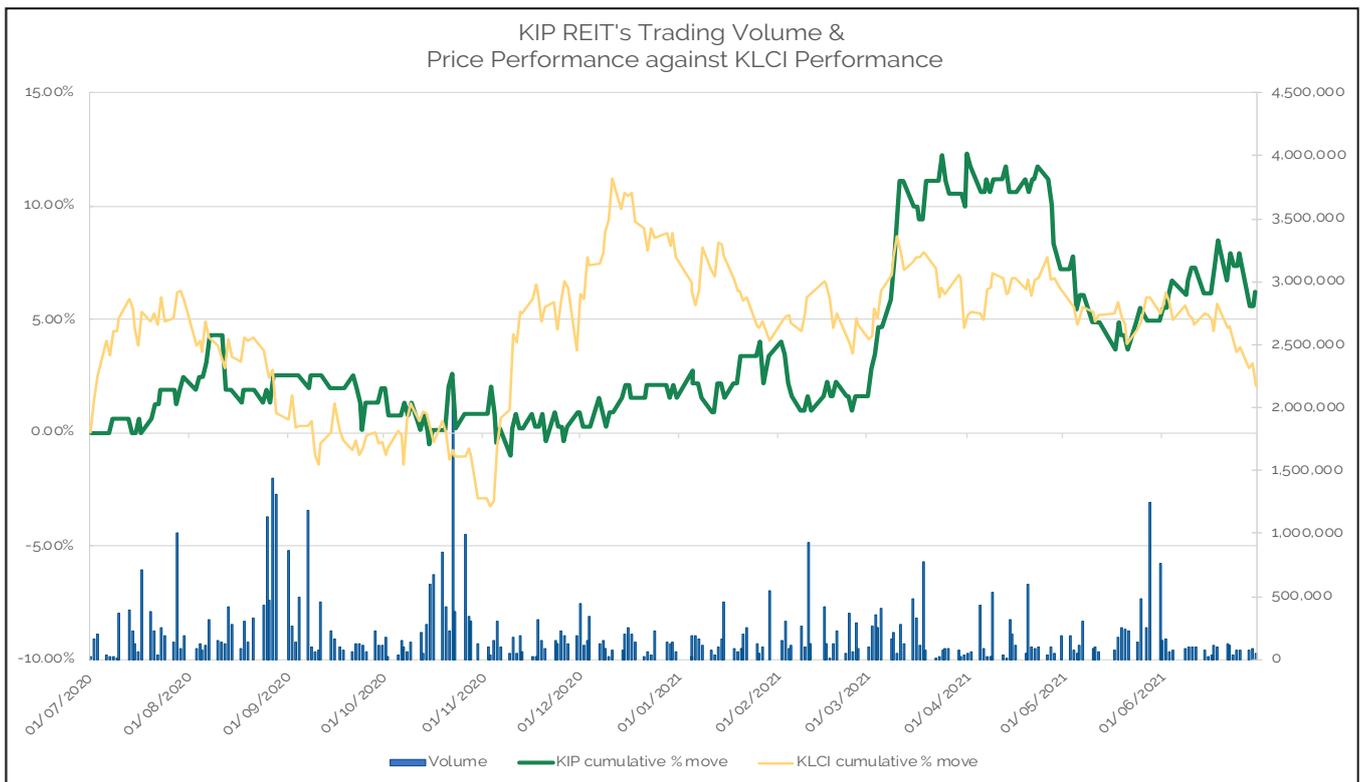
## IR Portal And E-Mail

Comprehensive information and updates regarding KIP REIT can be found on KIP REIT's corporate website at [www.kipreit.com.my](http://www.kipreit.com.my). Information regarding announcements to Bursa Securities, annual reports, press releases, share price updates and other developments are listed on KIP REIT's corporate website. The website is regularly updated to ensure that the latest information is available the public.

## Trading Performance

	FY2021	FY2020	FY2019	FY2018	FP2017
Price as at 30 June	0.845	0.795	0.840	0.800	0.920
Highest Traded Price	0.91	0.91	0.91	0.90	1.04
Lowest Traded Price	0.79	0.60	0.60	0.75	0.90
NAV per Unit (RM)	1.02	1.00	1.00	1.00	0.99
Total Trading Volume (million units)	52,697	61,167	51,207	64,844	102,920
Market Capitalisation (RM million)	426,979	401,714	424,452	404,240	464,876
Units in Circulation (unit '000)	505,300	505,300	505,300	505,300	505,300

# INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS



### Feedback and Enquiries

**Investor Relations & Corporate Communications**  
 KIP REIT Management Sdn. Bhd.  
 (Reg. No. 201501044317 (1169638-M))  
 Unit B-6, Block B, Tingkat 6, Menara KIP  
 No. 1, Jalan Seri Utara 1  
 Sri Utara Off Jalan Ipoh  
 68100 Kuala Lumpur Malaysia

Telephone No. : +603 6259 1133  
 Facsimile No. : +603 6259 1212  
 E-mail : [info@kipreit.com.my](mailto:info@kipreit.com.my)  
 Website : [www.kipreit.com.my](http://www.kipreit.com.my)

# DIRECTORS' PROFILE

**Dato' Dr Syed Hussain bin Syed Husman, JP**

Chairman / Senior Independent Non-Executive Director

Dato' Dr Syed Hussain bin Syed Husman, JP, Malaysian, male, aged 64 was appointed to the Board on 20 April 2016 as a Senior Independent Non-Executive Director. He is the Chairman of the Board and Remuneration Committee and a member of the Nomination Committee as well as the Audit and Risk Management Committee. He holds a Master in Business Administration (MBA) from Western Illinois University and has attended the Senior Management Development Programme at Harvard Business School. He has had an extensive career taking on a wide array of leadership roles in Procter & Gamble Malaysia and Singapore, Rothmans of Pall Mall (Malaysia) Berhad, British American Tobacco Berhad and Petrofield (M) Sdn. Bhd. Dato' Dr Syed Hussain bin Syed Husman, JP is currently an Executive Director and the Chief Executive Officer of SVTT Resources Sdn. Bhd., a position he has held since 2011. He is also currently serving as the President of the Malaysian Employers Federation and a member of the Board of the Employer's Provident Fund as an Employers representative. Additionally, Dato' Dr Syed Hussain bin Syed Husman, JP is also appointed to the Ahli Majlis Negara Bagi Keselamatan dan Kesihatan Pekerjaan (MNKKP), the Advisory Council of Malaysian Society for Occupational Health and Safety (MSOSH), National Wages Consultative Council, Ahli Majlis Penasihat Buruh Kebangsaan (NLAC), Ahli Majlis Pekerjaan Negara (MPV) and Ahli Majlis TVET Negara (MTVET).

Dato' Dr Syed Hussain bin Syed Husman, JP does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does he have any conflict of interests with the Manager. Other than traffic offences, if any, he does not have any convictions for offences and there are no sanctions nor penalties imposed on him by any regulatory bodies over the past five years. Dato' Dr Syed Hussain bin Syed Husman, JP has attended five Board meetings during the financial year.

**Dato' Eric Ong Kook Liong**

Non-Independent Executive Director

Dato' Eric Ong Kook Liong, Malaysian, male, aged 60 was appointed to the Board on 2015 as a Non-Independent Executive Director on 18 December 2015. He currently holds the Capital Market Services Representative's License under the Capital Markets and Securities Act 2007. Dato' Eric Ong Kook Liong has had an illustrious career in the real estate industry with extensive experience in property development. He began his career in MBf Property Services Sdn. Bhd. and Tanco Properties Sdn. Bhd. Subsequently, in 1997, Dato' Eric Ong Kook Liong co-founded KIP Group of Companies and assumed the role of Executive Director. KIP Group of Companies has since successfully completed several residential, commercial, hospitality and retail projects under his helm and leadership. As the Co-Founder to KIP Group of Companies, Dato' Eric Ong Kook Liong conceptualised, developed and spearheaded the strategies in managing community-centric malls within suburban neighbourhoods and led to the successes of KIPMalls.

Dato' Eric Ong Kook Liong is a major unitholder of KIP REIT and a major shareholder in the Manager. He is the father of Ms Valerie Ong Pui Shan, a Non-Independent and Non-Executive Director. Other than traffic offences, if any, he does not have any convictions for offences and there are no sanctions nor penalties imposed on him by any regulatory bodies over the past five years. Dato' Eric Ong Kook Liong has attended five Board meetings during the financial year.

# DIRECTORS' PROFILE

## Datuk Mohamed Arsad bin Sehan

Independent Non-Executive Director

Datuk Mohamed Arsad bin Sehan, Malaysian, male, aged 68 was appointed to the Board on 20 April 2016 as an Independent Non-Executive Director. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee. He holds a Bachelor of Economics (Statistics) from University of Malaya. He has had a distinguished career in the banking sector taking on a senior management roles in Bank Bumiputera Malaysia Berhad and Bank Kerjasama Rakyat Malaysia Berhad (also known as Bank Rakyat). Datuk Mohamed Arsad bin Sehan subsequently held the positions of Managing and Executive Director at Pure Circle Sdn. Bhd., a wholly-owned subsidiary of PureCircle Limited for eight years. He holds directorships in two other public companies, namely as an Independent Non-Executive Director at SYF Resources Berhad and chairs the Nomination Committee, and as the Senior Independent Non-Executive Director and Chairman to the Board of Bertam Alliance Berhad.

Datuk Mohamed Arsad bin Sehan does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does he have any conflict of interests with the Manager. On 29 July 2020, he was publicly reprimanded by Bursa Malaysia Securities Berhad and on 4 March 2021, publicly reprimanded by Bursa Malaysia Securities Berhad with a fine of RM25,000 for disclosure and first announcement breaches both under paragraph 16.19 of the Main Market Listing Requirements in relation to his directorship in Bertam Alliance Berhad. Datuk Mohamed Arsad bin Sehan has attended five Board meetings during the financial year.

## Mr Chiam Tau Meng

Independent Non-Executive Director

Mr Chiam Tau Meng, Malaysian, male, aged 67 was appointed to the Board on 15 April 2019 as an Independent Non-Executive Director. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee. He holds a Bachelor of Commerce majoring in Accountancy from the University of Otago and is an Associate Chartered Accountant with Chartered Accountants Australia and New Zealand, and a Chartered Accountant with the Malaysian Institute of Accountants. He has had extensive experience in various industries across his career in corporate finance including Tolley Industries Limited (New Zealand), Malaysian Containers Berhad, Menang Corporation (M) Berhad and Bee Hin Holdings Sdn. Bhd. Mr Chiam Tau Meng then joined BDO Binder Management Consultants Sdn. Bhd. and subsequently incorporated of CTM Consulting in 1994 and continues to hold the position of Principal to date. He currently holds a directorship in another public company as an Independent Non-Executive Director in Tri-Mode System (M) Berhad.

Mr Chiam Tau Meng does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does he have any conflict of interests with the Manager. Other than traffic offences, if any, he does not have any convictions for offences and there are no sanctions nor penalties imposed on him by any regulatory bodies over the past five years. Mr Chiam Tau Meng has attended five Board meetings during the financial year.

# DIRECTORS' PROFILE

## Mr Alex Chew Kheng Kai

Non-Independent Executive Director

Mr Alex Chew Kheng Kai, Malaysian, male, aged 37 was appointed to the Board on 30 November 2018 as a Non-Independent Non-Executive Director and was subsequently redesignated as Non-Independent Executive Director on 29 July 2021. He holds a Bachelor of Fine Arts in Interior Architecture from the Academy of Art University and a Master of Architecture from the University of California, Los Angeles. He has had a distinguished career as an architectural designer working internationally at Huang Iboshi Architecture in San Francisco, NMDA-INC in Los Angeles, American Apparel on retail projects across the world, and Lead Dao Technology and Engineering in Taipei. Mr Alex Chew Kheng Kai was subsequently appointed as Director of KIP Group of Companies and co-founded ALLTHATISSOLID, an architectural design office and Solidbuilt LLC, a design-forward real estate development company. He also serves as a director of various companies that fund businesses catering to contemporary lifestyles.

Mr Alex Chew Kheng Kai is the son of late Dato' Chew Lak Seong, who was the former Managing Director and a major unitholder of KIP REIT and a major shareholder of the Manager. Other than traffic offences, if any, he does not have any convictions for offences and there are no sanctions nor penalties imposed on him by any regulatory bodies over the past five years. Mr Alex Chew Kheng Kai has attended five Board meetings during the financial year.

## Ms Valerie Ong Pui Shan

Non-Independent and Non-Executive Director

Ms Valerie Ong Pui Shan, Malaysian, female, aged 33 was appointed to the Board on 30 November 2018 as a Non-Independent Non-Executive Director. She holds a Bachelor in Business and Politics from University of the Melbourne and a Master in Marketing and Branding from the University of West of England. She is highly regarded in the real estate industry and continues to successfully manage a large portfolio of residential, commercial, hospitality and retail projects. During her tenure as the Group Chief Executive Officer and as an Executive Director at KIP Group of Companies, Ms Valerie Ong Pui Shan is responsible for the overall operational and financial performance of the group and continues to oversee a pipeline of new developments across the Malaysian Peninsula.

Ms Valerie Ong Pui Shan is the daughter of Dato' Eric Ong Kook Liong, who is a major unitholder of KIP REIT and a major shareholder of the Manager. Other than traffic offences, if any, she does not have any convictions for offences and there are no sanctions nor penalties imposed on her by any regulatory bodies over the past five years. Ms Valerie Ong Pui Shan has attended five Board meetings during the financial year.

# SENIOR MANAGEMENT PROFILE

## Ms Hii Wei Bing

Chief Financial Officer

Ms Hii Wei Bing, Malaysian, female, aged 47 was appointed as the Chief Financial Officer on 18 September 2018. She holds a Master of Science in Professional Accountancy from University of London and is a Fellow of the Association of Chartered Certified Accountants and Chartered Accountant with the Malaysian Institute of Accountants. Ms Hii Wei Bing has had a distinguished career in corporate finance having gained extensive experience at Berjaya Corporation Berhad and Courts (Malaysia) Sdn. Bhd.

Ms Hii Wei Bing does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does she have any conflict of interests with the Manager. Other than traffic offences, if any, she does not have any convictions for offences and there are no sanctions nor penalties imposed on her by any regulatory bodies over the past five years.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The FY2021 Corporate Governance Overview Statement provides an overview to the framework which governs KIP REIT Management Sdn. Bhd. acting in the capacity as the REIT Manager of KIP REIT. Further details on compliance with the principles and practices set out in the Malaysian Code of Corporate Governance 2017 ("MCCG 2017") and Bursa Securities MMLR can be found in the Corporate Governance Report FY2021 on KIP REIT's website.

KIP REIT is constituted by the Deeds entered into between the Manager and the Trustee. Pursuant to the Deeds, the Manager shall exercise general powers of management over KIP REIT with due care and diligence and in the best interest of the unitholders and the Trustees appointed with the role of oversight.

The primary role of the Manager is to carry out all activities for the management of KIPREIT and its assets, under the strategic direction as set by the Board, and execute measures in line with KIP REIT's investment strategy. Primary management activities of the Manager include but is not limited to the establishing of overall strategy, risk management, acquisitions and disposals, monitoring of performance and business planning and market performance analysis.

The Manager is licensed by the SC and holds a valid Capital Markets Services License ("CMSL") to perform management activities for KIP REIT.

## Principle A: Board Leadership And Effectiveness

The Board assumes a governing role in the Manager and is ultimately responsible for the Manager's adherence to its corporate governance framework. The corporate governance practices adopted by the Manager are fundamental to the manner by which KIP REIT's businesses are directed and controlled. The Board in discharging its stewardship responsibilities, strives to foster a culture of integrity, transparency and management accountability.

### Board Charter

The Board's roles and responsibilities are set out in the Board Charter adopted and approved on 31 July 2017 and can be located on the corporate website. The Board's primary role includes but is not limited to the setting of strategic direction of the Manager and ensuring that necessary resources are in place to meet KIP REIT's objectives. The Board also sets the company's values and standards to support long term value creation of KIP REIT.

The Board devotes its effort on the following responsibilities in discharging its stewardship duties:

- Establishing and reviewing of the KIP REIT's vision, mission, objectives and strategic direction;
- Evaluating the performance and overall management of the Manager and the management of KIP REIT's properties;
- Deliberating with management on principal risks in view of the Manager's risk appetite and assuming responsibility over the adequacy and effectiveness of internal controls and mitigation measures;
- Ensuring that orderly succession plans are in place; and
- Active engagement with the stakeholders of KIP REIT.

The abovementioned exercises are led by the Chairman of the Board and any of the three delegated committees of KIP REIT namely the Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC").

The Board and the Board Committees meet during scheduled meetings to deliberate on matters including management updates, financial performance, operational matters and risk management matters. During the scheduled meetings, the Board has unbridled access to the management team, who oversees operational matters and executes strategies in line with KIP REIT's mission and vision.

### Clear Demarcation of Roles and Responsibilities

The position of the Chairman and Chief Executive Officer ("CEO") are held by two separate individuals who are respectively aware of their distinct roles. The Chairman is responsible for leading the Board and instilling high standards of corporate governance in the Manager. The CEO oversees the day-to-day operational management. The CEO's executive responsibilities are guided by the policies and decisions of the Board and is responsible for implementing strategies in line with its business direction.

The Board is also supported by a qualified Company Secretary who attends to corporate secretarial matters and corporate governance matters of the Manager and KIP REIT. The Company Secretary attends all Board and the Board Committees' meetings to ensure adherence to board procedures. Ultimately, the Board assumes overall responsibility of KIP REIT's performance and its governing role ensures that the conduct of the Manager is in the best interest of the unitholders.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Board Composition

Diversity at the Board level is a fundamental component to the decision-making process of the Manager. As such the Board is committed to maintaining a strong mix of qualified individuals to facilitate new perspectives and independent judgement. The Board is currently comprised of six directors, half of whom are Independent Non-Executive Directors. The composition of the Board is as follows:

Director's Name	Designation	Meetings Attended
Dato' Dr Syed Hussain bin Syed Husman, JP	Chairman and Senior Independent Non-Executive Director	5/5
Dato' Chew Lak Seong (a)	Managing Director and Non-Independent Executive Director	5/5
Dato' Eric Ong Kook Liong	Non-Independent Executive Director	5/5
Mr Alex Chew Kheng Kai (b)	Non-Independent Executive Director	5/5
Datuk Mohamed Arsad bin Sehan	Independent Non-Executive Director	5/5
Mr Chiam Tau Meng	Independent Non-Executive Director	5/5
Ms Valerie Ong Pui Shan	Non-Independent Non-Executive Director	5/5

(a) Demised on 25 June 2021

(b) Redesignated as Non-Independent Executive Director on 29 July 2021

The Board welcomes and promotes diversity in gender, age, experience and cultural background and strives within itself and management roles in the Manager for a better representation of the differing views of all stakeholders. Recruitment decisions for the Board is first and foremost based on merits and suitability in filling up gaps to empower an effective board. The Manager has nonetheless sought to promote equality within the workforce and elected a greater representation in management roles as part of the continued effort to encourage diversity.

Details of the members of the Board are located in the Board Profile section of this Annual Report.

## Board Committees

The Board recognises that each of the respective Board Committees play a significant role in the governance structure. The roles and responsibilities of the Board Committees, namely the ARMC, NC and RC, are clearly defined in the terms of references which can be located on the corporate website.

### ARMC

The ARMC comprises exclusively of three Independent Non-Executive Directors as follows and the meetings held during FY2021 are set out below:

ARMC	Membership	Meetings Attended
Mr Chiam Tau Meng	Chairman	4/4
Datuk Mohamed Arsad bin Sehan	Member	4/4
Dato' Dr Syed Hussain bin Syed Husman, JP	Member	4/4

During this Financial Year, the ARMC held four meetings and undertook the following activities among others:

- Reviewed financial results and audited financial statements of KIP REIT for the financial year ended 30 June 2021
- Reviewed and discussed with management on the quarterly unaudited financial results
- Ensured that disclosures required and in line with regulatory requirements and accounting standards
- Recommended to the Board for approval of annual budget compared against reforecast figures
- Reviewed internal and external audit report taking into consideration of the audit plan as presented by the respective auditors
- Assessed related parties' transactions as reported by Management on a quarterly basis
- Reviewed risk register in line with KIP REIT's Enterprise Risk Management Framework on a quarterly basis
- Reviewed performance of KIP REIT's Anti-Bribery Management System on quarterly basis
- Evaluated the independence and effectiveness of internal and external auditors

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Detail of the ARMC activities is included in the Audit and Risk Management Committee Report of this Annual Report.

## NC

The NC comprises exclusively of Independent Non-Executive Directors as follows and the meeting held during FY2021 are set out below:

NC	Membership	Meetings Attended
Datuk Mohamed Arsad bin Sehan	Chairman	1/1
Mr Chiam Tau Meng	Member	1/1
Dato' Dr Syed Hussain bin Syed Husman, JP	Member	1/1

During this Financial Year, the NC held one meeting and undertook the following activities among others:

- Carried out annual performance assessment on the Board and its Committees including the performance and contribution of each director
- Assessed independence of the Independent Non-Executive Directors
- Assess the term of office, performance of the ARMC and each of its members for the financial year ended 30 June 2021
- Recommended the redesignation of Mr Chew Kheng Kai as Executive Director for Board approval
- Recommended the re-election of directors under the annual re-election provisions

## RC

The RC comprises of two Independent Non-Executive Directors and one Non-Independent Executive Director as follows and the meeting held during FY2021 are set out below:

RC	Membership	Meetings Attended
Dato' Dr Syed Hussain bin Syed Husman, JP	Chairman	2/2
Datuk Mohamed Arsad bin Sehan	Member	2/2
Dato' Chew Lak Seong (a)	Member	2/2
Mr. Alex Chew Kheng Kai (b)	Member	-

(a) Demised on 25 June 2021

(b) Appointed on 29 July 2021

During this Financial Year, the RC held two meetings and undertook the following activities among others:

- Reviewed the remuneration of members of the Board and CEO taking into consideration KIP REIT's performance, industry benchmarks and individuals' performance
- Reviewed the remuneration package for an Executive Director following his re-designation as Non-Independent Executive Director for Board's approval
- Reviewed Directors' fees and recommend for Board's approval

## Board Evaluation

The Manager strives to maintain high standards of corporate governance and is led by the Board's commitment to ensure that Board Members are effective in discharging their stewardship duties. The effectiveness of the Board is guided by many factors which includes the consideration of its composition, diversity and responsibilities as abovementioned. On an annual basis, the Board assisted by the ARMC, NC and RC shall evaluate its performance against the Manager's ability to meet its objectives and goals.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Training

The Board is continuously developing skills, knowledge and expertise by attending seminars and trainings and giving speeches in their industry to further strengthen their decision making at the Board Level. Programmes attended during FY2021 includes:

Date	Course Title
18 Aug 20	MACC Adequate Procedures and Anti-Bribery and Corruption
16 Nov 20	Seminar Percukaaian Kebangsaan 2020
19 Nov 20	Wealth Management and Investment Planning
19 Nov 20	Investment Psychology and Selling Strategies
2 June 21	Joint Event Between International Labour Organisation and JP Morgan: Stakeholder dialogue, Rebuilding Better: Fostering Business Resilience Post-Covid-19 Project, Malaysia
10 June 21	109th Session of the International Labour Conference: Social and Economic Impact of the Covid-19 Crisis, Responses and Lessons Learnt

## Ethical Business Conduct and Whistleblowing

The Board remains committed in promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board is guided by its Code of Conduct and Business Ethics and continues to monitor the policies and procedures as per the Whistleblowing Policy, both of which can be found on KIP REIT's website. The Board ensures that its whistleblowing policies set out avenues where legitimate concerns can be objectively investigated and addressed. Individuals are able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal via submissions through:

Email: [whistleblower@kipreit.com.my](mailto:whistleblower@kipreit.com.my)

Address: Unit B-6, Block B, Tingkat 6, Menara KIP, No. 1, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur.

## Board Remuneration

The remuneration of the Board is set with due consideration to the evaluation of the Board Member's performance and the KIP REIT's performance during the financial year.

Directors	Salary (RM)	Annual Fees (RM)	Meeting Allowance (RM)	Total Remuneration (RM)
Dato' Dr Syed Hussain bin Syed Husman	-	78,000	6,500	84,500
Dato' Chew Lak Seong (a)	775,442	-	-	775,442
Dato' Eric Ong Kook Liong	782,830	-	-	782,830
Datuk Mohamed Arsad bin Sehan	-	70,200	6,500	76,700
Mr Chiam Tau Meng	-	70,200	5,500	75,700
Ms Valerie Ong Pui Shan	-	70,200	3,000	73,200
Mr Alex Chew Kheng Kai	-	70,200	3,000	73,200
<b>Total</b>	<b>1,558,272</b>	<b>358,800</b>	<b>24,500</b>	<b>1,941,572</b>

(a) Demised on 25 June 2021

## Principle B: Effective Audit And Risk Management

The Board recognises that an effective ARMC plays a significant role in promoting transparency and independent judgement in overseeing the financial reporting process. While the Board assumes full responsibility, the ARMC is better positioned to rigorously challenge and ask probing questions on KIP REIT's financial reporting process, internal controls and risk management practices.

The Board acknowledges that External Auditors and outsourced Internal Auditors play significant roles in promoting transparency and providing independent judgement on KIP REIT's financial reporting processes. More details on the activities carried out by the External Auditors and Internal Auditors can be found in the Audit and Risk Management Committee Report in this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Assessment of External Auditors

The ARMC is delegated the responsibility of evaluating the performance of PricewaterhouseCoopers PLT ("PwC") as the External Auditors to KIP REIT. During this financial year, the ARMC reviewed the calibre and competency of the External Auditors, its audit scope and planning independence and objectivity. The ARMC was satisfied with the performance of PwC as the External Auditors and recommended its reappointment to the Board for approval.

## Assessment of Risk Management and Internal Controls

The ARMC recognises that the internal audit is required to maintain a sound system of risk management and internal controls in the management of KIP REIT. Baker Tilly Monteiro Heng Governance Sdn. Bhd. ("Baker Tilly") was appointed as the outsourced Internal Auditors to perform assessment on the risk management and internal controls system. Following review of their independence and effectiveness, the ARMC was satisfied with the performance of Baker Tilly as the outsourced Internal Auditors and recommended its reappointment to the Board for approval.

The Board, through the NC, is satisfied that the ARMC has satisfied its duties in carrying out its duties during this financial year.

## **Principle C: Integrity In Corporate Reporting And Meaningful Relationship With Stakeholders**

Continuous communication between the Manager and its stakeholders is required to facilitate mutual understanding of the objectives and expectations respectively. The Board ensures that there is effective, transparent and regular communication with stakeholders in line with disclosure obligations as per the MMLR and the principles of the Manager's Communications Policy. The Manager committed to making full and timely disclosures to its stakeholders on all material information through different mediums including public announcements through Bursa Securities, KIP REIT's corporate website at [www.kipreit.com.my](http://www.kipreit.com.my), analyst briefings and press releases. The Manager is also committed to ensuring transparency relating to its corporate governance framework and further details on the same can be found on the corporate website. While the disclosure is not mandatory under the MMLR, the Manager believes that voluntary disclosure of the Corporate Governance Report is in line with promoting greater transparency and effective communication with its stakeholders.

## General Meeting

KIP REIT's AGM is an integral part of the ongoing communication between the Manager and its stakeholders. The AGM acts as the principal forum for dialogue between the Board and key management of the Manager and its unitholders. As the avenue for dialogue, unitholders are encouraged to participate in raising questions and concerns relating to KIP REIT, exercising their rights relating to resolutions tabled and appointing proxies as per the unitholder's discretion.

The Manager places great emphasis to comply with the obligations in line with Bursa Securities MMLR, SC's Guidelines on Listed REITs and SC's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers. KIP REIT's fourth AGM was held on 29 September 2020 with the Annual Report 2020 and relevant circulars, notices and administrative guide made available to the unitholders ahead of the meeting such that unitholders are able to make their analyses accordingly prior to the AGM. The notice of AGM was advertised on an English national daily and a national language daily and announced through Bursa LINK on 27 August 2020.

The Fourth AGM was held at the broadcast venue with restricted numbers in physical attendance to observe the requirements under SC's Guidance Note and FAQs on Conduct of General Meetings for Listed Issuers. The AGM was conducted on a fully virtual basis via RPEV facilities and was administered by Boardroom Share Registrars Sdn. Bhd. The RPEV allowed eligible participants to view a live webcast of the AGM, submit their questions to the Board and CEO and cast their votes electronically.

## **Compliance Statement**

The Board is satisfied that the Manager has substantially applied the principles and best practices under the MCCG 2017 during the Financial Year. Further details on the same can be accessed through the Corporate Governance Report, which elaborates on a comply or explain approach taken under the MCCG 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of the Manager is pleased to present the Statement on Risk Management and Internal Control in compliance with paragraph 15.26(b) of the Bursa Securities MMLR the statement on risk management and internal control: guidelines for directors of listed issuers, the principles and practices of the MCCG 2017 and SC's REIT Guidelines.

## Roles and Responsibilities of the Board

The Board in discharging its stewardship duties assumes overall responsibility for maintaining a sound system of internal controls and risk management practices in the Manager. The Board, assisted by the ARMC, recognises that continuous review of the adequacy of such system in a dynamic business environment is fundamental to the governance framework and would ultimately better safeguard the interests of KIP REIT's unitholders.

Risk management and internal controls are structured in a manner to minimise the likelihood and impact of risks materialising over the course of business rather than a system to eliminate all risks. Accordingly, such system may only provide reasonable but not absolute assurance against all material misstatement, fraud and loss. That being said, the Board by delegating to the ARMC remains committed to ensuring an effective system is embedded within the culture and structure of the Manager.

## Main Features of KIP REIT's Risk Management Framework

The Board recognises that an effective risk management system is required to identify, evaluate and treat risks arising from the ordinary course of business. The Board appreciates that all business activities within KIP REIT's operations invariably carry some degree of inherent risks which may evolve with the dynamic business environment. Risks are therefore monitored on a continual basis and the framework is reviewed, periodically or as and when necessary, by the ARMC to minimise significant impact on KIP REIT's operations.

The Manager has adopted an Enterprise Risk Management ("ERM") Framework which establishes the overall risk management system. This comprehensive framework, follows the relevant guidance from the ISO 31000:2018 – Risk Management - Guidelines, provides for the processes to identify, evaluate and manage risks which may arise from the ordinary course of business. The ERM Framework clearly establishes the functional responsibilities by respective members of the risk management infrastructure, sets the tolerable ranges and risk appetite and facilitates discussion on policies and procedures consistent with the risk appetite and risk tolerances.

The Manager recognises that participation of the Board, the ARMC and management are important components of KIP REIT's risk management framework. It recognises that communication between the parties is aimed at leveraging their respective strengths to achieve greater efficiencies in the management of KIP REIT. The roles of each respective parties are summarised below:

- **Board:** sets the tone from the top in embedding of risk management practices and assumes overall responsibility on the adequacy of risk management framework;
- **ARMC:** delegated to carry out continuous review of the risk management framework and solicits formal feedback from independent auditors on risk management matters;
- **Management:** implements processes in place for identifying, evaluating, monitoring and reporting of risk and internal control, takes appropriate and timely corrective actions as needed and providing assurance to the Board that processes have been carried out. These processes focus on several areas including but not limited to regulatory and compliance, financial, operational, personnel, and personnel matters. Further details on the Manager's risk management activities during FY2021 can be found in the Management Discussion and Analysis section of the Annual Report.

During the financial year, the Manager continues to monitor risks and implement controls to mitigate risk likelihood and/or impact. On a quarterly basis, the Risk Management Working Group ("RMWG") chaired by the CEO or in his absence, the CFO would evaluate, identify any emerging risks and report on existing controls in place or management action plans. The same findings are reported to the ARMC alongside the updated risk register so that key risks are highlighted to ARMC on a continual basis. On an annual basis, the ARMC shall also review the adequacy of the risk appetite and tolerable ranges of risk. The review of the risk appetite and tolerable range of risks will thereafter guide the management in terms of assessing and evaluating risks during the financial year.

The Board remains committed to monitoring and improving upon the risk management processes by evaluating the existing risk management system periodically or as and when necessary. This takes into account of any formal feedback from independent parties including findings from the internal auditors. The Board appreciates that continual improvement is necessary to ensure that evolving business risks are appropriately resolved and that the interest of the KIP REIT and its unitholders are safeguarded.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Main Features of KIP REIT's Internal Controls

The Board recognises that a sound system of internal control comprises policies and procedures aimed at facilitating response to significant business, operational, financial, compliance and other risks that may materialise over the course of business. These controls are implemented and reviewed on a continuous basis to mitigate risks arising from an increasingly dynamic business environment. Notwithstanding, a sound system of internal controls is designed to reduce but not eliminate the possibility of poor judgement in decision-making, human errors, control processes deliberately circumvented by employees, management overriding controls and unforeseeable circumstances.

The principal features of KIP REIT's system of internal controls includes:

### Operations Manual

The Manager has implemented policies and procedures which provides standard guidance on the management of KIP REIT's portfolio. During the financial year ended 30 June 2021, revisions to standard procedures in the management of KIP REIT includes:

- IT Security Policy;
- Share Dealing Policy;
- Abolishment of cash float; and
- Employee handbook.

Throughout much of the financial year ended 30 June 2021, the Government has implemented movement controls and restrictions in an effort to curb rising infections of the Covid-19 in Malaysia. The Manager remains cautious during this period and has adopted a proactive approach in ensuring adherence to relevant standard operating procedures as announced by the relevant authorities from time to time. Measures in place include complying with the requirements set by the Malaysian National Security Council in respect to sanitisation and hygiene, social distancing measures and ensuring a safe work environment for the workforce across several locations.

The Manager as a CMSL holder is required to have business continuity management arrangements to ensure timely continuation of critical services and the fulfilment of business obligations in the event of disruption. Throughout this past financial year, KIP REIT's Business Continuity Plan ("BCP") had provided guidance, processes and procedures in place to minimise business disruption to the management of KIP REIT's properties. Additionally, the Manager has completed its annual testing procedures and have reported the results to the Board for endorsement in accordance with SC's Guiding Principles on Business Continuity.

The Manager has also continuously engaged with the SC throughout the past financial year to provide details on the disruptions caused by the movement restriction, arrange for approval letters for staff commute and to report on staff working arrangement on a weekly basis between October 2020 to April 2021. The Manager has also upgraded the information technology infrastructure to allow for web-based access to facilitate working from home arrangements, including the upgrading of its Tenancy Management System to Road Runner.

## Financial Controls

The Board recognises that continuous practice and monitoring of financial controls are key factors to KIP REIT's financial health. Adherence to financial controls provides for an objective standard to assess financial performance and minimises the risks of material misstatements, errors or fraud. During this financial year, the key financial controls include target setting, performance review, credit control processes and review of related party transactions.

The approved annual budget ("Annual Budget") is the main target setting process to which the Manager could objectively evaluate the KIP REIT's performance. The Annual Budget is a summation of output from a top-down and bottom up approach which takes into account the views of the budget owners and senior management. Following detailed review and target-setting process takes into consideration of factors including the strengths and weaknesses of the properties and opportunities, and threats faced by KIP REIT such as competitors and economic climate. The Annual Budget is then tabled to the ARMC for review and subsequently for Board's approval. The management will thereafter closely monitor actual financial performance in comparison to the Annual Budget and budget variance is analysed and explained to the ARMC and Board on a quarterly basis.

The Board recognises that a Five-Year Strategic Plan must provide a clear strategic direction for KIP REIT while taking into consideration of the changing business landscape. The plan sets out the strategic direction set by the Board to achieve growth targets, both organically and through acquisitions, and seeks to leverage on KIP REIT's competitive advantage. During this financial year, the Board has reviewed the Five-Year Strategic Plan and remains committed to the strategic direction as established in the prior year.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board also places great importance on the review of Related Party Transaction ("RPT") policies in line with SC's Guidelines on Listed REITs and Bursa Securities MMLR. On a quarterly basis, the Manager reports all RPTs and/or Recurrent Related Party Transactions ("RRPT") to the ARMC to ensure that all RPTs, dealings, investments and appointments are made on an arm's length basis and on a best available option basis. During this financial year, KIP REIT did not seek any mandate from its unitholders relating to RRPTs.

## Investment Control

KIP REIT's Investment Steering Committee ("ISC") on a working group level was established to evaluate investment proposals offered to KIP REIT. Members of the Investment Steering Committee Working Group ("ISCWG") assess proposals against a stringent set of criteria to identify yield-accretive properties for acquisition. Following due diligence processes in place, the ISCWG presents its findings to the ISC for their consideration. Subsequently, if the proposal is approved, the same is tabled to the Board for final decision and approval. The Manager remains committed to source yield accretive properties as part of its growth plans in line with KIP REIT's Five-Year Strategic Plan.

During this financial year, the Manager has entered into a Supplemental Trust Deed dated 29 September 2020 with the Trustee to effect amendments to the KIP REIT's investment policy. Accordingly, the Manager is able to invest in assets, directly or indirectly, in income producing real estate used for industrial or commercial purposes, including warehousing facilities, logistics facilities and manufacturing sites.

## Compliance

The Manager remains committed to continuously monitor the Anti-Bribery Management Systems in place to ensure adherence to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020. The Manager continues to adopt a zero-tolerance approach on acts of bribery and corruption and to continue to comply with its comprehensive Anti-Bribery and Corruption Manual. Commencing from Q2FY2021, the ARMC is updated on a quarterly basis on the relevant controls in place.

## **Internal Audit Function and its Activities**

The Board recognises that a continuous review of KIP REIT's internal controls provides for an avenue to evaluate the procedures and processes implemented against a dynamic business environment. Based on an approved 3 years internal audit plan, Baker Tilly, as the outsourced internal auditor, performed the following internal control reviews

across two cycles during the financial year:

- **Cycle one:** two areas of internal audit review on mall operations – tenant performance and customer complaint, and incident reporting management and security, safety and health management and two areas of follow-up review of billing and credit control management, and leasing and tenant management; and
- **Cycle two:** two areas of internal audit review on compliance of corporate liability obligations and, human resource and compensation management and two areas of follow-up review on mall operations – tenant performance and customer complaint, and incident reporting management and security, safety and health management.

The internal auditor has reported its findings from the audit cycles to the ARMC on 19 January 2021 and 20 April 2021. Management has taken into consideration of such reporting and findings and implemented appropriate controls to ensure continuous improvement on the internal control systems. The cost incurred by the Manager for the outsourced internal audit function in respect of FY2021 amounted to RM78,000.

## **Board's Appraisal on Risk Management and Internal Controls in FY2021**

The Board has committed its resources into ensuring that risk management and review of internal controls have been duly assessed throughout the year. As such, it has taken into account all significant aspects of risks and internal control of KIP REIT for the year under review and up to the date of approval of the statement for inclusion in the annual report. The Board also has received assurance from the CEO and/or CFO that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Fund.

## **Review by External Auditors**

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of KIP REIT.

This Statement has been tabled and approved by the Board on 29 July 2021.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board recognises that the ARMC plays a significant role in the corporate governance structure which ultimately safeguards the interests of KIP REIT's unitholders. In discharging its duties, the ARMC assists the Board in its responsibilities including financial reporting, oversight of risk management and internal controls, analysing findings of external and internal auditors, review of related parties transactions and the Anti-Bribery Management System.

## Composition of the Audit and Risk Management Committee

In accordance to the Bursa Securities MMLR, the Audit and Risk Management Committee's comprises of three (3) members; all of whom are Independent Non-Executive Directors. The Chairman on the Audit and Risk Management Committee is a member of the Malaysian Institute of Accounts. None of the members of the committee was previously a partner in PwC as the External Auditor, not do they hold any financial interest in PwC in the previous two years.

The Audit and Risk Management Committee consists of:

ARMC	Membership
Mr Chiam Tau Meng	Chairman
Datuk Mohamed Arsad bin Sehan	Member
Dato' Dr Syed Hussain bin Syed Husman, JP	Member

## ARMC Meetings

The ARMC convenes a minimum of four scheduled meetings on a yearly basis with additional meetings to be convened on a need basis. Meeting materials are circulated in advance to facilitate considered deliberation. The Audit and Risk Management Committee has direct communication channels between Senior Management, Internal and External Auditors to discuss matters that may affect KIP REIT on a regular basis.

In FY2021, the ARMC meetings were held virtually and in observance with social distancing guidelines. The attendance of the members of the ARMC is as follows:-

ARMC	Attendance
Mr Chiam Tau Meng	4 / 4
Datuk Mohamed Arsad bin Sehan	4 / 4
Dato' Dr Syed Hussain bin Syed Husman, JP	4 / 4

All deliberations during the ARMC meetings, including issues tabled and rationale for adopted decisions are properly recorded by way of minutes. Minutes are confirmed at the following meeting and subsequently presented to the Board for notation.

## Roles and Responsibilities of the ARMC

The ARMC is guided by its Terms of Reference and is a committee delegated by the Board to fulfilling its oversight responsibilities in relation to financial reporting, risk management and internal controls.

The ARMC in discharging its duties shall have:

- the authority to investigate any matter within its Terms of Reference;
- the resources which are required to perform its duties;
- full and unrestricted access to any information pertaining to the management of KIP REIT;
- direct communication channels with the external and internal auditors;
- the right to obtain independent professional or other advice; and
- the right to convene meetings with the external and internal auditors excluding the attendance of other executive directors or employees as necessary.

The key responsibilities of the ARMC include:

- reviewing the adequacy and effectiveness of risk management and internal control system of the Manager and KIP REIT;
- reviewing the extent of compliance with relevant laws and regulations;
- providing assurance that the financial information presented by management is relevant, reliable, timely and meets applicable accounting standards, statutory and legal requirements;
- assessing the effectiveness and independence of the internal and external auditors;
- evaluating the adequacy of scope, functions, competency, and resources of internal and external auditors;
- reviewing any related party transactions and conflicts of interests that may arise during the course of business to ensure management integrity;
- assessing the adequacy and effectiveness of the anti-bribery management system.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Summary of Activities of the ARMC

During the financial year, the ARMC has implemented the following:

### Oversight of Financial Reporting

- Reviewed and deliberated on the quarterly financial results prepared in accordance with the legal and regulatory requirements prior to recommending the same to the Board for approval prior to public release.
- Reviewed the audited financial statements, which were prepared in accordance with the applicable regulatory requirements and accounting guidelines prior to recommending the same to the Board for approval.
- Considered key audit matters with the support of external auditors and outsourced internal auditors to satisfy itself that the financial results and reports had complied with relevant accounting standards and regulatory requirements and recommended the same to the Board for approval.
- Confirmed the minutes of previous ARMC meetings. Significant issues and status on follow-up actions to rectify them were reported to the Board.
- The ARMC took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of KIP REIT.

### Assessment Risks and Control Environment

- Overseen management's activities in managing KIP REIT's critical risks related to strategic, financial, operational, cyber, regulatory compliance and other risks.
- Reviewed and recommended risk management strategies, policies and risk tolerance for Board's approval to ensure that the risk management framework is adequate and effective.
- Deliberated on matters relating to internal controls highlighted by the outsourced internal auditors and external auditors in the course of statutory audit of the financial statements.
- Considered the risk appetite and tolerable range of acceptable risks.

### Evaluation of Audit Process

#### External Audit

- Considered and deliberated on the Audit Planning Memorandum to determine audit approach, reporting requirement, system of evaluation, areas of audit emphasis, scope for the year, auditing strategies and procedures prior to the commencement of audit during ARMC meeting held on 20 April 2021. The same evaluation was made taking into consideration Covid-19 impact on scope and timing of audit and key areas of focus.

- Evaluated the independence and competency of PwC in their capacity as the external auditors. Pre-determined criteria includes suitability of appointment, auditor's experience, resources and objectivity are duly considered. Upon satisfactory assessment, the ARMC recommended the re-appointment of PwC as external auditors.
- Noted the external auditors' confirmation on their independence in accordance with all applicable professional and regulatory requirements.
- Reviewed audited financial statements to ensure that the financial statements of KIP REIT for the FY2021 had been prepared in accordance with the Deed of KIP REIT, applicable SC rules and guidelines, MFRS and IFRS, and complied with the applicable disclosure provisions of MMLR prior to recommending to the Board for approval.
- During FY2021, external audit fees amounted to RM108,200 (FY2020: RM105,000).

#### Internal Audit

The internal audit function of the Manager is outsourced to Baker Tilly to ensure independent review of the systems of the internal controls and governance practices in managing KIP REIT. The independence and competency of the internal auditors to review the Manager's internal control framework is performed on an annual basis.

During this financial year, the internal auditors have completed two internal audit cycles on two separate audit areas each cycle, in accordance with the three-year (2021-2023) internal audit plan as approved by the Board. The four key areas of review undertaken during this financial year are:

- Mall Operations – Tenant Performance and Customer Complaint, Incident Reporting Management
- Mall Operations – Security, Safety and Health Management
- Compliance of Corporate Liabilities Obligations
- Human Resource and Compensation Management

Follow up reviews have also taken place during the audit cycle based on the areas tested during the previous cycle to ensure management action plans or corrective actions were completed. The areas of review and follow up reports were tabled to the ARMC for recommendation to the Board for approval and are based on a risk-based approach. During FY2021, the internal audit fees amounted to RM78,000 (FY2020: RM78,000).

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## Review of RPTs

The ARMC reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework and in compliance with SC's REIT Guidelines and Chapter 10 of the Bursa Securities MMLR.

All transactions which may potentially be perceived as conflicts of interest, related party transactions and recurrent party transactions must be:

- Carried out in compliance with SC 's REIT Guidelines and the Deed;
- Carried out on an arms' length basis and under normal commercial terms;
- Carried out in the best interest of the unitholders;
- Abstained from voting at Board meetings for interested parties; and
- Adequately disclosed to the unitholders via Bursa Securities announcements, quarterly reports and Annual Report.

During this financial year, there were no material related party transactions nor recurrent related party transactions requiring Unitholders' approval.

## Oversight on Anti-Bribery Management Systems

The Anti-Bribery Management System was covered under the second cycle of internal audit. The ARMC was delegated the role of oversight and since quarter two of the financial year, reviewed on a quarterly basis management's performance in maintaining an effective anti-bribery and corruption policy. Details on the Anti-Bribery and Corruption Policy adopted can be found in the Statement of Risk Management and Internal Control and the corporate website.

This Audit and Risk Management Committee Report was approved by the Board on 29 July 2021.

# SUSTAINABILITY STATEMENT

The Manager strongly believes that sustainable business practices encourage long term value creation for KIP REIT's diverse group of stakeholders. For this reason, the Manager aims to set strategies that would generate positive outcomes within the immediate communities be it environmentally, socially, or economically. The management team and the respective business units are accountable for measures in place to meet its sustainability goals.

This sustainability report is written with reference to the Bursa Securities MMLR and covers activities between 1 July 2020 to 30 June 2021. References made to the employees of KIP REIT shall be taken as the employees of the Manager and KIP Property Services Sdn. Bhd., being the Service Provider to the Property Manager ("Service Provider"). It also assesses the environmental and economic impact as a direct correlation to KIP REIT's portfolio of properties save and except for AEON Mall Kinta City, which AEON (M) Co. Bhd, as the Master Lessee manages on a lease arrangement.

The development of KIP REIT's sustainability programme is an inclusive procedure taking into consideration the needs and expectations of different stakeholders. Open discourse with these groups through varied engagement channels allows for the Manager to identify their key concerns and area of focus and accordingly adopt measures to maintain a sustainable business model. Current environment and future opportunities are also taken into consideration in KIP REIT's sustainability programme.

## Stakeholder Engagement

Being an active part of the community is at the heart of KIP REIT's identity. The Manager strives to engage in meaningful conversations with various stakeholder groups to gain a better understanding of their expectations such that measures may be adopted to ensure long term value creation. Stakeholder engagement is a continuous process and the Manager seeks to continually build upon a sustainable business model.

Key stakeholder groups	Expectations	Nature of engagement	KIP REIT's actions
Unitholders and Investment Communities	<ul style="list-style-type: none"> <li>Stable and long-term income distribution;</li> <li>Sustainable business model for dividend and/or capital appreciation;</li> <li>Transparency and timely release of performance information;</li> <li>Prudent risk management;</li> <li>Transparency in communication;</li> <li>Strong corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly announcements and investor briefings;</li> <li>Ad-hoc Roadshows;</li> <li>Annual General Meeting / Extraordinary General Meetings;</li> <li>Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>Prompt communication of material corporate developments and disclosure of results to facilitate informed investment decisions.</li> <li>One on one briefings with investors to facilitate ongoing discussions</li> <li>Annual General Meeting / Extraordinary General Meetings to reach out to unitholders</li> <li>Annual Report to disclose portfolio performance</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>Sustainable business model and relationship</li> <li>Regular communication</li> <li>High shopper traffic</li> <li>Maintenance and upkeep of portfolio of properties</li> </ul>	<ul style="list-style-type: none"> <li>Written communication / email channels</li> <li>Ad-hoc meetings</li> <li>Two-way feedback channel</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing communications to ensure business partners' needs are met</li> <li>Requests and feedbacks are attended to by relevant staff members</li> <li>Development of rules and regulations to ensure safe operating environment at mall levels</li> </ul>

# SUSTAINABILITY STATEMENT

Key stakeholder groups	Expectations	Nature of engagement	KIP REIT's actions
Local communities	<ul style="list-style-type: none"> <li>Economic improvements within local communities</li> <li>Health, safety and environmental impact</li> <li>Festive events</li> <li>Charity drives</li> </ul>	<ul style="list-style-type: none"> <li>Championing causes and hosting events or initiatives</li> <li>Social media</li> <li>Staff volunteering days</li> <li>Environmental initiatives to minimise local pollution</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the economic and social development within the local community</li> </ul>
Shoppers	<ul style="list-style-type: none"> <li>Provision of goods and services</li> <li>Appropriate tenancy mix at the respective locations</li> <li>Safe shopping environment</li> </ul>	<ul style="list-style-type: none"> <li>Promotional events held</li> <li>Shoppers survey</li> <li>Customer feedback management</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Providing a one-stop shop destination for shoppers with a wide array of offerings tailored to customer demand</li> <li>Development of rules and regulations to ensure safe shopping environment for shoppers</li> </ul>
Property Manager	<ul style="list-style-type: none"> <li>Partnership in managing the properties</li> <li>Sustainable business model</li> <li>Stable business operations</li> </ul>	<ul style="list-style-type: none"> <li>Monthly and ad-hoc team meetings</li> <li>Written and email communication</li> </ul>	<ul style="list-style-type: none"> <li>Open communication with Property Manager to ensure smooth operation at mall level</li> <li>Feedback and brainstorming sessions to ensure that malls are properly managed and in compliance with relevant authorities' regulations</li> </ul>
Human capital	<ul style="list-style-type: none"> <li>Compensation and benefits</li> <li>Employee wellbeing</li> <li>Career progression and personal development</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Team meetings</li> <li>Feedback/annual appraisals</li> <li>Team building events</li> <li>Employee welfare programmes</li> </ul>	<ul style="list-style-type: none"> <li>Recognition of individual talents</li> <li>Fair and objective career appraisal and progression pathway</li> <li>Training and development to upskill personnel professionally and personally</li> <li>Equal opportunities for all members of the workforce</li> <li>Fostering inclusive culture by engaging with employees through welfare initiatives</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Timely and transparent reporting</li> <li>Compliance with relevant regulations</li> <li>Regulatory updates and governance matters</li> <li>Economic and industry growth</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing written/ e-mail communications with regulators</li> <li>Engagement with relevant authorities</li> </ul>	<ul style="list-style-type: none"> <li>Open discourse and transparency</li> <li>Timely submission of required reporting</li> <li>Compliance with relevant regulations</li> <li>Keeping updated on regulation amendments</li> </ul>

# SUSTAINABILITY STATEMENT

Key stakeholder groups	Expectations	Nature of engagement	KIP REIT's actions
Industry	<ul style="list-style-type: none"> <li>Active participation and knowledge sharing</li> <li>Discussion on industry wide issues</li> <li>Adherence to relevant regulations relating to M-REITs</li> </ul>	<ul style="list-style-type: none"> <li>Participation in Malaysian REIT Manager Association ("MRMA") events</li> <li>Media announcements</li> </ul>	<ul style="list-style-type: none"> <li>Active participation and discussion with the MRMA</li> <li>Contribution of strategies and ideas relating to industry wide issues</li> <li>Compliance with M-REIT rules and regulations</li> </ul>
Media	<ul style="list-style-type: none"> <li>Timely communication of corporate exercise</li> <li>Performance / market outlook</li> <li>Notification on release of results or other material matters</li> </ul>	<ul style="list-style-type: none"> <li>Press release</li> <li>Media interviews</li> <li>Annual gatherings</li> <li>Company updates</li> <li>Quarterly reports</li> </ul>	<ul style="list-style-type: none"> <li>Provision of content in a timely manner with the partnership of Investor Relations</li> </ul>

## Sustainability matters

The following factors have been taken into consideration by the management team when developing and reviewing the sustainability outreach:-

- KIP REIT's resources management to ensure operational efficiencies;
- Key issues and concerns raised during communication with stakeholder groups;
- Recent developments within internal and external working environments;
- United Nations Sustainable Development Goals; and
- Hot topics and best practices within M-REIT industry.

As an active part of the community, the Manager strives to create value to stakeholders by adopting a responsible approach in developing an environmentally, socially and economically conscious sustainability programme. These issues are addressed by order of materiality and appropriate strategies are implemented with the Manager's current resources in mind.

Sustainability matter	Approach adopted	Critical issues to address	Emerging issues to address
Environmental	Maximising the use of natural resources and minimising unnecessary wastage	<ul style="list-style-type: none"> <li>Responsible consumption</li> <li>Renewable resources (solar power / energy efficient alternatives)</li> </ul>	<ul style="list-style-type: none"> <li>Raising community awareness on environmental initiatives</li> </ul>
Social	Regular engagement with stakeholder groups to maximise value creation in sustainable manner	<ul style="list-style-type: none"> <li>Employment relations</li> <li>Relationship management with business partners</li> <li>Customer satisfaction – meeting consumer demands with products and services provided</li> </ul>	<ul style="list-style-type: none"> <li>Workforce diversity</li> <li>Contribution to local communities</li> </ul>
Governance	Enforcement of corporate governance in guiding operational efficiency	<ul style="list-style-type: none"> <li>Compliance with relevant rules and regulations</li> <li>Fostering strong set of corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Board Diversity</li> </ul>

# SUSTAINABILITY STATEMENT

## ESG factors in light of the Covid-19 pandemic

The global Covid-19 pandemic has presented new norms indiscriminately and all participants of the economy has had to adopt precautionary measures accordingly. As part of the Manager's commitment to drive ESG factors, several measures were implemented to ensure that KIP REIT's stakeholders are adequately prepared and protected. The following summarises steps taken by the Manager:

### Sustainability matter

Environment	During the Movement Control Order periods and Phase 1 of the National Recovery Plan, the common areas of KIPMalls were regularly sanitised and increased numbers of cleaning services were performed. This is to promote greater hygiene practices for the health and safety of the shoppers, tenants and employees. During this period, KIPMalls modified its operational hours to better leverage the solar power systems and as a result further reducing the use of non-renewable energy.
Social	The Manager placed great emphasis on effective communications with the tenants and shoppers on the Standard Operating Procedures to be implemented. Social distancing rules were strictly complied with including temperature checks, contact tracing measures, and shopper traffic controls. Further, the Manager and Service Providers workforce worked on a pared-down rotational basis.
Governance	Guidelines and Standard Operating Procedures from relevant authorities are accordingly adhered and communication with authorities including SC to ensure timely disclosures to relevant parties.

During FY2021, KIP REIT has leveraged its resources to incorporate ESG strategies and integrated the United Nations Sustainable Development Goals accordingly.

KIP REIT CAPITALS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS	KIP REIT'S VALUE PROPOSITIONS
FINANCIAL		Provision of stable and regular income distribution through the implementation of investment strategies.
MANUFACTURED		Business operations under the guidance of KIP REIT's strong corporate governance and proprietary know-how.
SOCIAL AND RELATIONSHIP	 	Engaging surrounding local communities through social events and creation of economic value for SMEs.
HUMAN	   	Recognition and appreciation of the importance of the diverse talent pool.
NATURAL	  	Responsible consumption and caring for the environment.

# SUSTAINABILITY STATEMENT

## Financial Capital

KIP REIT remains committed to serving its unitholders through the provision of stable and regular income distribution and capital appreciation. This is achieved through the prudent management of the Property Manager and Service Provider. Specifically, KIP REIT's community centric malls provide a platform for SMEs to expand their businesses and create further economic growth within the local communities. The economic value created by KIP REIT is summarised as per the table below.

Revenue	RM74.2 million
Net Property Income	RM56.7 million
Distribution per Unit (sen)	6.84
Annualised Dividend Yield	8.1%
Value of Asset Enhancement Initiatives	RM1.8 million
Creation of Employment	100% Malaysian workforce

Further details on KIP REIT's performance can be found in the Management Discussion and Analysis section of the Annual Report.

## Manufactured capital

KIP REIT's proprietary know-how at managing investment properties contributes to the KIP REIT's performance in FY2021. This includes six (6) KIPMall properties managed by the Property Manager and Service Provider and AEON Mall Kinta City under a Master Lease to AEON Co (M) Bhd.

### Investment strategies

KIP REIT was listed with the investment objective to provide stable and regular income distribution to its unitholders through the management of its portfolio of properties. To achieve this, management has committed itself to grow the total asset under management size through acquisition of yield-accretive assets and effective property management of existing assets. Asset enhancement initiatives taken this financial year includes:-

Property	Works Performed	Status as at FY2021
KIPMall Masai	Renovation works to convert 20,000 sq. ft. of common area to accommodate for the requirements of Jalan Jalan Japan	Completed
KIPMall Bangi	Board approval on comprehensive AEI at KIPMall Bangi including interior designing works, enhancing of existing facilities and façade upgrading	Approved
KIPMall Tampoi	Renovation works to accommodate new mini-anchor tenant and management office approved by the Board	Approved

# SUSTAINABILITY STATEMENT

## Corporate Governance

The Manager recognises that compliance to relevant rules and regulations and adherence to corporate governance structure are fundamental to stakeholder confidence. For this reason, the Manager has implemented policies and procedures as listed in the table below in place to ensure operational efficiency and encourage transparency between different stakeholder groups. Management also views engagements with Bursa Securities and the SC as one of its key responsibilities as a listed REIT. Further details on corporate governance can be found in the Corporate Governance Overview Statement section of this Annual Report and the Corporate Governance Report FY2021 as published on BursaLink and the Corporate Website.

Material matters	Policies
Business ethics and transparency	Whistleblowing policy Code of conduct and business policy Conflict of interest Share dealing policy Anti-bribery and corruption manual
Risk management	Enterprise Risk Management Framework
Employee engagement	Human Resources Manual

## Social and relationship

In line with KIP REIT's core values, people are at the heart of its success. As such the Manager is committed to building meaningful relationships with its communities. The following tables summarises the types of initiatives taken by the Manager to give back to KIP REIT's community:

Stakeholder	Engagement
Community/shoppers	With various degrees of restrictions being imposed from time to time and in keeping with social distancing and crowd control measures, mass gathering events have been limited during this financial year. Active engagement with shoppers and communities on updates through various different channels including social media.
Business partners	The Manager views tenant relations as a crucial part of engagement with KIP REIT's valued business partners. Active engagement with tenants on changing Standard Operating Procedures as imposed by the relevant authorities and open discussion on tenant matters.
Investors	The Manager believes that an open and transparent relationship between its community of investors is important to KIP REIT's success. The Manager is committed to providing periodic updates to investors during briefings primarily held via virtual means during this financial year.

# SUSTAINABILITY STATEMENT

## Intellectual/Human Capital

The Manager recognises that a pool of talented employees working in service of KIP REIT plays a significant role in its operational success. For this reason, the Manager has places emphasis on a diverse community of employees.

## Equal Opportunity/Diversity

The Manager recognises that a diverse talent pool is key to the success of KIP REIT and opportunities are awarded to employees based entirely on their merits. Recruitment, retention and promotion are decided upon contribution to KIP REIT's performance without discrimination based on gender, race or ethnicities.

As at 30 June 2021, the Manager employs a total of 10 employees and the Service Provider to the Property Manager employs 83 employees. The workforce comprises of individuals with diverse backgrounds to encourage more balance decisions as follows:-

	Gender	Ethnicity	Age Group
Manager	Female: 40% Male: 60%	Malay: 40% Chinese: 60%	< 30: 20% 30 – 40: 20% 40 – 50: 30% > 50% : 30%
Service Provider	Female:43% Male:57%	Malay: 90% Chinese: 8% Indian: 1%	< 30: 48% 30 – 40: 25% 40 – 50: 21% > 50% : 6%

## Professional and personal development

The Manager strongly believes that upskilling employees allow for the individual to develop a fruitful career. For this reason, several training and development initiatives were put in place to empower the workforce and help them develop professionally. Some of the training attended during FY2021 includes:

- Tenancy Management System Upgrades
- Mall Operations and Purchasing Standard Operating Manual
- Performance Review Refresher
- Business Continuity Planning Test
- Employee Handbook Update
- Occupational Health and Safety

## Employee welfare

Several initiatives have been taken to ensure the health and safety of the Manager's employees during the Covid-19 pandemic, including the distribution of Personal Protection Equipment such as face masks, face shields and oxymeters, staff meals and office sanitisation.

## Natural

As a socially and environmentally conscious part of the community, the Manager is committed to playing our part in the global fight against climate change. The following initiatives have been put into place in FY2021 and will results will be continually monitored and reviewed:

- Renewable resources: the 6 KIPMalls have successfully produced 3,833,043 kWh during a 1 July 2020 to 30 June 2021, equivalent to 2,660.13 tonnes of carbon footprint reduced through the use of solar power. Additionally, KIP REIT has also been approved of the sandbox initiative for Net Metering programme by SEDA which allows for any excess solar power generated to be distributed to the surrounding communities.
- Responsible consumption: initiatives have been taken to promote responsible consumption of resources within the Headquarters and Management Offices at the respective malls. Employees are encouraged to participate in good consumption habits such as minimising electricity use, minimising printing and limiting the wastage of resources.

# DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

Pursuant to its obligations in Paragraph 15.26 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board hereby reports that the financial statements of KIP REIT for FY2021 have been prepared in accordance with the Restated Trust Deed dated 12 December 2019 and the Supplementary Trust Deed dated 29 September 2020, the Securities Commission Guidelines on Listed REITs and in compliance with the relevant accounting standards of Malaysia. The Board is satisfied that the financial statements give a true and fair view of the financial position of KIP REIT as at 30 June 2021 and of the financial performance and cash flows of KIP REIT for the financial year ended 30 June 2021.

In preparing the financial statements, the Board has:

- adopted appropriate accounting policies consistently,
- ensured judgements and estimates are reasonable and prudently made;
- considered all relevant accounting and regulatory standards and all material departures, if any, are disclosed in the financial statements; and
- confirmed that the financial statements are prepared on a going concern basis.

The Directors are responsible for taking such reasonable steps to ensure that the assets of KIP REIT are safeguarded in the interest of the unitholders and to detect and prevent fraud and other irregularities.

# MANAGER'S REPORT

The Manager of KIP Real Estate Investment Trust ("KIP REIT" or "Fund"), KIP REIT Management Sdn. Bhd. ("Manager"), is pleased to submit their report and audited financial statements of KIP REIT and its wholly-owned subsidiary, KIP REIT Capital Sdn. Bhd. ("Group") for the financial year ended 30 June 2021.

## PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of KIP REIT. There has been no significant change in the nature of this activity during the financial year.

## THE FUND AND ITS INVESTMENT OBJECTIVE

KIP REIT is a Malaysia-domiciled real estate investment trust ("REIT") established on 2 November 2016 pursuant to the deed of trust dated 2 November 2016, an amended and restated deed dated 12 December 2019, and a supplementary deed dated 29 September 2020 (collectively referred to as the ("Deed") between the Manager and Pacific Trustees Berhad ("Trustee"), listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 February 2017 and regulated by the Securities Commission Act 1993, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings.

The principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing real estate used for retail purposes, and for industrial or commercial purposes, including, without limiting the generality of the foregoing, warehousing facilities, logistic facilities and manufacturing sites as well as real estate-related assets. The nature of KIP REIT's investment shall be long-term, with a period of at least five years.

## DISTRIBUTION OF INCOME

KIP REIT had declared distributions in the financial year as follows:-

- 1,550 sen per unit for the period from 1 July 2020 to 30 September 2020, which was paid on 23 November 2020.
- 1,590 sen per unit for the period from 1 October 2020 to 31 December 2020, which was paid on 19 February 2021.
- 1,600 sen per unit for the period from 1 January 2021 to 31 March 2021, which was paid on 25 May 2021.
- 2,100 sen per unit for the period from 1 April 2021 to 30 June 2021, which is payable on 27 August 2021.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have served on the Board of the Manager, since the date of the last report are as follows:-

Dato' Dr Syed Hussain bin Syed Husman, JP  
Dato' Chew Lak Seong (Deceased on 25 June 2021)  
Dato' Ong Kook Liong  
Datuk Mohamed Arsad bin Sehan  
Chew Kheng Kai  
Ong Pui Shan  
Chiam Tau Meng

# MANAGER'S REPORT (CONTINUED)

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of KIP REIT or any other body corporate, other than as disclosed in Directors' interest.

For the financial year ended 30 June 2021, no Director has received or become entitled to receive a benefit (other than certain directors receive remuneration as a result of their employment with the Manager or related corporations).

## DIRECTORS' INTEREST

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unit holdings in KIP REIT, interests in the units of KIP REIT as follows:-

	Number of units			Balance at 30.06.2021
	Balance at 01.07.2020	Addition/ Transferred	Disposal	
Dato' Dr Syed Hussain bin Syed Husman, JP				
Direct	60,000	-	-	60,000
Dato' Chew Lak Seong (Deceased on 25 June 2021) ^^				
Direct	85,100,349	6,980,946	(19,417,781)	72,663,514
Indirect	32,070,508	19,417,781	(6,822,015)	44,666,274
Dato' Ong Kook Liong				
Direct	92,986,283	-	(4,500,000)	88,486,283
Indirect	20,500,507	200,000	(6,822,015)	13,878,492
Datuk Mohamed Arsad bin Sehan				
Direct	60,000	-	-	60,000
Chew Kheng Kai				
Direct	100,000	-	-	100,000
Ong Pui Shan				
Direct	100,000	100,000	-	200,000

^^ The beneficiary of late Dato' Chew Lak Seong's units in KIP REIT is Datin Teoh Siew Chin.

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have interests in the units of KIP REIT.

## OTHER INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Fund were prepared, the Manager took reasonable steps:-

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Fund had been written down to an amount which the current assets they might be expected so to realise.

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

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Group and of the Fund misleading; or
- 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.

# **MANAGER'S REPORT (CONTINUED)**

## **OTHER INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Manager, will or may affect the ability of the Group or of the Fund to meet its obligations when they fall due.

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

- (a) any charge on the assets of the Group or of the Fund which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Fund which has arisen since the end of the financial year.

At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Manager:-

- (a) the results of the Group's and of the Fund's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Fund for the financial year in which this report is made.

## **MATERIAL LITIGATION**

The Manager is not aware of any material litigation as at the date of statement of financial position and up to the date of this report.

## **SOFT COMMISSION**

There was no soft commission received by the Manager and/or its delegates during the financial year.

## **CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS**

There are no circumstances which materially affect the interests of the unitholders.

## **AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 12 August 2021.

**DATO' ONG KOOK LIONG**  
EXECUTIVE DIRECTOR

**CHEW KHENG KAI**  
EXECUTIVE DIRECTOR

# STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements are drawn up in accordance with the provisions of the Deed, the REIT Guidelines, applicable securities laws, 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 30 June 2021 and of their financial performance and cash flows for the financial year ended 30 June 2021.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 12 August 2021.

**DATO' ONG KOOK LIONG**  
EXECUTIVE DIRECTOR

**CHEW KHENG KAI**  
EXECUTIVE DIRECTOR

## STATUTORY DECLARATION

I, Hii Wei Bing, the Chief Financial Officer of the Manager primarily responsible for the financial management of KIP REIT, do solemnly and sincerely declare that the financial statements 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.

**HII WEI BING**  
(MIA No.: 19681)

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 12 August 2021.

Before me:

COMMISSIONER FOR OATHS

# **TRUSTEE'S REPORT**

## **TO THE UNITHOLDERS OF KIP REIT**

### **(ESTABLISHED IN MALAYSIA)**

We have acted as Trustee of KIP REIT for the financial year ended 30 June 2021. In our opinion and to the best of our knowledge, the Manager has managed KIP REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of KIP REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm the income distributions declared during the financial year ended 30 June 2021 are in line with and are reflective of the objectives of KIP REIT. Income distributions have been declared for the financial year ended 30 June 2021 as follows:

- 1.550 sen per unit for the period from 1 July 2020 to 30 September 2020, which was paid on 23 November 2020.
- 1.590 sen per unit for the period from 1 October 2020 to 31 December 2020, which was paid on 19 February 2021.
- 1.600 sen per unit for the period from 1 January 2021 to 31 March 2021, which was paid on 25 May 2021.
- 2.100 sen per unit for the period from 1 April 2021 to 30 June 2021, which is payable on 27 August 2021.

For and on behalf of the Trustee,  
**PACIFIC TRUSTEES BERHAD**

**GEORGE CHEAH KEN-LEE**  
Director

Kuala Lumpur,  
Date: 12 August 2021

# INDEPENDENT AUDITORS' REPORT

## TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (ESTABLISHED IN MALAYSIA)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of KIP Real Estate Investment Trust ("KIP REIT" or "Fund") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and KIP REIT as at 30 June 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### What we have audited

We have audited the financial statements of the Group and KIP REIT, which comprise the statements of financial position as at 30 June 2021 of the Group and KIP REIT, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and KIP REIT for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 115.

#### 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 KIP REIT in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

#### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and KIP REIT. In particular, we considered where the Directors of the Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and KIP REIT, the accounting processes and controls, and the industry in which the Group and KIP REIT operate.

# INDEPENDENT AUDITORS' REPORT

## TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (CONTINUED)

### (ESTABLISHED IN MALAYSIA)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

##### 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 KIP REIT for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and KIP REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Fair value of investment properties</b></p> <p>As at 30 June 2021, KIP REIT's investment properties, carried at fair value, amounted to RM808 million.</p> <p>The fair valuation of KIP REIT's investment properties is based on valuation performed by an external valuer, engaged by management.</p> <p>We focused on this area due to the magnitude of the balance and the complexities in determining the fair value of the investment properties, which involved significant judgement and estimation that could result in material misstatement.</p> <p><i>Refer to Note 3(b) (Summary of Significant Accounting Policies), Note 4 (Critical Accounting Estimates and Judgements) and Note 6 (Investment Properties).</i></p>	<p>We evaluated the competence, qualification and experience as well as the independence of the external valuer engaged by the management.</p> <p>We discussed with the external valuer independently without the presence of the management regarding the methodology and assumptions used in the valuation.</p> <p>We agreed, on a sample basis, the rental income and rental periods used in the valuation to underlying lease agreements, to satisfy ourselves of the accuracy of the data provided to the external valuer by management.</p> <p>We tested the significant inputs underpinning the valuation, such as term and reversionary rental, other income, outgoings and allowance for void, by agreeing them to the underlying lease data or comparing to historical trends.</p> <p>We also considered the valuation methodology used against those applied by other valuers for similar property types. We compared the capitalisation rates used in the valuation against available industry data, taking into consideration comparability and market factors.</p> <p>We reviewed and assessed the adequacy of the disclosures, including the sensitivity analysis on the relationship between the key assumptions used and the fair valuation of the investment properties in the financial statements.</p> <p>Based on the above procedures performed, we did not identify any material exceptions.</p>

# INDEPENDENT AUDITORS' REPORT

## TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (CONTINUED)

### (ESTABLISHED IN MALAYSIA)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The Directors of the Manager are responsible for the other information. The other information comprises the Corporate Overview, Year in Review, Board of Directors and Management Team, Corporate Governance and Sustainability Statement, the Manager's Report and the Trustee's Report, but does not include the financial statements of the Group and KIP REIT and our auditors' report thereon.

Our opinion on the financial statements of the Group and KIP REIT 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 KIP REIT, 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 KIP REIT 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 of the Manager for the financial statements

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

In preparing the financial statements of the Group and KIP REIT, the Directors of the Manager are responsible for assessing the Group's and KIP REIT'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 of the Manager either intend to liquidate the Group or KIP REIT or to cease operations, or have no realistic alternative but to do so.

##### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and KIP REIT 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 scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and KIP REIT, 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.
- (b) 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 KIP REIT's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# INDEPENDENT AUDITORS' REPORT

## TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (CONTINUED)

### (ESTABLISHED IN MALAYSIA)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (d) Conclude on the appropriateness of the Directors of the Managers' 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 KIP REIT'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 KIP REIT 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 KIP REIT to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and KIP REIT, including the disclosures, and whether the financial statements of the Group and KIP REIT represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) 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.

We communicate with the Directors of 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 Directors of 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 Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and KIP REIT for the current financial 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 KIP REIT as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
12 August 2021

NG YEE LING  
03032/01/2023 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2021

		Group		Fund	
Note	2021	2020	2021	2020	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>					
Equipment	5	2,574	1,585	2,574	1,585
Investment Properties	6	808,000	807,000	808,000	807,000
Investment in Subsidiary	7	-	-	-*	-*
<b>Total non-current assets</b>		<u>810,574</u>	<u>808,585</u>	<u>810,574</u>	<u>808,585</u>
<b>Current assets</b>					
Trade and other receivables	8	6,327	7,257	6,327	7,257
Cash and bank balances	9	<u>29,320</u>	<u>25,976</u>	<u>21,805</u>	<u>18,597</u>
<b>Total current assets</b>		<u>35,647</u>	<u>33,233</u>	<u>28,132</u>	<u>25,854</u>
<b>Total assets</b>		<u>846,221</u>	<u>841,818</u>	<u>838,706</u>	<u>834,439</u>
<b>Financed by:</b>					
<b>Unitholders' fund</b>					
Unitholders' capital	10	492,333	492,333	492,333	492,333
Retained earnings		<u>21,045</u>	<u>17,506</u>	<u>21,045</u>	<u>17,506</u>
<b>Total unitholders' fund</b>		<u>513,378</u>	<u>509,839</u>	<u>513,378</u>	<u>509,839</u>
<b>Non-current liabilities</b>					
Borrowings	11	309,073	308,817	-	-
Payables and accruals	12	<u>10,960</u>	<u>5,108</u>	<u>316,153</u>	<u>310,156</u>
<b>Total non-current liabilities</b>		<u>320,033</u>	<u>313,925</u>	<u>316,153</u>	<u>310,156</u>
<b>Current liabilities</b>					
Borrowings	11	3,635	3,610	-	-
Payables and accruals	12	<u>9,175</u>	<u>14,444</u>	<u>9,175</u>	<u>14,444</u>
<b>Total current liabilities</b>		<u>12,810</u>	<u>18,054</u>	<u>9,175</u>	<u>14,444</u>
<b>Total liabilities</b>		<u>332,843</u>	<u>331,979</u>	<u>325,328</u>	<u>324,600</u>
<b>Total unitholders' fund and liabilities</b>		<u>846,221</u>	<u>841,818</u>	<u>838,706</u>	<u>834,439</u>
<b>Net asset value ("NAV")</b>					
- before income distribution		545,060	541,016	545,060	541,016
- after income distribution		<u>513,378</u>	<u>509,839</u>	<u>513,378</u>	<u>509,839</u>
<b>Number of units in circulation ('000 units)</b>	10	<u>505,300</u>	<u>505,300</u>	<u>505,300</u>	<u>505,300</u>
<b>NAV per unit (RM)</b>					
- before income distribution		1.0787	1.0707	1.0787	1.0707
- after income distribution		<u>1.0160</u>	<u>1.0090</u>	<u>1.0160</u>	<u>1.0090</u>

\* Denotes RM2 share capital in KIP REIT Capital Sdn. Bhd.

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		Group and Fund	
	Note	2021 RM'000	2020 RM'000
Gross rental income		64,984	65,955
Revenue from contracts with customers		9,265	8,585
<b>Gross revenue</b>	13	<u>74,249</u>	<u>74,540</u>
Utilities expenses		(6,792)	(7,642)
Maintenance and housekeeping expenses		(2,493)	(2,368)
Marketing expenses		(232)	(217)
Quit rent and assessment		(1,892)	(1,836)
Reimbursement costs	14	(3,662)	(4,139)
Property manager fee		(156)	(151)
Other operating expenses		(2,360)	(2,169)
<b>Property operating expenses</b>		<u>(17,587)</u>	<u>(18,522)</u>
<b>Net property income</b>		56,662	56,018
Changes in fair value on investment properties	6	(847)	32
Interest income		417	567
<b>Net investment income</b>		<u>56,232</u>	<u>56,617</u>
Manager's management fee	15	(5,541)	(7,407)
Trustees' fee		(179)	(353)
Auditors' remuneration		(108)	(105)
Valuers' fee		(190)	(200)
Other trust expenses		(1,699)	(2,552)
Borrowing costs	16	(13,294)	(14,117)
<b>Profit before taxation</b>		<u>35,221</u>	<u>31,883</u>
Taxation	17	-	-
<b>Profit after taxation</b>		35,221	31,883
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income attributable to unitholders</b>		<u>35,221</u>	<u>31,883</u>
<b>Profit after taxation is made up as follows:</b>			
Realised		36,068	31,851
Unrealised		(847)	32
		<u>35,221</u>	<u>31,883</u>
<b>Basic earnings per unit (sen)</b>	18	6.9703	6.3097
<b>Diluted earnings per unit (sen)</b>	18	<u>6.9703</u>	<u>6.3097</u>
Total comprehensive income		35,221	31,883
Distribution adjustment	19	3,033	(728)
Distributable income		<u>38,254</u>	<u>31,155</u>
<b>Distribution per unit (sen)</b>	19	<u>6.8400</u>	<u>6.1800</u>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN NET ASSET VALUE

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Unitholders' capital RM'000	Retained earnings RM'000	Total fund RM'000
<b>Group and Fund</b>				
<b>As at 1 July 2020</b>		492,333	17,506	509,839
Profit of the year		-	35,221	35,221
Total comprehensive income for the year attributable to unitholders		-	35,221	35,221
<b>Unitholders' transactions</b>				
Distribution to unitholders	19	-	(31,682)	(31,682)
Decrease in net assets resulting from unitholders' transactions		-	(31,682)	(31,682)
<b>As at 30 June 2021</b>		<b>492,333</b>	<b>21,045</b>	<b>513,378</b>
<b>Group and Fund</b>				
<b>As at 1 July 2019</b>		492,333	16,800	509,133
Profit of the year		-	31,883	31,883
Total comprehensive income for the year attributable to unitholders		-	31,883	31,883
<b>Unitholders' transactions</b>				
Distribution to unitholders	19	-	(31,177)	(31,177)
Decrease in net assets resulting from unitholders' transactions		-	(31,177)	(31,177)
<b>As at 30 June 2020</b>		<b>492,333</b>	<b>17,506</b>	<b>509,839</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Group		Fund	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>					
Profit before taxation		35,221	31,883	35,221	31,883
<i>Adjustments for:</i>					
Changes in fair value on investment properties		847	(32)	847	(32)
Interest expense on borrowings		13,038	13,395	100	543
Interest expense on advances from a subsidiary		-	-	12,938	12,852
Interest income		(417)	(567)	(417)	(567)
Depreciation of equipment		552	306	552	306
Amortisation of transaction costs		256	722	256	722
Bad debts written off		2	20	2	20
Written off of equipments		2	-	2	-
Allowance for doubtful debts		(1)	104	(1)	104
Operating income before changes in working capital		49,500	45,831	49,500	45,831
Net change in trade and other receivables		941	(1,325)	941	(1,325)
Net change in payables and accruals		575	(956)	575	(956)
<b>Net cash generated from operating activities</b>		<b>51,016</b>	<b>43,550</b>	<b>51,016</b>	<b>43,550</b>
<b>Cash flows from investing activities</b>					
Purchase of equipment		(1,543)	(701)	(1,543)	(701)
Asset enhancement on investment properties		(1,847)	(855)	(1,847)	(855)
Pledge deposit		(160)	(7,708)	(23)	(349)
Interest received		405	564	405	564
Acquisition of investment property	26	-	(196,413)	-	(196,413)
<b>Net cash used in investing activities</b>		<b>(3,145)</b>	<b>(205,113)</b>	<b>(3,008)</b>	<b>(197,754)</b>
<b>Cash flows from financing activities</b>					
Interest paid on borrowings		(13,005)	(10,256)	(92)	(1,270)
Payment for transaction cost		-	(1,674)	-	-
Income distribution paid to unitholders		(31,682)	(31,177)	(31,682)	(31,177)
Interest paid on advances from a subsidiary		-	-	(12,912)	(8,987)
(Repayment) / Advances from a subsidiary		-	-	(137)	300,948
Proceeds from drawdown of borrowings		-	310,000	-	-
Repayment of borrowings		-	(99,929)	-	(99,929)
<b>Net cash (used in)/generated from financing activities</b>		<b>(44,687)</b>	<b>166,964</b>	<b>(44,823)</b>	<b>159,585</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,184</b>	<b>5,401</b>	<b>3,185</b>	<b>5,381</b>
Cash and cash equivalents at beginning of the year		16,980	11,579	16,960	11,579
<b>Cash and cash equivalents at end of the year</b>	9	<b>20,164</b>	<b>16,980</b>	<b>20,145</b>	<b>16,960</b>

Details of reconciliation of liabilities arising from financing activities is disclosed in Note 9.

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL

KIP REIT is a Malaysia-domiciled real estate investment trust ("REIT") established on 2 November 2016 pursuant to the deed of trust dated 2 November 2016, an amended and restated deed dated 12 December 2019, and a supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between the Manager and Pacific Trustees Berhad ("Trustee"), listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 February 2017 and regulated by the Securities Commission Act 1993, the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. The addresses of the Manager's registered office and principal place of business are as follows:-

### Registered office

Unit 27.2, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur, Malaysia

### Principal place of business

Unit B-6, Blok B, Tingkat 6, Menara KIP  
No. 1, Jalan Seri Utara 1  
Sri Utara Off Jalan Ipoh  
68100 Kuala Lumpur, Malaysia

The principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing real estate used for retail purposes, and for industrial or commercial purposes, including, without limiting the generality of the foregoing, warehousing facilities, logistic facilities and manufacturing sites as well as real estate-related assets. The nature of KIP REIT's investment shall be long-term, with a period of at least five years.

The financial statements as at and for the financial year ended 30 June 2021 comprise KIP REIT and its wholly-owned special purpose company, KIP REIT Capital Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of KIP REIT.

The Manager's key objective is to provide unitholders with regular and stable distributions, sustainable long term Unit price and distributable income and capital growth, while maintaining an appropriate capital structure.

The financial statements were approved by the Board of Directors of the Manager on 12 August 2021.

KIP REIT entered into several service agreements in relation to the management of KIP REIT and its property operations. The fee structures are as follows:-

### (a) **Property management fees**

The property manager of KIP REIT is Azmi & Co. (Shah Alam) Sdn. Bhd. up to 14 April 2021 and Henry Butcher (Mont Kiara) Sdn. Bhd. with effect from 15 April 2021 onwards.

The property manager is entitled to property management fee as follows:

<u>Property manager</u>	<u>Amount (RM)</u>	<u>Period</u>
Azmi & Co. (Shah Alam) Sdn. Bhd.	RM13,500 per month (including sales and service tax)	1 July 2020 to 14 April 2021
Henry Butcher (Mont Kiara) Sdn. Bhd.	RM10,000 per month (excluding sales and service tax).	15 April 2021 to 30 June 2021

In addition, the property manager is also entitled to full disbursement of costs and expenses properly incurred in the operation, maintenance, management and marketing of the properties held by KIP REIT ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 1 GENERAL (CONTINUED)

#### (b) Manager's management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from KIP REIT, in the forms of cash, new Units or a combination thereof at the election of the Management Company in its sole discretion:-

- (i) a base fee ("Base Fee") of up to 1.0% per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- (ii) a performance fee ("Performance Fee") of up to 5.0% per annum of the Net Property Income of KIP REIT.
- (iii) Acquisition Fee  
1.0% of each of the following as is applicable (subject to there being no double-counting):
  - (a) in relation to an acquisition (whether directly or indirectly through the Trustee or one or more SPV of KIP REIT) of any Real Estate or Real Estate-Related Assets, the transaction value (being the total purchase price) of any Real Estate or any Real Estate-Related Assets purchased by KIP REIT or its SPV (pro-rated, if applicable, to the proportion of KIP REIT's interest); or
  - (b) in relation to an acquisition (whether directly or indirectly through one or more SPV of KIP REIT) of any SPV or holding entities which holds Real Estate, the underlying value of any Real Estate (pro-rated, if applicable, to the proportion of KIP REIT's interest).

Any payment to third party agents or brokers in connection with the acquisition of any Real Estate and Real Estate-Related Assets for KIP REIT shall not be paid by the Manager out of the acquisition fee received or to be received by the Manager (but shall be borne by KIP REIT).

For the avoidance of doubt, no Acquisition Fee is payable with respect to the acquisition of the Subject Properties in connection with the Listing of KIP REIT but acquisition fee is payable with respect to all other transactions (which includes related party and non-related party transactions), including acquisitions from the sponsor.

#### (iv) Divestment Fee

0.5% of each of the following as is applicable (subject to there being no double-counting):

- (a) in relation to a disposal (whether directly or indirectly through the Trustee or one or more SPV of KIP REIT) of any Real Estate or Real Estate-Related Assets, the transaction value (being the total sale price) of any Real Estate or Real Estate-Related Assets disposed of by KIP REIT or its SPV (pro-rated, if applicable, to the proportion of KIP REIT's interest); or
- (b) in relation to a disposal (whether directly or indirectly through one or more SPV of KIP REIT) of any SPV or holding entities which holds Real Estate, the underlying value of any Real Estate (pro-rated, if applicable, to the proportion of KIP REIT's interest).

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 1 GENERAL (CONTINUED)

#### (b) Manager's management fees (continued)

##### (iv) Divestment Fee (continued)

Any payment to third party agents or brokers in connection with the sale or divestment of any Real Estate and Real Estate-Related Assets for KIP REIT shall not be paid by the Manager out of the divestment fee received or to be received by the Manager (but shall be borne by KIP REIT).

The Divestment Fee is payable with respect to all transactions (which includes related party and non-related party transactions), including divestments to the Promoters, as well as for compulsory acquisitions.

The payment of the Management Company's management fee in the form of new Units will be in accordance with the following formula:

$$\text{New units to be issued as payment of the Management Company's management fee} = \frac{\text{Management Company's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of Units for the last 5 Market Days preceding the following events:

- (i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly reports; or
- (ii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment,

(each a "Trigger Event").

With reference to any Book Closing Date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said Books Closing Date, the Market Price will be further adjusted for the entitlement relating to such Books Closing Date.

The Management Company will make immediate announcements to Bursa Securities disclosing the number of new Units issued and the Issue Price when new Units are issued as payment for Management Fee. Payment of the Management fees in Units shall be subject to KIP REIT complying with the public spread requirements stated in the Listing Requirements and there being no adverse implications under the Malaysian Code on Take-Overs and Mergers 2010.

#### (c) Trustee's fees

The Trustee fee payable is RM100,000 per annum payable upon the execution of the Deed for the first three years up to November 2019 and thereafter at such rate to be mutually agreed between the Manager and the Trustee. In any case, the annual trustee's fee in aggregate shall be up to the maximum rate of 0.05% per annum of the NAV of KIP REIT.

The trustee of KIP REIT Capital Sdn. Bhd., Malaysian Trustees Berhad, is entitled to receive a predetermined annual fixed fee.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements of the Group and the Fund have been prepared in accordance with the provisions of the Deed, REIT Guidelines, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Securities.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors of the Manager to exercise their judgment in the process of applying KIP REIT's accounting policies. Although these estimates and judgment are based on the Directors of the Manager's best knowledge of current events and actions, actual results could differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Standards that are effective and applicable

The Group and the Fund have applied the following standards and amendments for the first time for the financial year beginning on 1 July 2020:

- (i) Financial year beginning on/after 1 July 2020
  - The Conceptual Framework for Financial Reporting (Revised 2018);
  - Amendments to MFRS 3, Business Combinations – Definition of a Business;
  - Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material; and
  - Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform.

The adoption of new standards and amendments listed above did not have any material impact on the financial statements in the current financial year or any prior period and is not likely to affect future periods.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 2 BASIS OF PREPARATION (CONTINUED)

#### (b) Standards issued but not yet effective

The Group and the Fund intend to apply the following accounting standards, interpretation and amendments from the annual period beginning on 1 July 2021 except Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018-2020), MFRS 4, Insurance Contracts, MFRS 17, Insurance Contracts and MFRS 128, Investments in Associates and Joint Ventures – Sales or Contribution of Asset between an Investor and its Associate or Joint Ventures as it is not applicable to the Group and the Fund:

- (i) MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2021
- Amendments to MFRS 9, Financial instruments, MFRS 139, Financial instruments: Recognition, Measurement and MFRS 7, Financial instruments: Disclosures and MFRS 16, Leases - Interest Rate Benchmark Reform – Phase 2;
  - Amendments to MFRS 16, Leases - COVID-19-Related Rent Concessions beyond 30 June 2021;
  - Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use;
  - Amendments to MFRS 3, Business Combinations - Reference to the Conceptual Framework;
  - Amendments to MFRS 1, First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020);
  - Amendments to MFRS 9, Financial instruments (Annual Improvements to MFRS Standards 2018 - 2020);
  - Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018 - 2020);
  - Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract;
  - Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current.

The initial application of the above standards, amendments and interpretation are not expected to have any material financial impacts on the Group's and the Fund's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements by KIP REIT.

#### (a) Consolidation

##### (i) Business combination under common control

KIP REIT applies predecessor accounting to account for business combinations under common control i.e. combination involving entities or businesses under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from 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 an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired business' results and the related statement of financial position items are recognised prospectively from the date on which the business combination between entities under common control occurred.

##### (ii) Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Consolidation (continued)

##### (ii) Subsidiary (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group and company are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### (iii) Investment in Subsidiary

In the Fund's separate financial statements, investment in subsidiary is carried at cost less accumulated impairment losses. On disposal of investment in subsidiary, the difference between disposal proceeds and the carrying amounts of the investment is recognised in statement of comprehensive income.

The amount due from subsidiary of which the Fund does not expect repayment in the foreseeable future are considered as part of the Fund's investment in the subsidiary.

#### (b) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not substantially occupied by the Group and the Fund.

Investment properties are measured initially at cost, including related transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on valuation using an income method, where cash flows projections are capitalised using a capitalisation rate, which takes into account the unexpired period, yield and sinking fund, where applicable. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The fair value of the investment property reflects the market conditions at the reporting date. It reflects, among others, rental income from current leases and reasonable and supportable assumptions that represent what market participants would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are reflected in liability whereas others relate to outflows that are not recognised in the financial statements until a later date.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the Fund, and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Investment properties (continued)

Changes in fair values are recognised in statement of comprehensive income for the period in which it arises.

Investment properties are derecognised when 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. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded within net gain from fair value adjustment on investment property.

### (c) Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost also includes borrowing costs that are directly attributable to the acquisition of a qualifying asset.

Cost of equipment includes purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing equipment at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of the equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Equipment are depreciated on a straight line basis to write-off the cost of the assets to their expected residual values over their estimated useful lives, summarised as follows:-

Equipment and appliance	20%
Furniture and fittings	10%
Signage	30%
Office equipment	20%
Renovation	20%
Work-In-Progress	nil

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The assessment of expected residual values and estimated useful lives of assets is carried out on an annual basis.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Please refer to accounting policy on impairment of non-financial assets (Note 3(e)).

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in net property income in the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial assets

##### (i) Classification

The Group and the Fund have applied MFRS 9 and classify the financial assets at amortised cost. The classification depends on the Group and the Fund business model for managing the financial assets and the contractual terms of the cash flows.

##### (ii) Recognition and derecognition

Financial assets are recognised on trade date, the date which the Group and the Fund commit to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Fund have transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Group and the Fund measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

#### Debt instrument

Subsequent measurement of debt instruments depends on the Group's and the Fund's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Fund reclassify debt investments when and only when its business model for managing those assets changes.

The Group and the Fund classify its debt instrument into financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. The carrying amount of these asset is adjusted for any expected credit losses that are recognised in the statement of comprehensive income. Interest income from these financial assets is recognised in the statement of comprehensive income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income. The Group and the Fund classify trade and other receivables (Note 8) and cash and cash equivalents (Note 9) as financial assets at amortised cost.

##### (iv) Subsequent measurement - Impairment

The Group and the Fund assess on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Fund expect to receive, over the remaining life of the financial instrument.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial assets (continued)

##### (iv) Subsequent measurement - Impairment (continued)

###### Simplified approach for trade receivables

The Group and the Fund apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 23.1(b) sets out the measurement details of ECL.

###### General 3-stage approach for other receivables and non-trade intercompany balances

At each reporting date, the Group and the Fund measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 23.1(b) sets out the measurement details of ECL.

###### Significant increase in credit risk

The Group and the Fund consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Fund compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- a. internal credit rating
- b. external credit rating (as far as available)
- c. actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- d. actual or expected significant changes in the operating results of the debtor
- e. significant increases in credit risk on other financial instruments of the same debtor
- f. significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancement
- g. significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

###### Definition of default and credit-impaired financial assets

The Group and the Fund define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

###### Quantitative criteria:

The Group and the Fund define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial assets (continued)

##### (iv) Subsequent measurement - Impairment (continued)

###### Definition of default and credit-impaired financial assets (continued)

###### Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Fund consider the following instances:

- a. the debtor is in breach of financial covenants
- b. concessions have been made by the lender relating to the debtor's financial difficulty
- c. it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- d. the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

###### Write-off

###### I. Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Fund, and/or legal action is taken against the debtor.

Impairment losses on trade receivables are presented as net impairment losses within net property income. Subsequent recoveries of amounts previously written off are credited against the same line item.

###### II. Other receivables

The Group and the Fund write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Impairment of non-financial assets

Equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the statement of comprehensive income during the period in which they are incurred and any subsequent increase in recoverable amount is recognised in the statement of comprehensive income during the period in which they are incurred.

#### (f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with licensed financial institutions, other short term and highly liquid investments with original maturities of three (3) months or less, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts, if any, are included in within borrowings in current liabilities in the statement of financial position.

#### (g) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Fund. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

#### (h) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or vendors. Trade payables are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, deposits received from tenants and other payables are recognised initially at fair value, net of transaction cost incurred, which include transfer taxes and duties, if applicable and subsequently measured at amortised cost using the effective interest method.

#### (i) Unitholders' capital

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 equity instruments.

Units are recorded at the proceeds received, net of directly attributable incremental transaction costs. Units are classified as equity. Distributions on units are recognised in equity in the period in which they are declared and authorised by the Trustee.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn-down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a prepayment for liquidity and amortised over the period of the facility to which it relates.

Borrowings costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

#### (k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the performance of services in the ordinary course of the Group and the Fund's activities. Revenue is shown net of rebates and discounts.

##### Lease income on operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

Lease income on operating lease is made up of base rent charges from tenants and turnover or percentage rent charges from tenants. Base rent from operating leases is recognised on a straight-line basis over the lease term. Turnover or percentage rent is recognised based on sales reported by tenants. When KIP REIT provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Rental rebates offered to tenants by the Group and the Fund which are not based on terms contained in the original tenancy agreements are accounted for as a lease modification. The rental rebates are recognised as a reduction to the rental income from the effective date of modification over the remaining lease term.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Revenue recognition (continued)

##### Revenue from contracts with customers

Revenue which represents income from the Group and the Fund's principal activities within the ordinary course of business and is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Fund transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

Revenue from sales of prepaid utilities reimbursement is recognised when services are being rendered. The credits on prepaid utilities reimbursement from tenants can be deferred up to the point of utilisation, which such amounts are recognised as income. Credits of prepaid utilities are recognised as revenue when services are rendered. Unutilised credits of prepaid utilities reimbursement sold to tenants for which services are yet to be rendered is presented as deferred income in the statement of financial position.

Rental of concession space such as promotional areas and other rent related income are included in other income and are recognised in the accounting period in which the services being rendered.

Upon adoption of MFRS 15 and MFRS 9, interest income is recognised and accounted for based on MFRS 9 requirements. The disclosure of accounting policy below should be provided under "Interest income" (as it does not arise from the scope of MFRS 15):

##### Interest income

Interest income is recognised on an effective yield basis.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

##### Manager's management fees

Manager's management fees are recognised in statement of comprehensive income in the period in which they are incurred. If, the payment of the Manager's management fees is in the form of new Units, such payment is determined by reference to the market price of the Units as set out in Note 1(b).

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Income tax

Tax is recognised in statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(b), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying value of the Group and the Fund's investment properties is assumed to be realised through continuous use.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Leases

##### i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Fund allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Fund is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

##### ii) Recognition and measurement

###### (a) As a lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use (i.e. the commencement date).

In determining the lease term, facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option are considered. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The lease term is reassessed upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Fund and affect whether the Group and the Fund are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

Contracts may contain both lease and non-lease components. Consideration in the contract is allocated to the lease and non-lease components based on their relative standalone prices.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Leases (continued)

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

##### (a) As a lessee (continued)

##### ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Fund are reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

##### Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase and extension options if it is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Fund exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Fund, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Lease liabilities are presented as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Leases (continued)

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

##### (a) As a lessee (continued)

##### Short term leases and leases of low value assets

Short-term leases are leases with a lease term of twelve (12) months or less. Payments associated with short-term leases and low value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income.

##### (b) As a lessor

As a lessor, the Group and the Fund determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Fund make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Fund consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

##### Finance leases

The Group and the Fund classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Fund derecognise the underlying asset and recognise a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to impairment under MFRS 9 "Financial Instruments". In addition, the Group and the Fund review regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Fund revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Leases (continued)

##### (b) As a lessor (continued)

##### Operating leases

The Group and the Fund classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

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

When assets are leased out under an operating lease, the asset is included in the lessor's statement of financial position based on the nature of the asset.

Rental income on operating leases is recognised over the term of the lease on a straight-line basis. Rental income is shown net of rebates and discounts. Rental income includes base rent, percentage rent and other rent related income from tenants. Base rent is recognised on a straight-line basis over the lease term. Percentage rent is recognised based on sales reported by tenants. When the Group and the Fund provide incentives or rebates to the tenants, the cost of incentives or rebates is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Initial direct cost incurred by the Group and the Fund in negotiating and arranging an operating lease is recognised as an asset and amortised over the lease term on the same basis as the rental income.

##### Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Fund allocate the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 "Revenue from Contracts with Customers".

#### (n) Functional and presentation currency

Items included in the financial statements of the Group and the Fund are measured using the currency of the primary economic environment in which the Group and the Fund operate ("functional currency"). The financial statements are presented in Ringgit Malaysia, which is Group and the Fund's functional and presentation currency.

#### (o) Earnings per unit

The Group and the Fund's earnings per Unit ("EPU") are presented on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of the Group and the Fund by the weighted average number of Units outstanding during the period.

Diluted EPU is determined by adjusting the comprehensive income attributable to unitholders against the weighted average number of units outstanding adjusted for the effects of all dilutive potential units.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management team.

The senior management team, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and the Chief Financial Officer of the Manager, that makes strategic decisions.

(q) **Net asset value ("NAV") disclosed in statement of financial position**

In accordance with the REIT Guidelines, NAV is the value of the Group and the Fund's assets less the value of the Group and the Fund's liabilities.

(r) **Recognition of distribution of income to unitholders**

Distribution of income should only be made from realised gains or realised income in accordance with REIT Guidelines.

Distribution of income should be made after the Manager has taken into consideration the total returns for the period, income for the period, cash flow for distribution, stability and sustainability of income and the investment objective and distribution policy of the Group and the Fund.

Liability is recognised for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the Group and the Fund, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distribution adjustments made in accordance with the REIT Guidelines are disclosed in Note 19.

(s) **Realised and unrealised profit or loss analysis in statement of comprehensive income**

In accordance with the REIT Guidelines, a charge or a credit to the statement of comprehensive income is deemed as realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use.

Where a credit or a charge to the statement of comprehensive income upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should be deemed as unrealised until the consumption of resource could be demonstrated. Unrealised profit or loss comprises mainly the changes in fair value on investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors of the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Fund make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group and the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### Principal assumptions for estimation of fair value of investment properties

The principal assumptions underlying estimation of fair value of investment properties are those related to term rental, reversionary rental, other income, outgoings, capitalisation rate and allowance for void.

Investment properties are stated at fair value based on valuations performed by C H Williams Talhar & Wong Sdn. Bhd. (2020: C H Williams Talhar & Wong Sdn. Bhd.) ("the Valuer"), an independent professional valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued.

The valuations are compared with actual market yield data, actual transactions and those reported by the market, when available. Assumptions used are mainly based on market conditions existing at each reporting date.

Sensitivity analysis on fair value of investment properties as valued by the Valuer is disclosed in Note 6.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

## 5 EQUIPMENT

	Equipment and appliance RM '000	Furniture and fittings RM '000	Signage RM '000	Office equipment RM '000	Renovation RM '000	Work-In-Progress RM '000	Total RM '000
<b>Group and Fund</b>							
<b>Cost</b>							
As at 1 July 2020	821	484	298	72	269	198	2,142
Additions	442	305	25	411	146	361	1,690
Reclassification	-	49	-	5	-	(54)	-
Transfer to investment properties	-	-	-	-	-	(147)	(147)
Written off	(13)	-	-	-	-	-	(13)
As at 30 June 2021	1,250	838	323	488	415	358	3,672
<b>Accumulated Depreciation</b>							
As at 1 July 2020	301	81	104	27	44	-	557
Depreciation charge for the financial year	262	73	95	45	77	-	552
Written off	(11)	-	-	-	-	-	(11)
As at 30 June 2021	552	154	199	72	121	-	1,098
<b>Carrying amounts</b>							
As at 30 June 2021	698	684	124	416	294	358	2,574
	Equipment and appliance RM '000	Furniture and fittings RM '000	Signage RM '000	Office equipment RM '000	Renovation RM '000	Work-In-Progress RM '000	Total RM '000
<b>Group and Fund</b>							
<b>Cost</b>							
As at 1 July 2019	595	303	298	67	115	63	1,441
Additions	226	181	-	5	150	199	761
Reclassification	-	-	-	-	4	(4)	-
Transfer to investment properties	-	-	-	-	-	(60)	(60)
As at 30 June 2020	821	484	298	72	269	198	2,142
<b>Accumulated Depreciation</b>							
As at 1 July 2019	170	30	21	14	16	-	251
Depreciation charge for the financial year	131	51	83	13	28	-	306
As at 30 June 2020	301	81	104	27	44	-	557
<b>Carrying amounts</b>							
As at 30 June 2020	520	403	194	45	225	198	1,585

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 5 INVESTMENT PROPERTIES

	Group and Fund	
	2021	2020
	RM '000	RM '000
As at 1 July	807,000	599,300
Transfer from Equipment	147	60
Acquisition	-	206,813*
Additions	1,700	795
Fair value gain	(847)	32
As at 30 June	<u>808,000</u>	<u>807,000</u>

\* Net off against the cost of acquisition capitalised is the balance of sinking fund amounting to RM1.9 million transferred from the vendor.

The title deeds to the investment properties' land are currently being held in trust by the trustees. KIPMall Tampoi, KIPMall Masai, KIPMall Bangi and AEON Mall Kinta City ("AMKC") are charged as a security for bank borrowings as disclosed in Note 11.

Investment properties are stated at fair value based on valuations performed by an independent registered valuer, the Valuer, who holds a recognised relevant professional qualification and have relevant experience in valuing investment properties.

Based on the valuation reports dated 8 July 2021 issued by the Valuer, the fair values of the investment properties as at 30 June 2021 were RM808.0 million (2020: RM807.0 million).

Fair value is determined based on income approach method using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 'Fair Value Measurement'. Under the income approach, the fair value of the investment properties is derived from an estimate of the market rental which the investment properties can reasonably be let for. Rental evidence may be obtained from actual passing rents commanded by the investment properties if they are tenanted. Outgoings, such as quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives as well as management expenses, are then deducted from the rental income. Thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value. Changes in fair value are recognised in the statement of comprehensive income during the period in which they are reviewed.

There has been no change to the valuation techniques used during the financial year.

The Level 3 inputs or unobservable inputs include:-

Term rental	-	the expected rental that the investment properties are expected to achieve and is derived from the current passing rental, (including revision upon renewal of tenancies during the year which is part of passing rental);
Reversionary rental	-	the expected rental that the investment properties are expected to achieve upon expiry of term rental;
Other income	-	comprises percentage rent, advertising income and others;
Outgoings	-	comprises quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement expense and management expenses;
Capitalisation rate	-	based on actual location, size and condition of the investment properties and taking into account market data at the valuation date based on the valuers' knowledge of the factors specific to the investment properties;
Allowance for void	-	refers to allowance provided for vacancy periods.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 INVESTMENT PROPERTIES (CONTINUED)**

The fair value measurements using Level 3 inputs as at 30 June 2021 are as follows:-

Group and Fund	Valuation technique	Fair value RM '000	Parameters				Sensitivity analysis on fair value measurements*	
			Capitalisation rate %	Reversion rate %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM '000	Impact of higher rate RM '000
KIPMall Tampoi	Investment method	163,000	6.50	7.00	1.90	5.00	12,000	(10,000)
KIPMall Kota Tinggi	Investment method	56,000	6.25	6.75	2.00	5.00	1,000	-
KIPMall Masai	Investment method	170,000	6.50	7.00	2.00	5.00	12,000	(11,000)
KIPMall Senawang	Investment method	25,000	6.25	6.75	1.20	10.00	2,000	(1,000)
KIPMall Melaka	Investment method	48,000	6.50	7.00	1.30	10.00	4,000	(3,000)
KIPMall Bangi	Investment method	126,000	6.50	7.00	1.00	12.50	10,000	(8,000)
AMKC	Investment method	<u>220,000</u>	7.00 to 7.25	7.00	0.18 - 0.19	5.00	<u>17,000</u>	<u>(13,000)</u>
		<u>808,000</u>					<u>58,000</u>	<u>(46,000)</u>

\* Changes to capitalisation rates on term and reversion periods by 50 basis points.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 6 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are as follows:-

#### Group and Fund

	Date of Acquisition	Date of valuation	Location	Tenure	Expiry date of lease-hold land	Occupancy rates as at 30.06.2021	Fair value as at 30.06.2021	Cost of investment properties	Percentage of fair value to NAV <sup>*1</sup> as at 30.06.2021
						%	RM '000	RM '000	%
KIPMall Tampoi	06.02.2017	30.06.2021	Johor	Lease-hold	24.09.2092	90.24	163,000	150,000	31.75
KIPMall Kota Tinggi	06.02.2017	30.06.2021	Johor	Free-hold	-	93.38	56,000	55,000	10.91
KIPMall Masai	06.02.2017	30.06.2021	Johor	Lease-hold	28.12.2108	91.26	170,000	157,000	33.11
KIPMall Senawang	06.02.2017	30.06.2021	Seremban	Free-hold	-	81.59	25,000	38,000	4.87
KIPMall Melaka	06.02.2017	30.06.2021	Melaka	Lease-hold	17.11.2112	85.32	48,000	50,000	9.35
KIPMall Bangi	06.02.2017	30.06.2021	Bangi	Lease-hold	14.07.2093	80.99	126,000	130,000	24.54
AMKC	31.07.2019	30.06.2021	Perak	Free-hold	-	100.00	220,000	206,813	42.85
							<u>808,000</u>	<u>786,813</u>	

Notes:-

\*1 Based on NAV after income distribution.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6 INVESTMENT PROPERTIES (CONTINUED)**

The fair value measurements using Level 3 inputs as at 30 June 2020 are as follows:-

Group and Fund	Valuation technique	Fair value RM '000	Parameters				Sensitivity analysis on fair value measurements*	
			Capitalisation rate	Reversion rate	Outgoings	Allowance for void	Impact of lower rate	Impact of higher rate
			%	%	RM Psf	%	RM '000	RM '000
KIPMall Tampoi	Investment method	163,000	6.50	7.00	2.00	5.00	12,300	(10,000)
KIPMall Kota Tinggi	Investment method	56,000	6.25	6.75	2.20	5.00	4,600	(3,600)
KIPMall Masai	Investment method	168,000	6.50	7.00	2.00	5.00	12,500	(10,800)
KIPMall Senawang	Investment method	25,000	6.25	6.75	1.35	10.00	1,800	(1,900)
KIPMall Melaka	Investment method	48,000	6.50	7.00	1.35	10.00	3,200	(3,400)
KIPMall Bangi	Investment method	130,000	6.50	7.00	1.10	15.00	9,000	(8,900)
AMKC	Investment method	<u>217,000</u>	6.50	7.00	0.26	5.00	<u>15,600</u>	<u>(14,000)</u>
		<u>807,000</u>					<u>59,000</u>	<u>(52,600)</u>

\* Changes to capitalisation rates on term and reversion periods by 50 basis points.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 6 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are as follows:-

#### Group and Fund

	Date of Acquisition	Date of valuation	Location	Tenure	Expiry date of lease-hold land	Occupancy rates as at 30.06.2020	Fair value as at 30.06.2020	Cost of investment properties	Percentage of fair value to NAV <sup>*1</sup> as at 30.06.2020
						%	RM '000	RM '000	%
KIPMall Tampoi	06.02.2017	30.06.2020	Johor	Lease-hold	24.09.2092	96.25	163,000	150,000	31.97
KIPMall Kota Tinggi	06.02.2017	30.06.2020	Johor	Free-hold	-	91.34	56,000	55,000	10.98
KIPMall Masai	06.02.2017	30.06.2020	Johor	Lease-hold	28.12.2108	93.15	168,000	157,000	32.95
KIPMall Senawang	06.02.2017	30.06.2020	Seremban	Free-hold	-	81.16	25,000	38,000	4.90
KIPMall Melaka	06.02.2017	30.06.2020	Melaka	Lease-hold	17.11.2112	74.20	48,000	50,000	9.41
KIPMall Bangi	06.02.2017	30.06.2020	Bangi	Lease-hold	14.07.2093	72.39	130,000	130,000	25.5
AMKC	31.07.2019	30.06.2020	Perak	Free-hold	-	100.00	<u>217,000</u>	<u>206,813</u>	42.56
							<u>807,000</u>	<u>786,813</u>	

Notes:-

\*1 Based on NAV after income distribution.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7 INVESTMENT IN A SUBSIDIARY**

	Fund	
	2021	2020
	RM '000	RM '000
<b>At cost</b>		
Unquoted shares	-*	-*

\* Denotes RM2

Name of company	Principal activity	Place of incorporation	Group's effective interest (%)	
			2021	2020
KIP REIT Capital Sdn. Bhd.	A special purpose vehicle to raise financings for and on behalf of KIP REIT.	Malaysia	100	100

**8 TRADE AND OTHER RECEIVABLES**

	Group		Fund	
	2021	2020	2021	2020
	RM '000	RM'000	RM'000	RM'000
Trade receivables	2,769	1,960	2,769	1,960
Less: Allowance for impairment of trade receivables (Note 23.1(b))	(346)	(348)	(346)	(348)
Trade receivables – net	2,423	1,612	2,423	1,612
Other receivables – net (Note 23.1(b))	1,088	1,928	1,088	1,928
Deposit recoverable	189	197	189	197
Amounts due from related companies	7	645	7	645
	1,284	2,770	1,284	2,770
Prepayments	2,620	2,875	2,620	2,875
	3,904	5,645	3,904	5,645
Total trade and other receivables	6,327	7,257	6,327	7,257

The carrying amounts of trade and other receivables as at 30 June 2021 and 2020 approximated their fair values.

The credit terms of trade receivables were seven (7) days.

The amount due from related companies are unsecured and with credit terms of ninety (90) days.

The amount due from a subsidiary represents advances related to transaction cost for the issuance of Medium Term Notes ("MTN") Programme.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 9 CASH AND CASH EQUIVALENTS

	Group		Fund	
	2021 RM '000	2020 RM'000	2021 RM'000	2020 RM'000
Cash in hand	-	4	-	4
Bank balances	542	1,257	524	1,239
Short term deposits placed with licensed banks	28,778	24,715	21,281	17,354
Cash and bank balances	29,320	25,976	21,805	18,597
Less: Pledged deposits	(9,156)	(8,996)	(1,660)	(1,637)
Cash and cash equivalents	20,164	16,980	20,145	16,960

Bank balances are deposits held at call with banks and earns no interest.

The weighted average effective interest rate of short term deposits placed with licensed banks that was effective at the reporting date was 1.67% per annum (2020: 1.80% per annum).

Short term deposits placed with licensed banks have an average maturity of 15 days (2020: 29 days).

Included in the Group's short term deposits placed with licensed banks is restricted amount of RM9.2 million (2020: RM9.0 million) which is maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for medium term notes granted to KIP REIT (Note 11).

The reconciliation of liabilities arising from financing activities is as follows:-

	As at 1 July RM'000	Cash changes	Non-cash changes		As at 30 June RM'000
		Net cash flows from financing activities RM'000	Amortisation of transac- tion costs RM'000	Accrued interest RM'000	
<b>2021</b>					
<b>Group</b>					
Borrowings	312,427	(12,913)	256	12,938	312,708
Short-term revolving credit ("STRC") commitment fee*	-	(92)	-	100	8
<b>Fund</b>					
Amount due to a subsidiary	305,048	(13,049)	256	12,938	305,193
STRC commitment fee*	-	(92)	-	100	8
<b>2020</b>					
<b>Group</b>					
Borrowings	100,169	198,141	722	13,395	312,427
<b>Fund</b>					
Borrowings	100,169	(101,199)	487	543	-
Amount due to a subsidiary	-	291,961	235	12,852	305,048

\* Accrued STRC commitment fee is included under payables and accruals.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**10 UNITHOLDERS' CAPITAL**

	Group and Fund	
	2021 Number of units '000	2020 Number of units '000
<b>Approved fund size:</b>		
As at 30 June	505,300	505,300

	Group		Fund	
	2021 Number of units '000	2021 Value RM'000	2020 Number of units '000	2020 Value RM'000
<b>Issued and fully paid up:</b>				
As at 1 July/30 June	505,300	492,333	505,300	492,333

**11 BORROWINGS**

	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Current (secured):</b>				
Medium term notes	3,891	3,866	-	-
Unamortised transaction cost	(256)	(256)	-	-
	<u>3,635</u>	<u>3,610</u>	<u>-</u>	<u>-</u>
<b>Non-current (secured):</b>				
Medium term notes	310,000	310,000	-	-
Unamortised transaction cost	(927)	(1,183)	-	-
	<u>309,073</u>	<u>308,817</u>	<u>-</u>	<u>-</u>
<b>Total borrowings</b>	<u>312,708</u>	<u>312,427</u>	<u>-</u>	<u>-</u>

The trustee, on behalf of KIP REIT, as borrower, has obtained the credit facilities ("the Facilities") comprising the following:-

- (a) Medium Term Notes ("MTN") of up to RM310 million (2020: RM310 million);
- (b) A Short Term Revolving Credit ("STRC") of up to RM20 million (2020: RM20 million); and
- (c) A letter of guarantee ("LG") of up to RM3 million (2020: RM3 million).

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 11 BORROWINGS (CONTINUED)

The weighted average effective interest rate at the reporting date was as follows:-

	Group		Fund	
	2021	2020	2021	2020
	% per annum	% per annum	% per annum	% per annum
Medium term notes	4.25	4.52	-	-

KIPREIT's wholly owned subsidiary, KIP REIT Capital Sdn. Bhd., has a Medium Term Note Programme ("MTN Programme") of up to RM2.0 billion in nominal value. It is a perpetual programme that commenced on 16 July 2019. Details of the MTN issued are set out as follows.

On 31 July 2019, KIP REIT Capital Sdn. Bhd. issued RM310.0 million MTN in nominal value pursuant to the MTN Programme. The MTN of RM310.0 million was issued to re-finance KIP REIT's previous financing facilities, ie term loan (TL). Out of the total RM310.0 million issuance, RM210.0 million has been assigned a long-term final rating of AAA/Stable from RAM Rating Services Berhad ("RAM"). The expected maturity date is 5 years from the issuance date and the legal maturity date is 7 years from the issuance date. The transaction costs relating to the MTN issuance of RM310.0 million are amortised and charged to profit or loss over the expected tenure of the MTN.

The MTN is secured over the investment properties and pledged deposits as indicated in Note 6 and Note 9 to the financial statements.

The STRC is to finance working capital of KIP REIT. The STRC is subject to annual review and repayable on demand. The STRC bears an interests rate of 1.25% per annum above cost of funds (as determined by the Bank at the commencement of each interest period) and payable on monthly basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**11 BORROWINGS (CONTINUED)**

The facilities are secured and supported by amongst others, the following:-

- (i) First legal mortgage over KIPMall Kota Tinggi for all amounts due and payable under the facility;
- (ii) Assignment of all insurance taken and all rights, titles, benefits and interest in respect of the property;
- (iii) Assignment of all lease, rental or tenancy agreements and tenancy deposits;
- (iv) Assignment of relevant service agreements; and
- (v) Assignment and charge over the Designated Account.

**12 PAYABLES AND ACCRUALS**

	Note	Group		Fund	
		2021 RM '000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-current payables</b>					
Tenants' deposits	a	10,960	5,108	10,960	5,108
Amount due to a subsidiary	b	-	-	305,193	305,048
		<u>10,960</u>	<u>5,108</u>	<u>316,153</u>	<u>310,156</u>
<b>Current payables</b>					
Trade payables	c	435	744	435	744
Tenants' deposits	a	6,648	11,858	6,648	11,858
		<u>7,083</u>	<u>12,602</u>	<u>7,083</u>	<u>12,602</u>
Other payables and accrued expenses		<u>2,092</u>	<u>1,842</u>	<u>2,092</u>	<u>1,842</u>
Total current payables and accruals		<u>9,175</u>	<u>14,444</u>	<u>9,175</u>	<u>14,444</u>
Total payables and accruals		<u>20,135</u>	<u>19,552</u>	<u>325,328</u>	<u>324,600</u>

- (a) Tenants' deposits are in respect of refundable deposits received from tenants for tenancy related agreements. Tenancy tenures are generally for a period of one (1) to three (3) years.
- (b) Amount due to subsidiary represents advances from KIP REIT Capital Sdn. Bhd. on the MTN issuance of RM310 million as explained in Note 11. The expected repayment period is mirroring the MTN maturity date.
- (c) Credit terms for trade payables range from 30 days to 60 days.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 13 GROSS REVENUE

	Group and Fund	
	2021	2020
	RM'000	RM'000
Gross rental income	66,957	67,600
Rental rebate (Note 25)	(1,973)	(1,645)
	<u>64,984</u>	<u>65,955</u>
Revenue from contracts with customers:		
Promotion area	3,842	3,538
Utilities reimbursement	4,361	4,226
Property related and other advertising income	1,062	821
	<u>9,265</u>	<u>8,585</u>
Gross Revenue	<u>74,249</u>	<u>74,540</u>
Revenue from contracts customers is represented by:		
Point in time	<u>9,265</u>	<u>8,585</u>

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	Group and Fund	
	2021	2020
	RM'000	RM'000
No later than 1 year	17,914	17,147
Later than 1 year but no later than 2 years	17,914	17,914
Later than 2 years but no later than 3 years	40,313	58,227

### 14 REIMBURSEMENT COSTS

Included in reimbursement costs are the following expenses:-

	Group and Fund	
	2021	2020
	RM'000	RM'000
Staff salaries	2,937	3,319
Bonus	109	132
Statutory contribution	464	510
Training expenses	6	8
Others	146	170
	<u>3,662</u>	<u>4,139</u>

The reimbursement cost is in relation to staff cost and expenses incurred by the service provider, KIP Property Services Sdn. Bhd. for providing services in managing KIP REIT's operation, maintenance, management and marketing of the investment properties.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**15 MANAGER'S MANAGEMENT FEES**

	Group and Fund	
	2021	2020
	RM '000	RM '000
Base fee	4,997	4,759
Performance fee	544	568
Acquisition fee	-	2,080
	<u>5,541</u>	<u>7,407</u>

During the financial year, the Manager received a base fee of 0.60% (2020: 0.6%) per annum of the Total Asset Value of KIP REIT, a performance fee of 1.0% (2020: 1.0%) per annum of Net Property Income and acquisition fee of 1.0% of transaction value.

For the financial year ended 30 June 2021, 100% of the total Manager's management fees has been paid in cash.

**16 BORROWING COSTS**

	Group		Fund	
	2021	2020	2021	2020
	RM '000	RM '000	RM '000	RM '000
Interest on advances from a subsidiary (Note 24)	-	-	12,938	12,852
Interest on borrowings	13,038	13,395	100	543
Amortisation of transaction cost	256	722	256	722
	<u>13,294</u>	<u>14,117</u>	<u>13,294</u>	<u>14,117</u>

**17 TAXATION**

	Group and Fund	
	2021	2020
	RM '000	RM '000
<b>Reconciliation of tax expense</b>		
Profit before taxation	<u>35,221</u>	<u>31,883</u>
Income tax using Malaysian tax rate of 24% (2020: 24%)	8,453	7,652
Non-deductible expenses	980	1,030
Non-taxable income	(8)	(982)
Capital allowances on equipment	(2,161)	(4,234)
Effect of income exempted from tax	<u>(7,264)</u>	<u>(3,466)</u>
	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 17 TAXATION (CONTINUED)

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of KIP 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 investors in the basis period of KIP REIT for that year of assessment within two (2) 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 (2) months after the close of KIP REIT financial year which forms the basis period for a year of assessment, KIP REIT will be subject to income tax at the prevailing rate on its total taxable income. Income which has been taxed at the KIP REIT level will have tax credits attached when subsequently distributed to unitholders.

As income distribution to unitholders for the financial year ended 30 June 2021 is more than 90% of total distributable income, no provision for income taxation has been made for the current year.

### 18 EARNINGS PER UNIT ("EPU") - BASIC AND DILUTED

The calculation of EPU is based on total comprehensive income attributable to unitholders divided by the weighted average number of Units.

	Group and Fund	
	2021	2020
	RM '000	RM '000
<b>Total comprehensive income</b>		
- Realised	36,068	31,851
- Unrealised	(847)	32
Total	<u>35,221</u>	<u>31,883</u>
<b>Weighted average number of units ('000)</b>		
Weighted average number of Units in issue	<u>505,300</u>	<u>505,300</u>
Weighted average number of Units for diluted EPU	<u>505,300</u>	<u>505,300</u>
<b>Basic/Diluted EPU (sen)</b>		
- Realised	7.1379	6.3034
- Unrealised	(0.1676)	0.0063
Total	<u>6.9703</u>	<u>6.3097</u>

Dilutive earnings per unit equals to basic earnings per unit as there are no potential dilutive units in issue.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**19 DISTRIBUTION TO UNITHOLDERS**

	Group and Fund	
	2021	2020
	RM '000	RM '000
Total comprehensive income	35,221	31,883
Distribution adjustments	(a) 3,033	(728)
Distributable income	<u>38,254</u>	<u>31,155</u>
<b>Distributions proposed and declared:</b>		
Distribution per unit (sen)		
- for the period from 1 July 2019 to 30 September 2019	-	1,370
- for the period from 1 October 2019 to 31 December 2019	-	1,760
- for the period from 1 January 2020 to 31 March 2020	-	1,520
- for the period from 1 April 2020 to 30 June 2020	-	1,530
- for the period from 1 July 2020 to 30 September 2020	1,550	-
- for the period from 1 October 2020 to 31 December 2020	1,590	-
- for the period from 1 January 2021 to 31 March 2021	1,600	-
- for the period from 1 April 2021 to 30 June 2021	2,100	-
	<u>6,840</u>	<u>6,180</u>
<u>Sources of distributions</u>		
Net property income	56,662	56,018
Interest income	417	567
Changes in fair value on investment properties	(847)	32
	<u>56,232</u>	<u>56,617</u>
Less: Expenses	<u>(21,011)</u>	<u>(24,734)</u>
Total comprehensive income	35,221	31,883
Distribution adjustments	(a) 3,033	(728)
Prior year realised gain	8,571	8,593
Distributable income	46,825	39,748
Distribution of:		
- 1,520 sen for the period from 1 April 2019 to 30 June 2019	-	(7,681)
- 1,370 sen for the period from 1 July 2019 to 30 September 2019	-	(6,922)
- 1,760 sen for the period from 1 October 2019 to 31 December 2019	-	(8,893)
- 1,520 sen for the period from 1 January 2020 to 31 March 2020	-	(7,681)
- 1,530 sen for the period from 1 April 2020 to 30 June 2020	(7,731)	-
- 1,550 sen for the period from 1 July 2020 to 30 September 2020	(7,832)	-
- 1,590 sen for the period from 1 October 2020 to 31 December 2020	(8,034)	-
- 1,600 sen for the period from 1 January 2021 to 31 March 2021	(8,085)	-
	<u>(31,682)</u>	<u>(31,177)</u>
Distributions recognised in statements of changes in net assets value	<u>(31,682)</u>	<u>(31,177)</u>
Income retained	<u>15,143</u>	<u>8,571</u>

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 19 DISTRIBUTION TO UNITHOLDERS (CONTINUED)

	Group and Fund	
	2021	2020
	RM '000	RM '000
<u>Note (a):-</u>		
Distribution adjustments comprise:-		
Amortisation of transaction costs	256	722
Depreciation of equipment	552	306
Changes in fair value on investment properties	847	(32)
(Reversal of) / Allowance for doubtful debts	(1)	104
Bad debts written off	2	20
Written off of equipment	2	-
Amortisation of /(Realised unamortised) rental rebate for MCO	1,375	(1,848)
	<u>3,033</u>	<u>(728)</u>

The final distributable income for the 3 months ended 30 June 2021 is proposed to be 2.100 sen per unit for the period from 1 April 2021 to 30 June 2021, which was declared on 29 July 2021 and is payable on 27 August 2021. The financial statements for the current year ended 30 June 2021 do not reflect this final distributable income. This will be accounted in the statement of changes in net asset value as an appropriation of retained earnings in the next financial year ending 30 June 2022.

Withholding tax will be deducted for distributions as follows:-

	Withholding Tax Rate	
	2021	2020
Resident corporate	N/A <sup>^</sup>	N/A <sup>^</sup>
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

<sup>^</sup> to tax at prevailing rate

### 20 PORTFOLIO TURNOVER RATIO

	Group and Fund	
	2021	2020
Portfolio Turnover Ratio ("PTR") (times)	<u>-</u>	<u>0.41</u>

The calculation of PTR is based on the average value of total acquisitions and disposals of investments in KIP REIT for the financial year to the average NAV during the financial year, which is in accordance with the REIT Guidelines.

Save for placement and upliftment of fixed deposits, there was no acquisition during the financial year.

Since the basis of calculating PTR can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of KIP REIT's PTR against other REITs.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 21 MANAGEMENT EXPENSE RATIO

	Group and Fund	
	2021	2020
Management expense ratio ("MER") (%)	<u>1.51%</u>	<u>2.08%</u>

The calculation of the MER is based on the Fund's total operating expenses (Manager's management fees, trustees' fees and other trust expenses) incurred for the financial year ended 30 June 2021 to the average NAV (after income distribution) as at 30 June 2021, which is in accordance with the REIT Guidelines.

Since the basis of calculating MER can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of KIP REIT's MER against other REITs.

## 22 SEGMENT REPORTING

The senior management team makes the strategic resource allocations on behalf of the Manager. The Manager has determined the operating segments based on the reports reviewed by the senior management team that are used to make strategic decisions.

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by differences in net property income ("NPI") margin from different geographical location.

The Group's geographical segments are based on the location of the Group's assets. The Group's main geographical segments operate in three main geographical areas:

- (i) Central region – the operations in this region include KIPMall Bangi, KIPMall Melaka and KIPMall Senawang;
- (ii) Southern region – the operations in this region include KIPMall Tampoi, KIPMall Masai and KIPMall Kota Tinggi; and
- (iii) Northern region – the operations in this region include AMKC.

Revenues derived from the Northern region amount to approximately 23.1% (2020: 20.1%) of total gross revenue are derived from a single tenant.

The Manager assesses the financial performance of the operating segments based on, including but not limited to, NPI and NPI margin. The NPI enables financial performance benchmarking as such basis eliminates the effect of financing and investment decisions which may not be made at operating level.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 22 SEGMENT REPORTING (CONTINUED)

#### Geographical segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:-

				Group 2021
	Southern region	Central region	Northern region	Total
	RM '000	RM '000	RM '000	RM '000
<b>Revenue</b>				
Gross rental income	33,129	14,709	17,146	64,984
Revenue from contracts with customers	3,173	6,092	-	9,265
Gross Revenue	<u>36,302</u>	<u>20,801</u>	<u>17,146</u>	<u>74,249</u>
<b>Segmental net property income</b>	<u>27,940</u>	<u>12,203</u>	<u>16,519</u>	<u>56,662</u>
Changes in fair value on investment properties	1,147	(4,251)	2,257	(847)
Interest income	189	80	148	417
Borrowing costs	(2,543)	(1,683)	(9,068)	(13,294)
Trust and other expenses	(3,693)	(2,210)	(1,814)	(7,717)
Profit before taxation	<u>23,040</u>	<u>4,139</u>	<u>8,042</u>	<u>35,221</u>
Taxation	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<u><u>23,040</u></u>	<u><u>4,139</u></u>	<u><u>8,042</u></u>	<u><u>35,221</u></u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**22 SEGMENT REPORTING (CONTINUED)**
Geographical segments (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:- (continued)

				Group 2021
	Southern region RM '000	Central region RM '000	Northern region RM '000	Total RM '000
<b>Assets</b>				
Segment assets	394,481	200,819	220,555	815,855
Unallocated assets				
- Cash and bank balances				29,320
- Trade and other receivables				1,046
Total assets				<u>846,221</u>
<b>Liabilities</b>				
Segment liabilities	70,000	44,454	207,568	322,022
Unallocated liabilities				
- Payables and accruals				933
- Borrowings				9,888
Total liabilities				<u>332,843</u>
<b>Other segment information</b>				
Additions to non-current assets:				
- Investment properties	853	251	743	1,847
- Equipment	706	837	-	1,543
Depreciation	<u>241</u>	<u>311</u>	<u>-</u>	<u>552</u>
				Group 2020
	Southern region RM '000	Central region RM '000	Northern region RM '000	Total RM '000
<b>Revenue</b>				
Gross rental income	35,616	15,357	14,982	65,955
Revenue from contracts with customers	2,967	5,618	-	8,585
Gross Revenue	<u>38,583</u>	<u>20,975</u>	<u>14,982</u>	<u>74,540</u>
<b>Segmental net property income</b>	<u>29,624</u>	<u>11,991</u>	<u>14,403</u>	<u>56,018</u>
Changes in fair value on investment properties	(836)	(9,152)	10,020	32
Interest income	271	140	156	567
Borrowing costs	(3,096)	(2,027)	(8,994)	(14,117)
Trust and other expenses	(3,836)	(2,183)	(4,598)	(10,617)
Profit before taxation	22,127	(1,231)	10,987	31,883
Taxation	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<u>22,127</u>	<u>(1,231)</u>	<u>10,987</u>	<u>31,883</u>

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 22 SEGMENT REPORTING (CONTINUED)

#### Geographical segments (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:- (continued)

				Group 2020
	Southern region RM '000	Central region RM '000	Northern region RM '000	Total RM '000
<b>Assets</b>				
Segment assets	391,921	205,798	217,883	815,602
Unallocated assets				
- Cash and bank balances				25,976
- Trade and other receivables				240
Total assets				<u>841,818</u>
<b>Liabilities</b>				
Segment liabilities	68,931	43,922	209,286	322,139
Unallocated liabilities				
- Payables and accruals				234
- Borrowings				9,606
Total liabilities				<u>331,979</u>
<b>Other segment information</b>				
Additions to non-current assets:				
- Investment properties	36	652	206,980	207,668
- Equipment	321	380	-	701
Depreciation	<u>156</u>	<u>150</u>	<u>-</u>	<u>306</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 23.1 Financial risk factors

KIP REIT's activities expose it to a variety of financial risks: interest rate risk (including fair value interest rate risk), credit risk, liquidity and cash flow risk. KIP REIT's overall financial risk management objective is to ensure that it creates value for its unitholders. KIP REIT focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of KIP REIT. Financial risk management is carried out through risk reviews and internal control systems. The Manager regularly reviews the risk profile and ensure adherence to the KIP REIT's financial risk management policies.

(a) Interest rate risk

KIP REIT's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movements in interest rate.

For the purpose of this disclosure, only the Group level interest rate risk is disclosed as the risk at Fund level mirrors the Group exposure, being the exposure to the MTN (refer note 11 and 12 for more details).

The interest rate profile of KIP REIT's significant interest bearing financial instruments, based on carrying amounts as at the end of reporting period is as follows:-

	Group	
	2021	2020
	RM'000	RM'000
Fixed rate instrument		
Medium term notes – rated	210,000	210,000
Floating rate instrument		
Medium term notes – unrated	<u>100,000</u>	<u>100,000</u>

#### Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Group's income for the following year would increase or decrease accordingly as a result from the Group's exposure to interest rates on its borrowing which is not hedged. The Group has performed the following interest rate sensitivity analysis to show the Group's sensitivity to interest rates exposure:

	Group	
	2021	2020
	RM'000	RM'000
<u>Floating rate instrument</u>		
25 basis point increase	14,233	14,113
25 basis point decrease	<u>13,733</u>	<u>13,613</u>

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 23.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk of a financial loss to KIP REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

KIP REIT is not exposed to significant credit risk. The risk of non-collectability of monthly rentals is also mitigated with rental deposits collected from the tenants. Other than AEON from AMKC, which contributes to 23.1% (2020: 20.1%) of the rental income, the Group and the Fund do not have any significant exposure to any individual or group of tenants or counterparties.

#### Simplified approach for trade receivables

The Group and the Fund apply simplified approach which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. To measure the expected credit loss, the expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the tenants to settle the receivables. The Group and the Fund have identified the credit profile and sales performance of tenants to be the most relevant forward looking factors, and accordingly adjusted the historical loss rates based on expected changes in these factors. The Group and the Fund have determined the default rate for trade receivables based on their historical default rate and applied the historical default rate on trade receivables balance in the financial year.

Credit risk with respect to trade receivables and accrued billings is limited due to the nature of business which is mainly rental related and cash-based. Furthermore, the tenants have placed security deposits in the form of cash which act as collateral. In view of the above, no additional credit risk beyond amounts allowed for collection losses is inherent in KIP REIT's trade receivables.

Bank deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies. Hence, the risk of material loss in the event of non-performance by a financial counterparty could be considered to be unlikely.

#### General 3-stage approach for other receivables

The other receivables impairment is assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**
**23.1 Financial risk factors (continued)**

## (b) Credit risk (continued)

The analysis of credit risk exposure of trade and other receivables are as follows:-

<u>Group and Fund</u>		As at June 2021	0-31 days	32-61 days	62-91 days	92-121 days	122-151 days	152-181 days	>181 days
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables (gross)		2,769	1,210	700	261	79	103	34	382
Impairment		(346)	-	-	-	-	(12)	(1)	(333)
		<u>2,423</u>	<u>1,210</u>	<u>700</u>	<u>261</u>	<u>79</u>	<u>91</u>	<u>33</u>	<u>49</u>
Expected loss rate							12%	2%	87%
Non-trade receivables (gross)		228	121	19	13	9	9	1	56
Impairment		(49)	-	-	-	-	(1)	-	48
		<u>179</u>	<u>121</u>	<u>19</u>	<u>13</u>	<u>9</u>	<u>8</u>	<u>1</u>	<u>8</u>
Expected loss rate							16%	0%	86%
		As at June 2020	0-31 days	32-61 days	62-91 days	92-121 days	122-151 days	152-181 days	>181 days
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables (gross)		1,960	424	665	132	370	17	3	349
Impairment		(348)	-	-	-	-	-	-	(348)
		<u>1,612</u>	<u>424</u>	<u>665</u>	<u>132</u>	<u>370</u>	<u>17</u>	<u>3</u>	<u>1</u>
Expected loss rate							0%	0%	99%
Non-trade receivables (gross)		245	153	5	28	6	3	4	46
Impairment		(48)	-	-	-	-	(2)	(2)	(44)
		<u>197</u>	<u>153</u>	<u>5</u>	<u>28</u>	<u>6</u>	<u>1</u>	<u>2</u>	<u>2</u>
Expected loss rate							67%	75%	96%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 23.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

The movement of allowance for impairment of trade receivables is as follows:-

	Group and Fund	
	2021	2020
	RM'000	RM'000
As at 1 July	348	251
Allowance for impairment	-	117
Bad debts written off	(2)	(20)
As at 30 June	<u>346</u>	<u>348</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

#### (c) Liquidity and cash flow risk

The rolling forecasts of liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the committed borrowing facilities (Note 11).

Adequate cash, cash equivalents and bank facilities are maintained and monitored to finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the REIT Guidelines concerning limits on total borrowings of the investment trust.

Cash and cash equivalents as at 30 June 2021 of RM20.2 million (2020: RM17.0 million) are expected to assist in the liquidity and cash flow risk management.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 23.1 Financial risk factors (continued)

(c) Liquidity and cash flow risk (continued)

The analysis of the non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date are as follows:-

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	Total RM'000
<u>Group</u>					
At 30 June 2021					
Borrowings	12,905	12,905	12,905	322,905	361,620
Payables and accruals	9,175	10,960	-	-	20,135
<u>Fund</u>					
At 30 June 2021					
Amount due to a subsidiary	-	-	-	305,193	305,193
Payables and accruals	9,175	10,960	-	-	20,135
<u>Group</u>					
At 30 June 2020					
Borrowings	13,235	13,235	13,235	323,235	362,940
Payables and accruals	14,444	5,108	-	-	19,552
<u>Fund</u>					
At 30 June 2020					
Amount due to a subsidiary	-	-	-	305,048	305,048
Payables and accruals	14,444	5,108	-	-	19,552

Note:-

The amounts are contractual and undiscounted cash flows.

#### 23.2 Capital risk management

Capital is the unitholders' capital and borrowings.

The overall capital management objectives are to safeguard the ability to continue as a going concern in order to provide returns for unitholders and other stakeholders as well as to maintain a more efficient capital structure.

The Manager's on-going capital management strategy involves maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with refinancing and changes in interest rates. The Manager intends to implement this strategy by:

- (i) diversifying sources of debt funding to the extent appropriate,
- (ii) maintaining a reasonable level of debt service capability,
- (iii) securing favourable terms of funding,
- (iv) managing its financial obligations and
- (v) where appropriate, managing the exposures arising from adverse market interest rates, such as through fixed rate borrowings, to improve the efficiency for the cost of capital.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 23.2 Capital risk management (continued)

The total borrowings to total assets ratio is as follows:-

	Group		Fund	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Total borrowings	312,708	312,427	305,193	305,048
Total assets	846,221	841,818	838,706	834,439
Borrowings to total assets ratio (%)	36.95%	37.11%	36.39%	36.56%

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with the REIT Guidelines. The Group and the Fund complied with the borrowing limit requirement for the financial year ended 30 June 2021. Amount due from a subsidiary (Note 12) is deemed as a borrowing as it represents advances of MTN proceeds from the subsidiary.

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

#### 23.3 Fair value

The assets and liabilities measured at fair value and classified by level of the fair value measurement hierarchy are as follows:-

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

	Level 3	
	2021	2020
	RM'000	RM'000
Recurring fair value measurements:		
Investment properties	808,000	807,000

Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by the Valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. The valuation techniques, significant parameters and movement in fair values are as disclosed in Note 6.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 23.3 Fair value (continued)

#### Assets and liabilities not carried at fair value

The carrying amounts of financial assets and liabilities as at reporting date approximated their fair values except as disclosed below. The fair value of tenants' deposits received from tenants at the reporting date is not materially different from their carrying value as the impact of discounting is not expected to be significant. For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

In determining the fair value of the medium term notes with fixed interest rate, the Group utilises the discounted cash flow method. This involves the derivation of the present value of cash flows arising from payments of interest and principal based on the current market interest rates.

For the purpose of fair valuing the borrowing facilities, a proxy market interest rate is derived by reference to the floating market rate paid on the floating medium term notes issue for a borrowing facility of similar characteristics. This represents the best estimate of the market rate for the borrowing facility.

	Level 3	
	2021	2020
	RM'000	RM'000
Medium term notes – fixed rate issue of RM210 million	<u>221,000</u>	<u>219,000</u>

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions are carried out in the normal course of business on terms and conditions negotiated between the contracting parties.

Related party	Relationship
KIP REIT Management Sdn. Bhd.	REIT Manager
KIP REIT Capital Sdn. Bhd.	Subsidiary company
KIP Property Services Sdn. Bhd.	Common Shareholder
KIPMart Management Sdn. Bhd.	Common Shareholder

The above companies are jointly controlled by late Dato' Chew Lak Seong, Dato' Ong Kook Liong and their spouses.

Significant related parties transactions for the financial year:	Group		Fund	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<b><u>Purchases of services</u></b>				
1) Reimbursement cost				
- KIP Property Services Sdn. Bhd.	<u>3,662</u>	<u>4,139</u>	<u>3,662</u>	<u>4,139</u>
2) Management fees				
- KIP REIT Management Sdn. Bhd.	<u>5,541</u>	<u>7,407</u>	<u>5,541</u>	<u>7,407</u>

# NOTES TO THE FINANCIAL STATEMENTS

## (CONTINUED)

### 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Significant related parties transactions for the financial year:	Group		Fund	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b><u>Purchases of services (continued)</u></b>				
3) Interest on advances from a subsidiary - KIP REIT Capital Sdn. Bhd.	-	-	13,194	13,087
<b>Significant related parties balances as at reporting date:</b>				
<b><u>Amounts due from</u></b>				
KIP Property Services Sdn. Bhd.	7	645	7	645
<b><u>Amounts due to</u></b>				
KIP REIT Management Sdn. Bhd.	-	13	-	13
KIP REIT Capital Sdn. Bhd.	-	-	305,193	305,048
KIPMart Management Sdn. Bhd.	-	6	-	6

The amount due from related parties are mainly due to advance payment in relation to operation, maintenance, management and marketing of investment properties.

The amount due to related parties are related to services rendered by the related companies, as well as advances pertaining to MTN issuance (Note 11).

### 25 SIGNIFICANT EVENTS DURING THE YEAR

- As announced on 29 September 2020, a Supplementary Trust Deed has been lodged and registered with the Securities Commission Malaysia and is effective on 12 October 2020. Upon the Supplementary Trust Deed becoming effective, the Restated Trust Deed dated 12 December 2020 is amended by the Supplementary Trust Deed.
- As announced on 22 February 2021, a Consent Judgement had been entered into on 22 February 2021 in relation to the litigation under Civil Suit No. WA-24NCvC-1804-10/2020. The dispute between the Plaintiff and Defendant had been settled amicably. Both parties agree that the Plaintiff may tenant the Demised Premises and shall vacate the Demised Premises on or before 28 February 2022.
- Movement restrictions of varying degrees have been imposed throughout much of the financial year in response to the Covid-19 pandemic. The Group and the Fund continued to offer rental rebate assistance to eligible tenants affected by the movement control orders subject to fulfilling the criteria set. The total rental rebate offered amounted to RM598,000 for the financial year ended 30 June 2021 (2020: RM3.5 million). RM1.9 million of the cumulative rental rebate were amortised during the financial year ended 30 June 2021 (see Note 3(k) for the applicable accounting policy).

The Group and the Fund do not foresee significant increase in credit risks of the tenant that may materially jeopardise the sustainability of the Group's and the Fund's business despite dampened consumer demand across the Malaysian economy.

# UNITHOLDERS' STATISTICS

## As At 30 July 2021

### ANALYSIS OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Issued Units
Less than 100	30	0.56	494	0.00
100 - 1,000	927	17.41	574,429	0.11
1,001 - 10,000	2,854	53.62	14,234,300	2.82
10,001 - 100,000	1,263	23.73	41,282,608	8.17
100,001 to less than 5% of issued units	247	4.64	360,480,655	71.34
5% and above of issued units	2	0.04	88,727,514	17.56
<b>Total</b>	<b>5,323</b>	<b>100.00</b>	<b>505,300,000</b>	<b>100.00</b>

\*Voting rights: one vote per unit

### DIRECTORS' UNITHOLDINGS

No.	Name of Directors	No. of Units	Direct Interest		Deemed Interest	
			%	No. of Units	%	No. of Units
1	Dato' Dr Syed Hussain bin Syed Husman, JP	60,000	0.01	-	-	-
2	Dato' Chew Lak Seong (Deceased on 25 June 2021) ^^	72,663,514	14.38	44,666,274	8.84	-
3	Dato' Ong Kook Liong	88,486,283	17.51	13,878,492	2.75	-
4	Datuk Mohamed Arsad bin Sehan	60,000	0.01	-	-	-
5	Chiam Tau Meng	-	-	-	-	-
6	Chew Kheng Kai	100,000	0.02	-	-	-
7	Ong Pui Shan	200,000	0.04	-	-	-

^^ The beneficiary of late Dato' Chew Lak Seong's units in KIP REIT is Datin Teoh Siew Chin.

### SUBSTANTIAL UNITHOLDERS

No.	Name of Substantial Unitholders	No. of Units	Direct Interest		Deemed Interest	
			%	No. of Units	%	No. of Units
1	Dato' Chew Lak Seong (Deceased on 25 June 2021) ^^	72,663,514	14.38	44,666,274	8.84	-
2	Dato' Ong Kook Liong	88,486,283	17.51	13,878,492	2.75	-
3	Datin Teoh Siew Chin	34,566,274	6.84	-	-	-

^^ The beneficiary of late Dato' Chew Lak Seong's units in KIP REIT is Datin Teoh Siew Chin.

\* Deemed interest by virtue of his interest pursuant to Section 8(4) and 59(11)(c) of the Companies Act 2016.

# UNITHOLDERS' STATISTICS

## As At 30 July 2021

### TOP 30 UNITHOLDERS

No.	Name	Holdings	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG	47,463,514	9.39
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG	41,264,000	8.17
3	TEOH SIEW CHIN	19,565,781	3.87
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG	17,900,000	3.54
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG	17,900,000	3.54
6	YAYASAN GURU TUN HUSSEIN ONN	17,000,000	3.36
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	15,685,000	3.10
8	TEOH SIEW CHIN	15,000,493	2.97
9	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGBHK-ASING)	12,500,000	2.47
10	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSHKBR-CL FR)	12,500,000	2.47
11	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG	11,400,000	2.26
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	10,862,300	2.15
13	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ADAMIN CORPORATION SDN BHD ( PJCAC)	10,000,000	1.98
14	USAINS HOLDING SDN BHD	10,000,000	1.98
15	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BOCI SECURITIES LTD (CLIENTS A/C )	9,550,000	1.89

# UNITHOLDERS' STATISTICS

## As At 30 July 2021

### TOP 30 UNITHOLDERS

No.	Name	Holdings	%
16	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND	9,423,300	1.86
17	M & A NOMINEE (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR ONG KOOK LIONG (M&A)	8,210,000	1.62
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AHAM EQUITY FUND)	7,500,000	1.48
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR CHEW LAK SEONG (7003606)	7,300,000	1.44
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	7,237,300	1.43
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (LIFE PAR)	6,931,700	1.37
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-AHAM)(420317)	6,628,900	1.31
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR ONG KOOK LIONG (7003599)	6,600,000	1.31
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (AFFIN)	6,138,300	1.21
25	BERNARD CHANG TZE WAH	5,900,000	1.17
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR KOK PICK TONG (7004042)	5,500,000	1.09
27	KOK PICK TONG	5,196,998	1.03
28	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)	4,737,100	0.94
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD MEDICAL FUND (IFM AFFINHWANG) (410222)	4,213,100	0.83
30	CARTABAN NOMINEES (TEMPATAN) SDN BHD TMF TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG WHOLESALE EQUITY FUND	3,487,700	0.69
TOTAL		363,595,486	71.92%

# CORPORATE DIRECTORY

**MANAGER :** KIP REIT Management Sdn. Bhd. (Registration No: 201501044317 (1169638-M))

**Registered Office :**

Level 27.2, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur, Malaysia  
Telephone No.: +603 6203 5828 / +603 6201 8080  
Facsimile No.: +603 6203 2788  
Email: slfgroup@slfch.com

**Business Office :**

Unit B-6, Blok B, Tingkat 6, Menara KIP  
No. 1, Jalan Seri Utara 1  
Sri Utara Off Jalan Ipoh  
68100 Kuala Lumpur, Malaysia  
Telephone No.: +603 6259 1133  
Facsimile No.: +603 6259 1212  
E-mail: info@kipreit.com.my  
Website: www.kipreit.com.my

**DIRECTORS OF THE MANAGER**

Dato' Dr Syed Hussain bin Syed Husman, JP  
*Chairman and Senior Independent Non-Executive Director*  
Dato' Chew Lak Seong (demised on 25 June 2021)  
*Managing Director and Non-Independent Executive Director*  
Dato' Eric Ong Kook Liong  
*Non-Independent Executive Director*  
Mr Alex Chew Kheng Kai  
*Non-Independent Executive Director*  
Datuk Mohamed Arsad bin Sehan  
*Independent Non-Executive Director*  
Mr Chiam Tau Meng  
*Independent Non-Executive Director*  
Ms Valerie Ong Pui Shan  
*Non-Independent Non-Executive Director*

**AUDIT AND RISK MANAGEMENT COMMITTEE**

Mr Chiam Tau Meng (Chairman)  
Datuk Mohamed Arsad bin Sehan  
Dato' Dr Syed Hussain bin Syed Husman, JP

**NOMINATION COMMITTEE**

Datuk Mohamed Arsad bin Sehan (Chairman)  
Dato' Dr Syed Hussain bin Syed Husman, JP  
Mr Chiam Tau Meng

**REMUNERATION COMMITTEE**

Dato' Dr Syed Hussain bin Syed Husman, JP (Chairman)  
Datuk Mohamed Arsad bin Sehan  
Dato' Chew Lak Seong (demised on 25 June 2021)  
Mr Alex Chew Kheng Kai (appointed on 29 July 2021)

**COMPANY SECRETARY OF THE MANAGER**

Foo Siew Loon (MAICSA 7006874)  
(SSM Practising Certificate No. 202008002104)  
Level 27.2, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur, Malaysia  
Telephone No.: +603 6201 8080 / +603 6203 5828  
Facsimile No.: +603-6203 2788

**TRUSTEE**

Pacific Trustees Berhad  
(Registration No: 199401031319 (317001-A))  
A-11-8, 11th Floor Megan Avenue 1  
No. 189, Jalan Tun Razak  
Off Persiaran Hampshire  
50400 Kuala Lumpur, Malaysia  
Telephone No.: +603 2166 8830  
Facsimile No.: +603 2166 3830

**PROPERTY MANAGER**

Henry Butcher (Mont Kiara) Sdn. Bhd.  
(Registration No: 201501023493 (1148822-P))  
Unit D4-3-3&3A,  
Solaris Dutamas,  
No.1, Jalan Dutamas 1,  
50480 Kuala Lumpur  
Telephone No.: +603 6205 3330  
Website: www.henrybutchermk.com

# CORPORATE DIRECTORY

**EXTERNAL AUDITORS**

PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF 1146)  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Telephone No.: +603 2173 1188  
Website: [www.pwc.com/my/en](http://www.pwc.com/my/en)

**TAX CONSULTANT**

PricewaterhouseCoopers Taxation Services Sdn. Bhd.  
(Registration No. 199801008604 (464731-M))  
Level 16, Menara LGB  
1, Jalan Wan Kadir, Taman Tun Dr Ismail  
60000, Kuala Lumpur, Malaysia  
Telephone No.: +603 7610 8888  
Website: [www.deloitte.com/my](http://www.deloitte.com/my)

**PRINCIPAL BANKER OF THE FUND**

Maybank Investment Bank Berhad  
(Registration No. 197301002412/15938-H)  
32nd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur, Malaysia  
Telephone No.: +603 2059 1888  
Facsimile No.: +603 2301 1377  
Website: [www.maybank-ib.com](http://www.maybank-ib.com)

**INDEPENDENT PROPERTY VALUER**

CBRE | WTW  
C H Williams Talhar & Wong Sdn. Bhd.  
(Registration No. 197401001098 (18149-U))  
30-01, 30th Floor, Menara Multi-Purpose @ CapSquare  
8 Jalan Munshi Abdullah, P.O. Box 12157  
50100 Kuala Lumpur, Malaysia  
Telephone No.: +603 2616 8888  
Website: [www.cbre-wtw.com.my](http://www.cbre-wtw.com.my)

**REGISTRAR**

Boardroom Share Registrars Sdn. Bhd.  
(Registration No. 199601006647 (378993-D))  
11th Floor, Menara Symphony,  
No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13,  
46200 Petaling Jaya Selangor, Malaysia  
Telephone No.: +603 7890 4700  
Facsimile No. : +603 7890 4670  
Website : [www.boardroomlimited.com](http://www.boardroomlimited.com)

**INTERNAL AUDITOR**

Baker Tilly Monteiro Heng Governance Sdn. Bhd.  
(Registration No. 199501022568 (351771-X))  
Baker Tilly Tower, Level 10, Tower 1, Avenue 5,  
Bangsar South City,  
59200 Kuala Lumpur, Malaysia  
Telephone No.: +603 2297 1000  
Facsimile No. : +603 2282 9980  
Website: [www.barkertilly.my](http://www.barkertilly.my)

**STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad  
Stock Short Name : KIPREIT  
Stock Code : 5280

**INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS**

Ms Natalie Ong  
Investor Relations

Email: [ir@kipreit.com.my](mailto:ir@kipreit.com.my)  
Telephone: +603 6259 1133

# NOTICE OF 5TH AGM

**NOTICE IS HEREBY GIVEN** that the Fifth Annual General Meeting of the Unitholders of KIP Real Estate Investment Trust ("KIP REIT") will be conducted on a fully virtual basis via online meeting to transact the following businesses:

Online Meeting Platform : <https://meeting.boardroomlimited.my>  
 (Domain Registration No. with MYNIC - D6A357657)  
 Provided by Boardroom Share Registrars Sdn. Bhd.  
 Day and Date : Wednesday 29 September 2021  
 Time : 10.30am

## ORDINARY BUSINESS

- |    |  |                                    |
|----|--|------------------------------------|
| 1. | To lay the Audited Financial Statements of KIP REIT for the financial year ended 30 June 2021 together with the Trustee's Report to the Unitholders issued by Pacific Trustees Berhad, as trustee for KIP REIT and Statement by the Manager issued by KIP REIT Management Sdn. Bhd., as the Manager for KIP REIT and the Auditors' Report thereon. | Please refer to Explanatory Note I |
|----|--|------------------------------------|

## SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following resolution:

- |    |   |                     |
|----|---|---------------------|
| 2. | PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS PURSUANT TO PARAGRAPH 6.59 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("PROPOSED AUTHORITY") | Ordinary Resolution |
|----|---|---------------------|

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, authority be and is hereby given to the Directors of KIP REIT Management Sdn. Bhd. ("the Manager") to allot and issue new units in KIP REIT ("New Units") from time to time to such persons and for such purposes as the Directors of the Manager may in their absolute discretion deem fit and in the best interest of KIP REIT, provided that the aggregate number of New Units to be allotted and issued pursuant to this resolution, when aggregated with the number of units in KIP REIT issued during the preceding 12 months, must not exceed 20% of the approved fund size of KIP REIT for the time being comprising 505,300,000 units;

THAT the Proposed Authority shall be effective and continue to be in force from the date of receipt of all relevant authorities' approval or the date the Unitholders pass this resolution, whichever may be the later, until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Unitholders, at which time it shall lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- (c) the Proposed Authority is revoked or varied by the Unitholders in a Unitholders' meeting;

whichever occurs first ("Validity Period");

THAT the New Units to be issued pursuant to the Proposed Authority shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Units except that the New Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issuance of such New Units;

# NOTICE OF 5TH AGM

THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of KIP REIT, to give effect to the aforesaid Proposed Authority with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as the Manager and the Trustee may deem fit and in the best interest of KIP REIT and/or as may be imposed by the relevant authorities, and to deal with all matters relating thereto;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of KIP REIT, to take all such steps and do all acts, deeds and things in any manner (including the execution of such documents as may be required) as they may deem necessary or expedient to implement, finalise, complete and give full effect to the Proposed Authority."

By Order of the Board of  
KIP REIT Management Sdn. Bhd.  
Registration No. 201501044317 (1169638-M)  
(the Manager for KIP REIT)

Foo Siew Loon (MAICSA7006874)  
(SSM Practising Certificate No.202008002104)  
Company Secretary

Kuala Lumpur  
30 August 2021

## Notes:

1. In light of the current Covid-19 pandemic and having regard to the well-being and the safety of our Unitholders, the 5th AGM will be conducted on a fully virtual basis via online meeting platform using Remote Participation Electronic Voting ("RPEV") facilities. Please follow the procedures provided in the Administrative Guide for the 5th AGM in order to register, participate and vote remotely via RPEV facilities.
2. Unitholder who is entitled to participate the meeting is entitled to appoint not more than 2 proxies to participate instead of him/her. A proxy need not be a Unitholder. Where a Unitholder appoints more than 1 proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Where a Unitholder is a corporation, its duly authorised representative shall be entitled to participate the meeting and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to participate and vote.
4. Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a Unitholder appoints more than 1 proxy, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarial certified copy of such power or authority shall be deposited with the Share Registrar, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony No.5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia no later than 28 September 2021 at 10.30 a.m. being 24 hours before the time appointed for holding the meeting or any adjournment thereof. Alternatively, you may choose to submit the proxy appointment via electronic means through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> before the Form of Proxy submission cut-off time as mentioned above.

# NOTICE OF 5TH AGM

7. Only Unitholders registered in the Record of Depositors as at 23 September 2021 shall be entitled to participate, vote and speak at the meeting or appoint proxy(ies) to participate and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Ordinary Resolution set out in the Notice of 5<sup>th</sup> AGM will be put to vote by way of a poll.
9. Annual Report 2021 is available on KIP REIT's website [www.kipreit.com.my](http://www.kipreit.com.my) which Unitholders can view or download at their convenience.

## Explanatory Notes on:

### (I) Ordinary Business

The Audited Financial Statements laid at this meeting pursuant to clause 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts ("REITs Guidelines") are meant for discussion only. The Audited Financial Statements do not require approval of the Unitholders and therefore, shall not be put forward for voting.

### (II) Special Business

The Ordinary Resolution, if passed, will enable the Directors of the Manager to allot and issue New Units from time to time provided that the aggregate number of the New Units to be issued during the Validity Period, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the approved fund size of KIP REIT for the time being comprising of 505,300,000 units.

The Proposed Authority will allow the Directors of the Manager the flexibility to allot and issue New Units to raise funds to finance future investments, acquisitions and/or capital expenditure to enhance the value of KIP REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Authority, delays and further costs involved in convening separate general meeting to approve such issue of New Units to raise funds can be avoided.

The Directors of the Manager may, subject to relevant laws and regulations, use the net proceeds from the issuance of New Units under the Proposed Authority at their absolute discretion for other purposes as permitted for under the REITs Guidelines.

Any allotment and issuance of New Units pursuant to the Proposed Authority will be subject to the relevant approvals of Bursa Malaysia Securities Berhad and relevant regulatory authorities.

As at the date of this notice, KIP REIT has not issued any Units under the mandate which was approved at the 4th AGM held on 29 September 2020 and which will lapse at the conclusion of the 5th AGM.

## Personal Data Notice

In view of the enforcement of Personal Data Protection Act 2010 ("Act") which regulates the processing of personal data in commercial transactions, the Act applies to us, KIP REIT Management Sdn. Bhd. ("the Manager"), being the management company of KIP REIT. The personal data processed by us may include your name, contact details, and mailing address and any other personal data derived from any documentation. We may use or disclose your personal data to any person we may engage for the purpose of the issuance of the Notice of AGM, processing of the Instrument of Proxy and the convening of the AGM of KIP REIT. As such, it is necessary for us to obtain your personal data in order to carry out the said purposes. Subject to the requirements under the Act, if you would like to make any enquiries of your personal data, please contact us at [info@kipreit.com.my](mailto:info@kipreit.com.my)

# ADMINISTRATIVE GUIDE

## Administrative Guide for the Fifth Annual General Meeting ("5<sup>th</sup> AGM") of the Unitholders of KIP Real Estate Investment Trust ("KIP REIT")

Online Meeting Platform	:	<a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a> (Domain Registration No. with MYNIC - D6A357657) Provided by Boardroom Share Registrars Sdn. Bhd.
Date & Time	:	Wednesday 29 September 2021, 10.30am

Dear Unitholders of **KIP REIT**,

As a precautionary measure amid Covid-19 pandemic, the 5<sup>th</sup> AGM of KIP REIT will be conducted virtually via the Meeting Platform, as the safety of our Unitholders, Board of Directors, staffs and other stakeholders who will attend the 5<sup>th</sup> AGM is of paramount importance to us.

The Securities Commission Malaysia had on 16 July 2021, revised the Guidance Note and FAQ on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. Physical gatherings no matter how small are prohibited. According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when the virtual 5<sup>th</sup> AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

### (1) Digital Copies of Annual General Meeting Documents

As part of our commitment to reduce paper usage, the following documents are available on our website.

- (a) Annual Report 2021 at [www.kipreit.com.my](http://www.kipreit.com.my)
- (b) Notice of the 5<sup>th</sup> AGM, Form of Proxy and Administrative Guide at [www.kipreit.com.my](http://www.kipreit.com.my)

Should you require a printed copy of the above documents, you may call Ms Natalie Ong at telephone No. +603 6259 1133 or email to [info@kipreit.com.my](mailto:info@kipreit.com.my). The requested documents will be forwarded to you by ordinary post within 4 market days from the date of receipt of your request subject to the National Recovery Plan restrictions at the relevant point of time.

### (2) Entitlement to Participate the 5<sup>th</sup> AGM

In respect of deposited securities, only Unitholders whose names appear on the Record of Depositors on 23 September 2021 shall be eligible to participate the meeting or appoint proxy(ies) to participate and vote on his/her behalf.

### (3) Form of Proxy

Unitholders are encouraged to go online, participate and vote at the 5<sup>th</sup> AGM using RPEV facilities. If you are not able to participate, you can appoint the Chairman of the meeting as your proxy and indicate the voting instructions in the Form of Proxy.

Please ensure that the original form is deposited at the Share Registrar, Boardroom Share Registrars sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony No.5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia no later than 28 September 2021 at 10.30 a.m. being 24 hours before the time appointed for holding the meeting or any adjournment thereof.

Alternatively, you may deposit your Form of Proxy by electronic means through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> to login and deposit your Form of Proxy electronically, also 24 hours before the meeting. (Kindly refer to step 2 under "Virtual Meeting Facilities" below).

# ADMINISTRATIVE GUIDE

## (4) Revocation of Proxy

If you have submitted your Form of Proxy and subsequently decide to appoint another person or wish to participate in our virtual AGM by yourself, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy 24 hours before the meeting.

## (5) Voting Procedures

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the annual general meeting will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

## (6) Virtual Meeting Facilities

Procedure	Action
<b>Before the day of the AGM</b>	
1. Register Online with Boardroom Smart Investor Portal	<p>[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.]</p> <ol style="list-style-type: none"> <li>Access website <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a></li> <li>Click &lt;&lt;Login&gt;&gt; and click &lt;&lt;Register&gt;&gt; to sign up as a user.</li> <li>Complete registration and upload softcopy of MyKAD (front and back) or Passport.</li> <li>Please enter a valid email address.</li> <li>Your registration will be verified and approved within one business day and an email notification will be provided.</li> </ol>
2. Submit request for remote participation	<p>Registration for remote access will be opened at 10.30 a.m. on 30 August 2021. Please note that the closing time to submit your request is at 10.30 a.m. on 28 September 2021 (24 hours before the commencement of the AGM).</p> <p><b>Individual Member</b></p> <ol style="list-style-type: none"> <li>Log into website <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a></li> <li>Select "<b>KIP REIT 5TH ANNUAL GENERAL MEETING</b>" from the list of Corporate Meetings and click "Enter".</li> <li>Click on "Register for RPEV".</li> <li>Read and accept the General Terms &amp; Conditions and click "Next".</li> <li>Enter your CDS Account Number and thereafter submit your request.</li> </ol>

# ADMINISTRATIVE GUIDE

2.	Submit request for remote participation	<p><b>Appointment of Proxy</b></p> <ol style="list-style-type: none"> <li>Log in to <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> using your user ID and password from Step 1 above.</li> <li>Select <b>"KIP REIT 5TH ANNUAL GENERAL MEETING"</b> from the list of Corporate Meetings and click "Enter".</li> <li>Click on "Submit eProxy Form".</li> <li>Read and accept the General Terms &amp; Conditions and click "Next".</li> <li>Enter your CDS Account Number and number of securities held.</li> <li>Select your proxy - either the Chairman of the meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies).</li> <li>Indicate your voting instructions - FOR or AGAINST, otherwise your proxy will decide your vote.</li> <li>Review and confirm your proxy appointment..</li> <li>Click "Apply".</li> <li>Download or print the eProxy form as acknowledgement.</li> </ol> <p><b>Corporate Unitholders</b></p> <ol style="list-style-type: none"> <li>Write in to <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as tge case may be) to submit the request.</li> <li>Please provide a copy of Corporate Representative's or Proxy's MyKad (Front and Back) or Passport in JPEG, PNG or PDF format as well as his/her email address.</li> </ol>
3	Email notification	<ol style="list-style-type: none"> <li>You will receive notification(s) from Boardroom that your request(s) has/have been received and is/are being verified.</li> <li>Upon system verification against the General Meeting Record of Depositories as at 23 September 2021, you will receive an email from Boardroom either approving or rejecting your registration for remote participation. If your registration for remote participation is approved, you will receive an email notification from Boardroom with the Meeting ID together with your remote access user ID and password.</li> </ol>
<b>On the day of the AGM</b>		
4.	Login to Meeting Platform	<ol style="list-style-type: none"> <li>The Meeting Platform will be open for login one (1) hour before the commencement of the AGM.</li> <li>The Meeting Platform can be accessed via one of the following:</li> <li>Scan the QR Code provided in the email notification;</li> <li>Navigate to the website at <a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a></li> <li>Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3.</li> </ol>
5.	Participate	<p>[Note: Please follow the User Guides provided in the confirmation email above to view the live webcast, submit questions and vote. Questions submitted online will be moderated before being sent to the Chairman to avoid repetition. All question and messages will be presented with the full name and identity of the participant raising the question.]</p> <ol style="list-style-type: none"> <li>If you would like to view the live webcast, select the broadcast icon. </li> <li>If you would like to ask a question during the AGM, select the messaging icon. </li> <li>Type your message within the chat box, once completed click the send button.</li> </ol>

# ADMINISTRATIVE GUIDE

6.	Voting	<ol style="list-style-type: none"> <li>Once voting has been opened, the polling icon will appear with the resolutions and your voting choices until the Chairman declares the end of the voting session.</li> <li>To vote simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.</li> <li>To change your vote, simply select another voting direction.</li> <li>If you wish to cancel your vote, please press "Cancel".</li> </ol>
7.	End of Participation	Upon the announcement by the Chairman on the closure of the AGM, the live webcast will end and the Messaging window will be disabled.

## (7) No Distribution of Door Gifts, Food and Beverages

There will be no distribution of food voucher or door gift to Unitholders.

## (8) Enquiry

If you have any enquiries on the virtual 5<sup>th</sup> AGM facilities (technical assistance) prior to the meeting, please contact the following during office hours from Mondays to Fridays (8.30 a.m. to 5.30 a.m.):

Boardroom Share Registrars Sdn. Bhd.

Address : 11th Floor, Menara Symphony  
No. 5 Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

General Line : 603-7890 4700

Fax Number : 603-7890 4670

Email : bsr.helpdesk@boardroomlimited.com

## (9) Mode of Communication of the virtual 5<sup>th</sup> AGM

- Typed text in the Meeting Platform
- Email questions to [ir@kipreit.com.my](mailto:ir@kipreit.com.my) prior to the meeting
- Unitholders may submit questions by logging into the Boardroom Smart Investor Portal at <http://investor.boardroomlimited.com> prior to the meeting.

## (10) Personal Data Privacy

By registering for the RPEV meeting and/or submitting the instrument appointing proxy(ies) and/or representative(s), the Unitholder has consented to the use of such data for purposes of processing and administration by KIP REIT (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The Unitholder agrees that he/she will indemnify KIP REIT in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

## (11) Communication Guidance

Due to the constant evolving Covid-19 pandemic situation in Malaysia, we may be required to change the arrangements of our 5<sup>th</sup> AGM at short notice. Kindly check the website or announcements of KIP REIT for the latest updates on the status of the 5<sup>th</sup> AGM.



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**AFFIX  
STAMP**

The Company Secretary  
KIP REIT MANAGEMENT SDN BHD  
Registration No. 201501044317 (1169638-M)  
(The Manager for KIP Real Estate Investment Trust)  
Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara,  
No. 1, Jalan Kiara, Mont Kiara,  
50480 Kuala Lumpur

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**KIP REAL ESTATE INVESTMENT TRUST**

**KIP RET MANAGEMENT SDN. BHD.**  
(Registration No. 201501044317)  
Manager for KIP REIT

Unit B-6, Blok B, Tingkat 6, Menara KIP  
No. 1 Jalan Seri Utara, 1 Seri Utara Off Jalan Ipoh  
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