

KIP MALL BANGI



annual report  
**2018**





# Table of CONTENTS

## HIGHLIGHTS

Portfolio Highlights	002
Financial Highlights	003

## EDITORIAL

Letter To Unitholders	004
Corporate Event	005
Management Discussion And Analysis	006
Portfolio Performance	018
Corporate Social Responsibility	032

## ORGANISATION

Corporate Milestones	035
Corporate Organisation	036
Corporate Reporting Structure Of The Manager	037
Fund Information	038
Corporate Directory	040
The Board Of Directors	042
The Management Team	048
Investor Relations And Corporate Communications	054

## CORPORATE REVIEW & DISCLOSURE

Manager's Report	058
Corporate Governance Overview Statement	061
Statement Of Risk Management & Internal Control	074
Audit And Risk Management Committee Report	076
Sustainability Statement	078
Statement By The Manager	082
Statutory Declaration	082
Trustee's Report	083
Independent Auditors' Report	084

## FINANCIALS

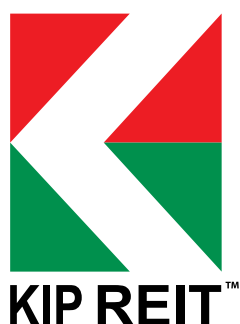
Statement Of Financial Position	088
Statement Of Comprehensive Income	089
Statement Of Changes In Net Asset Value	090
Statement Of Cash Flows	091
Notes To The Financial Statements	092
Statistic Of Unitholders	131
Notice Of Annual General Meeting	135
Enclosed Proxy Form	

**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.

# PORTFOLIO HIGHLIGHTS

	KiP Mart Tampoi	KiP Mart Kota Tinggi	KiP Mart Masai	KiP Mart Lavender Senawang	KiP Mart Melaka	KiP Mall Bangi	Total
<b>Tenure</b>	99 years, expiring on 24 September 2092	Freehold	99 years, expiring on 28 December 2108	Freehold	99 years, expiring on 17 November 2112	99 years, expiring on 14 July 2093	
<b>Gross Floor Area (Sq ft)</b>	234,321	113,958	247,990	175,095	276,987	348,203	1,396,554
<b>Net Lettable Area (Sq ft)</b>	163,587	72,486	144,187	115,313	182,327	260,046	937,946
<b>Number of Tenancies</b>	257	151	254	65	71	149	947
<b>Occupancy Rate As At 30 June 2018</b>	96.36%	92.71%	93.84%	80.52%	70.24%	88.81%	86.57%
<b>Financial Year ("FY") 2018 Total Revenue (RM'000)</b>	16,233	6,195	16,454	3,150	5,657	15,084	62,773
<b>FY2018 Net Property Income (RM'000)</b>	11,964	3,912	12,501	1,115	1,871	10,555	41,918
<b>Appraised Value (RM'000)</b>	159,000	56,000	160,000	30,000	50,000	130,000	585,000

# FINANCIAL HIGHLIGHTS



## Statement Of Comprehensive Income

	FY2018 (RM'000) (12 months)	FP2017 (RM'000) (5 months)
Gross Revenue	62,773	26,350
Net Property Income	41,918	17,525
Income Before Taxation	37,610	14,660
Net Income After Taxation	37,610	14,660
Distribution Per Unit	6.830 sen	2.918 sen
Annual Distribution Yield	8.54%	7.61%
Earnings Per Unit	7.443 sen	2.901 sen
Management Expenses Ratio	0.75%	0.41%

## Statement Of Financial Position

	FY2018 (RM'000) (12 months)	FP2017 (RM'000) (5 months)
Investment Properties	585,000	580,000
Total Asset Value	616,557	612,913
Trade Receivables	1,325	2,533
Net Asset Value	506,951	504,398
NAV Per Unit Before Distribution	1.073	1.008
NAV Per Unit After Distribution	1.003	0.998
Market Capitalisation	404,240	464,876
Units in Circulation (units)('000)	505,300	505,300

## Unit Price Statistic

	2018	2017
High	RM0.95	RM1.04
Low	RM0.73	RM0.90
Opening As At 1 July	RM0.92	RM1.00
Closing As At 30 June	RM0.80	RM0.92
Changes In Price	(12%)	(8%)

# LETTER TO UNITHOLDERS

## A CHALLENGING YEAR IN 2018

The retail industry in Malaysia is expected to be positive in the 2nd half of calendar year 2018 due to the recent changes in the political landscape, zerorisation of the Goods & Services Tax ("GST") and in line with the improving consumers' income and favourable employment outlook, offers a promising outlook for KIP Real Estate Investment Trust ("KIP REIT" or "the Fund") going forward. According to the Malaysian Institute of Economic Research ("MIER"), the Malaysian consumer confidence jumped to its highest level in 21 years. With that, KIP REIT expects the retail spaces at all the KIP Marts/ Mall to stay resilient in terms of occupancy and rental rates under the prevailing economic conditions.

## FINANCIAL PERFORMANCE

The performance for the financial year ended 30 June 2018 had exceeded the forecasted financial projection from the Prospectus during the Fund's Initial Public Offering ("IPO").

Net property income ("NPI") was RM0.83 million or 2.0% higher from RM41.09 million to RM41.92 million. Profit after taxation ("PAT") was RM37.6 million, RM4.6 million or 13.9% higher than RM33.0 million forecasted. The improvement of RM1.3 million in PAT (excluding the RM3.3 million fair value gain on investment properties) was mainly contributed by the improved operational efficiency with lower operating expenses recognised by the Fund.

During the financial year under review, the average occupancy rate has also increased by 1.63% from 83.32% in financial period ("FP") 2017 to 84.95% as at 30 June 2018.

KIP REIT has declared a total of four (4) quarterly income distributions in FY 2018. With the full year distribution of 6.83 sen per unit or RM34.52 million in total distribution, which translated to a net distribution yield of 8.54%, is one of the highest yields among the REIT players. This is based on the closing price of RM0.80 per KIP REIT unit as at 30 June 2018.

## FINANCIAL POSITION

As at 30 June 2018, the total market value of all the investment properties are valued at RM585 million, an increase of RM5 million over the last financial period ended 30 June 2017.

The net asset value ("NAV") of KIP REIT as at 30 June 2018, stood at RM1.073 per unit before income distribution and RM1.003 per unit after income distribution.

On 23 April 2018, KIP REIT signed a Heads of Agreement in respect of a joint venture agreement with Pekat Solar Sdn. Bhd. for a 25 years green initiative installation of solar photovoltaic system ("PV System") on all the six (6) investment properties, for a total cost of RM9.56 million to be completed by December 2018.

The installation of the PV System is to reduce environmental pollution and its carbon foot print as well as to save electricity cost in the long run. This is also part of the responsibility of the Manager of KIP REIT to address the environmental sustainability of the business.

## FUTURE OUTLOOK

Being the country's first hybrid, community-centric retail REIT, KIP REIT aims to offer its investors a higher distribution yield for the current year of FY2019, aside from enlarging its asset size.

KIP REIT will be driven by diversification, both in terms of geographical locations and operating business segments. On top of these, we are also eyeing to diversify into other promising business segments, such as warehousing.

Apart from the more positive domestic retail scene, the Manager's initiatives for KIP REIT taken to date will likely strengthen the performance moving ahead by attracting more retail tenants and shoppers to our premises.

As the Manager for KIP REIT, we will continue to ensure that all of its existing assets are well maintained and will continue to undertake assets enhancement initiatives ("AEI") to ensure stable and growing rental income and distributable income.

## ACKNOWLEDGMENTS

Finally, I would like to thank all of my fellow Directors for their invaluable advice and tireless guidance, and to express my utmost appreciation to the Management team and staff for their undivided commitment, loyalty and dedication to their work. Your contribution and support shall ensure that KIP REIT remains appealing to investors with long-term investment objectives and who seeks regular stable income distribution and long-term capital appreciation.

I would also like to express my deepest appreciation to everyone who journeyed along with us including our tenants, business partners and authorities for their continuous support and steadfast commitment up to this point and into the future.

Moving forward, we are confident that FY2019 would be another great year for KIP REIT. We shall endeavour to achieve greater performance in the coming years with the goal of providing regular and stable distributions to all Unitholders.

**Dato' Dr Syed Hussain Bin Syed Husman**  
Chairman

## CORPORATE EVENT



(From left to right: second left Dato' Chew Lak Seong (Managing Director of the Manager), Dr Wei-nee Chen (Chief Corporate Officer from SEDA, Dato' Eric Ong Kook Liong (Executive Director of the Manager), Mr Chin Soo Mau (Managing Director from Pekat Group of Companies))

On 23 April 2018, KIP REIT hosted a signing ceremony in Menara KIP with Pekat Solar Sdn. Bhd. ("Pekat") for a 25-year green initiative by way of the installation of solar photovoltaic system ("PV system") on KIP REIT's assets.

KIP REIT intends to install a total of 2,730 kilowatt peak ("kWp") PV system which will cost a total sum of RM9.56 million. The PV system is to be installed onto the roofs of all of the six (6) KIP REIT investment properties, i.e. the five KIP Marts located in Tampoi, Kota Tinggi, Masai, Senawang and Melaka; and KIP Mall in Bangi.

The initiative will be jointly owned by both KIP REIT and Pekat on an 80:20 basis whereby the total investment by KIP REIT will be RM7.64 million. The investment will be funded through bank borrowings. The electricity savings derived from the PV system after interest expenses will enhance the NPI of KIP REIT from the first year the PV system starts operating throughout the entire 25-year period. The investment has an excellent return with a payback period of 6 years based on constant Tenaga Nasional Berhad ("TNB") tariffs at the current rate. Should TNB raise its tariffs in the future the payback period will be shorter and KIP REIT will enjoy better economic benefits.

KIP REIT's go green initiative is primarily for the purposes of reducing environmental pollution and its carbon footprint as well as to saving electricity cost in the long run. Over the 25-year period go green initiative, KIP REIT is expecting to generate an approximate total of 78.1 megawatt hours ("mWh") of electricity from the PV system, which is equal to saving 9,782 kilograms of coal from being combusted in order to produce the said electricity. Instead, KIP REIT would be able to save a total of RM26.4 million worth of electricity cost which will directly translate into an increase in annual net property income for the Fund.

During the signing ceremony, Dato' Chew Lak Seong, Managing Director of KIP REIT Management Sdn. Bhd. (the Manager of KIP REIT) said, "We are extremely delighted to announce that KIP REIT has entered into this initiative to produce green and clean energy through all of KIP REIT's six (6) investment properties. With the growing concern over global warming and our heartfelt desire that we should do more as corporates to address the environmental sustainability of our businesses, we are proud to be part of initiative to reduce our carbon footprint on Mother Earth."

The Fund is also a beneficiary of this initiative through the cost saving element that will impact KIP REIT's financials positively over the next 25 years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE VISION AND STRATEGY

### Overview of KIP REIT

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 ("Deed") between KIP REIT Management Sdn Bhd ("the Manager") and Pacific Trustees Berhad ("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'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 primarily for retail purposes 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, with a focus towards community-centric retail centres.

#### a) Investment Objectives

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

#### b) Investment Policies

- (i) The principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing Real Estate used predominantly for retail purposes. KIP REIT may also invest in other investments as permissible by the REIT Guidelines or as otherwise permitted by the Securities Commission Malaysia ("SC"), including in Real Estate-Related Assets.
- (ii) 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.
- (iii) 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.

#### c) Investment Strategies

The Manager intends to increase the income and consequently, the value of the Investment Properties by implementing the following strategies, including:

- (i) Active asset management and enhancement strategy – The Manager will seek to optimise the rental rates, occupancy rates and lettable area of the Properties in order to improve the returns from KIP REIT's investment properties;
- (ii) Acquisition growth strategy – The Manager will source for and acquire properties that fit within KIP REIT's investment strategy to enhance return to Unitholders and to capitalise on opportunities for future income and Net Asset Value ("NAV") growth. To support this acquisition strategy, the Manager expects to benefit from the Right of First Refusal ("ROFR") provide by the Sponsor over the Sponsors' existing and future retail properties in Malaysia;
- (iii) Capital and risk management strategy – The Manager will endeavour to employ an approximate mix of debt and equity in financing acquisitions and will seek to manage financing and refinancing risks with the intention of maximising returns to Unitholders.

#### d) Investment of KIP REIT

KIP REIT has a total investment property asset value of RM585 million as at 30 June 2018. Its investment properties' gross floor area ("GFA") has a total of 1.4 million sq ft and 0.9 million sq ft of total net lettable area ("NLA") throughout its five community-centric retail centres known as KiP Marts and a neighbourhood retail centre known as KiP Mall.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Investment Properties	Location	Valuation as at 30 June 18 (RM'000)	% of total asset portfolio value
a) KiP Mart Tampoi	Taman Tampoi Indah, Johor Bahru	159,000	27%
b) KiP Mart Kota Tinggi	Along Jalan Maju, Kota Tinggi	56,000	10%
c) KiP Mart Masai	Taman Bukit Dahlia, Pasir Gudang	160,000	27%
d) KiP Mart Lavender Senawang	Lavender Heights Township, Seremban	30,000	5%
e) KiP Mart Melaka	Batu Berendam, Melaka	50,000	9%
f) KiP Mall Bangi	Jalan Medan Bangi, Bandar Baru Bangi	130,000	22%
		<b>585,000</b>	<b>100%</b>

### FINANCIAL REVIEW

The Fund had distributed a higher income distribution of 6.83 sen for FY2018, an increase of 0.24 sen or 3.64% as compared to 6.59 sen as forecasted in the Prospectus dated 30 December 2016.

### Key Financial Highlights

	2018				2017 Actual (5 months) (RM'000)
	Actual (12 months) RM'000	Forecast* (12 months) RM'000	Change		
			RM'000	%	
Gross Revenue	62,773	67,574	(4,801)	7.1%	26,350
Net Property Income	41,918	41,090	828	2.0%	17,525
Borrowing cost	4,626	4,461	165	3.7%	1,825
Profit after taxation	37,610	33,028	4,582	13.9%	14,660
<b>Profit after taxation is made up as follows:</b>					
- Realised	34,293	33,028	1,265	3.8%	14,660
- Unrealised	3,317	-	3,317	-	-
<b>Distribution per unit ("DPU")(sen)</b>					
- 1 <sup>st</sup> Interim	1.500	N/A			N/A
- 2 <sup>nd</sup> Interim	1.750	N/A			N/A
- 3 <sup>rd</sup> Interim	1.780	N/A			1.000
- Final	1.800	N/A			1.918
Total	<u>6.830</u>	<u>6.590</u>	0.24	3.64%	<u>2.918</u>
<b>Annualised Distribution Yield (%)</b>	8.54%	6.59%			

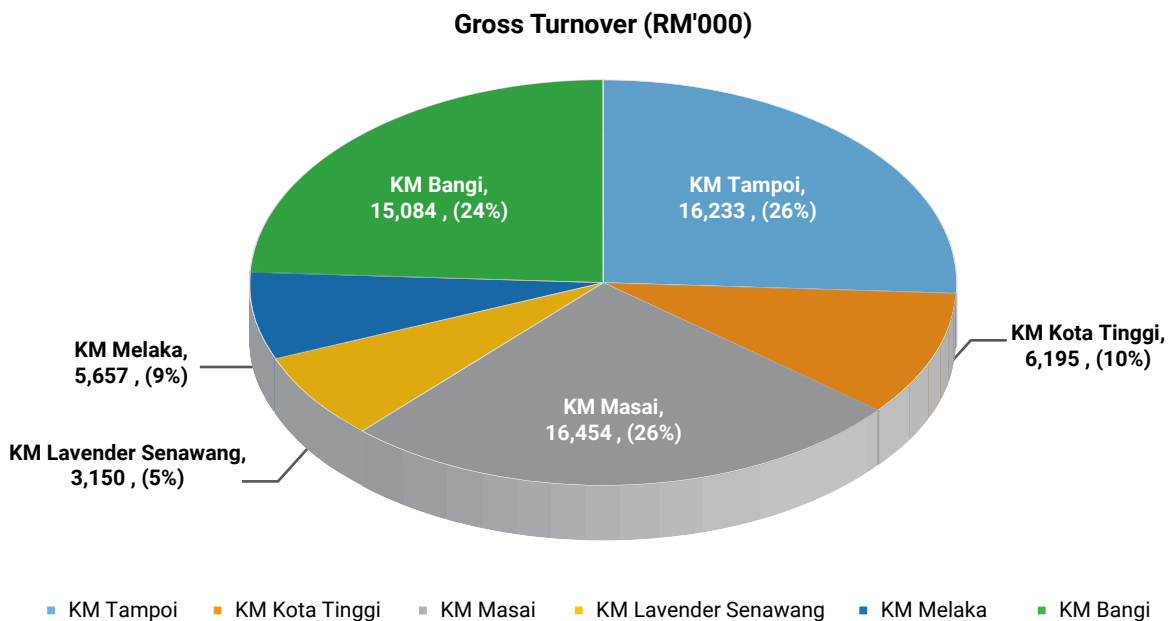
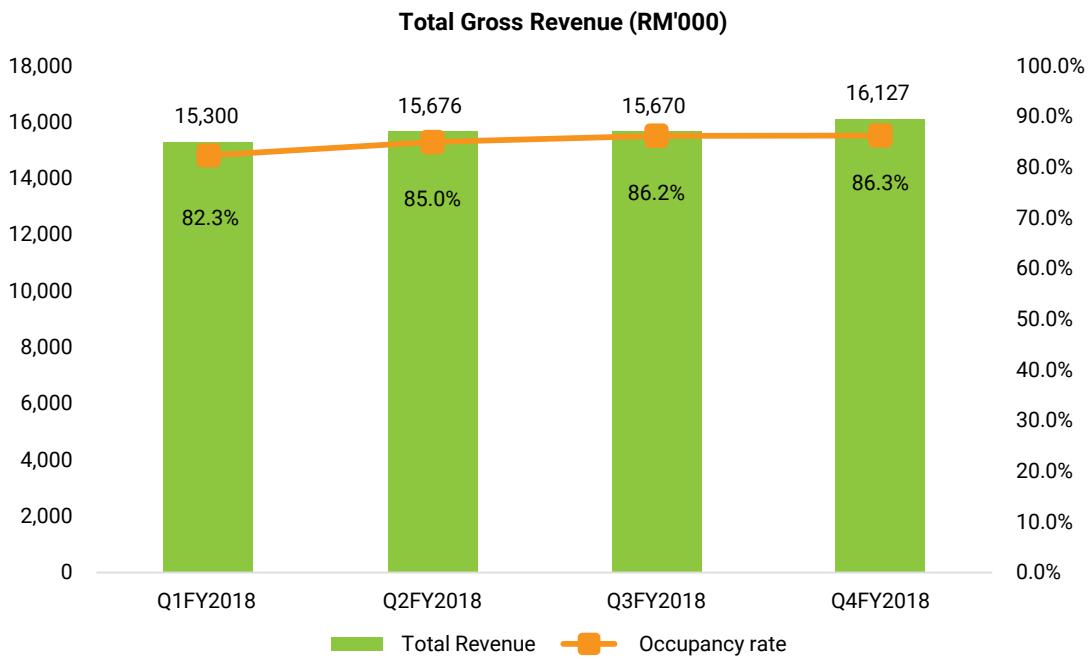
\* Forecast 2018 is based on the Prospectus dated 30 December 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### a) Gross Revenue

KIP REIT registered a total gross revenue of RM62.77 million in FY2018, as compared to the 2018 Forecast of RM67.6 million, a decrease of RM4.80 million or 7.1% due to lower gross rental income and occupancy rate.

During the financial year ended 30 June 2018, the overall KiP Marts/ Mall are performing better as compared to the FP 2017.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### i. KiP Mart Masai

KiP Mart Masai is one of the top three (3) income contributors of the investment properties, besides KiP Mart Tampoi and KiP Mall Bangi. In FY2018, KiP Mart Masai contributed a total revenue of RM16.45 million or 26% of the total gross revenue for FY2018 at RM62.77 million.

The average occupancy rate for KiP Mart Masai has increased by 4.9% to 94.7% from the average occupancy rate at 89.8% in FP2017. The improved in the average occupancy rate are due to the signing of new tenancies for mini anchor during the financial year under review.

### ii. KiP Mart Tampoi

In FY2018, KiP Mart Tampoi has generated RM16.23 million or 26% of the total gross revenue for FY2018.

The average occupancy rate has increased from 94.0% to 96.2%, an increase of 2.2% above the average occupancy rate in FP2017.

The improvement on the tenant mix has contributed to the higher average occupancy rate in FY2018. Furthermore, KiP Mart Tampoi has just completed its AEI by installing a new ceiling and sprinkle system, additional air conditional system and LED lighting to create better ambiance. This upgrade will not only provide an enhanced shopping experience for our customers but also improve KiP Mart's offering and services.

### iii. KiP Mall Bangi

KiP Mall Bangi has contributed RM15.08 million or 24% of the total gross revenue for the year under review.

The average occupancy rate has further improved by 5.0% from 78.3% in FP2017 to 83.3% in FY2018.

KiP Mall Bangi has improved the tenant mix in the leisure and entertainment sector by signing up a badminton operator in December 2017, that occupies about 20,000 square feet, to draw larger crowd to the Mall. Furthermore, a play land operator has also signed up for about 10,000 square feet to a kids play zone in March 2018. The Manager will continue to enhance the tenant mix in order to attract more families and younger generation crowd to the Mall.

The Manager has allocated about RM3 million as its first major AEI to install a new chiller plant, including design AHUs, retrofitting, testing and commissioning to be completed by December 2018. With this improvement, it will further improve the cost efficiency of the Mall.

### iv. KiP Mart Kota Tinggi

KiP Mart Kota Tinggi's revenue come in at RM6.19 million or 10% of the total gross income for FY2018.

During the financial year under review, the average occupancy dropped marginally from 93.9% to 92.8% for FP2017 and FY2018 respectively due to withdrawal of few automobile retailers.

The Manager planned to improve the occupancy rate by adding more Food and Beverage outlets to serve the community as a family-friendly Mart and to increase patron footfall. There is also plan in place to further enhance the investment property in FY 2019.

### v. KiP Mart Lavendar Senawang

KiP Mart Lavender Senawang registered a total revenue of RM3.15 million or 5% of the total gross revenue as at the financial year under review.

The average occupancy increased by 2.9% from 77.7% in FP2017 to 80.6% in FY2018 due to increase in short term tenancies. In August 2017, the main anchor tenant was replaced by TF-Value Mart, a local supermarket chain, whereby, providing affordable pricing products to our shoppers and able to attract potential tenants with different products to our Mart.

The Manager also plans to enhance the building in FY2019 in order to retain its competitiveness and attractiveness in the area it operates in.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### vi. KiP Mart Melaka

KiP Mart Melaka has contributed about RM5.66 million or 9% of the total gross revenue in FY2018.

The average occupancy dropped by about 6.3% from 75.4% in FP2017 to 69.1% in FY2018 due to fewer promotional fairs and event activities in the financial year under review.

In order to improve the occupancy, the Manager has sourced for a permanent operator to take up about 20,000 square feet area in the mezzanine floor which is targeted to commence operations by October 2018. With this, the occupancy rate will further increase by 12% to about 80%.

### b) Net Property Income

The net property income increased slightly by RM0.8 million compared to the forecasted of RM41.1 million to RM41.9 million in FY2018 due to lower property operating expenses.

### c) Borrowing Cost

The interest expenses has increased by RM0.2 million or 3.7% for FY2018 as compared to the forecast of RM4.5 million due to increased in cost of fund by 0.25 basis point implemented by Bank Negara Malaysia.

### d) Profit After Taxation

The profit after taxation for FY2018 was RM37.6 million, which is an increase of RM4.6 million or 13.9% as compared to the 2018 forecast amounting to RM33.0 million. The improved in profit after taxation was due to lower property operating expenses as a result of improved operational efficiency.

### e) Income Distribution

During the financial year under review, KIP REIT had declared four (4) quarterly income distributions and paid as follows:-

Income Distribution	Financial Quarter Ended	Date Declared	Distribution Per Unit (sen)	Payment Date
1 <sup>st</sup> Interim	30.09.2017	30.10.2017	1.500	28.11.2017
2 <sup>nd</sup> Interim	31.12.2017	25.01.2018	1.750	28.02.2018
3 <sup>rd</sup> Interim	31.03.2018	23.04.2018	1.780	30.05.2018
Final	30.06.2018	26.07.2018	1.800	23.08.2018
Total			<u>6.830</u>	

The total income distribution for FY2018 was 6.830 sen per unit for the period from 1 July 2017 to 30 June 2018 or a total paid out of RM34.5 million represents 100% of the realised distributable net profit for FY2018, which translates to a distribution yield of 8.54% based on KIP REIT's closing unit price of RM0.80 as at 30 June 2018.

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 define 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.

The financial statements for the current financial year ended 30 June 2018 do not reflect the final income distribution of 1.800 sen per unit which was approved and declared on 26 July 2018 and has not been included as a liability for the FY2018.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Key Financial Position

	← Audited →	
	As at 30 June 2018 (RM'000)	As at 30 June 2017 (RM'000)
Investment Properties	585,000	580,000
Total Assets Value	616,557	612,913
Trade Receivables	1,325	2,533
Borrowings	86,975	86,786
Net Assets Value ("NAV"):-		
- Before income distribution	542,058	509,451
- After income distribution	506,951	504,398
Gearing (%)	14.1%	14.2%
Unit Price (RM)	0.80	0.92
Market Capitalisation	404,240	464,876
Units in Circulation (Units)('000)	505,300	505,300
NAV Per Unit (RM)		
- Before income distribution	1.073	1.008
- After income distribution	0.985 *	0.979

\* After the final income distribution of 1.800 sen per unit declared on 26 July 2018

#### a) Investment Properties

As at 30 June 2018, KIP REIT's investment properties, represents approximately 94.9% of the total asset value. Investment properties are stated at fair value based on valuations performed by independent professional valuer, CH William Talhar & Wong ("CBRE|WTW"). Based on the valuation reports dated 26 July 2018 issued by CBRE|WTW, the fair value of the investment properties as at 30 June 2018 was RM585 million.

#### b) Total Asset Value

KIP REIT's total asset value as at 30 June 2018 stood at RM616.5 million comprising of plant and equipment, investment properties, receivables, deposits with licensed banks and cash and bank balances.

#### c) Trade Receivables

Trade receivables has improved by RM1.2 million or 47.7% from RM2.5 million in FP2017 to RM1.3 million as at 30 June 2018.

#### d) Total Borrowings

The term loan has a tenure of five (5) years and shall be repaid in one bullet repayment no later than 5 years from the date of first drawdown. The term loan bears an interest 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 quarterly basis.

#### e) NAV Per Unit

KIP REIT's NAV per unit before interim and final income distribution was stated at RM1.073 and after interim and final income distribution is RM0.985.

#### f) Unit Price and Market Capitalisation

As at 30 June 2018, the closing price of KIP REIT was RM0.80 per unit. Based on the unit price of RM0.80 and 505,300,000 units in circulation, the market capitalisation stood at RM404.2 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### g) Capital Management

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

Capital Management	As at 30 June 2018 RM'000	As at 30 June 2017 RM'000
Term Loan	86,975	86,786
Total Borrowings	86,975	86,786
Total Asset Value	616,557	612,913
Gearing (%)	14.1%	14.2%

Total borrowings of RM87.0 million as at 30 June 2018 represents a gearing of 14.1% over its total asset value of RM616.5 million. Based on the gearing of 14.1%, KIP REIT has a debt headroom of approximately RM221 million to fund its capex plans and future acquisitions before reaching the 50% limit. KIP REIT is far below from the 50% limit permitted by the SC's Guidelines on REITs.

### h) Cash Flow/ Liquidity

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

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 for KIP REIT.

Cash and cash equivalents as at 30 June 2018 of RM14.3 million is expected to assist in the liquidity and cash flow risk management.

### i) Leasing Management

The overall KiP Marts and KiP Mall average occupancy as at 30 June are follows:-

KiP Mart/ Mall	Average Occupancy as at 30.6.2018 (%)	Average Occupancy as at 30.6.2017 (%)
KiP Mart Tampoi	96.2%	94.0%
KiP Mart Kota Tinggi	92.8%	93.9%
KiP Mart Masai	94.7%	89.8%
KiP Mart Lavender Senawang	80.6%	77.7%
KiP Mart Melaka	69.1%	75.4%
KiP Mall Bangi	83.3%	78.3%
Total	84.9%	83.3%

The average occupancy for the 3 mature KiP Marts located in Johor ranges from approximately 92.8% to 96.2% as at 30 June 2018. The Manager foresee that the occupancy will grow further through improvement in tenant mix, more promotional fairs and events and with the upgrade the internal of facade by the anchor and mini anchor tenants.

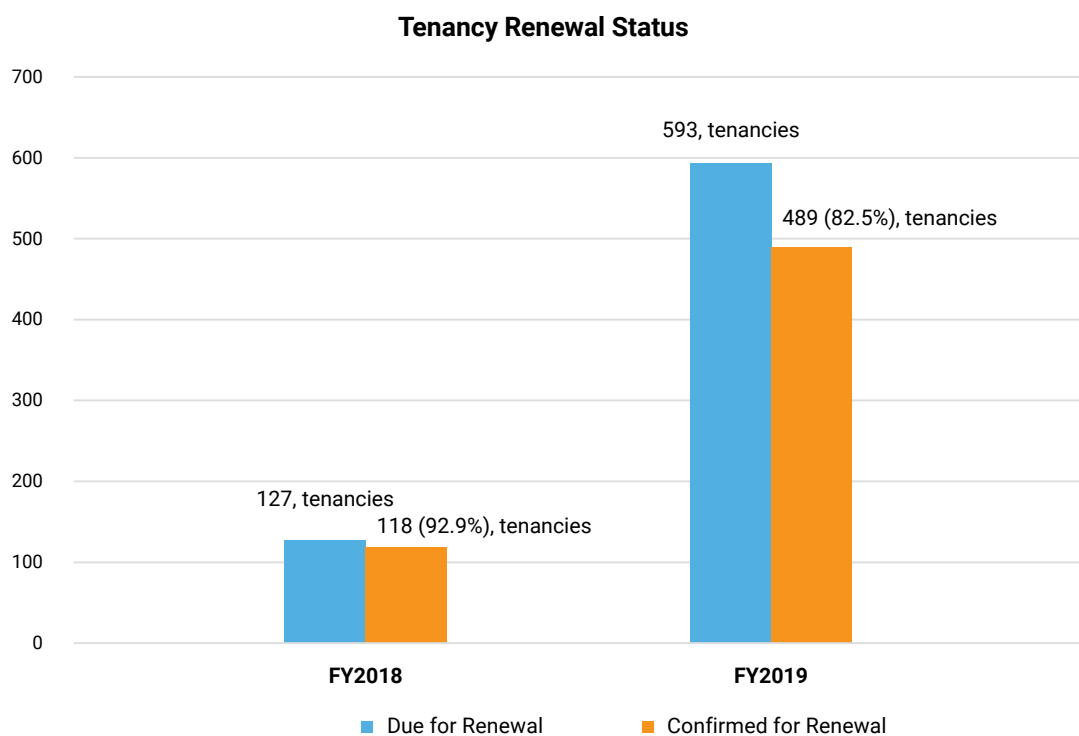
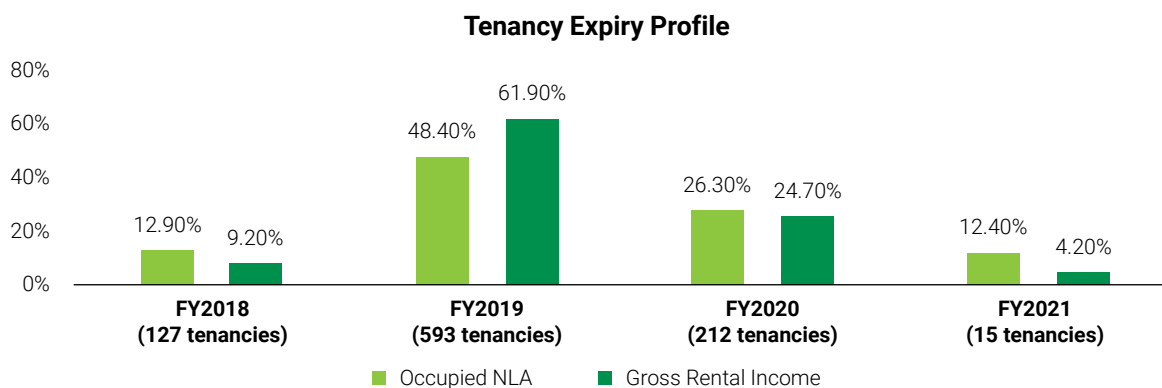
As at 30 June 2018, the average occupancy ranges from 69.1% to 83.3% for KiP Mart Melaka, KiP Mart Lavender Senawang and KiP Mall Bangi. The lower occupancy in KiP Mart Melaka was due to fewer promotional fair and events during the financial year under review which had resulted in temporary lower occupancy as at 30 June 2018. The Manager has planned with many initiatives to further increase the occupancy via improving the tenant mix, bringing in more reputable brands, organising more fairs and events and upgrading the properties by undergoing renovation or AEI works from time to time to retain the competitiveness and attractiveness of the assets.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### j) Tenancy Expiry Profile

As at 30 June 2018, the total leased area (Occupied) was 812,002 square feet, which represented about 86.6% of the total Net Lettable Area ("NLA") of 937,946 square feet. The tenancy expiry profile of the investment properties are as follows:

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY 2018	127	12.9%	9.2%
FY 2019	593	48.4%	61.9%
FY 2020	212	26.3%	24.7%
FY 2021	15	12.4%	4.2%
<b>Total</b>	<b>947</b>	<b>100.0%</b>	<b>100.0%</b>



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

For FY2018, there were 127 tenancies or 13.4% due for renewal, which contributed to about 12.9% of the occupied NLA and 9.2% of gross rental income. More than 118 tenancies or 92.9% of the total of 127 tenancies due have been renewed as at 30 June 2018.

There will be 593 tenancies or 62.6% due for renewal in FY2019, which attributes to about 48.4% of the occupied NLA and contributes to about 61.9% of gross rental income.

The breakdown table shows the breakdown of total tenancies which are due for renewal in FY2019 from the 6 investment properties:-

Investment Properties	Tenancies due for renewal		Confirmed for renewal	
	No.	%	No.	%
KiP Mart Tampoi	116	19.6	98	84.5
KiP Mart Kota Tinggi	92	15.5	90	97.8
KiP Mart Masai	242	40.8	185	76.4
KiP Mart Senawang	45	7.6	45	100.0
KiP Mart Melaka	25	4.2	10	40.0
KiP Mall Bangi	73	12.3	61	83.6
<b>Total</b>	<b>593</b>	<b>100.0</b>	<b>489</b>	<b>82.5</b>

From the total tenancies of 593 due for renewal in FY2019, are 489 tenancies or 82.5% have confirmed their renewal as at the time of reporting.

KiP Mart Masai has 242 tenancies (highest) due for renewal in March 2019, of which 185 or 76.4% tenancies have been confirmed for renewal. As for KiP Mart Tampoi, a 116 tenancies are due for renewal in July 2018 and January 2019 of which 98 or 84.5% tenancies have confirmed for renewal.

For FY2020 there will be another 212 tenancies due for renewal, which represent 26.3% of occupied NLA and 24.7% of gross rental income.

### k) Tenancy Mix Analysis

The tenants of the Investment Properties come from a variety of trades ranging from amongst others, fresh market, supermarket, fashion apparel, IT and electrical products and food and beverage. As at 30 June 2018, the Investment Properties had a total of 947 tenancies where no single tenant contributed more than 5.0% of Gross Rental Income. The detailed breakdown of the trade mix analysis by NLA and by Gross Rental Income as at 30 June 2018 in respect of the Investment Properties are as follows:

Trade Sector	As at 30 June 2018	
	% of Occupied NLA	% of Gross Rental Income
Fresh Market	8.6%	17.9%
Food & Beverages	5.9%	11.0%
Supermarket	28.5%	8.9%
Fashion Apparel	14.4%	23.1%
Entertainment & Leisure	5.5%	3.5%
Beauty, Health and Wellness	2.7%	6.0%
Timepieces and Jewellery	1.0%	2.4%
Home Decor, Gifts, Souvenirs and Stationery	20.8%	10.5%
IT/ Electronic/ Digital	8.2%	11.2%
Furniture/ Show Gallery	2.8%	2.6%
Sundry and Services	1.6%	2.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### l) Top Ten Tenants

The top ten (10) largest tenants of the Investment Properties contributed an aggregate of approximately 13.8% to Gross Rental Income and occupied an aggregate of 44.7% of occupied NLA as at 30 June 2018.

Name	Trade Sector	% of Occupied NLA	% of Gross Rental Income
Giant Hypermarket	Supermarket	10.3%	4.0%
Mr. DIY	Home Decor, Gifts, Souvenirs and Stationery	7.6%	2.1%
Pasaraya Family Store	Supermarket	5.6%	0.8%
TF-Value Mart	Supermarket	4.6%	0.5%
Pasaraya Hwa Thai	Supermarket	5.7%	2.5%
Lionmas	IT/ Electrical/ Digital	2.7%	1.3%
Live Sport Gallery	Entertainment & Leisure	2.5%	0.4%
Pasaraya Songmart (Kota Tinggi) Sdn Bhd	Supermarket	2.2%	1.0%
Courts	IT/ Electrical/ Digital	2.0%	0.9%
Pusat Kain Silk House	Fashion Apparel	1.5%	0.3%
<b>SubTotal</b>		<b>44.7%</b>	<b>13.8%</b>
Others		55.3%	86.2%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### m) Asset Enhancement Initiatives

#### KiP Mart Tampoi

During the financial year ended 2018, the installation of an additional plaster ceiling, wiring and LED lighting and air conditioning have been completed. The firefighting system is still in progress and targeted to be completed before December 2018.

The total cost of RM1.7 million has been capitalised for the investment property. Upon the completion of the AEI, KiP Mart will be able to draw larger crowd and create better ambiance.

#### KiP Mall Bangi

During the financial year under review, the Manager has allocated approximately RM3.0 million as its first major AEI for installing the new chiller plant, include design AHUs, retrofitting, testing and commissioning which is target to be completed by November 2018. About 44% of the project has been completed as at 30 June 2018.

## RISK MANAGEMENT

The Manager recognises that it has the responsibility to manage risks effectively in order to protect KIP REIT against potential losses, damage or failure to achieve the goals and objectives of KIP REIT due to uncertain events or circumstances.

Risk management is an integral part of the Manager's corporate governance and has been embedded in the management processes as part of the Manager's overall framework to deliver continuous improvement for KIP REIT. The Manager has established an ongoing process for identifying, evaluating and managing significant risk faced by KIP REIT throughout the financial year under review.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### a) Staff Retention Risk

KIP REIT does not has any staff. The staff is provided by the outsource service provider. The delay in replacement of any staff turnover and resignation from the service provider for the Manager may result in low employee morale or productivity.

The Manager believe staff retention programme is significant to the organisation. Therefore, a yearly key performance indicator with reward programme has been introduced to motivate staff of service provider by the Manager.

### b) Investor Confidence Risk

The Manager monitors the performance of units subscribed on fortnightly basis. Further, the Investor Relations collaborates with the Manager to organise and arrange for investors briefing with all the Fund Managers and the Analysts on quarterly basis to update them on the performance of KIP REIT.

In addition, the Investor Relations also regularly organises interview sessions with the media to create awareness on the performance of KIP REIT.

### c) Tenant Concentration Risk

Generally, KIP REIT has a broad mix of tenants across its investment properties. Nevertheless, as reported in the Tenancy Mix Analysis section, there is a tenant concentration risk of over relying on tenants that contribute significant revenue to KIP REIT which may pose a risk when there is reduction in rental rates during the adverse economic conditions.

For FY2018, our top ten tenants generated 13.8% of gross rental income, of which, 4.0% was contributed by Giant Hypermarket and 2.5% by Pasaraya Hwa Thai. The remaining eight tenants have a relatively lower percentage ranging from 0.3% to 2.1%.

### d) Competition From Other Marts and Mall

The Manager aims for its Marts and Mall to remain competitive by continuously adjusting the tenancy mix and plans to bring in more Food and Beverage outlets in order to attract more customers. Food and Beverage tenants represent 5.9% and 11.0% of the occupied lettable area and gross rental income respectively as at 30 June 2018. The Manager plans to increase the food and beverage tenants to approximately 30% of the total lettable area beginning from KiP Mart Lavender Senawang by December 2018.

### e) Credit Risk

Credit risk is the risk of reduction in net income due to high provision for doubtful debt or bad debts write off and high legal cost incurred to pursue recovery of outstanding receivables from the tenants.

Poor credit collection also gives rise to cash flows problems. The Manager has identified several possible causes of credit risk, which include high concentration of tenant mix, loose or complex tenancy arrangement and economic slowdown or rising costs which may affect the ability of tenants to pay their rent.

To mitigate KIP REIT's credit risk exposure, the Manager maintains a policy of collecting security deposits from all tenants which act as collateral. The Manager also performs thorough customer due diligence to assess the tenants' ability to meet the rental payments prior to commencing the tenancy.

The Manager has implemented effective credit control measures such as closely follow-up on rental arrears with tenants and the charging of late payment interest to encourage timely payment. The Manager also maintains good tenant relations to increase timely rental collections.

### f) Succession Planning Risk

Succession planning is to ensure that the business identifies, continuous and sustainable practices in the organisation. The Manager has developed and formalised the succession plan for Key Management and Key Personnel. A yearly evaluation programme is performed by the Manager to identify the strength and weakness of the key management.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### g) Market Performance Risk

Market performance risk is the risk posed by changes in the market but can be mitigated by prevention or cost efficiency control by the Manager. Uncertainties in the market as a result of current property market outlook, increase in interest rates and the implementation of Sales and Services Tax.

### h) Data Access and Usage Risk

Management Information System is accessible by the authorised personnel. Currently, the control is in place to tighten the unauthorised usage from the system. The Manager is in action to develop an information technology plan to create awareness for the staff, regular update, inform and notify the staff via memos or emails.

### PROSPECT

The Manager will continue to ensure that all existing assets under the portfolio are well maintained and will continue to undertake AEI to ensure stable and growing rental income and distributable income by focusing on leasing and marketing strategies.

The Manager also plans to enlarge the asset portfolio of KIP REIT in the near future through the acquisition of other properties from the promoters and properties developed by third parties.

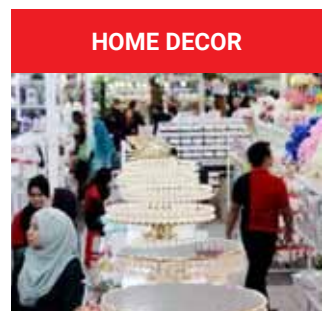
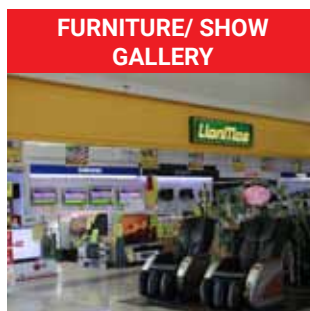
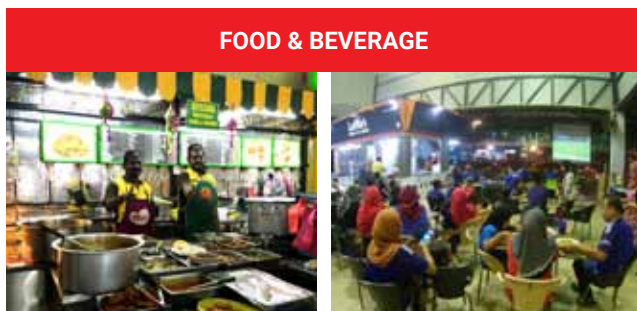
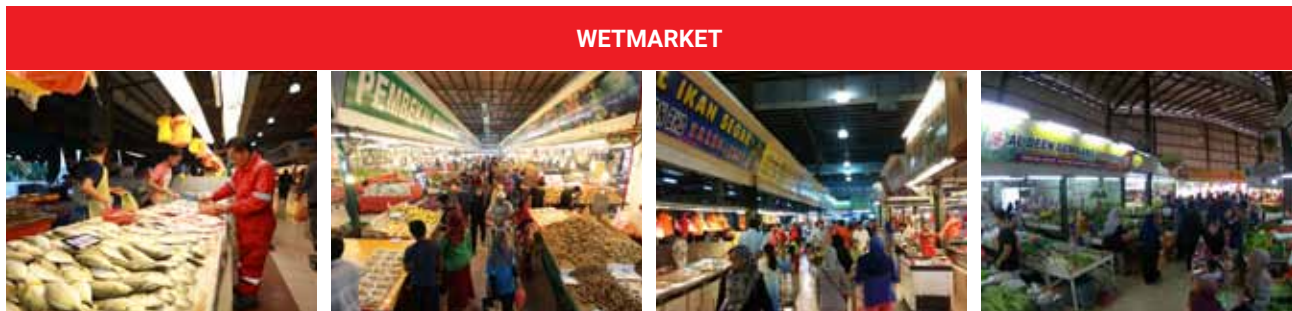
# PORTFOLIO PERFORMANCE

## Location of KiP Marts and KiP Mall



# PORTFOLIO PERFORMANCE (CONT'D)

## Overview of KiP Marts and KiP Mall



# PORTFOLIO PERFORMANCE



## KiP MART TAMPOI

KiP Mart Tampoi is a single-storey retail centre with a mezzanine floor which commenced operations since 23 December 2004. The layout area for KiP Mart Tampoi is divided into several areas for, amongst others, a fresh market, dry retail lots, a supermarket, an amusement centre, car promotion areas, a food court, a fast food restaurant, a car wash area and various promotion areas with an NLA of 163,587 sq ft as at 30 June 2018. KiP Mart Tampoi is located on 452,191 sq ft of land within a residential area known as Taman Tampoi Indah, Johor Bahru. KiP Mart Tampoi has 257 tenancies as at 30 June 2018.

<b>Address</b>	Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim
<b>Description of Property</b>	Single-storey retail centre with a mezzanine floor which commenced operations since 23 December 2004
<b>Date of Acquisition</b>	6 February 2017
<b>Acquisition Price</b>	RM150 million
<b>Age of Buiding</b>	14 years
<b>Title Information</b>	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim
<b>Tenure</b>	99 years, expiring on 24 September 2092
<b>Gross Floor Area</b>	234,321 Sq ft
<b>Number of car park bays</b>	579
<b>Number of Motorcycle bays</b>	210
<b>Net Lettable Area</b>	163,587 Sq ft
<b>FY2018 Total Revenue</b>	RM16.2 million
<b>FY2018 Net Property Income</b>	RM12.0 million
<b>Appraised Value</b>	RM159 million
<b>Occupancy Rate as at 30 June 2018</b>	96.36%

## PORTFOLIO PERFORMANCE (CONT'D)

### Top Ten Tenants

Name	Trade Sector	Percentage of Occupied NLA (%)	% of Gross Rental Income
Wei Yanlin	Home Decor, Gifts, Souvenirs and Stationery	5.4%	1.7%
Pasaraya Hwa Thai	Supermarket	15.4%	4.8%
Your One-Stop Household Center	Home Decor, Gifts, Souvenirs and Stationery	2.9%	1.9%
Lionmas	IT/ Electrical/ Digital	3.9%	1.4%
Classics Living Furniture	Furniture/ Show Gallery	2.0%	0.7%
Pustaka Azhar	Home Decor, Gifts, Souvenirs and Stationery	2.4%	0.8%
Darson	IT/ Electrical/ Digital	1.4%	0.9%
U & S Children House	Fashion Apparel	1.1%	1.4%
Courts	IT/ Electrical/ Digital	10.5%	3.2%
Mr. DIY	Home Decor, Gifts, Souvenirs and Stationery	6.8%	1.3%
<b>SubTotal</b>		<b>51.8%</b>	<b>18.1%</b>
Others		<b>48.2%</b>	<b>81.9%</b>
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Trade Sector Analysis

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Wet Market	14.3%	24.3%
Food & Beverages	4.5%	11.0%
Supermarket	15.4%	4.8%
Fashion Apparel	13.2%	20.2%
Entertainment & Leisure	1.7%	3.1%
Beauty, Health and Wellness	3.0%	5.1%
Timepieces and Jewellery	1.1%	2.0%
Home Decor, Gifts, Souvenirs and Stationery	21.1%	10.4%
IT/ Electronic/ Digital	18.3%	12.3%
Furniture/ Show Gallery	6.1%	4.6%
Sundry and Services	1.3%	2.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Tenancy Expiry Profile

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY2018	20	1.9%	3.4%
FY2019	116	50.6%	46.6%
FY2020	120	37.0%	46.8%
FY2021	1	10.5%	3.2%
<b>Total</b>	<b>257</b>	<b>100.0%</b>	<b>100.0%</b>

## PORTFOLIO PERFORMANCE (CONT'D)



### KIP MART KOTA TINGGI

KiP Mart Kota Tinggi is a single-storey retail centre with a mezzanine floor which commenced operations since 7 November 2008. The layout area for KiP Mart Kota Tinggi is divided into several areas for, amongst others, a fresh market, dry retail lots, a food court and various promotion areas with an NLA of 72,486 sq ft as at 30 June 2018. KiP Mart Kota Tinggi is located on 168,111 sq ft of land located along Jalan Maju, Kota Tinggi. KiP Mart Kota Tinggi has 151 tenancies as at 30 June 2018.

<b>Address</b>	No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim
<b>Description of Property</b>	Single-storey retail centre with a mezzanine floor which commenced operations since 7 November 2008
<b>Date of Acquisition</b>	6 February 2017
<b>Acquisition Price</b>	RM56 million
<b>Age of Buiding</b>	10 years
<b>Title Information</b>	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim
<b>Tenure</b>	Freehold
<b>Gross Floor Area</b>	113,958 Sq ft
<b>Number of car park bays</b>	196
<b>Number of Motorcycle bays</b>	112
<b>Net Lettable Area</b>	72,486 Sq ft
<b>FY2018 Total Revenue</b>	RM6.2 million
<b>FY2018 Net Property Income</b>	RM3.9 million
<b>Appraised Value</b>	RM56 million
<b>Occupancy Rate as at 30 June 2018</b>	92.71%

## PORTFOLIO PERFORMANCE (CONT'D)

### Top Ten Tenants

Name	Trade Sector	Percentage of Occupied NLA (%)	% of Gross Rental Income
KVNP Enterprise	Wet Market	2.8%	2.7%
Hup Heng	Wet Market	1.0%	1.3%
Siang Heng Marketing Sdn.Bhd	Wet Market	3.0%	3.6%
Lionmas	IT/ Electrical/ Digital	11.4%	2.7%
Pasaraya Songmart (Kota Tinggi) Sdn Bhd	Supermarket	26.8%	8.8%
Linkme LM Trading Sdn.Bhd	Home Decor, Gifts, Souvenirs and Stationery	6.5%	3.5%
Marrybrown	Food & Beverages	2.4%	1.3%
Purple Fashion Sdn Bhd	Fashion Apparel	1.8%	1.9%
DOM	Fashion Apparel	1.4%	1.7%
HIEWA Auto Gallery S/B	Furniture/ Show Gallery	1.0%	0.7%
<b>SubTotal</b>		<b>58.1%</b>	<b>28.2%</b>
Others		41.9%	71.8%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Trade Sector Analysis

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Wet Market	21.0%	27.5%
Food & Beverages	7.1%	11.6%
Supermarket	26.8%	8.8%
Fashion Apparel	12.2%	19.4%
Entertainment & Leisure	1.6%	3.4%
Beauty, Health and Wellness	3.3%	6.7%
Timepieces and Jewellery	0.5%	0.8%
Home Decor, Gifts, Souvenirs and Stationery	8.0%	6.8%
IT/ Electronic/ Digital	16.0%	10.2%
Furniture/ Show Gallery	2.5%	2.8%
Sundry and Services	1.0%	2.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Tenancy Expiry Profile

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY2018	22	3.0%	7.6%
FY2019	92	52.7%	60.1%
FY2020	34	14.5%	22.0%
FY2021	3	29.8%	10.3%
<b>Total</b>	<b>151</b>	<b>100.0%</b>	<b>100.0%</b>

## PORTFOLIO PERFORMANCE (CONT'D)



### KIP MART MASAI

KiP Mart Masai is a single-storey retail centre with a mezzanine floor which commenced operations since 25 January 2011. A solar photovoltaic system has been installed on the rooftop of KiP Mart Masai on December 2015. The layout area for KiP Mart Masai is divided into several areas for, amongst others, a fresh market, dry retail lots, a food court and various promotion areas with an NLA of 144,187 sq ft as at 30 June 2018. KiP Mart Masai is located on 472,757 sq ft of land located in Taman Bukit Dahlia, Pasir Gudang. KiP Mart Masai has 254 tenancies as at 30 June 2018.

<b>Address</b>	KiP Mart Masai, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim
<b>Description of Property</b>	Single-storey retail centre with a mezzanine floor which commenced operations since 25 January 2011
<b>Date of Acquisition</b>	6 February 2017
<b>Acquisition Price</b>	RM160 million
<b>Age of Buiding</b>	7 years
<b>Title Information</b>	PN 70766, Lot 198634, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim
<b>Tenure</b>	99 years, expiring on 28 December 2108
<b>Gross Floor Area</b>	247,990 Sq ft
<b>Number of car park bays</b>	628
<b>Number of Motorcycle bays</b>	214
<b>Net Lettable Area</b>	144,187 Sq ft
<b>FY2018 Total Revenue</b>	RM16.4 million
<b>FY2018 Net Property Income</b>	RM12.5 million
<b>Appraised Value</b>	RM160 million
<b>Occupancy Rate as at 30 June 2018</b>	93.84%

## PORTFOLIO PERFORMANCE (CONT'D)

### Top Ten Tenants

Name	Trade Sector	Percentage of Occupied NLA (%)	% of Gross Rental Income
Kedai Buah-Buahan Liew Peng Trading Sdn Bhd	Wet Market	1.9%	1.7%
Pembekal Buah-Buahan Siang Heng Marketing Sdn Bhd	Wet Market	1.9%	1.7%
Mr. DIY	Home Decor, Gifts, Souvenirs and Stationery	8.8%	2.1%
Pemborong & Pembekal Barangan Runcit Pasaraya Hwathai	Supermarket	16.5%	3.9%
Linkme LM	IT/ Electrical/ Digital	5.0%	1.9%
Wanita Anggun Collection	Fashion Apparel	1.4%	1.0%
Pusat Perabot Classics Living Furniture	Furniture/ Show Gallery	3.5%	0.4%
Porcelain Inn Sdn Bhd	Home Decor, Gifts, Souvenirs and Stationery	3.7%	1.0%
YYU Fashion	Fashion Apparel	2.5%	2.7%
Kedai Elektrik Yes	IT/ Electrical/ Digital	1.2%	0.4%
<b>SubTotal</b>		<b>46.4%</b>	<b>16.8%</b>
Others		53.6%	83.2%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Trade Sector Analysis

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Wet Market	18.5%	25.0%
Food & Beverages	5.3%	9.5%
Supermarket	16.5%	3.9%
Fashion Apparel	18.7%	26.2%
Entertainment & Leisure	2.6%	3.3%
Beauty, Health and Wellness	2.2%	4.9%
Timepieces and Jewellery	2.2%	3.8%
Home Decor, Gifts, Souvenirs and Stationery	19.1%	7.6%
IT/ Electronic/ Digital	6.0%	9.2%
Furniture/ Show Gallery	6.6%	2.6%
Sundry and Services	2.3%	4.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Tenancy Expiry Profile

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY2018	8	4.8%	1.5%
FY2019	242	66.1%	91.1%
FY2020	3	25.4%	6.4%
FY2021	1	3.7%	1.0%
<b>Total</b>	<b>254</b>	<b>100.0%</b>	<b>100.0%</b>

## PORTFOLIO PERFORMANCE (CONT'D)



### KIP MART LAVENDER SENAWANG

KiP Mart Lavender Senawang is a single-storey retail centre with a mezzanine floor which commenced operations since 18 December 2012. The layout area for KiP Mart Lavender Senawang is divided into several areas for, amongst others, a fresh market, dry retail lots and various promotion areas with an NLA of 115,313 sq ft as at 30 June 2018. KiP Mart Lavender Senawang is located on 438,414 sq ft of land located within the Lavender Heights township area in Seremban. KiP Mart Lavender Senawang has 65 tenancies as at 30 June 2018.

<b>Address</b>	No. 1, Jalan KLS 1, Lavender Heights, 70450 Seremban, Negeri Sembilan Darul Khusus
<b>Description of Property</b>	Single-storey retail centre with a mezzanine floor which commenced operations since 18 December 2012
<b>Date of Acquisition</b>	6 February 2017
<b>Acquisition Price</b>	RM38 million
<b>Age of Building</b>	5 years
<b>Title Information</b>	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus
<b>Tenure</b>	Freehold
<b>Gross Floor Area</b>	175,095 Sq ft
<b>Number of car park bays</b>	584
<b>Number of Motorcycle bays</b>	85
<b>Net Lettable Area</b>	115,313 Sq ft
<b>FY2018 Total Revenue</b>	RM3.1 million
<b>FY2018 Net Property Income</b>	RM1.1 million
<b>Appraised Value</b>	RM30 million
<b>Occupancy Rate as at 30 June 2018</b>	80.52%

## PORTFOLIO PERFORMANCE (CONT'D)

### Top Ten Tenants

Name	Trade Sector	Percentage of Occupied NLA (%)	% of Gross Rental Income
Y Pay More	Home Decor, Gifts, Souvenirs and Stationery	4.9%	4.5%
TF Value-Mart	Supermarket	39.9%	12.5%
Syarikat Ashura Sdn. Bhd.	Fashion Apparel	4.9%	3.8%
318 HY Fruits Trading	Wet Market	1.1%	2.8%
Mr. DIY	Home Decor, Gifts, Souvenirs and Stationery	12.1%	6.3%
Watson	Beauty, Health and Wellness	1.6%	3.3%
TNL Trading Sdn Bhd	Wet Market	2.7%	3.1%
Restoran Abc Senawang	Food & Beverages	1.4%	2.3%
LionMas	IT/ Electrical/ Digital	2.6%	3.7%
Seremban Best Autohaus	Sundry and Services	3.0%	2.2%
<b>SubTotal</b>		<b>74.2%</b>	<b>44.5%</b>
Others		25.8%	55.5%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Trade Sector Analysis

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Wet Market	7.5%	17.4%
Food & Beverages	7.2%	7.4%
Supermarket	39.9%	12.5%
Fashion Apparel	3.4%	9.8%
Entertainment & Leisure	1.6%	2.5%
Beauty, Health and Wellness	4.9%	12.1%
Timepieces and Jewellery	0.0%	0.0%
Home Decor, Gifts, Souvenirs and Stationery	23.7%	18.2%
IT/ Electronic/ Digital	6.2%	11.7%
Furniture/ Show Gallery	1.4%	4.1%
Sundry and Services	4.2%	4.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Tenancy Expiry Profile

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY2018	13	12.4%	15.7%
FY2019	45	25.8%	53.9%
FY2020	4	32.8%	18.1%
FY2021	3	29.0%	12.3%
<b>Total</b>	<b>65</b>	<b>100.0%</b>	<b>100.0%</b>

## PORTFOLIO PERFORMANCE (CONT'D)



### KIP MART MELAKA

KiP Mart Melaka is a two-storey retail centre which commenced operations since 26 March 2014. The layout area for KiP Mart Melaka is divided into several areas for, amongst others, dry retail lots, a supermarket, an amusement centre, car promotion areas, a food court, a fast food restaurant and various promotion areas with an NLA of 182,327 sq ft as at 30 June 2018. KiP Mart Melaka is located on 380,310 sq ft of land located in the Batu Berendam industrial area in Melaka. KiP Mart Melaka has 71 tenancies as at 30 June 2018.

<b>Address</b>	No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350 Melaka
<b>Description of Property</b>	Two-storey retail centre which commenced operations since 26 March 2014
<b>Date of Acquisition</b>	6 February 2017
<b>Acquisition Price</b>	RM50 million
<b>Age of Buiding</b>	4 years
<b>Title Information</b>	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka
<b>Tenure</b>	99 years, expiring on 17 November 2112
<b>Gross Floor Area</b>	276,987 Sq ft
<b>Number of car park bays</b>	520
<b>Number of Motorcycle bays</b>	140
<b>Net Lettable Area</b>	182,327 Sq ft
<b>FY2018 Total Revenue</b>	RM5.6 million
<b>FY2018 Net Property Income</b>	RM1.9 million
<b>Appraised Value</b>	RM50 million
<b>Occupancy Rate as at 30 June 2018</b>	70.24%

## PORTFOLIO PERFORMANCE (CONT'D)

### Top Ten Tenants

Name	Trade Sector	Percentage of Occupied NLA (%)	% of Gross Rental Income
Toy World	Home Decor, Gifts, Souvenirs and Stationery	8.8%	2.0%
Pasaraya Family Store	Supermarket	35.5%	11.4%
Soon Siang Stationery	Home Decor, Gifts, Souvenirs and Stationery	4.0%	2.1%
Abiha Enterprise	Home Decor, Gifts, Souvenirs and Stationery	1.4%	1.3%
Lionmas	IT/ Electrical/ Digital	4.3%	6.3%
Shila & Family Enterprise	Food & Beverages	1.6%	1.3%
Old Town Kopitiam	Food & Beverages	1.4%	1.6%
MB Culinary	Food & Beverages	1.4%	2.0%
PISB	Home Decor, Gifts, Souvenirs and Stationery	4.0%	2.7%
Mr. DIY	Home Decor, Gifts, Souvenirs and Stationery	12.7%	6.6%
<b>SubTotal</b>		<b>75.1%</b>	<b>37.3%</b>
Others		<b>24.9%</b>	<b>62.7%</b>
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Trade Sector Analysis

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Wet Market	1.3%	2.2%
Food & Beverages	7.2%	12.9%
Supermarket	36.1%	13.9%
Fashion Apparel	10.9%	27.1%
Entertainment & Leisure	1.2%	3.2%
Beauty, Health and Wellness	1.7%	6.4%
Timepieces and Jewellery	0.3%	1.4%
Home Decor, Gifts, Souvenirs and Stationery	33.8%	18.9%
IT/ Electronic/ Digital	5.3%	10.3%
Furniture/ Show Gallery	0.9%	1.2%
Sundry and Services	1.3%	2.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Tenancy Expiry Profile

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY2018	33	50.2%	39.4%
FY2019	25	14.0%	32.9%
FY2020	12	31.8%	25.6%
FY2021	1	4.0%	2.1%
<b>Total</b>	<b>71</b>	<b>100.0%</b>	<b>100.0%</b>

## PORTFOLIO PERFORMANCE (CONT'D)



### KiP MALL BANGI

KiP Mall Bangi is a five-storey shopping centre with one level of mezzanine floor and two levels of basement car park which was acquired on 26 March 2015 by the Sponsors. The layout area for KiP Mall Bangi is divided into several areas for, amongst others, dry retail lots, a supermarket, an entertainment area, a food court, a fast food area, restaurants, a badminton court and various promotion areas with an NLA of 260,046 sq ft as at 30 June 2018. KiP Mall Bangi is located on 92,817 sq ft of land located along Jalan Medan Bangi, Bandar Baru Bangi. KiP Mall Bangi has 149 tenancies as at 30 June 2018.

<b>Address</b>	No. 1, Jalan Medan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan
<b>Description of Property</b>	Five-storey shopping centre with one level of mezzanine floor and two levels of basement car park
<b>Date of Acquisition</b>	6 February 2017
<b>Acquisition Price</b>	RM130 million
<b>Age of Buiding</b>	18 years
<b>Title Information</b>	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan
<b>Tenure</b>	99 years, expiring on 14 July 2093
<b>Gross Floor Area</b>	348,203 Sq ft
<b>Number of car park bays</b>	475
<b>Number of Motorcycle bays</b>	65
<b>Net Lettable Area</b>	260,046 Sq ft
<b>FY2018 Total Revenue</b>	RM15.1 million
<b>FY2018 Net Property Income</b>	RM10.5 million
<b>Appraised Value</b>	RM130 million
<b>Occupancy Rate as at 30 June 2018</b>	88.81%

## PORTFOLIO PERFORMANCE (CONT'D)

### Top Ten Tenants

Name	Trade Sector	Percentage of Occupied NLA (%)	% of Gross Rental Income
Animation Fun Place	Entertainment & Leisure	2.2%	0.5%
Giant Hypermarket	Supermarket	36.1%	18.8%
MG Concept Store	Fashion Apparel	2.0%	1.6%
Live Sport Gallery Enterprise	Entertainment & Leisure	8.7%	1.7%
Kedai Buku Smart	Home Decor, Gifts, Souvenirs and Stationery	2.0%	1.1%
LWT Mini Mart Enterprise	Entertainment & Leisure	2.2%	0.5%
Sport Planet	Fashion Apparel	3.9%	1.1%
Toy World	Home Decor, Gifts, Souvenirs and Stationery	2.2%	0.5%
Mr. DIY	Home Decor, Gifts, Souvenirs and Stationery	5.1%	2.0%
Pusat Kain Silk House	Home Decor, Gifts, Souvenirs and Stationery	5.3%	1.2%
<b>SubTotal</b>		<b>69.7%</b>	<b>29.0%</b>
Others		30.3%	71.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Trade Sector Analysis

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Wet Market	0.0%	0.0%
Food & Beverages	5.5%	12.4%
Supermarket	36.1%	18.8%
Fashion Apparel	19.6%	26.1%
Entertainment & Leisure	15.2%	4.8%
Beauty, Health and Wellness	2.2%	7.0%
Timepieces and Jewellery	1.0%	2.8%
Home Decor, Gifts, Souvenirs and Stationery	17.0%	12.3%
IT/ Electronic/ Digital	2.8%	13.0%
Furniture/ Show Gallery	0.0%	0.0%
Sundry and Services	0.6%	2.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Tenancy Expiry Profile

Period	Number of Tenancies Expiring	Percentage of Occupied NLA Expiring (%)	Percentage of Gross Rental Income Expiring (%)
FY2018	31	7.4%	16.6%
FY2019	73	63.4%	56.2%
FY2020	39	17.4%	21.4%
FY2021	6	11.8%	5.8%
<b>Total</b>	<b>149</b>	<b>100.0%</b>	<b>100.0%</b>

# CORPORATE SOCIAL RESPONSIBILITY



KIP REIT gives back to the society through its corporate social responsibility (“CSR”) initiative by donating a generous RM16,000 to two very reputable and caring organisations being the Pertubuhan Prihatin Orang Kurang Upaya 1Malaysia (“1MprihatinOKU”) and WWF-Malaysia.

The donation was conducted at a cheque presentation ceremony at Menara KIP where Mr Lim Han Gie, the former Chief Executive Officer of the Manager for KIP REIT presented one mock-up check worth RM8,000 each to 1MprihatinOKU and WWF-Malaysia. 1MprihatinOKU was represented by Pn. Noorhuda Binti Mohamed Asli, the Chairman of 1MprihatinOKU while WWF-Malaysia was represented by Dr. Sundari Ramakrishna, the Conservation Director of WWF-Malaysia.

The funds directed to 1MprihatinOKU will be utilised for their “Kasoot Wheelchair” initiative which is aimed at providing innovative wheelchair covers to OKU recipients which will enable them to use their wheelchairs in clean areas such as in Mosques and homes. On the other hand, the funds donated to WWF-Malaysia will be used to assist their conservation efforts to work closely with other stakeholders to carry out scientific expeditions and wildlife surveys to find out more about these areas’ biodiversity which will result in protecting Malaysia’s green gems.

As a listed issuer we have an obligation beyond seeking the bottom line of the Fund and that is to strive to make the world a better place both for those who are less fortunate than us and to the environment. Therefore, we believe that it is crucial for us as a group to be engaged in CSR activities through contributions to NGOs such as 1MprihatinOKU and WWF-Malaysia.

It is truly our great privilege to help support both entities as 1MprihatinOKU has our admiration for striving to be a positive influence in the Malaysia through helping the OKU while at the same time we deeply respect WWF-Malaysia for their mission to halt the degradation of the planet’s natural environment.

1MprihatinOKU is a socially motivated non-profit non-government organisation (“NGO”) which was established in 2012 to create a new environment and culture which strives to meet the needs of the disabled. It was set up based on the concept of providing integrated and holistic services beyond the superficial needs of the disabled.

WWF-Malaysia was established as a national conservation trust on 13 January 1972 and currently has close to 200 employees in various states in Malaysia. WWF-Malaysia’s mission is to stop the degradation of the planet’s natural environment and to build a future which humans live in harmony with nature. Their work covers a range of objectives including scientific research of wildlife and important natural habitats, issues of the natural environment, incorporating policy work, environmental education, public awareness and campaigns.



Albirex Cheerleading Performance



Community Events @ KIP Mart Masai



Kejohanan Sihat Event



Lelong Rabu



Bubuk Lambuk



Kejohanan Badminton @ KIP Mall Bangi



FIFA World Cup Russia 2018



Bazaar Ramadan



Buka Puasa



Bazaar Ramadan @ KIP Mart Melaka



Pertandingan Anakkku Comel @ KIP Mart Masai



Kid Costume Event



Bayi Merangkak



Selamat Tahun Baru Cina 2018



Pertandingan Congkak



Kejohanan Taekwon-Do 2018



Colouring Contest



Colouring Contest



Colouring Contest



Demo Silat



Zumba

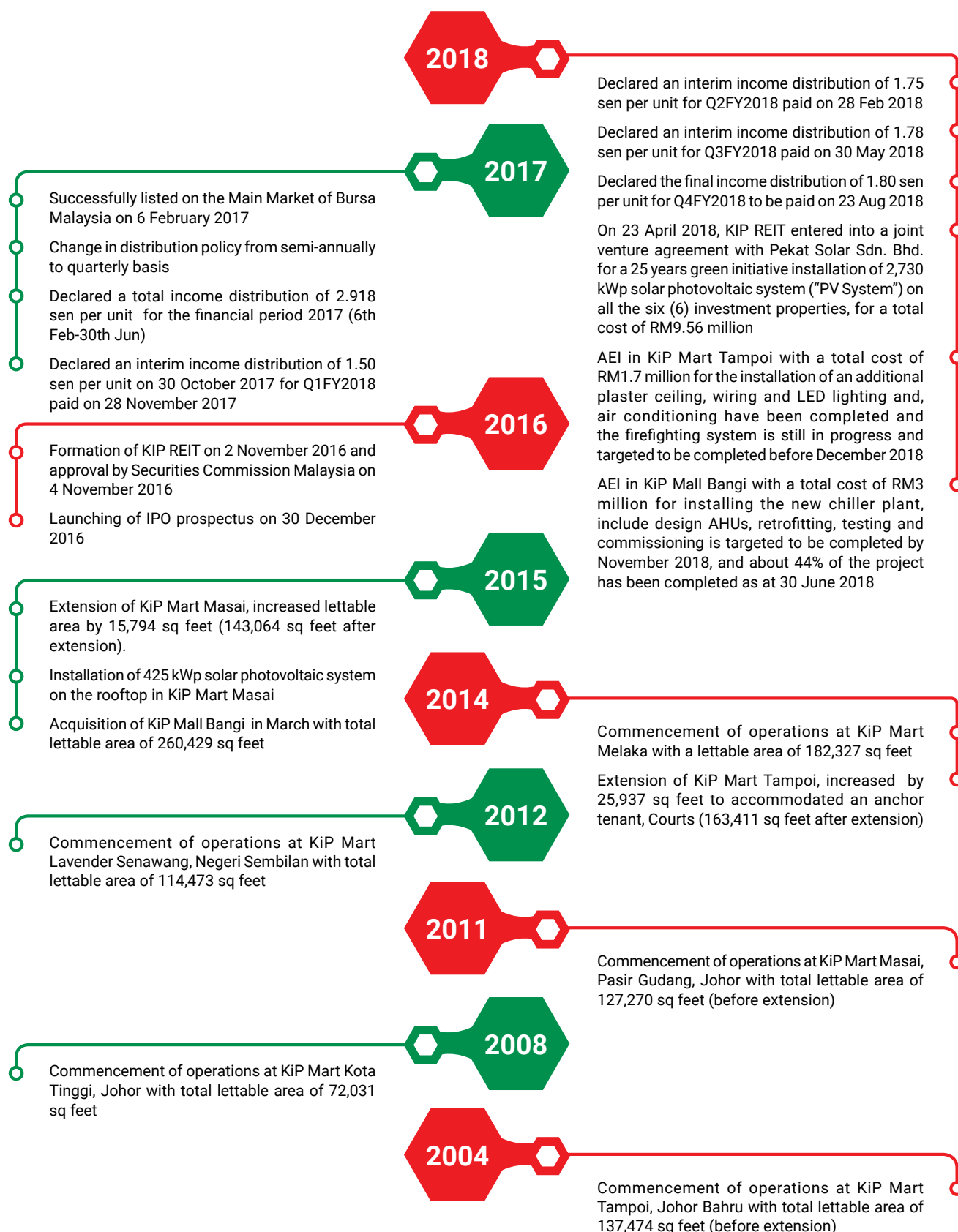


Ambang Sambutan Raya



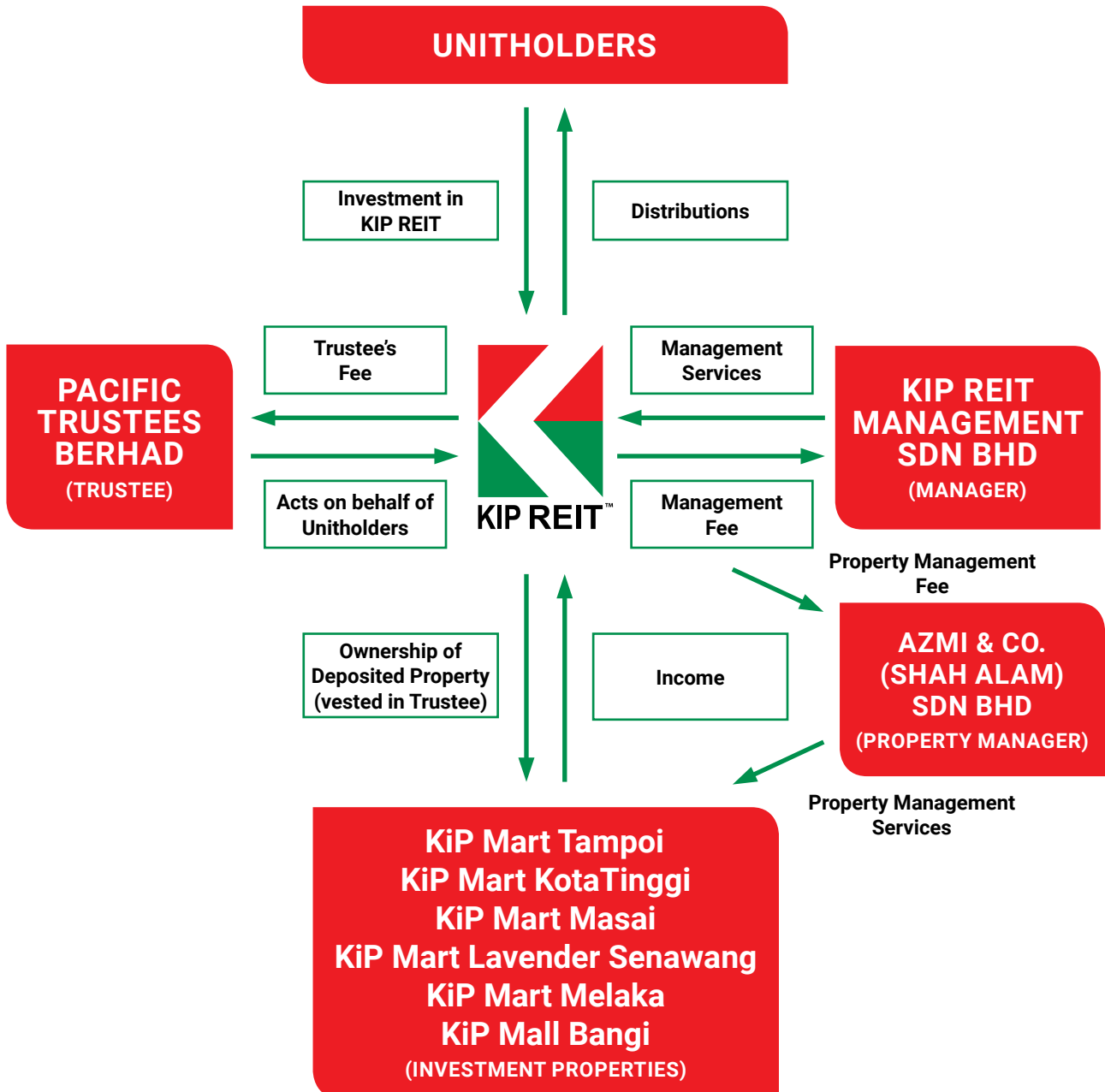
Kadet Polis 2018 @ KIP Mart Tampoi

# CORPORATE MILESTONES

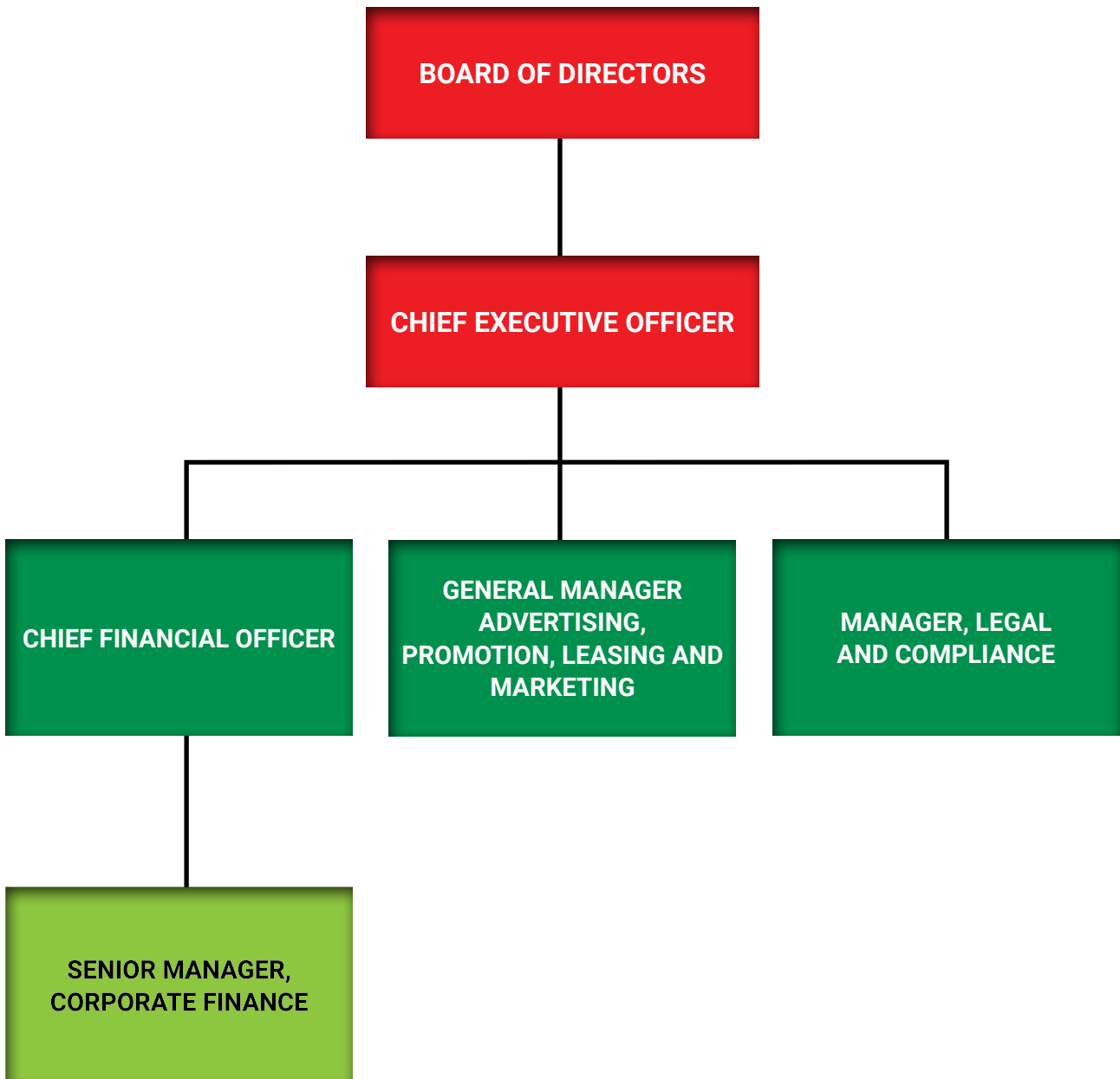


# CORPORATE ORGANISATION

**KIP REIT** is a REIT constituted by the Deed, as entered into between the Trustee and the Manager on 2 November 2016 and registered with the Securities Commission Malaysia on 4 November 2016. KIP REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017.



# CORPORATE REPORTING STRUCTURE OF THE MANAGER



# FUND INFORMATION

ITEM	DESCRIPTION
<b>Name of REIT</b>	KIP REIT
<b>REIT type</b>	Income stability and growth
<b>Deed</b>	Deed dated 2 November 2016
<b>The Manager</b>	KIP REIT Management Sdn Bhd (1169638-M)
<b>The Trustee</b>	Pacific Trustees Berhad (317001-A)
<b>Investment Objective</b>	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.
<b>Investment Strategies</b>	<p>The Manager intends to increase the income and consequently, the value of the Investment Properties by implementing the following strategies, including:</p> <ul style="list-style-type: none"> <li>(i) <b>Active asset management and enhancement strategy</b> – The Manager will seek to optimise the rental rates, occupancy rates and NLA of the Investment Properties in order to improve the returns from KIP REIT's investment property portfolio;</li> <li>(ii) <b>Acquisition growth strategy</b> – The Manager will source for and acquire properties that fit within KIP REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth. To support this acquisition strategy, the Manager expects to benefit from the ROFR provided by the Promoters over the Promoters' existing and future retail properties in Malaysia;</li> <li>(iii) <b>Capital and risk management strategy</b> – The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions and will seek to manage financing and refinancing risks with the intention of maximising returns to Unitholders.</li> </ul>
<b>Authorised Investments</b>	Real estate, 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 Securities Commission Malaysia.
<b>Authorised Investments limits</b>	<p>The investments of KIP REIT are subject to the following investment limits imposed by the REIT Guidelines:</p> <ul style="list-style-type: none"> <li>(i) at least 50.0% of KIP REIT's Total Asset Value must be invested in Real Estate and/or SPVs at all times; and</li> <li>(ii) 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.</li> </ul> <p>provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:</p> <ul style="list-style-type: none"> <li>(i) 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>(ii) 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>(iii) 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>

## FUND INFORMATION (CONT'D)

ITEM	DESCRIPTION
<b>Borrowing Limits</b>	Up to 50% of the total asset value of KIP REIT at the time the borrowings are incurred.
<b>Investors' Profile</b>	KIP REIT may appeal to an investor 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.
<b>Distribution Policy</b>	<p>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.</p> <p>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.</p>
<b>Revaluation Policy</b>	The investment properties will be revalued annually pursuant to Malaysian Financial Reporting Standard ("MFRS") 140 and at least once every three (3) years from the date of last revaluation pursuant to Clause 10.03 of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts.

# CORPORATE DIRECTORY

**MANAGER** : KIP REIT Management Sdn Bhd (Company Number:1169638-M)

**Registered Office** : Level 33A, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur, Malaysia  
Telephone No. : +603 6203 5322 / +603 6203 5828  
Facsimile No. : +603 6203 2788

**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 ; +603 6259 6633  
Facsimile No. : +603 6259 1212  
E-mail : kipreit@kip.com.my  
Website : www.kipreit.com.my

## DIRECTORS OF THE MANAGER

**Dato' Dr Syed Hussain Bin Syed Husman**  
*Chairman and Senior Independent Non-Executive Director*

**Dato' Chew Lak Seong**  
*Managing Director and Non-Independent Executive Director*

**Dato' Ong Kook Liong**  
*Non-Independent Executive Director*

**Datuk Mohamed Arsad Bin Sehan**  
*Independent Non-Executive Director*

**Mr Foo Lee Khean**  
*Independent Non-Executive Director*

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Mr Foo Lee Khean** (*Chairman*)  
**Datuk Mohamed Arsad Bin Sehan**  
**Dato' Dr Syed Hussain Bin Syed Husman**

## NOMINATION COMMITTEE

**Datuk Mohamed Arsad Bin Sehan** (*Chairman*)  
**Dato' Dr Syed Hussain Bin Syed Husman**  
**Mr Foo Lee Khean**

## REMUNERATION COMMITTEE

**Dato' Dr Syed Hussain Bin Syed Husman** (*Chairman*)  
**Dato' Chew Lak Seong**  
**Datuk Mohamed Arsad Bin Sehan**

## CORPORATE DIRECTORY (CONT'D)

### COMPANY SECRETARY OF THE MANAGER

Foo Siew Loon (MAICSA 7006874)  
Level 33A, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur, Malaysia  
Telephone No.: +603 6203 5322 /  
+603 6203 5828  
Facsimile No. : +603-6203 2788

### TRUSTEE

Pacific Trustees Berhad  
(Company Number: 317001-A)  
A-9-8, 9th 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  
Website : www.pacifictrustees.com

### PROPERTY MANAGER

Azmi & Co (Shah Alam) Sdn Bhd  
(Company Number: 524945-H)  
No. 8, 3rd Floor,  
Jalan Tengku Ampuan Zabedah D9/D  
40100 Shah Alam  
Selangor, Malaysia  
Telephone No.: +603 5510 1900  
Website : www.azmigroup.com.my

### EXTERNAL AUDITORS

PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF1146)  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Telephone No.: +603 2173 1188  
Website : www.pwc.com/my/en

### TAX CONSULTANT

Deloitte Touche Tohmatsu Tax Services  
Sdn Bhd (Company Number: 151497-P)  
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

### PRINCIPAL BANKER OF THE FUND

OCBC Bank (Malaysia) Berhad  
(Company Number: 295400-W)  
18th Floor, Menara OCBC  
18, Jalan Tun Razak  
50050 Kuala Lumpur, Malaysia  
Telephone No.: +603 2004 5034  
Website : www.ocbc.com.my

### INDEPENDENT PROPERTY VALUER

CBRE|WTW  
C H Williams Talhar & Wong Sdn Bhd  
(Company Number: 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

### REGISTRAR

Symphony Share Registrars Sdn Bhd  
(Company Number: 378993-D)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor, Malaysia  
Telephone No.: +603 784 0777  
Facsimile No. : +603 7841 8151  
Website : www.symphony.com.my

### INTERNAL AUDITOR

Deloitte Risk Advisory Sdn Bhd  
(Company Number: 40711-M)  
Level 16, Menara LGB, 1 Jalan Wan Kadir,  
Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia  
Telephone No.: +603 7610 8047  
Facsimile No. : +603 7726 8986  
Website : www.deloitte.com/my

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
(Company Number : 635998-W)  
Main Market  
Stock Short Name: KIPREIT  
Stock Code : 5280



# BOARD OF **DIRECTORS** MANAGER FOR **KIP REIT**

**Dato' Dr Syed Hussain Bin Syed Husman**

*Chairman and Senior Independent  
Non-Executive Director*

**Dato' Eric Ong Kook Liong**

*Non-Independent Executive Director*

**Dato' Chew Lak Seong**

*Managing Director and  
Non-Independent Executive Director*

**Datuk Mohamed Arsad Bin Sehan**

*Independent Non-Executive Director*

**Mr Foo Lee Khean**

*Independent Non-Executive Director*

## THE BOARD OF DIRECTORS (CONT'D)



### DATO' DR SYED HUSSAIN BIN SYED HUSMAN

Chairman and Senior Independent Non-Executive Director

Dato' Dr Syed Hussain Bin Syed Husman, aged 61, a Malaysian male, was appointed to the Board of KIP REIT Management Sdn. Bhd., the Manager for KIP Real Estate Investment Trust ("KIP REIT") on 20 April 2016. He is also the Chairman of the Manager's Remuneration Committee, a member of Nomination Committee and Audit and Risk Management Committee.

Dato' Dr Syed Hussain is currently an Executive Director and the Chief Executive Officer of SVTT Resources Sdn Bhd (formerly known as SVT Resources Sdn Bhd), a position he has held since 2011. He is also currently an Independent Non-Executive Director and Chairman of Remuneration Committee of Kian Joo Can Factory Berhad since 2015.

Dato' Dr Syed Hussain also sits on the board of Universiti Putra Malaysia and is the Chairman of Putra Business School.

Dato' Dr Syed Hussain began his career in 1987 with Imperial Chemical International/ Chemical Company Malaysia Berhad as a Human Resources Officer and was promoted to Human Resources Manager of the group in 1990. He was with Procter & Gamble, Malaysia/Singapore as Human Resources and External Affairs Director (1992 to 1997) and Rothmans of Pall Mall (Malaysia) Berhad (1997 to 2000). He was appointed to the board of directors of Rothmans in 1998 and served in British American Tobacco (Malaysia) Berhad (2000 to 2004) as Director, Human Resources – Public Relations and Security Affairs. He joined Ramunia Holdings Bhd in 2006 and left as Group Director, Human Resources, Communications and Information Technology in 2008.

Dato' Dr Syed Hussain was the Group Director of Human Resource & Corporate Affairs at Petrofield (M) Sdn Bhd between 2008 and 2010.

Dato' Dr Syed Hussain was awarded "HR Manager of the Year Award 1999" by the Malaysian Institute of Human Resource Management and Ministry of Human Resource Malaysia and "Justice of Peace" by His Highness Sultan of Negeri Sembilan in July 2000, appointed a Fellow of the Malaysian Institute of Human Resources Management in 2000, a Justice of Peace in July 2000, an Associate member of the Commonwealth Magistrates and Judges Association, CMJA. He is also a Council Member of the Malaysian Employers Federation, member of the National Skills Council and National Labour Advisor Council. He was also granted the title, "Accredited Public Relation Practitioner" (APR) by the Institute of Public Relations Malaysia in August 2005.

Dato' Dr Syed Hussain holds a Bachelor in Business Studies degree and a Masters in Business Administration (MBA) from Western Illinois University, Illinois, USA. He also attended the Senior Management Development Program at Harvard Business School, USA in 2002. He has no conflict of interest and does not have family relationship with any director and/or major unitholder with KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).

Dato' Dr Syed Hussain has attended four (4) Board Meetings held in the financial year.

## THE BOARD OF DIRECTORS (CONT'D)



### DATO' CHEW LAK SEONG

Managing Director and Non-Independent Executive Director

Dato' Chew Lak Seong, aged 63, a Malaysian male, was appointed to the Board of KIP REIT Management Sdn. Bhd., the Manager for KIP Real Estate Investment Trust ("KIP REIT") on 18 December 2015. He is also a member of the Manager's Remuneration Committee.

Dato' Chew currently holds the Capital Markets Services Representative's License ("CMSL") under the Capital Markets and Securities Act 2007.

Dato' Chew is the co-founder of the KIP group of companies and has been the Managing Director of KIP group of companies since 1997.

Dato' Chew has over 35 years of experience in property development and investment, hospitality, retail design and development, project management and corporate management. He was instrumental in the completion of Kipark Puchong, Kipark Selayang, Harmoni Park, Taman Tampoi Indah in Johor and Taman Perindustrian KIP in Kuala Lumpur, a mixed development comprising of high-rise medium cost apartments, shop houses and factories.

Under his leadership, KIP group of companies has successfully revived an abandoned mixed development project located in Sri Utara, Kuala Lumpur, namely Kipark Sri Utara, consisting of residences (Taman Seri Utara), offices (Menara KIP) and hotel (KIP Hotel), with a combined gross development value of more than RM500.0 million.

Dato' Chew began his career in 1980 as a project manager in MBf Property Services Sdn Bhd, where he was involved in projects in Penang, namely, 1 Persiaran Gurney condominium, Midland Park condominium, and Boundary

Court apartments. In 1988, he joined Rawang Industrials & Property Sdn Bhd as General Manager of property development where he was involved in Rawang Jaya mixed development, Kepong Sentral shop apartments and Desa Jaya mixed development in Johor Bahru.

Dato' Chew subsequently joined Tanco Properties Sdn Bhd as General Manager of property development from 1990 to 1993. At Tanco Properties Sdn Bhd, he was involved in a development known as Rawang Country Homes, a 200-acre mixed development of retail and residential properties and the Duta Vista apartments in Kuala Lumpur.

From 1993 to 1997, he was Managing Director of property development in Meda group of companies. He contributed towards the success in the completion of the Summit Square, Summit Parade, Summit City and Plaza Bukit Mertajam.

Dato' Chew holds a B.Sc (Hons) Degree majoring in Housing, Building and Planning from University Sains Malaysia. He has no conflict of interest and does not have family relationship with any director. He is a major unitholders of Landasan Primamaju Sdn. Bhd. and Adamin Corporation Sdn. Bhd., which are major unitholder of KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).

Dato' Chew has attended three (3) Board Meetings held in the financial year.

## THE BOARD OF DIRECTORS (CONT'D)



### DATO' ERIC ONG KOOK LIONG

Non-Independent Executive Director

Dato' Eric Ong Kook Liong, aged 58, a Malaysian male, was appointed to the Board of KIP REIT Management Sdn. Bhd., the Manager for KIP REIT Estate Investment Trust ("KIP REIT") on 18 December 2015.

Dato' Eric Ong currently holds the Capital Markets Services Representative's License ("CMSL") under the Capital Markets and Securities Act 2007.

Dato' Eric Ong is the co-founder of the KIP group of companies and is an Executive Director of KIP group of companies. He is responsible for spearheading leasing, retail development conceptualisation and tenant mix strategy for all projects including the KIP Mart portfolio.

Dato' Eric Ong has over 27 years of experience in sales and marketing of properties, property investment and hospitality. He was instrumental in the planning, design, marketing and completion of Kipark Puchong, Kipark Selayang, Harmoni Park, Taman Tampoi Indah in Johor and Taman Perindustrian KIP in Kuala Lumpur, a mixed development comprising of high-rise apartments, shop houses, factories and landed properties.

Under his leadership, KIP group of companies has successfully revived an abandoned mixed development project located in Sri Utara, Kuala Lumpur, namely Kipark Sri Utara, consisting of residences (Taman Seri Utara), offices (Menara KIP) and hotel (KIP Hotel), with a combined gross development value of more than RM500.0 million.

Dato' Eric Ong began his career in 1989 as a sales executive in MBf Property Services Sdn Bhd where he was involved in the Kepong Sentral project and Rawang Industrial Park development. He joined Tanco Properties Sdn Bhd in 1991 as a sales manager, where he was involved in the sales and marketing of a development known as Rawang Country Homes, a 200-acre mixed development of retail and residential properties.

From 1993 to 1997, he was Executive Director of property development in Meda group of companies. He contributed towards the success in the completion of the Summit Square, Summit Parade, Summit City and Plaza Bukit Mertajam.

He has no conflict of interest and does not have family relationship with any director. He is a major unitholders of Landasan Primamaju Sdn. Bhd. and Adamin Corporation Sdn. Bhd., which are major unitholder of KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).

Dato' Eric Ong has attended all the four (4) Board Meetings held in the financial year.

## THE BOARD OF DIRECTORS (CONT'D)



### DATUK MOHAMED ARSAD BIN SEHAN

Independent Non-Executive Director

Datuk Mohamed Arsad Bin Sehan, aged 65, a Malaysian male, was appointed to the Board of KIP REIT Management Sdn. Bhd., the Manager for KIP Real Estate Investment Trust ("KIP REIT") on 20 April 2016. He is also the Chairman of the Manager's Remuneration Committee, a member of Nomination Committee and Audit and Risk Management Committee.

Currently, Datuk Mohamed Arsad is the Executive Director of PureCircle Sdn Bhd, a member of the PureCircle Limited Group, which is a producer and supplier of high purity intensity natural sweeteners and flavours made from the stevia plant. He holds various directorships in other companies namely as Independent Non-Executive Director of SYF Resources Berhad since 2011 where he sits on the Audit Committee and Nomination Committee. He is also a Senior Independent Non-Executive Director of Bertam Alliance Berhad since 2014 and serves as the Chairman of the Nomination Committee.

Datuk Mohamed Arsad has more than 30 years of working experience in banking and finance institutions. Datuk Mohamed Arsad began his career with Bank Kerjasama Rakyat Malaysia Berhad in 1978 as a bank officer. In Bank Kerjasama Rakyat Malaysia Berhad, he held senior management positions, including General Financing and Division Head of Planning and Corporate Services.

Datuk Mohamed Arsad spent seven years as Managing Director and Chief Executive Officer in a private limited company dealing in the manufacture and supply of standby power systems, whilst on secondment from Bank Kerjasama Rakyat Malaysia Berhad.

Datuk Mohamed Arsad holds a Bachelor of Economics (Statistics) degree from the University of Malaya. He has no conflict of interest and does not have family relationship with any director and/ or major unitholder with KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).

Datuk Arsad has attended all the four (4) Board Meetings held in the financial year.

## THE BOARD OF DIRECTORS (CONT'D)



### MR. FOO LEE KHEAN

Independent Non-Executive Director

Mr. Foo Lee Khean, aged 55, a Malaysian male, was appointed to the Board of KIP REIT Management Sdn. Bhd., the Manager for KIP Real Estate Investment Trust ("KIP REIT") on 18 May 2016. He is also the Chairman of the Manager's Audit and Risk Management Committee and a member of Nomination Committee.

Mr. Foo is a SC licensed Investment Representative and a Director of Strategic Capital Advisory Sdn Bhd., a company specialising in corporate finance.

Mr. Foo holds various directorships in other companies namely as Non-Independent Non-Executive Chairman of Systech Berhad since 2011, Independent Non-Executive Director of Kumpulan Jetson Berhad since 2010 and Senior Independent Non-Executive Director of Kumpulan Jetson Berhad since 2013. He also serves as an Independent Non-Executive Director where he is a member of the Audit Committee, Nomination Committee, Remuneration Committee and the Employees Share Option Scheme Committee of SYF Resources Berhad.

Mr. Foo is an Independent Non-Executive Director of SMIS Corporation Berhad since 2007 and serves as the Chairman of the Audit and Risk Committee and Nomination Committee. He is also a member of the Remuneration Committee.

Mr. Foo has 29 years of working experience in the accounting and finance sector, starting with Coopers & Lybrand Malaysia in 1987 under the restructuring and recovery department, before leaving as Senior Associate in 1989 to join PricewaterhouseCoopers ("PwC"), Singapore, also in the restructuring and recovery department. He left PwC in 1990 to join Arthur Andersen, Singapore before being transferred to Arthur Andersen, Malaysia in 1991 in the corporate recovery and corporate finance division.

Whilst in Arthur Andersen, Malaysia, his responsibilities include handling forensic audit, general receivership, mergers and acquisitions as well as corporate finance activities such as initial public offerings, fundraising exercises and debt restructuring. Upon Arthur Andersen's merger with Ernst & Young in 2002, he was appointed as the Director of Corporate Finance before leaving in 2005 to join Strategic Capital Advisory Sdn. Bhd.

Mr. Foo is a fellow member of the Malaysia Institute of Accountants as well as the Chartered Institute of Management Accountants, United Kingdom.

He has no conflict of interest and does not have family relationship with any director and/ or major unitholder with KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).

Mr Foo has attended all the four (4) Board Meetings held in the financial year.

# THE MANAGEMENT **TEAM** Manager for **KIP REIT**



# **PROPERTY** MANAGER for **KIP REIT**



## THE MANAGEMENT TEAM (CONT'D)



### 1 Chan Heng Wah CHIEF EXECUTIVE OFFICER

Mr Chan Heng Wah, aged 62, a Malaysian male, was appointed as Chief Executive Officer of KIP REIT Management Sdn. Bhd., the Manager for KIP Real Estate Investment Trust ("KIP REIT") on 1 March 2018 and has no directorship in other public companies and listed issuer. He joined KIP Group in 2007 and was the Chief Financial Officer for KIP REIT Management Sdn. Bhd. until February 2018 before he assumed the position of Chief Executive Officer. He oversees the day-to-day operational management of KIP REIT. He is responsible for planning, strategic development, overall business investment, operational strategies and other objectives of KIP REIT. He also develops and ensure the effective implementation of capital and cost structure of KIP REIT in accordance with the capital management strategy.

Mr Chan has more than 30 years of financial exposure in corporate planning, taxation, treasury, finance, accounting, stand-alone credit card operations, timesharing, resort management, business operations management and property development.

He joined MBf Card Services Sdn. Bhd. in 1987 as an Assistant Accountant and was subsequently promoted to Senior Manager. He was seconded to Hong Kong in 1995 as a Senior Manager- Finance and was eventually promoted to Assistant Vice President for overseas operation finance. His responsibilities include overseeing the financial management of credit card operations and property investment.

Mr Chan returned to Malaysia in 2003 to join Leisure Holidays Bhd, a subsidiary of MBf Corporation Bhd as the Chief Operating Officer and was transferred to MBf Corporation Bhd later as the Group Financial Controller from 2004 until 2007.

Mr Chan was the Group Financial Controller of the KIP group of companies since 2007, overseeing the group's treasury and financial management, IT, human resources and administration divisions. He is one of the key team player in the formation of KIP REIT.

Mr Chan holds a Master of Business Administration (MBA) in Finance and Accountancy from Newport University specialising in Total Quality Management, and is an associate member of the Canadian Chartered Institute of Finance & Accountancy.

He has no conflict of interest and does not have family relationship with any director and/or major unitholder with KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).



### 2 Chin Suan Yong CHIEF FINANCIAL OFFICER

Mr Chin Suan Yong, aged 47, a Malaysian male, was appointed as Chief Financial Officer of KIP REIT Management Sdn. Bhd., the Manager for KIP Real Estate Investment Trust ("KIP REIT") on 1 March 2018 and has no directorship in other public companies and listed issuer. He joined KIP REIT Management Sdn. Bhd. in late 2017 as Financial Controller before he assumed the position of Chief Financial Officer. He is responsible for the full spectrum of financial management functions including financial and management reporting, capital management, treasury and taxation of KIP REIT.

Mr Chin has proven leadership in managing a complex global internal audit function (of 45 internal auditors) as Head of Group Internal Audit in IOI Corporation Berhad from 2011 to 2015. He also managed a large accounting team (of 20 accounting staff headcount) in a public-listed company when he was the Group Financial Controller of Malayan United Industries Berhad (MUI Group) from 2015 to 2017. He joined Country Heights Holdings Berhad in May 2017 as Chief Financial Officer prior to his appointment as Financial Controller in KIP REIT.

Mr Chin is a Chartered Accountant member of the Malaysian Institute of Accountants (MIA), a Certified Public Accountant member of the Malaysian Institute of Certified Public Accountants (MICPA) and a Chartered Member of the Institute of Internal Auditors Malaysia (IIAM).

## THE MANAGEMENT TEAM (CONT'D)

He started his career as an external auditor in Arthur Andersen, Kuala Lumpur in 1990 and has more than 25 years of experience in external audit, internal audit, accounting and finance in various industries, with exposure in large public-listed companies (PLCs) and government-linked companies (GLCs).

He has no conflict of interest and does not have family relationship with any director and/or major unitholder with KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).



### 3 Mohd Nizam Bin Hj. Abd. Hamid GENERAL MANAGER

En. Mohd Nizam Bin Hj. Abd. Hamid, aged 38, a Malaysian male, joined KIP REIT Management Sdn. Bhd., the Manager for KIP REIT as the Assistant General Manager, Advertising, Promotion, Leasing and Marketing on 1 February 2017 and subsequently promoted as General Manager. He has no directorship in other public companies and listed issuer. He is responsible for developing and implementing the effective marketing communications and consumer experience.

En. Mohd Nizam started his career as an Advertising Executive with Cerah Ilham Advertising Sdn Bhd from 2000 to 2001. He then moved to GIANT Cash & Carry hypermarket from 2001 until 2003 as an Advertising and Promotions Assistant. He joined the KIP group of companies in 2003 as a Marketing and Advertising Executive, and was promoted to Senior Marketing Executive in 2005.

En. Mohd Nizam was the Assistant General Manager of advertising, promotion, leasing and marketing of the KIP group of companies, where he was responsible for, amongst others, sourcing for prospective tenants for the KIP Marts, introducing policies and procedures to increase, improve, and maximise tenant occupancy of the KIP Marts and overseeing all advertising and promotion planning, budgeting, leasing and marketing activities of the KIP Marts.

En. Mohd Nizam holds a Diploma in Architecture from Petaling Jaya Community College.

He has no conflict of interest and does not have family relationship with any director and/or major unitholder with KIP REIT.

He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).



### 4 Yee Sieow Teng SENIOR MANAGER, CORPORATE FINANCE

Ms. Yee Sieow Teng, aged 36, a Malaysian female, joined KIP REIT Management Sdn. Bhd., the Manager for KIP REIT as the Senior Manager, Corporate Finance on 1 February 2017 and has no directorship in other public companies and listed issuer. She is responsible for the planning and budgetary control and finalization the financial results of KIP REIT. She is in charge of the key functions of the finance team include reporting financial performance of KIP REIT on all applicable approved accounting standards and relevant provisions of laws and regulations have been compiled with. She is also responsible for the internal audit and implementation of the Standard Operating Procedures, develop financial models including undertaking detailed analysis of KIP REIT.

Ms. Yee is a Chartered Accountant and has 13 years of experience in accounts, finance and audit in various industries, including property development, trading, manufacturing, construction, hotel, and travel and tour services.

Ms. Yee started her career with an audit and accounting firm, Messrs. Yuen Tang & Co in 2003 as Audit Assistant and was promoted to Senior Audit Supervisor. She moved to Messrs. SJ Grant Thornton as Audit Senior in 2008 and Leslie Yap & Co as Audit Manager in 2009.

## THE MANAGEMENT TEAM (CONT'D)

Ms. Yee joined the KIP group of companies in 2012 as Manager-Corporate Finance and Audit Compliance where she is responsible for setting up audit plans and identifying audit objectives for the KIP group of companies, performing internal audit reviews and producing audit reports on KIP Marts, as well as financial review and analysis, budgeting and planning for KIP Marts. She is one of the key team player in the formation of KIP REIT.

Ms. Yee holds a professional qualification from the Association of Chartered Certified Accountants and is a member of the Malaysian Institute of Accountants.

She has no conflict of interest and does not have family relationship with any director and/or major unitholder with KIP REIT. She has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).



### 5 Lee Yit Siong MANAGER, LEGAL AND COMPLIANCE

Mr. Lee Yit Siong, aged 46, a Malaysian male, joined KIP REIT Management Sdn. Bhd., the Manager for KIP REIT as the Manager, Legal and Compliance on 1 February 2017 and has no directorship in other public companies and listed issuer. He is responsible for ensuring that the Manager is in compliance with the Deed and the relevant guidelines and regulations governing real estate investment trusts in Malaysia.

Mr. Lee was called to the Bar as an Advocate and Solicitor of Malaya in 2001 when he began his career as a Legal Assistant in the Litigation/Conveyancing department of Messrs. J.C. Leong & Saw. In 2004, he joined Messrs. Thomas Philip and practised in the areas of banking litigation, industrial relations and labour office matters.

In 2005, he joined Messrs. Jeff Leong, Poon & Wong as a Legal Assistant and was involved in corporate and legal advisory work. Subsequently, between 2008 and 2009, he joined Messrs. Adnan Sundra & Low as a Senior Legal Assistant. His work scope included representing various banking and financial institutions in legal suits, as well as advising private debt securities holders and bondholders in respect of debt recovery and litigation matters. He subsequently joined The Store as the Head of Legal in 2010 and was responsible for their legal affairs.

Mr. Lee joined the KIP group of companies in 2015 as Legal Manager, where his role included advising on all legal matters, managing the legal department, providing legal advisory services and ensuring effective management of legal and contractual risks.

Mr. Lee holds a law degree from the University of London and a Certificate in Legal Practice (CLP) from the Legal Profession Qualifying Board, Malaysia and is a former member of the Bar Council of Malaysia.

He has no conflict of interest and does not have family relationship with any director and/or major unitholder with KIP REIT. He has not been convicted of any offences during the past ten (10) years other than traffic offences (if any).

# KIP MARTS AND KIP MALL OPERATIONS TEAM

KiP Mart Tampoi



KiP Mart Kota Tinggi



KiP Mart Masai



# KIP MARTS AND KIP MALL OPERATIONS TEAM (CONT'D)

KiP Mart Lavendar Senawang



KiP Mart Melaka



KiP Mall Bangi



# INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

## LIST OF INVESTOR ROAD SHOW

During 2018, the Manager has organised numerous road shows briefing to analysts in order to increase the awareness of KIP REIT in the investment community. The purpose of the analyst briefing is to update the market participant on the performance and strategy positioning of the Fund.



Analyst briefing on 26 January 2018 at KIP Hotel - Q2FY2018 result



Analyst briefing on 23 May 2018 at Inter Pacific Management Sdn Bhd Office



Analyst briefing on 5 April 2018 - Maybank



Analyst briefing on 30 January 2018 at RHB, Petaling Jaya



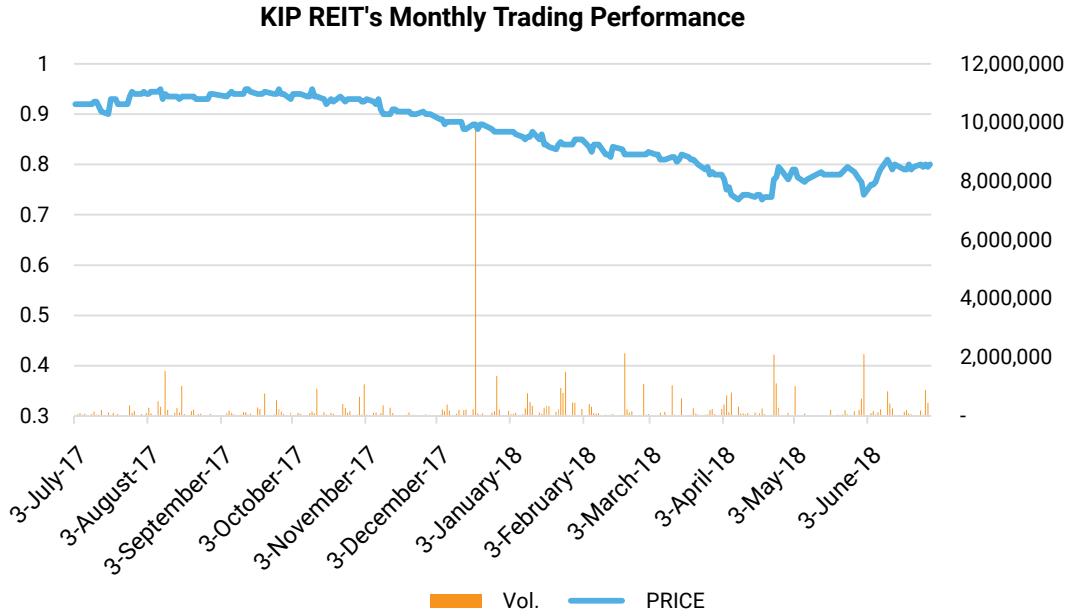
Analyst briefing on 13 September 2017 - RHB, Taman Molek, Johor



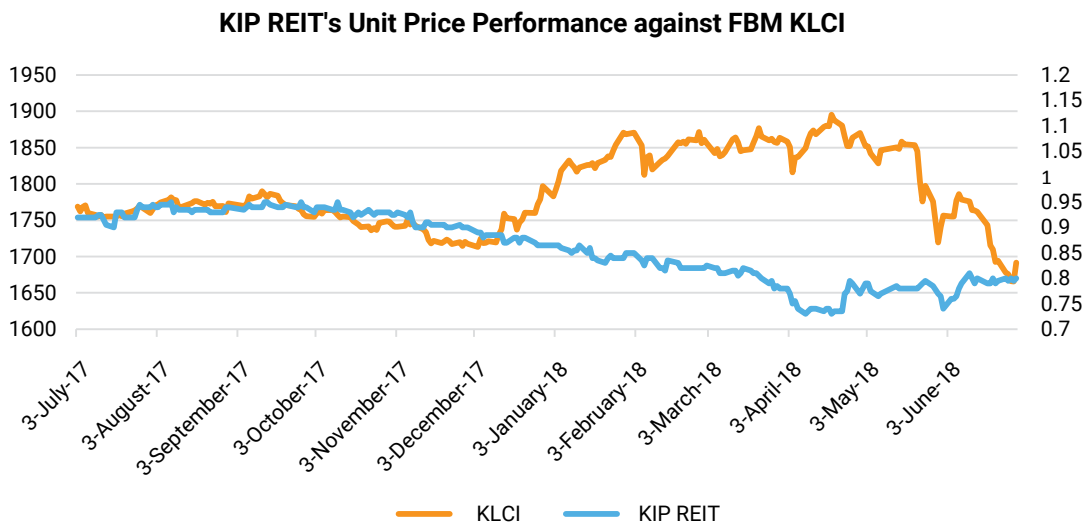
# INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

- ◆ Financials
- ◆ Corporate Review & Disclosure
- ◆ **Organisation**
- ◆ Editorial
- ◆ Highlights

## KIP REIT MONTHLY TRADING PERFORMANCE



## KIP REIT'S UNIT PRICE PERFORMANCE AGAINST FBM KLCI



## INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

### BURSA SECURITIES

The Manager makes disclosure on an immediate basis pursuant to the Main Market Listing Requirements of Bursa Securities. This includes quarterly financial results and other material announcements.

### ANNUAL GENERAL MEETING

The Second Annual General Meeting is scheduled on Thursday, 27 September 2018 at 10.00am at KIP Hotel, Kuala Lumpur.

### FINANCIAL RESULTS

KIP REIT publishes quarterly corporate presentation in an investor-friendly manner to provide more clarity in KIP REIT's financial and operational performance. The corporate presentation are available on the corporate website following the disclosure made to Bursa Securities.

### WEBSITE

Comprehensive information and updates relating the KIP REIT are also made accessible to the public on KIP REIT's corporate website at [www.kipreit.com.my](http://www.kipreit.com.my). Information such as announcement to Bursa Securities, share price performance, media releases, corporate presentation, annual reports and other developments are archived on KIP REIT's corporate website. The website is regularly updated to ensure that the latest information is readily available to our stakeholders.

For new and prospective investors, a brief guide, fact sheet and detailed Frequently Asked Questions are available on the website. For more information, please visit the website at [www.kipreit.com.my](http://www.kipreit.com.my) or contact:

### THE MANAGER

#### The Manager

Investor Relations & Corporate Communications  
KIP REIT Management Sdn Bhd (1169638-M)  
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 6252 6633/ 6259 1133  
Facsimile No. : +603 6259 1212  
E-mail : [kipreit@kip.com.my](mailto:kipreit@kip.com.my)  
Website : [www.kipreit.com.my](http://www.kipreit.com.my)

# MANAGER'S REPORT

The Manager of KIP Real Estate Investment Trust ("KIP REIT"), KIP REIT Management Sdn Bhd ("Manager"), is pleased to submit their report and audited financial statements to unitholders of KIP REIT for the financial year ended 30 June 2018.

## PRINCIPAL ACTIVITY

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 ("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'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 primarily for retail purposes 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, with a focus towards community-centric retail centres.

## DISTRIBUTION OF INCOME

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

- 1.500 sen per unit (1.460 sen is subject to withholding tax and 0.040 sen is non-taxable) for the period from 1 July 2017 to 30 September 2017, which was paid on 28 November 2017.
- 1.750 sen per unit (1.711 sen is subject to withholding tax and 0.039 sen is non-taxable) for the period from 1 October 2017 to 31 December 2017, which was paid on 28 February 2018.
- 1.780 sen per unit (1.739 sen is subject to withholding tax and 0.041 sen is non-taxable) for the period from 1 January 2018 to 31 March 2018, which was paid on 30 May 2018.
- 1.800 sen per unit (1.759 sen is subject to withholding tax and 0.041 sen is non-taxable) for the period from 1 April 2018 to 30 June 2018, which is payable on 23 August 2018.

## 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  
 Dato' Chew Lak Seong  
 Dato' Ong Kook Liong  
 Datuk Mohamed Arsad Bin Sehan  
 Mr Foo Lee Khean

## 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 2018, 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).

## MANAGER'S REPORT (CONT'D)

### 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:-

	Balance at 1.7.2017	Number of units		Balance at 30.06.2018
		Addition	Disposal /Transferred	
Dato' Syed Hussain Bin Syed Husman				
Direct	60,000	-	-	60,000
Dato' Chew Lak Seong				
Direct	17,292,902	33,682,602	-	50,975,504
Indirect	229,344,179	-	(87,751,448)	141,592,731
Dato' Ong Kook Liong				
Direct	17,320,403	33,387,502	-	50,707,905
Indirect	229,344,178	-	(87,751,448)	141,592,730
Datuk Mohamed Arsad Bin Sehan				
Direct	60,000	-	-	60,000
Foo Lee Khean				
Direct	60,000	-	-	60,000

### OTHER INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of KIP REIT 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 KIP REIT 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 KIP REIT inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of KIP REIT misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of KIP REIT misleading or inappropriate.

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 KIP REIT to meet its obligations when they fall due.

## MANAGER'S REPORT (CONT'D)

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

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

### 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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 20 August 2018.



**DATO' CHEW LAK SEONG**  
MANAGING DIRECTOR



**DATO' ONG KOOK LIONG**  
EXECUTIVE DIRECTOR

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KIP REIT Management Sdn. Bhd. (“the Company” or “the Manager”) recognises the value of good corporate governance and prioritises in ensuring that high standards of corporate governance is upheld and practised with the ultimate objective of protecting and enhancing unitholders’ value and protecting the interests of all stakeholders. The Board is committed to ensure the continuity of good corporate governance practice that will add value to the business and affairs of the Manager.

The Manager has been guided by the measures set out in the Guidelines on Real Estate Investment Trusts issued by the Securities Commission (REIT Guidelines), the Main Market Listing Requirements of Bursa Malaysia (Listing Requirements) Chapter 15, and the principles of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).

The structure of the MCCG 2017 comprises the principles, intended outcome achieve through the practices and the actions, procedures, or processes which are expected to adopt to achieve the intended outcome.

The MCCG 2017 is based on three key principles of good corporate governance, which are:-

Principle A – Board leadership and effectiveness;

Principle B – Effective audit and risk management; and

Principle C – Integrity in corporate reporting and meaningful relationship with stakeholders.

## PRINCIPLE A

Board Leadership and Effectiveness

### I) BOARD RESPONSIBILITIES

#### Intended Outcome

- 1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.**

#### Practice

- 1.1 The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.**

As the Manager of KIP REIT, the Board in discharging its duties and responsibilities, ensures that all decisions made are in the best interests of the Fund and Stakeholders. As prescribed by the MCCG 2017, the Board assumes the following responsibilities:

**i) Reviewing and adopting a strategic plan for the Fund**

The strategic and business plan must be discussed and approved by the Board at its meeting. The Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

**ii) Overseeing the conduct and overall management of the Manager and management of the assets of KIP REIT**

The Board is responsible to oversee and review the Fund’s annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational matters will be discussed and appropriate consultation will be sought if necessary. Where and when available, the performance of the Fund will be benchmarked and compared against the performance of its competitors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### iii) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Risk Management Report will be tabled on a periodic basis in the Board meeting to review the Fund's risks.

### iv) Succession planning

The Board has deliberated on the latest plans and actions taken in respect of the succession planning to ensure that all candidates appointed to senior management positions are of sufficient calibre.

### v) Overseeing the development and implementation of a Unitholder communications policy for the Fund

The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed on the Fund's affairs and developments.

### vi) Reviewing the adequacy and the integrity of the management information and internal controls system of the Fund

The Board's function in regards to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Manager's level. The active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Fund's internal controls.

#### Practice

#### 1.2 Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

The Board Chairman of the Manager, Dato' Dr Syed Hussain Bin Syed Husman, a Senior Independent Non-Executive Director was appointed as Chairman of the Board since his appointment. He is also the Chairman of the Manager's Remuneration Committee. The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues. He also establishes and monitors a good corporate governance practices being adopted in KIP REIT.

#### Practice

#### 1.3 The positions of Chairman and Chief Executive Officer are held by two different individual.

The Board Chairman and Chief Executive Officer ("CEO") are held by separate person. The Board Chairman, Dato' Dr Syed Hussain Bin Syed Husman, who was appointed to the Board on 20 April 2016 and Mr Chan Heng Wah was appointed as the Chief Executive Officer by the Board on 1 March 2018.

The role of the Board Chairman is described in Practice 1.2. The Chief Executive Officer oversees the day-to-day operational management, responsible for planning the future strategic development and business investment of KIP REIT.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Practice

#### 1.4 The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

The Board is supported by the Company Secretary, Ms Foo Siew Loon (MAICSA 7006874). She had attended all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and regulations. She also regularly updates the Board on new regulations and directives issued by regulatory authorities.

### Practice

#### 1.5 Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Prior to each board meeting, the Board Report will be circulated by the Company Secretary to all Directors so that each Director has ample time to peruse and review it for further deliberation at the Board meeting. Notices and agenda of meeting duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The Board Report provided include inter alia, the financial results, business plan and budget, progress report on the internal audit, regulatory/ statutory updates and other operational and financial issues for the Board information and/ or approval.

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by Company Secretary. All minutes will be sent for confirmation prior to the meetings.

### Intended Outcome

#### 2.0 There is demarcation of responsibilities between the board, board committees and management.

**There is clarity in the authority of the board, its committees and individual directors.**

### Practice

#### 2.1 The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:-

- **the respective roles and responsibilities of the board, board committees, individual directors and management; and**
- **issues and decisions reserved for the board.**

The Board shall review the Board Charter from time to time and make the necessary amendments as it deems appropriate, to ensure that the Charter remains consistent with the Board's objectives and will reflect the changing legal, regulatory and ethical standards.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Intended Outcome

- 3.0 The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.**

**The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.**

#### Practice

- 3.1 The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.**

**The Code of Conduct and Ethics is published on the company's website.**

The Manager's Code of Conduct and Business Ethics provides the ethical framework to guide actions and behaviour of all Directors and Employees of the Manager while at work. This Code reflects the increasing need for effective corporate governance compliance measures in the conduct of KIP REIT operations. It emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the Manager and KIP REIT.

The objective of the Code is to provide guidance on the standards of behaviour expected of the Manager, and where applicable, Counterparts and Business Partners. The standards of behaviour are derived from the Manager's Core Values and Business Principles. For all intent and purposes, the Manager shall always observe and ensure compliance with all applicable laws and regulations to which they are bound to observe in the discharge of their duties.

The Code of Conduct and Business Ethics term of reference has been established by the Manager.

#### Practice

- 3.2 The board establishes, reviews and together with management implements policies and procedures on whistleblowing.**

The Manager has in place a Whistle-Blowing Policy with a well-defined process to provide an independent feedback channel through which employees or other stakeholders may, in good faith, raise concerns about possible improprieties in matters relating to financial reporting or other matters. All cases are independently investigated and appropriate actions taken where required.

The Manager expects all parties to always act in good faith and have reasonable grounds when reporting a Whistle-Blowing complaint. However, malicious or false allegations by a whistle blower shall be viewed seriously and treated as a gross misconduct and if proven may lead to dismissal.

Stakeholders are encouraged to lodge reports of Improper Conduct to [whistleblower@kipreit.com.my](mailto:whistleblower@kipreit.com.my) on any suspected misconduct either via email or mail to the Manager at Unit B-6, Block B, Tingkat 6, Menara KIP, No. 1, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### II) BOARD COMPOSITION

#### Intended Outcome

- 4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.**

#### Practice

- 4.1 At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.**

The Manager has appointed five (5) Directors and the composition of the Board of Directors is as follows:

- 1 Chairman and Senior Independent Non-Executive Director
- 1 Managing Director and Non-Independent Executive Director
- 1 Non-Independent Executive Director
- 2 Independent Non-Executive Directors

None of the directors of the Manager held directorships in more than five (5) listed issuer.

The profile and background of the Board of Directors are disclosed in the pages 43 to 47 of this Annual Report.

#### Practice

- 4.2 The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.**

**If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.**

None of the Independent Director of the Manager has been being appointed for more than nine (9) years.

#### Practice

- 4.3 The board has a policy which limits the tenure of its independent directors to nine years.**

The Manager has adopted the policy on the limits of the tenure of its Independent Directors and was stated in the Board Charter.

#### Practice

- 4.4 Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.**

The appointment of Directors shall be conducted through a formal and transparent process, as adopted by the Board. The potential candidate shall be assessed and reviewed by the Nomination Committee taking into account the required mix of skills, experience and other relevant qualities including core competencies which are required to well manage the business with the aim to meet the current and future needs of the Board composition prior to its recommendation to the Board and approval of the SC.

The Company Secretary shall ensure that all appointments are properly made for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements of Bursa Securities, SC or other regulatory requirements.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Practice

- 4.5 The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.**

The Manager does not practice any form of gender bias as both genders shall be given fair and equal treatment. Any new appointments to the Board shall be based on merits instead of the fulfilment any gender quotas.

### Practice

- 4.6 In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.**

The appointment of Directors shall be conducted through a formal and transparent process, as adopted by the Board. The potential candidate shall be assessed and reviewed by the Nomination Committee taking into account the required mix of skills, experience and other relevant qualities including core competencies which are required to well manage the business with the aim to meet the current and future needs of the Board composition prior to its recommendation to the Board and approval of SC.

The Company Secretary shall ensure that all appointments are properly made for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements of Bursa Securities, SC or other regulatory requirements.

### Practice

- 4.7 The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.**

The Nomination Committee is chaired by Datuk Mohamed Arsad Bin Sehan and comprises of 2 other members, Dato' Dr Syed Hussain Bin Syed Husman and Mr Foo Lee Khean.

### Intended Outcome

- 5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.**

### Practice

- 5.1 The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.**

**For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations**

The Nomination Committee's function is to ensure that the Board comprises of Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance of Executive Directors and Independent Non-Executive Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Board shall, through the Nomination Committee, conduct annual evaluation on its effectiveness as a whole, contribution of each individual Director and the Committees established by the Board. The Board shall undertake an assessment of its independent directors annually including the review of the term of office and performance of Audit and Risk Management Committee and its members by Nomination Committee annually. Pursuant to the Listing Requirements of Bursa Securities, an Independent Director is a director who is independent of management and free from any business or relationship with the Manager and KIP REIT that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. This responsibility may be delegated to the Nomination Committee.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board and the Board Committees. For individual assessment, the assessment criteria includes time commitment and contribution, inputs during the meeting and the quality of the inputs. The results of the above assessment shall form the basis of the Nomination Committees' recommendation to the Board for the re-election of Directors at the next AGM of the Manager.

### III) REMUNERATION

#### Intended Outcome

- 6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.**

**Remuneration policies and decisions are made through a transparent and independent process.**

#### Practice

- 6.1 The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.**

The Manager of the Board has adopted the principles recommended by the Code whereby the level of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully and increase entity value to the benefit of unitholders. The remuneration policy for Executive Directors shall be based on the achievements and contribution of each Executive Director measured against their respective Key Performance Indicators. The level of remuneration for the Executive Directors shall be determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar industry.

For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by the particular Non-Executive Director concerned. In attaining this, the Remuneration Committee shall establish a remuneration framework for Directors and made recommendations to the Board on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors. The Non-Executive Directors shall receive a fixed base fee and not by a commission on or percentage of profits or turnover, as consideration for their duties. The fees payable to the Directors shall from time to time be subject to the approval of the shareholders and unitholders at a General Meeting of the Manager.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

- 6.2 The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.**

**The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.**

The Remuneration Committee is chaired by Dato' Dr Syed Hussain Bin Syed Husman and comprises of two (2) other members, Datuk Mohamed Arsad Bin Sehan and Dato' Chew Lak Seong. The main responsibilities for the Remuneration Committee function is establishing, reviewing and recommending to the Board, the remuneration packages of Managing Director, Executive Director and Chief Executive Officer and reviewing their performance against the goals and objectives set in yearly basis.

### Intended Outcome

- 7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.**

#### Practice

- 7.1 There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.**

The detail of the Directors' remuneration of the Manager for the financial year ended 30 June 2018 as stated below:-

Directors	Salary RM	Bonus RM	Annual Fees RM	Meeting Allowances RM	Total Remuneration RM
Dato' Dr Syed Hussain Bin Syed Husman	-	9,000	40,800	3,000	52,800
Dato' Chew Lak Seong	451,200	37,600	-	-	488,800
Dato' Ong Kook Liong	451,200	37,600	-	-	488,800
Datuk Mohamed Arsad Bin Sehan	-	9,000	40,800	3,000	52,800
Mr Foo Lee Khean	-	6,000	40,800	3,000	49,800
<b>Total</b>	<b>902,400</b>	<b>99,200</b>	<b>122,400</b>	<b>9,000</b>	<b>1,133,000</b>

None of the Directors have received benefit in kinds or other emoluments.

- 7.2 The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.**

The Board opted that the top five (5) senior management's remuneration will not be disclosed given the confidential and commercial sensitivities, associated with staff remuneration matter and the highly competitive human resource environment in the industry. In view for the necessary and best interest of the Manager as well as the Fund, staff remuneration confidentiality is important to retain its experienced staff to ensure staff retention and continuity of the business operations.

Furthermore, the REIT structure is unique whereby the Manager is separate from the Fund, there is no direct link between the remuneration of Management team and Fund's performance. The remuneration were disbursed on the fees generated from the Manager.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE B

Effective Audit and Risk Management

### I) AUDIT COMMITTEE

#### Intended Outcome

#### 8.0 There is an effective and independent Audit Committee.

**The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.**

#### Practice

#### 8.1 The Chairman of the Audit Committee is not the Chairman of the board.

The Audit and Risk Management Committee is chaired by Mr Foo Lee Khean and comprises of two (2) other members, Dato' Dr Syed Hussain Bin Syed Husman and Datuk Mohamed Arsad Bin Sehan. The Committee meets on a scheduled basis at least 4 times a year. The composition of the Audit and Risk Management Committee, its terms of reference, attendance of meetings and duties and responsibilities are set out on pages 76 to 77 of the Annual Report. The minutes of the Audit and Risk Management Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

#### Practice

#### 8.2 The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

The external auditor is nominated by the Manager and approved by the Trustee. External Auditor must be an independent entity of the Manager and the Trustee. The remuneration of the External Auditor must be approved by the Trustee. The performance is reviewed on a yearly basis by the Manager.

The Manager is in the midst of updating the board charter.

#### Practice

#### 8.3 The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

The Board has established formal and transparent arrangements for considering on how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit and Risk Management Committee.

The Audit and Risk Management Committee also review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board will ensure that the External Auditors do not supply a substantial volume of non-audit services.

The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

#### Practice

#### 8.4 The Audit Committee should comprise solely of Independent Directors.

The Audit Committee comprises solely of the three (3) Independent Directors of the Manager as stated in Practice 8.1.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Practice

**8.5 Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.**

**All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.**

During the financial year under review, the Directors had attended various conferences and training programmes to continuously improve their knowledge and expertise to keep abreast of the latest developments in the law and regulations.

The below are the list of training programmes attended by Directors during the financial year under review:-

- i) Digital Economy and Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (IOTs)
- ii) Enhancing Resilience through Governance for Sustainability
- iii) Driving Financial Integrity & Performance, Enhancing Financial Literacy

## II) RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

### Intended Outcome

**9.0 Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.**

**The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.**

### Practice

**9.1 The board should establish an effective risk management and internal control framework.**

During the financial year ended 30 June 2018, the Manager has established and adopted the Standard Operating Manual on Enterprise Risk Management, Enterprise Risk Management Framework, and developed the Risk Register and Corporate Risk Profile. All identified risks are recorded in the risk register to facilitate systematic review and monitoring by the CEO, CFO and the management team.

### Practice

**9.2 The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.**

The features of the risk management and internal control framework has been disclosed in detail in Statement of Risk Management and Internal Control on Pages 74 to 75 of this Annual Report.

The function of the risk management and internal control system are the main platform by the Manager to monitor the performance of the day-to-day operation of the business entrusted to the CEO and the management team.

The enterprise risk management framework and internal control system has been established and will be reviewed by the internal auditor from time to time.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Intended Outcome

**10.0 Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.**

#### Practice

**10.1 The Audit Committee should ensure that the internal audit function is effective and able to function independently.**

The Board is responsible for maintaining a system of internal controls that cover financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Internal Audit function is outsourced and the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

#### Practice

**10.2 The board should disclose:-**

- **whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;**
- **the number of resources in the internal audit department;**
- **name and qualification of the person responsible for internal audit; and**
- **whether the internal audit function is carried out in accordance with a recognised framework.**

The Manager does not have its own in-house internal audit function. The internal audit function is outsourced to Deloitte Risk Advisory Sdn Bhd ("Deloitte").

A yearly audit plan is presented in Audit Committee and Risk Management Committee Meeting and approved by the Board.

Deloitte has conducted four (4) internal audit cycle review during the financial year.

An internal audit report with findings, recommendations and management response will be presented to the Audit and Risk Management Committee Meeting and approved by the Board on quarterly basis.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE C

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

### I) COMMUNICATION WITH STAKEHOLDERS

#### Intended Outcome

**11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.**

**Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.**

#### Practice

**11.1 The board ensures there is effective, transparent and regular communication with its stakeholders**

KIP REIT has established its website at [www.kipreit.com.my](http://www.kipreit.com.my) to create greater awareness of KIP REIT's activities, performance and other relevant information among the stakeholders and general public. The website has all information with reference to material information of quarterly and annual result announcements, changes to shareholding and press releases which are published concurrently with Bursa Malaysia website.

The Board values constant dialogue and is committed to clear communication with Unitholders and Investors. In this respect, as part of KIP REIT's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about KIP REIT's performance, corporate strategy and other matters affecting unitholders' interests.

The Manager communicates information on KIP REIT to Unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to KIP REIT requiring disclosure under the Main Market Listing Requirements of Bursa Securities. Communication channels with unitholders are also made accessible via:-

- i) Press and analysts briefings
- ii) One-on-one/group meetings, conference calls, investor luncheons, domestic/ overseas roadshows and conferences
- iii) Quarterly Announcements and Annual Report
- iv) Press releases on major developments of KIP REIT
- v) KIP REIT's website at [www.kipreit.com.my](http://www.kipreit.com.my)

### II) CONDUCT OF GENERAL MEETINGS

#### Intended Outcome

**12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.**

#### Practice

**12.1 Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.**

The Notice for KIP REIT 2nd Annual General Meeting was circulated on 29 August 2018 and the Annual General Meeting will be held on 27 September 2018.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Practice

#### 12.2 All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

The AGM is an important event in the corporate calendar where all unitholders, directors and key personnel should attend. This forum for dialogue and aim to provide an opportunity to communicate with and receive constructive feedback from the unitholders.

During the AGM, the Chairman encourages active participation by the unitholders and where appropriate, the Chief Executive Officer will respond to unitholders' queries.

### Practice

#### 12.3 Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:-

- **voting including voting in absentia; and**
- **remote shareholders' participation at General Meetings.**

KIP REIT does not allow unitholders to vote in absentia at the meeting, except with appointment of a proxy as representative of the unitholders.

All resolutions are put to the vote by electronic poll voting. An independent scrutineer is appointed to conduct the polling process and verify the votes. The result of the votes are announced immediately after the verification of the votes by the scrutineer. The outcome of the meeting will be announced on Bursa Securities on the same day.

# STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practices as set out in the Board's Statement of Risk Management and Internal Control made in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle B of the Malaysian Code on Corporate Governance. The Board continually reviews the adequacy and effectiveness of the Manager's risk management and internal control system which has been embedded in all aspects of the Manager's activities and reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Manager's risk appetite. It is to be noted that the Manager's risk management system by its nature can only reduce rather than eliminate the risk of failure to achieve the business objectives. As such, the systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer 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 framework of the Manager.

## THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Board, Board Committees and management are the main platform by which the Manager's performance and conduct are monitored. The day-to-day operations of the business are entrusted to the CEO and the management team. The CEO continuously communicates the Board's expectations and directions to the management at the management meetings where all risks relating to strategy, operational and financial are discussed and dealt with action plans.

The Board is responsible for setting the business direction and strategies as well as overseeing the conduct of the Manager's operations through its Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to risks, governance, internal controls and compliance with regulatory requirements.

## RISK MANAGEMENT FRAMEWORK

During the financial year ended 2018, the Manager has established and adopted the Standard Operating Manual on Enterprise Risk Management, Enterprise Risk Management Frameworks, and developed the Risk Register and Corporate Risk Profile. All identified risks are recorded in the risk register to facilitate systematic review and monitoring by the CEO, Chief Financial Officer and the management team.

## STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### INTERNAL CONTROL

The Internal Auditor (“Deloitte”) had performed four (4) internal control cycle review in relation to Revenue, Billing, Account Receivables Management and Legal and Compliance Function during the financial year ended 30 June 2018.

There were two (2) Internal Audit Reports tabled to the Audit and Risk Management Committee Meeting on 23 April 2018 and 26 July 2018 respectively. Deloitte had performed four (4) internal control cycle reviews in relation to Revenue, Billing, Account Receivables Management and Legal and Compliance Function during the financial year ended 30 June 2018.

The Audit Committee has reviewed the finding presented by Deloitte. The management has agreed with the findings and implemented action plan for the subsequent follow up. The Board has received assurance from the CEO that the current internal control system is operating sufficiently and effectively in all material aspects.

The following key elements embody the current internal control system adopted by the Manager:-

- The Board has in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- The Board approved annual budgets and business plans prepared for each property.
- Investment strategies and criteria are formulated by the CEO and Management Team and recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- Comprehensive policies and procedures manuals that provide guidelines and authority limits over various operating, financial and human resources matters.
- Regular management meetings involving the review of the operations and financial performance of each property.
- The Audit and Risk Management Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- A systematic performance appraisal system is in placed for all levels of staff.
- Relevant training provided to staff across all functions to maintain a high level of competency and capability.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE

For the financial year ended 30 June 2018, the Audit and Risk Management Committee comprised of 3 Members, all of whom are also members of the Board of the Manager.

The composition of the Audit and Risk Management Committee is as follows:

Members/ Directorship	No. of meeting attended
Mr Foo Lee Khean (Chairman/ Independent Non-Executive Director)	4 out of 4
Dato' Dr Syed Hussain Bin Syed Husman (Member/ Senior Independent Non-Executive Director)	4 out of 4
Datuk Mohamed Arsad Bin Sehan (Member/ Independent Non-Executive Director)	4 out of 4

## DISCHARGING OF FUNCTIONS AND DUTIES

During the financial year ended 30 June 2018, the Audit and Risk Management Committee met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows:-

### 1. Overseeing Financial Reporting

- (a) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- (b) Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, Internal Audit Report with Internal Auditors as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit and Risk Management Committee duly recommended the same to the Board for approval.
- (c) Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit and Risk Management Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- (d) The Committee 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.

### 2. Assessing Risks and Control Environment

- a) The Committee oversee the management's activities in managing the Fund's critical risks related to strategic, financial, operational, legal and other risks.
- b) The Management reported to the Committee on a quarterly basis on all identified risks. The Committee reviewed and recommended risk management strategies, policies and risk appetite/tolerance for the Board's approval.
- c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

### 3. Evaluate the Audit Process

#### (i) Internal Audit

The Manager has appointed an outsourced Internal Auditor in the first quarter of financial year ended 30 June 2018. The below functions and processes have been implemented:-

- (a) Reviewed the annual internal audit plan with Management to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of KIP REIT.
- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (c) Reviewed the audit activities carried out by the Management and discuss the audit reports, their major findings and recommendations to ensure corrective actions are taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial/ corrective actions are taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of internal audit function as well as the performance of the Internal Auditors against the audit plan.
- (f) On 26 July 2018, the Board had approved the Standard Operating Manual Enterprise Risk Management and Enterprise Risk Management Framework (ERM).
- (g) Reviewed and monitored and monitor risk register on a timely basis.

#### (ii) External Audit

On 23 April 2018, the Audit and Risk Management Committee had reviewed and discussed with the Management and the External Auditors, PricewaterhouseCoopers PLT, the Audit Planning Memorandum for 2018. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

### 4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit and Risk Management Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be:
  - Carried out in compliance with the 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;
  - Adequately disclosed to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
  - Approved by the Trustee.
- (b) The Committee took note that there was no management conflict of interest situation for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer at the board meetings.

# SUSTAINABILITY STATEMENT

KIP REIT recognises that the importance of sustainability actions so as to develop the present needs without compromising the ability of future generation to meet their own need. KIP REIT will be formalising the details of its sustainability structure and policy such as work scope, quantitative measurement, schedule programme and etc.

## ECONOMIC

KiP Marts is a hybrid between traditional fresh market and local community-centric retail centre and KiP Mall is a neighbourhood conventional shopping mall. All assets are strategically located in the suburbs and mainly concentrated in residential, commercial and industrial area. With the diverse market trade in KiP Marts and KiP Mall, our marts or mall provide the opportunity for small and medium enterprises as a business start-up with affordable rental rate on a minimum lettable area.

There are numbers of events throughout the year organised in KiP Marts and KiP Mall. With the events and function held over the years to retained the competitiveness and attractiveness of the marts and mall. With the efforts and couple with marketing events, the Manager managed to retain the customer of our tenants.

On 14 September 2017, KIP REIT has participated the 2017 Bursa Bull Charge organised by Bursa Malaysia Berhad. Bursa Bull Charge brings together capital market players including prominent CEOs and industry captain, creating a unique and all-inclusive capital market charity run for the greater good. Bursa Bull Charge aims to raise awareness and promote financial literacy and social entrepreneurship and at the same time help to improve the lives of the underprivileged communities.

In December 2017, KIP REIT has also donated RM16,000 to two very reputable and caring organisations being the Pertubuhan Prihatin Orang Kurang Upaya 1Malaysia and WWF-Malaysia. The funds directed to 1MprihatinOKU will be utilised for their "Kasoot Wheelchair" initiative which is aimed at providing innovative wheelchair covers to OKU recipients which will enable them to use their wheelchairs in clean areas such as in Mosques and homes. On the other hand, the funds donated to WWF-Malaysia will be used to assist their conservation efforts to work closely with other stakeholders to carry out scientific expeditions and wildlife surveys to find out more about these areas' biodiversity which will result in protecting Malaysia's green gems. As a listed issuer, we have an obligation to make the world a better place for those who are less fortunate than us to the environment.

During the recent Ramandan Period, KiP Marts and KiP Mall have also organise events such as "Bubuk Lambuk" as a free dessert to the shoppers. Our tenants are encouraged to participate in the events and contribute to the community of the surrounding residential area. As part of the social responsibility, we also invited the less fortunate like orphanage child to celebrate the early Ramandan in all our KiP Marts and Mall with a free dinner provided for the celebration.



## SUSTAINABILITY STATEMENT (CONT'D)

### ENVIRONMENTAL

KiP Mart Melaka has placed the recycling bin at the entrance of the Mart by segregating to three (3) categories as Paper Bin, Can Bin and Plastic and Other Bin. With this implementation, the mart has been working along with the waste disposal service provider to sort out the recycle disposal. The Manager planned to implement the same to all the others KiP Marts and Mall in FY2019.

In March 2018, KiP Mart Masai has organised an event for local community in Taman Bukit Dahlia, Pasir Gudang. The programmes for the event included "Larian Komuniti", "Zumba", "Pertandingan Mewarna", "Demonkrasi Ragut", "Midnight Walk" and "Cat Adoption" which has attracted a very good response from the nearby communities.



As part of KIP REIT's go green initiative to save the earth especially global warming is alarming, KiP Mart Masai has installed its first solar panel PV System on the roof of the Mart. On 23 April 2018, KIP REIT entered into a Heads of Agreement in respect of a joint venture agreement with Pekat Solar Sdn. Bhd. for a 25 years green initiative installation of solar photovoltaic system ("PV System") on all the six (6) investment properties, for a total cost of RM9.56 million to be completed by December 2018. The installation of the PV System is to reduce environmental pollution and its carbon foot print as well as to save electricity cost in the long run. KIP REIT is expecting to generate an approximate total of 78.1 megawatt hours ("mWh") of electricity from the PV system, which is equal to saving 9,782 kilograms of coal from being combusted in order to produce the said electricity.

### SOCIAL

#### i) Health and Safety

The recent news, a Hand, Foot, and Mouth Disease ("HFMD") is spreading in Malaysia and is easily infected by young children and further there are no vaccine for prevention. The Manager has taken measure immediately to keep the trolley clean by washing on a daily basis at all the Marts and Mall. Besides, the fogging services are scheduled to be carried out after operations hours in all the respective Marts and Mall. As a Manager of KIP REIT, we continue to ensure and monitor cleanliness and hygiene of the assets which are patron by staff, customers as well at public at large.

# SUSTAINABILITY STATEMENT (CONT'D)

◆ Financials ◆ Corporate Review & Disclosure ◆ Organisation ◆ Editorial ◆ Highlights



## Cuci trolri setiap hari

KOTA TINGGI - Bagaimanapun pengunjung selesai untuk berbelanja ekoran penularan wabak penyakit tangan, kaki dan mulut (HFMD), pihak pengurusan Kip Mart Kota Tinggi bertindak mencuci trolri setiap hari sebelum pasar raya berkenaan mula beroperasi.

**KES HFMD**

Eksekutif Promosi dan Pengiklanan Kip Mart Kota Tinggi, Ahmad Afiq Hasudin berkata, pembersihan trolri pengguna dilakukan menggunakan cecair pembersihan seperti yang disyorkan oleh Kementerian Kesihatan.

"Setiap pembersihan trolri yang dijalankan, pihak kami akan menandakan trolri yang sudah dicuci menggunakan pita pelekat hitam di setiap pemegang trolri.

"Pembersihan trolri ini akan dilakukan secara berkala bagi meyakinkan pengguna tentang kebersihan trolri yang pihak pengurusan sediakan.

"Ini kerana pihak kami mendapati statistik virus ini kian meningkat dan sangat membimbangkan. Tambahan pula, virus ini mudah berjangkit melalui air liur, sentuhan cecair lepuh (blister) dan najis daripada mereka yang menghidapi virus ini," katanya.

Katanya, meskipun tiada rekod kematian di daerah ini membabitkan wabak berkenaan bagaimana-napun pihak pengurusan amat menitik-

beratkan perihal soal keselamatan pengunjungnya.

"Langkah diambil pihak pengurusan Kip Mart Kota Tinggi ini bertujuan untuk memberi rasa selesa kepada pengunjung dan pengguna untuk membeli-belah di sini tanpa ragu-ragu," katanya.



Proses mencuci trolri dilakukan kakitangan Kip Mart Kota Tinggi sebelum pasar raya mula beroperasi.



Trolri yang siap dicuci ditandakan dengan pita pelekat hitam.

## SUSTAINABILITY STATEMENT (CONT'D)

### ii) Employee Motivation

KIP REIT does not have any employees and all the working team is outsourced to the service providers. The Manager has introduced the key performance indicator reward programme to motivate the staff service provider.

In May 2018, the Manager contributed cash reward to the operational team in KiP Mart Tampoi and KiP Mart Masai for the best collection team. The Manager believed that by rewarding the two (2) teams it serves as a motivation and encouragement to the employees of all the KiP Mart and KiP Mall to work even harder to achieve its goals.

*KiP Mart Masai (Cash Reward Presentation to KiP Mart Masai Team)*



*KiP Mart Tampoi (Cash Reward Presentation to KiP Mart Tampoi Team)*



### iii) Asset Enhancement Initiatives ("AEI")

During the financial year under review, the Manager has undertaken the AEI in KiP Mart Tampoi and KiP Mall Bangi to ensure the stable growth of income and distributable income that will create a better ambience to our shoppers and tenant upon the completion of AEI activities.

#### KiP Mart Tampoi AEI activities



# 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 KIP REIT as at 30 June 2018 and of its financial performance and cash flows for the financial year ended 30 June 2018.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 20 August 2018.



**DATO' CHEW LAK SEONG**  
MANAGING DIRECTOR



**DATO' ONG KOOK LIONG**  
EXECUTIVE DIRECTOR

# STATUTORY DECLARATION

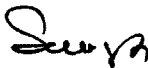

I, Chin Suan Yong (MIA: CA 20021), the Chief Financial Officer of the Manager primarily responsible for the financial management of KIP REIT, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**CHIN SUAN YONG**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 20 August 2018.

Before me:

COMMISSIONER FOR OATHS

5B, JALAN RAKYAT  
( JALAN TRAVERS )  
BRICKFIELDS  
50470 KUALA LUMPUR

# 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 2018. 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 2018 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 2018 as follows:

- 1.500 sen per unit (1.460 sen is subject to withholding tax and 0.040 sen is non-taxable) for the period from 1 July 2017 to 30 September 2017, which was paid on 28 November 2017.
- 1.750 sen per unit (1.711 sen is subject to withholding tax and 0.039 sen is non-taxable) for the period from 1 October 2017 to 31 December 2017, which was paid on 28 February 2018.
- 1.780 sen per unit (1.739 sen is subject to withholding tax and 0.041 sen is non-taxable) for the period from 1 January 2018 to 31 March 2018, which was paid on 30 May 2018.
- 1.800 sen per unit (1.759 sen is subject to withholding tax and 0.041 sen is non-taxable) for the period from 1 April 2018 to 30 June 2018, which is payable on 23 August 2018.

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



**RAZAK BIN AHMAD**  
Chief Executive Officer

Kuala Lumpur,  
Date: 20 August 2018

# INDEPENDENT AUDITORS' REPORT

## TO THE UNITHOLDERS OF KIP REIT (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") give a true and fair view of the financial position of KIP REIT as at 30 June 2018, and of its financial performance and its cash flows for the 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 KIP REIT, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out in pages 88 to 130.

#### 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 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' Code of Ethics for Professional Accountants ("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 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 KIP REIT, the accounting processes and controls, and the industry in which KIP REIT operates.

## INDEPENDENT AUDITORS' REPORT (CONT'D)

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

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 2018, KIP REIT's investment properties, carried at fair value, amounted to RM585 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 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 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>

#### 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 Manager's Report, which we obtained prior to the date of this auditors' report, and the 2018 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of KIP REIT and our auditors' report thereon.

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

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

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

## INDEPENDENT AUDITORS' REPORT (CONT'D)

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

#### Responsibilities of the Directors of the Manager for the financial statements of KIP REIT

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

In preparing the financial statements of KIP REIT, the Directors of the Manager are responsible for assessing the ability of KIP REIT 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 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 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:

- Identify and assess the risks of material misstatement of the financial statements of 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.
- 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 internal controls of KIP REIT.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- Conclude on the appropriateness of the Directors of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 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 KIP REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of KIP REIT, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITORS' REPORT (CONT'D)

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

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

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, related safeguards.

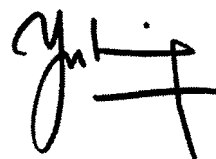
From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of KIP REIT for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or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

#### OTHER MATTERS

This report is made solely to the unitholders of 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



**NG YEE LING**  
03032/01/2019 J  
Chartered Accountant

Kuala Lumpur  
20 August 2018

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 RM'000	2017 RM'000
<b>Non-current assets</b>			
Plant and equipment	5	1,742	323
Investment properties	6	585,000	580,000
<b>Total non-current assets</b>		586,742	580,323
<b>Current assets</b>			
Trade and other receivables	7	5,850	7,618
Deposits with licensed banks		8,433	11,277
Cash and bank balances	8	15,532	13,695
<b>Total current assets</b>		29,815	32,590
<b>Total assets</b>		616,557	612,913
<b>Financed by:</b>			
<b>Unitholders' fund</b>			
Unitholders' capital	9	492,315	492,264
Retained earnings		14,636	12,134
<b>Total unitholders' fund</b>		506,951	504,398
<b>Non-current liabilities</b>			
Borrowings	10	86,513	86,170
Payables and accruals	11	4,346	10,096
<b>Total non-current liabilities</b>		90,859	96,266
<b>Current liabilities</b>			
Borrowings	10	462	616
Payables and accruals	11	18,285	11,633
<b>Total current liabilities</b>		18,747	12,249
<b>Total liabilities</b>		109,606	108,515
<b>Total unitholders' fund and liabilities</b>		616,557	612,913
<b>Net asset value ("NAV")</b>			
- before income distribution		542,058	509,451
- after income distribution		506,951	504,398
<b>Number of units in circulation ('000 units)</b>	9	505,300	505,300
<b>NAV per unit (RM)</b>			
- before income distribution		1.0727	1.0082
- after income distribution		1.0033	0.9982

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 RM'000	2017 RM'000
Gross rental income		52,738	21,979
Other income	12	10,035	4,371
<b>Gross revenue</b>		<b>62,773</b>	<b>26,350</b>
Utilities expenses		(10,179)	(4,143)
Maintenance and housekeeping expenses		(2,554)	(1,154)
Marketing expenses		(578)	(341)
Quit rent and assessment		(1,277)	(533)
Reimbursement costs	13	(4,554)	(1,881)
Property manager fee		(144)	(58)
Other operating expenses		(1,569)	(715)
<b>Property operating expenses</b>		<b>(20,855)</b>	<b>(8,825)</b>
<b>Net property income</b>		<b>41,918</b>	<b>17,525</b>
Changes in fair value on investment properties	6	3,317	–
Interest income		817	402
Other investment income		–	533
<b>Net investment income</b>		<b>46,052</b>	<b>18,460</b>
Manager's management fee	14	(2,157)	(896)
Trustees' fee		(100)	(80)
Auditors' remuneration		(100)	(95)
Valuers' fee		(147)	(150)
Other trust expenses		(1,312)	(754)
Borrowing costs	15	(4,626)	(1,825)
<b>Profit before taxation</b>		<b>37,610</b>	<b>14,660</b>
Taxation	16	–	–
<b>Profit after taxation</b>		<b>37,610</b>	<b>14,660</b>
Other comprehensive income, net of tax		–	–
<b>Total comprehensive income attributable to unitholders</b>		<b>37,610</b>	<b>14,660</b>
<b>Profit after taxation is made up as follows:</b>			
Realised		34,293	14,660
Unrealised		3,317	–
		<b>37,610</b>	<b>14,660</b>
<b>Basic earnings per unit (sen)</b>	17	<b>7.4431</b>	<b>2.9013</b>
<b>Diluted earnings per unit (sen)</b>	17	<b>7.4431</b>	<b>2.9013</b>
Total comprehensive income		37,610	14,660
Distribution adjustments	18	(3,035)	99
Distributable income		34,575	14,759
<b>Distribution per unit (sen)</b>		<b>6.8425</b>	<b>2.9208</b>

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

# STATEMENT OF CHANGES IN NET ASSET VALUE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Unitholders' capital RM'000	Retained earnings RM'000	Total funds RM'000
<b>As at 1 July 2017</b>		492,264	12,134	504,398
Profit of the year		–	37,610	37,610
Other comprehensive income		–	–	–
Total comprehensive income for the year attributable to unitholders		492,264	49,744	542,008
<b>Unitholders' transactions</b>				
Distribution to unitholders	18	–	(35,108)	(35,108)
Reversal of listing expenses		51	–	51
Increase/(decrease) in net assets resulting from unitholders' transactions		51	(35,108)	(35,057)
<b>As at 30 June 2018</b>		492,315	14,636	506,951
<b>As at 2 November 2016</b>		–	–	–
Profit of the period		–	14,660	14,660
Other comprehensive income		–	–	–
Total comprehensive income for the period attributable to unitholders		–	14,660	14,660
<b>Unitholders' transactions</b>				
Issue of new units at fair value		502,773	–	502,773
Difference between consideration given and the aggregate carrying amounts of the assets and liabilities of acquired business		–	2,527	2,527
Distribution to unitholders	18	–	(5,053)	(5,053)
Listing expenses		(10,509)	–	(10,509)
Increase/(decrease) in net assets resulting from unitholders' transactions		492,264	(2,526)	489,738
<b>As at 30 June 2017</b>		492,264	12,134	504,398

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 RM'000	2 November 2016 (date of establishment) to 30 June 2017 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		37,610	14,660
<i>Adjustments for:</i>			
Changes in fair value on investment properties		(3,317)	–
Interest expense		4,438	1,746
Interest income		(817)	(403)
Depreciation of plant and equipment		94	20
Amortisation of transaction costs		188	–
Operating income before changes in working capital		38,196	16,023
Net change in trade and other receivables		1,769	(7,618)
Net change in payables and accruals		952	21,729
Net cash generated from operating activities		40,917	30,134
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(1,513)	(343)
Asset enhancement on investment properties		(1,682)	–
Acquisition of investment properties (Note 1)		–	(308,850)
Uplift/(placement) of deposits with licensed banks		2,807	(12,492)
Interest received		816	403
<b>Net cash generated from/(used in) investing activities</b>		428	(321,282)
<b>Cash flows from financing activities</b>			
Interest paid		(4,437)	(1,096)
Income distribution paid to unitholders		(35,108)	(5,053)
Proceeds from issue of new units		–	234,150
Payment of direct issuance cost		–	(10,509)
Proceeds from drawdown of long term financing		–	86,136
<b>Net cash (used in)/generated from financing activities</b>		(39,545)	303,628
<b>Net increase in cash and cash equivalents</b>		1,800	12,480
Cash and cash equivalents at beginning of the year/period		12,480	–
<b>Cash and cash equivalents at end of the year/period</b>	8	14,280	12,480
<b>Note 1:</b>			
Acquisition of investment properties:			
Cash consideration		–	308,850
Issuance of new units		–	271,150
		–	580,000

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL

### (A) Background

KIP Real Estate Investment Trust ("KIP REIT") is a Malaysia-domiciled real estate investment trust established on 2 November 2016 pursuant to the Deed between KIP REIT Management Sdn Bhd ("Manager") and Pacific Trustees Berhad ("Trustee"), listed on Main Market of Bursa Securities on 6 February 2017 and is regulated by the Securities Commission, the Securities Commission'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**

Level 33A, 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 primarily for retail purposes 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, with a focus towards community-centric retail centres.

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 for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution by the Directors of the Manager on 20 August 2018.

### (B) Fee Structure

KIP REIT has entered into 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, Azmi & Co. (Shah Alam) Sdn. Bhd, is entitled to property management fee of RM12,000 per month (excluding goods and services tax). 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.

#### (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) Base Fee

Up to 1.0% per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances) in the relevant financial year.

The Manager had charged a Base Fee of 0.3% (2017: 0.3%) per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances) for the financial year ended 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 1 GENERAL (CONTINUED)

### (B) Fee Structure (continued)

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

##### (ii) Performance Fee

Up to 5.0% per annum of the Net Property Income of KIP REIT in the relevant financial year.

The Manager had charged a Performance Fee of 1.0% (2017: 1.0%) per annum of the Net Property Income of KIP REIT for the financial year ended 30 June 2018.

##### (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).

The Acquisition Fee is payable with respect to all transactions (which includes related party and non-related party transactions), including acquisitions from the Promoters.

For the avoidance of doubt, no Acquisition Fee is payable with respect to the acquisition of the Subject Properties in connection with the Listing.

##### (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).

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 1 GENERAL (CONTINUED)

#### (B) Fee Structure (continued)

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

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 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. For avoidance of doubt, the annual trustee's fee in aggregate for the first three years upon the execution of the Deed shall not be less than RM100,000 per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements of KIP REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

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, amendments to published standards and interpretations to existing standards that are effective and applicable to KIP REIT

KIP REIT has applied the following amendments for the first time for the financial year beginning on 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities.

#### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to KIP REIT but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017. None of these is expected to have a significant effect on the financial statements, except the following set out below:

##### (i) Financial year beginning on/after 1 July 2018

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' (effective from 1 July 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

The amendments also clarify the same principle applies to assets under construction.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to KIP REIT but not yet effective (continued)

- (i) Financial year beginning on/after 1 July 2018 (continued)
- The amendments to MFRS 2 address three main areas:
    - (a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
    - (b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
    - (c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 July 2018, with early application permitted. These amendments are not expected to have any impact on KIP REIT.

- MFRS 9 'Financial Instruments' (effective from 1 July 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the statement of comprehensive income, unless this creates an accounting mismatch.

There is an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to KIP REIT but not yet effective (continued)

##### (i) Financial year beginning on/after 1 July 2018 (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 July 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:-

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:-

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amount of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

##### (ii) Financial year beginning on/after 1 July 2019

- MFRS 16 'Leases' (effective from 1 July 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 2 BASIS OF PREPARATION (CONTINUED)

#### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to KIP REIT but not yet effective (continued)

##### (ii) Financial year beginning on/after 1 July 2019 (continued)

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 July 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

KIP REIT is in the process of assessing the impact of the above MFRSs on the financial statements and expects this process to be completed prior to the effective dates of these standards.

### 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) 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 balance sheet items are recognised prospectively from the date on which the business combination between entities under common control occurred.

#### (b) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not substantially occupied by KIP REIT. Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value.

Fair value is based on 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. Change in fair values is recognised in profit and loss for the period in which it arises.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

#### (b) Investment properties (continued)

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.

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 KIP REIT 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.

Investment properties are derecognised when they have been disposed. Where KIP REIT 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) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and where applicable, borrowing costs (Note 3(j)).

Cost of plant and equipment includes purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing plant and 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 plant and equipment.

Plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the plant and 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 KIP REIT 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. Plant and 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%
Fitting and furniture	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, KIP REIT 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(f)).

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

#### (c) Plant and equipment (continued)

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.

#### (d) Financial assets

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

Financial assets are recognised in the statement of financial position when, and only when, KIP REIT becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income.

KIP REIT classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. KIP REIT determines the classification of its financial assets at initial recognition.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for amounts not expected to be realised within 12 months after the end of the reporting period which shall be classified as non-current assets. KIP REIT's loans and receivables comprise 'trade and other receivables', 'cash and bank balances' and 'deposit with licensed banks' in the statement of financial position (Notes 7 and 8).

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables are derecognised if KIP REIT's contractual rights to the cash flows from the financial assets expire or if KIP REIT transfers the financial asset to another party without retaining control or transfer substantially all the risks and rewards of the asset.

Gains and losses upon derecognition, impairment losses, and the amortisation of loans and receivables are recognised in statement of comprehensive income.

#### (e) Impairment of financial assets

KIP REIT assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

##### Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("Loss Event") and that Loss Event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

#### (e) Impairment of financial assets (continued)

The criteria that KIP REIT uses to determine that there is objective evidence of an impairment loss include, amongst others, the following:-

- Significant financial difficulty of the obligor;
- A breach of contract, such as a default or delinquency in payments;
- KIP REIT, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that KIP REIT would not otherwise consider;
- It becomes probable that the obligor will enter bankruptcy or other financial distress;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of obligors in the portfolio; or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in statement of comprehensive income during the period in which it is incurred.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of comprehensive income during the period in which such reversal is evidenced.

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

Plant and 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.

#### (g) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

#### (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, with the amount of goods and services tax ("GST") included, 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 KIP REIT 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.

#### (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 KIP REIT has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

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.

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.

#### (k) Revenue recognition

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

Revenue is made up of base 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

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.

Interest income is recognised on an effective yield basis.

#### (l) 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)(b).

#### (m) 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 KIP REIT's investment properties is assumed to be realised through continuous use.

#### (n) Functional and presentation currency

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

#### (o) Earnings per unit

KIP REIT'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 KIP REIT 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.

#### (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 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 KIP REIT's assets less the value of KIP REIT's liabilities.

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

Liability is recognised for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of KIP REIT, 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 18.

#### (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 (CONT'D)

### 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.

KIP REIT makes 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 KIP REIT'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 ("CBRE | WTW"), 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.

The determined fair value of the investment properties by CBRE | WTW is most sensitive to the capitalisation rate and reversion rate. The range of the capitalisation rate and reversion rate used in the valuation is disclosed in Note 6.

### 5 PLANT AND 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>Cost</b>							
As at 1 July 2017	292	3	47	1	-	-	343
Additions	115	69	15	30	41	1,243	1,513
As at 30 June 2018	407	72	62	31	41	1,243	1,856
<b>Accumulated depreciation</b>							
As at 1 July 2017	18	-	2	-	-	-	20
Depreciation charge for the financial year	64	6	17	3	4	-	94
As at 30 June 2018	82	6	19	3	4	-	114
<b>Carrying amounts</b>							
As at 30 June 2018	325	66	43	28	37	1,243	1,742

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 5 PLANT AND EQUIPMENT (CONTINUED)

	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>Cost</b>							
As at date of establishment, 2 November 2016	-	-	-	-	-	-	-
Additions	292	3	47	1	-	-	343
As at 30 June 2017	292	3	47	1	-	-	343
<b>Accumulated depreciation</b>							
As at date of establishment, 2 November 2016	-	-	-	-	-	-	-
Depreciation charge for the financial period	18	-	2	-	-	-	20
As at 30 June 2017	18	-	2	-	-	-	20
<b>Carrying amounts</b>							
As at 30 June 2017	274	3	45	1	-	-	323

### 6 INVESTMENT PROPERTIES

	2018 RM'000	2017 RM'000
As at date of establishment, 2 November 2016/As at 1 July 2017	580,000	-
Acquisition of investment properties	-	580,000
Additions	1,683	-
Fair value gain	3,317	-
As at 30 June	585,000	580,000

On 6 February 2017, KIP REIT acquired the investment properties of which the consideration was settled in cash for RM308.85 million and issuance of 271.15 million units in KIP REIT.

Subject Properties	Purchase Consideration satisfied in		
	Units RM'000	Cash RM'000	Total RM'000
KiP Mart Tampoi	70,125	79,875	150,000
KiP Mart Kota Tinggi	25,712	29,288	55,000
KiP Mart Masai	73,398	83,602	157,000
KiP Mart Lavender Senawang	17,765	20,235	38,000
KiP Mart Melaka	23,375	26,625	50,000
KiP Mall Bangi	60,775	69,225	130,000
Total	271,150	308,850	580,000

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 6 INVESTMENT PROPERTIES (CONTINUED)

The title deeds to the investment properties' land are currently being held in trust by the trustees.

KiP Mart Tampoi and KiP Mart Masai are charged as a security for bank borrowings as disclosed in Note 10.

Investment properties are stated at fair value based on valuations performed by independent professional valuer, CBRE | WTW, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. Valuations are performed by CBRE | WTW once at every year end and will be reviewed by the Manager.

Based on the valuation reports dated 26 July 2018 issued by CBRE | WTW, the fair values of the investment properties as at 30 June 2018 were RM585 million (2017: RM580 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.

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.

## 6 INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements using Level 3 inputs as at 30 June 2018 are as follows:-

	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
KiP Mart Tampoi	Investment method	159,000	6.50	7.00	1.55 - 3.09	5.00	12,000	(10,000)
KiP Mart Kota Tinggi	Investment method	56,000	6.25	6.75	1.60 - 3.20	5.00	4,000	(3,000)
KiP Mart Masai	Investment method	160,000	6.50	7.00	1.57 - 3.14	5.00	12,000	(11,000)
KiP Mart Lavender Senawang	Investment method	30,000	6.25	6.75	0.49 - 2.44	10.00	2,000	(2,000)
KiP Mart Melaka	Investment method	50,000	6.50	7.00	1.16 - 2.32	10.00	4,000	(3,000)
KiP Mall Bangi	Investment method	130,000	6.50	7.00	0.50 - 2.70	10.00	10,000	(8,000)
		585,000					44,000	(37,000)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 6 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are as follows:-

	Date of acquisition	Date of valuation	Location	Tenure	Expiry date of leasehold land	Occupancy rates as at 30.06.2018 %	Fair value as at 30.06.2018 RM'000	Initial acquisition cost on 06.02.2017 RM'000	Percentage of fair value to NAV*1 as at 30.06.2018 %
KiP Mart Tampoi	6 Feb 2017	30 June 2018	Johor	Leasehold	24 Sept 2092	96.40%	159,000	150,000	31.36%
KiP Mart Kota Tinggi	6 Feb 2017	30 June 2018	Johor	Freehold	-	91.80%	56,000	55,000	11.05%
KiP Mart Masai	6 Feb 2017	30 June 2018	Johor	Leasehold	28 Dec 2108	89.60%	160,000	157,000	31.56%
KiP Mart Lavender Senawang	6 Feb 2017	30 June 2018	Seremban	Freehold	-	82.75%	30,000	38,000	5.92%
KiP Mart Melaka	6 Feb 2017	30 June 2018	Melaka	Leasehold	17 Nov 2112	70.24%	50,000	50,000	9.86%
KiP Mall Bangi	6 Feb 2017	30 June 2018	Bangi	Leasehold	14 July 2093	89.34%	130,000	130,000	25.64%
							585,000	580,000	

Notes:-

\*1 Based on NAV after income distribution.

## 6 INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements using Level 3 inputs as at 30 June 2017 are as follows:-

	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
KiP Mart Tampoi	Investment method	150,000	6.50	7.00	1.68 - 3.36	5.00	11,000	(9,000)
KiP Mart Kota Tinggi	Investment method	55,000	6.25	6.75	1.89 - 3.78	5.00	5,000	(3,000)
KiP Mart Masai	Investment method	157,000	6.50	7.00	1.76 - 3.52	5.00	12,000	(10,000)
KiP Mart Lavender Senawang	Investment method	38,000	6.25	6.75	1.16 - 2.31	10.00	3,000	(3,000)
KiP Mart Melaka	Investment method	50,000	6.50	7.00	1.22 - 2.43	10.00	4,000	(3,000)
KiP Mall Bangi	Investment method	130,000	6.50	7.00	0.50 - 2.50	10.00	9,000	(9,000)
		580,000					44,000	(37,000)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 6 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are as follows:-

	Date of acquisition	Date of valuation	Location	Tenure	Expiry date of leasehold land	Occupancy rates as at 30.06.2017 %	Fair value as at 30.06.2017 RM'000	Initial acquisition cost on 06.02.2017 RM'000	Percentage of fair value to NAV*1 as at 30.06.2017 %
KiP Mart Tampoi	6 Feb 2017	30 June 2017	Johor	Leasehold	24 Sept 2092	97.77	150,000	150,000	29.74
KiP Mart Kota Tinggi	6 Feb 2017	30 June 2017	Johor	Freehold	-	94.36	55,000	55,000	10.90
KiP Mart Masai	6 Feb 2017	30 June 2017	Johor	Leasehold	28 Dec 2108	95.67	157,000	157,000	34.70
KiP Mart Lavender Senawang	6 Feb 2017	30 June 2017	Seremban	Freehold	-	80.32	38,000	38,000	7.53
KiP Mart Melaka	6 Feb 2017	30 June 2017	Melaka	Leasehold	17 Nov 2112	67.32	50,000	50,000	9.91
KiP Mall Bangi	6 Feb 2017	30 June 2017	Bangi	Leasehold	14 July 2093	82.32	130,000	130,000	25.77
							580,000	580,000	

Notes:-

\*1 Based on NAV after income distribution.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7 TRADE AND OTHER RECEIVABLES

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Trade receivables	1,526	2,533
Less: Allowance for impairment of trade receivables	(201)	–
<b>Trade receivables – net</b>	<b>1,325</b>	<b>2,533</b>
Other receivables	325	1,602
Deposit recoverable	134	–
Net input tax	19	–
Amounts due from related companies	3,593	2,997
<b>Prepayments</b>	<b>4,071</b>	<b>4,599</b>
	454	486
	<b>4,525</b>	<b>5,085</b>
<b>Total trade and other receivables</b>	<b>5,850</b>	<b>7,618</b>

The carrying amounts of trade and other receivables as at 30 June 2018 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.

As at 30 June 2018, trade receivables of RM1.33 million (2017: RM2.53 million) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:-

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Not past due:		
- 0 to 7 days	–	–
Past due but not impaired:		
- 8 to 31 days	420	1,157
- 32 to 61 days	271	653
- 62 to 91 days	173	285
- 92 to 181 days	241	438
- More than 181 days	220	–
	<b>1,325</b>	<b>2,533</b>
Past due and impaired	201	–
	<b>1,526</b>	<b>2,533</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	<b>2018 RM'000</b>	<b>2017 RM'000</b>
As at date of establishment, 2 November 2016/ As at 1 July 2017	-	-
Allowance for impairment	201	-
As at 30 June	201	-

The other classes within trade and other receivables are neither past due nor impaired

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

### 8 CASH AND CASH EQUIVALENTS

	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Cash in hand	28	20
Bank balances	1,944	415
Short term deposits placed with licensed banks	13,560	13,260
Cash and bank balances	15,532	13,695
Less: restricted cash	(1,252)	(1,215)
Cash and cash equivalents	14,280	12,480

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 3.51% per annum (2017: 3.18% per annum).

Short term deposits placed with licensed banks have an average maturity of 17 days.

Included in the short term deposits placed with licensed banks is restricted amount of RM1.3 million (2017: RM1.2 million) which is maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for syndicated financing facilities granted to KIP REIT (Note 10).

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

	<b>Borrowings RM'000</b>
As at 1 July 2017	86,786
Cash flows:-	
Interest paid	(4,437)
Non-cash changes:-	
Amortisation of transaction costs	188
Accrual for interest	4,438
	4,626
As at 30 June 2018	86,975

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 9 UNITHOLDERS' CAPITAL

	2018 Number of units '000	2017 Number of units '000
<b>Approved fund size:</b>		
As at 1 July 2017/ 30 June 2018	505,300	505,300

	Number of units 2018 '000	Value 2018 RM'000	Number of units 2017 '000	Value 2017 RM'000
Issued and fully paid up:				
As at date of establishment, 2 November 2016/ At 1 July 2017	505,300	492,264	-	-
Issue of new units at fair value	-	-	505,300	502,773
Listing expenses	-	51	-	(10,509)
As at 30 June	505,300	492,315	505,300	492,264

### 10 BORROWINGS

	2018 RM'000	2017 RM'000
<b>Current (secured):</b>		
Interest payable on term loan	650	650
Unamortised transaction cost	(188)	(34)
	462	616
<b>Non-current (secured):</b>		
Term loan	87,000	87,000
Unamortised transaction cost	(487)	(830)
	86,513	86,170
Total borrowings	86,975	86,786

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

- (a) A 5 year Term Loan facility ("TL") of up to RM87 million;
- (b) A revolving credit ("RC") of up to RM7 million; and
- (c) A letter of guarantee ("LG") of up to RM3 million.

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

	2018 % per annum	2017 % per annum
Term loan	5.32	5.30

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 10 BORROWINGS (CONTINUED)

Proceeds drawn from the TL were utilised by KIP REIT to part finance the acquisition of KiP Mart Tampoi, KiP Mart Kota Tinggi, KiP Mart Masai, KiP Mart Lavender Senawang, KiP Mart Melaka and KiP Mall Bangi together with related assets ("Acquisition").

The TL has a tenure of five (5) years and shall be repaid in one bullet repayment no later than 5 years from the date of first drawdown. The TL bears an interest 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 quarterly basis.

The RC bears the interest rate of 1.50% per annum above the cost of funds (as determined by the bank at the commencement of each interest period).

The facilities are secured against, among others, the following:-

- (i) Fixed charge over KiP Mart Tampoi and KiP Mart Masai registered in the name of the Trustee for all monies owing or payable under facilities.
- (ii) A charge over a cash deposit of RM1.2 million deposited into the Debt Service Reserve Account.
- (iii) Debenture incorporating a fixed and floating charge for all monies owing or payable under the facilities over all present and future assets of KIP REIT.
- (iv) An undertaking from the Trustee and the Manager:-
  - (a) to deposit all proceeds generated from the properties into the collection account; and
  - (b) that it shall not declare any distributions to the REIT unitholders if an event of default has occurred under the term of the facilities.

### 11 PAYABLES AND ACCRUALS

	Note	2018 RM'000	2017 RM'000
<b>Non-current payables</b>			
Tenants' deposits	a	4,346	10,096
		4,346	10,096
<b>Current payables</b>			
Trade payables	b	85	535
Tenants' deposits	a	12,179	7,207
		12,264	7,742
Other payables and accrued expenses		6,021	3,079
Net output tax		-	140
Prepaid rental		-	104
Amounts due to related companies	c	-	568
		6,021	3,891
Total current payables and accruals		18,285	11,633
Total payables and accruals		22,631	21,729

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 11 PAYABLES AND ACCRUALS (CONTINUED)

- (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) Credit terms for trade payables range from 30 days to 60 days.
- (c) Credit terms for amounts due to related companies are 90 days, unsecured, interest-free and repayable on demand.

### 12 OTHER INCOME

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
Promotion area	5,128	2,234
Utilities reimbursement	4,297	1,661
Property related and other advertising income	610	476
	10,035	4,371

### 13 REIMBURSEMENT COSTS

Included in reimbursement costs are the following expenses:-

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
Staff salaries	3,608	1,373
Contribution to Employee' Provident Fund	549	196
Bonus	146	121
Training expenses	1	9
Others	250	182
	4,554	1,881

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 (CONT'D)

### 14 MANAGER'S MANAGEMENT FEES

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
Base fee	1,741	725
Performance fee	416	171
	2,157	896

For the financial year ended 30 June 2018, 100% of the total Manager's management fees has been paid in cash.

### 15 BORROWING COSTS

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
Interest expense	4,438	1,746
Amortisation of transaction cost	188	79
	4,626	1,825

### 16 TAXATION

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
<b>Reconciliation of tax expense</b>		
Profit before taxation	37,610	14,660
Income tax using Malaysian tax rate of 24% (2017: 24%)	9,026	3,518
Non-deductible expenses	228	344
Non-taxable income	(1,007)	(97)
Capital allowances on plant and equipment	(20)	(19)
Effect of income exempted from tax	(8,227)	(3,746)
	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 16 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 the distributable income to unitholders for the financial year ended 30 June 2018 is 100% (2017: 100%), no provision for income taxation has been made for the current year.

### 17 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.

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
<b>Total comprehensive income</b>		
- Realised	34,293	14,660
- Unrealised	3,317	–
<b>Total</b>	<b>37,610</b>	<b>14,660</b>
<b>Weighted average number of units ('000)</b>		
Weighted average number of Units in issue	505,300	505,300
Weighted average number of Units for diluted EPU	505,300	505,300
<b>Basic/Diluted EPU (sen)</b>		
- Realised	6.7867	2.9013
- Unrealised	0.6564	–
<b>Total</b>	<b>7.4431</b>	<b>2.9013</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 18 DISTRIBUTION TO UNITHOLDERS

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
Undistributed income brought forward	9,706	–
Total comprehensive income	37,610	14,660
Distribution adjustments	(3,035)	99
<b>Distributable income</b>	<b>44,281</b>	<b>14,759</b>
Distribution per unit (sen)		
- for the period from 6 February 2017 to 31 March 2017 paid on 30 May 2017	–	1.000
- for the period from 1 April 2017 to 30 June 2017 paid on 29 August 2017	1.918	–
- for the period from 1 July 2017 to 30 September 2017 paid on 28 November 2017	1.500	–
- for the period from 1 October 2017 to 31 December 2017 paid on 28 February 2018	1.750	–
- for the period from 1 January 2018 to 31 March 2018 paid on 30 May 2018	1.780	–
	6.948	1.000
<u>Income distribution</u>		
Distributable income	44,281	14,759
Income distribution of 1 sen per unit (1 sen taxable in the hands of unitholders) for the period from 6 February 2017 to 31 March 2017, which was paid on 30 May 2017	–	(5,053)
Income distribution of 1.918 sen per unit (1.838 sen is subject to withholding tax and 0.080 sen is non-taxable) for the period from 1 April 2017 to 30 June 2017, which was paid on 29 August 2017	(9,692)	–
Income distribution of 1.500 sen per unit (1.460 sen is subject to withholding tax and 0.040 sen is non-taxable) for the period from 1 July 2017 to 30 September 2017, which was paid on 28 November 2017	(7,579)	–
Income distribution of 1.750 sen per unit (1.711 sen is subject to withholding tax and 0.039 sen is non-taxable) for the period from 1 October 2017 to 31 December 2017, which was paid on 28 February 2018	(8,843)	–
Income distribution of 1.780 sen per unit (1.739 sen is subject to withholding tax and 0.041 sen is non-taxable) for the period from 1 January 2018 to 31 March 2018, which was paid on 30 May 2018	(8,994)	–
	(35,108)	(5,053)
<b>Income retained</b>	<b>9,173</b>	<b>9,706</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 18 DISTRIBUTION TO UNITHOLDERS (CONTINUED)

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
<u>Note (a):-</u>		
Distribution adjustments comprise:-		
Amortisation of transaction costs	188	79
Depreciation of plant and equipment	94	20
Changes in fair value on investment properties	(3,317)	-
	(3,035)	99

The final distributable income for the 3 months ended 30 June 2018 is proposed to be 1.800 sen per unit (1.759 sen is subject to withholding tax and 0.041 sen is non-taxable) for the period from 1 April 2018 to 30 June 2018, which is payable on 23 August 2018. The financial statements for the current year ended 30 June 2018 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 2019.

Withholding tax will be deducted for distributions as follows:-

	<b>Withholding Tax rate</b>	
	<b>2018</b>	<b>2017</b>
Resident corporate	N/A <sup>^</sup>	N/A <sup>^</sup>
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	25%
Non-resident institutional	10%	10%

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

### 19 PORTFOLIO TURNOVER RATIO

	2018	2017
Portfolio Turnover Ratio ("PTR") (times)	-	0.605

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 were no acquisitions and disposals of investments in KIP REIT 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 (CONT'D)

### 20 MANAGEMENT EXPENSE RATIO

	2018	2017
Management expense ratio ("MER") (%)	0.75%	0.41%

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 2018 to the average NAV (after income distribution) as at 30 June 2018, 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.

### 21 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 senior management team considers KIP REIT comprising the following two business segments:

- (i) KIP Mart – specialised in community-centric retail centre, targeting low income group
- (ii) KIP Mall – specialised in neighborhood retail centre, targeting middle income group

The Manager assesses the financial performance of the operating segments based on, including but not limited to, net property income ("NPI"). 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.

#### Business segments

The following table provides an analysis of KIP REIT's revenue, results, assets, liabilities and other information by business segments:-

	KiP Mart RM'000	KiP Mall RM'000	30.06.2018 Total RM'000
<b>Revenue</b>			
Rental income	41,961	10,777	52,738
Other income	5,728	4,307	10,035
Gross Revenue	47,689	15,084	62,773
<b>Segmental net property income</b>	31,363	10,555	41,918
Changes in fair value on investment properties	3,317	–	3,317
Interest income	634	183	817
Borrowing costs	(3,587)	(1,039)	(4,626)
Trust and other expenses	(2,832)	(984)	(3,816)
Profit before taxation	28,895	8,715	37,610
Taxation	–	–	–
<b>Total comprehensive income attributable to unitholders</b>	28,895	8,715	37,610

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 21 SEGMENT REPORTING (CONTINUED)

	KiP Mart RM'000	KiP Mall RM'000	30.06.2018 Total RM'000
<b>Assets</b>			
Segment assets	460,441	132,214	592,655
Unallocated assets			
- Deposits with licensed banks			8,433
- Cash and bank balances			14,409
- Trade and other receivables			1,060
<b>Total assets</b>			<b>616,557</b>
<b>Liabilities</b>			
Segment liabilities	84,592	24,069	108,661
Unallocated liabilities - payables and accruals			945
<b>Total liabilities</b>			<b>109,606</b>
<b>Other segment information</b>			
Additions to non-current assets:			
- Investment properties	1,683	-	1,683
- Plant and equipment	204	1,309	1,513
Depreciation	85	9	94
<b>2.11.2016 (date of establishment) to 30.06.2017</b>			
	KiP Mart RM'000	KiP Mall RM'000	Total RM'000
<b>Revenue</b>			
Rental income	17,455	4,524	21,979
Other income	2,600	1,771	4,371
<b>Gross Revenue</b>	<b>20,055</b>	<b>6,295</b>	<b>26,350</b>
<b>Segmental net property income</b>	<b>13,197</b>	<b>4,328</b>	<b>17,525</b>
Other investment income	503	30	533
Interest income	312	90	402
Borrowing costs	(1,416)	(409)	(1,825)
Trust and other expenses	(1,540)	(435)	(1,975)
Profit before taxation	11,056	3,604	14,660
Taxation	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<b>11,056</b>	<b>3,604</b>	<b>14,660</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 21 SEGMENT REPORTING (CONTINUED)

	2.11.2016 (date of establishment) to 30.06.2017		
	KiP Mart RM'000	KiP Mall RM'000	Total RM'000
<b>Assets</b>			
Segment assets	454,590	132,873	587,463
Unallocated assets			
- Deposits with licensed banks			11,277
- Cash and bank balances			13,260
- Trade and other receivables			913
<b>Total assets</b>			<b>612,913</b>
<b>Liabilities</b>			
Segment liabilities	84,550	23,262	107,812
Unallocated liabilities - payables and accruals			703
<b>Total liabilities</b>			<b>108,515</b>
<b>Other segment information</b>			
Additions to non-current assets:			
- Investment properties	450,000	130,000	580,000
- Plant and equipment	343	-	343
Depreciation	20	-	20

### 22 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2018 RM'000	2017 RM'000
<u>Loans and receivables at amortised cost</u>			
Assets as per statement of financial position:			
- Trade and other receivables excluding prepayments	7	5,396	7,132
- Deposits with licensed banks		8,433	11,277
- Cash and bank balances	8	15,532	13,695
<b>Total financial assets</b>		<b>29,361</b>	<b>32,104</b>
<u>Other financial liabilities at amortised cost</u>			
Liabilities as per statement of financial position:			
- Borrowings	10	86,975	86,786
- Payables and accruals excluding net output tax and prepaid rental	11	22,631	21,485
<b>Total financial liabilities</b>		<b>109,606</b>	<b>108,271</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 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.

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:-

	<b>2018</b> <b>RM'000</b>	<b>2017</b> <b>RM'000</b>
Financial assets:		
Floating rate instrument		
Deposit with licensed banks	8,433	11,277
<hr/>		
Financial liabilities:		
Floating rate instrument		
Term Loan	86,975	86,786
<hr/>		

##### Interest rate risk sensitivity analysis

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

	<b>Profit or Loss</b>	
	<b>25 basis point Increase RM'000</b>	<b>25 basis point Decrease RM'000</b>
2018		
Floating rate instrument	4,785	4,350
<hr/>		
2017		
Floating rate instrument	4,611	4,176
<hr/>		

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 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.

The ageing analysis of trade receivables as at the reporting date which is trade in nature is as follows:

	2018 RM'000	2017 RM'000
2018		
Less than 1 month past due	420	1,157
1 to 3 months past due	444	938
3 to 6 months past due	257	438
More than 6 months past due	405	–
	1,526	2,533

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.

##### (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 10).

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 2018 of RM14.28 million (2017: RM12.48 million) are expected to assist in the liquidity and cash flow risk management.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 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:-

	<b>&lt;1 year RM'000</b>	<b>1 to 2 years RM'000</b>	<b>2 to 3 years RM'000</b>	<b>3 to 5 years RM'000</b>	<b>Total RM'000</b>
At 30 June 2018					
Borrowings	5,065	4,415	4,415	91,415	105,310
Payables and accruals excluding net output tax and prepaid rental	18,285	4,346	-	-	22,631
At 30 June 2017					
Borrowings	5,031	4,381	4,381	93,937	107,730
Payables and accruals excluding net output tax and prepaid rental	11,389	10,096	-	-	21,485

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.

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

	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Total borrowings	86,975	86,786
Total assets	616,557	612,913
Borrowings to total assets ratio (%)	14.11%	14.16%

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

#### 23.2 Capital risk management (continued)

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with the REIT Guidelines. KIP REIT complied with the borrowing limit requirement for the financial year ended 30 June 2018.

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 half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

For the financial year ended 30 June 2018, KIP REIT distributed 100% of its distributable income.

Based on the prospectus in respect of the initial public offer of KIP REIT dated 30 December 2016, the Manager will distribute 100% of KIP REIT's distributable income for the period from date of establishment to 30 June 2018. The actual proportion of distributable income distributed to unitholders beyond 30 June 2018 shall be at the absolute discretion of the Manager, may be at least 90% of KIP REIT's distributable income to the extent that the Manager believes it is appropriate, having regard to KIP REIT's funding requirements, total return, cash flow as well as sustainability and stability of the income. Distribution, if made, will be in Ringgit Malaysia.

#### 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:-

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

	<b>Level 3</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Recurring fair value measurements:		
Investment properties	585,000	580,000

Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by independent professional valuer, CBRE | WTW, 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.

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

The carrying amounts of financial assets and liabilities as at reporting date approximated their fair values. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 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 Property Services Sdn Bhd	Common Shareholder
Adamin Corporation Sdn Bhd	Common Shareholder
KIP Mart Tampoi Sdn Bhd	Common Shareholder
Enrich Assets Sdn Bhd	Common Shareholder
Genius Chance Sdn Bhd	Common Shareholder
Setia Wirajaya Sdn Bhd	Common Shareholder
Projek Impiana Sdn Bhd	Common Shareholder
Landasan Primamaju Sdn Bhd	Common Shareholder

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

	<b>2.11.2016</b> <b>(date of</b> <b>establishment)</b>
<b>2018</b>	<b>to 30.06.2017</b>
<b>RM'000</b>	<b>RM'000</b>

#### Significant related party transactions for the financial year/ period:

##### ***Purchases of services***

1) Utilities expenses		
- KIP Mart Tampoi Sdn Bhd	-	475
- Enrich Assets Sdn Bhd	-	515
- Genius Chance Sdn Bhd	-	212
- Setia Wirajaya Sdn Bhd	-	290
- Projek Impiana Sdn Bhd	-	824
- Landasan Primamaju Sdn Bhd	-	924
	-	3,240
2) Quit rent and assessment		
- KIP Mart Tampoi Sdn Bhd	-	94
- Enrich Assets Sdn Bhd	-	99
- Genius Chance Sdn Bhd	-	23
- Setia Wirajaya Sdn Bhd	-	9
- Projek Impiana Sdn Bhd	-	17
	-	242

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
<b>Significant related party transactions for the financial year/ period: (continued)</b>		
<b><i>Purchases of services (continued)</i></b>		
3) Reimbursement cost - KIP Property Services Sdn Bhd	4,554	1,881
4) Other operating expenses - Genius Chance Sdn Bhd - Setia Wirajaya Sdn Bhd - Projek Impiana Sdn Bhd	- - -	53 24 8
	-	85
5) Pre-listing expenses - KIP REIT Management Sdn Bhd - Adamin Corporation Sdn Bhd	- -	4,003 4,984
	-	8,987
6) Management fees - KIP REIT Management Sdn Bhd	2,157	896
<b><i>Upkeep of Building absorbed by related party</i></b>		
1) Upkeep of Building - Enrich Assets Sdn Bhd - Landasan Primamaju Sdn Bhd	50 357	- -
	407	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	2018 RM'000	2.11.2016 (date of establishment) to 30.06.2017 RM'000
<b>Significant related party balances as at reporting date:</b>		
<b><i>Amounts due to</i></b>		
KIP REIT Management Sdn Bhd	–	207
KIP Mart Tampoi Sdn Bhd	–	45
Enrich Assets Sdn Bhd	–	169
Landasan Primamaju Sdn Bhd	–	147
	–	568
<b><i>Amounts due from</i></b>		
Genius Chance Sdn Bhd	127	77
Projek Impiana Sdn Bhd	282	177
KIP Property Services Sdn Bhd	2,647	2,743
KiP Mart Tampoi Sdn Bhd	114	–
Enrich Assets Sdn Bhd	177	–
Setia Wirajaya Sdn Bhd	4	–
Landasan Primamaju Sdn Bhd	242	–
	3,593	2,997

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 in prior year are mainly due to payment on behalf in relation to utilities expenses, quit rent and assessment, reimbursement cost, pre-listing expense and management fees.

### 25 CAPITAL COMMITMENT

	2018 RM'000	2017 RM'000
Design AHUs, retrofitting, testing, commission for chiller plant (include chiller, cooling tower, chilled water pumps, condenser water pumps, cooling coil and modulating valves for all AHUs) for KIP Mall Bangi	1,548	–

# STATISTIC OF UNITHOLDERS

AS AT 10 AUGUST 2018

## ANALYSIS OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Issued Unit Capital
Less than 100	12	0.47	238	0.00
100 - 1,000	345	13.51	221,293	0.04
1,001 - 10,000	1,301	50.94	7,041,500	1.39
10,001 - 100,000	680	26.62	23,966,208	4.75
100,001 to less than 5% of issued shares	215	8.42	430,070,761	85.11
5% and above of issued shares	1	0.04	44,000,000	8.71
<b>Total</b>	<b>2,554</b>	<b>100</b>	<b>505,300,000</b>	<b>100</b>

## DIRECTORS' AND CEO AS AT 10 AUGUST 2018 UNITHOLDINGS

No.	Name of Directors	No. of Units		No. of Units	
		Direct Interest	%	Deemed Interest	%
1	Dato' Dr Syed Hussain bin Syed Husman	60,000	0.01	-	-
2	Dato' Chew Lak Seong	50,975,504	10.09	141,592,731	28.02%
3	Dato' Ong Kook Liong	50,707,905	10.04	141,592,730	28.02%
4	Datuk Mohamed Arsad bin Sehan	60,000	0.01	-	-
5	Mr Foo Lee Khean	60,000	0.01	-	-
6	Chan Heng Wah	125,000	0.02	-	-

## STATISTIC OF UNITHOLDERS (CONT'D)

### SUBSTANTIAL UNITHOLDERS (5% AND ABOVE) AS AT 10 AUGUST 2018

No.	Name of Unitholders	No. of Units		No. of Units	
		Direct Interest	%	Deemed Interest	%
1	Dato' Chew Lak Seong	50,975,504	10.09	141,592,731 *	28.02
2	Dato' Ong Kook Liong	50,707,905	10.04	141,592,730 *	28.02
3	Landasan Primamaju Sdn Bhd	71,462,137	14.14	35,000,000	6.93
4	Kip Development Sdn Bhd	–	0.00	90,039,292 #	17.82
5	Scotsville Sdn Bhd	–	0.00	90,039,292 #	17.82
6	Taksim Warni Sdn Bhd	–	0.00	35,000,000 #	6.93
7	Forum Technics Sdn Bhd	–	0.00	90,039,292 #	17.82
8.	Oversea-Chinese Banking Corporation Limited	–	–	25,815,300 #	5.109
9.	Great Eastern Holdings Limited	–	–	25,815,300 #	5.109

#### Notes:

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

# Deemed interest by virtue of its interest pursuant to Section 8(4) of the Companies Act 2016

## STATISTIC OF UNITHOLDERS (CONT'D)

### 30 LARGEST SHAREHOLDERS

No.	Name of Unitholders	No. of Units	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR LANDASAN PRIMAMAJU SDN BHD (PBCL-0G0475)</i>	44,000,000	8.71
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ENRICH ASSETS SDN BHD</i>	25,000,000	4.95
3	M & A NOMINEE (TEMPATAN) SDN BHD <i>FOR LANDASAN PRIMAMAJU SDN BHD</i>	23,462,137	4.64
4	CHEW LAK SEONG	20,005,204	3.96
5	M & A NOMINEE (TEMPATAN) SDN BHD <i>FOR KIPMART TAMPOI SDN BHD</i>	18,577,155	3.68
6	ONG KOOK LIONG	16,905,205	3.35
7	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	15,685,000	3.10
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	15,116,000	2.99
9	TEOH SIEW CHIN	13,824,493	2.74
10	SIEW KUI TAW	13,824,492	2.74
11	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BANK J.SAFRA SARASIN LTD, HONG KONG BRANCH-CLIENTS' ACCOUNT (FOREIGN)</i>	12,500,000	2.47
12	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGBHK-ASING)</i>	12,500,000	2.47
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG</i>	12,282,000	2.43
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG (MARGIN)</i>	11,254,500	2.23
15	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ADAMIN CORPORATION SDN BHD (PJCAC)</i>	10,000,000	1.98
16	USAINS HOLDINGS SDN BHD	10,000,000	1.98
17	YAYASAN GURU TUN HUSSEIN ONN	10,000,000	1.98
18	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND</i>	9,669,900	1.91

## STATISTIC OF UNITHOLDERS (CONT'D)

### 30 LARGEST SHAREHOLDERS (CONTINUED)

No.	Name of Unitholders	No. of Units	%
19	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BOCI SECURITIES LTD (CLIENTS A/C)</i>	9,550,000	1.89
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG</i>	9,000,000	1.78
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG (7003599)</i>	8,000,000	1.58
22	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES FOR CHEW LAK SEONG (MARGIN)</i>	7,890,000	1.56
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG (7003606)</i>	7,300,000	1.44
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBANDANKAN) (KENANGA)</i>	7,237,300	1.43
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEGED SECURITIES ACCOUNT FOR KOK PICK TONG (7004042)</i>	5,500,000	1.09
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (LIFE PAR)</i>	5,439,200	1.08
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBANDANKAN) (CIMB EQUITIES)</i>	4,829,600	0.96
28	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSEQUITY INCOME FUND</i>	4,193,400	0.83
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR LANDASAN PRIMAMAJU SDN BHD (PBCL-0G0584)</i>	4,000,000	0.79
30	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)</i>	3,849,900	0.76
	<b>TOTAL</b>	<b>371,395,486</b>	<b>73.50</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Second Annual General Meeting (“2nd AGM”) of KIP Real Estate Investment Trust (“KIP REIT”) will be held at KIP Hotel, No. 77, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur on Thursday, 27 September 2018 at 10.00 a.m. to transact the following businesses:-

## ORDINARY BUSINESS

- To lay the Audited Financial Statements of KIP REIT for the year ended 30 June 2018 together with the Trustee’s Report to the Unitholders issued by Pacific Trustees Berhad, as trustee of KIP REIT and the Report 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:

- 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 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 of 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:

- 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
- the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or
- 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;

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;

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT FURTHER 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

**KIP REIT Management Sdn Bhd (1169638-M)**  
**(the Manager for KIP REIT)**

Foo Siew Loon (MAICSA7006874)  
Company Secretary

Kuala Lumpur  
29 August 2018

### Notes :

1. A unitholder who is entitled to attend the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend and vote.
3. Where the 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 2 proxies, 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.
4. 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.
5. 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 at the Registered Office of KIP REIT Management Sdn Bhd at Level 33A, Menara 1MK, Kompleks 1 Mont' Kiara, No. 1, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur no later than 25 September 2018 at 10.00 a.m. being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only unitholders registered in the Record of Depositors as at 20 September 2018 shall be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend and vote on his behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolution set out in the Notice of Annual General Meeting will be put to vote by way of poll.
8. Annual Report 2018 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.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Explanatory Notes on:

#### (I) Ordinary Business

The Audited Financial Statements laid at this meeting pursuant to clause 13.18 (b) of the REIT 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 Proposed Ordinary Resolution, if passed, would 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 meetings 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.

(This page has been intentionally left blank)

# KIP REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the Deed of Trust dated 2 November 2016 entered into between KIP REIT Management Sdn Bhd and Pacific Trustees Berhad, constituting KIP REIT and registered with the Securities Commission on 4 November 2016)

## PROXY FORM

No. of Units Held	CDS Account No.

I/We \_\_\_\_\_ (name of Unitholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. \_\_\_\_\_ Tel./Mobile No. \_\_\_\_\_

of \_\_\_\_\_

(full address) being a Unitholder/Unitholders of KIP REAL ESTATE INVESTMENT TRUST ("KIP REIT") and entitled to vote hereby appoint:-

### FIRST PROXY 'A'

Full name:		Proportion of unitholdings represented	
		No. of units	%
Address:	NRIC No./Passport No./ Company No.:		

and/or failing \*him/her

### SECOND PROXY 'B'

Full name:		Proportion of unitholdings represented	
		No. of units	%
Address:	NRIC No./Passport No./ Company No.:		

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Second Annual General Meeting of KIP REIT to be held at KIP Hotel, No. 77, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur on Thursday, 27 September 2018 at 10.00 a.m. and at any adjournment thereof, to vote as indicated below:-

\* Strike out whichever not applicable

Ordinary Resolution – Special Business	For	Against
Proposed Authority to Allot and Issue New Units		

Please indicate with an "X" in the space below on how you wish to direct your proxy to cast his/her votes. If you do not do so, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2018

\_\_\_\_\_  
Signature of Unitholder/Common Seal

#### Notes :

1. A unitholder who is entitled to attend the meeting is entitled to appoint not more than 2 proxies to attend instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.
2. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend and vote.
3. 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 2 proxies, 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.
4. 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.
5. 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 at the Registered Office of KIP REIT Management Sdn Bhd at Level 33A, Menara 1MK, Kompleks 1 Mont' Kiara, No. 1, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur no later than 25 September 2018 at 10.00 a.m. being 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only unitholders registered in the Record of Depositors as at 20 September 2018 shall be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend on his behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolution set out in the Notice of Annual General Meeting will be put to vote by way of poll.
8. Annual Report 2018 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.



Fold this flap for sealing

---

Then fold here

---

AFFIX  
POSTAGE  
STAMP

The Company Secretary  
**KIP REIT MANAGEMENT SDN BHD** (1169638-M)  
*(The Manager For KIP Real Estate Investment Trust)*  
Level 33A, Menara 1MK, Kompleks 1 Mont' Kiara,  
No. 1, Jalan Kiara, Mont' Kiara,  
50480 Kuala Lumpur

1st fold here

---



## KIP REAL ESTATE INVESTMENT TRUST

KIP REIT MANAGEMENT SDN BHD  
(1169638-M)  
(The Manager for KIP REIT)

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

Tel : +603 6259 1133 / +603 6259 6633  
Fax : +603 6259 1212

[www.kipreit.com.my](http://www.kipreit.com.my)