

ANNUAL REPORT

2019

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

WHAT WE STAND FOR

VISION

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

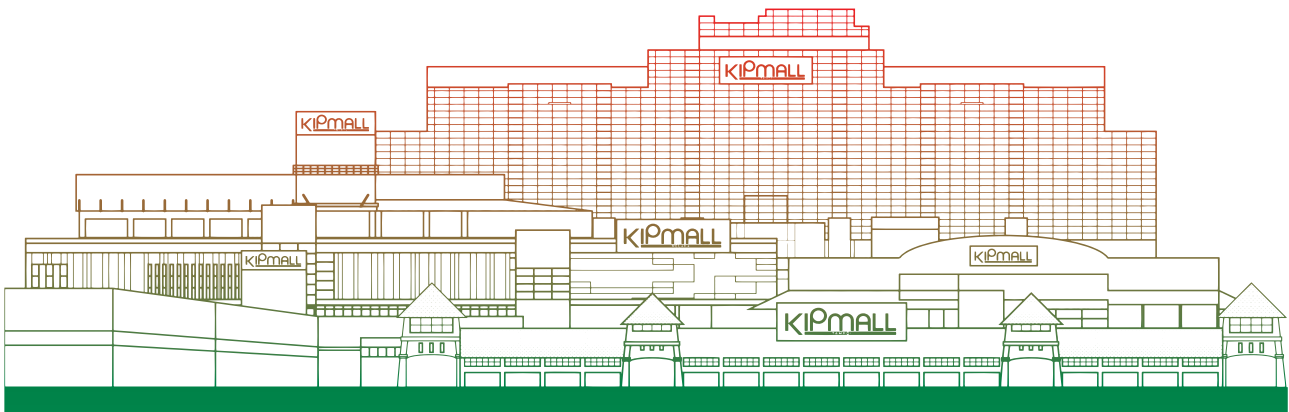
MISSION

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

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

CORE VALUES

Serving our stakeholders the only way we know how: the KIP way



Know-how

Integrity

People

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

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

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

WHO WE ARE

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. As at 30 June 2019, KIP REIT has a market capitalisation of approximately RM424.45 million and a portfolio independently valued at RM599.30 million.

As at listing, KIP REIT's portfolio consists of six community-centric malls strategically located in suburban areas across Malaysia, specifically in Tampoi, Masai, Kota Tinggi, Melaka, Senawang and Bangi. Moving forward, it is within KIP REIT's investment strategy to expand across Malaysia.

Investment Objectives

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

Investment Policies

- (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.

KIP REIT's investments

The Manager's underlying objective is to provide stable distribution income and provide capital appreciation in our Investment Properties for our unitholders 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") provided by the Sponsor over the Sponsors' existing and future retail properties in Malaysia;

(iii) Capital and risk management strategy

The Manager will endeavour to adopt 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.

LETTER TO UNITHOLDERS



Dear Valued Stakeholders,

It is my pleasure and honour to present to you KIP REIT's Annual Report for the year ended 30 June 2019 (FY2019). As the financial year draws to a close, we would like to take this opportunity to share our reflections on our achievements, challenges and our future outlook with our valued stakeholders.

Economic and industry review

According to Bank Negara's latest report, Malaysian GDP expanded at a moderate rate at 4.5% in Q1 of 2019 (Q4 2018: 4.7%) driven mainly by expansion of domestic demand. In line with our expectations, economic growth has slowed as compared to Q1 of 2018 with political shifts and global trade tensions being sources of uncertainty for the economy. The effect of this uncertainty is reflected upon declining consumer sentiments, with Malaysian Institute of Economic Research's Consumer Sentiments Index falling 86 points in Q1 of 2019 from a record 113 points in Q1 of 2018. However, KIP REIT's healthy financial performance is a testament to our resilience against a backdrop of economic uncertainties. We are confident that with our proposition of being a REIT focusing on community centric malls coupled with our prudent management and execution of appropriate strategies stand us in good stead.

Performance overview

KIP REIT's investment strategies have paid-off well during the past financial despite challenges in the economic and property market environment. Among some of our achievements during the year, we are pleased to announce that Net Property Income ("NPI") has increased by 0.1% from RM41.92 million to RM41.95 million, mainly due to increased operational efficiency from the installation of solar panels in all our assets as part of our sustainability

initiative, discussed further below. However, profit before tax have decreased 9.5% due to increased management fees but KIP REIT has nonetheless realised a profit of RM34.05 million (as compared to LY: RM37.61 million). KIP REIT is optimistic about the upcoming financial year in spite of a slight drop in profit. This is because despite declining consumers' sentiments, KIP REIT's unique leasing and marketing strategies have resulted in average occupancy rates being increased to 87.8% compared with FY 2018 at 84.9%.

It is heartening to announce that our distinctive business proposition and prudent execution of investment strategies allowed KIP REIT to realise its mission to create value for its unitholders for yet another year. KIP REIT realised its distribution policy in four quarterly declarations, with a full year distribution of 6.03 sen per unit or a total of RM30.47 million in total distribution. This translates into an annualised yield of 7.18% which places KIP REIT among one of the most yield-accretive REITs in Malaysia at 14.0% higher than the average of its retail REIT peers of 6.3%. This is based on the closing price of RM0.84 per KIP REIT unit as of 30 June 2019.

LETTER TO UNITHOLDERS (CONT'D)

“ This translates to an annualised yield of 7.2% which places KIP REIT among one of the most yield-accretive REITs in Malaysia at 14.0% high than the average of its retail REIT peers at 6.3% ”

Achievements in sustainability

The Board has taken particular focus on embarking on its sustainability initiative during the past financial year. We are therefore proud to announce that we have completed the installation of 2,730kWp of Solar photovoltaic system on the roofs of all six of KIP REIT's assets which will contribute to annual savings of approximately RM1.2million in electricity costs. As part of our pledge to reduce our carbon footprint and environmental pollution, our 25 year “go green” initiative will equate to saving 9,782 kilograms of coal from being combusted to produce electricity.

Rebranding of assets

The Board is also pleased to announce that the rebranding exercise for all of our assets has been completed during the FY 2019. The new KIPMall logo aims to consolidate our umbrella group of community-centric malls into a trusted household name. Moving forward, our portfolio of KIPMall will continually seek to achieve sustainable economic growth within our areas of operation and beyond.

Future outlook

The Board is looking forward to leverage its strengths to welcome new opportunities and challenges that the next financial year may bring. Significant milestones have already been met at the start of FY2020 with the successful launch of KIP REIT's Medium Term Note (“MTN”) Programme of up to RM2 billion for a perpetual basis. We are also proud to announce that our acquisition of AEON Mall Kinta City had been completed on 31 July 2019. With these two exercise completed, we look forward to a greater growth trajectory for the upcoming year. While we remain vigilant over the uncertainty faced by the economy, we are confident that our growth appetite and unique value proposition are elements that will be of significant advantage.

Acknowledgement

During FY 2019, I have had the pleasure, along with other members of the Board and Management of KIP REIT in welcoming Mr Chiam Tau Meng and Ms Hii Wei Bing to the roles of Audit Committee Chair as an Independent Non-Executive Director and Chief Financial Officer respectively. We are confident that their addition to the Board and Management team will bring KIP REIT to greater heights. I would also like to take this opportunity to thank Mr Foo Lee Khean for his tireless effort as part of the Board and wish him all the best for his future endeavours.

Last but certainly not least, on behalf of the Board of Directors and Management Team at KIP REIT, we wish to express our appreciation to our unitholders, trustee, shoppers, tenants, business partners, staff, regulator and press for your unwavering support in FY 2019.

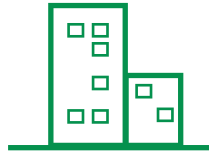
Yours faithfully,

Dato' Dr Syed Hussain bin Syed Husman, JP
Chairman

QUICK HIGHLIGHTS



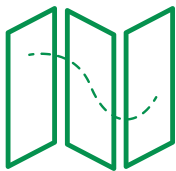
GROSS REVENUE
63,065,000
(FY 2019)



NET PROPERTY INCOME
41,953,000
(FY 2019)



ASSET UNDER MANAGEMENT
599,300,000
(FY 2019)



LETTABLE AREA
937,190
(FY 2019)



AVERAGE OCCUPANCY
87.8%
(FY 2019)



DISTRIBUTION PER UNIT
6.03 sen
(FY 2019)



DISTRIBUTION YIELD
7.18%
(FY 2019)



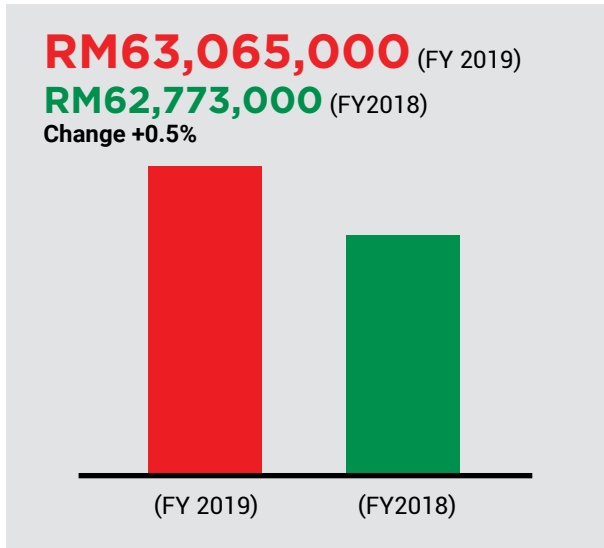
NET ASSET VALUE PER UNIT
RM1.0076
(FY 2019)



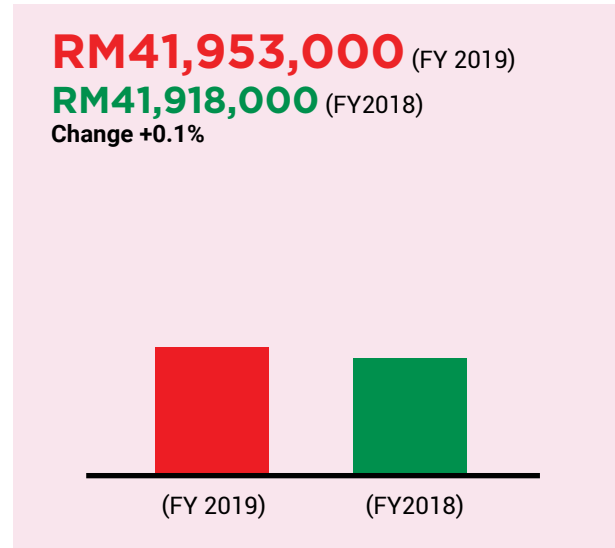
MARKET CAPITALIZATION
424,452,000
(FY 2019)

2019 FINANCIAL HIGHLIGHTS

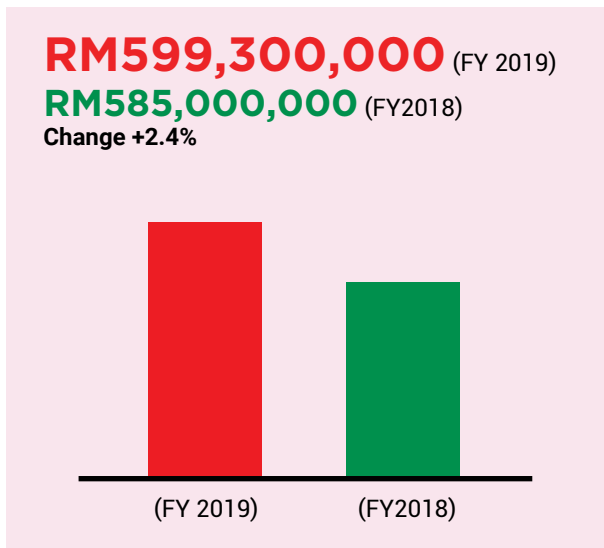
REVENUE



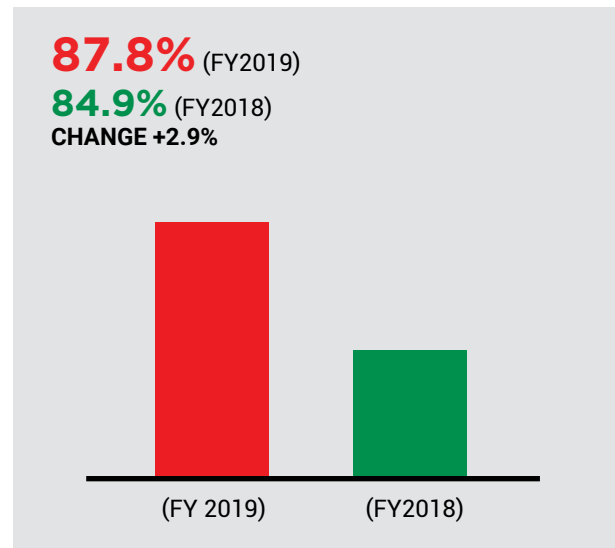
NET PROPERTY INCOME



ASSETS UNDER MANAGEMENT



AVERAGE OCCUPANCY



FUND INFORMATION

ITEM	DESCRIPTION
Name of REIT	KIP REIT
REIT Type	Income stability and growth
The Manager	KIP REIT Management Sdn Bhd (1169638-M)
The Trustee	Pacific Trustees Berhad (317001-A)
Investment Objective	The key objective is to provide unitholders with regular and stable distributions, sustainable long term unit price, distributable Income and capital growth, while maintaining an appropriate capital structure.
Investment Strategies	<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"> (i) Active asset management and enhancement strategy – 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; (ii) Acquisition growth strategy – 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; (iii) Capital and risk management strategy – 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.
Authorised Investments	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.
Authorised Investments Limits	<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"> (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 (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 <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"> (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; (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 (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.

FUND INFORMATION (CONT'D)

ITEM	DESCRIPTION
Borrowing Limits	Up to 50% of the total asset value of KIP REIT at the time the borrowings are incurred.
Investors' Profile	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.
Distribution Policy	<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>
Revaluation Policy	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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

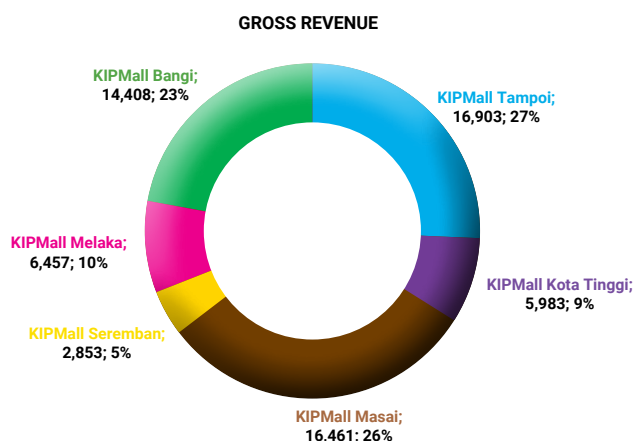
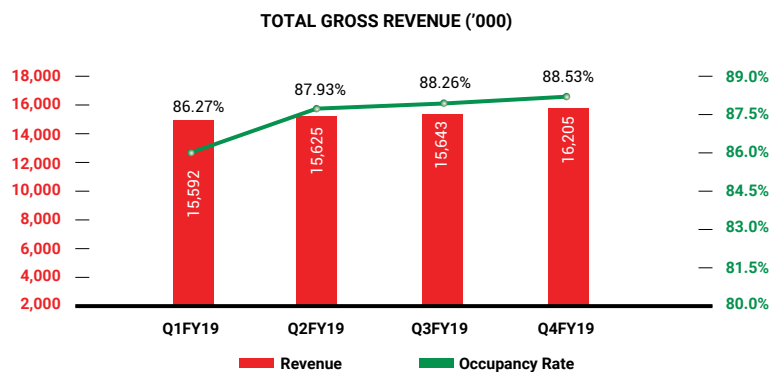
For the financial year ended 30 June 2019, KIP REIT delivered another year of healthy financial results despite muted market sentiments and economic uncertainty. Prudent management of costs and successful implementation of operational strategies are key components attributable to the sustainable growth trajectory since the previous financial year.

Key financial highlights

	FY 2019 RM '000	FY 2018 RM '000
Gross revenue	63,065	62,773
Net property income	41,953	41,918
Borrowing costs	(5,292)	(4,626)
Profit before taxation	34,049	37,610
Realised profit	30,692	34,293
Unrealised	3,357	3,317
DPU (sen)	6.03	6.83
Distribution yield (%)	7.18%	8.54%
Management expense ratio	1.27%	0.75%

a) Gross Revenue

For the year ended 30 June 2019, KIP REIT recorded a gross revenue of RM63.07 million as compared to RM62.77 million in FY 2018 or 0.5% higher than prior year results. The increase was mainly due to increase in promotional fees and overall increase in average occupancy rate to 87.8% (2018: 84.9%)



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

b) Gross Revenue by Property

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

Revenue Asset	FY 2019 RM'000	FY 2018 RM'000	Change %
KIPMall Tampoi	16,903	16,233	4.1%
KIPMall Kota Tinggi	5,983	6,195	(3.4%)
KIPMall Masai	16,461	16,454	0.0%
KIPMall Senawang	2,853	3,150	(9.4%)
KIPMall Melaka	6,457	5,657	14.1%
KIPMall Bangi	14,408	15,084	(4.5%)
	63,065	62,773	0.5%

The changes in gross revenue in each of the investment properties within KIP REIT's portfolio can largely be explained by one of the following reasons:-

- Higher rental rate and higher occupancy.
- Higher rental rate and lower occupancy.
- Higher occupancy and lower rental rate
- Lower occupancy and lower rental rate.

The top three investment properties in terms of contributing the gross income are as follows:-

- KIPMall Tampoi;
- KIPMall Masai; and
- KIPMall Bangi

Comparatively, the Manager notes that there were some investment properties that have seen a slight decline in occupancy rate. However, this is mainly due to the improvement of leasing strategies, as later discussed in the Operations Review section.

c) Property operating expenses

Property operating expenses have increased by 1.2% on average due to higher maintenance cost, marketing expenses and reimbursement costs incurred in FY 2019. However, it was partially offset by the lower utilities expenses from the newly installed solar photovoltaic system that significantly decreased electricity costs, with total savings amounting to RM0.9 million from the completion of installation to 30 June 2019.

The following table lists the breakdown of the changes in property operating expenses in each of the properties:

Property Expenses Asset	FY 2019 RM'000	FY 2018 RM'000	Change %
KIPMall Tampoi	4,111	4,269	(3.7%)
KIPMall Kota Tinggi	2,249	2,282	(1.5%)
KIPMall Masai	3,898	3,953	(1.4%)
KIPMall Senawang	2,033	2,034	(0.0%)
KIPMall Melaka	4,003	3,786	5.7%
KIPMall Bangi	4,818	4,531	6.3%
Total	21,112	20,855	1.2%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

d) Net Property Income

Despite marginally higher property expenses, net property income has increased by 0.1% from prior year results.

e) Borrowing costs

Interest expenses have increased by RM0.7 million or 14.4% for FY2019 as compared to last year due to increase in total borrowing amounted to RM12.9 million to finance solar photovoltaic system and AEON Mall Kinta City acquisition down payment.

f) Net profit after tax for the year

There has been a decline in net profit for the year by 9.5% as opposed to prior year result of RM37.61 million. This is primarily due to an increase in management fees payable to the manager of the REIT and higher borrowing cost incurred as explained in section (e).

g) Income Distribution

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

Income distribution	Quarter ended	Date declared	Distribution per Unit	Payment Date
1 st interim	7,327	15/10/2018	1.45	13/11/2018
2 nd interim	7,832	15/01/2019	1.55	14/02/2019
3 rd interim	7,630	18/04/2019	1.51	17/05/2019
Final	7,681	26/07/2019	1.52	29/08/2019
Total	<u>30,470</u>		<u>6.03</u>	

The total income distribution for FY2019 was 6.03 sen per unit for the period from 1 July 2018 to 30 June 2019 or a total paid out of RM30.47 million represents 97.10% of the realised distributable net profit for FY2019, which translates to a distribution yield of 7.18% based on KIP REIT's closing unit price of RM0.84 as at 30 June 2019.

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.

h) Portfolio valuation

During FY 2019, the size in terms of number of properties invested remains unchanged as the Manager did not partake in asset acquisition or asset disposal.

As at 30 June 2019, KIP REIT's investment properties, represents approximately 95.2% of the total asset value. Investment properties are stated at fair value based on valuations performed by independent professional valuer, Henry Butcher Malaysia Sdn Bhd (Henry Butcher). Based on the valuation reports dated 5 July 2019 issued by Henry Butcher, the fair value of the investment properties as at 30 June 2019 was RM599.30 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Key financial position

	As at 30 June 2019	As at 30 June 2018
Investment Properties	599,300	585,000
Total asset values	629,810	616,557
Trade receivables	232	1,325
Borrowings	100,169	86,975
Net Assets Value		
before income distribution	541,018	542,059
After income distribution	509,133	506,951
Gearing	15.9%	14.1%
Unit Price	0.840	0.800
Market capitalization	424,452	404,240
Units in Circulation	505,300	505,300
NAV Per unit	1.0076	1.0033

a) Investment Properties

Reference is made to section h) of the above section. As at 30 June 2019, KIP REIT's portfolio of property represents 95.2% of its total asset value. The revaluation performed by Henry Butcher, an independent valuer, is summarised in the table below:-

Properties	Carrying value before revaluation RM'000	Market value RM'000	Unrealised gain/(loss) RM'000
KIPMall Tampoi	160,414	163,500	3,086
KIPMall Kota Tinggi	56,990	56,600	(390)
KIPMall Masai	160,479	167,700	7,221
KIPMall Senawang	31,279	28,000	(3,279)
KIPMall Melaka	53,080	49,000	(4,080)
KIPMall Bangi	133,701	134,500	799
	595,943	599,300	3,357

b) Total Asset Value

KIP REIT's total asset value as at 30 June 2019 stood at RM629.81 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 RM1.09 million or 82.0% from RM1.33 million in FY 2018. The significant improvement is the result of better collection control implemented.

d) Total Borrowings

KIP REIT's debt profile consists of a term loan with 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 1 and 2 bears an interest rate of 1.25% and 1.75% per annum above cost of funds respectively (as determined by the Bank at the commencement of each interest period) and payable on quarterly basis.

The gearing ratio for the next financial year is also expected to increase following the acquisition of AEON Mall Kinta City which will be fully funded by borrowing. KIP REIT intends on increasing its portfolio acquisition through the use of different capital structures.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

e) NAV Per Unit

KIP REIT's NAV per unit before interim and final income distribution was stated at RM1.0707 and after interim and final income distribution is RM1.0104.

f) Unit Price and Market Capitalisation

As at 30 June 2019, the closing price of KIP REIT was RM0.84 per unit. Based on the unit price of RM0.84 and 505,300,000 units in circulation, the market capitalisation stood at RM424.45 million.

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 2019 RM'000	As at 30 June 2018 RM'000
Borrowing	100,169	86,975
Total Asset Value	629,810	616,557

Total borrowings of RM100.17 million as at 30 June 2019 represents a gearing of 15.9% over its total asset value of RM629.81 million. Based on a gearing of 15.9%, KIP REIT has 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 2019 of RM11.58 million is expected to assist in the liquidity and cash flow risk management.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONS REVIEW

During the financial year under review, KIP REIT has leveraged its niche to weather through softer market sentiments and oversupply of retail spaces. KIP REIT has therefore placed great emphasis on striking an appropriate balance to maximise value-creation. The following section will provide information on KIP REIT's leasing strategies.

a) Occupancy rates

The average occupancy rate across all six properties within the KIP REIT portfolio is 87.8% for as at 30 June 2019, which is an increase of 2.8 percentage points from last financial year.

Average Occupancy Rate	FY2019	FY2018	FY2017
KIPMall Tampoi	97.65%	96.17%	94.00%
KIPMall Kota Tinggi	91.29%	92.84%	93.90%
KIPMall Masai	93.66%	94.72%	89.80%
KIPMall Senawang	79.54%	80.62%	77.70%
KIPMall Melaka	80.60%	69.10%	75.40%
KIPMall Bangi	85.97%	83.32%	78.30%
Total	87.75%	84.95%	83.33%

Most of the properties have seen increases in occupancy rates due to more focused leasing strategies being implemented. Occupancy rates for the more matured KIPMalls located in the Southern region ranged from 91.3% to 97.6% within the financial year. This is largely due to better tenant profiling.

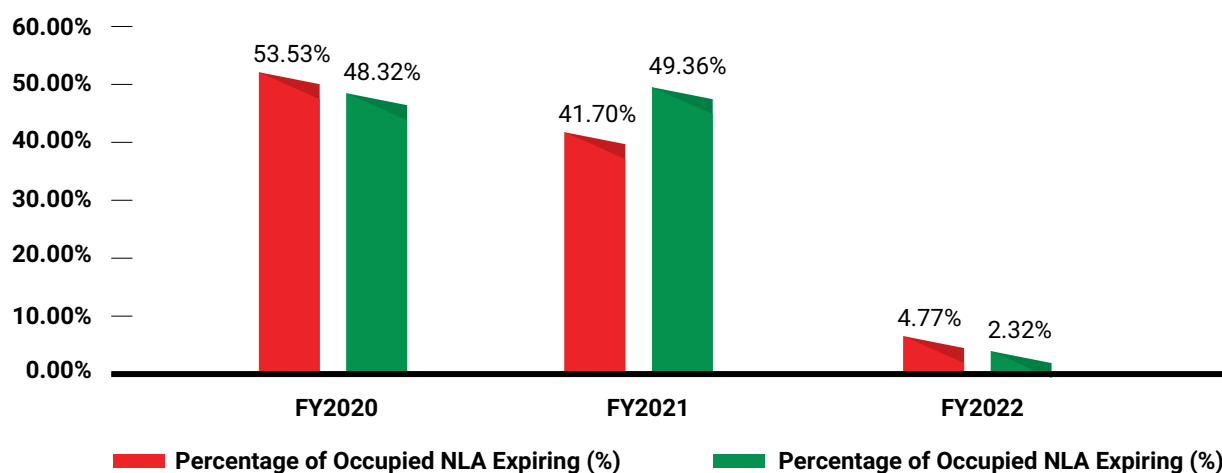
The average occupancy for Central region ranged from 79.5% to 86.0% within the financial year. The Manager has put in place leasing strategies to improve tenant mix, bringing in more reputable brands, organising more fairs and events and upgrading the properties by undergoing renovation or AEI works from time to time to retain the competitiveness and attractiveness of the assets.

b) Portfolio lease expiry profile and Lease Renewals

As at 30 June 2019, the total leased area (Occupied) was 834,090 square feet, which represented about 89.0% of the total Net Lettable Area ("NLA") of 937,190 square feet. The tenancy expiry profile of the investment properties are as follows:

Period	Number of Tenancies	Percentage of Occupied NLA Expiring (%)	Percentage of Occupied NLA Expiring (%)
FY2020	492	53.5%	48.3%
FY2021	438	41.7%	49.4%
FY2022	13	4.8%	2.3%
	943	100.0%	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)



For FY 2020, there were 492 tenancies or 52.2% due for renewal, which contributed to about 53.5% of the occupied NLA and 48.3% of gross rental income.

There will be 451 tenancies or 47.8% due for renewal in next 2 years after FY 2020, which attributes to about 46.5% of the occupied NLA and contributes to about 51.7% of gross rental income.

c) Trade sector analysis

KIP REIT recognises that a diverse tenant base across various trade sectors is necessary to maintain the competitiveness and attractiveness of the investment properties. There were 943 tenancies which can be broadly segmented into eleven categories and no single tenant contributed to more than 5% of Gross Rental Income.

Trade Sector	% of Occupied NLA	% of Gross Rental Income
Fresh Market	8.5%	18.2%
Food & Beverages	6.8%	11.1%
Supermarket	27.8%	8.9%
Fashion Apparel	14.9%	23.9%
Entertainment & Leisure	4.9%	4.0%
Beauty, Health and Wellness	3.1%	7.0%
Timepieces and Jewellery	0.5%	1.3%
Home Décor, Gifts, Souvenirs and Stationery	21.3%	9.3%
IT/ Electronic/ Digital	8.6%	11.7%
Furniture/ Show Galley	2.4%	2.3%
Sundry and Services	1.2%	2.3%
	100.0%	100.0%

d) Asset enhancement initiatives

KIP REIT appreciates that asset enhancement initiatives ("AEI") plays a crucial part in our operating strategies. Maintenance and upgrade of the properties within the KIP REIT portfolio is necessary to prolong the life of the asset, to remain competitive within the industry, and to ultimately safeguard the interest of its stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK MANAGEMENT AND MARKET OVERVIEW

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.

a) 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.

b) 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 FY2019, there was no single tenant contributed to more than 5% of KIP REIT rental income.

c) Competition From Other Marts and Mall

The Manager aims for its investment properties 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 6.8% and 11.1% of the occupied lettable area and gross rental income respectively as at 30 June 2019.

d) 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

e) 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.

f) 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.

Market Overview

The following section is prepared by our independent valuer for the purposes of gaining a market overview on the retail industry.

Overall, the retail sector still faced the same challenges as in 2017 ie. higher operations costs, reduced shopping traffic, decreased retail sales, changing shopping habits, competition from online stores and early termination by tenants. The malls also took a longer time to secure new tenants to fill up lots vacated by these tenants. Just as in previous years, many shopping centre owners needed to introduce rental rebates or reduce rental rates in order to retain existing tenants. Nevertheless, some established and popular shopping centres which suffered from low occupancy rates in 2017 managed to fill up more retail lots in 2018. New shopping centres which opened in 2018 faced difficulty to achieve at least 80% occupancy rate at the time of opening.

Despite the rapid growth of online shopping in Malaysia, consumers are still visiting shopping malls, especially the larger ones, during weekends. The spending patterns of Klang Valley consumers in shopping centres in 2019 will be highly dependent on the Malaysian economic performance during the year. If the economy performs well and benefits all business and industrial sectors, consumers spending will increase and this will in turn benefit shopping centres in general.

Retail Group Malaysia has projected a 4.5% growth rate in retail sales for Malaysia in 2019. The consumer spending pattern this year will be highly dependent on the economic performance and cost of living.

Prospect

The Manager will continue to leverage its core capabilities in light of greater economic uncertainties. The Manager will further enhance our leasing and marketing strategies to boost occupancy and rental rates, across all of our properties. Additionally, the Manager will continue to maintain all the assets in our portfolio to benefit from capital appreciation in the future.

Further, the Manager shall actively identify yield accretive assets for potential acquisitions into our portfolio in addition to AEON Mall Kinta City which is due to complete in the upcoming quarter. The Manager shall also consider the suitability of exercising its rights of first refusal over properties developed by the Sponsors.

KIP REIT's PORTFOLIO

Location of KIPMall



PROPERTY DETAILS

KIPMALL TAMPOI

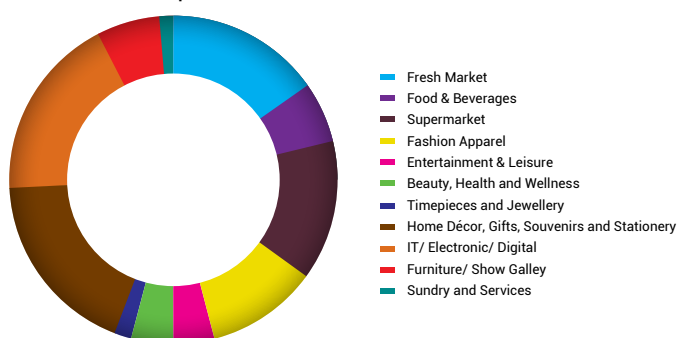


KIPMall Tampoi is the longest-running community centric mall within KIP REIT's portfolio, with the commencement of operations in 23 December 2004. It is located on 452,191 sq ft of land within a residential area known as Taman Tampoi Indah, Johor Bahru, and serves many surrounding bustling townships. As at 30 June 2019, KIPMall Tampoi has 276 tenancies and continues to be a platform for local SMEs to expand their businesses within the locality, and shoppers to enjoy a one-stop shopping destination. Currently, KIPMall 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 163,357 sq ft as at 30 June 2019.

Address	Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim
Description of Property	Single-storey retail centre with a mezzanine floor which commenced operations since 23 December 2004
Date of Acquisition	6 February 2017
Acquisition Price	RM150 million
Age of Building	15 years
Title Information	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim
Tenure	99 years, expiring on 24 September 2092
Gross Floor Area	234,321 Sq ft
Net Lettable Area	163,357 Sq ft
FY2019 Total Revenue	RM16,903,000
FY2019 Net Property Income	RM12,792,000
Appraised Value	RM163,500,000
Average occupancy rate as at 30 June 2019	97.65%

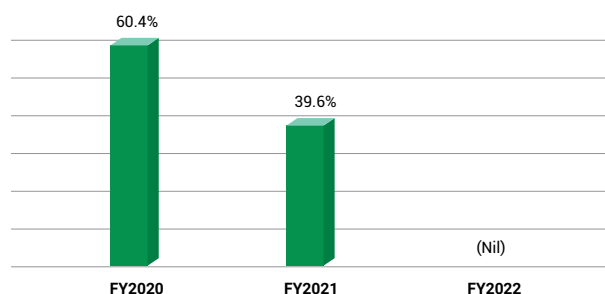
Trade sector analysis

% of Occupied NLA



Lease Expiry Profile

Lease Expiry Profile as at 30 June 2019
Percentage of Occupied NLA Expiring (%)



PROPERTY DETAILS (CONT'D)

KIPMALL KOTA TINGGI

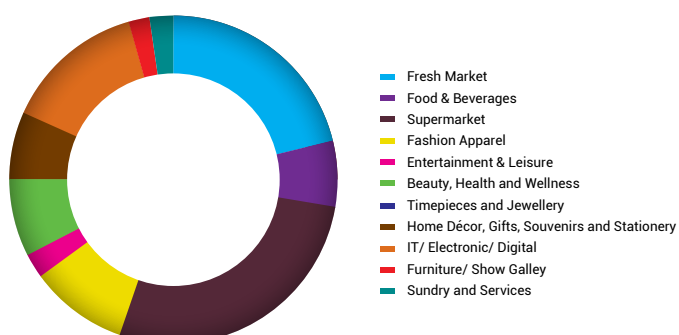


KIPMall Kota Tinggi is a community centric mall considered to be a landmark by the surrounding Kota Tinggi residents and have been in operations since 7 November 2008. KIPMall Kota Tinggi is located on 168,111 sq ft of land located along Jalan Maju, Kota Tinggi. As at 30 June 2019, KIPMall Kota Tinggi has 137 tenancies and continues to be a platform for local SMEs to expand their businesses within the locality, and shoppers to enjoy a one-stop shopping destination. Currently, KIPMall Kota Tinggi 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 74,023 sq ft as at 30 June 2019.

Address	No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim
Description of Property	Single-storey retail centre with a mezzanine floor which commenced operations since 7 November 2008
Date of Acquisition	6 February 2017
Acquisition Price	RM56 million
Age of Building	11 years
Title Information	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim
Tenure	Freehold
Gross Floor Area	113,958 Sq ft
Net Lettable Area	74,023 Sq ft
FY2019 Total Revenue	RM5,983,000
FY2019 Net Property Income	RM3,734,000
Appraised Value	RM56,600,000
Average occupancy rate as at 30 June 2019	91.29%

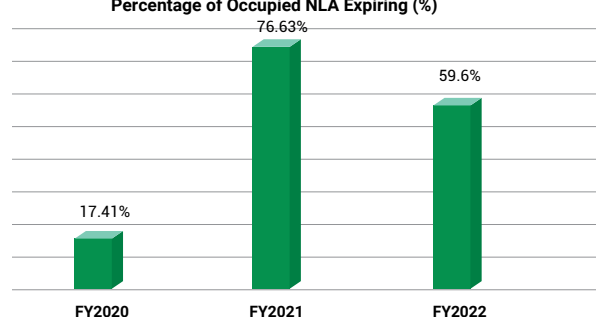
Trade sector analysis

% of Occupied NLA



Lease Expiry Profile

Lease Expiry Profile as at 30 June 2019
Percentage of Occupied NLA Expiring (%)



PROPERTY DETAILS (CONT'D)

KIPMALL MASAI

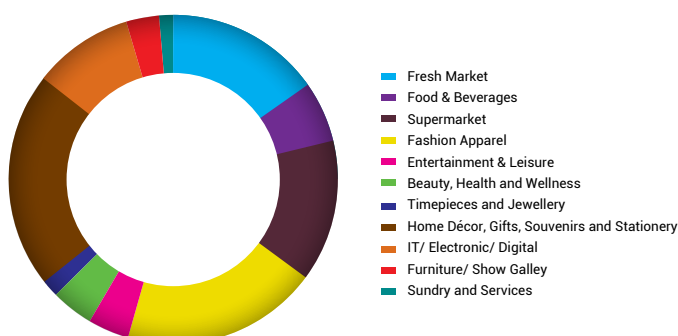


KIPMall Masai is the first “go-green” community centric mall that has been in operations since 25 January 2011. KIP REIT’s first photovoltaic system was installed on the rooftop of KIPMall Masai. KIP Mall Masai is located on 472,757 sq ft of land located in Taman Bukit Dahlia, Pasir Gudang. As at 30 June 2019, KIPMall Masai has 252 tenancies and continues to be a platform for local SMEs to expand their businesses within the locality, and shoppers to enjoy a one-stop shopping destination. Currently, KIPMall 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 143,792 sq ft as at 30 June 2019.

Address	Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim
Description of Property	Single-storey retail centre with a mezzanine floor which commenced operations since 25 January 2011
Date of Acquisition	6 February 2017
Acquisition Price	RM160 million
Age of Building	8 years
Title Information	PN 70766, Lot 198634, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim
Tenure	99 years, expiring on 28 December 2108
Gross Floor Area	247,900 Sq ft
Net Lettable Area	143,792 Sq ft
FY2019 Total Revenue	RM16,461,000
FY2019 Net Property Income	RM12,563,000
Appraised Value	RM167,700,000
Average occupancy rate as at 30 June 2019	93.66%

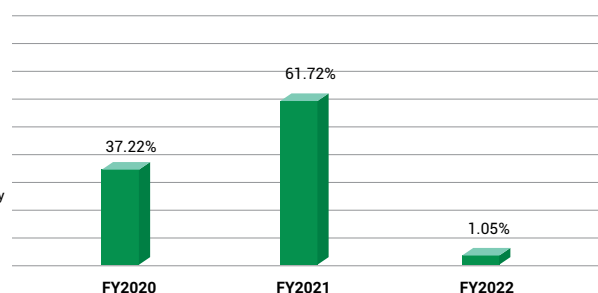
Trade sector analysis

% of Occupied NLA



Lease Expiry Profile

Lease Expiry Profile as at 30 June 2019
Percentage of Occupied NLA Expiring (%)



PROPERTY DETAILS (CONT'D)

KIPMALL SENAWANG

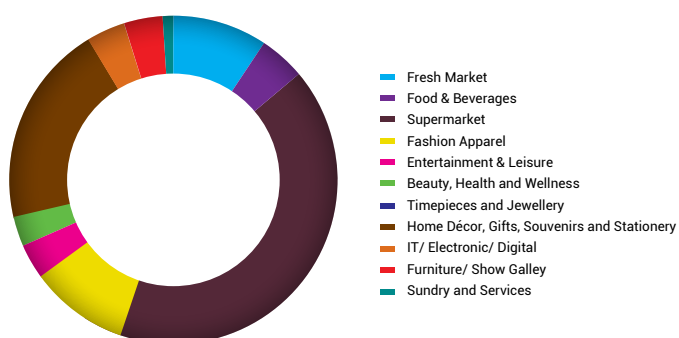


KIPMall Senawang is the first of KIP REIT's community centric mall to enter into the central region and has been in operations since 18 December 2012. KIPMall Senawang is located on 438,414 sq ft of land located within the Lavender Heights township area in Seremban. KIPMall Senawang has 65 tenancies as at 30 June 2019, KIPMall Senawang and continues to be a platform for local SMEs to expand their businesses within the locality, and shoppers to enjoy a one-stop shopping destination. Currently, KIPMall Senawang 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 109,908 sq ft as at 30 June 2019.

Address	No. 1, Jalan KLS 1, Lavender Heights, 70450 Seremban, Negeri Sembilan Darul Khusus
Description of Property	Single-storey retail centre with a mezzanine floor which commenced operations since 18 December 2012
Date of Acquisition	6 February 2017
Acquisition Price	RM38 million
Age of Building	6 years
Title Information	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus
Tenure	Freehold
Gross Floor Area	175,095 Sq ft
Net Lettable Area	109,908 Sq ft
FY2019 Total Revenue	RM2,853,000
FY2019 Net Property Income	RM820,000
Appraised Value	RM28,000,000
Average occupancy rate as at 30 June 2019	79.54%

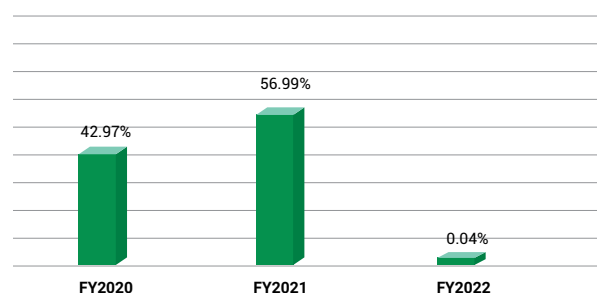
Trade sector analysis

% of Occupied NLA



Lease Expiry Profile

Lease Expiry Profile as at 30 June 2019
Percentage of Occupied NLA Expiring (%)



PROPERTY DETAILS (CONT'D)

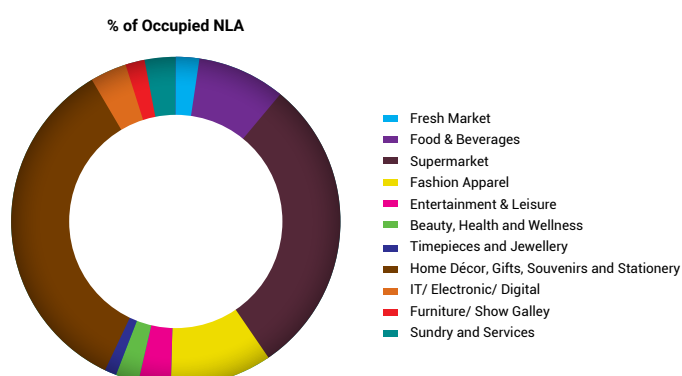
KIPMALL MELAKA



KIPMall Melaka is the most recent community centric mall developed by the Sponsors to be injected within the KIP REIT portfolio and that has been in operations since 26 March 2014. KIPMall Melaka is located on 380,310 sq ft of land located in the Batu Berendam industrial area in Melaka. KIPMall Melaka has 88 tenancies at 30 June 2019 and continues to be a platform for local SMEs to expand their businesses within the locality, and shoppers to enjoy a one-stop shopping destination. Currently, KIPMall 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 186,064 sq ft as at 30 June 2019.

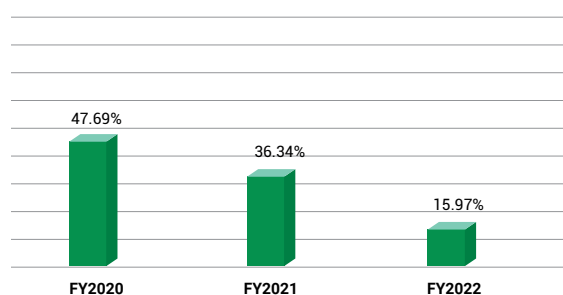
Address	No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350 Melaka
Description of Property	Two-storey retail centre which commenced operations since 26 March 2014
Date of Acquisition	6 February 2017
Acquisition Price	RM50 million
Age of Building	5 years
Title Information	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka
Tenure	99 years, expiring on 17 November 2112
Gross Floor Area	276,987 Sq ft
Net Lettable Area	186,064 Sq ft
FY2019 Total Revenue	RM6,457,000
FY2019 Net Property Income	RM2,454,000
Appraised Value	RM49,000,000
Average occupancy rate as at 30 June 2019	80.60%

Trade sector analysis



Lease Expiry Profile

Lease Expiry Profile as at 30 June 2019
Percentage of Occupied NLA Expiring (%)



PROPERTY DETAILS (CONT'D)

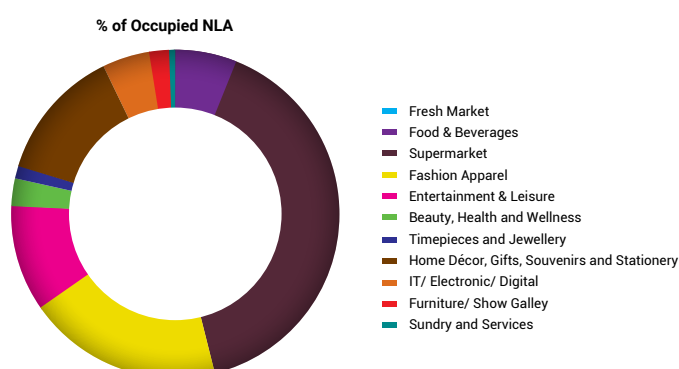
KIPMALL BANGI



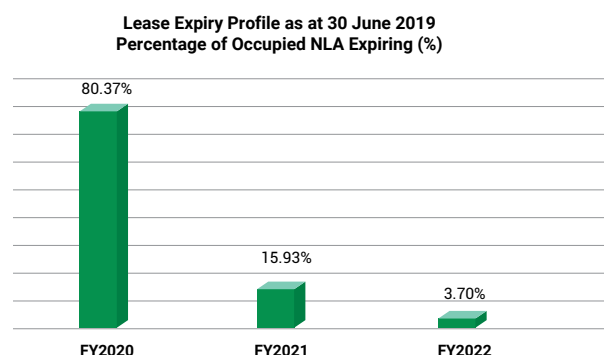
KIPMall Bangi is a landmark community centric mall located in Central Malaysia and was first acquired by the Sponsors on 26 March 2015. KIPMall Bangi is located on 92,817 sq ft of land located along Jalan Medan Bangi, Bandar Baru Bangi. KIPMall Bangi has 125 tenancies as at 30 June 2019 and continues to be a platform for local SMEs to expand their businesses within the locality, and shoppers to enjoy a one-stop shopping destination. Currently, KIPMall Bangi is divided into several areas for, amongst others, a 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 2019.

Address	No. 1, Jalan Medan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan
Description of Property	Five-storey shopping centre with one level of mezzanine floor and two levels of basement car park
Date of Acquisition	6 February 2017
Acquisition Price	RM130 million
Age of Building	19 years
Title Information	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan
Tenure	99 years, expiring on 14 July 2093
Gross Floor Area	348,203 Sq ft
Net Lettable Area	260,046 Sq ft
FY2019 Total Revenue	RM14,408,000
FY2019 Net Property Income	RM9,590,000
Appraised Value	RM134,500,000
Average occupancy rate as at 30 June 2019	85.97%

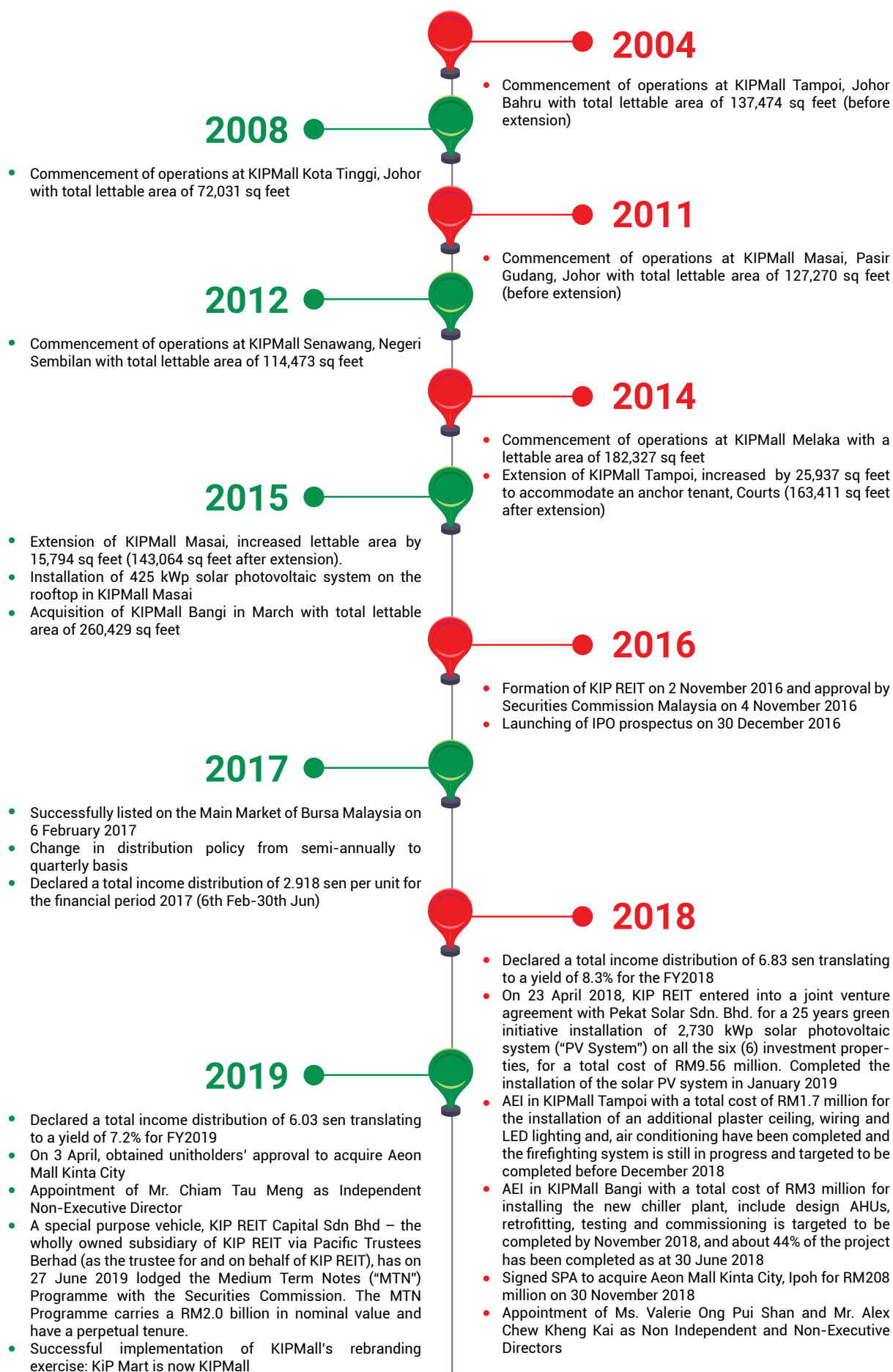
Trade sector analysis



Lease Expiry Profile



CORPORATE MILESTONE



BOARD OF DIRECTORS



1. **DATO' DR SYED HUSSAIN BIN SYED HUSMAN, JP**
Chairman and Senior Independent Non-Executive Director

2. **DATO' CHEW LAK SEONG**
Managing Director and Non-Independent Executive Director

3. **DATO' ERIC ONG KOOK LIONG**
Non-Independent Executive Director

4. **DATUK MOHAMED ARSAD BIN SEHAN**
Independent Non-Executive Director

5. **MR CHIAM TAU MENG**
Independent Non-Executive Director

6. **MR ALEX CHEW KHENG KAI**
Non-Independent and Non-Executive Director

7. **MS VALERIE ONG PUI SHAN**
Non-Independent and Non-Executive Director



PROFILE OF BOARD OF DIRECTORS

DATO' DR SYED HUSSAIN BIN SYED HUSMAN, JP
62, Malaysian
Chairman and Senior Independent Non-Executive Director

Date of appointment

20 April 2016

Board Committee

Chairman of the Remuneration Committee; a Member of the Nomination Committee; and a Member of the Audit and Risk Management Committee

Attendance

8 / 8 Board Meetings, 4 / 4 Remuneration Meeting, 5 / 5 Nomination Meeting; 5 / 5 Audit and Risk Management Meeting

Professional Accreditation

- Bachelor in Business Studies degree and Masters in Business Administration (MBA) from Western Illinois University.
- Senior Management Development Program at Harvard Business School, USA in 2002.

Professional Experience

Dato' Dr Syed Hussain, JP began his career with Imperial Chemical International/ Chemical Company Malaysia Berhad as a Human Resources Officer before being promoted to Human Resources Manager of the group in 1990. He subsequently joined Procter & Gamble, Malaysia/Singapore as Human Resources and External Affairs Director (1992 to 1997) and Rothmans of Pall Mall (Malaysia) Berhad (1997 to 2000). In 1998, he was appointed to the board of directors of Rothmans and served in British American Tobacco (Malaysia) Berhad (2000 to 2004) as Director, Human Resources – Public Relations and Security Affairs. He subsequently joined Ramunia Holdings Bhd in 2006 and left as Group Director, Human Resources, Communications and Information Technology in 2008. Dato' Dr Syed Hussain, JP was the Group Director of Human Resource & Corporate Affairs at Petrofield (M) Sdn Bhd between 2008 and 2010.

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

Professional accolades

- "HR Manager of the Year Award 1999" by the Malaysian Institute of Human Resource Management and Ministry of Human Resource Malaysia.
- Appointed as a "Justice of Peace" by His Highness Sultan of Negeri Sembilan in July 2000.
- Appointed as a Fellow of the Malaysian Institute of Human Resources Management in July 2000.
- Appointed as an Associate member of the Commonwealth Magistrates and Judges Association, CMJA.
- Council Member of the Malaysian Employers Federation, member of the National Skills Council and National Labour Advisor Council.
- "Accredited Public Relation Practitioner" (APR) by the Institute of Public Relations Malaysia in August 2005.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

DATO' CHEW LAK SEONG

63, Malaysian

Managing Director and Non-Independent Executive Director

Date of appointment

18 December 2015

Board Committee

Member of the Remuneration Committee

Attendance

7 / 8 Board Meeting, 4 / 4 Remuneration Meeting

Professional Accreditation

- B.Sc (Hons) Degree majoring in Housing, Building and Planning from University Sains Malaysia.
- Capital Markets Services Representative's License ("CMSL") under the Capital Markets and Securities Act 2007

Professional Experience

Dato' Chew has over 35 years of experience in property development and investment, hospitality, retail design and development, project management and corporate management. He began his career in 1980 as a Project Manager in MBf Property Services Sdn Bhd, where he was involved in projects in Penang. In 1988, he joined Rawang Industrials & Property Sdn Bhd as General Manager of property development where he was involved in several mixed development projects. Subsequently, Dato' Chew joined Tanco Properties Sdn Bhd as General Manager of property development from 1990 to 1993, where he was involved in a development of a 200 acre mixed property development of retail and residential properties. From 1993 to 1997, he was Managing Director of property development in Meda group of companies where he contributed towards the success in the completion of the Summit Square, Summit Parade, Summit City and Plaza Bukit Mertajam.

Dato' Chew presently holds the title of Managing Director since 1997, a position he has held since co-founding KIP group of companies. 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 KOOK LIONG

58, Malaysian

Non-Independent Executive Director

Date of appointment

18 December 2015

Board Committee

N/A

Attendance

8 / 8 Board Meeting

Professional Accreditation

- Capital Markets Services Representative's License ("CMSL") under the Capital Markets and Securities Act 2007

Professional Experience

Dato' Eric Ong has over 27 years of experience in sales and marketing of properties, property investment and hospitality. He 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 subsequently joined Tanco Properties Sdn Bhd in 1991 as a Sales Manager, where he was involved in the sales and marketing of a development of a 200-acre mixed development of retail and residential properties.

From 1993 to 1997, Dato' Eric Ong was appointed as Executive Director of property development in Meda group of companies where he contributed towards the success in the completion of the Summit Square, Summit Parade, Summit City and Plaza Bukit Mertajam.

Dato' Eric Ong presently holds the title of Executive Director of KIP, a position he has held since co-founding KIP group of companies. He is responsible for spearheading leasing, retail development conceptualisation and tenant mix strategy for all projects including the KIPMall portfolio. 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.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

DATUK MOHAMED ARSAD BIN SEHAN

66, Malaysian

Independent Non-Executive Director

Date of appointment

20 April 2016

Board Committee

Chairman of the Nomination Committee; Member of the Remuneration Committee; Member of the Audit and Risk Management Committee

Attendance

8 / 8 Board Meeting; 5 / 5 Nomination Meeting; 4 / 4 Remuneration Meeting; 5 / 5 Audit and Risk Management Meeting

Professional Accreditation

- Bachelor of Economics (Statistics) degree from the University of Malaya.

Professional Experience

Datuk Mohamed Arsad has more than 30 years of working experience in banking and finance institutions holding various positions, including Division Head of Planning and Development and General Manager, Commercial Banking.

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 and after retiring from Bank Rakyat, spent 8 years as Managing Director of PureCircle Sdn Bhd, a wholly owned subsidiary of LSE-listed PureCircle Limited.

He also sits on the boards of SYF Resources Berhad and Bertam Alliance Berhad as Independent Non-Executive Director. At SYF Resources Berhad he is a member of the Audit Committee and Nomination Committee. At Bertam Alliance Berhad he is Non-Executive Chairman of the Board, member of the Audit Committee and Chairman of the Nomination Committee.

MR CHIAM TAU MENG

65, Malaysian

Independent Non-Executive Director

Date of appointment

15 April 2019

Board Committee

Chairman of the Audit and Risk Management Committee; Member of the Nomination Committee.

Attendance

2 / 2 Board Meeting; 2 / 2 Audit and Risk Management Meeting

Professional Accreditation

- Bachelor of Commerce Degree majoring in Accountancy from the University of Otago, Dunedin, New Zealand.
- Associate Chartered Accountant with Chartered Accountants of Australia and New Zealand.
- Chartered Accountant with the Malaysian Institute of Accountants.

Professional Experience

Following his graduation in 1977, Mr Chiam Tau Meng started his career as a Corporate Accountant in Tolley Industries Ltd (New Zealand). Upon returning to Malaysia in 1979, he joined Malaysian Containers Bhd as a Finance Manager cum Company Secretary until 1984. In 1984, he joined Menang Corporation (M) Bhd as a General Manager of Corporate Services and left Menang Corporation (M) Bhd in 1989, and joined Bee Hin Holdings Sdn Bhd as a General Manager of Corporate Finance. In 1993, he joined BDO Binder Management Consultants Sdn Bhd as a Director until 1994. In the same year, he incorporated CTM Consulting as a Principal, a position he still holds until today.

Chiam Tau Meng presently also serves as an Independent Non-Executive Director in Menang Corporation (M) Berhad and Tri-Mode System (M) Berhad.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

MR ALEX CHEW KHENG KAI
35, Malaysian
Non-Independent and Non-Executive Director

Date of appointment

30 November 2018

Board Committee

N/A

Attendance

6 / 6 Board Meeting

Professional Accreditation

- Bachelor of Fine Arts Degree in Interior Architecture from the Academy of Art University
- Master of Architecture from University of California, Los Angeles.

Professional Experience

Mr Alex Chew began his career in 2005 with Huang Iboshi Architecture in San Francisco followed by an internship at NMDA-INC, Los Angeles in 2006. Upon receiving his M.Arch, he joined American Apparel Inc. as a Retail Designer, working with project teams on the design and rollout of over 30 outlets globally. In 2010, Mr Alex Chew relocated to Taipei, working with Lead Dao Technology and Engineering Ltd as an Architectural Engineer supporting large cultural projects across Taiwan by some of the world's leading Architects.

Mr Alex Chew presently holds the title of Director of KIP Group of companies and also serves as Director and Officer for several companies in Malaysia and abroad that engage in the design of the built environment, real estate development and venture funding. He is a Co-founder of ALLTHATISSOLID, an architectural and interior design consultancy established in Los Angeles and currently runs the Kuala Lumpur office. Over the course of his career he has made a measurable impact providing design, technical and project management services to clients and stakeholders all over the world. Additionally, he is a co-founder of Solidbuilt LLC, a real estate investment and development company focused on housing in California and a director of Bentobox Holdings, Inc., a venture capital company that invests in companies catering to millennial lifestyles.

MS VALERIE ONG PUI SHAN
31, Malaysian
Non-Independent and Non-Executive Director

Date of appointment

30 November 2018

Board Committee

N/A

Attendance

5 / 6 Board Meeting

Professional Accreditation

- Bachelor in Business and Politics Degree from University of Melbourne.
- Masters in Marketing and Branding from University of West Of England.

Professional Experience

Ms Valerie Ong began her career in 2007 as an intern with Mercatus in branding and consumer public relations agency for three months; where she was involved in securing interviews for clients with national publications. Cold-calling contacts, calculating the reach and drafting client reports on the publication of clients' campaigns and reporting findings on segments of consumer product, education, oil and gas, property development and beauty are part of the projects undertaken. In 2011, Ms Valerie Ong joined Summit Holidays, a travel agency as the marketing and branding manager. She is overall responsible for marketing planning; advertising and promotional strategies and growing the brand presence. She has successfully executed a rebranding exercise and implemented e-commerce system and social media for the company.

Valerie Ong presently holds the title of the Group Chief Executive Officer of KIP Group of Companies and also serves as Director of Corporate Operations. She sets the company's vision and mission; Partnering with top management in growing and strengthening the company's position in the industry. Monitoring and sustaining the progress of development, operational and financial performance are her key portfolio. She has successfully completed projects valued at a total gross development value (GDV) of RM420 million with an additional RM1.5 billion GDV currently under construction.

PROFILE OF SENIOR MANAGEMENT

MR CHAN HENG WAH

63, Malaysian

Chief Executive Officer ("CEO")

Professional Accreditation

- Master of Business Administration (MBA) in Finance and Accountancy from Newport University specialising in Total Quality Management
- Associate member of the Canadian Chartered Institute of Finance & Accountancy.

Professional Experience

Prior to assuming the role of CEO at KIP REIT Management Sdn. Bhd. in 2017, Mr Chan held the position of Chief Financial Officer since 2007. He currently oversees the day-to-day operational management of KIP REIT and 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 started his career in MBf Card Services Sdn. Bhd. as an Assistant Accountant and before eventually being promoted to the role of 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. 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 prior to joining KIP Group of Companies as Group Financial Controller.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and/or major unitholder of KIP REIT. There is no conflict of interest with KIP REIT. Other than traffic offence (if any), he does not have any convictions for offences within the past 10 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

MS HII WEI BING

45, Malaysian

Chief Financial Officer ("CFO")

Professional Accreditation

- Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants (MIA).

Professional Experience

Prior to joining KIP REIT Management Sdn. Bhd. as the CFO where she manages the finance department and oversees the implementation of effective financial planning and corporate finance structure, Ms. Hii started her career in Group Accounts and Budgets Division of Berjaya Corporation Berhad. She has more than 20 years of experience in finance operations, financial & management reporting, financial planning, capital management strategy including treasury and corporate finance. She was appointed as the Finance Director of Courts (Malaysia) Sdn Bhd before assuming her current role.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and/or major unitholder of KIP REIT. There is no conflict of interest with KIP REIT. Other than traffic offence (if any), she does not have any convictions for offences within the past 10 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

PROFILE OF SENIOR MANAGEMENT (CONT'D)

EN MOHD NIZAM BIN HJ. ABD. HAMID
40, Malaysian
General Manager ("GM")

Professional Accreditation

- Diploma in Architecture from Petaling Jaya Community College.

Professional Experience

Prior to assuming the role of General Manager at KIP REIT Management Sdn. Bhd. where he is responsible for sourcing for prospective tenants, introducing policies and procedures to increase, improve, and maximise tenant occupancy and overseeing all advertising and promotion planning, budgeting, leasing and marketing activities, En. Mohd Nizam held the position of Assistant General Manager, Advertising, Promotion, Leasing and Marketing. He joined KIP group of companies in 2003 as a Marketing and Advertising Executive, and was subsequently promoted to Senior Marketing Executive in 2005.

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 prior to joining KIP Group of Companies.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and/or major unitholder of KIP REIT. There is no conflict of interest with KIP REIT. Other than traffic offence (if any), he does not have any convictions for offences within the past 10 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

MS YEE SIEOW TENG
37, Malaysian
Senior Manager ("SM")

Professional Accreditation

- Association of Chartered Certified Accountants and is a member of the Malaysian Institute of Accountants.

Professional Experience

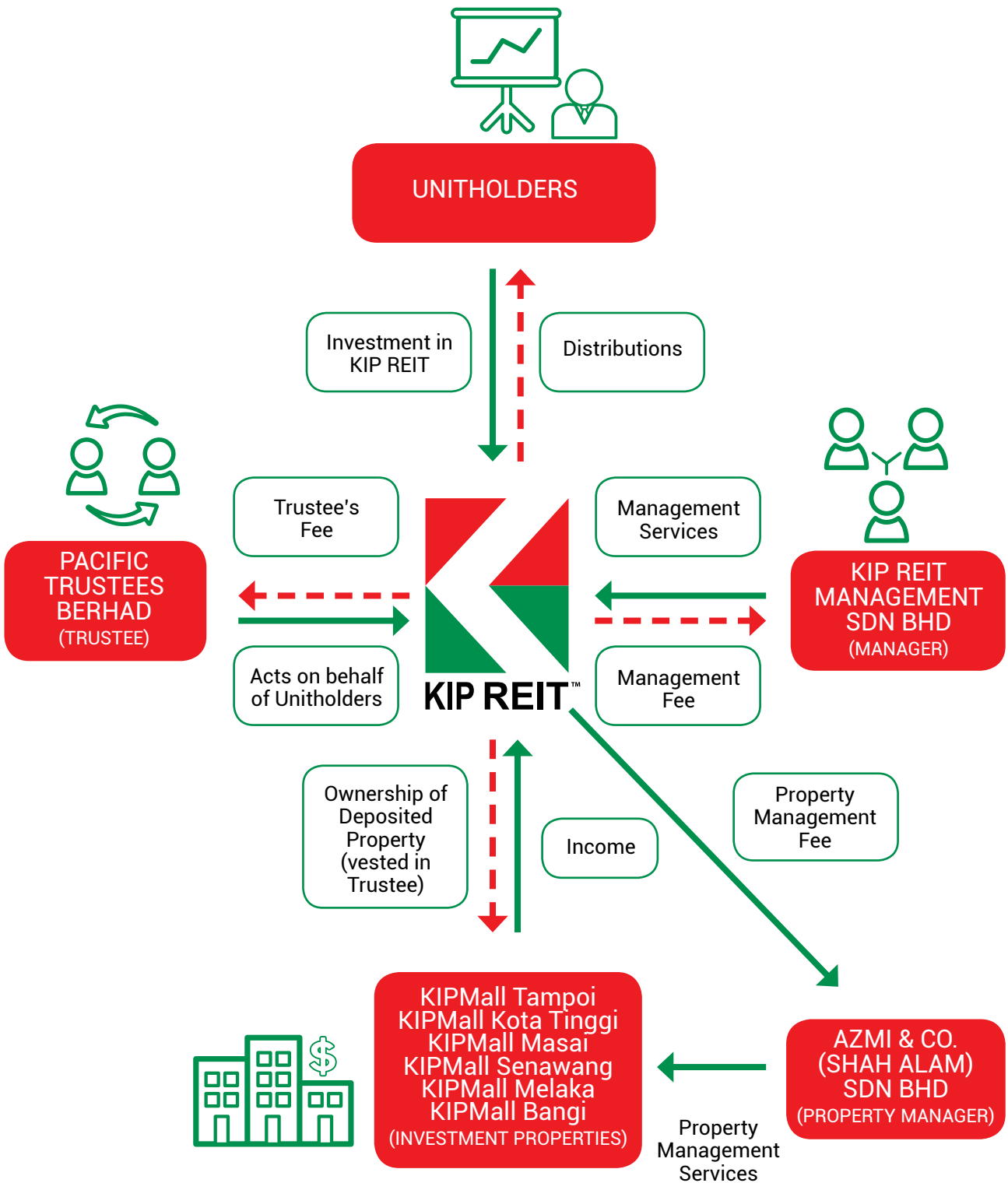
Prior to joining KIP REIT Management Sdn. Bhd. to oversee the planning and budgetary control and finalisation the financial results of KIP REIT, Ms Yee held the position of Manager-Corporate Finance and Audit Compliance at KIP Group of Companies where she was responsible for financial review and analysis, budgeting and planning for KIPMalls. 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.

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.

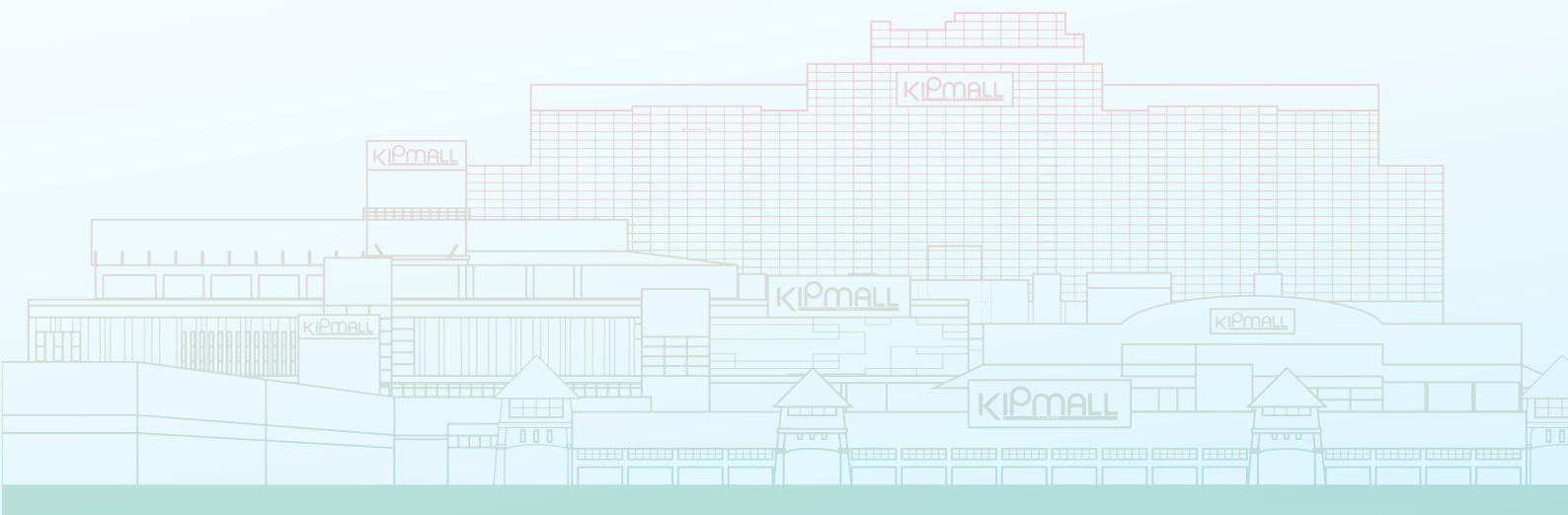
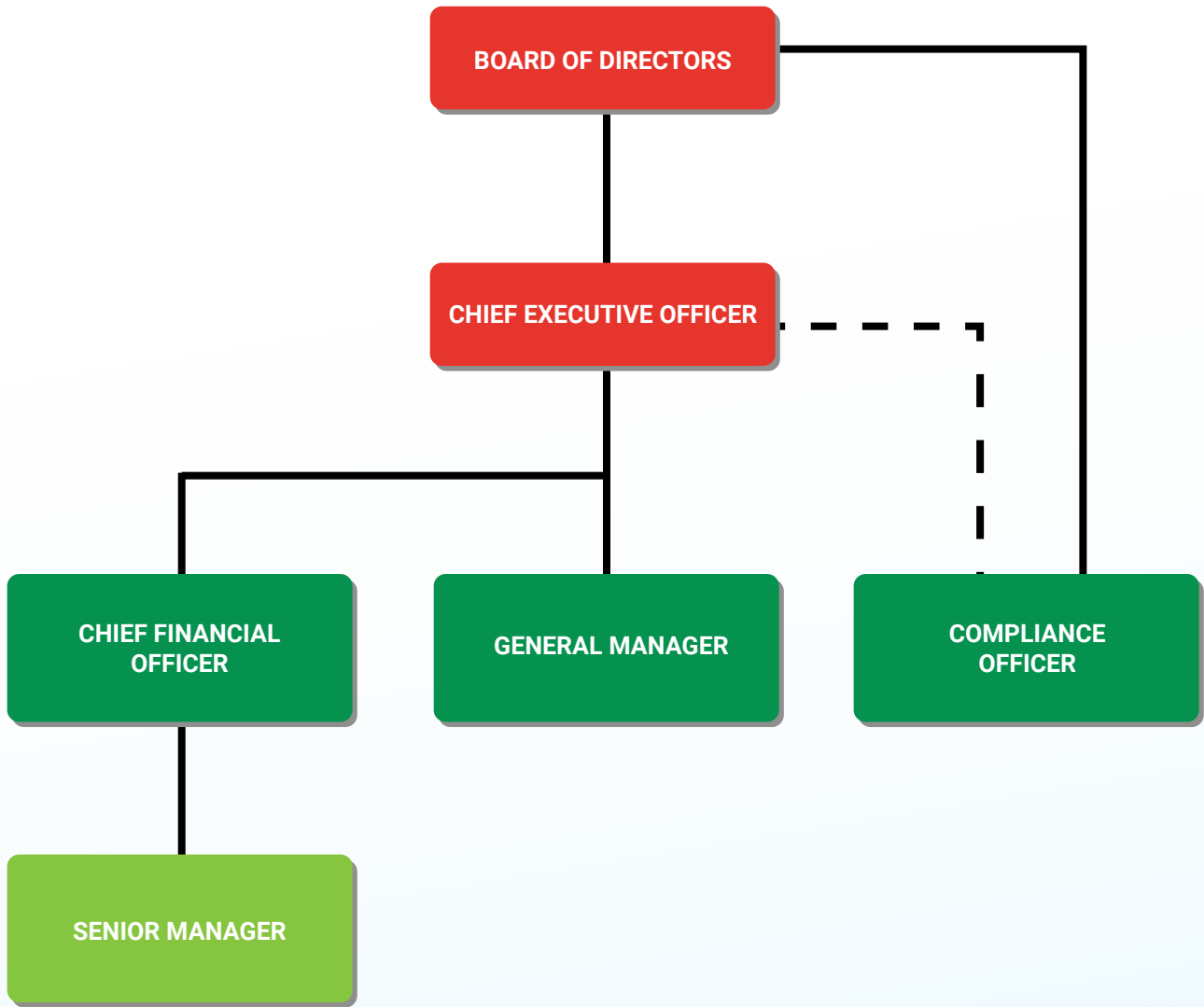
She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and/or major unitholder of KIP REIT. There is no conflict of interest with KIP REIT. Other than traffic offence (if any), she does not have any convictions for offences within the past 10 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

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



SUSTAINABILITY STATEMENT

Value creation for our valued stakeholders

KIP REIT is committed to being a contributory part of the community in our areas of operations. We are committed to leveraging our six sources of capital coupled with our business strategies to better serve communities which surrounds our investment properties.



Understanding our stakeholders

To effectively be a part of the community, the Manager identified relevant groups of key stakeholders to align their areas of interests with our sustainability plans. The following table lists KIP REIT's outreach efforts to its various stakeholder groups in the financial year of 2019: -

Stakeholder Group	Areas of Interest	KIP REIT's Engagement
Unitholders	<ul style="list-style-type: none"> - Sustainable income distribution - Long term growth and capital appreciation - Prudent risk management - Strong financial performance - Transparency in communication - Effective management of operations - Strong corporate governance 	<p>KIP REIT value proposition Prompt communication of material corporate developments to facilitate informed investment decisions.</p> <p>Method of engagement Leveraging multiple channels of communication to provide timely update on corporate exercises:</p> <ul style="list-style-type: none"> - Annual General Meetings - Extraordinary General Meetings - Investor Relations Events - Quarterly statements - Bursa Announcements - Annual Report
Investors	<ul style="list-style-type: none"> - Sustainable income distribution - Long term growth and capital appreciation - Strong financial performance - Effective management of operations - Strong corporate governance - Prudent risk management 	<p>KIP REIT value proposition Prompt communication of material corporate developments to facilitate informed investment decisions.</p> <p>Method of engagement Facilitating open dialogue through:</p> <ul style="list-style-type: none"> - Investor road shows - Analyst briefings - Media interviews - Annual General Meetings - Extraordinary General Meetings

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholder Group	Areas of Interest	KIP REIT's Engagement
Local community	<ul style="list-style-type: none"> - Economic and social development - Health, safety and environmental impact - Support in local projects around the community 	<p>KIP REIT value proposition Contribute to the economic and social development within the immediate community.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Championing local causes and charities - Staff volunteering days - Partaking in corporate social responsibilities events - Partaking in environmental initiatives to minimise local pollution
Shoppers	<ul style="list-style-type: none"> - Attractive and competitive offerings within community centric mall - One stop shopping destination - Improved occupancy rates - Customer satisfaction - Safe and orderly environment 	<p>KIP REIT value proposition Providing a one-stop shop destination for our shoppers with a wide array of offerings tailored to customer demand.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Customer feedback management - Social media - Events - Promotional events
Business partners	<ul style="list-style-type: none"> - Competitive rental rates - Heavy footfall of shoppers - Business opportunities - Ability to expand businesses - Maintenance of common area - Improved occupancy rates 	<p>KIP REIT value proposition Platform for local SMEs to expand businesses together with growing portfolio of assets</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - One on one meetings - Joint promotional events - Responses to tenant's request and feedback
Media	<ul style="list-style-type: none"> - Timely announcement of corporate exercises - Immediate notification of financial releases and material development - Provision of content (e.g. editorial pieces) 	<p>KIP REIT value proposition Provision of accurate and timely updates on corporate exercises</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Press releases/conferences - Media interviews - Annual gatherings - Company updates - Quarterly reports
Human Capital	<ul style="list-style-type: none"> - Professional and personal development - Safety and well-being - Competitive remuneration - Diversity and gender equality - Conducive workplace environment - Work life balance 	<p>KIP REIT value proposition Recognises talents of individuals and provides support for personal and professional development.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Training and development - Appraisals/formal feedback channels - Annual dinners - KIP Sports and Recreation Club
Regulators	<ul style="list-style-type: none"> - Compliance with relevant laws and regulation - Contribution to economic and industry growth - Setting of industry benchmarks 	<p>KIP REIT value proposition Compliance with regulatory requirements and striving to promote corporate governance best practices.</p> <p>Method of engagement</p> <ul style="list-style-type: none"> - Attending meetings and conferences organised by regulators - Provision of data for the furtherance of industry study

SUSTAINABILITY STATEMENT (CONT'D)

Leveraging our resources

(1) Financial capital

KIP REIT appreciates that the priority for unitholders and the investing community is our ability to deliver long term sustainable distribution and potential capital appreciation. The Manager also recognises that the economic value produced during the year will impact members of other key stakeholders groups.

For FY 2019, KIP REIT has generated and distributed economic to a number of key stakeholders. These include total distribution of RM30.47 million made to unitholders, which translates into an annualised yield of 7.18%. Furthermore, it has made payments to local causes for a total amount of approximately RM20,000.

Further information on KIP REIT's economic performance can be found with the Letters to Unitholders and Management Discussion and Analysis sections.

(2) Manufactured capital

Part of KIP REIT's core capabilities is our know-how at selecting investment properties and managing the assets currently within our portfolio. KIP REIT's investments currently consists of six community-centric malls strategically located within suburban townships across the Malaysian Peninsula. During FY 2019, an announcement was made to kick-start the acquisition process for AEON Mall Kinta City in Ipoh, Perak.

KIP REIT recognises that the quality of our investments plays a large role in our sustainability growth plans. For this reason, the new acquisition of AEON Mall Kinta City announced in FY 2019 was subjected to stringent conditions to determine whether the investment made is aligned with KIP REIT's investment strategies and our sustainability objectives. The Manager has among other things:

- considered the valuation and purchase price of the property;
- considered of whether the property currently meets the REIT's internal set of criteria; and
- completed of legal and physical due diligence by qualified and independent third parties.

Additionally, to ensure that the quality of the existing properties is not compromised over the passage of time, the Manager shall on an ad-hoc basis decide whether to initiate any Asset Enhancement Initiatives ("AEI") to improve the overall environment of the assets. The following AEI works were proposed during FY 2019:-

Property	Works performed	Status as at FY 2019
All KIP REIT properties	New signages following the rebranding exercise to KIPMall were installed across all six assets.	Completed
KIPMall Tampoi	Relocation of old car sales show space to the car park area to expand net lettable space.	Completed
KIPMall Masai	Works performed on air-conditioning ducts and works to bring down ceiling for improvement of overall temperature control	Completed
KIPMall Senawang	Renovation works to expand the F&B area by approximately 20,000 sq. ft. in alignment with the changes made to the property's tenancy mix.	In progress
KIPMall Bangi	AEI works performed on the chiller system.	Complete
	Renovation works to improve frontage of mall.	In progress

SUSTAINABILITY STATEMENT (CONT'D)

(3) Social and relationship

KIP REIT is committed to being an active part of the community in the localities of its operations. Among the activities involved:

Stakeholders	Engagement
Community	<p>During FY 2019, KIP REIT has participated in the following events to promote local causes and a sense of community:</p> <ul style="list-style-type: none"> • Donations to charity • Adoption drives • Supporting local causes: breaking fast ceremony during Ramadan period with Anak Yatim, • Sporting events: KIP Komuniti Run, Merdeka Run, KIP Fit Kick Fat
Business Partners/ Tenants	<p>KIP REIT aspires to be a resourceful platform to allow local SMEs to expand their businesses. Therefore, the Property Managers from all of our assets strives to provide assistance during one-on-one meetings (where necessary) to discuss issues relating to tenant relationship.</p>
Shoppers	<p>To promote community engagement, KIP REIT has allocated some funds within its annual budget to host events to bring together a sense of community. Some examples of these include:-</p> <ul style="list-style-type: none"> • The Melaka Culinary Challenge 2019 officiated by KDYMM Seri Paduka Baginda Raja Permaisuri Agong Tunku Hajah Azizah Aminah Maimunah Iskandariah Binti Almarhum Al-Mutawakkil Alallah Sultan Iskandar Al-Haj • Competitions: Pertandingan Mewarna 1Malaysia • Trolley Dash
Investors	<p>KIP REIT believes that an open and transparent relationship between our community of investors is integral to our success. Management from KIP REIT has therefore committed themselves to providing periodic updates to our investors during road shows and press briefings.</p>

(4) Human capital and Intellectual capital

At the core of KIP REIT's operational success is our People who are involved in the day-to-day management of all of the properties within its portfolio. Therefore, while the Fund itself does not employ individuals in our own right, KIP REIT nonetheless values the well-being of those involved in the daily management of the properties. For this reason, the Manager has made it their priority to promote a sense of empowerment by way of a three-pronged approach:-

1. Provision of clear guidelines on appraisals
During FY 2019, the Manager has formalised its procedure for appraisals. This exercise saw the clarification of performance indicators and reward programmes to motivate the service providers of KIP REIT.
2. Provision of training and development
During FY 2019, the Manager has provided training and development as an avenue for further personal and professional development. The topics covered during these sessions include introduction to automation system, PMS system trainings and Team Building Workshops.
3. Provision of other benefits and Recognition of service
During FY 2019, the Manager has demonstrated their appreciation for our human capital by providing events including but not limited to:
 - Annual dinners held for teams at each of our assets;
 - Buka puasa dinners;
 - Monetary rewards to recognise service; and
 - Lion dance performance.

The Manager also recognises that part of the successes of each of the assets within KIP REIT's portfolio is due to its insight in the demographics of its localities. To further our footprint around our communities, many of our service providers are recruited from the surrounding areas.

(5) Natural capital

The financial year under review saw an important milestone in KIP REIT's initiative to reduce carbon footprint with the completion of the installation of the solar photovoltaic system on all six of KIP REIT's investment properties. This 80:20 joint venture initiative with Pekat Solar has significantly reduced our electricity usage. At financial year ended 2019, 1,701 megawatt hours of electricity was produced by solar power, thereby reducing our coal electricity usage by approximately 10% for the past six months.





INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

ENGAGEMENT WITH THE MEDIA AND INVESTORS

27/07/2018

- Analysts and fund managers' briefing on Q4FYE2018 result

02/08/2018

- Interview by The Star. Article published on 4/8

12/10/2018

- Meeting with Eastspring Investments

19/10/2018

- Meeting with Allianz Insurance

12/11/2018

- KIP and QSR MOU signing ceremony & press conference

30/11/2018

- AEON Mall SPA signing ceremony & press conference

12/12/2018

- Meeting with Kenanga Research

13/12/2018

- Interview by The Edge via email. Article published on 15/1/19

16/01/2019

- Site visit and meeting with Yayasan Guru Tun Hussein Onn

29/01/2019

- Meeting with Affin Hwang Asset Management

12/03/2019

- Maybank small group meeting with fund managers and analysts from SP Invest, GE, RHB Asset Management, CIMB Principal, Kenanga Asset Management, Phillip Capital and Satin Straits

03/04/2019

- Press conference for the solar handover ceremony & unitholders' meeting on acquisition of Aeon Mall Kinta City

10/05/2019

- Small group meeting with Value Cap Asset Management and Am Research analysts

13/05/2019

- Small group meeting with analysts and fund managers from Hong Leong Investment Bank, Kenanga Investment Bank, Eastspring Investments, Amara Investment, Rakuten Trade and RHB Research

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

PRESS RELEASE

KIP REIT to grow assets to RM1bil by 2019

PROPERTY
Tuesday, 12 Nov 2018
By: Taha Karim



KUALA LUMPUR: KIP Real Estate Investment Trust (REIT) plans to grow its total asset value to RM1bil by 2019, to be driven by new acquisitions.

As of Sept 30, the property trust's total asset value amounted to RM454.49mil.

"We are currently evaluating the potential assets," said KIP REIT chief executive officer Chan Hong Wai.

Following the completion of the sale and purchase agreement for Aeon Mall Kinta City shopping centre in Ipoh, KIP REIT's total asset value will grow to RM504.49mil. Chan said after the signing ceremony of two memoranda of understanding (MOU) between KIP Group and QSR Brands (M) Holdings, that to provide a KFC outlet through restaurant services at KIP Group's retail outlets, which is expected to boost occupier rates and earnings in the future.

KIP REIT eyes more acquisitions

PROPERTY
Friday, 28 Nov 2018
By: Neelima Chua



PETALING JAYA: KIP Real Estate Investment Trust (KIP REIT) has plans to diversify their portfolio based on high-growth and is looking for further acquisition of third party assets following its successful takeover of Aeon Mall Kinta City in Ipoh.

KIP REIT chief executive officer Chan Hong Wai said during its second annual general meeting (AGM) in relation to the REIT's geographical strategy that "we are exploring everywhere".

He added, "It is all about play. Asking us to give us good yield, and the property meets our criteria, we will consider it."

His recent Kinta Walkout asset under KIP Mall's has been under operation since October 2017 and is currently at 85% average occupancy rate.

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KIP REIT to save RM1.2 million a year on electric bill with solar PV

Last update: 03/04/2019



KUALA LUMPUR, April 3 (Bernama) — KIP Real Estate Investment Trust (KIP REIT) is set to save about RM1.2 million a year on its electricity bill after successfully installing a 177 megawatt (MW) peak solar photovoltaic (PV) system at all of its assets in December last year.

The assets are KIP malls in Seremban, Kota Tinggi, Alor Gajah, Seremban and Melaka, as well as KIP Mall in Bangi.

Chief executive officer (CEO) Chan Hong Wai said the green initiative is a 20-year agreement with Petal Solar Sdn Bhd, one of an RM20 billion at a total cost of about RM6.25 million, funded by bank borrowings.

"Over the 20 years, we expect to generate about 33.1 gigawatt hours of electricity from the systems, that will give an estimated reduction saving of RM2.4 million, which represents about 12 to 20 per cent of the total electricity cost," he said recently after the launch ceremony of the solar PV systems here today.

Also present were Union Secretary of the Ministry of Energy, Science, Technology, Environment and Climate Change, Yong Te Seng, Sustainable Energy Development Authority (SEDA) CEO, Dr Y. Sureshan, Petal Solar managing director (MD) Chek Ah, and KIP REIT chairman (Chairman) Tani Yusman, Tani Yusman.

Chan said KIP REIT would continue to support the government's renewable energy (RE) initiative and expected to also expand the systems to its newly acquired asset Kinta City in Ipoh, Petal said.

He said the company was targeting to take its assets under management to about RM1.5 billion by 2021, but the RE initiative would also impact earnings.

"We hope to get more approvals from the government to increase our capacity as this is in line with the government's target to achieve 20 per cent RE generation in the national power mix by 2025," he said.

Meanwhile, in a question on whether the REIT would go for the Independent Power Producer (IPP) route in the new term, Tani Yusman said the company is not looking at the area and to run the PV systems installed, are meant to reduce the operational cost.

The sub to go and seek the IPP license would depend on whether we have enough size. For now, we are not looking at it yet but in future, 10 to 15 years down the line we have the size we might," he added.

—B220044

property Friday, 12 Dec 2018

REITs embark on green path

KIP REIT has been able to save about 10-20% of power consumption in a month.

Malacca REIT is a public company listed on the Singapore Exchange (SGX).

Chan Hong Wai, CEO of KIP REIT, said the company is looking to diversify its portfolio based on high-growth and is looking for further acquisition of third party assets following its successful takeover of Aeon Mall Kinta City in Ipoh.

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—B220044

KIP REIT inks SPA with Kinta City

By: Bernama Staff | 14/11/2018



Petal Solar Sdn Bhd (Petal Solar) and KIP Real Estate Investment Trust (KIP REIT) have signed a 20-year agreement to install a 177 MW solar photovoltaic (PV) system at all of its assets in December last year.

The agreement is a 20-year agreement with Petal Solar Sdn Bhd, one of an RM20 billion at a total cost of about RM6.25 million, funded by bank borrowings.

Over the 20 years, we expect to generate about 33.1 gigawatt hours of electricity from the systems, that will give an estimated reduction saving of RM2.4 million, which represents about 12 to 20 per cent of the total electricity cost," he said recently after the launch ceremony of the solar PV systems here today.

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—B220044



Pengarah Urusan KIP REIT Management Sdn Bhd, Chan Hong Wai

出租率升 KIP產託次季淨賺790萬

【本報訊】KIP Real Estate Investment Trust (KIP REIT) 公佈其截至九月底的業績，顯示其出租率上升，次季淨賺790萬。

根據公告，KIP REIT 截至九月底的出租率為 85.1%，較去年同期上升 1.2 個百分點。此外，其淨收入為 790 萬，較去年同期增加 15.5%。

Chan Hong Wai, CEO of KIP REIT, said the company is looking to diversify its portfolio based on high-growth and is looking for further acquisition of third party assets following its successful takeover of Aeon Mall Kinta City in Ipoh.

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"We hope to get more approvals from the government to increase our capacity as this is in line with the government's target to achieve 20 per cent RE generation in the national power mix by 2025," he said.

Meanwhile, in a question on whether the REIT would go for the Independent Power Producer (IPP) route in the new term, Tani Yusman said the company is not looking at the area and to run the PV systems installed, are meant to reduce the operational cost.

The sub to go and seek the IPP license would depend on whether we have enough size. For now, we are not looking at it yet but in future, 10 to 15 years down the line we have the size we might," he added.

—B220044

KIP REIT Management sasar AUM RM2 bilion

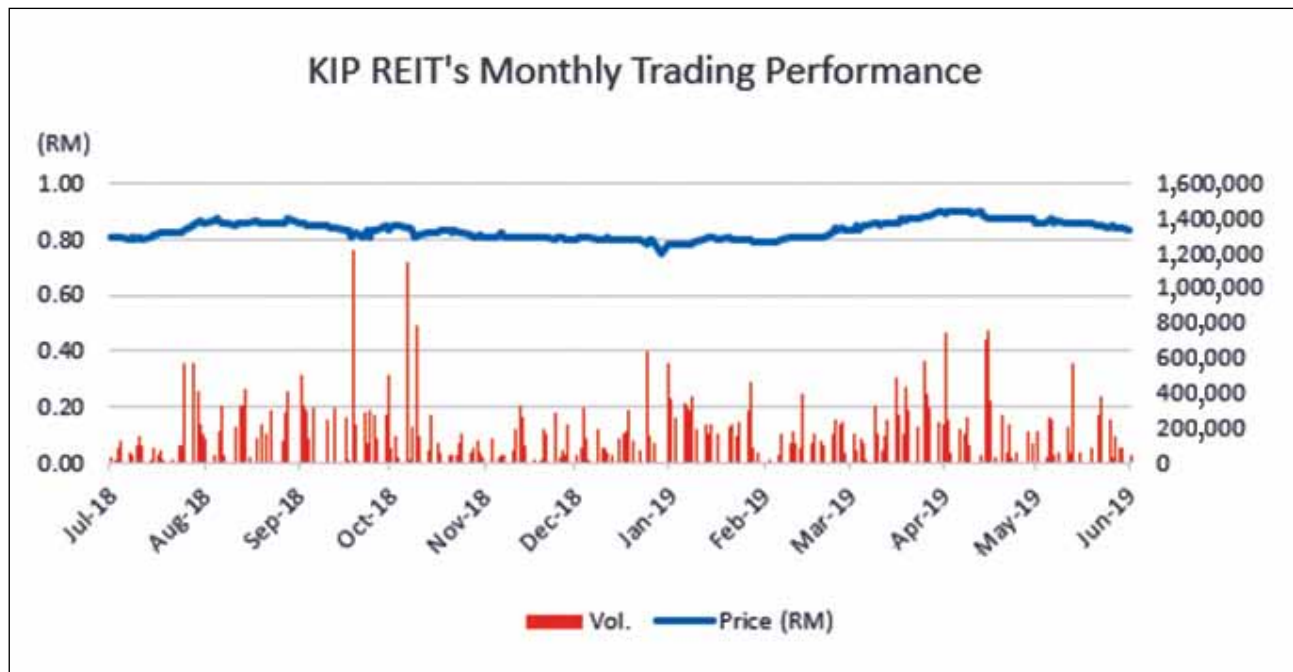
KUALA LUMPUR: KIP REIT Management Sdn Bhd menyatakan untuk meningkatkan aset di bawah pengurusanya (AUM) kepada RM2 bilion dalam tempoh lima tahun akan datang berbanding RM850 juta menerusi pelbagai projek dan pengambilalihan yang dirancang.

Pengarah Urusannya, Datuk Chew Lak Seong, berkata syarikat itu yakin mampu mencapai sasaran itu berapum dalam persekitaran pasaran yang ternyata lebih beralih-mati.

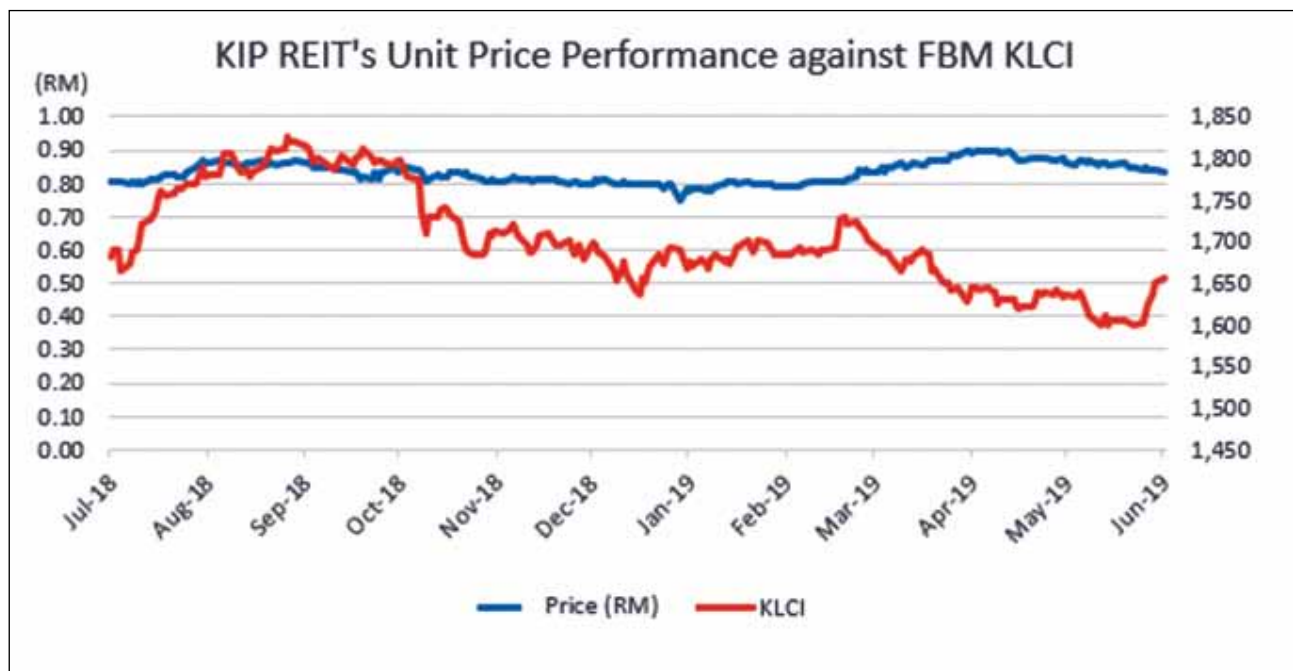
"Kami sedang meneliti beberapa pengambilalihan. Setakat ini, kami berbincang dengan banyak pihak namun belum dapat dilaksanakan sebelum berakhirnya tahun kewangan semasa syarikat pada Jun ini."

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

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 disclosures 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 Third Annual General Meeting is scheduled to be on Wednesday, 25 September 2019 at 10.30am at KIP Hotel, Kuala Lumpur.

FINANCIAL RESULTS

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

WEBSITE

Comprehensive information and updates relating to KIP REIT are also made accessible to the public on KIP REIT's corporate website at 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 or contact:

The Manager

Investor Relations & Corporate Communications

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of KIP REIT Management Sdn. Bhd. (the “**Manager**”) recognises the value of good corporate governance and appreciates that compliance with the Malaysian Code of Corporate Governance (“**MCCG**”) best practices ultimately protects and enhances unitholders’ value. For this reason, the Board has adopted a “comply or explain” approach whereby if the Manager deviates from one of the practices, the Board shall provide appropriate reasoning.

In addition, the Manager has implemented the required 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.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS	
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	
MCCG Practices	Application
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 unitholders and other stakeholders are understood and met.	<p>The Board of Directors (“Board”) of KIP REIT Management Sdn. Bhd. (“REIT Manager”) is collectively responsible for the promotion of a good corporate governance practices in KIP REIT and for the establishment of strategic objectives in the best interests of KIP REIT and its Stakeholders.</p> <p>The Board shall collectively discharge their fiduciary duties in an ethical, prudent and professional manner in executing all the following responsibilities, including the following:</p> <p>i) <u>Reviewing and adopting a strategic plan for KIP REIT</u></p> <p>Due consideration shall be given to management’s strategic and business plans for KIP REIT. The Board is expected to review, challenge (if necessary), and decide on the implementation of these plans maximise sustainable and long-term value creation for its Stakeholders. The Board must also ensure that the strategic objectives of KIP REIT is taken into consideration in approving any such proposals put forth by management.</p> <p>ii) <u>Evaluating the conduct and overall management of the Manager and management of KIP REIT’s assets</u></p> <p>The Board is responsible for the evaluation and review of KIP REIT’s operational and financial performance on a periodic basis against the annual budget as approved yearly by the Board. The Board shall evaluate management’s performance against the Key Performance Index as decided by the Board and shall compare the financial results to industry benchmarks.</p> <p>iii) <u>Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures</u></p> <p>The Board is committed to being proactive in identifying principal risks as they arise and shall table such discussions on a periodic basis during board meetings. Where key risks are identified, the Board shall deliberate on the effectiveness of management’s internal controls and where necessary propose amendments or additional internal controls to mitigate the threats arising from the key principal risks.</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application
	<p>iv) <u>Ensuring that orderly succession plans are in place</u></p> <p>The Board shall deliberate on the plans and actions taken in respect to succession planning by ensuring that all candidates appointed to senior management positions or elected as a member of the Board shall have the requisite skills and experience to hold such positions.</p> <p>v) <u>Overseeing the development and implementation of a Unitholder communications policy for KIP REIT</u></p> <p>The Board shall ensure that the Manager keeps Unitholders and other relevant Stakeholders of KIP REIT's informed about the performance and development. In line with KIP REIT's communication policy, public announcements and engagements with Unitholders and other relevant stakeholders through different mediums are held to ensure transparency.</p> <p>vi) <u>Reviewing the adequacy and integrity of management information and internal controls system of KIP REIT</u></p> <p>In line with the Board's strong belief in one of KIP REIT's core values, integrity, the Board seeks to fulfil its responsibilities by reviewing and considering information produced by management. The Board is also supported by various Committees at the Board and Manager's level to ensure that there are strong internal controls that will mitigate the risk of misinformation. The active functioning of these Committees through their regular meetings and discussions provide a strong system of checks and balance and reasonable assurance on the adequacy of KIP REIT's internal controls.</p>
<p>1.2 Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.</p>	<p>The Board agrees that it is the best interest of KIP REIT and its Stakeholders that the Chairman of the Board leads with a strong belief in practicing good corporate governance.</p> <p>As the Chairman of the Board since his election as a Senior Independent Non-Executive Director, Dato Dr Syed Hussain Bin Syed Husman, JP continues to lead the board by fulfilling the following duties:</p> <p>i) Finalising the board agenda with the assistance of the Manager and the Company Secretary and providing reasonable notice to members of the Board prior to the Board Meeting;</p> <p>ii) Facilitating discussions and encouraging an open dialogue where there are dissenting opinions between members of the Board such that matters are carefully considered;</p> <p>iii) Ensuring that the decisions made collectively by the Board during Board Meetings are adequately communicated to the relevant parties; and</p> <p>iv) Maintaining a strong constructive relationship with members of the Board and members of Management.</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices		Application
1.3	The positions of Chairman and Chief Executive Officer are held by two different individual.	<p>The position of Chairman and Chief Executive Officer ("CEO") are held by two separate individuals who are respectively aware of their distinct roles. The roles and responsibilities of each position are clearly demarcated within the Board Charter as follows:-</p> <p>As the Chairman of the Board, Dato' Dr Syed Hussain Bin Syed Husman's, JP primary responsibility is to lead the Board by promoting orderly conduct and functioning on an overall basis. The Chairman being an Independent Non-Executive Director ("INED") is not involved in the daily management of KIP REIT and is therefore able to make independent judgements and constructive feedback on KIP REIT's business strategies.</p> <p>By comparison, Mr Chan Heng Wah as the CEO of KIP REIT, since 1 March 2018, oversees the day-to-day operational management and is responsible for the planning of strategic development and business investment of KIP REIT. Therefore the position of Chairman should not be held by the CEO as it would give the CEO unfettered control over the Board.</p>
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.	<p>The Board is supported by a qualified Corporate Secretary, Ms Foo Siew Loon (MAICSA 7006874) of CE Corporate Secretaries Sdn. Bhd.</p> <p>Her primary role is to advise the Board on governance matters relevant to KIP REIT. To effectively carry out her responsibilities, she actively engages in the activities including but not limited to:</p> <ol style="list-style-type: none"> Managing and attending all Board and committee meetings and ensuring that all administrative matters are properly conducted; Advising the Board on rules and regulations applicable to the Board in executing their roles, and where necessary, regularly updating the Board on new directives by authorities; Facilitating the orientation of new directors and senior management and implementing necessary training and development; Advising the board on corporate disclosures and compliance with securities regulations and listing requirements; Managing processes and logistic practicalities in convening Annual General Meetings and Extraordinary General Meetings; and Serving as the focal point for stakeholder's communication and engagement on corporate governance issues.
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.	<p>Prior to each Board Meeting, a Board Report will be circulated by the Company Secretary to all Directors so that each Director has ample time to peruse and review the information prior to further deliberation at the Board Meeting. Notices and agenda of meeting duly endorsed by the Chairman together with the relevant board papers are normally submitted to members of the Board at least one (1) week prior to the meetings for them to study and evaluate the matters to be discussed.</p> <p>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.</p> <p>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 next meetings.</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application
	In the Financial Year of 2019, a total of 8 Board Meetings were held such that the Directors could properly discharge their duties. In addition, there were total of 5 scheduled Audit Committee Meetings and 5 Nomination Committee Meetings and 4 Remuneration Committee Meetings respectively held during the year.
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.	
2.1	<p>The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies:-</p> <ul style="list-style-type: none"> • the respective roles and responsibilities of the board, board committees, individual directors and management; and • issues and decisions reserved for the board.
	<p>The Board is governed by a Board Charter adopted on 31 July 2017 and is periodically reviewed to ensure that the applicable MCCG best practices are properly effected. The purposes of the Board Charter, among others, are to:</p> <ol style="list-style-type: none"> i) Ensure that the Board is aligned with the key values and principles of the MCCG, Listing Requirements, and other regulatory bodies; ii) Setting out a clear demarcation of roles between the Chairman and CEO; iii) Establishing the roles of Non-Independent and Independent Directors; iv) Reserving specific responsibilities to sub-committees such as the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee; v) Ensure compliance with the form and substance of the Director's Code of Ethics; and vi) Reserving such matters of discussion which shall be within the remit of discussion for the Board only. <p>The Board Charter is reviewed from time to time to ensure that the Board is compliant with the ever-changing regulatory climate and to ensure alignment with KIP REIT's Core Values, Mission and Vision.</p>
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.	
3.1	<p>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.</p> <p>The Code of Conduct and Ethics is published on the company's website.</p>
	<p>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 during their course of employment. 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.</p> <p>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. In particular, emphasis is placed on managing conflicts of interest and preventing abuse of power, corruption, insider trading and money laundering.</p> <p>The Code of Conduct and Business Ethics term of reference has established by the Manager and is reviewed from time to time as necessary.</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application
<p>3.2 The board establishes, reviews and together with management implements policies and procedures on whistleblowing.</p>	<p>The Manager has established and implemented a Whistle-Blowing Policy with a well-defined process to provide an independent feedback channel through which employees or other stakeholders may raise concerns about possible improprieties in matters relating to financial reporting, serious improper conduct, unsafe work practices, and other such malpractices that may negatively impact KIP REIT's reputation. The primary objective of this policy is to place safeguards for stakeholders in raising the above issues to encourage early detection of risks and allow for appropriate actions to be taken.</p> <p>The Board together with members of management shall review all whistleblowing reports submitted and shall cause the initiation of preliminary investigations by an ad-hoc committee of independent parties. Upon conclusion of these investigations, the collective group shall present their rationale on their decisions to either close the matter or suggest further investigations. All relevant parties shall then consider appropriate disciplinary actions to be taken where necessary and a detailed summary shall be kept on records.</p> <p>Stakeholders are encouraged to lodge reports of Improper Conduct to 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.</p> <p>During the financial year under review, no incidences of whistleblowing were reported.</p>
<p>Intended Outcome:</p> <p>4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.</p>	
<p>4.1 At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.</p>	<p>The Manager recognises that an effective board shall be comprised of a group of individuals with an appropriate mix of core competencies and a variety of diverse experiences to facilitate an open discourse in the best interest of KIP REIT.</p> <p>KIP REIT is committed to sustaining a strong mix of qualified individual to facilitate new perspectives for independent judgement and to avert instances of "group think" in the best interest of its stakeholders. In order to achieve this, KIP REIT has adopted the definition of Independent Non-Executive Directors ("INEDs") and NEDs ("Non-Executive Directors") provided by the REIT Guidelines and Bursa's Main Market Listing Requirements.</p> <p>The Manager appreciates that it is in the best interest of KIP REIT and its stakeholders that the INEDs have the power to exercise objectivity in their decision-making process. As such, the Manager promotes good corporate governance practices as follows:</p> <ol style="list-style-type: none"> 1. INEDs shall have the right to exercise unfettered judgement; 2. The Board shall facilitate an open-discourse in a manner such that INEDs are encouraged to provide unbiased and constructive advice as necessary; 3. INEDs shall not materially interfere with the day-to-day management of the Manager; and 4. INEDs shall have a tenure no longer than nine (9) years unless by approval of the unitholders.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application															
	<p>The current board composition is as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Designation</th> <th style="text-align: left;">Number of directors</th> <th style="text-align: left;">Percentage</th> </tr> </thead> <tbody> <tr> <td>Executive Directors ("EDs")</td> <td style="text-align: center;">2</td> <td style="text-align: center;">28.5%</td> </tr> <tr> <td>NEDs</td> <td style="text-align: center;">2</td> <td style="text-align: center;">28.5%</td> </tr> <tr> <td>INEDs</td> <td style="text-align: center;">3</td> <td style="text-align: center;">43%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">7</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> <p>As at printing of this statement, the Board comprises 7 members, of whom 3 are independent and 4 of whom are non-independent (2 executives and 2 non-executives). KIP REIT is cognisant that the Independent Directors do not make up a majority of the Board and therefore deviates from the suggested corporate governance practice. However, measures are put into place such that the Board composition is in line with the REIT Guidelines and Bursa's Main Market Listing Requirements which requires that INEDs make up 1/3 of the Board. The Nomination Committee also from time-to-time review the composition of the Board to review and evaluate the performance of the Board from time-to-time.</p> <p>The details on skills and knowledge of each individual member of the Board are outlined in the Directors' Profile section in the Annual Report.</p>	Designation	Number of directors	Percentage	Executive Directors ("EDs")	2	28.5%	NEDs	2	28.5%	INEDs	3	43%	Total	7	100%
Designation	Number of directors	Percentage														
Executive Directors ("EDs")	2	28.5%														
NEDs	2	28.5%														
INEDs	3	43%														
Total	7	100%														
<p>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.</p> <p>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.</p>	<p>As of financial year 2019, all three Independent Non-Executive Directors elected to the Board do not hold a tenure exceeding nine (9) years. However, it is within KIP REIT's Board Charter that should the Board require the service of an elected INED for a period exceeding nine (9) years, then the approval of Unitholders shall be sought and obtained. Such exercise is required to assuage any potential concerns over the erosion of the board's objectivity due to familiarity.</p>															
<p>4.3 The board has a policy which limits the tenure of its independent directors to nine years.</p>	<p>The Board Charter specifically states that any INEDs intending to serve on the Board for a period of nine (9) years shall require the approval of Unitholders and shall be sought and obtained. The Nomination Committee shall at such time concurrently review and evaluate the risk of perceived breach of independence as a result of long tenures. It is an absolute priority to the Nomination Committee that the integrity of Board decisions shall be upheld and maintained.</p>															

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices		Application
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.	<p>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 effected for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements of Bursa Securities, SC or other regulatory requirements.</p> <p>KIP REIT appreciates that a diverse board is beneficial to the interest of its Stakeholders. As such, due regard is given to ensure that such individuals are appointed by their merits in nominating members of the Board and senior management.</p> <p>Continuing professional development plays a significant role in providing diversity in the board. For this reason, the board has attended the following training:</p> <ol style="list-style-type: none"> 1. Industry 4.0 and its Impact of Malaysian Capital Market 2. World Market Outlook and Sector Analysis 3. The Iclif Leadership and Governance Centre Mandatory Accreditation Programme for Directors of Public Listed Companies 4. Post GE 14: Malaysian Capital Market Outlook and Direction 5. Analyse This - How Research Helps Investors to Make Better Decisions 6. Sun Tzu's Art of War for Traders and Investors Series: Warren Bufferr vs Sun Tzu 7. Digital Economy and Capital Market Series: AMLA & Prevention of Financial Fraud in Digital Economy 8. China's Belt and Road Initiative: Impact on Malaysian Capital Market
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.	<p>The Board welcomes and strives to promote diversity in among others, gender, age, skills, experience and cultural background within itself and senior management of the Manager for a better representation of the differing views of all stakeholders. While due regard to these elements are given to increase diversity within the REIT, every recruitment decision made by the Board is first and foremost their merits and suitability in filling up gaps within the Board composition and senior management in KIP REIT to ensure an effective Board. KIP REIT has nonetheless sought to promote equality within the workforce and have elected women in senior management roles as part of this exercise and shall continually implement measures to ensure that gender equality is addressed.</p>
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.	<p>As described in 4.4 above, the procedure on appointing directors is formal and transparent. While the ultimate appointment decision vests in the Board, the Nomination Committee shall have input over the requisite skills and experience that candidates must possess. The search and nomination of Directors are subject to the review of other existing members of the Board, of whom are expected to base their decisions in the best interest of KIP REIT and its stakeholders. Further, KIP REIT's internal policy is such that the appointment of directors or senior management shall be subject to screening and appropriate approvals.</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application
<p>4.7 The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.</p>	<p>The main responsibilities of KIP REIT's Nomination Committee are threefold:</p> <ol style="list-style-type: none"> 1. To make appropriate recommendations to the Board on the nomination of directors; 2. To advise on the composition of the Board by ensuring that there Directors have the requisite skills and expertise in executing their roles; and 3. To evaluate the performance of the Board. <p>In the current financial year, KIP REIT's Nomination Committee consists of the three INEDs.</p>
<p>Intended Outcome: 5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.</p>	
<p>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.</p> <p>For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations</p>	<p>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 an annual evaluation on its effectiveness as a whole, the contribution of each individual Director and the performance of sub-committees.</p> <p>Furthermore, the Board shall undertake an assessment of its independent directors annually including the review of the term of office and evaluate any perceived conflicts of interests arising. The Board shall then take appropriate action and implement strategies to mitigate any such perception. Ultimately, it is important to the Board that every independent director shall not materially interfere with KIP REIT's daily management whether in practice or by perception and shall exercise their unfettered and independent judgement.</p> <p>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 but is not limited to the following:</p> <ol style="list-style-type: none"> (i) Performance in discharging their fiduciary duties; (ii) Contribution in the decision making process; (iii) Commitment to serve the company in the best interest of its unitholders and other stakeholders; (iv) Character and integrity in defending its own opinion; (v) Acumen in identifying potential conflicts of interests and abstaining from voting from the vote; and (vi) Ability to critically evaluate Board decisions.
<p>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.</p> <p>Remuneration policies and decisions are made through a transparent and independent process.</p>	

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application
<p>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.</p>	<p>The Manager recognises that the success of KIP REIT is largely contributed to its ability to attract and retain its people at every level of the organisation. It is for this reason that the Manager has adopted a policy to ensure that its talent pool can access the necessary support for their professional development, rewarded for their hard work and ultimately contribute to the long-term success of KIP REIT.</p> <p>Applying the same rationale, the Manager is acutely aware that the experience of the Directors and senior management should be fairly remunerated for executing their vast responsibilities in their roles. It has therefore adopted a transparent approach to ensure the work of the directors accurately reflect the benefits they bring to KIP REIT.</p> <p>The remuneration policy for EDs shall be based on the achievements and contribution of each EDs measured against their respective Key Performance Indicators. The level of remuneration for the EDs shall be determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar industry.</p> <p>For NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned. In attaining this, the Remuneration Committee shall establish a remuneration framework for the Directors and make recommendations to the Board on all elements of remuneration, terms of employment, reward structure and fringe benefits for Directors. The NEDs shall receive a fixed base fee and not by a commission on or percentage of profits or turnover, as consideration for their duties.</p> <p>For members of Senior Management, the level of remuneration reflects the performance of the individual against their yearly appraisals. The Board shall evaluate Senior Management's performance against a set of objective criteria to be backed up by supporting examples and points of improvement for the next financial period. The Board recognises that to ensure talent retention, members of Senior Management are rewarded for the execution of their roles. Therefore, the Board has the discretion to review their remuneration packages on an annual basis.</p>
<p>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.</p> <p>The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.</p>	<p>The Board appreciates the significance of appointing an effective Remuneration Committee to ensure that all members of the Board and Senior Management are fairly remunerated and remain motivated to serve in the best interest of KIP REIT. The Remuneration Committee's main responsibilities include but is not limited to implementing and enforcing policies to ensure that the Board is rewarded based on their merits, qualifications and competence, having regard to the:</p> <ul style="list-style-type: none"> • company's performance; • industry benchmarks; and • individual's performance. <p>On a yearly basis, the Remuneration Committee shall also review and evaluate the performance of all members of the Board.</p> <p>In financial year of 2019, the Remuneration Committee comprises of two INEDs and an ED.</p>
<p>Intended Outcome:</p> <p>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.</p>	

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices	Application																																																		
<p>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.</p>	<p>The detail of the Directors' remuneration of the Manager for the financial year ended 30 June 2019 as stated below:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Directors</th> <th style="text-align: right;">Salary RM</th> <th style="text-align: right;">Annual Fees RM</th> <th style="text-align: right;">Meeting Allowances RM</th> <th style="text-align: right;">Total Remuneration RM</th> </tr> </thead> <tbody> <tr> <td>Dato' Dr Syed Hussain bin Syed Husman, JP</td> <td style="text-align: right;">-</td> <td style="text-align: right;">70,000</td> <td style="text-align: right;">12,000</td> <td style="text-align: right;">82,000</td> </tr> <tr> <td>Dato' Chew Lak Seong</td> <td style="text-align: right;">640,908</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">640,908</td> </tr> <tr> <td>Dato' Ong Kook Liong</td> <td style="text-align: right;">640,908</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">640,908</td> </tr> <tr> <td>Datuk Mohamed Arsad bin Sehan</td> <td style="text-align: right;">-</td> <td style="text-align: right;">63,000</td> <td style="text-align: right;">12,000</td> <td style="text-align: right;">75,000</td> </tr> <tr> <td>Mr Foo Lee Khean (resigned 27/2/2019)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">45,000</td> <td style="text-align: right;">5,500</td> <td style="text-align: right;">50,500</td> </tr> <tr> <td>Mr Chiam Tau Meng (appointed 15/4/2019)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">13,150</td> <td style="text-align: right;">2,000</td> <td style="text-align: right;">15,150</td> </tr> <tr> <td>Ms. Ong Pui Shan (Valerie) (appointed 30/11/2018)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">36,750</td> <td style="text-align: right;">7,500</td> <td style="text-align: right;">44,250</td> </tr> <tr> <td>Mr. Chew Kheng Kai (Alex) (appointed 30/11/2018)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">36,750</td> <td style="text-align: right;">8,000</td> <td style="text-align: right;">44,750</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,281,816</td> <td style="text-align: right;">264,650</td> <td style="text-align: right;">47,000</td> <td style="text-align: right;">1,593,466</td> </tr> </tbody> </table>	Directors	Salary RM	Annual Fees RM	Meeting Allowances RM	Total Remuneration RM	Dato' Dr Syed Hussain bin Syed Husman, JP	-	70,000	12,000	82,000	Dato' Chew Lak Seong	640,908	-	-	640,908	Dato' Ong Kook Liong	640,908	-	-	640,908	Datuk Mohamed Arsad bin Sehan	-	63,000	12,000	75,000	Mr Foo Lee Khean (resigned 27/2/2019)	-	45,000	5,500	50,500	Mr Chiam Tau Meng (appointed 15/4/2019)	-	13,150	2,000	15,150	Ms. Ong Pui Shan (Valerie) (appointed 30/11/2018)	-	36,750	7,500	44,250	Mr. Chew Kheng Kai (Alex) (appointed 30/11/2018)	-	36,750	8,000	44,750	Total	1,281,816	264,650	47,000	1,593,466
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<p>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.</p>	<p>Due to the commercial sensitivities and the highly competitive human resources environment within the industry, the Board has opted to keep information on the top five (5) Senior Management's remuneration confidential and undisclosed. In the best interest of the Manager as well as KIP REIT, staff remuneration confidentiality is required to retain its experienced staff and ensure 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 KIP REIT's performance. The remuneration were disbursed on the fees generated from the Manager.</p>																																																		

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

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.

MCCG Practices	Application
<p>8.1 The Chairman of the Audit Committee is not the Chairman of the board.</p>	<p>The Audit and Risk Management Committee ("ARMC") comprises of 3 members, all of whom are INEDs of the Board. It is further noted that the Board Chairman is a member of ARMC but does not act as ARMC Chairman. The Committee meets on a scheduled basis at least 4 times a year. The composition of the</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices		Application
		Audit and Risk Management Committee, its terms of reference, attendance of meetings and duties and responsibilities are set out in the Audit and Risk Management Committee Report 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.
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 Board and the Manager are acutely aware that it is integral for the Audit Committee to be impartial and is relied upon by unitholders to perform evaluation without bias. It is for this reason that the Audit Committee has implemented a policy to ensure that there is at least a two year period of cooling off before appointing a former key-audit partner as a member of the Audit Committee. The Audit Committee further notes that none of its members have been a key audit partner for KIP REIT.
8.3	The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.	<p>The ARMC acting on behalf of the Board shall maintain an appropriate, transparent and professional relationship with KIP REIT's internal and external auditors. The assessment of the auditors shall be based on an objective set of criteria which takes into account of the suitability, competence and independence of the auditors. More specifically, the ARMC shall take into consideration while appointing or evaluating the auditors:</p> <ul style="list-style-type: none"> (i) their reputation and ability to provide independent judgement; (ii) the quality of the audit work performed; (iii) the resources available in the audit team; and (iv) the cost of the audit. <p>Additionally, the ARMC has reviewed the summary of non-audit services provided by PwC and is satisfied that the nature and extent of the work performed shall not dissuade them from their independence. The audit and non-audit services rendered by PwC in FY2019 were respectively RM105,000 and RM15,250.</p> <p>Furthermore, prior to engagement acceptance, the ARMC shall ensure that the engagement partner in charge of the audited financial statement of KIP REIT must be rotated on a five year basis to maintain transparency and independence. On 25 July 2019, PwC in its presentation on External Auditor's report to the ARMC, declared its independence in relation to their engagement as the External Auditors of KIP REIT, and is compliant with the relevant professional and regulatory requirements.</p>
8.4	The Audit Committee should comprise solely of Independent Directors.	<p>KIP REIT's ARMC comprises solely of 3 INEDs which is in line with the step-up best practices of the MCCG. The risk of self-review is mitigated as members are independent of the daily operations of KIP REIT and therefore further strengthens our financial integrity.</p> <p>The appointment of INEDs as members of the ARMC is a testament to KIP REIT's commitment in achieving excellence in our corporate governance practices.</p>
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.	<p>The existing members of KIP REIT's ARMC possess varied skillsets and vast experiences within the fields of accounting and finance. They are qualified in their own rights and are well-versed in analysis KIP REIT's financial statements prior to making recommendations to the Board for approvals.</p> <p>The members of the Audit Committees are committed to undertaking continuous professional development to keep abreast with the relevant developments in their fields. The training attended by the members of the ARMC during FY2019 are listed below:-</p>

CORPORATE GOVERNANCE STATEMENT (CONT'D)

MCCG Practices		Application		
	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.	Member of ARMC	Date of Attendance	Conference/Seminar/ Training attended
		Mr Chiam Tau Meng	27 May 2019	Training on Sustainability Reporting
		Dato' Dr Syed Hussain bin Syed Husman, JP	2 May 2019	Big Data Analytics 2019 Conference
		Datuk Mohamed Arsad bin Sehad	3 July 2018	Risk Management Training
27 March 2019	Asia-Pacific Association for International Education Conference, Presidents' Roundtable Session			
		2 April 2019	Understanding Financial Reporting and Implication of Inaccurate and Delay in Reporting	
<p>Intended Outcome:</p> <p>9.0 Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.</p> <p>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.</p>				
9.1	The board should establish an effective risk management and internal control framework.	The Board appreciates that a robust system of risk management and strong internal controls provide reasonable assurance that KIP REIT's internal policies, processes and procedures facilitate effective business decisions and operations. The Board therefore places great emphasis on promoting greater accountability of business process owners of the internal controls and periodically discuss the risks arising therefrom.		
9.2	The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.	<p>The features of the risk management and internal control framework is disclosed in detail in the Statement of Risk Management and Internal Control of this Annual Report. This disclosure acts as a summary of the discussions held by the Board in the identification of key risks, the implementation of appropriate measures and the effectiveness of risk mitigation action plans.</p> <p>It is within the ARMC's purview to ensure that the risk management framework and processes remain relevant in a changing business environment. Members of the ARMC shall be responsible in monitoring the effectiveness of risk practices or measures put in place to mitigate and control key risks. On a periodic basis, the ARMC shall review the risk management framework and ensure that measures implemented are in line with KIP REIT's risk appetite.</p>		

CORPORATE GOVERNANCE 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.	
MCCG Practices	Application
10.1 The Audit Committee should ensure that the internal audit function is effective and able to function independently.	KIP REIT's internal audit function is outsourced to an independent service provider. The main role of the internal auditors is to provide the ARMC with independent and objective evaluation of the adequacy and effectiveness of KIP REIT's internal controls, risk management and governance framework.
10.2 The board should disclose:- <ul style="list-style-type: none"> • 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. 	<p>The internal auditor has full, unrestricted and unfettered access to the books and records of the REIT Manager and KIP REIT. It carries out independent test work on KIP REIT's internal controls based on the internal audit plan that is pre-approved by the ARMC.</p> <p>Following the test work performed, the internal auditor provides the ARMC with quarterly internal audit reports which highlights observations, recommendation and action plans to strengthen KIP REIT's internal control system.</p> <p>Details of the internal audit activities carried out by the internal auditor during FY 2019 are set out in the Audit and Risk Management Committee Report in this Annual Report.</p> <p>To promote objectivity in evaluating internal controls, the Manager has appointed Deloitte Risk Advisory Sdn. Bhd. ("Deloitte") to perform its internal audit services. This is to provide assurances to stakeholders that the internal controls, procedures and processes safeguarding the Unitholder's investments and KIP REIT's assets are properly implemented, enforced and managed.</p> <p>One of the reasons in appointing Deloitte as the Manager's internal auditors is so that stakeholders are satisfied that the results published are free from management's bias. The result of the Internal Audit report is discussed by the ARMC and published in the Audit and Risk Management Committee Report in the Annual Report.</p> <p>The Manager further notes that:</p> <ul style="list-style-type: none"> • A yearly audit plan is presented in ARMC 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 STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS	
<p>Intended Outcome:</p> <p>11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.</p> <p style="padding-left: 40px;">Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.</p>	
MCCG Practices	Application
<p>11.1 The board ensures there is effective, transparent and regular communication with its stakeholders</p>	<p>The Board values constant dialogue and is committed to clear communication with Unitholders, Investors and other stakeholders. It is for this reason that KIP REIT has implemented strategies to regularly communicate with its stakeholders through different mediums.</p> <p>KIP REIT has established and is constantly updating its website at 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 provides 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.</p> <p>Further, 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 results of which are tracked and released to the stakeholders where appropriate.</p> <p>The Manager also communicates information on KIP REIT to Unitholders and the investing community through announcements that are released to Bursa Malaysia website. 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.</p> <p>Communication channels with unitholders are also made accessible via:-</p> <ul style="list-style-type: none"> (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; and (v) KIP REIT's website at www.KIPREIT.com.my.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Intended Outcome:	
12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.	
MCCG Practices	Application
12.1 Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.	<p>The Manager appreciates that the Annual General Meeting (“AGM”) is an important avenue for stakeholders to express their opinions to those responsible for the safekeeping of their investments. For this reason, the annual report, which contains the AGM notice together with related circular/statement to unitholder is issued at least a month prior to the scheduled date of the AGM to all unitholders.</p> <p>The Board recognises that sufficient notice should be given to the Unitholders to consider the resolutions to be deliberated and decided during the AGM. To facilitate this, the Board shall circulate the Notice of AGM setting out the businesses to be transacted at the AGM with explanatory notes for each proposed resolution to enable unitholders to make informed decisions while exercising their voting rights. The notice is also circulated nationally via announcements in newspapers and the website of Bursa Securities.</p>
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.	<p>The Manager appreciates that the AGM and Extraordinary General Meeting (“EGM”), if any, are an important events during the corporate calendar as it is an opportunity and an avenue for Unitholders and other stakeholders to communicate their opinions and address any questions to the Board, its sub-committees and senior management. The Board also firmly believes that the AGM/EGM acts as a feedback channel from which the Manager can leverage the constructive feedback received from unitholders to address any potential concerns and better improve on business strategies and plans.</p> <p>During the AGM/EGM, the Chairman shall facilitate conversations and allow Unitholders to raise any queries to the individuals responsible. After which, Senior Management shall analyse the results of the AGM/EGM and make appropriate recommendations for further action.</p>
12.3 Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:-	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.
<ul style="list-style-type: none"> • voting including voting in absentia; and • remote shareholders' participation at General Meetings. 	

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board appreciates the importance of implementing and preserving a sound system of risk management and internal controls. This is so as to ensure that decisions taken are in the best interest of KIP REIT, its unitholders and other significant stakeholders. The Board is pleased to present the Statement of Risk Management and Internal Control for FY 2019. This statement is prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR) and in accordance with the guidelines as set out in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers."

Board's responsibilities

The Board recognises that risk management plays a significant role in the discharging their fiduciary duties and has therefore adopted the best practices as set out within Principle B of the Malaysian Code of Corporate Governance. The Board appreciates that a robust risk management system must be adaptive to reflect the ever-changing landscape and therefore shall on a periodic basis identify principal risks, implement appropriate risk management strategies, and review the adequacy and effectiveness of internal controls to minimise potential negative impact that may arise. In so doing, the Board can assess whether the controls are aligned with the Manager's risk threshold. However, the Board acknowledges that for reasons of practicality, the exercise of risk management is one that focuses on reducing risks rather than complete elimination. There may be instances whereby the Board may take a more reactive stance on implementation of measures to mitigate the risks. For this reason, the Board shall be limited to providing a reasonable rather than absolute assurance against material misstatement, loss or fraud. Notwithstanding, the Board is determined to achieve its business objectives.

The Board through the Audit and Risk Management Committee ("ARMC") provides oversight over the risk management activities to ensure that KIP REIT's risk management processes are functioning effectively and efficiently. The ARMC in discharging its risk management function, is assisted by the outsourced internal auditor ("Deloitte") which monitors and evaluates the effectiveness of KIP REIT's risk management & internal control systems on an on-going basis.

The Board has received assurance from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Manager.

Risk Management

The Board appreciates that effective risk management is adaptive to the changing business environment rather than a static framework. For this reason, clear communication between Management and the Board is imperative. Each party will play a contributory role in the risk environment. It is therefore important that the Manager sets out clear expectations within the control environment, which includes but is not limited to the following:-

- company values, expected code of conduct, policies and procedures;
- documentation of the responsibilities and functions of the Board, each of its committees and the individual directors, the management team and each of the employees; and
- Management's philosophy, risk attitude and operating style.

For the above reason, periodic meetings of the Board, Board Committees and Management are held such that all parties can evaluate the risk environment of the Manager. Each party have specific roles to play within the existing risk management framework. Management for instance is entrusted upon the day-to-day operations of the business and is most capable to communicate the current and future risks that it faces on an operational level. This information is then consolidated and action plans are aligned accordingly to the Board's expectations and directions with the Board shall thereupon convene on a half-yearly basis to assess the risks and evaluate on whether or not the control environment is sufficient to mitigate the key risks.

The Board is also 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.

Further details on risks considered by management can be found in the Management Discussion and Analysis section of the Annual Report.

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

Internal Control System

The Manager recognises that a robust system of internal control comprises of policies, processes and procedures that are integral to the efficiency in the Manager's response to significant business, operational, financial, compliance and other risks. Such a system facilitates Management and the Board in assessing the impact and likelihood of potential risks and in implementing measures to ultimately safeguard the interest of the Fund and its unitholders. Therefore, the Board places great emphasis on ensuring the overall functioning on internal controls and in compliance with the Listing Rules, the system is independently evaluated by Deloitte.

In the financial year in review, Deloitte has performed four internal control cycle review and two follow up reviews of controls tested in the previous financial year; the former includes two new areas of review include Human Resources and Operations Management whereas the latter includes follow-up testing on Revenue, Billing, Account Receivables Management and Legal and Compliance Function.

Three (3) Internal Audit Reports were tabled to the ARMC on 15 October 2018 and, 15 January 2019 and 25 July 2019 respectively. During these sessions, Deloitte made reference to their findings on their test work performed in the financial year under review as well as the follow-up review on observations and recommendations set out in previous Internal Audit Reports. The Board notes that in regards to the latter, Management has fully implemented the majority of the recommendations on the legal compliance (tested in the previous financial year) and the operational deficiencies tabled at these Board Meetings.

The Audit Committee has reviewed the finding presented by Deloitte and management has agreed with the findings and implemented action plan for the subsequent follow up.

The Manager has put in place system of internal control and a set of procedures and processes to safeguard the assets of KIP REIT and interest of the unitholders as well as to manage risk.

The main elements in the system of internal control framework included as follows

- Manager has an organisational structure with formally defined roles and responsibility.
- The Board has in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and KIP REIT.
- 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.
- Monthly management meetings involving the review of the operations and financial performance of each property.
- A systematic performance appraisal system is in place for all levels of staff.
- Relevant training provided to staff across all functions to maintain a high level of competency and capability.
- Weekly ageing updates provided by the finance team to all Complex Managers to improve upon credit control.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Composition and analysis

For the financial year ended 30 June 2019, the Audit and Risk Management Committee ("ARMC") comprised of 3 Members, all of whom are also members of the Board of the Manager. The Manager notes that there was a slight modification to the Committee with the departure of Mr Foo Lee Khean and addition of Mr Chiam Tau Meng as the Chairman of the ARMC.

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

Members/Directorship	Number of meeting attended
Mr Chiam Tau Meng Chairman/ Independent Non-Executive Director (appointed 15 April 2019)	2 / 2 (two ARMC meetings convened post appointment)
Dato' Dr Syed Hussain bin Syed Husman, JP Member/ Independent Non-Executive Director	5 / 5
Datuk Mohamed Arsad bin Sehan Member/Independent Non-Executive Director	5 / 5
Mr Foo Lee Khean Chairman/ Independent Non-Executive Director (resigned 27 February 2019)	3 / 3 (three ARMC meetings convened prior to resignation)

Discharging of Functions and Duties

During the financial year ended 30 June 2019, 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 the 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 KIP REIT's critical risks related to strategic, financial, operational, legal compliance 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. Evaluating the Audit Process

(i) Internal Audit

Deloitte remains as the Internal Auditor since their appointment in the previous financial year. 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) Reviewed and monitored and monitor risk register on a timely basis

KIP REIT and the Manager have paid RM130,000 for the Internal Audit services in FY2019.

(ii) External Audit

On 18 April 2019, the Audit and Risk Management Committee had reviewed and discussed with the Management and the External Auditors, PricewaterhouseCoopers PLT, the Audit Planning Memorandum for 2019. 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 confirms that there were no management conflicts 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.

MANAGER'S REPORT

The Manager of KIP Real Estate Investment Trust ("KIP REIT" or "Fund"), KIP REIT Management Sdn Bhd ("Manager"), is pleased to submit their report and audited financial statements of KIP REIT and its wholly –owned subsidiary, KIP REIT Capital Sdn. Bhd. ("Group") for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITY OF THE MANAGER

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

THE FUND AND ITS INVESTMENT OBJECTIVE

KIP REIT is a Malaysia-domiciled real estate investment trust ("REIT") established on 2 November 2016 pursuant to the deed of trust dated 2 November 2016 ("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:-

- 1.450 sen per unit (1.414 sen is subject to withholding tax and 0.036 sen is non-taxable) for the period from 1 July 2018 to 30 September 2018, which was paid on 13 November 2018.
- 1.550 sen per unit (1.518 sen is subject to withholding tax and 0.032 sen is non-taxable) for the period from 1 October 2018 to 31 December 2018, which was paid on 14 February 2019.
- 1.510 sen per unit (1.482 sen is subject to withholding tax and 0.028 sen is non-taxable) for the period from 1 January 2019 to 31 March 2019, which was paid on 17 May 2019.
- 1.520 sen per unit (1.517 sen is subject to withholding tax and 0.003 sen is non-taxable) for the period from 1 April 2019 to 30 June 2019, which is payable on 29 August 2019.

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
Chew Kheng Kai (appointed on 30 November 2018)
Ong Pui Shan (appointed on 30 November 2018)
Chiam Tau Meng (appointed on 15 April 2019)
Foo Lee Khean (resigned on 27 February 2019)

MANAGER'S REPORT (CONT'D)

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 2019, no Director has received or become entitled to receive a benefit (other than certain directors receive remuneration as a result of their employment with the Manager or related corporations).

DIRECTORS' INTEREST

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

				Number of units
	Balance at 01.07.2018	Addition	Disposal /Transferred	Balance at 30.06.2019
Dato' Dr Syed Hussain bin Syed Husman Direct	60,000	-	-	60,000
Dato' Chew Lak Seong Direct	50,975,504	13,182,577	-	64,158,081
Indirect	141,592,731	-	(58,241,155)	83,351,576
Dato' Ong Kook Liong Direct	50,707,905	13,082,578	-	63,790,483
Indirect	141,592,730	-	(58,241,155)	83,351,575
Datuk Mohamed Arsad bin Sehan Direct	60,000	-	-	60,000
Chew Kheng Kai Direct	100,000	-	-	100,000
Ong Pui Shan Direct	100,000	-	-	100,000

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

OTHER INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) 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
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Fund had been written down to an amount which the current assets they might be expected so to realise.

MANAGER'S REPORT (CONT'D)

OTHER INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Fund misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.

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

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

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

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

In the opinion of the Manager:-

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

MATERIAL LITIGATION

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

SOFT COMMISSION

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

CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

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

MANAGER'S REPORT (CONT'D)

AUDITORS

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 13 August 2019.



DATO' CHEW LAK SEONG
MANAGING DIRECTOR



DATO' ONG KOOK LIONG
EXECUTIVE DIRECTOR

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements are drawn up in accordance with the provisions of the Deed, the REIT Guidelines, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2019 and of their financial performance and cash flows for the financial year ended 30 June 2019.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 13 August 2019.



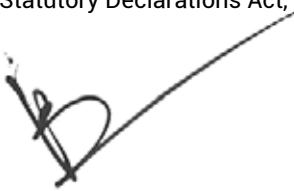
DATO' CHEW LAK SEONG
MANAGING DIRECTOR



DATO' ONG KOOK LIONG
EXECUTIVE DIRECTOR

STATUTORY DECLARATION

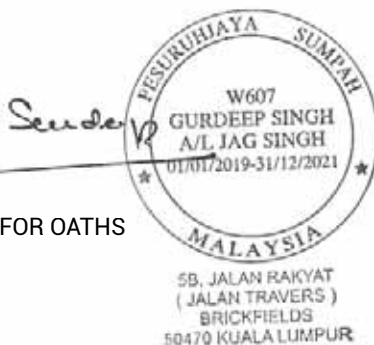
I, Hii Wei Bing, the Chief Financial Officer of the Manager primarily responsible for the financial management of KIP REIT, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



HII WEI BING
(MIA No.: 19681)

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 13 August 2019.

Before me:



COMMISSIONER FOR OATHS

TRUSTEE'S REPORT TO THE UNITHOLDERS OF KIP REIT (ESTABLISHED IN MALAYSIA)

We have acted as Trustee of KIP REIT for the financial year ended 30 June 2019. 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 2019 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 2019 as follows:

- 1.450 sen per unit (1.414 sen is subject to withholding tax and 0.036 sen is non-taxable) for the period from 1 July 2018 to 30 September 2018, which was paid on 13 November 2018.
- 1.550 sen per unit (1.518 sen is subject to withholding tax and 0.032 sen is non-taxable) for the period from 1 October 2018 to 31 December 2018, which was paid on 14 February 2019.
- 1.510 sen per unit (1.482 sen is subject to withholding tax and 0.028 sen is non-taxable) for the period from 1 January 2019 to 31 March 2019, which was paid on 17 May 2019.
- 1.520 sen per unit (1.517 sen is subject to withholding tax and 0.003 sen is non-taxable) for the period from 1 April 2019 to 30 June 2019, which is payable on 29 August 2019.

For and on behalf of the Trustee,
PACIFIC TRUSTEES BERHAD



RAZAK BIN AHMAD
Chief Executive Officer

Kuala Lumpur,
Date: 13 August 2019

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of KIP Real Estate Investment Trust ("KIP REIT" or "Fund") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and KIP REIT as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Group and KIP REIT, which comprise the statements of financial position as at 30 June 2019 of the Group and KIP REIT, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows of the Group and KIP REIT for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out in pages 75 to 124.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and KIP REIT in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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 the Group and KIP REIT. In particular, we considered where the Directors of the Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and KIP REIT for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and KIP REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter How our audit addressed the key audit matter

Key audit matter	How our audit addressed the key audit matter
<p>Fair value of investment properties</p> <p>As at 30 June 2019, KIP REIT's investment properties, carried at fair value, amounted to RM599.3 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 2019 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and KIP REIT and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and 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 the Group and KIP REIT or our knowledge obtained in the audit, or otherwise appears to be materially misstated

If, based on the work we have performed 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 TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors of the Manager for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF KIP REAL ESTATE INVESTMENT TRUST (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.

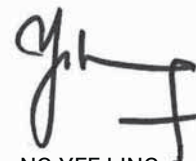
From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and KIP REIT for the current financial year and are therefore the key audit matters. We describe these matters in our auditors'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

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants



NG YEE LING
03032/01/2021 J
Chartered Accountant

Kuala Lumpur
13 August 2019

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group	Fund	
		2019 RM'000	2019 RM'000	2018 RM'000
Non-current assets				
Plant and equipment	5	1,190	1,190	1,742
Investment properties	6	599,300	599,300	585,000
Investment in a subsidiary	7	-	-*	-
Total non-current assets		600,490	600,490	586,742
Current assets				
Trade and other receivables	8	16,453	16,453	5,850
Deposits with licensed banks		-	-	8,433
Cash and bank balances	9	12,867	12,867	15,532
Total current assets		29,320	29,320	29,815
Total assets		629,810	629,810	616,557
Financed by:				
Unitholders' fund				
Unitholders' capital	10	492,333	492,333	492,315
Retained earnings		16,800	16,800	14,636
Total unitholders' fund		509,133	509,133	506,951
Non-current liabilities				
Borrowings	11	93,390	93,390	86,513
Payables and accruals	12	9,750	9,750	4,346
Total non-current liabilities		103,140	103,140	90,859
Current liabilities				
Borrowings	11	6,779	6,779	462
Payables and accruals	12	10,758	10,758	18,285
Total current liabilities		17,537	17,537	18,747
Total liabilities		120,677	120,677	109,606
Total unitholders' fund and liabilities		629,810	629,810	616,557
Net asset value ("NAV")				
- before income distribution		541,018	541,018	542,059
- after income distribution		509,133	509,133	506,951
Number of units in circulation ('000 units)	10	505,300	505,300	505,300
NAV per unit (RM)				
- before income distribution		1.0707	1.0707	1.0727
- after income distribution		1.0076	1.0076	1.0033

* Denotes RM2 share capital in KIP REIT Capital Sdn Bhd

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group and Fund	Fund
	Note	2019 RM'000	2018 RM'000
Gross rental income		52,673	52,738
Revenue from contracts with customers		10,392	10,035
Gross revenue	13	63,065	62,773
Utilities expenses		(9,729)	(10,179)
Maintenance and housekeeping expenses		(3,084)	(2,554)
Marketing expenses		(608)	(578)
Quit rent and assessment		(1,275)	(1,277)
Reimbursement costs	14	(4,786)	(4,554)
Property manager fee		(151)	(144)
Other operating expenses		(1,479)	(1,569)
Property operating expenses		(21,112)	(20,855)
Net property income		41,953	41,918
Changes in fair value on investment properties	6	3,357	3,317
Interest income		502	817
Net investment income		45,812	46,052
Manager's management fee	15	(4,164)	(2,157)
Trustees' fee		(100)	(100)
Auditors' remuneration		(105)	(100)
Valuers' fee		(185)	(147)
Other trust expenses		(1,917)	(1,312)
Borrowing costs	16	(5,292)	(4,626)
Profit before taxation		34,049	37,610
Taxation	17	-	-
Profit after taxation		34,049	37,610
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to unitholders		34,049	37,610
Profit after taxation is made up as follows:			
Realised		30,692	34,293
Unrealised		3,357	3,317
		34,049	37,610
Basic earnings per unit (sen)	18	6.7383	7.4431
Diluted earnings per unit (sen)	18	6.7383	7.4431
Total comprehensive income		34,049	37,610
Distribution adjustments	19	(2,744)	(3,035)
Distributable income		31,305	34,575
Distribution per unit (sen)	19	6.030	6.830

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

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group and Fund	Note	Unitholders' capital RM'000	Retained earnings RM'000	Total funds RM'000
As at 1 July 2018		492,315	14,636	506,951
Profit of the year		-	34,049	34,049
<hr/>				
Total comprehensive income for the year attributable to unitholders		-	34,049	34,049
<hr/>				
Unitholders' transactions				
Distribution to unitholders	19	-	(31,885)	(31,885)
Reversal of listing expenses		18	-	18
<hr/>				
Increase/(decrease) in net assets resulting from unitholders' transactions		18	(31,885)	(31,867)
<hr/>				
As at 30 June 2019		492,333	16,800	509,133
<hr/>				
Fund	Note	Unitholders' capital RM'000	Retained earnings RM'000	Total funds RM'000
As at 1 July 2017		492,264	12,134	504,398
Profit of the year		-	37,610	37,610
<hr/>				
Total comprehensive income for the year attributable to unitholders		492,264	49,744	542,008
<hr/>				
Unitholders' transactions				
Distribution to unitholders	19	-	(35,108)	(35,108)
Reversal of listing expenses		51	-	51
<hr/>				
Increase/(decrease) in net assets resulting from unitholders' transactions		51	(35,108)	(35,057)
<hr/>				
As at 30 June 2018		492,315	14,636	506,951

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group and Fund	Fund
Note	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before taxation	34,049	37,610
<i>Adjustments for:</i>		
Changes in fair value on investment properties	(3,357)	(3,317)
Interest expense	5,024	4,438
Interest income	(502)	(817)
Depreciation of plant and equipment	164	94
Amortisation of transaction costs	268	188
Bad debts written off	70	34
Allowance for doubtful debts	91	201
Written off of plant and equipment	20	-
Operating income before changes in working capital	35,827	38,431
Net change in trade and other receivables	(10,748)	1,771
Net change in payables and accruals	(2,106)	952
Net cash generated from operating activities	22,973	41,154
Cash flows from investing activities		
Purchase of plant and equipment	(875)	(1,513)
Asset enhancement on investment properties	(9,700)	(1,683)
Uplift of deposits with licensed banks	8,433	2,844
Pledge deposit	(36)	(37)
Interest received	487	580
Net cash (used in) / generated from investing activities	(1,691)	191
Cash flows from financing activities		
Interest paid	(4,947)	(4,437)
Payment for transaction cost	(80)	-
Income distribution paid to unitholders	(31,885)	(35,108)
Proceeds from drawdown of borrowings	12,929	-
Net cash used in financing activities	(23,983)	(39,545)
Net (decrease)/ increase in cash and cash equivalents	(2,701)	1,800
Cash and cash equivalents at beginning of the year	14,280	12,480
Cash and cash equivalents at end of the year	9	14,280

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

KIP Real Estate Investment Trust ("KIP REIT" or the "Fund") 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 financial statements as at and for the financial year ended 30 June 2019 comprise KIP REIT and its wholly-owned special purpose company, KIP REIT Capital Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of KIP REIT.

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

The financial statements were approved by the Board of Directors of the Manager on 13 August 2019.

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

(a) Property management fees

The property manager, Azmi & Co. (Shah Alam) Sdn. Bhd, is entitled to property management fee of RM12,000 per month (excluding sales and service 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) a base fee ("Base Fee") of up to 1.0% per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- (ii) a performance fee ("Performance Fee") of up to 5.0% per annum of the Net Property Income of KIP REIT.
- (iii) Acquisition Fee

1.0% of each of the following as is applicable (subject to there being no double-counting):

- (a) in relation to an acquisition (whether directly or indirectly through the Trustee or one or more SPV of KIP REIT) of any Real Estate or Real Estate-Related Assets, the transaction value (being the total purchase price) of any Real Estate or any Real Estate-Related Assets purchased by KIP REIT or its SPV (pro-rated, if applicable, to the proportion of KIP REIT's interest); or

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1 GENERAL (CONTINUED)

(b) Manager's management fees (Continued)

(iii) Acquisition Fee (Continued)

- (b) in relation to an acquisition (whether directly or indirectly through one or more SPV of KIP REIT) of any SPV or holding entities which holds Real Estate, the underlying value of any Real Estate (pro-rated, if applicable, to the proportion of KIP REIT's interest).

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

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

(iv) Divestment Fee

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

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

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

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

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

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

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

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

(each a "Trigger Event").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1 GENERAL (CONTINUED)

(b) Manager's management fees (Continued)

(iv) Divestment Fee (Continued)

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.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Fund have been prepared in accordance with the provisions of the Deed, 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 that are effective and applicable

The Group and the Fund have applied the following amendments for the first time for the financial year beginning on 1 July 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'

The Group and the Fund have adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements, which resulted in changes in accounting policies.

The Group and the Fund have applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 BASIS OF PREPARATION (CONTINUED)

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

The Group and the Fund have applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 'Revenue'.

The detailed impact of change in accounting policies are set out in Note 3(t).

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

(i) Financial year beginning on/after 1 July 2019

- MFRS 16 'Leases' (effective from 1 January 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.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
 - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The Group and the Fund will continue to assess the potential impact of the above new standards and amendments on the financial statements and expect the assessment to be completed prior to effective date of such standards and amendments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation

(i) Business combination under common control

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

(ii) Subsidiary

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Subsidiary (continued)

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

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

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

(iii) Investment in subsidiary

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

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

(b) Investment properties

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment properties (continued)

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

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded within net gain from fair value adjustment on investment property.

(c) Plant and equipment

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

Cost of 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.

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

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. 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, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Please refer to accounting policy on impairment of non-financial assets (Note 3(e)).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets

Accounting policies applied from 1 July 2018

(i) Classification

With effect from 1 July 2018, the Group has applied MFRS 9 and classifies its financial assets at amortised cost.

(ii) Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

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

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

Debt instrument

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

The Group classifies its debt instrument into financial assets at amortised cost.

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

(iv) Subsequent measurement – Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Simplified approach for trade receivables

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

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

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

Significant increase in credit risk

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

The following indicators are incorporated:

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

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

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

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

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

Write-off

I. Trade receivables

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

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

II. Other receivables

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

Accounting policies applied until 30 June 2018

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification

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 (Note 8), cash and bank balances (Note 9) and deposit with licensed banks in the statement of financial position.

(ii) Recognition and initial measurement

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.

(iii) Subsequent measurement – gains and losses

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Subsequent measurement – impairment

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

(iv) Subsequent measurement – impairment (continued)

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.

(v) De-recognition

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 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.

(f) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Trade and other receivables

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

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

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

(h) Trade and other payables

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

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

(i) Unitholders' capital

An equity instrument is any contract that evidences a residual interest in the assets of 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Lease income on operating leases

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

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

Revenue from contracts with customers

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

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

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

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

Interest income

Interest income is recognised on an effective yield basis.

Accounting policies applied from 1 July 2018

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

Accounting policies applied until 30 June 2018

When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 19.

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

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

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

(t) Changes in accounting policies

MFRS 9 'Financial Instruments'

As disclosed in Note 2(b), the Group and KIP REIT have adopted MFRS 9, which resulted in changes in accounting policies. The main changes are as follows:

(i) Classification and measurement of financial assets

Until 30 June 2018, financial assets of the Group and KIP REIT were classified as loans and receivables.

From 1 July 2018, the Group and KIP REIT applies MFRS 9' classification and classified financial assets at amortised costs.

There were no changes made to measurement of financial assets upon adoption of MFRS 9.

(ii) Impairment

Until 30 June 2018, the Group and KIP REIT assessed the impairment of loans and receivables based on the incurred impairment loss model. Note 3(d) set out the accounting policies of financial assets under MFRS 139.

From 1 July 2018, the Group and KIP REIT applied ECL model to determine impairment on financial assets at amortised costs. The new accounting policies for impairment under MFRS 9 are set out in Note 3(d).

Trade receivables

For trade receivables, the Group and KIP REIT applied the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout the its life.

The change in impairment methodology did not have a significant credit loss exposure on the Group's and KIP REIT's financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Changes in accounting policies (continued)

MFRS 9 'Financial Instruments' (continued)

As disclosed in Note 2(b), the Group and KIP REIT have adopted MFRS 9, which resulted in changes in accounting policies. The main changes are as follows: (continued)

(iii) Impairment

Other receivables

Other receivables is classified as financial asset at amortised cost in the financial statement because the Group's and KIP REIT's business model is to hold and collect the contractual cash flows and those cash flows represent the SPPI. The Group and KIP REIT applied the general 3-stage approach when determining ECL for other receivables.

No additional impairment allowance is to be recognised on other receivables upon applied adoption of MFRS 9 as there is no indication that the Group and KIP REIT could not fully recover the outstanding balances of other receivables.

(iv) Modification of financial liabilities

Until 30 June 2018, when a financial liability measured at amortised cost was modified without resulting in derecognition, the different between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate is recognised over the remaining life of the modified financial liability.

From 1 July 2018, when a financial liability measure at amortised cost is modified without this resulting in derecognition, a gain or loss, being the different between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, is recognised immediately in the statement of comprehensive income.

There were no modification of financial liability and hence no impact upon adoption of MFRS 9.

MFRS 15 'Revenue from Contracts with Customers'

There is no impact to the retained earnings and correct year total comprehensive income on adoption of MFRS 15. The 2018 comparative information was not restated and continued to be reported under previous accounting policies governed under MFRS 118 'Revenue'.

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 Henry Butcher Malaysia Sdn. Bhd. (2018: C H Williams Talhar & Wong Sdn Bhd) ("the Valuer"), an independent professional valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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
Group and Fund							
Cost							
As at 1 July 2018	407	72	62	31	41	1,243	1,856
Additions	188	231	283	36	74	63	875
Transfer to investment properties	-	-	-	-	-	(1,243)	(1,243)
Written off	-	-	(47)	-	-	-	(47)
As at 30 June 2019	595	303	298	67	115	63	1,441
Accumulated depreciation							
As at 1 July 2018	82	6	19	3	4	-	114
Depreciation charge for the financial year	88	24	29	11	12	-	164
Written off	-	-	(27)	-	-	-	(27)
As at 30 June 2019	170	30	21	14	16	-	251
Carrying amounts							
As at 30 June 2019	425	273	277	53	99	63	1,190
Fund							
Cost							
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
Accumulated depreciation							
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
Carrying amounts							
As at 30 June 2018	325	66	43	28	37	1,243	1,742

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 INVESTMENT PROPERTIES

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
As at 1 July	585,000	580,000
Transfer from plant and equipment	1,243	-
Additions	9,700	1,683
Fair value gain	3,357	3,317
As at 30 June	599,300	585,000

The title deeds to the investment properties' land are currently being held in trust by the trustees. KIPMall Tampoi and KIPMall Masai are charged as a security for bank borrowings as disclosed in Note 11.

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

Based on the valuation reports dated 5 July 2019 issued by the Valuer, the fair values of the investment properties as at 30 June 2019 were RM599.3 million (2018: RM585 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements using Level 3 inputs as at 30 June 2019 are as follows:-

	Valuation technique	Parameters					Sensitivity analysis on fair value measurements*	
		Capitalisation Fair value RM'000	Reversion Rate %	Reversion rate %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM'000	Impact of higher rate RM'000
KIPMall Tampoi	Investment method	163,500	6.50	7.00	2.00	7.50	12,000	(10,500)
KIPMall Kota Tinggi	Investment method	56,600	6.50	7.00	2.45	7.50	4,300	(3,700)
KIPMall Masai	Investment method	167,700	6.50	7.00	2.20	10.00	12,400	(10,900)
KIPMall Senawang	Investment method	28,000	6.50	7.00	1.35	15.00	2,100	(1,900)
KIPMall Melaka	Investment method	49,000	6.50	7.00	1.40	15.00	3,700	(3,200)
KIPMall Bangi	Investment method	134,500	6.50	7.00	1.17	15.00	9,600	(8,500)
		599,300					44,100	(38,700)

* 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 30.06.2019 %	Fair value as at 30.06.2019 RM'000	Initial acquisition cost on 06.02.2017 RM'000	Percentage of fair value to NAV ^{*1} as at 30.06.2019 %
KIPMall Tampoi	06.02.2017	17.06.2019	Johor	Leasehold	24.09.2092	98.63%	163,500	150,000	32.11%
KIPMall Kota Tinggi	06.02.2017	17.06.2019	Johor	Freehold	-	92.79%	56,600	55,000	11.12%
KIPMall Masai	06.02.2017	17.06.2019	Johor	Leasehold	28.12.2108	97.52%	167,700	157,000	32.94%
KIPMall Senawang	06.02.2017	17.06.2019	Seremban	Freehold	-	81.96%	28,000	38,000	5.50%
KIPMall Melaka	06.02.2017	17.06.2019	Melaka	Leasehold	17.11.2112	89.14%	49,000	50,000	9.62%
KIPMall Bangi	06.02.2017	17.06.2019	Bangi	Leasehold	14.07.2093	80.03%	134,500	130,000	26.42%
							599,300	580,000	

Notes:-

*¹Based on NAV after income distribution.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 INVESTMENT PROPERTIES (CONTINUED)

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

	Valuation technique	Parameters					Sensitivity analysis on fair value measurements*	
		Capitalisation Fair value RM'000	Reversion 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	06.02.2017	30.06.2018	Johor	Leasehold	24.09.2092	96.40%	159,000	150,000	31.36%
KiP Mart Kota Tinggi	06.02.2017	30.06.2018	Johor	Freehold	-	91.80%	56,000	55,000	11.05%
KiP Mart Masai	06.02.2017	30.06.2018	Johor	Leasehold	28.12.2108	89.60%	160,000	157,000	31.56%
KiP Mart Lavender Senawang	06.02.2017	30.06.2018	Seremban	Freehold	-	82.75%	30,000	38,000	5.92%
KiP Mart Melaka	06.02.2017	30.06.2018	Melaka	Leasehold	17.11.2112	70.24%	50,000	50,000	9.86%
KiP Mall Bangi	06.02.2017	30.06.2018	Bangi	Leasehold	14.07.2093	89.34%	130,000	130,000	25.64%
							585,000	580,000	

Notes:-

*¹ Based on NAV after income distribution.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7 INVESTMENT IN A SUBSIDIARY

	Fund	
	2019 RM'000	2018 RM'000
At cost		
Unquoted shares	-*	-

* Denotes RM2

Name of company	Principal activity	Place of incorporation	Group's effective interest (%)	
			2019	2018
KIP REIT Capital Sdn Bhd	A special purpose vehicle to raise financings for and on behalf of KIP REIT.	Malaysia	100	-

8 TRADE AND OTHER RECEIVABLES

	Group		Fund
	2019 RM'000	2019 RM'000	2018 RM'000
Trade receivables	483	483	1,526
Less: Allowance for impairment of trade receivables (Note 23.1(b))	(251)	(251)	(201)
Trade receivables – net	232	232	1,325
Other receivables – net (Note 23.1(b))	150	150	325
Deposit recoverable	184	184	134
Deposit for acquisition of AEON Mall Kinta City (Note 26)	10,400	10,400	-
Net input tax	-	-	19
Amount due from a subsidiary company	-	109	-
Amounts due from related companies	1,607	1,607	3,593
	12,341	12,450	4,071
Prepayments	3,880	3,771	454
	16,221	16,221	4,525
Total trade and other receivables	16,453	16,453	5,850

The carrying amounts of trade and other receivables as at 30 June 2019 approximated their fair values.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9 CASH AND CASH EQUIVALENTS

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Cash in hand	29	28
Bank balances	3,800	1,944
Short term deposits placed with licensed banks	9,038	13,560
Cash and bank balances	12,867	15,532
Less: Pledged deposits	(1,288)	(1,252)
Cash and cash equivalents	11,579	14,280

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 3.12% per annum (2018: 3.51% per annum).

Short term deposits placed with licensed banks have an average maturity of 61 days (2018: 17 days).

Included in the short term deposits placed with licensed banks is restricted amount of RM1.3 million (2018: RM1.3 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 11).

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

	2019 Borrowings RM'000	2018 Borrowings RM'000
As at 1 July	86,975	86,786
Cash flows:-		
Proceed from borrowings	12,929	-
Interest paid	(4,947)	(4,437)
Transaction cost paid	(80)	-
	7,902	(4,437)
Non-cash changes:-		
Amortisation of transaction costs	268	188
Accrual for interest	5,024	4,438
	5,292	4,626
As at 30 June	100,169	86,975

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 UNITHOLDERS' CAPITAL

	Group and Fund	Fund
	2019	2018
	Number of units	Number of units
	'000	'000
Approved fund size:		
As at 30 June	505,300	505,300

	Group and Fund		Fund	
	Number of units	Value	Number of units	Value
	2019	2019	2018	2018
	'000	RM'000	'000	RM'000
Issued and fully paid up:				
At 1 July	505,300	492,315	505,300	492,264
Listing expenses	-	18	-	51
As at 30 June	505,300	492,333	505,300	492,315

11 BORROWINGS

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Current (secured):		
Term loan	693	650
Short term revolving credit	6,274	-
Unamortised transaction cost	(188)	(188)
	6,779	462
Non-current (secured):		
Term loan	93,688	87,000
Unamortised transaction cost	(298)	(487)
	93,390	86,513
Total borrowings	100,169	86,975

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11 BORROWINGS (CONTINUED)

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

- (a) Term Loan facility ("TL") of up to RM93.7 million (2018: RM87 million);
- (b) A Short Term Revolving Credit ("STRC") of up to RM20 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:-

	2019 % per annum	2018 % per annum
Term loan	5.29	5.32

The TL comprises of TL1 and TL2. Proceeds drawn from the TL 1 were utilised by KIP REIT to part finance the acquisition of KIPMall Tampoi, KIPMall Kota Tinggi, KIPMall Masai, KIPMall Senawang, KIPMall Melaka and KIPMall Bangi together with related assets ("Acquisition") and TL 2 were utilised to part finance the installation of Solar Photovoltaic System on the investment properties.

The TL shall be repaid in one bullet repayment no later than 6 February 2022. The TL1 and TL2 bear an interest rate of 1.25% and 1.75% per annum above cost of funds (as determined by the Bank at the commencement of each interest period) respectively and payable on quarterly basis.

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

- (i) Fixed charge over KIPMall Tampoi and KIPMall Masai registered in the name of the Trustee for all monies owing or payable under facilities.
- (ii) A charge over a cash deposit of RM1.3 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 PAYABLES AND ACCRUALS

	Note	Group and Fund 2019 RM'000	Fund 2018 RM'000
Non-current payables			
Tenants' deposits	a	9,750	4,346
		9,750	4,346
Current payables			
Trade payables	b	496	85
Tenants' deposits	a	7,574	12,179
		8,070	12,264
Other payables and accrued expenses			
Amounts due to related companies	c	2,574	6,021
		114	-
		2,688	6,021
Total current payables and accruals		10,758	18,285
Total payables and accruals		20,508	22,631

- (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 and interest-free.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13 GROSS REVENUE

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Gross rental income	52,673	52,738
Revenue from contracts with customers:		
Promotion area	5,054	5,128
Utilities reimbursement	4,482	4,297
Property related and other advertising income	856	610
	10,392	10,035
Gross Revenue	63,065	62,773
Revenue from contracts customers is represented by:		
Point in time	10,392	10,035

14 REIMBURSEMENT COSTS

Included in reimbursement costs are the following expenses:-

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Staff salaries	3,617	3,665
Bonus	183	160
Statutory contribution	542	537
Training expenses	43	1
Others	401	191
	4,786	4,554

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)

15 MANAGER'S MANAGEMENT FEES

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Base fee	3,735	1,741
Performance fee	429	416
	4,164	2,157

During the financial year, the Manager received a base fee of 0.6% (2018: 0.3%) per annum of the Total Asset Value of KIP REIT, a performance fee of 1.0% (2018: 1.0%) per annum of Net Property Income.

For the financial year ended 30 June 2019, 100% of the total Manager's management fees has been paid in cash.

16 BORROWING COSTS

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Interest expense	5,024	4,438
Amortisation of transaction cost	268	188
	5,292	4,626

17 TAXATION

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Reconciliation of tax expense		
Profit before taxation	34,049	37,610
	8,172	9,026
Income tax using Malaysian tax rate of 24% (2018: 24%)	8,172	9,026
Non-deductible expenses	358	228
Non-taxable income	(926)	(1,007)
Capital allowances on plant and equipment	(966)	(20)
Effect of income exempted from tax	(6,638)	(8,227)
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17 TAXATION (CONTINUED)

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of KIP REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the investors in the basis period of KIP REIT for that year of assessment within two (2) months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of KIP REIT financial year which forms the basis period for a year of assessment, KIP REIT will be subject to income tax at the prevailing rate on its total taxable income. Income which has been taxed at the KIP REIT level will have tax credits attached when subsequently distributed to unitholders.

As income distribution to unitholders for the financial year ended 30 June 2019 is more than 90% of total distributable income, no provision for income taxation has been made for the current year.

18 EARNINGS PER UNIT ("EPU") – BASIC AND DILUTED

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

	<u>Group and Fund</u>	<u>Fund</u>
	2019	2018
	RM'000	RM'000
Total comprehensive income		
- Realised	30,692	34,293
- Unrealised	3,357	3,317
Total	34,049	37,610
Weighted average number of units ('000)		
Weighted average number of Units in issue	505,300	505,300
Weighted average number of Units for diluted EPU	505,300	505,300
Basic/Diluted EPU (sen)		
- Realised	6.0740	6.7867
- Unrealised	0.6643	0.6564
Total	6.7383	7.4431

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)

19 DISTRIBUTION TO UNITHOLDERS

	Note	Group and Fund 2019 RM'000	Fund 2018 RM'000
Total comprehensive income		34,049	37,610
Distribution adjustments	(a)	(2,744)	(3,035)
Distributable income		31,305	34,575
Distributions proposed and declared:			
Distribution per unit (sen)			
- for the period from 1 July 2017 to 30 September 2017		-	1.500
- for the period from 1 October 2017 to 31 December 2017		-	1.750
- for the period from 1 January 2018 to 31 March 2018		-	1.780
- for the period from 1 April 2018 to 30 June 2018		-	1.800
- for the period from 1 July 2018 to 30 September 2018		1.450	-
- for the period from 1 October 2018 to 31 December 2018		1.550	-
- for the period from 1 January 2019 to 31 March 2019		1.510	-
- for the period from 1 April 2019 to 30 June 2019		1.520	-
		6.030	6.830
Sources of distributions			
Gross rental income		52,673	52,738
Revenue from contracts with customers		10,392	10,035
Interest income		502	817
Changes in fair value on investment properties		3,357	3,317
Prior year realised gain		9,173	9,706
		76,097	76,613
Less: Expenses		(32,875)	(29,297)
Total comprehensive income		43,222	47,316
Distribution adjustments		(2,744)	(3,035)
Distributable income		40,478	44,281
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		-	(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		-	(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		-	(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		-	(8,994)
Income distribution of 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		(9,096)	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19 DISTRIBUTION TO UNITHOLDERS (CONTINUED)

Note	Group and Fund	Fund
	2019 RM'000	2018 RM'000
Income distribution of 1.4500 sen per unit (1.414 sen is subject to withholding tax and 0.036 sen is non-taxable) for the period from 1 July 2018 to 30 September 2018	(7,327)	-
Income distribution of 1.550 sen per unit (1.518 sen is subject to withholding tax and 0.032 sen is non-taxable) for the period from 1 October 2018 to 31 December 2018	(7,832)	-
Income distribution of 1.510 sen per unit (1.482 sen is subject to withholding tax and 0.028 sen is non-taxable) for the period from 1 January 2019 to 31 March 2019	(7,630)	-
Distributions recognised in statements of changes in net assets value	(31,885)	(35,108)
Income retained	8,593	9,173

Note (a):-

Distribution adjustments comprise:-

Amortisation of transaction costs	268	188
Depreciation of plant and equipment	164	94
Changes in fair value on investment properties	(3,357)	(3,317)
Allowance for doubtful debts	91	-
Bad debts written off	70	-
Written off of plant and equipment	20	-
	(2,744)	(3,035)

The final distributable income for the 3 months ended 30 June 2019 is proposed to be 1.520 sen per unit (1.517 sen is subject to withholding tax and 0.003 sen is non-taxable) for the period from 1 April 2019 to 30 June 2019, which was declared on 26 July 2019 and is payable on 29 August 2019. The financial statements for the current year ended 30 June 2019 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 2020.

Withholding tax will be deducted for distributions as follows:-

	Withholding Tax rate	
	2019	2018
Resident corporate	N/A [^]	N/A [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

[^] to tax at prevailing rate

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20 PORTFOLIO TURNOVER RATIO

	Group and Fund	Fund
	2019	2018
Portfolio Turnover Ratio ("PTR") (times)	-	-

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.

21 MANAGEMENT EXPENSE RATIO

	Group and Fund	Fund
	2019	2018
Management expense ratio ("MER") (%)	1.27%	0.75%

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 2019 to the average NAV (after income distribution) as at 30 June 2019, which is in accordance with the REIT Guidelines.

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

22 SEGMENT REPORTING

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

During the year, KIP REIT has rebranded KiP Mart to KIPMall to better serve the communities. As such, business segment is no longer applicable and the comparative figures were restated to conform with the current year presentation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 SEGMENT REPORTING (CONTINUED)

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

Geographical segments

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

	30.06.2019		
	Southern region RM'000	Central region RM'000	Total RM'000
Revenue			
Gross rental income	35,842	16,831	52,673
Revenue from contracts with customers	3,505	6,887	10,392
Gross Revenue	39,347	23,718	63,065
Segmental net property income	29,088	12,865	41,953
Changes in fair value on investment properties	9,917	(6,560)	3,357
Interest income	325	177	502
Borrowing costs	(3,250)	(2,042)	(5,292)
Trust and other expenses	(3,947)	(2,524)	(6,471)
Profit before taxation	32,133	1,916	34,049
Taxation	-	-	-
Total comprehensive income attributable to unitholders	32,133	1,916	34,049
Assets			
Segment assets	391,414	213,467	604,881
Unallocated assets			
- Deposits with licensed banks			-
- Cash and bank balances			10,467
- Trade and other receivables			14,462
Total assets			629,810
Liabilities			
Segment liabilities	68,312	38,275	106,587
Unallocated liabilities			
- Payables and accruals			1,565
- Borrowings			12,525
Total liabilities			120,677
Other segment information			
Additions to non-current assets:			
- Investment properties	2,883	6,817	9,700
- Plant and equipment	567	308	875
Depreciation	85	79	164

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 SEGMENT REPORTING (CONTINUED)

	30.06.2018		
	Southern region RM'000	Central region RM'000	Total RM'000
Revenue			
Rental income			
Revenue from contracts with customers	35,794	16,944	52,738
	3,088	6,947	10,035
Gross Revenue	38,882	23,891	62,773
Segmental net property income	28,377	13,541	41,918
Changes in fair value on investment properties	11,317	(8,000)	3,317
Interest income	510	307	817
Borrowing costs	(2,881)	(1,745)	(4,626)
Trust and other expenses	(2,255)	(1,561)	(3,816)
Profit before taxation	35,068	2,542	37,610
Taxation	-	-	-
Total comprehensive income attributable to unitholders	35,068	2,542	37,610
Assets			
Segment assets	377,780	214,875	592,655
Unallocated assets			
- Deposits with licensed banks			8,433
- Cash and bank balances			14,409
- Trade and other receivables			1,060
Total assets			616,557
Liabilities			
Segment liabilities	68,537	40,124	108,661
Unallocated liabilities - payables and accruals			945
Total liabilities			109,606
Other segment information			
Additions to non-current assets:			
- Investment properties	1,683	-	1,683
- Plant and equipment	117	1,396	1,513
Depreciation	44	50	94

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:-

	Group	Fund	
	2019	2019	2018
	RM'000	RM'000	RM'000
Financial assets:			
Deposit with licensed banks	-	-	8,433
Financial liabilities:			
Floating rate instrument			
Term Loan	100,169	100,169	86,975

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:

	Profit or Loss	
	25 basis point Increase RM'000	25 basis point Decrease RM'000
<u>Group</u>		
2019		
Floating rate instrument	5,544	5,044
<u>Fund</u>		
2019		
Floating rate instrument	5,544	5,044
2018		
Floating rate instrument	4,785	4,350

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.

Financial year ended 30 June 2019

Simplified approach for trade receivables

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

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

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

General 3-stage approach for other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(b) Credit risk (continued)

Financial year ended 30 June 2019 (continued)

General 3-stage approach for other receivables (continued)

The analysis of credit risk exposure of trade receivables is as follows:-

Group and Fund

	As at 30.06.2019 RM'000	0-31 days RM'000	32-61 days RM'000	62-91 days RM'000	92-121 days RM'000	122-151 days RM'000	152-181 days RM'000	>181 days RM'000
Trade receivables (gross)	483	23	27	35	8	9	-	381
Impairment	(251)	-	-	-	-	-	-	(251)
	232	23	27	35	8	9	-	130
Expected loss rate		-	-	-	-	-	-	66%

The analysis of credit risk exposure of other receivables is as follows:-

Group and Fund

	As at 30.06.2019 RM'000	0-31 days RM'000	32-61 days RM'000	62-91 days RM'000	92-121 days RM'000	122-151 days RM'000	152-181 days RM'000	>181 days RM'000
Non-trade receivables (gross)	191	122	5	2	4	3	1	54
Impairment	(41)	-	-	-	-	(1)	-	(40)
	150	122	5	2	4	2	1	14
Expected loss rate	-	-	-	-	-	33%	-	74%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(b) Credit risk (continued)

Financial year ended 30 June 2018

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.

As at 30 June 2018, trade receivables of RM1.33 million were past due but not impaired.

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

	Fund
	2018
	RM'000
Not past due:	
- 0 to 7 days	-
Past due but not impaired:	
- 8 to 31 days	420
- 32 to 61 days	271
- 62 to 91 days	173
- 92 to 181 days	241
- More than 181 days	220
	1,325
Past due and impaired	201
	1,526

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
As at 1 July	201	-
Allowance for impairment	120	235
Bad debts written off	(70)	(34)
As at 30 June	251	201

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

(c) Liquidity and cash flow risk

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

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

Cash and cash equivalents as at 30 June 2019 of RM11.6 million (2018: RM14.28 million) are expected to assist in the liquidity and cash flow risk management.

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

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	Total RM'000
<u>Group and Fund</u>					
At 30 June 2019					
Borrowings	12,071	5,292	98,682	-	116,045
Payables and accruals	10,758	9,750	-	-	20,508
<u>Fund</u>					
At 30 June 2018					
Borrowings	5,065	4,415	4,415	91,415	105,310
Payables and accruals	18,285	4,346	-	-	22,631

Note:-

The amounts are contractual and undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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:-

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Total borrowings	100,169	86,975
Total assets	629,810	616,557
Borrowings to total assets ratio (%)	15.90%	14.11%

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 2019.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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).

	Level 3	
	2019 RM'000	2018 RM'000
Recurring fair value measurements:		
Investment properties	599,300	585,000

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

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.

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Related party	Relationship
KIP REIT Management Sdn Bhd	REIT Manager
KIP REIT Capital Sdn Bhd	Subsidiary company
KIP Property Services Sdn Bhd	Common Shareholder
KIP Mart Tampoi Sdn Bhd	Common Shareholder
Genius Chance Sdn Bhd	Common Shareholder
Projek Impiana Sdn Bhd	Common Shareholder
Enrich Assets Sdn Bhd	Common Shareholder
Landasan Primamaju Sdn Bhd	Common Shareholder

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group	Fund
	2019	2018
	RM'000	RM'000
Significant related parties transactions for the financial year:		
<i>Purchases of services</i>		
1) Reimbursement cost		
- KIP Property Services Sdn Bhd	4,786	4,786
2) Management fees		
- KIP REIT Management Sdn Bhd	4,164	4,164

Significant related parties balances as at reporting date:

<i>Amounts due from</i>			
KIP Property Services Sdn Bhd	1,622	1,622	2,647
KIP Mart Tampoi Sdn Bhd	-	-	114
Genius Chance Sdn Bhd	3	3	127
Projek Impiana Sdn Bhd	-	-	282
Enrich Assets Sdn Bhd	-	-	177
Landasan Primamaju Sdn Bhd	-	-	242
KIP REIT Capital Sdn Bhd	-	109	-
<i>Amounts due to</i>			
KIP REIT Management Sdn Bhd	127	127	-
KIP Mart Tampoi Sdn Bhd	1	1	-
Landasan Primamaju Sdn Bhd	1	1	-

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

25 CAPITAL COMMITMENT

	Group and Fund	Fund
	2019	2018
	RM'000	RM'000
Authorised and contracted for within one year		
Balance of purchase consideration on proposed Kinta Acquisition (see Note 26)	197,600	-
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 KIPMall Bangi	-	1,548

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26 SUBSEQUENT EVENT

On 28 August 2018, CIMB Investment Bank Berhad announced on behalf of the Board of Directors of KIP REIT Management Sdn. Bhd., the Manager for KIP REIT ("Manager"), that Kinta City Sdn Bhd ("Vendor") accepted the offer letter from Pacific Trustees Berhad (as trustee of KIP REIT) ("Purchaser") for the Proposed Acquisition of Aeon Mall Kinta City Shopping Centre ("AMKC") at a cash purchase consideration of RM208 million ("Purchase Consideration") ("Proposed Acquisition"). KIP REIT has paid the deposit of RM10.4 million to Vendor during the financial year ended 30 June 2019.

The Proposed Acquisition entails the acquisition of a freehold land held under No. Geran 72619, Lot 320549, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak, measuring approximately 60,230 square meters in area together with a four-storey building known as AMKC and facilities constructed thereon, and having an address at 2, Jalan Teh Lean Swee, Taman Ipoh Selatan, 31400 Ipoh, Perak.

The Proposed Acquisition has been completed on 31 July 2019 following the payment of the balance Purchase Consideration which was advanced from KIP REIT's wholly owned special purpose vehicle, KIP REIT Capital Sdn Bhd ("KIP REIT Capital").

KIP REIT Capital has issued its first medium terms notes ("MTN") of RM310 million under a maiden perpetual MTN Programme of up to RM2.0 billion in nominal value on 31 July 2019. The proceeds from the first issuance under the MTN Programme was utilised to amongst others, refinanced KIP REIT's existing borrowings and part finance the Proposed Acquisition. Out of the total issuance size, RM210 million has been assigned a long-term final rating of AAA/Stable from RAM Ratings Services Bhd., while the remainder issuance size is unrated.

27 COMPARATIVE FIGURE

There are no comparative figures for Group as this is the first set of Group financial statements.

UNITHOLDERS' STATISTICS AS AT 31 JULY 2019

ANALYSIS OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Issued Units
Less than 100	29	0.85	484	0.00
100 - 1,000	563	16.50	339,747	0.07
1,001 - 10,000	1,726	50.60	8,870,300	1.76
10,001 - 100,000	869	25.48	30,798,208	6.10
100,001 to less than 5% of issued shares	222	6.51	402,315,697	79.61
5% and above of issued shares	2	0.06	62,975,564	12.46
Total	3,411	100.00	505,300,000	100.00

DIRECTORS' AND CEO UNITHOLDINGS AS AT 31 JULY 2019

No.	Name of Directors	No. of Units		No. of Units	
		Direct Interest	%	Deemed Interest	%
1	Dato' Dr Syed Hussain bin Syed Husman, JP	60,000	0.01	-	-
2	Dato' Chew Lak Seong	64,158,081	12.70	83,351,576	16.50*
3	Dato' Ong Kook Liong	63,790,483	12.62	83,351,575	16.50*
4	Datuk Mohamed Arsad bin Sehan	60,000	0.01	-	-
5	Chiam Tau Meng	-	-	-	-
6	Ong Pui Shan	100,000	0.02	-	-
7	Chew Kheng Kai	100,000	0.02	-	-
8	Chan Heng Wah (CEO)	125,000	0.02	-	-

SUBSTANTIAL UNITHOLDERS

No.	Name of Substantial Unitholders	Direct Interest		Deemed Interest	
		No. of Units	%	No. of Units	%
1	Dato' Chew Lak Seong	64,158,081	12.70	83,351,576	16.50 *
2	Dato' Ong Kook Liong	63,790,483	12.62	83,351,575	16.50*
3	Landasan Primamaju Sdn Bhd	26,462,137	5.24	35,000,000	6.93#
4	Taksim Warni Sdn Bhd	-	-	35,000,000	6.93#
5	KIP Development Sdn Bhd	-	-	26,462,137	5.24#
6	Scotsville Sdn Bhd	-	-	26,462,137	5.24#
7	Forum Technics Sdn Bhd	4,160,000	0.82	26,462,137	5.24#
8	Adamin Corporation Sdn Bhd	10,000,000	1.98	25,000,000	4.95#

* Deemed interest by virtue of his interest pursuant to Sections 8(4) and 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.

UNITHOLDERS' STATISTICS AS AT 31 JULY 2019 (CONT'D)

TOP 30 UNITHOLDERS AS AT 31 JULY 2019

NO.	NAME	HOLDINGS	%
1	CHEW LAK SEONG	33,037,781	6.54
2	ONG KOOK LIONG	29,937,783	5.92
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ENRICH ASSETS SDN BHD</i>	25,000,000	4.95
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LANDASAN PRIMAMAJU SDN. BHD.</i>	19,000,000	3.76
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	15,685,000	3.10
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	15,116,000	2.99
7	TEOH SIEW CHIN	15,000,493	2.97
8	SIEW KUI TAW	15,000,492	2.97
9	YAYASAN GURU TUN HUSSEIN ONN	15,000,000	2.97
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG</i>	14,664,500	2.90
11	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGBHK-ASING)</i>	12,500,000	2.47
12	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSHKBR-CL FR)</i>	12,500,000	2.47
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG (MARGIN)</i>	10,904,500	2.16
14	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ADAMIN CORPORATION SDN BHD (PJCAC)</i>	10,000,000	1.98
15	USAINS HOLDING SDN BHD	10,000,000	1.98
16	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND</i>	9,669,900	1.91
17	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BOCI SECURITIES LTD (CLIENTS A/C)</i>	9,550,000	1.89
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG</i>	9,000,000	1.78

UNITHOLDERS' STATISTICS AS AT 31 JULY 2019 (CONT'D)

TOP 30 UNITHOLDERS AS AT 31 JULY 2019 (CONTINUED)

NO.	NAME	HOLDINGS	%
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG (7003599)</i>	8,000,000	1.58
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)</i>	8,000,000	1.58
21	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG (MARGIN)</i>	7,890,000	1.56
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG (7003606)</i>	7,300,000	1.44
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)</i>	7,237,300	1.43
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-AHAM)(420317)</i>	6,320,000	1.25
25	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)</i>	5,965,600	1.18
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOK PICK TONG (7004042)</i>	5,500,000	1.09
27	M & A NOMINEE (TEMPATAN) SDN BHD <i>FOR LANDASAN PRIMAMAJU SDN BHD</i>	5,462,137	1.08
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (LIFE PAR)</i>	5,439,200	1.08
29	BERNARD CHANG TZE WAH	5,100,000	1.01
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (PRINCIPAL EQITS)</i>	4,829,600	0.96
TOTAL		358,610,286	70.95

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, Block B,
Tingkat 6, Menara KIP No. 1,
Jalan Seri Utara 1 Sri Utara Off Jalan Ipoh
68100 Kuala Lumpur, Malaysia
Telephone No. : +603 6259 1133 ;
+603 6259 6633
Facsimile No. : +603 6259 1212
E-mail : info@kipreit.com.my
Website : www.kipreit.com.my

DIRECTORS OF THE MANAGER

Dato' Dr Syed Hussain bin Syed Husman, JP
Chairman and Senior Independent Non-Executive
Director

Dato' Chew Lak Seong
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 Chiam Tau Meng
Independent Non-Executive Director

Mr Chew Kheng Kai
Non-Independent Non-Executive Director

Ms Ong Pui Shan
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Dato' Dr Syed Hussain bin Syed Husman, JP
(Chairman)
Dato' Chew Lak Seong
Datuk Mohamed Arsad bin Sehan

NOTICE OF THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Unitholders of KIP Real Estate Investment Trust ("KIP REIT") will be held at Carme Room, KIP Hotel, No. 77, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur on Wednesday, 25 September 2019 at 10.30 a.m. to transact the following businesses:-

ORDINARY BUSINESS

- To lay the Audited Financial Statements of KIP REIT for the financial year ended 30 June 2019 together with the Trustee's Report to the Unitholders issued by Pacific Trustees Berhad, as trustee for KIP REIT and Statement by the Manager issued by KIP REIT Management Sdn Bhd, as the Manager for KIP REIT and the Auditors' Report thereon.

*Please refer to
Explanatory
Note I*

SPECIAL BUSINESS

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

- 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 505,300,000 units;

AND 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");

AND 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;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of KIP REIT, to 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 THIRD 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 of
KIP REIT Management Sdn Bhd (1169638-M)**
(the Manager for KIP REIT)

Foo Siew Loon (MAICSA7006874)
Company Secretary

Kuala Lumpur
28 August 2019

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 24 September 2019 at 10.30 a.m. being 24 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only Unitholders registered in the Record of Depositors as at 19 September 2019 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 Ordinary Resolution set out in the Notice of Third Annual General Meeting will be put to vote by way of poll.
8. Annual Report 2019 is available on KIP REIT's website www.kipreit.com.my which Unitholders can view or download at their convenience.

NOTICE OF THIRD 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 Guidelines on Listed Real Estate Investment Trusts ("REITs Guidelines") are meant for discussion only. The Audited Financial Statements do not require approval of the Unitholders and therefore, shall not be put forward for voting.

(II) Special Business

The Ordinary Resolution, if passed, 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 meeting to approve such issue of New Units to raise funds can be avoided.

The Directors of the Manager may, subject to relevant laws and regulations, use the net proceeds from the issuance of New Units under the Proposed Authority as 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.

KIP REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the Trust Deed 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)

FORM OF PROXY

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 Third Annual General Meeting of KIP REIT to be held at Carme Room, KIP Hotel, No. 77, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur on Wednesday, 25 September 2019 at 10.30 a.m. and at any adjournment thereof.

* 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 _____ 2019

Signature of Unitholder/Common Seal (if Unitholder is a Corporation)

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 24 September 2019 at 10.30 a.m. being 24 hours before the time appointed for holding the meeting or any adjournment thereof.
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8. Annual Report 2019 is available on KIP REIT's website www.kipreit.com.my which Unitholders can view or download at their convenience.

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*AFFIX
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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

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KIP REAL ESTATE INVESTMENT TRUST

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

Unit B-6, Block B, Tingkat 6, Menara KIP No. 1,
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T +603 6259 1133 F +603 6259 1212
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