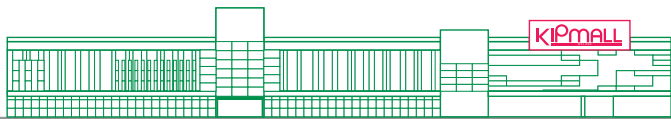
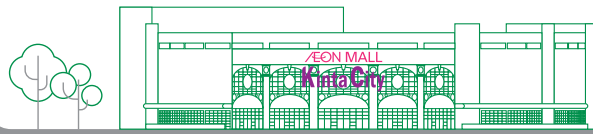
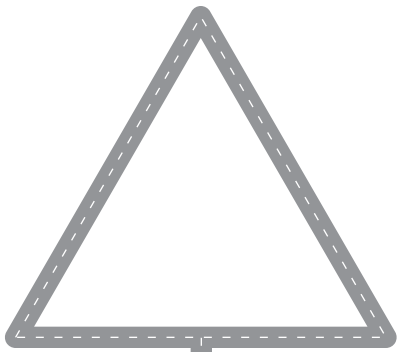


KIP REIT™



2020 ANNUAL REPORT

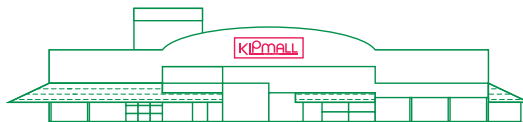
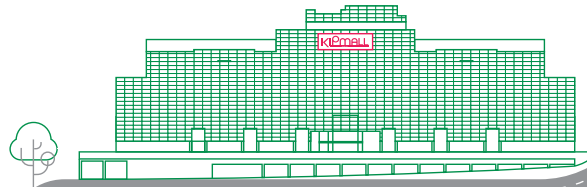


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Disclaimer: This annual report, prepared by the Manager for KIP Real Estate Investment Trust may contain certain forward-looking statements and is prepared based on the Manager's current view of future events that may involve certain assumptions, risks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

OUR VISION, MISSION, CORE VALUES

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 regular and stable returns for our investors with a steady stream of distribution income generated by our unique portfolio of assets.

For our business partners

We see our tenants as our business partners. We are building a platform for our business partners to expand their enterprises together with us, be it local SMEs or established brands.

For our shoppers

We want our shoppers to feel at home in our community-centric malls, where they can access their daily necessities and create long-lasting memories.

For our employees

We treat our people with utmost respect. We are committed to training our employees to reach their full potential professionally and growing together as a team.

For our community

We are committed to promoting efficient environmental practices and supporting economic and social development.

CORE VALUES

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

Know-how

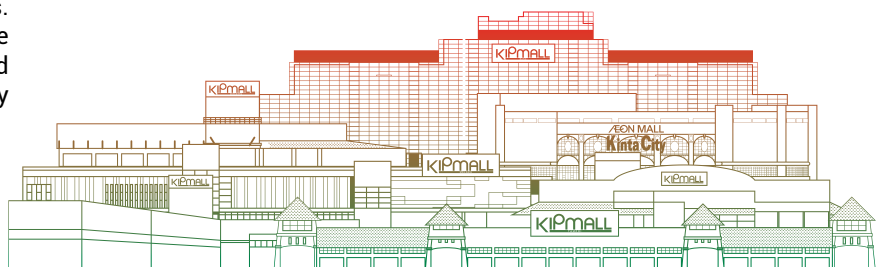
We are committed to leveraging our core capabilities in identifying investment opportunities and management of our properties to ensure that we maximise value creation for all of our stakeholders. Our management team takes pride in making carefully considered decisions to deliver high-quality investments.

Integrity

We are driven by 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.

People

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



CORPORATE PROFILE AND STRATEGIC DIRECTION

KIP Real Estate Investment Trust ("KIP REIT") is a Malaysia-domiciled real estate investment trust established on 2 November 2016 pursuant to the deed of trust dated 2 November 2016 and as amended by the Restated Trust Deed dated 12 December 2019 (collectively, "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 Malaysia") on 6 February 2017 and regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts ("SC's REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia 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 2020, KIP REIT has a market capitalisation of approximately RM401.7 million and a portfolio independently valued at RM807.0 million.

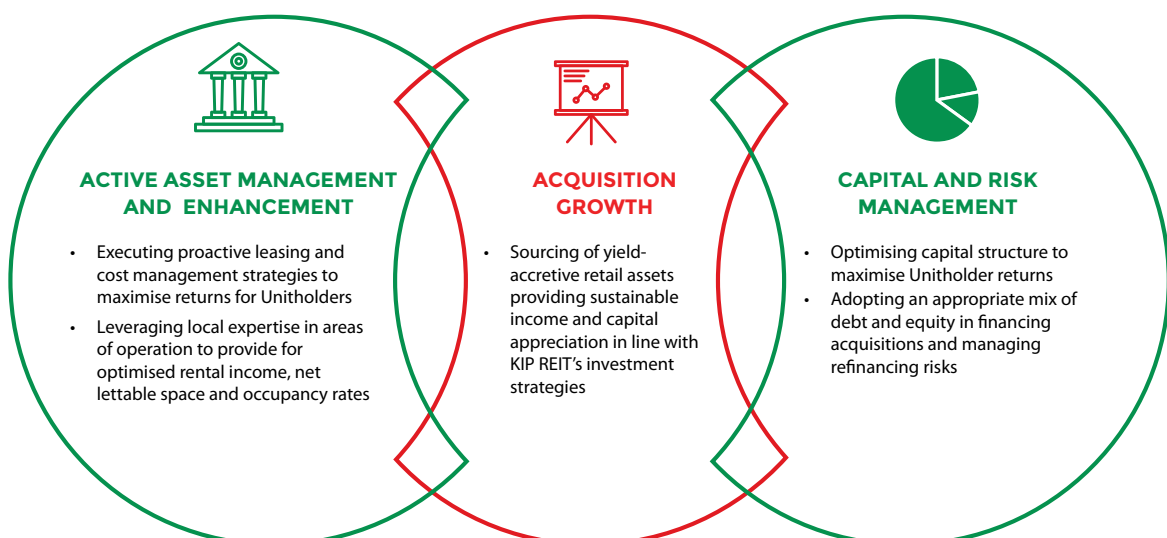
KIP REIT's property portfolio consists of six community-centric KIPMalls strategically located in suburban areas across Malaysia, specifically in Tampoi, Masai, Kota Tinggi, Melaka, Senawang and Bangi. On 31 July 2019, KIP REIT successfully acquired AEON Mall Kinta City and expanded its property portfolio to Perak.

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 Policy

- (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 the 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.



CORPORATE MILESTONES

2016

- Formation of KIP REIT on 02 November 2016
- Launching of IPO Prospectus on 30 December 2016

2017

- Successfully listed on the Main Market of Bursa Malaysia
- Distribution policy is changed from semi-annual basis to quarterly basis

2018

- Completion of installation of 2,730 kWp solar photovoltaic system in all six KIPMalls on a joint-venture basis with Pekat Solar Sdn. Bhd.
- Asset Enhancement Initiative in KIPMall Tampoi totalling RM1.7 million for the upgrading of fire protection systems
- Signed SPA to acquire AEON Mall Kinta City for RM208.0 million on 30 November 2018

2019

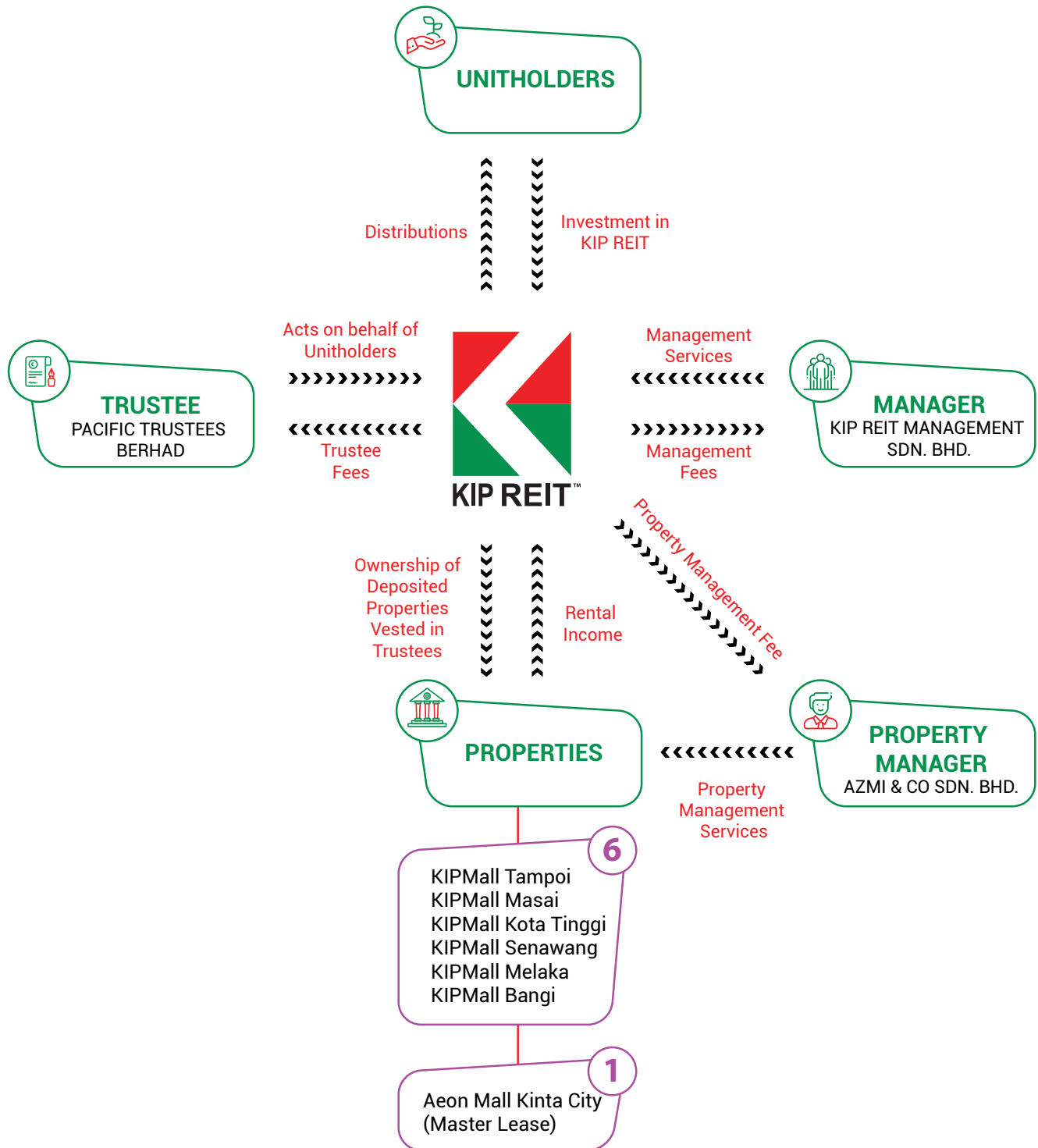
- Lodged Medium Term Notes ("MTN") Programme with the SC on 27 June 2019 – MTN Programme carries RM2.0 billion in nominal value and has a perpetual tenure
- Maiden issue of RM310.0 million MTN with a rated portion of RM210.0 million and an unrated portion of RM100.0 million.
- Ratings Agency Malaysia assigned a long term final rating of AAA/stable for the rated portion
- Successful implementation of KIPMall's rebranding exercise: KiP Mart is now KIPMall
- Asset Enhancement Initiative ("AEI") in KIPMall Bangi totalling RM3.0 million for the upgrading of the chiller systems

2020

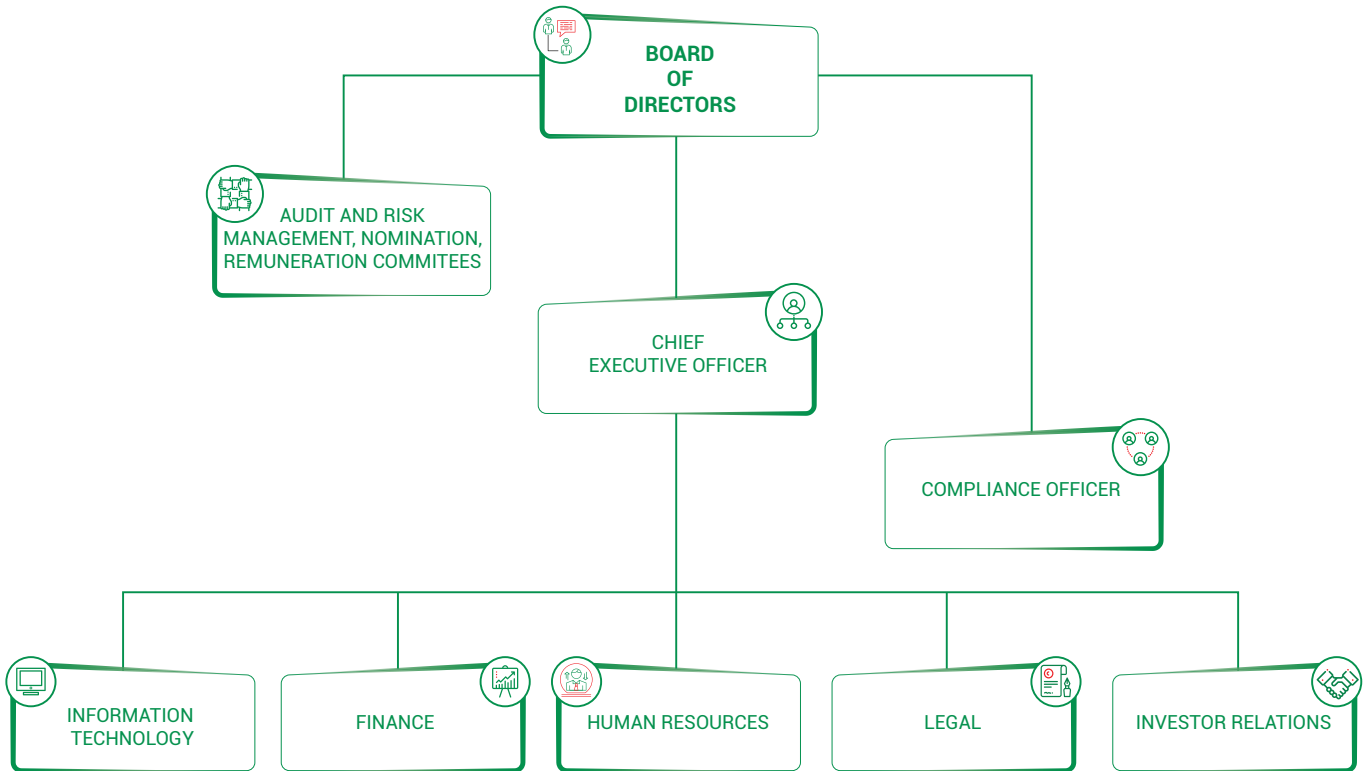
Q1	Q2	Q3	Q4
Declared distributable income of RM6.9 million and DPU of 1.37 sen for Q1 2020	Declared distributable income of RM8.9 million and DPU of 1.76 sen for Q2 2020	Declared distributable income of RM7.7 million and DPU of 1.52 sen for Q3 2020	Declared distributable income of RM7.7 million and DPU of 1.53 sen for Q4 2020
Completion of AEON Mall Kinta City acquisition	Executed Restated Trust Deed dated 12 December 2019 in line with amendments to SC's REIT Guidelines		Implementation of Policies and Procedures in line with Section 17A of Malaysian Anti-Corruption Commission 2009

- AEI in KIPMall Senawang totalling RM600,000 for renovation works to welcome Malaysia's first KFC drive-through attached to a shopping centre

REIT STRUCTURE



ORGANISATION STRUCTURE



FUND INFORMATION

ITEM	DESCRIPTION
Name of REIT	KIP REIT
REIT Type	Income stability and growth
Deed	Deed dated 2 November 2016 as amended by the Restated Deed dated 12 December 2019
The Manager	KIP REIT Management Sdn. Bhd. (Reg. No. 201501044317 (1169638-M))
The Trustee	Pacific Trustees Berhad (Reg. No. 199401031319 (317001-A))
Duration and Termination Date of REIT	<p>The earlier of:</p> <ul style="list-style-type: none"> » the occurrence of Termination Events as listed in the Restated Deed; » the date 999 years after the date of registration of the Restated Deed; or » the date on which the Fund is terminated by the Manager as set out in the Restated Deed
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 (ii) Acquisition growth (iii) Capital and risk management
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 SC Malaysia.

FUND INFORMATION (CONT'D)

ITEM	DESCRIPTION
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 75.0% of KIP REIT's Total Asset Value ("TAV") must be invested in Real Estate and/or SPVs at all times; and (ii) not more than 25.0% of KIP REIT's TAV 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 TAV; (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 TAV; 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.
Borrowing Limits	Up to 50% of the TAV 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 a financial year pursuant to Clause 10.02 of the SC's REIT Guidelines.

LETTER TO UNITHOLDERS

Dear Unitholders,

As we reflect upon the financial year ended 30 June 2020 ("FY2020"), we are reminded of the need for unity within our communities. While the global Covid-19 pandemic has brought on expedient changes to our world, we witnessed how our communities joined forces to embrace new norms during these unprecedented times. As the Manager of KIP REIT, we are humbled by the sacrifices and selfless dedication of essential workers, from front-liners to social workers, from police forces to custodial staff. We would also like to extend our appreciation to KIP REIT's valued tenants, many of whom as Small Medium Enterprises ("SMEs") and the very heart of our economy, continue to serve as pillars of our communities. At the core of it, we understand that every party has a role to play in this road to recovery, and we too will strive to serve our unitholders and customers as our number one priority.

During the period under the Recovery Movement Control Order, it is encouraging to see some semblance of normalcy returning to the economy, albeit at a muted rate and with the adherence to social distancing measures. However, chances are our society and the business environment will not be the same again in the foreseeable future. Some industries and trades may see their decline whereas others will learn from this experience and emerge stronger and more resilient. These are turbulent times that we are in, but our unique proposition as a fund investing in community-centric malls focused on daily necessities have assisted us in navigating through these trying times. In fact, as we will elaborate below, our mission and our drive are the very foundation to our comparatively stable results within the industry. As the economic fallout from the Covid-19 pandemic deepens into the coming year, it is evident that flexibility and adaptability to change will be crucial to the success of businesses. The silver lining is that from this unprecedented crisis, opportunities will arise. As the Manager of KIP REIT, we will explore such opportune changes to bring KIP REIT to newer heights.

Year in Review

As business partners to the tenants of KIP REIT's assets, we believe that it is our duty to support them during these unprecedented times. Many of these tenants remained operational as part of essential services during the critical weeks of the Movement Control Order, whilst the majority of the tenants resumed their businesses during the period under Conditional Movement Control Order. With social distancing rules and more stringent sanitisation processes put in place, we are proud to report that to the best of our knowledge none of our tenants or employees have contracted the coronavirus thus far. Additionally, to further promote the long-term sustainability of our business partnerships, we have provided rental rebate schemes or rental deferment to eligible tenants on a case by case basis as additional support to our tenants.

Against this backdrop, the Manager of KIP REIT will continue to leverage our expertise in executing strategies to promote growth of the Fund, enhancing the existing property value and effective cost management. We are proud to announce that the year under review saw some significant achievements by the Fund from the first quarter of FY2020. KIP REIT continues to grow three years into the listing on the Main Market of Bursa Securities Malaysia Berhad. The acquisition of AEON Mall Kinta City ("AMKC") was completed on 31 July 2019, increasing the total asset value to RM841.8 million. This acquisition was funded by our maiden issue of Medium Term Notes ("MTN") through KIP REIT's wholly owned subsidiary, KIP REIT Capital Sdn. Bhd., with the nominal value of RM310.0 million, comprised of RM210.0 million AAA long-term rated class A notes, as reaffirmed in July 2020 by RAM Ratings based on a stable outlook, and an unrated portion of RM100.0 million benefitting from lower borrowing costs from Bank Negara Malaysia's Overnight Policy Rates cut to 1.75% as at the date of writing.

In addition to the acquisition of AMKC which provided incremental growth in revenue and net property income, the essentials-focused leasing strategy of KIP REIT's assets have also contributed to our relative resilience to the Covid-19 pandemic. During FY2020, we welcomed the beginning of many new partnerships with tenants who continue to invigorate the communities with a fresh variety of daily necessities and choices to exciting eateries. That being said, we were not spared of the adverse impact of Covid-19, with rental rebates and rental deferments being offered to temporarily assist our valued tenants and a slight decline in occupancy at KIPMalls due to dampened consumer demand. Nonetheless, KIP REIT recorded a 18.2% year on year growth in revenue and 33.5% growth in Net Property Income but this is mostly attributed to the incremental revenue from AMKC. As the Manager of KIP REIT, we are confident that the strength of KIP REIT's community centric malls as platforms for SMEs to market their daily necessities would yield positive outcomes in the mid to long term.

LETTER TO UNITHOLDERS (CONT'D)

Prudent capital and cost management continue to be important elements to the management of KIP REIT. In addition to the aforementioned MTN Programme that sought to improve KIP REIT's capital management, a 12.3% decline in property expenses was also recorded in FY2020 in pursuit of streamlining operational costs against these challenging market conditions. We will also continue to keep a close eye on our cash flow as a priority in view of the unpredictability of the economy in the immediate future.

As active participants within the KIP REIT community, we believe that it is our duty to further promote sustainability whether it be environmental, social or in terms of governance. With increasing changes to the economic environment, now more so than ever the focus on sustainability is becoming an important pillar for successful management. We would like to take this opportunity to highlight some of our achievements on these three fronts. Environmentally, our Solar Photovoltaic System has yielded great results during FY2020, with our carbon footprint being reduced by 2,654.4 tonnes per annum. Socially, we have also embarked on a partnership to empower the Somali Women Association Malaysia with skills to support their livelihoods. Finally, acting in the capacity of REIT Manager, we have also put in place Anti-Bribery Management Systems in line with the coming into force of Section 17A of the Malaysian Anti-Corruption Act 2009.

Taking all of the above into consideration, the Board of Directors has reviewed KIP REIT's distribution policy and is proud to declare a final distribution of 1.53 sen per unit, bringing the total annual distribution per unit to 6.18 sen or RM31.2 million in total sum. This translates to an annualised yield of 7.8% based on KIP REIT's closing unit price of RM0.795 as at 30 June 2020, which yet again places KIP REIT among one of the most yield accretive M-REITs.

Looking Ahead

Finally, we are confident that better days are ahead of us despite this new and daunting situation we are faced with today. With our unitholders, tenants and shoppers in mind, we will continue to carve out new opportunities and channel our efforts into ensuring that KIP REIT's properties are properly managed with our expertise in asset management and our prudent cost and capital management. Undeniably, the retail sector will be adversely impacted during this period, but we strongly believe there is an opportunity in every crisis. We will continue to leverage our strengths in the management of KIP REIT but we will also simultaneously explore and capitalise on opportunities that come our way.

Moving forward, we expect disruptions to the business environment will continue in the immediate term. While we will remain vigilant and monitor the economic fallout from the Covid-19 pandemic, we are also determined to take this time as a learning experience. We are driven to take on the challenges which lie ahead and use this as an opportunity to embrace changes and to emerge stronger. With that, we would like to invite you to join us at KIP REIT's first ever virtual Annual General Meeting via remote participation. We hope you are as excited to participate in our journey as we are.

Yours faithfully,

Dato' Dr Syed Hussain bin Syed Husman, JP
Chairman

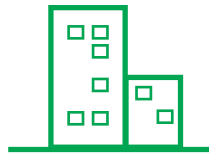
QUICK HIGHLIGHTS



GROSS REVENUE

74,540,000
(FY 2020)

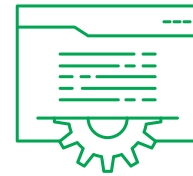
(FY2019: 63,065,000)



NET PROPERTY INCOME

56,018,000
(FY 2020)

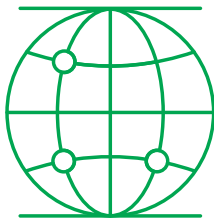
(FY2019: 41,953,000)



ASSET UNDER MANAGEMENT

807,000,000
(FY 2020)

(FY2019: 599,300,000)



NET LETTABLE AREA

1,478,046
(FY 2020)

(FY2019: 937,190)



AVERAGE OCCUPANCY

90.7%
(FY 2020)

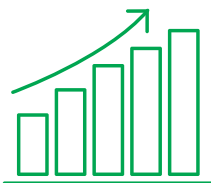
(FY2019: 87.8%)



DISTRIBUTION PER UNIT

6.18 ^{sen}
(FY 2020)

(FY2019: 6.03)



DISTRIBUTION YIELD

7.8%
(FY 2020)

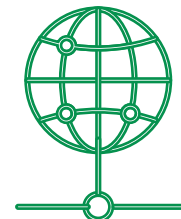
(FY2019: 7.2%)



NET ASSET VALUE PER UNIT

RM1.0090
(FY 2020)

(FY2019: 1.0076)



MARKET CAPITALISATION

401,713,500
(FY 2020)

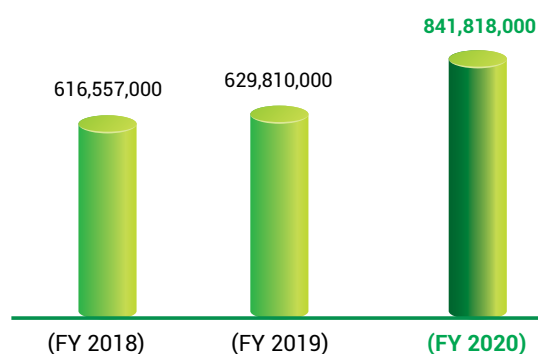
(FY2019: 424,452,000)

2020

FINANCIAL HIGHLIGHTS

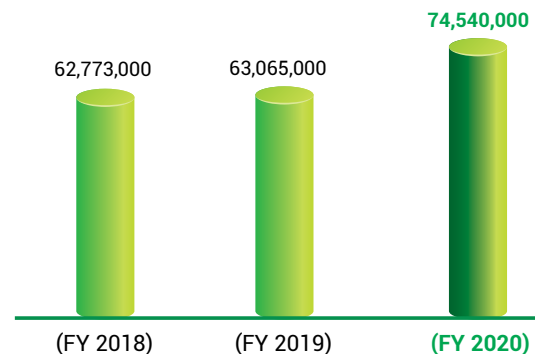
TOTAL ASSETS

RM



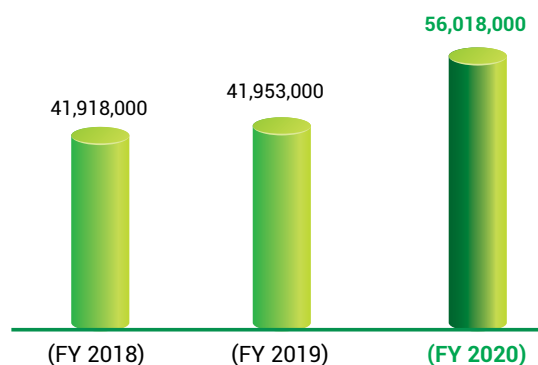
GROSS REVENUE

RM



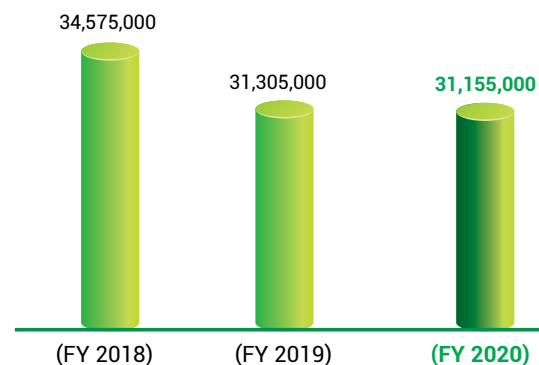
NET PROPERTY INCOME

RM



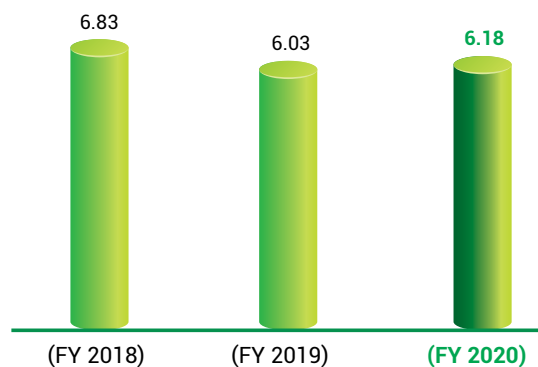
DISTRIBUTABLE INCOME

RM



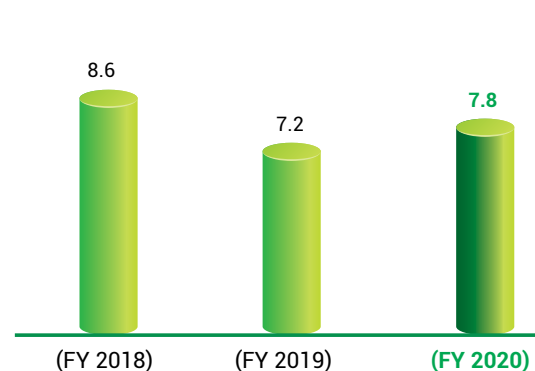
DISTRIBUTION PER UNIT

Sen



DISTRIBUTION YIELD

%



MANAGEMENT DISCUSSION AND ANALYSIS

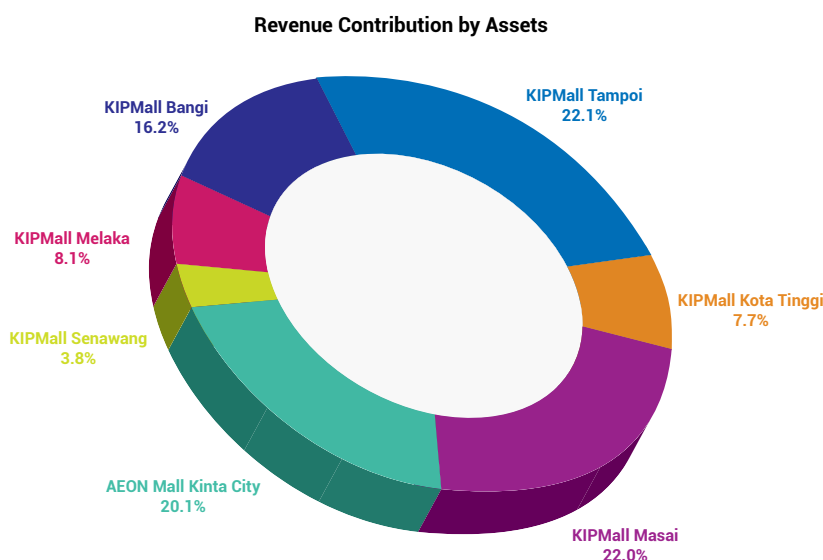
Financial Review

In FY2020, KIP REIT persevered through the challenges presented to Malaysia's macroeconomic environment by leveraging its strengths of its portfolio. The Fund recorded a gross revenue growth of 18.2% to RM74.5 million mainly attributed to the contribution from AEON Mall Kinta City. Net property income rose by 33.5% to RM56.0 million and Realised Profit Before Taxation also saw an increase by 3.8% to RM31.9 million. Despite dampened economic activities, KIP REIT achieved a Distribution Per Unit ("DPU") of 6.18 sen, translating to an annualised distribution yield of 7.8% based on its closing unit price of RM0.795 on 30 June 2020. The global Covid-19 pandemic continues to introduce a degree of uncertainty on the economy as a whole. However, KIP REIT is confident that careful management of its portfolio of community-centric malls would yield positive outcomes.

Key Financials	FY2020 RM'000	FY2019 RM'000	FY2018 RM'000
Gross Revenue	74,540	63,065	62,773
Net Property Income	56,018	41,953	41,918
Borrowing Costs	(14,117)	(5,292)	(4,626)
Profit Before Taxation	31,883	34,049	37,610
Realised Profit	31,851	30,692	34,293
Unrealised Profit	32	3,357	3,317
DPU (sen)	6.18	6.03	6.83
Distribution Yield (%)	7.8	7.2	8.5
Management Expenses Ratio ("MER") (%)	2.1	1.3	0.8

Gross Revenue

KIP REIT recorded an 18.2% year-on-year growth in gross revenue of RM74.5 million in FY2020, as compared with FY2019, driven by the incremental income from the acquisition of AEON Mall Kinta City. The acquisition of AEON Mall Kinta City contributed to 20.1% of the total gross revenue recorded for FY2020 and is managed through a triple-net-lease with AEON Co. Sdn. Bhd. as the Master Lessee.



While KIP REIT has recorded an 18.2% year-on-year growth in revenue, there has been a slight decline in gross revenue across the six KIPMalls. This is predominantly due to the rental rebates scheme provided to eligible tenants as a form of assistance to weather out the Covid-19 pandemic. The Manager will continue to monitor the situation and focus its leasing strategies accordingly but remains confident that consumer sentiments, particularly in retail of essential products, will recover as the pandemic becomes contained. It is further noted that KIPMall Bangi's decline in gross revenue is attributed to temporary leasing measures and asset enhancement initiatives being taken on existing lots. These strategies are aimed at improving upon the asset and to encourage higher occupancy rate and rental income in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Gross Revenue by Assets	FY 2020 RM'000	FY2019 RM'000	FY2018 RM'000
KIPMall Tampoi	16,455	16,903	16,233
KIPMall Kota Tinggi	5,740	5,983	6,195
KIPMall Masai	16,388	16,461	16,454
KIPMall Senawang	2,821	2,853	3,150
KIPMall Melaka	6,064	6,457	5,657
KIPMall Bangi	12,090	14,408	15,084
AEON Mall Kinta City	14,982	-	-
Total	74,540	63,065	62,773

Gross revenue has increased in its totality as a result of the acquisition of AEON Mall Kinta City during FY2020. However, KIPMalls saw slight decline in revenue across assets during FY2020 as a result of the Covid-19 pandemic as rental rebates were granted to tenants deemed non-essential under the guidelines of the Prime Minister's Office, coupled with lower take-up of promotional space during this festive season on the back of the pandemic. The Manager remains confident that the containment of the pandemic will bring about economic recovery in the medium term.

Net Property Income

Net Property Income for FY2020 increased by 33.5% to RM56.0 million as compared that of the previous year of RM42.0 million. This is mainly attributed to the additional gross revenue from AEON Mall Kinta City and greater operating cost efficiencies across all six KIPMalls.

Property Operating Costs by Assets	FY 2020 RM'000	FY2019 RM'000	FY2018 RM'000
KIPMall Tampoi	3,526	4,111	4,269
KIPMall Kota Tinggi	1,881	2,249	2,282
KIPMall Masai	3,552	3,898	3,953
KIPMall Senawang	1,774	2,033	2,034
KIPMall Melaka	3,423	4,003	3,786
KIPMall Bangi	3,787	4,818	4,531
AEON Mall Kinta City	579	-	-
Total	18,522	21,112	20,855

Borrowing Costs

During FY2020, KIP REIT through its wholly owned subsidiary KIP REIT Capital Sdn. Bhd. successfully issued RM310.0 million in nominal value of MTN pursuant to KIP REIT's MTN Programme of up to RM2.0 billion value with a perpetual term. The proceeds of the MTN were used to fund the acquisition of AEON Mall Kinta City and refinance the existing portfolio as an exercise to strengthen KIP REIT's financing maturity profile and reduce KIP REIT's exposure to financing risks. Following the cut in Overnight Policy Rate to 1.75 percent as announced by Bank Negara Malaysia, KIP REIT's borrowing costs were accordingly reduced on the unrated portion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Distributions

For FY2020, KIP REIT declared four quarterly income distributions with DPU of 6.18 sen totalling RM31.2 million, representing approximately 100.0% of current year realised distributable income. This translate to a distribution yield of 7.8% based on KIP REIT's closing unit price of RM0.795 as at 30 June 2020.

Income distribution	Quarter ended	Date declared	Distribution per unit	Payment date
1st interim	30 Sep 2019	16 Oct 2019	1.37	14 Nov 2019
2nd interim	31 Dec 2019	16 Jan 2020	1.76	14 Feb 2020
3rd interim	31 Mar 2020	23 Apr 2020	1.52	29 May 2020
Final	30 Jun 2020	29 July 2020	1.53	27 Aug 2020
			6.18	

Key Financial Position

Following a year of consistent results, KIP REIT presents another year of healthy balance sheet preparing itself to achieve its growth targets in the mid to long term.

Key Highlights	As at 30 Jun 20	As at 30 Jun 19	As at 30 Jun 18	As at 30 Jun 17
Investment Properties, RM'000	807,000	599,300	585,000	580,000
Total Asset Value, RM'000	841,818	629,810	616,557	612,913
Trade Receivables, RM'000	1,961	483	1,325	2,533
Borrowings, RM'000	312,427	100,169	86,975	86,786
Net Asset Value ("NAV")				
Before Income Distribution, RM'000	541,016	541,018	542,059	509,451
After Income Distribution, RM'000	509,839	509,133	506,951	504,398
Gearing (%)	37.1	15.9	14.1	14.2
Unit Price RM	0.795	0.840	0.800	0.920
Market Capitalisation, RM'000	401,714	424,452	404,240	464,876
Unit in Circulation, RM'000	505,300	505,300	505,300	505,300
NAV per Unit, RM	1.0090	1.0076	1.0033	0.9982

Investment Properties Portfolio

The acquisition of AEON Mall Kinta City has increased the Fund's total assets to RM841.9 million as compared to RM629.8 million. KIP REIT's investment properties represent approximately 95.9% of TAV and are stated at fair value based on valuations performed by independent professional valuer, CBRE|JTW. Based on the valuation reports dated 08 July 2020 issued by CBRE|JTW, the fair value of the investment properties as at 30 June 2020 was RM807.0 million.

Investment Properties	Carrying value before revaluation RM'000	Market value RM'000	Unrealised gain / (loss) RM'000
KIPMall Tampoi	163,468	163,000	(468)
KIPMall Kota Tinggi	56,668	56,000	(668)
KIPMall Masai	167,700	168,000	300
KIPMall Senawang	28,581	25,000	(3,581)
KIPMall Melaka	49,000	48,000	(1,000)
KIPMall Bangi	134,571	130,000	(4,571)
AEON Mall Kinta City	206,980	217,000	10,020
	806,968	807,000	32

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

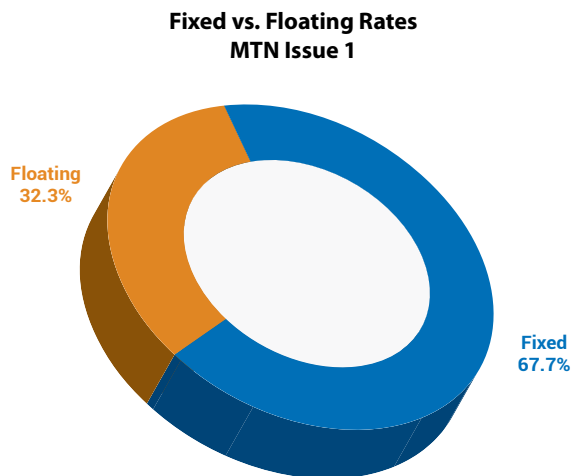
Following the appropriate accounting treatment, KIP REIT's investment portfolio recorded an unrealised gain of RM32,000. While there is variance of a 99.1% decline in unrealised against FY2019, it is noted that a prudent approach is taken by the independent valuer CBREJWTV in evaluating future earnings taking into consideration of the Covid-19 impact and the economic conditions. The Manager remains confident that economic recovery on the back of the pandemic containment will be reflected accordingly.

Trade Receivables

The second half of FY2020 presented the retail industry with challenges as a result of the Covid-19 pandemic with the dampening of consumer sentiments. As a result, there has been a deterioration of trade receivables, which increased by RM1.5 million as compared with the prior year which saw significant improvements due to greater credit control procedures. However, the Manager will continue to monitor the situation and enforce credit controls taking into consideration of the economic environment.

Total Borrowings

During FY2020, KIP REIT's subsidiary, KIP REIT Capital Sdn. Bhd. issued its first MTN with a nominal value of RM310.0 million with a perpetual term of up to RM2.0 billion MTN Programme. The exercise was taken to optimise the Fund's capital structure, to reduce its exposure to financing risks and to strengthen its debt maturity profile. Following the cuts in the Overnight Policy Rate announced in FY2020, KIP REIT has benefitted from reduced financing costs with the blended effective rate being improved.



The proceeds of the first issuance were used in part to finance the acquisition of AEON Mall Kinta City, and in part to refinance existing facilities. This exercise increased the gearing ratio to 37.1% but remains below the threshold of 50% pursuant to paragraph 8.32 of the SC's REIT Guidelines.

NAV Per Unit

KIP REIT's NAV per unit before and after income distribution stood at RM1.0707 and RM1.0009 respectively.

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 Jun 20	As at 30 Jun 19	As at 30 Jun 18
Borrowing	312,427	100,169	86,975
TAV	841,818	629,810	616,557

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Cash Flows and Liquidity

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

Performance benchmarks

Benchmark	FY2020	FY2019	Commentary
(i) MER	2.1%	1.3%	MER in FY2020 is higher on the back of one-off expenses of RM3.5 million in relation to the acquisition of AEON Mall Kinta City.
(ii) Total return	2.4%	12.2%	Market volatility resulting from the Covid-19 pandemic has resulted in movements in the closing unit price during the year. However, distribution yield has seen a slight increase as shown below.
(iii) Average Total Return (3 years)	1.1%	N/A	FY2020 marks the first year in which the three years average total return is calculated with the anniversary of three full years of results.
(iv) Distribution yield	7.8%	7.2%	Distribution yield has increased by 0.6 percentage points due to increase in higher DPU and a decline in the closing unit price for FY2020.
(v) NAV per unit (after income distribution)	RM1.009	RM1.008	NAV per unit increased due to increase in net realised profit during the year 2.5%.
(vi) Unit price (at year end)	RM0.795	RM 0.840	The unit price of KIP REIT saw a slight decline by 5.4% which is in tandem to overall market sentiment on the back of increased uncertainty due to the Covid-19 impact.

- i. The ratio of expenses incurred in operating KIP REIT of RM10.6 million (FY2019: RM6.5 million) to the average NAV of KIP REIT of RM509.5 million (after income distribution) (FY2019: RM508.0 million).
- ii. Total return represents the change in unit price during the year plus distribution yield for the year.
- iii. Average total return is the sum of the return rates of KIP REIT over a given number of years divided by that number of years.
- iv. Based on DPU of 6.18 sen (FY2019: DPU of 6.03 sen) divided by its closing unit price as at 30 June 2020 of RM0.795 (30 June 2019: RM0.84).
- v. NAV of KIP REIT is determined by deducting the value of all KIP REIT's liabilities from the total asset value, divided by total issued units.
- vi. Unit price is determined based on the unit price as at 30 June 2020 for FY2020 and 30 June 2019 for FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Operations Review

Despite the macroeconomic conditions during the financial year under review, KIP REIT continued to leverage its strengths in providing a platform for the neighbouring communities to access their daily necessities. While the second half of FY2020 saw increased uncertainties due to the global Covid-19 outbreak and softer consumer sentiments, KIP REIT's investment properties remain committed to providing local communities with a shopping destination for their daily essentials. FY2020 proved to be a significant year for several properties including KIPMall Bangi, KIPMall Senawang and KIPMall Tampoi which completed some AEs aimed at further improving upon customer experience. KIPMall Bangi has undergone significant improvements including the completion of the drop-off point, major maintenance work on customer lifts and AEI performed in line with reconfigure the layout for greater shopper flow.

FY2020 also saw some notable tenants taking up tenancies at respective KIPMalls, which was aimed at bringing fresh experiences to the surrounding communities. For example, KIPMall Bangi welcomed Jalan Jalan Japan's fifth outlet during the first half of FY2020, a superstore focused on providing pre-loved goods from Japan to its shoppers. KIPMall Senawang, on the other hand, also underwent significant AEI works to welcome KFC's first drive-through services in Malaysia attached to a shopping mall. Additionally, with the acquisition of AEON Mall Kinta City, KIP REIT has also embarked on a new journey with Master Lessee AEON Co. Sdn. Bhd. on a triple-net-lease basis. AEON Mall Kinta City will continue to serve its local community with its offerings of daily necessities.

Portfolio Lease Expiry Profile and Lease Renewals

As at 30 June 2020, 1,313,072 square feet of the 1,478,046 square feet of total Net Lettable Area ("NLA") was let out, representing an 88.8% of NLA being occupied. The tenancy expiry profile of the investment properties are as follows:

Period	Number of Tenancies	Percentage of Occupied NLA Expiring	Percentage of Gross Rental Income Expiring
FY2021	641	34.6%	50.2%
FY2022	183	9.4%	17.0%
FY2023	25	15.3%	8.3%
FY2024	5	0.2%	0.1%
FY2025	-	0.0%	0.0%
FY2026	1	40.4%	24.4%
	855	100.0%	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

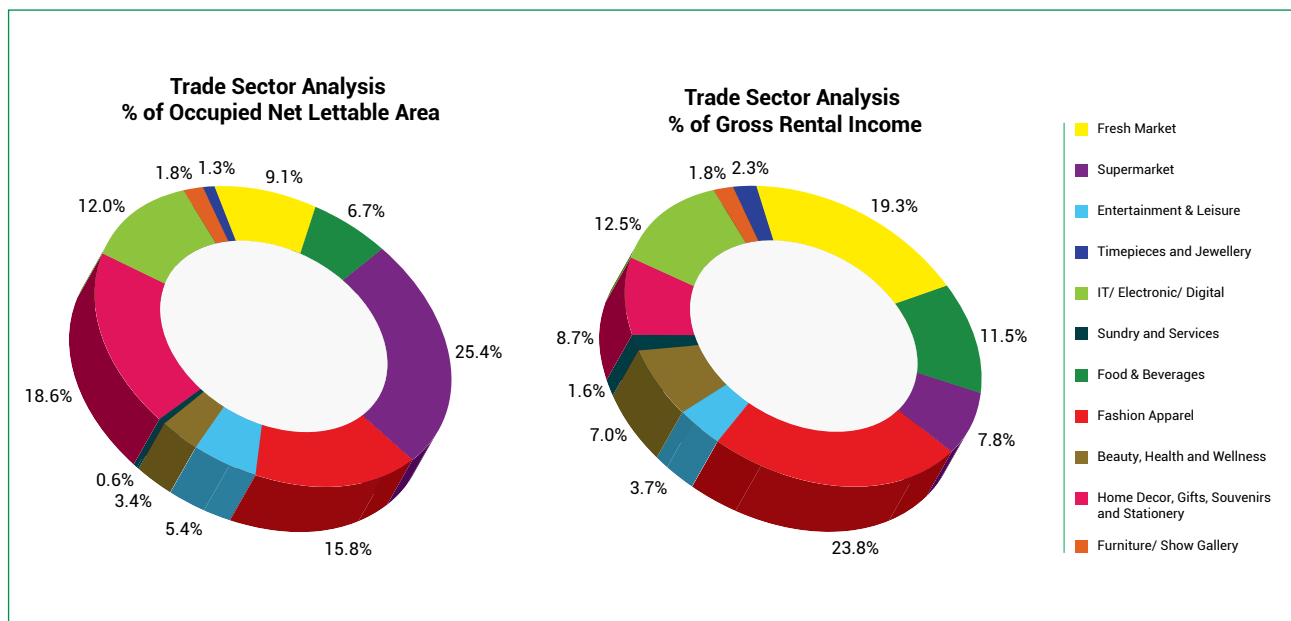
Occupancy Rate

In the management of KIP REIT's portfolio, the Manager seeks to strike an appropriate balance between occupancy and rental rates to encourage long-term sustainability of business partnerships with tenants. Despite increasing uncertainties due to the Covid-19 pandemic, KIP REIT recorded an increase in its overall average occupancy rate to 90.7% as compared with 87.8%, mainly attributed to its adoption of a proactive leasing strategy to encourage stability in occupancy. Moving forward, the Manager will continue to monitor and adapt its leasing strategy accordingly to encourage stable occupancies at all properties such that shopper traffic can be sustained through the economic cycle.

Average Occupancy rate	FY2020	FY2019	FY2018	FY2017
KIPMall Tampoi	97.4%	97.7%	96.2%	94.0%
KIPMall Kota Tinggi	92.8%	91.3%	92.8%	93.9%
KIPMall Masai	95.4%	93.7%	94.7%	89.8%
KIPMall Senawang	80.9%	79.5%	80.6%	77.7%
KIPMall Melaka	76.6%	80.6%	69.1%	75.4%
KIPMall Bangi	78.6%	86.0%	83.3%	78.3%
AEON Mall Kinta City	100.0%	N/A	N/A	N/A
	90.7%	87.8%	85.0%	83.3%

Trade Sector Analysis

The trade mix for KIP REIT's investment properties is focused on the provision of daily necessities to the surrounding communities such as fresh foods, groceries, food outlets and home goods.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Risk Management

The Enterprise Risk Management ("ERM") Framework adopted by the Manager is fundamental to ensuring that KIP REIT has a robust risk management and internal control system. This integrated framework provides a guideline for management to identify potential risks faced in the management of KIP REIT's investment properties, evaluate the risk likelihood and potential impact, and design and implement effective internal controls using a risk-based approach. Effective implementation of the ERM provides for the mitigation of the risk impact and likelihood rather than the elimination of all risks threatening the achievement of its business objectives. Notwithstanding, the Manager strives to maintain the identified risks in line with the risk appetite set by the Board.

Risk management is an integral part of the Manager's corporate governance and has been embedded in management processes as part of the Manager's overall framework to deliver continuous improvement for KIP REIT. While the Board has the overall accountability to ensure that the system is adequate and effective, the Audit and Risk Management Committee ("ARMC") evaluate the procedures on an annual basis.

Risk	Opportunities	Mitigation Actions	Residual Risk
Investment: insufficient properties available on the market in line with KIP REIT's investment criteria	Sourcing of yield-accretive properties in line with KIP REIT's investment policies to provide stable income distribution and capital appreciation for its unitholders.	The Manager remains committed to sourcing for yield accretive properties in line with its investment policy and will be assessed against its stringent investment criteria. All investment properties offered to KIP REIT shall be appraised by the Investment Steering Committee Working Group before tabling recommendations for Board approvals or further actions to be taken.	Moderate Stable
Valuation: lack of monitoring mechanism leading to the loss of value in existing portfolio.	Growth in valuation of existing investment properties provides greater value creation to its stakeholders (e.g. tenant to benefit from increased footfall, shoppers to benefit from diverse varieties of options, unitholders to benefit from stable income distributions and capital appreciation).	The Manager shall ensure that the assets under management leverages its strengths to maintain high occupancy and rental rates to encourage growth in valuation. Undertaking asset and tenant mix enhancements to ensure that the investment properties remain relevant within the communities of operation.	Moderate Stable

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Risk	Opportunities	Mitigation Actions	Residual Risk
<p>Economic: macroeconomic trends may impact the businesses of the tenants and introduce uncertainty to the property market and influence interest rates.</p>	<p>Careful management of KIP REIT's asset will assist the Fund to weather through downturns in the economic cycle.</p>	<p>Macroeconomic conditions are tracked to ensure that appropriate leasing strategies are adopted in a timely manner to ensure long term sustainability.</p> <p>KIP REIT investment properties will continue to focus its tenant mix on provision of daily necessities to the local communities and to cater to local consumer behaviours and demand.</p> <p>During FY2020, the impact from the global Covid-19 pandemic is felt across all industries including retail thereby impacting retail space. The Manager remains vigilant during this period of time and will ensure that all necessary measures are taken to boost consumer confidence and implement leasing strategies accordingly.</p>	<p>Moderate Increasing</p>
<p>Credit: risk of reduction in net income due to high provision for doubtful debt or bad debt write offs and high legal costs incurred to pursue recovery of outstanding receivables from the tenants.</p>	<p>Open and honest on discussions with tenants on credit control can assist KIP REIT in ensuring long term sustainability of businesses, which in turn leads to longer partnerships with KIP REIT.</p>	<p>Closer monitoring of credit control procedures will be required during the recovery of the global Covid-19 pandemic. The Manager will seek to promote open discourse between tenant and landlord.</p>	<p>Moderate Increasing</p>
<p>Financing: movements in interest rates may impact profitability and liquidity</p>	<p>An appropriate capital structure assists KIP REIT in managing its financing risks through natural hedging.</p> <p>Diligent management of capital and promoting financial discipline allows for the creation of greater value to unitholders.</p>	<p>KIP REIT through its wholly owned subsidiary made the first issuance of its MTN of RM310 million brought about greater flexibility in its capital structure. The split of fixed and floating rate portion serves as a natural hedge. With the cuts in the Overnight Policy Rates to 1.75 per cent, KIP REIT will benefit reduced borrowing costs in its unrated portion of the issuance.</p>	<p>Moderate Stable</p>

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Risk	Opportunities	Mitigation Actions	Residual Risk
<p>Competition: Increased competitive pressures from other options in terms of net lettable space in the surrounding areas.</p>	<p>KIP REIT is driven to maintain its position in its local communities and shall focus its resources to bringing greater variety of options to the local communities.</p>	<p>Continuing to monitor consumer trends and behaviours on a local level to ensure that the assets remain relevant in its areas of operation.</p>	<p>Moderate Stable</p>
<p>Regulatory Compliance: breach of regulation may result in sanctions against KIP REIT.</p>	<p>Strict compliance with applicable regulation safeguard KIP REIT from liabilities arising from any breach thereof and provides greater unitholder value.</p>	<p>The Manager adheres to the obligations arising from the Deed, the SC's REIT Guidelines on Listed REITs and Bursa Malaysia's Main Market Listing Requirements ("MMLR").</p> <p>Additionally, the Manager has implemented its Anti-Bribery Management System in line with ISO37001:2016 to ensure that Section 17A of Malaysian Anti-Corruption Commission 2009 obligations are fulfilled.</p> <p>There was no public sanction or penalty imposed on the Manager by the relevant regulatory bodies during the financial year.</p>	<p>Moderate Stable</p>
<p>Cyber: weakness in IT infrastructure may fail to safeguard the integrity of management information or lead to loss of data.</p>	<p>Strengthening of KIP REIT's IT infrastructure allows for greater operational efficiency.</p>	<p>KIP REIT has embarked on several initiatives during FY2020 to promote the strengthening of its IT systems.</p>	<p>Moderate Stable</p>

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Market Review

Overall Economic conditions

The Malaysian economy grew at 0.7% in the first quarter of 2020, a sharp moderation from 3.6% growth in 4Q 2019, reflecting the impact of containment measures in the form of the Movement Control Order ("MCO") taken to contain the spread of Covid-19. However, under the Conditional MCO effective 4 May 2020, most restrictions from operating across industries were lifted subject to the observance of Standard Operating Procedures. Economic activity is expected to gradually recover from 2H 2020 following fiscal and monetary measures aimed at stimulating economic activities. Positive recovery is expected to be registered in 2021.

Private consumption growth moderated to 6.7% (4Q 2019: 8.1%) in 1Q2020, with continued strength in consumption spending growth being recorded in January and February according to retail and financing data. Following the implementation of the MCO, the second half of March saw spending affected mainly for big-ticket and leisure related items. Stimulus measures including Bantuan Sara Hidup disbursements, deferments in loan repayments for individuals and SME borrowers and the cut in the Overnight Policy Rates were put in place to support soft labour market conditions.

(source: Bank Negara Malaysia Quarterly Bulletin)

Retail Industry Overview

Retail Group Malaysia estimates total retail sales for 2020 to be in the region of RM101.6 billion, a contraction from its previous estimate due to the economic impact from Covid-19. It was however noted that the certain subsectors outperformed its peers in 4Q2019, including pharmacies and personal care at an 8.8% growth and supermarkets at a 7.6% growth.

The economic impact from the Covid-19 impact is also captured in the release of the Consumer Sentiment Index as published by Malaysian Institute of Economic Research on a quarterly basis. As at March 2020, the Consumer Sentiment Index was recorded at 51.1 comparative to 82.3 as recorded in December 2019.

Taking into consideration the challenging conditions faced by the retail industry, the Manager will continue to focus its leasing strategies on tenants to the provision of daily necessities.

Geographic specific commentary

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

Retail Industry in Johor

According to NAPIC, there were 153 retail complexes providing 2.39 million square metres in Johor as at 4Q 2019. Johor Bahru / Kota Tinggi dominated the supply of retail space with 77 complexes or about 1,850,481 square metres followed by Kota Tinggi (8 complexes, 49,737 square metres). 7 complexes were completed in 2019, adding around 279,563 square metres of space into the market. According to NAPIC, there will be 5 incoming complexes for the next 2 – 3 years reported in Johor.

Over-competitiveness within the same catchment area is impacting the performance of hypermarkets. Hypermarket operator GCH Retail Sdn. Bhd. closed down its Giant Hypermarket located at Taman Nusa Bestari and Taman Pulai Utama. These two (2) stores have been taken over and are currently operating as TF Value-Mart. In addition, two (2) NSK Trade City have been opened at Pandan and Ulu Tiram in first quarter of 2019, which replaced the formers AEON Big Pandan and Tiram Mart.

By virtue of its location and surrounding development, the study area is an ideal location for commercial activities such as retail businesses in view of the potential demand created from the residents of surrounding residential schemes and student population of universities / colleges in the area.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Retail Industry in Melaka

According to NAPIC, there were 30 retail complexes providing 596,074 square metres in Melaka as at 4Q 2019. Melaka Town, being the capital city and administrative centre of the State, dominated the supply with 17 complexes or about 350,000 square metres or 58.7% of the total retail space. About 154,000 square metres or 9 complexes in Melaka Tengah, where the subject property is located. Most of the supply are hypermarkets.

Retail Industry in Negeri Sembilan

According to NAPIC, there were 93 retail complexes providing 595,800 square metres in Negeri Sembilan as at 4Q 2019. Seremban, being the capital city and administrative centre of the State, accounts for approximately 347,029 square metres of the total supply, contributed by 34 retail complexes.

There are two industrial areas in Senawang, namely Sri Senawang Light Industries and Kawasan Perindustrian Tuanku Jaafar with few commercial areas, contributing to the economic activities for the area. Apart from KIPMall, Mydin and Giant hypermarket operate their businesses in Senawang. Nevertheless, retail market in Negeri Sembilan is expected to be pressured by the Covid-19 pandemic. While consumer spending may be impacted by some segments such as fashion and apparel and accessories, essential goods and services such as supermarkets and pharmacies are expected to continue to be in demand.

Retail Industry in Selangor

According to NAPIC, there were 151 retail complexes providing 3.6 million square metres in Selangor as at 4Q 2019. Subang Jaya / Sunway dominated the supply of retail space with 13 complexes or about 500,000 square metres followed by Shah Alam (19 complexes, 490,000 square metres). 4 complexes were completed in 2019, adding around 100,000 square metres of space into the market.

During the review period, there was no completion reported in Bandar Baru Bangi. The existing supply in the study area remained with 5 retail complexes with total space of 58,255 square metres serving a population of 53,050 in Bandar Baru Bangi.

Retail Industry in Perak

In overview, retail market in Ipoh continues to be more competitive and challenging amidst the outbreak of the Covid-19 pandemic. Retail spaces continues to be offered to satisfy the needs and wants of consumers to create more vibrant tenant mix which leads to the imminent growth of retail sector.

As for market performance, by measure of occupancy rate, our observations reveal that decent property management, diversified and renowned tenant mix in retail malls contributes the most in attraction of visitors and subsequently affects the overall performance of the respective malls.

Along with the Covid-19 pandemic, retail malls that offer relatively complete daily essentials options are anticipated to be more resilient and preferred-over comparatively.

Recent retail malls and hypermarkets may cause higher vacancies in retail spaces of old retail malls, however, on the bright side, more choices of retail space are created which consequently promote competitive market rental.

To conclude, the virus outbreak coupled with necessary social distancing measures have posted a significant impact to the retail market with quarter growth rate estimated in an adverse double-digits. Nonetheless, grocery retailing remains resilient during movement control orders. In general, the stable trends of the retail space supply and market rental rate signifies the steady retail market in Ipoh.

Prospects

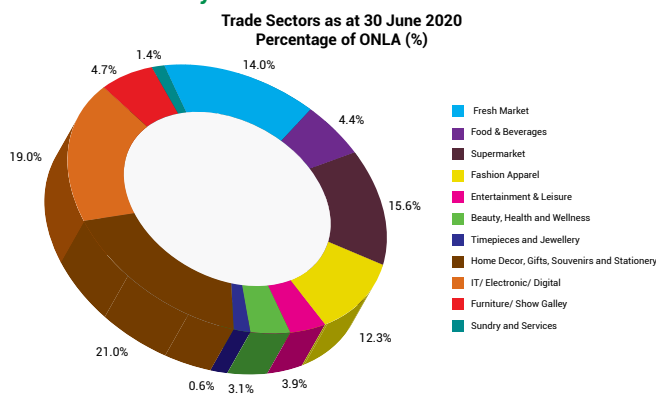
Moving into FY21, the economic climate may pose some challenges to the retail industry as a result of the impact from the Covid-19 pandemic. KIP REIT will continue to focus on its strengths in establishing business partnerships with tenants to cater to the needs of the surrounding communities. Its main focus moving forward is to strike an appropriate balance between the occupancy rates and rental reversions taking into consideration of the challenging economic conditions ahead. However, the Manager is confident that effective management will yield results in the coming financial year as consumers begin to focus their disposable income on daily necessities.

PROPERTY DETAILS

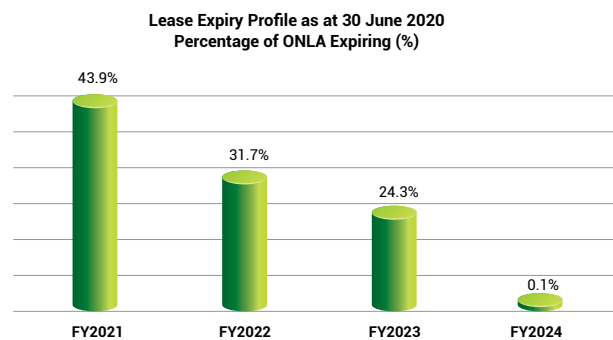
KIPMALL TAMPOI



Trade Sector Analysis



Tenant Expiry Profile



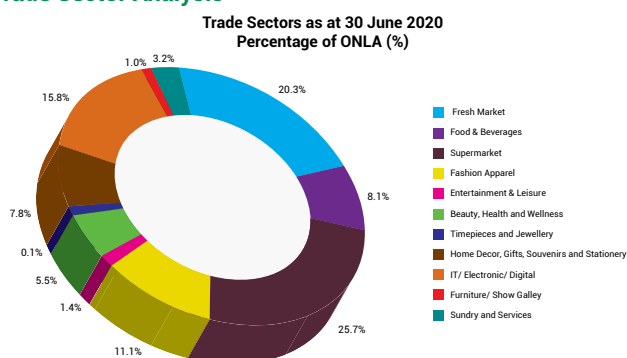
Address	Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim	
Description of Property	Single-storey retail centre with a mezzanine floor	
Date of Acquisition	6 February 2017	
Acquisition Price	RM150 million	
Age of Building	16 years	
Title Information	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim	
Encumbrances/Endorsements	Charged to Malaysian Trustees Berhad registered on 29 September 2019 Private caveat lodged by Malaysian Trustees Berhad on 18 July 2019	
Tenure	99 years, expiring on 24 September 2092	
Gross Floor Area	234,321 Sq ft	
Net Lettable Area	163,785 Sq ft	
Appraised Value	RM163 million	
Average Occupancy Rate as at 30 June 2020	97.4%	
Major Tenants	Occupied Net Lettable Area Pasaraya Hwa Thai Courts Mr DIY Wei YanLin Lionmas	Gross Rental Income Pasaraya Hwa Thai Courts Great Zone Household Wei Yan Lin Tay Tai Hong
Weighted Average Lease Expiry	Occupied Net Lettable Area 1.8 years	Gross Rental Income 1.6 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE WTW	

PROPERTY DETAILS (CONT'D)

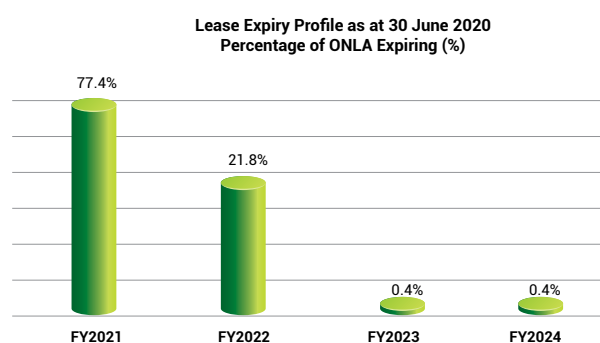
KIPMALL KOTA TINGGI



Trade Sector Analysis



Tenant Expiry Profile



Address	No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim	
Description of Property	Single-storey retail centre with a mezzanine floor	
Date of Acquisition	6 February 2017	
Acquisition Price	RM55 million	
Age of Building	12 years	
Title Information	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim	
Encumbrances/Endorsements	Charged to Malayan Banking Berhad Private Caveat on Land lodged by Malayan Banking Berhad registered on 25 November 2018	
Tenure	Freehold	
Gross Floor Area	113,958 Sq ft	
Net Lettable Area	73,835 Sq ft	
Appraised Value	RM56 million	
Average Occupancy Rate as at 30 June 2020	92.8%	
Major Tenants	Occupied Net Lettable Area Pasaraya Songmart Lionmas Linkme KFC Siang Heng Marketing	Gross Rental Income Pasaraya Songmart Linkme Siang Heng Marketing Lionmas KVNP Enterprise
Weighted Average Lease Expiry	Occupied Net Lettable Area 1.2 years	Gross Rental Income 1.3 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE WTW	

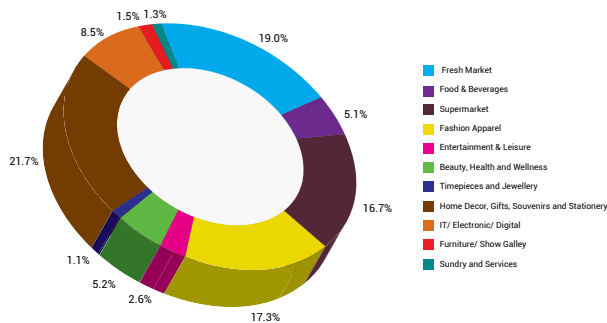
**PROPERTY
DETAILS (CONT'D)**

**KIPMALL
MASAI**



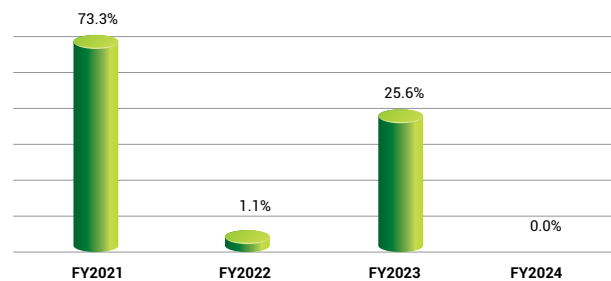
Trade Sector Analysis

Trade Sectors as at 30 June 2020
Percentage of ONLA (%)



Tenant Expiry Profile

Lease Expiry Profile as at 30 June 2020
Percentage of ONLA Expiring (%)



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	
Date of Acquisition	6 February 2017	
Acquisition Price	RM157 million	
Age of Building	9 years	
Title Information	PN 70766, Lot 198634, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim	
Encumbrances/Endorsements	Charged to Malaysian Trustees Berhad registered on 2 October 2019 Private Caveat lodged by Malaysian Trustees Berhad registered on 18 July 2019	
Tenure	99 years, expiring on 28 December 2108	
Gross Floor Area	247,900 Sq ft	
Net Lettable Area	144,206 Sq ft	
Appraised Value	RM168 million	
Average Occupancy Rate as at 30 June 2020	95.4%	
Major Tenants	Occupied Net Lettable Area Pasaraya Hwa Thai Mr DIY Linkme PISB Romeo Curtain Centre	Gross Rental Income Pasaraya Hwa Thai YYU Fashion Mr DIY Linkme Angel Girl
Weighted Average Lease Expiry	Occupied Net Lettable Area 1.5 years	Gross Rental Income 1.1 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE WTW	

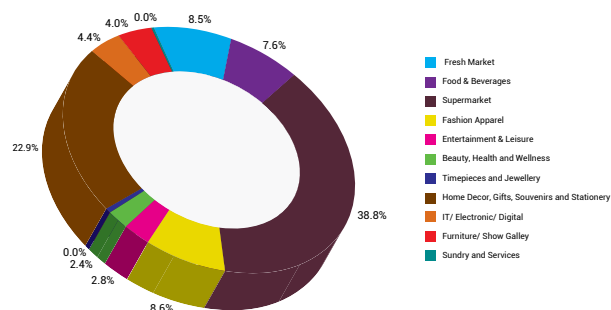
PROPERTY DETAILS (CONT'D)

KIPMALL SENAWANG



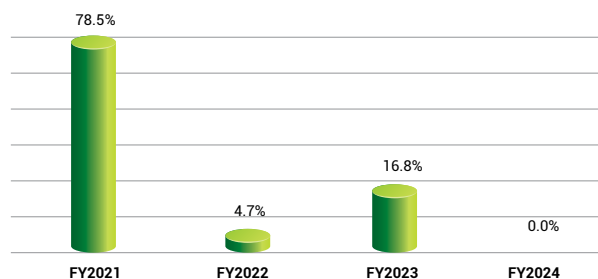
Trade Sector Analysis

Trade Sectors as at 30 June 2020
Percentage of ONLA (%)



Tenant Expiry Profile

Lease Expiry Profile as at 30 June 2020
Percentage of ONLA Expiring (%)



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	
Date of Acquisition	6 February 2017	
Acquisition Price	RM38 million	
Age of Building	7 years	
Title Information	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus	
Encumbrances/Endorsements	None	
Tenure	Freehold	
Gross Floor Area	175,095 Sq ft	
Net Lettable Area	117,490 Sq ft	
Appraised Value	RM25 million	
Average Occupancy Rate as at 30 June 2020	80.9%	
Major Tenants	Occupied Net Lettable Area TF Value Mart Mr DIY PISB KFC Y Pay More	Gross Rental Income TF Value Mart KFC Mr DIY Y Pay More Watson's
Weighted Average Lease Expiry	Occupied Net Lettable Area 1.4 years	Gross Rental Income 1.3 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE WTW	

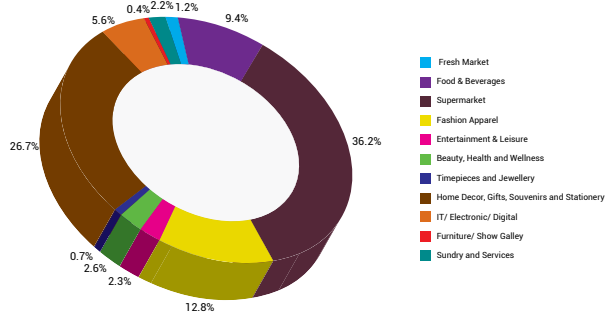
PROPERTY DETAILS (CONT'D)

KIPMALL MELAKA



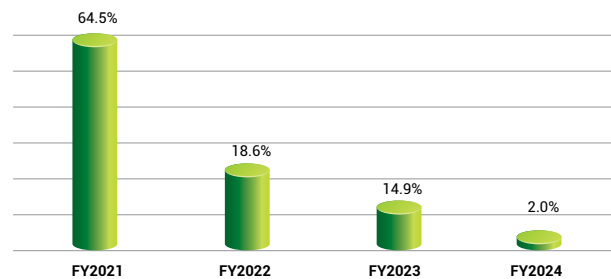
Trade Sector Analysis

Trade Sectors as at 30 June 2020
Percentage of ONLA (%)



Tenant Expiry Profile

Lease Expiry Profile as at 30 June 2020
Percentage of ONLA Expiring (%)



Address	No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350 Melaka	
Description of Property	Two-storey retail centre	
Date of Acquisition	6 February 2017	
Acquisition Price	RM50 million	
Age of Building	6 years	
Title Information	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka	
Encumbrances/Endorsements	None	
Tenure	99 years, expiring on 17 November 2112	
Gross Floor Area	276,987 Sq ft	
Net Lettable Area	182,336 Sq ft	
Appraised Value	RM48 million	
Average Occupancy Rate as at 30 June 2020	76.6%	
Major Tenants	Occupied Net Lettable Area Bachang Family Store Mr DIY Omega Genius Sdn. Bhd. Lionmas PISB	Gross Rental Income Bachang Family Store Mr DIY Lionmas PISB Watson's
Weighted Average Lease Expiry	Occupied Net Lettable Area 1.5 years	Gross Rental Income 1.4 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE JTW	

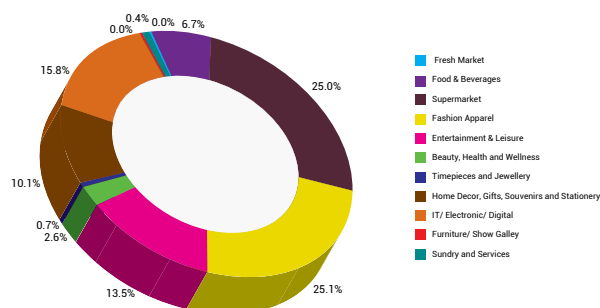
PROPERTY DETAILS (CONT'D)

KIPMALL BANGI



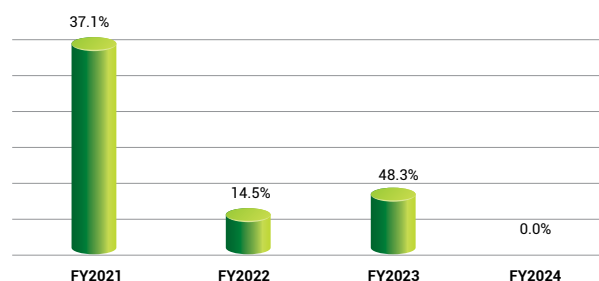
Trade Sector Analysis

Trade Sectors as at 30 June 2020
Percentage of ONLA (%)



Tenant Expiry Profile

Lease Expiry Profile as at 30 June 2020
Percentage of ONLA Expiring (%)



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	20 years	
Title Information	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan	
Encumbrances/Endorsements	Charged to Malaysian Trustees Berhad registered on 2 October 2019 Private Caveat lodged by Malaysian Trustees Berhad registered on 18 July 2019	
Tenure	99 years, expiring on 14 July 2093	
Gross Floor Area	348,203 Sq ft	
Net Lettable Area	259,830 Sq ft	
Appraised Value	RM130 million	
Average Occupancy Rates at 30 June 2020	78.6%	
Major Tenants	Occupied Net Lettable Area Giant Jalan Jalan Japan Live Sport Gallery Enterprise Mr DIY Pusat Kain Silk House	Gross Rental Income Giant Jalan Jalan Japan Central Market Fish Head Curry Mr DIY KFC
Weighted Average Lease Expiry	Occupied Net Lettable Area 2.1 years	Gross Rental Income 1.9 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE WTW	

PROPERTY DETAILS (CONT'D)

AEON MALL KINTA CITY



Address	No. 2, Jalan Teh Lean Swee, Taman Ipoh Selatan, 31400 Ipoh, Perak	
Description of Property	A 3-storey shopping mall comprising two (2) levels of retail lots, one (1) level of car park and cinema, and one (1) level of car park and bowling alley at the roof top	
Date of Acquisition	31 July 2019	
Acquisition Price	RM208 million	
Age of Building	22 years	
Title Information	GRN 72619, Lot 320549, Mukim of Hulu Kinta, District of Kinta, Perak	
Encumbrances/Endorsements	Private caveat entered by Malaysian Trustees Berhad on 18 July 2019 Leased to AEON Co. (M) Bhd for 10 years commencing from 29 September 2015 and ending on 28 September 2025	
Tenure	Freehold	
Gross Floor Area	1,068,749 Sq ft	
Net Lettable Area	530,181 Sq ft	
Appraised Value	RM217 million	
Average Occupancy Rate as at 30 June 2020	100% (Master Lease Expiry in FY26)	
Vendor (Third Party)	Kinta City Sdn. Bhd.	
Weighted Average Lease Expiry	Occupied Net Lettable Area 6.0 years	Gross Rental Income 6.0 years
Property Manager	Azmi & Co. (Shah Alam) Sdn. Bhd.	
Valuer	CBRE WTW	

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

Investor Engagement and Outreach with Media

KIP REIT's outreach to the investment community requires regular communication to keep investors updated with its financial performance and prospects in the year ahead. The Manager participates in various industry related events throughout the year to ensure that informed decisions are being made by relevant parties. The investor and media outreach programme include various one-on-one meetings, group meetings, conference, and video calls as well as an occasional organised site visit.

From July 2019 to June 2020, the management team participated in the following events:

Date	Events
15 July 2019	Investors Meeting: Kenanga
26 July 2019	Analyst and Fund Managers' briefing on Q4FY2019 results
26 July 2019	Media Interview: The Star. Article published on 27 July 2019
7 September 2019	Media Interview: The Star. Article published on 7 October 2019
25 September 2019	KIP REIT Annual General Meeting
25 October 2019	Investors Meeting: Allianz Insurance
13 November 2019	Investors Meeting: Pacific Mutual
14 November 2019	Investors Meeting: Etiqa
29 November 2019	Media Interview: The Edge. Article published on 28 January 2020
3 December 2019	Investors Meeting: Great Eastern and Kenanga
16 December 2019	Investors Meeting: Maybank, Zurich, KAF, SP Invest, Kenanga
27 December 2019	Site Visit: KIPMalls in Johor (with Great Eastern and Maybank)
17 January 2020	Post results briefing on Q2FY2020 with fund managers: Affin Hwang, Pacific Mutual, Apex Securities, Tokio Marine, Yayasan Guru Tun Hussein Onn
20 January 2020	Investors Meeting: AmResearch and Rakuten
17 February 2020	Investors Meeting: BIMB Securities
25 March 2020	Media Interview: The Edge. Article published on 25 March 2020
15 April 2020	Media Interview: The Edge. Article published 20 April 2020
24 April 2020	Analyst and Fund Managers' briefing for Q3FY2020 results
4 May 2020	Media Interview: The Edge. Article published on 4 May 2020
12 May 2020	Investors Meeting: Principal Asset Management and KAF

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

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

Bursa Malaysia Securities Berhad ("Bursa Malaysia")

The Manager makes disclosures on an immediate basis pursuant to the MMLR of Bursa Malaysia. This includes quarterly financial results and other material announcements.

In-House Meetings

KIP REIT has conducted a total of 11 one-on-one and small group meetings with analysts, fund managers and investors for the FY2020. These meetings provide a platform for effective two-way communication between the investing community and the senior management of KIP REIT. This allows investors to gain an in-depth understanding of the Fund's performance and outlook, while KIP REIT also benefits by being able to attain insights on the views and concerns of the investing community.

Annual General Meeting ("AGM")

KIP REIT's Fourth AGM is scheduled on 29 September 2020 at 10:30 a.m. In light of the Covid-19 pandemic, KIP REIT shall be hosting its Fourth AGM virtually this year.

Site Visits

KIP REIT recognizes physical site visits as an effective measure of demonstrating the Fund's valued proposition as a retail focused REIT with a unique positioning of community-centric malls. As such, the Fund hosted a site visit in December 2019 to two of its properties in Johor. It is essential for the investors to gain visual perspectives on sites, for them to experience and appreciate the strategic location, connectivity, patron footfall, tenant mix and operations of the malls. Through these visits, investors can get first-hand updates on the developments of the malls. The site visit to KIPMalls in Masai and Tampoi, Johor ensured the investment community's interest in the Fund's retail assets.

Other Channels of Communication: Briefing Packs, Fact-sheet and Analyst Briefings

All substantial developments impacting the Fund such as the release of quarterly results, new asset acquisitions, as well as corporate exercises, are announced on Bursa Malaysia in a timely manner. To deliver key information that analysts and the investing community typically require in a timely manner, the IR team prepares concise reports in the form of briefing decks and/or fact sheets, which are disseminated immediately after the announcements are released on Bursa Malaysia. Briefing decks are prepared by the IR team to include essential information and figures typically required for analysts and media coverage. The IR team also arranges analyst briefings when the Fund embarks on major events to communicate the details of the same to the investing community.

Quarterly Financials and Annual Report

KIP REIT prepares quarterly financial reports, corporate presentations, and annual reports in a comprehensive yet succinct form to provide shareholders and investors the financial and operational performance figures clearly. KIP REIT believes in transparent disclosure thus, the Fund has always voluntarily shared additional disclosures to provide better insights of the Fund in its quarterly financial reports and annual report, on top of the minimum statutory content. KIP REIT is committed to continue in its effort to promote effective and coherent communication through the publication of informative and reader-friendly annual reports.

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

IR Portal and Email

Comprehensive information and updates regarding KIP REIT are accessible to the public on KIP REIT's corporate website at www.kipreit.com.my. Information regarding announcements to Bursa Malaysia, annual reports, press releases and other developments are listed on KIP REIT's corporate website. The website is regularly updated to ensure that the latest information is available the public.

For more information, please visit the website at www.kipreit.com.my or contact:

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

Telephone No. : +603 6252 6633/ 6259 1133
 Facsimile No. : +603 6259 1212
 Email : ir@kipreit.com.my
 Website : www.kipreit.com.my



Site Visits

1



One on One & Small Group Meetings

8



Analyst & Fund Managers' Briefings

3

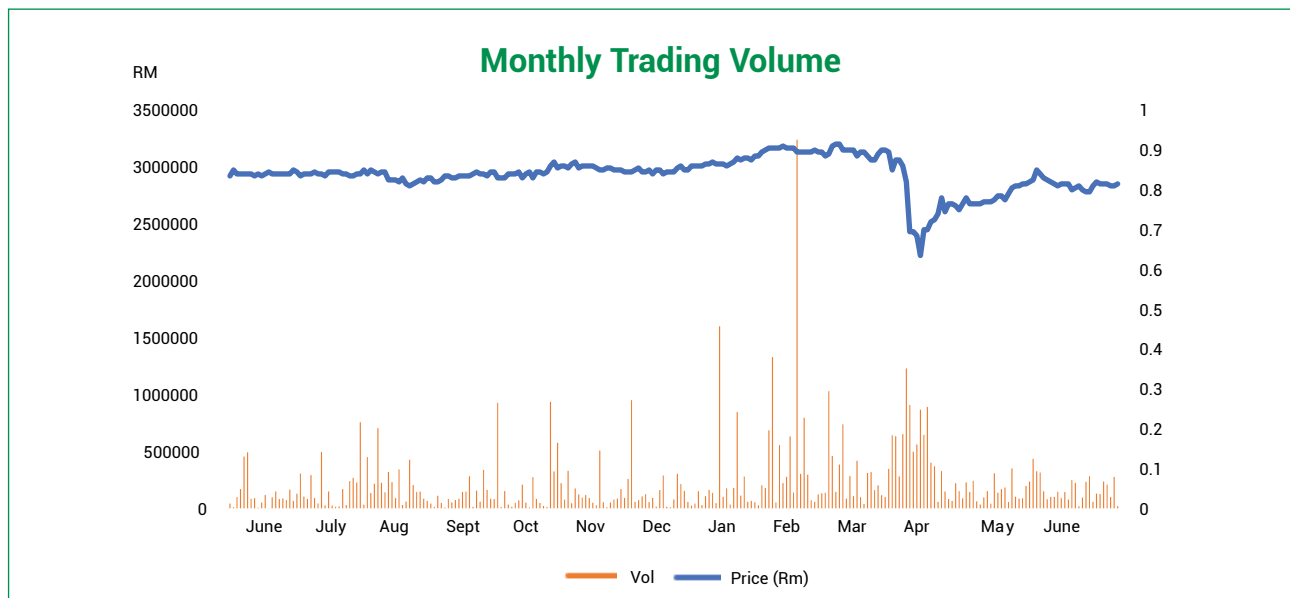


AGM

1

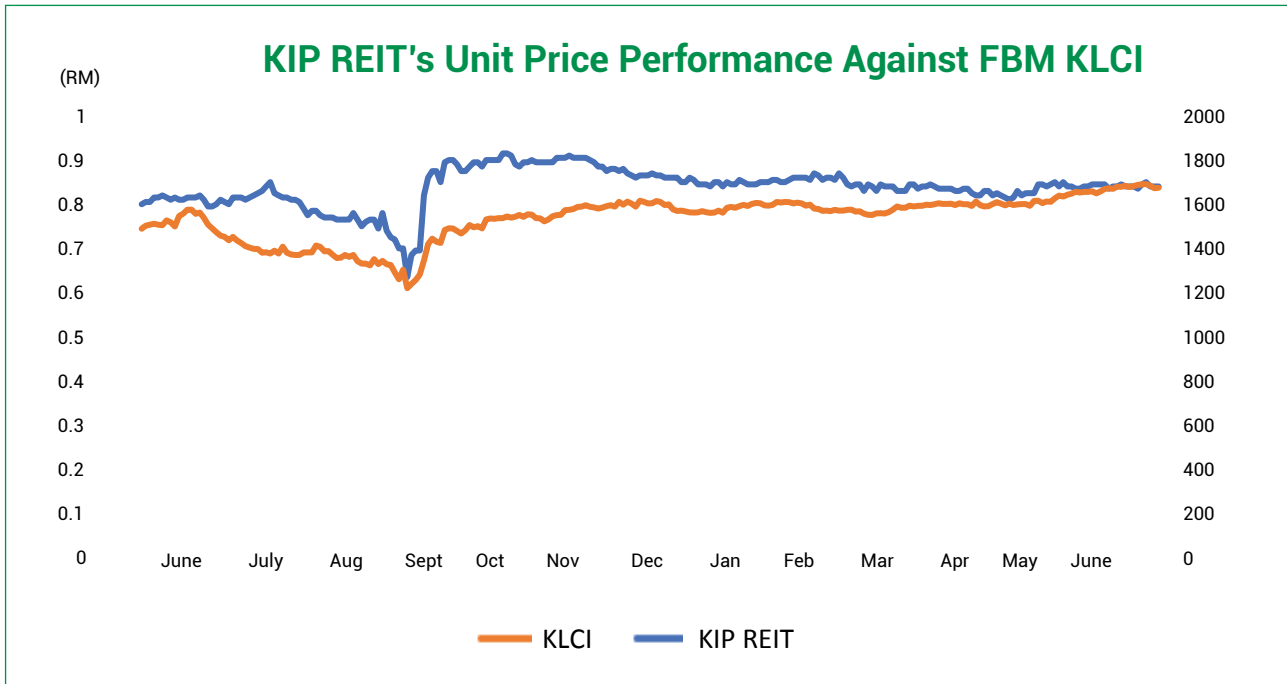
KIP REIT's Trading Analysis

KIP REIT Monthly Trading Performance

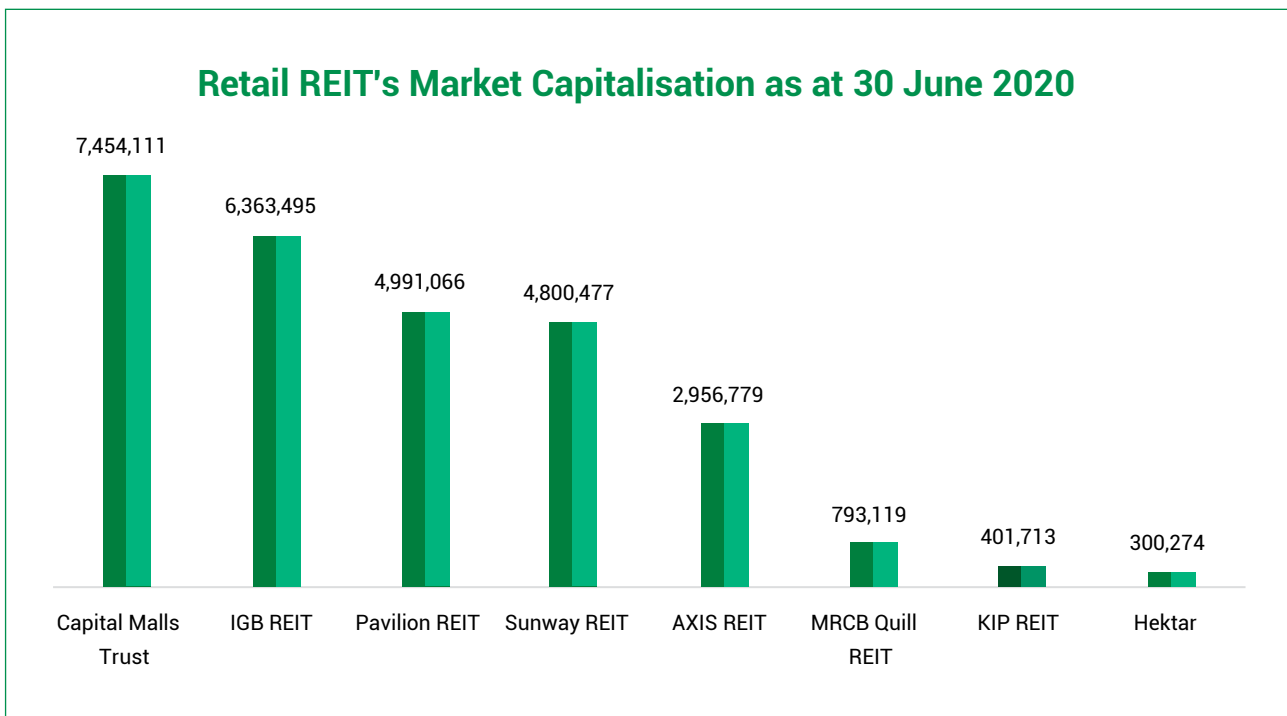


INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

KIP REIT's Unit Price Performance Against FBM KLCI

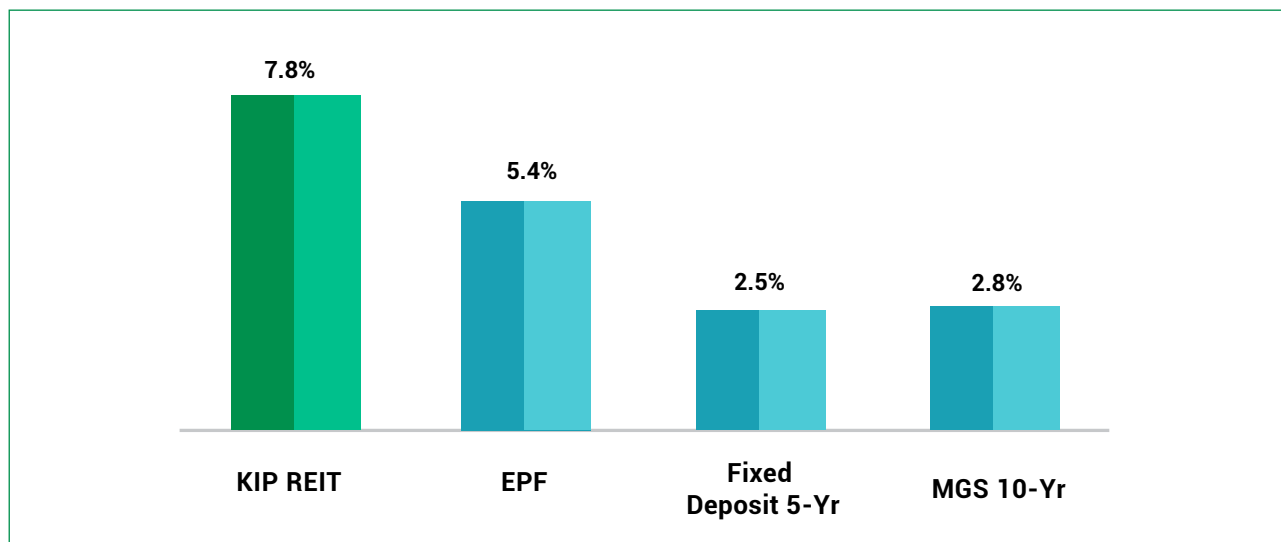


Retail REIT's Market Capitalisation as at 30 June 2020



INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

Distribution Yields



Source: Bank Negara Malaysia, EPF & Maybank as at 25 June 2020

Distribution is based on last trailing 12 months and closing price on 30 June 2020 of RM0.795

Income Distributions

FY2020

	Q1	Q2	Q3	Q4	Total
DPU	1.37	1.76	1.52	1.53	6.18

DPU Yield 7.8%*

*Based on DPU of 6.18 sen and the closing unit price of RM0.795 for FY2020

Unit Price and Volume Overview

- » Opening unit price on 1 July 2019 was RM0.84
- » Closing price on 30 June 2020 was RM0.795
- » Change in price 5.4%
- » Highest traded price achieved within the financial year was RM0.92 on 20 January 2020
- » Lowest traded price achieved within the financial year was RM0.70 on 20 March 2020
- » Number of unitholders recorded a year-on-year increase of 37.3%, from 3,302 as at 30 June 2019 to 4,533 unitholders as at 30 June 2020

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

4-Year Unit Price Performance Highlights

	2017	2018	2019	2020
Closing Unit Price				
As at 30th June (RM)	0.92	0.80	0.84	0.80
Highest Traded Price (RM)	1.04	0.90	0.91	0.91
Lowest Traded Price	0.90	0.75	0.60	0.60
NAV per Unit (RM)	0.99	1.00	1.00	1.00
Market Capitalisation RM'000	464,876	404,240	424,452	401,472

Research Coverage

KIP REIT in the past year has had 2 research houses published unrated reports, and our Investor Relations Team continues to engage the analyst community with the aim of maintaining clear communications over the Fund's results, strategy and outlook.

Research House (Unrated)

- Rakuten Trade
- Kenanga Investment Bank



Research by eSangaji
On Our Radar
KIP REIT
Hard-to-resist Yields
By Marie Yee | www.esangaji.com.sg

Investment Idea
KIP REIT is a well-positioned component of a KIP Real Estate portfolio. The acquisition of Aeon Mall Kuala Lumpur (AMKL) is a key driver of growth, and the fund's strong track record of steady 4% dividend yield is a key attraction. The fund's strong track record of steady 4% dividend yield is a key attraction.

Key Metrics:
Dividend Yield: 4.0%
NAV: RM0.99
Market Cap: RM464.9 million



Rakuten Trade
Investment Idea
KIP REIT
Attractive Yield
By Yan Jun Tang | www.rakuten.com.sg

BUY
Price: RM0.855
Target price: RM0.840

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Research by eSangaji
On Our Radar
KIP REIT
Day Ahead - KIP Real Estate Investment Trust
By Marie Yee | www.esangaji.com.sg

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Dividend Yield: 4.0%
NAV: RM0.99
Market Cap: RM464.9 million

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS (CONT'D)

Press Release and Media Coverage

During FY2020, KIP REIT continued to engage the media, and disseminate timely updates about KIP REIT through press releases and conducting interviews. This broadens our communication spectrum and strengthens the KIP REIT brand and awareness of our operations. Several significant selections of press clippings are provided below.



企業簡訊

KIP產託發售3.1億票據

● KIP產託 (KIPREIT, 5280, 主板產業投資信託組) 已發售3億1000萬令吉中期票據, 以籌資收購近打城水旺廣場 (Aeon Mall Kinta City) 和再融資現有債務。

該公司發文告表示, 此次票據發售計劃是20億令吉中期票據計劃的一部分, 其中2億1000萬令吉為「AAA」級票據, 其餘則為未評級票據。

馬銀行投資銀行為中期票據計劃的主要顧問、主理銀行及安排商。

KIP产托发3亿票据

吉隆坡31日讯 | KIP产托 (KIPREIT, 5280, 主板房产信托股) 宣布, 发行首批价值3亿1000万令吉的中期票据 (MTN), 包括2亿1000万令吉「AAA」评级的中期票据以及1亿令吉未评级的中期票据。

KIP产托发文告指出, 上述发行计划是早前宣布20亿令吉中期票据的一部份, 所筹部份款项将用作收购怡保近打城 (KINTA CITY) 的一个4层楼AEON商场。马银行投行

PROFILE OF BOARD OF DIRECTORS



DATO' DR SYED HUSSAIN BIN SYED HUSMAN, JP

*Chairman and Senior Independent Non-Executive Director
63, Male, Malaysian*

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

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 bin Syed Husman, 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 bin Syed Husman was the Group Director of Human Resource & Corporate Affairs at Petrofield (M) Sdn. Bhd. between 2008 and 2010.

Dato' Dr Syed Hussain bin Syed Husman, JP is currently an Executive Director and the Chief Executive Officer of SVTT Resources Sdn. Bhd., a position he has held since 2011. He is also currently an Independent Non-Executive Director at SME Corporation Malaysia and Ahli Majlis Negara bagi Keselamatan dan Kesihatan Perkerjaan (MNKKP).

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 ("DATO' CHEW")

*Managing Director and Non-Independent Executive Director
64, Male, Malaysian*

Date of Appointment

18 December 2015

Board Committee

Member of the Remuneration Committee

Professional Accreditation

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

Professional Experience

Dato' Chew has had extensive 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 for MBf Property Services Sdn. Bhd. in Penang. In 1988, he joined Rawang Industrials & Property Sdn. Bhd. as General Manager of property development. Dato' Chew was the General Manager of property development for Tanco Properties Sdn. Bhd. from 1990 to 1993, where he oversaw a 200 acre mixed development of retail and residential properties. Subsequently, he was Managing Director of property development for Meda group of companies until 1997, where he was instrumental towards the completion of Summit Square, Summit Parade, Summit City and Plaza Bukit Mertajam.

Dato' Chew is a co-founder and the Managing Director of KIP group of companies, a position he has held since 1997. Under his leadership, KIP group of companies has delivered numerous property development projects, including successfully reviving an abandoned project in Sri Utara, Kuala Lumpur into Kipark Sri Utara, a mixed development consisting of residences (Taman Seri Utara), offices (Menara KIP) and hotel (KIP Hotel), with a combined gross development value ("GDV") of more than RM500 million.

DATO' ONG KOOK LIONG ("DATO' ERIC ONG")

*Non-Independent Executive Director
59, Male, Malaysian*

Date of Appointment

18 December 2015

Board Committee

N/A

Professional Accreditation

- Capital Markets Services Representative's License under the Capital Markets and Securities Act 2007.

Professional Experience

Dato' Eric Ong's experience in sales and marketing of properties, property investment and hospitality spans over two decades. 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 is a co-founder and Executive Director of KIP group of companies, a position he has held since 1997. 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 GDV of more than RM500 million.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



DATUK MOHAMED ARSAD BIN SEHAN

*Independent Non-Executive Director
67, Male, Malaysian*

Date of Appointment

20 April 2016

Board Committee

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

Professional Accreditation

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

Professional Experience

Datuk Mohamed Arsad bin Sehan has an extensive working experience in banking at Bank Bumiputera Malaysia Berhad and Bank Kerjasama Rakyat Malaysia Berhad (also known as Bank Rakyat). At Bank Rakyat he held various senior management positions including General Manager (Corporate Banking) and Division Head of Planning and Corporate Services. He also managed for seven years a private limited company dealing in the manufacture and supply of standby power systems as the Managing Director and Chief Executive Officer whilst on secondment from Bank Rakyat.

After retiring from Bank Rakyat, Datuk Mohamed Arsad bin Sehan spent eight years as Managing Director and Executive Director of PureCircle Sdn. Bhd., a wholly owned subsidiary of PureCircle Limited.

He holds directorships in two other public companies, one of which as Independent Non-Executive Director at SYF Resources Berhad since 2011 where he sits on the Audit Committee and chairs the Nomination Committee. He is also a Senior Independent Non-Executive Director and Chairman of Bertam Alliance Berhad since 2014 and serves as the Chairman of the Nomination Committee and member of the Audit Committee of the company.

MR CHIAM TAU MENG

*Independent Non-Executive Director
66, Male, Malaysian*

Date of Appointment

15 April 2019

Board Committee

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

Professional Accreditation

- Bachelor of Commerce Degree majoring in Accountancy from the University of Otago, Dunedin, New Zealand.
- Associate Chartered Accountant with Chartered Accountants 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 Berhad as a Finance Manager cum Company Secretary until 1984. In 1984, he joined Menang Corporation (M) Berhad as a General Manager of Corporate Services and left Menang Corporation (M) Berhad 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.

Mr 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 CHEW KHENG KAI ("MR ALEX CHEW")
Non-Independent and Non-Executive Director
36, Male, Malaysian

Date of Appointment
30 November 2018

Board Committee
N/A

- 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 ONG PUI SHAN ("MS VALERIE ONG")
Non-Independent and Non-Executive Director
32, Female, Malaysian

Date of Appointment
30 November 2018

Board Committee
N/A

- 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 at 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.

Ms 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 GDV of RM420 million with an additional RM1.5 billion GDV currently under construction.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

Other disclosures

1. Mr Alex Chew, Non-Independent Non-Executive Director, is the son of Dato' Chew, Managing Director and Non-Independent Executive Director, a major shareholder of the Manager and major unitholder of KIP REIT.
2. Ms Valerie Ong, Non-Independent Non-Executive Director, is the daughter of Dato' Eric Ong, Non-Independent Executive Director, a major shareholder of the Manager and major unitholder of KIP REIT.
3. Except as disclosed above, none of the Directors of the Manager, has any family relationships with any Directors or major shareholders of the Manager or major unitholders of KIP REIT.
4. None of the Directors of the Manager has any conflict of interest with the Manager or KIP REIT.
5. None of the Directors of the Manager has any convictions for offences within the past 5 years other than traffic offences, if any; and any public sanction or penalty imposed by relevant regulatory bodies during the financial year ended 30 June 2020.
6. Details of attendance of Board and Board Committees by each Director of the Manager held in FY2020 are contained in the Corporate Governance Overview Statement of the Annual Report.
7. Details of unitholdings held by each Director of the Manager in KIP REIT are contained in the Unitholders' Statistics section of the Annual Report.

PROFILE OF SENIOR MANAGEMENT

MR CHAN HENG WAH

CEO
64, Male, Malaysian

Date of Appointment

01 March 2018

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. on 1 March 2018, Mr Chan Heng Wah has had extensive experience in the field of finance. 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 Heng Wah 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 Berhad, a subsidiary of MBf Corporation Berhad as the Chief Operating Officer and was transferred to MBf Corporation Berhad later as the Group Financial Controller from 2004 until 2007 prior to joining KIP group of companies as Group Financial Controller.

MS HII WEI BING

CFO
46, Female, Malaysian

Date of Appointment

18 September 2018

Professional Accreditation

- Fellow of the Association of Chartered Certified Accountants (FCCA).
- Master of Science in Professional Accountancy from University of London.
- Chartered Accountant with the Malaysian Institute of Accountants.

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.

Other disclosures

1. None of the above Senior Management Officers of the Manager has any family relationships with any Directors and/or major unitholders of KIP REIT.
2. None of the above Senior Management Officers of the Manager has any conflict of interest with the Manager or KIP REIT.
3. None of the above Senior Management Officers of the Manager has any convictions for offences within the past 5 years other than traffic offence if any; and any public sanction or penalty imposed by relevant regulatory bodies during the financial year ended 30 June 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Introduction

The FY2020 Corporate Governance Overview Statement provides an overview to the framework which governs KIP REIT Management Sdn. Bhd. acting in the capacity as REIT Manager of KIP REIT. Further details on compliance with the principles and practices set out in the MCCG 2017 and the MMLR of Bursa Malaysia can be located in the Corporate Governance Report FY2020 on the website at www.kipreit.com.my.

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

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

The Manager is licensed by the SC and holds a valid Capital Markets Services License ("CMSL") to perform management activities for KIP REIT. The Capital Markets Services Representative's License ("CMSRL") holders of the Manager are Dato' Chew Lak Seong as the Managing Director, Dato' Ong Kook Liong as the Executive Director, and Mr Chan Heng Wah as the CEO.

Principle A: Board Leadership And Effectiveness

The Board assumes a governing role in the Manager and is ultimately responsible for the Manager's adherence to its corporate governance framework. The corporate governance practices adopted by the Manager are systems by which KIP REIT's businesses are directed and controlled. It strives to foster a culture of integrity, transparency and management accountability. In turn, the compliance to these best practices, policies and procedures seeks to create greater value to KIP REIT's stakeholders.

Board Charter

The Board's roles and responsibilities are set out in the Board Charter approved and adopted on 31 July 2017 and can be accessed through www.kipreit.com.my. The Board's primary role includes but is not limited to the setting of strategic direction of the Manager and ensuring that necessary resources are in place to meet KIP REIT's objectives. The Board also sets the company's values and standards to ensure that its obligations to unitholders are sufficiently met.

The position of Chairman and CEO are held by two separate individuals who are respectively aware of their distinct roles. The Chairman is primarily responsible for leading the Board and promoting orderly conduct and functioning on an overall basis. The CEO oversees the day-to-day operational management and is responsible for the planning of strategic development and business investment of KIP REIT.

In order for KIP REIT to foster long sustainability of KIP REIT, the Board devotes its efforts on responsibilities including:

- (i) Establishing and reviewing of the KIP REIT's vision, mission, objectives and strategic plans;
- (ii) Evaluating the conduct and performance of the Manager, KIP REIT and management;
- (iii) Identifying principal risks in view of the Manager's risk appetite and assuming responsibility over the adequacy and effectiveness of internal controls and mitigation measures;
- (iv) Ensuring that orderly succession plans are in place; and
- (v) Active engagement with the stakeholders of KIP REIT.

The abovementioned exercises are led by the Chairman of the Board and any of the three delegated Board Committees of the Manager. Members of the Board convene Board Meetings on a quarterly basis at a minimum to deliberate on the performance of management and as supported by the Board Committees. The Board's governing role ensures that the conduct of the Manager is in the best interest of unitholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Audit and Risk Management Committee has reviewed KIP REIT's Whistleblowing policy and procedures during FY2020, as can be accessed from www.kipreit.com.my. KIP REIT's stakeholders, including employees and members of the public, are encouraged to leverage this independent feedback channel to raise concerns about suspected misconduct, improprieties or inappropriate behaviours. The procedure is well-defined and ensures that matters raised will be tracked through to resolution. Any investigations arising from the Whistleblowing channel will be handled in the fullest extent of confidentiality as possible and disclosure will only be made on a need-to-know basis.

Email: whistleblower@kipreit.com.my

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

Board Composition

Diversity at the Board level is a fundamental component to the decision-making process of the Manager. As such, the Board is committed to sustaining a strong mix of qualified individuals to facilitate new perspectives and independent judgement. The Board is currently comprised of seven directors with an appropriate mix of core competencies and a variety of diverse experiences. Details of the members of the Board is located in the Board Profile section of this Annual Report.

The Manager has adopted the definitions of INEDs and NEDs provided by the SC's REIT Guidelines and Bursa Malaysia's MMLR. The composition of the Board is as follows:

Name of Directors	Designation	Number of Board Meetings attended
Dato' Dr Syed Hussain bin Syed Husman, JP	Chairman and Senior Independent Non-Executive Director	4/4
Dato' Chew Lak Seong	Managing Director and Non-Independent Executive Director	4/4
Dato' Ong Kook Liong	Non-Independent Executive Director	4/4
Datuk Mohamed Arsad bin Sehan	Independent Non-Executive Director	4/4
Mr. Chiam Tau Meng	Independent Non-Executive Director	4/4
Ms. Ong Pui Shan	Non-Independent Non-Executive Director	4/4
Mr. Chew Kheng Kai	Non-Independent Non-Executive Director	4/4

While the Independent Directors do not make up a majority the Board composition is in line with the SC's REIT Guidelines and Bursa Malaysia's MMLR which requires that INEDs make up one-third of the Board. Members of the Board, under the guidance of the Chairman, remain committed to making decisions objectively and in the best interest of the unitholders.

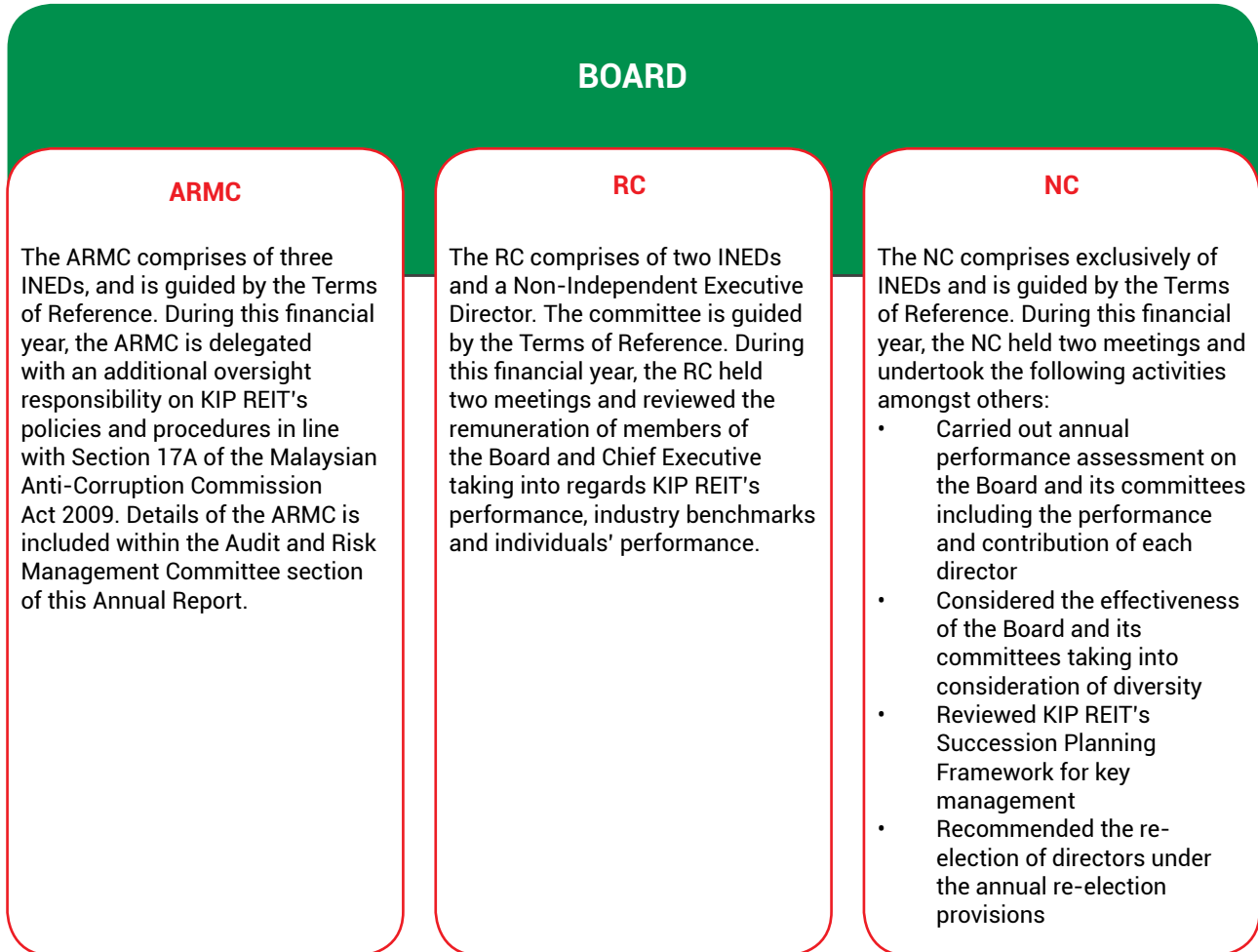
The Board welcomes and promotes diversity in gender, age, experience and cultural background and strives within itself and management roles in the Manager for a better representation of the differing views of all stakeholders. Recruitment decisions for the Board is first and foremost based on merits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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Committees

In discharging its stewardship role, the Board has established the following board committees with clearly defined terms of references:

- ARMC;
- RC; and
- NC.



Board Evaluation

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Training

The Board is continuously developing skills, knowledge and expertise to further strengthen its decision making at the Board level. Programmes attended during FY2020 includes:

Date	Course Title
15 August 2019	Demystifying the Diversity Conundrum: The Road to Business Excellence
15 October 2019	Evaluating Effective Internal Audit Function – Audit Committee's Guide
17 October 2019	Corporate Liability, Adequate Procedures and ISO 37001 Briefing by Dr. Mark Lovatt, CEO of Trident Synergy Solutions Sdn. Bhd.
21 October 2019	Malaysian REIT Forum 2019: Opportunities in the New Malaysia
24 October 2019	Ethics & Governance - Pillars of a Successful Business
12 December 2019	The Legend of Huawei and Xiaomi
22 April 2020	MFT301: Get Ready for the Current Global Finance Crisis
22 April 2020	MFT302: Covid-19 Pandemic: The Black Swan Theory and Butterfly Effect on World Economy

Board Remuneration

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

Directors	Salary (RM)	Annual Fees (RM)	Meeting Allowance (RM)	Total Remuneration (RM)
Dato' Dr Syed Hussain bin Syed Husman, JP	-	77,400	6,500	83,900
Dato' Chew Lak Seong	710,313			710,313
Dato' Ong Kook Liong	710,313			710,313
Datuk Mohamed Arsad bin Sehan		70,560	6,500	77,060
Mr Chiam Tau Meng		63,460	5,500	68,960
Ms Ong Pui Shan		66,810	2,500	69,310
Mr Chew Kheng Kai		66,810	2,500	69,310
Total				1,789,166

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Principle B: Effective Audit and Risk Management

A robust system of internal controls and risk management is fundamental KIP REIT's corporate governance framework as it provides reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Fund's objectives is mitigated and managed. Management is guided by the Manager's internal policies, processes and procedures to facilitate effective business decisions and operations. The Board therefore places reliance on the independent auditors in the support to evaluate the Manager's audit and risk management framework. Further details on the risk management framework can be referred to in the statement on Risk Management and Internal Controls section of this Annual Report.

ARMC

The ARMC is comprised solely of INEDs and is delegated with the responsibility of reviewing financial reporting, evaluating the risks faced by the Manager and the Fund and reviewing the effectiveness of internal controls with the support of the outsourced internal auditors. During FY2020, the ARMC was delegated to oversee the system of control to ensure that obligations in line with Section 17A of the Malaysian Anti-Corruption Act 2009 are adhered by management.

In line with the Terms of Reference, the ARMC has unbridled access to the outsourced internal auditor, Baker Tilly Monteiro Heng Governance Sdn. Bhd., and external auditors, PricewaterhouseCoopers PLT. The evaluation on management's performance is supported by the findings of the internal and external auditors. The ARMC may further investigate any findings from the auditors, which further promotes greater management accountability. Further details on the roles of the auditors can be found in the Audit and Risk Management Committee Report.

The Board, through the NC, is satisfied that the ARMC has carried out its duties during FY2020.

Principle C: Integrity In Corporate Reporting and Meaningful Relationship With Stakeholders

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

During FY2020, the Manager has implemented an initiative to provide greater information accessibility to its stakeholders through a new corporate website. Effective from its launch, stakeholders will have access to corporate governance information including but not limited to the Board Charter, Terms of Reference, Whistleblowing Policy and Anti-Bribery and Corruption Policy. Under the Investors Relations section of the corporate website, stakeholders may find material information about the Fund in making informed decisions including financial results, distribution history and investor presentations. It is regularly updated to provide greater communication between the Manager and its stakeholders.

General Meeting

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

The Manager places great emphasis to comply with the obligations in line with the MMLR and SC's REIT Guidelines. KIP REIT's Third AGM was held on 25 September 2019 with the Annual Report 2019 made available to the unitholders ahead of the meeting such that unitholders are able to make their analyses accordingly prior to the AGM. The notice of the Third AGM was advertised on 28 August 2019 and announced to Bursa Malaysia on 27 August 2019.

Compliance Statement

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of the Manager is pleased to present the Audit and Risk Management Committee Report for FY2020. The aim of this report is to provide insights as to the discharge of the ARMC.

Composition of the ARMC

The ARMC comprises solely of INEDs and the responsibilities delegated to it is found in its Terms of Reference. The Chairman of the ARMC is a member of the Malaysian Institute of Accountants and fulfils such other requirements as approved by Bursa Malaysia. The composition of the ARMC is found below:

Membership/Directorship	Number of meetings attended
Mr Chiam Tau Meng Chairman / Independent Non-Executive Director	4 / 4
Dato' Dr Syed Hussain bin Syed Husman, JP Member / Senior Independent Non-Executive Director	4 / 4
Datuk Mohamed Arsad bin Sehan Member / Independent Non-Executive Director	4 / 4

Roles and Responsibilities of the ARMC

The ARMC is guided by its Terms of Reference and is a committee delegated by the Board to assess the risks and control environment, overseeing financial reporting, evaluating the internal and external audit process and reviewing any related party transactions. During the FY2020, the ARMC met its responsibilities in discharging its functions and duties in accordance with its Terms of Reference as follows:

1. Overseeing Financial Reporting

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

2. Assessing Risks and Control Environment

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

3. Evaluating the Audit Process

(a) Internal Audit

Baker Tilly Monteiro Heng Governance Sdn. Bhd. was appointed as the outsourced internal auditors during this financial year to review the Manager's internal control framework. It has completed four audit cycles during two periods of the financial year and made necessary recommendations for improvements to existing processes and procedures. Details of the internal audit cycles are found in the Statement on Risk Management and Internal Controls in this Annual Report. The internal audit fees amounted to RM78,000 in FY2020 (FY2019: RM130,000).

The ARMC is delegated the role of oversight in the evaluation of the audit process. In the ARMC meetings during this financial year, the committee:

- (i) Reviewed the annual internal audit plan with management to ensure adequate audit coverage of the key risk areas and processes in the management of KIP REIT.
- (ii) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (iii) Evaluated the audit activities carried out by the internal auditors and followed-up with management on recommendations on corrective actions taken to address the issues reported.
- (iv) Evaluated the adequacy and effectiveness of internal audit function as well as the performance of the internal auditors against the audit plan.
- (v) Reviewed the minutes of Risk Management Committee Working Group meetings and updates on the risk register on a quarterly basis.

(b) External Audit

PricewaterhouseCoopers PLT ("PwC") in their capacity as the external auditors continues to maintain a transparent and professional relationship with the Board. The Board, through the ARMC, has reviewed the suitability of their appointment taking into consideration of the auditors experience, resources, and independence and objectivity. The ARMC shall recommend to the Board and subsequently the Trustee's approval for the re-appointment of PwC as the external auditors. In FY2020, the ARMC had reviewed and discussed with the management and PwC, the Audit Planning Memorandum for FY2020. 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.

For FY2020, the amount of audit and non-audit fees paid or payable to the external auditors are as follows:-

Audit Fees	RM105,000
Non-Audit Fees	RM100,000

4. Reviewing Related Party Transactions

The ARMC 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 transactions and recurring related party transactions situations be:

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

5. Oversight of the Manager's Anti-Bribery Management Systems

During this financial year, the Manager had implemented Anti-Bribery Management Systems in accordance with ISO37001:2016 as part of the internal systems to comply with Section 17A of the Malaysian Anti-Corruption Commission Act 2009. The ARMC is delegated the role of oversight and shall perform on a periodic basis an evaluation on effectiveness of such systems. Details on the Anti-Bribery and Corruption Policy adopted can be found in the Statement of Risk Management and Internal Controls and the corporate website.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Introduction

The Board of the Manager is pleased to present the Statement on Risk Management and Internal Controls. This Statement is prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia's MMLR and is guided by and in line with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the MCCG 2017.

Board's Responsibility

The Board in discharging its stewardship duties assumes overall responsibility of establishing and maintaining a sound system of risk management and internal controls to ensure that good corporate governance practices are entrenched in the management of KIP REIT. The Board appreciates that a robust system must be adaptive to the fast-changing environment and shall through delegation to the ARMC review the adequacy and integrity of the framework on an annual basis. In so doing, the ARMC is able to assess management's ability in implementing and maintaining controls in line with the Manager's risk appetite, taking into account that no systems could provide absolute assurance that KIP REIT would not be significantly affected by any event reasonably foreseen. The framework is designed to provide reasonable assurance that the risk management procedures, internal controls and policies and procedures for KIP REIT is operating effectively.

Key Elements of Risk Management

The Manager, with the mandate and commitment of the Board, is committed to maintaining the ERM Framework, follows the relevant guidance from the ISO 31000:2018 – Risk Management - Guidelines, to facilitate an ongoing process to identify, evaluate and manage significant risks faced by KIP REIT. The ERM Framework clearly establishes the functional responsibilities for risk management, tolerable ranges for risk management and risk appetite and the process of leveraging necessary skills and resources to manage the identified risks. However, it is to be noted that the ERM Framework aims to mitigate either the likelihood of the risk arising or the potential impact of the risk and provide reasonable assurance that risks are appropriately managed but not completely eliminated.

The Manager appreciates that effective implementation of the ERM Framework requires commitment from a top-down approach, with the Board setting the tone and fostering a culture of risk management. For this reason, the risk governance structure is multi-dimensional in that it encompasses committed individuals from board to operational level and is cross-departmental at the Working Group level. The Working Group communicates its findings and updates the ARMC on a quarterly basis, whereupon due deliberation will be given and notation at the Board level.

Board

Assumes overall responsibility on the risk management processes in place. Ensures that the ERM is embedded into the daily management of KIP REIT's assets, identifies key principal risks faced by KIP REIT, determines the risk appetite and provides reasonable assurance that risks are managed within tolerable ranges.

ARMC

Reviews the risk management framework, evaluates effectiveness of risk management processes, solicits formal feedback from independent auditors and correspondingly advise the Board on matters pertaining to risk management.

Risk Management Committee Working Group

Taking into consideration input from relevant parties, members of the Risk Management Working Group to advise the ARMC and the Board on identified risks, evaluate risks and implement mitigating action plans in a timely manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)

The Board believes that risk management plays an integral part of objective setting for KIP REIT in a fast-changing business environment. This tone is clearly communicated across the risk governance structure and in line with the Board's direction, is entrenched into the management of KIP REIT. During quarterly risk management updates at the ARMC and Board levels, the Board communicates to the Risk Management Committee Working Group the tolerable ranges for the key risks identified taking into account of the risk appetite, being a weighing of the likelihood of the risk materialising against the potential risk impact. This two-way communication is aimed at leveraging the strengths of the Board on an oversight level and management on an operational level, to achieve greater efficiencies in the management of KIP REIT. Further details on the Manager's risk management activities during FY2020 can be found in the Management Discussion and Analysis section of the Annual Report.

The Board remains committed to monitoring and improving upon the risk management processes by evaluating the existing ERM Framework on an annual basis. This takes into account of the three lines of defences adopted by the Manager, taking into account feedback from the three lines of defences (respective departments, the Risk Management Committee Working Group, and findings from the internal auditors). The Board appreciates that continual improvement is necessary to ensure that evolving business risks are appropriately resolved and that the interest of the Fund and its unitholders are safeguarded.

Key Elements of Internal Control

The Manager appreciates that systematic internal controls encompassing policies and procedures facilitates mitigation of significant business, operational, financial, compliance and other risks that may materialise. For this reason, the Manager in the management of KIP REIT's portfolio, strives to comply with and where necessary, improves upon its Standard Operating Manuals, policies and procedures on a periodic basis to streamline its operations. Notwithstanding a sound system of internal control is designed to provide reasonable assurances, rather than absolute assurance, in the reduction of the possibility of poor judgement in decision-making, human error, control processes deliberately circumvented by employees, management overriding controls and unforeseeable circumstances. That being said, the Board views further strengthening of internal controls as a foundation to good corporate governance and has instilled a culture of prudent management accordingly.

Organisational Structure

The Manager's organisational structure clearly defines lines of authorities and respective roles and responsibilities from the Board level to the operational level.

- Board: supervisory role to oversee the Fund's performance and shall meet at least on a quarterly basis to deliberate and approve matters to ensure effective supervision of the Fund.
- Executive Office: the CEO shall have the overall responsibility over the management of KIP REIT alongside the CFO who shall assure the Board that adequate processes and controls are in place to comply with applicable requirements.
- Management: to carry out such measures as directed by the Board and Executive Office to safeguard the interests of the Fund and its unitholders.

On an operational level, the daily management of KIP REIT's portfolio is subjected to comprehensive policies and procedures manuals and authority limits.

Annual Budget

The Manager's Budget is prepared on an annual basis taking a summation of output from a top-down and bottom-up approach. The finalised Annual Budget is therefore a product of two-way communications between the budget owner and management. The roles of the respective parties as follows:

- (i) Management establishing key assumptions and parameters so as to provide a provisional top-down budget allocation; and
- (ii) The Property Manager and Service Provider to the Property Manager, KIP Property Services Sdn. Bhd. ("KPS") justifies the budget allocation for each respective mall, with the exception of AEON Mall Kinta City, based on a comparison of key assumptions and parameters, assessing past performance and future opportunities.

Following detailed review and target-setting process, which takes into consideration of factors including the strengths and weaknesses of the properties and opportunities and threats faced by KIP REIT such as competitor and economic climate, the Annual Budget is then tabled to the ARMC for review and subsequently for Board's approval. Management will thereafter closely monitor actual financial performance in comparison to the projected figures and the ARMC and Board on a quarterly basis on the same.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)

Five-Year Strategic Plan

During this financial year, the Board of the Manager approved the Five-Year Strategic Plan to formalise a clear strategic direction for KIP REIT. The plan aims to provide relevant decision makers with a blue print to understand the nature of key challenges faced by KIP REIT, serves as the guiding posts to overcome the identified challenges and provide an approach to develop sustainable solutions in implementing tactics. Management shall strive to implement such measures to realise the strategic direction set by the Board to achieve growth targets, both organically and through third-party acquisitions, and the leveraging of the Fund's competitive advantage. However, it is noted that the Five-Year Strategic Plan is a live document where unforeseen circumstances may arise resulting in the need to make amendments as necessary.

Financial Risk – MTN Programme

The Manager is pleased to announce that KIP REIT through its subsidiary KIP REIT Capital Sdn. Bhd. successfully made its maiden issue of RM310.0 million MTN of its RM2.0 billion MTN programme with a perpetual tenure. The current MTN issue 1 is structured in a way to serve as a natural hedge with approximately two-thirds of the issue having a fixed rate and the remainder having a floating rate. This structure allows for KIP REIT to reduce its exposure to the movements in financial costs.

Investment Steering Committee Working Group

The Manager has established an Investment Steering Committee on a working group level to evaluate investment proposals offered to KIP REIT. To effectively assess these proposals, members of the Investment Steering Committee Working Group assess the proposal against a stringent set of criteria to identify yield-accretive properties to be included within KIP REIT's portfolio. Following the due diligence processes in place, the Investment Steering Committee Working Group submits its recommendation for Board's final decision on the investment proposals. The Manager remains committed to source yield accretive properties as part of its growth plans in line with KIP REIT's Five-Year Strategic Plan.

Restated Trust Deed

The Manager has entered into a Restated Trust Deed dated 12 December 2019 with the Trustee in compliance with the amendments made to the SC's REIT Guidelines. The Restated Trust Deed clearly delineates the powers and responsibilities of the Manager, the Trustee and the unitholders of KIP REIT, and serves as a basis for the Manager and the Trustee to act in the best interest of the unitholders.

Related Party Transactions

During this financial year, KIP REIT formalised its policy to Related Party Transaction ("RPT") policies in line with SC's REIT Guidelines and Bursa Malaysia's MMLR. The policy sets out the obligation for management to identify the existence of Related Party Transactions and/or Recurrent Related Party Transactions ("RRPT") and ensure that all RPTs, dealings, investments and appointments are made on an arm's length basis and on a best available option basis. During this financial year, KIP REIT did not seek any mandate from its unitholders relating to RRPTs.

Business Continuity Plan

The review and update of the Business Continuity Plan took place during this financial year to provide guidance for key business functions to operate in the event of a crisis materialising. The existing processes and procedures were reviewed taking into consideration of changes in the business environment and aim to ensure minimal business disruption to the management of KIP REIT.

Anti-Bribery Management Systems

The Manager has implemented policies and procedures in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020. The policies and procedures in place are communicated to relevant parties to mitigate the possibility of the occurrence of bribery and corruption acts and potential resulting impact arising therefrom.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)

Internal Audit

The ARMC is supported by Baker Tilly Monteiro Heng Governance Sdn. Bhd., the outsourced internal auditors, in the review of internal control systems relating to the management of KIP REIT. The Internal Audit exercise is designed to assist the Manager accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve upon the effectiveness of risk management, control and governance processes. Based on the agreed internal audit plan, the internal auditors performed two internal control cycle reviews during two periods in the financial year and one follow-up review of controls, during this financial year. The two areas audited in the first cycle in January 2020 focused on Asset Enhancement and Refurbishments, General IT and Application Controls and the second cycle in July 2020 focused on Billing and Credit Control Management and Leasing and Tenant Management. Findings compiled in the Internal Audit Reports were tabled to the ARMC on 16 January 2020 and 29 July 2020, respectively, with management agreeing to implement action plans for relevant controls as necessary for continuous improvement.

Appraisal on Risk Management and Internal Control in FY2020

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

Review of this Statement

As required by paragraph 15.23 of the Bursa Malaysia's MMLR, the external auditors have reviewed this Statement. Their limited assurance review was performed in accordance with the Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. Recommended Practice Guide 5 (Revised) does not require external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement has been tabled and approved by the Board on 29 July 2020.

SUSTAINABILITY STATEMENT

Introduction

The Manager strongly believes that sustainable business practices encourage long term value creation for our diverse group of stakeholders. For this reason, we aim to set strategies that would generate positive outcomes within our immediate communities be it environmentally, socially, or economically.

This sustainability report is written with reference to the Sustainability Reporting Guide in accordance with Bursa Malaysia's MMLR. It covers business activities by KIP REIT, a Malaysian domiciled Real Estate Investment Trust, between 1 July 2019 to 30 June 2020. References made to the employees of KIP REIT shall be taken as the employees of the REIT Manager and KIP Property Services Sdn. Bhd., being the Service Provider to our Property Manager. It also assesses the environmental and economic impact as a direct correlation to KIP REIT's portfolio of properties.

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

Stakeholder Engagement

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

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

SUSTAINABILITY STATEMENT (CONT'D)

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

SUSTAINABILITY STATEMENT (CONT'D)

Key stakeholder groups	Expectations	Nature of engagement	KIP REIT's actions
Media	<ul style="list-style-type: none"> » Timely communication of corporate exercise » Performance / market outlook » Notification on release of results or other material matters 	<ul style="list-style-type: none"> » Press release » Media interviews » Annual gatherings » Company updates » Quarterly reports 	<ul style="list-style-type: none"> » Provision of content in a timely manner with the partnership of Investor Relations

Sustainability matters

The following factors are taken into consideration by the Manager when developing and reviewing the sustainability programme:

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

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

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

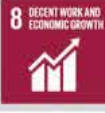


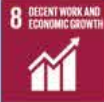







SUSTAINABILITY STATEMENT (CONT'D)

ESG factors in light of the Covid-19 pandemic

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

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

During the FY2020, KIP REIT has leveraged its resources to incorporate ESG strategies and integrated the United Nations Sustainable Development Goals accordingly.

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

SUSTAINABILITY STATEMENT (CONT'D)

(1) Financial capital

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

Revenue	RM74.5 million
Net Property Income (RM)	RM56.0 million
Distribution per unit (sen)	6.18
Annualised yield	7.8%
Value of Asset Enhancement Initiatives	RM855,000
Creation of employment	100% Malaysian workforce

Further details on KIP REIT's performance can be found in the Management Discussion and Analysis sections.

The Manager further recognises that it has a role to play as a part of the wider community. During FY2020, the Manager made a donation of RM10,000 to Taylors Education Group in support of their community building initiatives, particularly focused on the refugee community in Malaysia. The contribution in the form of a grant strives to assist the Somali refugees in equipping them with skills to drive their entrepreneurial spirit and create value beyond their families and to the wider community.

(2) Manufactured capital

KIP REIT's proprietary know-how at managing investment properties contributes to the KIP REIT's performance in financial year 2020. This includes six (6) KIPMall properties managed by the Property Manager and Service Provider and AEON Mall Kinta City under a Master Lease to AEON Co Sdn. Bhd.

Investment strategies

KIP REIT was listed with the investment objective to provide stable and regular income distribution to its unitholders through the management of its portfolio of properties. To achieve this, management has committed itself to grow the total asset under management size through the acquisition of yield-accretive assets listed in the market and effective property management such as Asset Enhancement Initiatives.

The completion of AEON Mall Kinta City in July 2019 marked KIP REIT's first acquisition since the Initial Public Offering in line with KIP REIT's current plans to increase total asset under management. The Property is currently under a triple net lease with AEON Co. SC For this reason the purpose of this sustainability statement will be focused on the management of the 6 KIPMalls.

In addition to the acquisition, the management and Service Provider has focused on improving upon customer satisfaction through Asset Enhancement Initiatives as per the table below.

Property	Works performed	Status as at FY2020
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.	Complete
	Drive through area for KFC.	Complete
KIPMall Bangi	Completion of a drop-off area at the mall entrance.	Complete
	Renovation works to improve shopper traffic on the second floor area.	Complete
	Upgrading elevators and maintenance of escalators and brightening the car park area.	Complete

SUSTAINABILITY STATEMENT (CONT'D)

Corporate governance

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

Material matters	Policies
Business ethics and transparency	Whistleblowing policy
	Code of conduct and business policy
	Conflict of interest
s.17A Malaysian Anti-Corruption Commission Act 2009	Anti-Bribery and Corruption policy
	Gifts and hospitality policy
	Investigations policy
Risk management	Enterprise Risk Management Framework
Employee engagement	Human Resources Manual

(3) Social and relationship

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

Stakeholders	Engagement
Community/shoppers	<p>During FY2020, our Service Providers have participated in the following events to promote local causes and to encourage our communities to get together:</p> <ul style="list-style-type: none"> » Community sports days; » E-sport tournaments; » Adoption drives; and » Community give-aways.
Business partners	KIP REIT aspires to be a resourceful Landlord to our local SMEs to provide them with a platform to expand their business operations. The Property Managers and Service Providers have ensured that relationship management with our business partners are at their priorities.
Local charities	To promote community inclusiveness, the management of KIP REIT has partnered up with Taylor's Education Group to assist refugee groups within Malaysia. A donation is made as a grant to fund refugees in their entrepreneurship and make an impact within the refugee communities.
Investors	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.

SUSTAINABILITY STATEMENT (CONT'D)

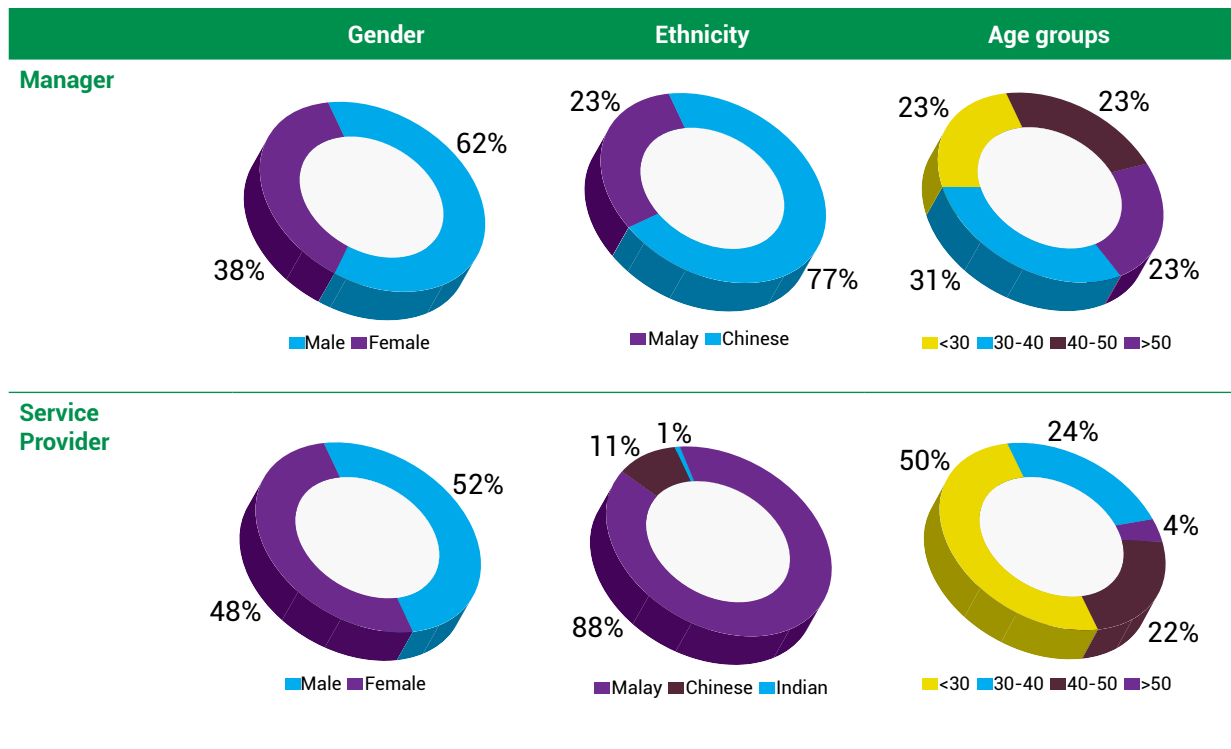
(4) Intellectual/Human Capital

Management recognises that the pool of talented employees working in service of KIP REIT plays a significant role in its operational success. For this reason, KIP REIT has implemented several strategies to preserve a diverse community of employees within the Manager and Service Provider.

Equal Opportunity/Diversity

The management of KIP REIT recognises that a diverse talent pool is key to the success of KIP REIT and opportunities are awarded to employees based entirely on their merits. Recruitment, retention and promotion are decided upon contribution to KIP REIT's performance and we do not discriminate based on gender, race or ethnicities.

As at 30 June 2020, the Manager employs a total of 13 employees and our Service Provider to the Property Manager employs 94 employees. The following observations have been made and reflects KIP REIT's recognition that a diverse work force encourages more balanced workplace decisions.



Professional and personal development

Management strongly believes that upskilling employees allow for the individual to develop a fruitful career within our own community. For this reason, several training and development initiatives were put in place to empower the workforce and help them develop professionally. Some of the training attended during FY2020 includes:

- » PMS/FA Training by Finance Team;
- » Standard Operating Manual Training by Human Resources Team;
- » KIP REIT Mall Operations Standard Operating Manual by the General Manager;
- » Occupational Health and Safety Training by third party provider;
- » Business ethics and corporate governance by third party provider; and
- » Anti-Bribery Management System by third party provider.

SUSTAINABILITY STATEMENT (CONT'D)

Further, the finalisation of the 360 degrees feedback review system allows for a global understanding and appraisal system.

Employee welfare

KIP REIT strongly believe that hard work by our community of people should never go unnoticed. To demonstrate management's appreciation for employee's hard work, the following initiatives were put in place during FY2020:

- » Annual Dinner;
- » Healthy Award;
- » Service Award;
- » Buka Puasa;
- » Chinese New Year Angpow; and
- » Chinese New Year lion dance performance.

(5) Natural

As a socially and environmentally conscious part of the community, the management of KIP REIT is committed to playing our part in the global fight against climate change. The following initiatives have been put into place in FY2020 and will results will be continually monitored and reviewed:

- » **Renewable resources:** the 6 KIPMalls have successfully produced 3,824,838 kWh during the past twelve months ending 30 June 2020, equivalent to 2,654.4 tonnes of carbon footprint reduced through the use of solar power. Additionally, KIP REIT has also been approved of the sandbox initiative for Net Metering programme by SEDA which allows for any excess solar power generated to be distributed to our surrounding communities.
- » **Responsible consumption:** initiatives have been taken to promote responsible consumption of resources within the Headquarters and Management Offices at the respective malls. Employees are encouraged to participate in good consumption habits such as minimising electricity use, minimising printing and limiting the wastage of resources.
- » **Raising awareness:** Management has also implemented an Adopt-a-Pot initiative that has seen employees at the HQ level taking over responsibility of some greenery within the office space. This staff initiated programme serves as a small reminder to our employees of our responsibilities to care for our communities and our environment.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

Pursuant to its obligations in paragraph 15.26 (a) of the MMLR of Bursa Malaysia, the Board is hereby reporting that the financial statements of KIP REIT for FY2020 have been prepared in accordance with the Restated Trust Deed dated 12 December 2019, the SC's REIT Guidelines and in compliance with the relevant accounting standards of Malaysia. The Board is satisfied that the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2020 and of the financial performance and cash flows of the Fund for the financial year ended 30 June 2020.

In preparing the financial statements, the Board has:

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

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

MANAGER'S REPORT

The Manager of KIP Real Estate Investment Trust ("KIP REIT" or "Fund"), KIP REIT Management Sdn. Bhd. ("Manager"), is pleased to submit their report and audited financial statements of KIP REIT and its wholly-owned subsidiary, KIP REIT Capital Sdn. Bhd. ("Group") for the financial year ended 30 June 2020.

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 or the Fund") established on 2 November 2016 pursuant to the deed of trust dated 2 November 2016 and an amended and restated deed dated 12 December 2019 (collectively referred to as the "Deed") between the Manager and Pacific Trustees Berhad ("Trustee"), listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 February 2017 and regulated by the Securities Commission Act 1993, the Securities Commission'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:-

- 1.370 sen per unit for the period from 1 July 2019 to 30 September 2019, which was paid on 14 November 2019.
- 1.760 sen per unit for the period from 1 October 2019 to 31 December 2019, which was paid on 14 February 2020.
- 1.520 sen per unit for the period from 1 January 2020 to 31 March 2020, which was paid on 29 May 2020.
- 1.530 sen per unit for the period from 1 April 2020 to 30 June 2020, which is payable on 27 August 2020.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Dato' Dr Syed Hussain bin Syed Husman, JP
 Dato' Chew Lak Seong
 Dato' Ong Kook Liong
 Datuk Mohamed Arsad bin Sehan
 Chew Kheng Kai
 Ong Pui Shan
 Chiam Tau Meng

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 2020, no Director has received or become entitled to receive a benefit (other than certain directors receive remuneration as a result of their employment with the Manager or related corporations).

DIRECTORS' INTEREST

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

	Number of units			Balance at 30.06.2020
	Balance at 01.07.2019	Addition	Disposal /Transferred	
Dato' Dr Syed Hussain bin Syed Husman, JP				
Direct	60,000	-	-	60,000
Dato' Chew Lak Seong				
Direct	64,158,081	20,942,268	-	85,100,349
Indirect	83,351,576	-	(51,281,068)	32,070,508
Dato' Ong Kook Liong				
Direct	63,790,483	29,195,800	-	92,986,283
Indirect	83,351,575	-	(62,851,068)	20,500,507
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:-

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

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

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

MANAGER'S REPORT (CONT'D)

OTHER INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

In the opinion of the Manager:-

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

MATERIAL LITIGATION

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

SOFT COMMISSION

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

CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

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

AUDITORS

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 12 August 2020.

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 2020 and of their financial performance and cash flows for the financial year ended 30 June 2020.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 12 August 2020.

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 12 August 2020.

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 2020. 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 2020 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 2020 as follows:

- 1.370 sen per unit for the period from 1 July 2019 to 30 September 2019, which was paid on 14 November 2019.
- 1.760 sen per unit for the period from 1 October 2019 to 31 December 2019, which was paid on 14 February 2020.
- 1.520 sen per unit for the period from 1 January 2020 to 31 March 2020, which was paid on 29 May 2020.
- 1.530 sen per unit for the period from 1 April 2020 to 30 June 2020, which is payable on 27 August 2020.

For and on behalf of the Trustee,
PACIFIC TRUSTEES BERHAD

RAZAK BIN AHMAD
Chief Executive Officer

Kuala Lumpur,
Date: 12 August 2020

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 2020, 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 2020 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 74 to 122.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

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 matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Fair value of investment properties</p> <p>As at 30 June 2020, KIP REIT's investment properties, carried at fair value, amounted to RM807 million.</p> <p>The fair valuation of KIP REIT's investment properties is based on valuation performed by an external valuer, engaged by management.</p> <p>We focused on this area due to the magnitude of the balance and the complexities in determining the fair value of the investment properties, which involved significant judgement and estimation that could result in material misstatement.</p> <p><i>Refer to Note 3(b) (Summary of Significant Accounting Policies), Note 4 (Critical Accounting Estimates and Judgements) and Note 6 (Investment Properties).</i></p>	<p>We evaluated the competence, qualification and experience as well as the independence of the external valuer engaged by the management.</p> <p>We discussed with the external valuer independently without the presence of the management regarding the methodology and assumptions used in the valuation.</p> <p>We agreed, on a sample basis, the rental income and rental periods used in the valuation to underlying lease agreements, to satisfy ourselves of the accuracy of the data provided to the external valuer by management.</p> <p>We tested the inputs underpinning the valuation, such as reversionary rental, other income, outgoings and allowance for void, by agreeing them to the underlying lease data or comparing to historical trends.</p> <p>We also considered the valuation methodology used against those applied by other valuers for similar property types. We compared the capitalisation rates used in the valuation against available industry data, taking into consideration comparability and market factors.</p> <p>We reviewed and assessed the adequacy of the disclosures, including the sensitivity analysis on the relationship between the key assumptions used and the fair valuation of the investment properties in the financial statements.</p> <p>Based on the above procedures performed, we did not identify any material exceptions.</p>

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and KIP REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and KIP REIT's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or 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.

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)

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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
12 August 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Fund	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets					
Equipment	5	1,585	1,190	1,585	1,190
Investment properties	6	807,000	599,300	807,000	599,300
Investment in a subsidiary	7	-	-	-*	-*
Total non-current assets		808,585	600,490	808,585	600,490
Current assets					
Trade and other receivables	8	7,257	16,453	7,257	16,453
Cash and bank balances	9	25,976	12,867	18,597	12,867
Total current assets		33,233	29,320	25,854	29,320
Total assets		841,818	629,810	834,439	629,810
Financed by:					
Unitholders' fund					
Unitholders' capital	10	492,333	492,333	492,333	492,333
Retained earnings		17,506	16,800	17,506	16,800
Total unitholders' fund		509,839	509,133	509,839	509,133
Non-current liabilities					
Borrowings	11	308,817	93,390	-	93,390
Payables and accruals	12	5,108	9,750	310,156	9,750
Total non-current liabilities		313,925	103,140	310,156	103,140
Current liabilities					
Borrowings	11	3,610	6,779	-	6,779
Payables and accruals	12	14,444	10,758	14,444	10,758
Total current liabilities		18,054	17,537	14,444	17,537
Total liabilities		331,979	120,677	324,600	120,677
Total unitholders' fund and liabilities		841,818	629,810	834,439	629,810
Net asset value ("NAV")					
- before income distribution		541,016	541,018	541,016	541,018
- after income distribution		509,839	509,133	509,839	509,133
Number of units in circulation ('000 units)	10	505,300	505,300	505,300	505,300
NAV per unit (RM)					
- before income distribution		1.0707	1.0707	1.0707	1.0707
- after income distribution		1.0090	1.0076	1.0090	1.0076

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

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group and Fund	
		2020 RM'000	2019 RM'000
Gross rental income		65,955	52,673
Revenue from contracts with customers		8,585	10,392
Gross revenue	13	74,540	63,065
Utilities expenses		(7,642)	(9,729)
Maintenance and housekeeping expenses		(2,368)	(3,084)
Marketing expenses		(217)	(608)
Quit rent and assessment		(1,836)	(1,275)
Reimbursement costs	14	(4,139)	(4,786)
Property manager fee		(151)	(151)
Other operating expenses		(2,169)	(1,479)
Property operating expenses		(18,522)	(21,112)
Net property income		56,018	41,953
Changes in fair value on investment properties	6	32	3,357
Interest income		567	502
Net investment income		56,617	45,812
Manager's management fee	15	(7,407)	(4,164)
Trustees' fee		(353)	(100)
Auditors' remuneration		(105)	(105)
Valuers' fee		(200)	(185)
Other trust expenses		(2,552)	(1,917)
Borrowing costs	16	(14,117)	(5,292)
Profit before taxation		31,883	34,049
Taxation	17	-	-
Profit after taxation		31,883	34,049
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to unitholders		31,883	34,049
Profit after taxation is made up as follows:			
Realised		31,851	30,692
Unrealised		32	3,357
		31,883	34,049
Basic earnings per unit (sen)	18	6.3097	6.7383
Diluted earnings per unit (sen)	18	6.3097	6.7383
Total comprehensive income		31,883	34,049
Distribution adjustments	19	(728)	(2,744)
Distributable income		31,155	31,305
Distribution per unit (sen)	19	6.1800	6.030

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

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Group and Fund	Note	Unitholders' capital RM'000	Retained earnings RM'000	Total funds RM'000
As at 1 July 2019		492,333	16,800	509,133
Profit of the year		-	31,883	31,883
Total comprehensive income for the year attributable to unitholders		-	31,883	31,883
Unitholders' transactions				
Distribution to unitholders	19	-	(31,177)	(31,177)
Decrease in net assets resulting from unitholders' transactions		-	(31,177)	(31,177)
As at 30 June 2020		492,333	17,506	509,839
Group and Fund				
As at 1 July 2018		492,315	14,636	506,951
Profit of the year		-	34,049	34,049
Total comprehensive income for the year attributable to unitholders		-	34,049	34,049
Unitholders' transactions				
Distribution to unitholders	19	-	(31,885)	(31,885)
Reversal of listing expenses		18	-	18
Increase/(decrease) in net assets resulting from unitholders' transactions		18	(31,885)	(31,867)
As at 30 June 2019		492,333	16,800	509,133

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Fund	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities					
Profit before taxation		31,883	34,049	31,883	34,049
<i>Adjustments for:</i>					
Changes in fair value on investment properties		(32)	(3,357)	(32)	(3,357)
Interest expense on borrowings		13,395	5,024	543	5,024
Interest expense on advances from a subsidiary		-	-	12,852	-
Interest income		(567)	(502)	(567)	(502)
Depreciation of equipment		306	164	306	164
Amortisation of transaction costs		722	268	722	268
Bad debts written off		20	70	20	70
Allowance for doubtful debts		104	91	104	91
Equipment written off		-	20	-	20
Operating income before changes in working capital		45,831	35,827	45,831	35,827
Net change in trade and other receivables		(1,325)	(10,748)	(1,325)	(10,748)
Net change in payables and accruals		(956)	(2,106)	(956)	(2,106)
Net cash generated from operating activities		43,550	22,973	43,550	22,973
Cash flows from investing activities					
Purchase of equipment		(701)	(875)	(701)	(875)
Asset enhancement on investment properties		(855)	(9,700)	(855)	(9,700)
Uplift of deposits with licensed banks		-	8,433	-	8,433
Pledge deposit		(7,708)	(36)	(349)	(36)
Interest received		564	487	564	487
Acquisition of investment property	26	(196,413)	-	(196,413)	-
Net cash used in investing activities		(205,113)	(1,691)	(197,754)	(1,691)
Cash flows from financing activities					
Interest paid on borrowings		(10,256)	(4,947)	(1,270)	(4,947)
Payment for transaction cost		(1,674)	(80)	-	(80)
Income distribution paid to unitholders		(31,177)	(31,885)	(31,177)	(31,885)
Interest paid on advances from a subsidiary		-	-	(8,987)	-
Advances from a subsidiary		-	-	300,948	-
Proceeds from drawdown of borrowings		310,000	12,929	-	12,929
Repayment of borrowings		(99,929)	-	(99,929)	-
Net cash generated from/(used in) financing activities		166,964	(23,983)	159,585	(23,983)
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of the year		11,579	14,280	11,579	14,280
Cash and cash equivalents at end of the year	9	16,980	11,579	16,960	11,579

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

The accompanying notes to the financial statements 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 of trust dated 2 November 2016 and an amended and restated deed dated 12 December 2019 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. ("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 addresses of the Manager's registered office and principal place of business are as follows:-

Registered office

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

Principal place of business

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

The principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing Real Estate used 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 2020 comprise of KIP REIT and its wholly-owned special purpose company, KIP REIT Capital Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of KIP REIT.

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

The financial statements were approved by the Board of Directors of the Manager on 12 August 2020.

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 RM13,500 per month (including 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1 GENERAL (CONTINUED)

(b) Manager's management fees (Continued)

(iii) Acquisition Fee

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

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

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

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

(iv) Divestment Fee

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

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

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:

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1 GENERAL (CONTINUED)

(b) Manager's management fees (Continued)

(iv) Divestment Fee (continued)

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

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

(each a "Trigger Event").

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

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

(c) Trustee's fees

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 BASIS OF PREPARATION (CONTINUED)

(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 2019:

(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 adoption of new standards and amendments listed above did not have any material impact on the financial statements in the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2 BASIS OF PREPARATION (CONTINUED)

(c) Standards issued but not yet effective

The Group and the Fund intend to apply the following accounting standards, interpretation and amendments from the annual period beginning on 1 July 2020 except *MFRS 17, Insurance Contracts and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* as it is not applicable to the Group and the Fund:

- (i) MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2020
- Amendments to MFRS 3, Business Combinations – Definition of a Business;
 - Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material; and
 - Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform.
- (ii) MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
 - Amendments to MFRS 101 and MFRS 108: Definition of Material

In October 2018, the MASB issued amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment properties

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

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

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

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the 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.

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

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

(c) Equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Equipment (Continued)

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

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

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

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

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

(d) Financial assets

(i) Classification

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement (continued)

Debt instrument

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

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

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

(iv) Subsequent measurement – Impairment

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

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

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

Simplified approach for trade receivables

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

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

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

Significant increase in credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

The following indicators are incorporated:

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

Write-off

I. Trade receivables

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

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

II. Other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets

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

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

(f) Cash and cash equivalents

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

(g) Trade and other receivables

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

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

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

(h) Trade and other payables

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

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

(i) Unitholders' capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Fund after deducting all of its liabilities. Units are equity instruments.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Borrowings and borrowing costs

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

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

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

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

(k) Revenue recognition

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

Lease income on operating leases

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

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

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

Revenue from contracts with customers

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

Interest income

Interest income is recognised on an effective yield basis.

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

Manager's management fees

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

(l) Income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases

Accounting policies applied till 30 June 2019

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on the straight-line basis during the lease period in which they are incurred.

Accounting policies applied from 1 July 2019

(a) Accounting by lessee

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

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

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

Accounting policies applied from 1 July 2019 (continued)

(a) Accounting by lessee (continued)

Lease liabilities

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

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

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

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

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

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

Short term leases and leases of low value assets

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

(b) Accounting by lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

Accounting policies applied from 1 July 2019 (continued)

(b) Accounting by lessor (continued)

Finance leases

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

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

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

Operating leases

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

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

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

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

Separating lease and non-lease components

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

(n) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Earnings per unit

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

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

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

(p) Segment reporting

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

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

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

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

(r) Recognition of distribution of income to unitholders

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (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.

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

Principal assumptions for estimation of fair value of investment properties

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

Investment properties are stated at fair value based on valuations performed by C H Williams Talhar & Wong Sdn. Bhd. (2019: Henry Butcher Malaysia 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.

5 EQUIPMENT

	Equipment and appliance RM'000	Furniture and fittings RM'000	Signage RM'000	Office equipment RM'000	Renovation RM'000	Work-In- Progress RM'000	Total RM'000
Group and Fund Cost							
As at 1 July 2019	595	303	298	67	115	63	1,441
Additions	226	181	-	5	150	199	761
Reclassification	-	-	-	-	4	(4)	-
Transfer to investment properties	-	-	-	-	-	(60)	(60)
As at 30 June 2020	821	484	298	72	269	198	2,142
Accumulated depreciation							
As at 1 July 2019	170	30	21	14	16	-	251
Depreciation charge for the financial year	131	51	83	13	28	-	306
As at 30 June 2020	301	81	104	27	44	-	557
Carrying amounts							
As at 30 June 2020	520	403	194	45	225	198	1,585

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5 EQUIPMENT (CONTINUED)

	Equipment and appliance RM'000	Furniture and fittings RM'000	Signage RM'000	Office equipment RM'000	Renovation RM'000	Work-In- Progress RM'000	Total RM'000
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

6 INVESTMENT PROPERTIES

	Group and Fund	
	2020	2019
	RM'000	RM'000
As at 1 July	599,300	585,000
Transfer from Equipment	60	1,243
Acquisition	26	206,813*
Additions	795	9,700
Fair value gain	32	3,357
As at 30 June	807,000	599,300

* Net off against the cost of acquisition capitalised is the balance of sinking fund amounting to RM1.9 million transferred from the vendor. This is treated as a reduction to the acquisition price as disclosed in Note 26.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 INVESTMENT PROPERTIES (CONTINUED)

Based on the valuation reports dated 8 July 2020 issued by the Valuer, the fair values of the investment properties as at 30 June 2020 were RM807.0 million (2019: RM599.3 million).

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

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

The Level 3 inputs or unobservable inputs include:-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6 INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

The investment properties are as follows:-

Notes:-

*1 Based 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 2019 are as follows:-

Group and Fund	Valuation technique	Fair value RM'000	Parameters					Sensitivity analysis on fair value measurements*	
			Capitalisation Rate %	Reversion rate %	Outgoings RM psf	Allowance for void %	Impact of lower rate RM'000	Impact of higher rate RM'000	
KIPMall Tampoi	Investment method	163,500	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)	

Group and Fund	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	Cost of investment properties 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	

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

The investment properties are as follows:-

Group and Fund

Notes:-

*¹ Based on NAV after income distribution.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7 INVESTMENT IN A SUBSIDIARY

	Fund	
	2020 RM'000	2019 RM'000
At cost		
Unquoted shares	-*	-*

* Denotes RM2

Name of company	Principal activity	Place of incorporation	Group's effective interest (%)	
			2020	2019
KIP REIT Capital Sdn. Bhd.	A special purpose vehicle to raise financings for and on behalf of KIP REIT.	Malaysia	100	100

8 TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	1,960	483	1,960	483
Less: Allowance for impairment of trade receivables (Note 23.1(b))	(348)	(251)	(348)	(251)
Trade receivables – net	1,612	232	1,612	232
Other receivables – net (Note 23.1(b))	1,928	150	1,928	150
Deposit recoverable	197	184	197	184
Deposit for acquisition of AMKC	-	10,400	-	10,400
Amount due from a subsidiary	-	-	-	109
Amounts due from related companies	645	1,607	645	1,607
	2,770	12,341	2,770	12,450
Prepayments	2,875	3,880	2,875	3,771
	5,645	16,221	5,645	16,221
Total trade and other receivables	7,257	16,453	7,257	16,453

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9 CASH AND CASH EQUIVALENTS

	Group		Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash in hand	4	29	4	29
Bank balances	1,257	3,800	1,239	3,800
Short term deposits placed with licensed banks	24,715	9,038	17,354	9,038
Cash and bank balances	25,976	12,867	18,597	12,867
Less: Pledged deposits	(8,996)	(1,288)	(1,637)	(1,288)
Cash and cash equivalents	16,980	11,579	16,960	11,579

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

The weighted average effective interest rate of short term deposits placed with licensed banks that was effective at the reporting date was 1.80% per annum (2019: 3.12% per annum).

Short term deposits placed with licensed banks have an average maturity of 29 days (2019: 61 days).

Included in the Group's short term deposits placed with licensed banks is restricted amount of RM9.0 million (2019: RM1.3 million) which is maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for medium term notes granted to KIP REIT (Note 11).

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

	As at 1 July 2019	Cash changes	Non-cash changes		As at 30 June 2020
		Net cash flows from financing activities	Amortisation of transaction costs	Accrued interest	
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
Group					
Borrowings	100,169	198,141	722	13,395	312,427
Fund					
Borrowings	100,169	(101,199)	487	543	-
Amount due to a subsidiary	-	291,961	235	12,852	305,048
2019					
Group and Fund					
Borrowings	86,975	7,902	268	5,024	100,169

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10 UNITHOLDERS' CAPITAL

	Group and Fund	
	2020 Number of units '000	2019 Number of units '000
Approved fund size:		
As at 30 June	505,300	505,300

	Group and Fund			
	2020 Number of units '000	2020 Value RM'000	2019 Number of units '000	2019 Value RM'000
Issued and fully paid up:				
As at 1 July	505,300	492,333	505,300	492,315
Listing expenses	-	-	-	18
As at 30 June	505,300	492,333	505,300	492,333

11 BORROWINGS

	Group		Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current (secured):				
Term loan	-	693	-	693
Short term revolving credit	-	6,274	-	6,274
Medium term notes	3,866	-	-	-
Unamortised transaction cost	(256)	(188)	-	(188)
	3,610	6,779	-	6,779
Non-current (secured):				
Term loan	-	93,688	-	93,688
Medium term notes	310,000	-	-	-
Unamortised transaction cost	(1,183)	(298)	-	(298)
	308,817	93,390	-	93,390
Total borrowings	312,427	100,169	-	100,169

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 RMNil (2019: RM93.7 million);
- (b) Medium Term Notes ("MTN") of up to RM310 million (2019 : RM Nil);
- (c) A Short Term Revolving Credit ("STRC") of up to RM20 million; and
- (d) A letter of guarantee ("LG") of up to RM3 million.

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

	Group		Fund	
	2020 % per annum	2019 % per annum	2020 % per annum	2019 % per annum
Term loan*	-	5.29	-	5.29
Medium term notes	4.52	-	-	-

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

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

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

*The TL comprises of TL1 and TL2. Proceeds drawn from the TL1 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 TL2 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11 BORROWINGS (CONTINUED)

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		Fund	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current payables					
Tenants' deposits	a	5,108	9,750	5,108	9,750
Amount due to a subsidiary	b	-	-	305,048	-
		5,108	9,750	310,156	9,750
Current payables					
Trade payables	c	744	496	744	496
Tenants' deposits	a	11,858	7,574	11,858	7,574
		12,602	8,070	12,602	8,070
Other payables and accrued expenses		1,842	2,574	1,842	2,574
Amounts due to related companies	d	-	114	-	114
		1,842	2,688	1,842	2,688
Total current payables and accruals		14,444	10,758	14,444	10,758
Total payables and accruals		19,552	20,508	324,600	20,508

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

	2020 RM'000	2019 RM'000
Gross rental income	67,600	52,673
Rental rebate (Note 26)	(1,645)	-
	65,955	52,673
Revenue from contracts with customers:		
Promotion area	3,538	5,054
Utilities reimbursement	4,226	4,482
Property related and other advertising income	821	856
	8,585	10,392
Gross Revenue	74,540	63,065
Revenue from contracts customers is represented by:		
Point in time	8,585	10,392

14 REIMBURSEMENT COSTS

Included in reimbursement costs are the following expenses:-

	2020 RM'000	2019 RM'000
Staff salaries	3,319	3,617
Bonus	132	183
Statutory contribution	510	542
Training expenses	8	43
Others	170	401
	4,139	4,786

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	
	2020 RM'000	2019 RM'000
Base fee	4,759	3,735
Performance fee	568	429
Acquisition fee	2,080	-
	7,407	4,164

During the financial year, the Manager received a base fee of 0.60% (2019: 0.6%) per annum of the Total Asset Value of KIP REIT, a performance fee of 1.0% (2019: 1.0%) per annum of Net Property Income and acquisition fee of 1.0% of transaction value.

For the financial year ended 30 June 2020, 100% of the total Manager's management fees has been paid in cash.

16 BORROWING COSTS

	Group		Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest on advances from a subsidiary (Note 24)	-	-	12,852	-
Interest on borrowings	13,395	5,024	543	5,024
Amortisation of transaction cost	722	268	722	268
	14,117	5,292	14,117	5,292

17 TAXATION

	Group and Fund	
	2020 RM'000	2019 RM'000
Reconciliation of tax expense		
Profit before taxation	31,883	34,049
Income tax using Malaysian tax rate of 24% (2019: 24%)	7,652	8,172
Non-deductible expenses	1,030	358
Non-taxable income	(982)	(926)
Capital allowances on equipment	(4,234)	(966)
Effect of income exempted from tax	(3,466)	(6,638)
	-	-

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 2020 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.

	2020 RM'000	Group and Fund 2019 RM'000
Total comprehensive income		
- Realised	31,851	30,692
- Unrealised	32	3,357
Total	31,883	34,049
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	6.3034	6.0740
- Unrealised	0.0063	0.6643
Total	6.3097	6.7383

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	2020 RM'000	Group and Fund 2019 RM'000
Total comprehensive income		31,883	34,049
Distribution adjustments	(a)	(728)	(2,744)
Distributable income		31,155	31,305
Distributions proposed and declared:			
Distribution per unit (sen)			
- 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
- for the period from 1 July 2019 to 30 September 2019		1.370	-
- for the period from 1 October 2019 to 31 December 2019		1.760	-
- for the period from 1 January 2020 to 31 March 2020		1.520	-
- for the period from 1 April 2020 to 30 June 2020		1.530	-
		6.180	6.030
Sources of distributions			
Net property income		56,018	41,953
Interest income		567	502
Changes in fair value on investment properties		32	3,357
		56,617	45,812
Less: Expenses		(24,734)	(11,763)
Total comprehensive income		31,883	34,049
Distribution adjustments	(a)	(728)	(2,744)
Prior year realised gain		8,593	9,173
Distributable income		39,748	40,478
Distribution of:			
- 1.800 sen for the period from 1 April 2018 to 30 June 2018		-	(9,096)
- 1.450 sen for the period from 1 July 2018 to 30 September 2018		-	(7,327)
- 1.550 sen for the period from 1 October 2018 to 31 December 2018		-	(7,832)
- 1.510 sen for the period from 1 January 2019 to 31 March 2019		-	(7,630)
- 1.520 sen for the period from 1 April 2019 to 30 June 2019		(7,681)	-
- 1.370 sen for the period from 1 July 2019 to 30 September 2019		(6,922)	-
- 1.760 sen for the period from 1 October 2019 to 31 December 2019		(8,893)	-
- 1.520 sen for the period from 1 January 2020 to 31 March 2020		(7,681)	-
Distributions recognised in statements of changes in net assets value		(31,177)	(31,885)
Income retained		8,571	8,593

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19 DISTRIBUTION TO UNITHOLDERS (CONTINUED)

	2020	Group and Fund 2019
	RM'000	RM'000
<u>Note (a):-</u>		
Distribution adjustments comprise:-		
Amortisation of transaction costs	722	268
Depreciation of equipment	306	164
Changes in fair value on investment properties	(32)	(3,357)
Allowance for doubtful debts	104	91
Bad debts written off	20	70
Written off of equipment	-	20
Realised unamortised rental rebate for MCO	(1,848)	-
	(728)	(2,744)

The final distributable income for the 3 months ended 30 June 2020 is proposed to be 1.530 sen per unit for the period from 1 April 2020 to 30 June 2020, which was declared on 29 July 2020 and is payable on 27 August 2020. The financial statements for the current year ended 30 June 2020 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 2021.

Withholding tax will be deducted for distributions as follows:-

	Withholding Tax rate	
	2020	2019
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

20 PORTFOLIO TURNOVER RATIO

	2020	Group and Fund 2019
Portfolio Turnover Ratio ("PTR") (times)	0.41	-

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

Save for placement and upliftment of fixed deposits, there was only acquisition of AMKC in KIP REIT during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21 MANAGEMENT EXPENSE RATIO

	2020	Group and Fund 2019
Management expense ratio ("MER") (%)	2.08%	1.27%

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 2020 to the average NAV (after income distribution) as at 30 June 2020, which is in accordance with the REIT Guidelines.

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

22 SEGMENT REPORTING

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 SEGMENT REPORTING (CONTINUED)

Geographical segments

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

	Southern region RM'000	Central region RM'000	Northern region RM'000	Group 2020 Total RM'000
Revenue				
Gross rental income	35,616	15,357	14,982	65,955
Revenue from contracts with customers	2,967	5,618	-	8,585
Gross Revenue	38,583	20,975	14,982	74,540
Segmental net property income	29,624	11,991	14,403	56,018
Changes in fair value on investment properties	(836)	(9,152)	10,020	32
Interest income	271	140	156	567
Borrowing costs	(3,096)	(2,027)	(8,994)	(14,117)
Trust and other expenses	(3,836)	(2,183)	(4,598)	(10,617)
Profit before taxation	22,127	(1,231)	10,987	31,883
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	22,127	(1,231)	10,987	31,883
Assets				
Segment assets	391,921	205,798	217,883	815,602
Unallocated assets				
- Cash and bank balances				25,976
- Trade and other receivables				240
Total assets				841,818
Liabilities				
Segment liabilities	68,931	43,922	209,286	322,139
Unallocated liabilities				
- Payables and accruals				234
- Borrowings				9,606
Total liabilities				331,979
Other segment information				
Additions to non-current assets:				
- Investment properties	36	652	206,980	207,668
- Equipment	321	380	-	701
Depreciation	156	150	-	306

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 SEGMENT REPORTING (CONTINUED)

	Southern region RM'000	Central region RM'000	Northern region RM'000	Group 2019 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				
- 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
- Equipment	567	308	-	875
Depreciation	85	79	-	164

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.

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

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

	Group	
	2020	2019
	RM'000	RM'000
<u>Fixed rate instrument</u>		
Medium term notes – rated	210,000	-
<u>Floating rate instrument</u>		
Term Loan	-	100,169
Medium term notes – unrated	100,000	-

Interest rate risk sensitivity analysis

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

	Group	
	2020	2019
	RM'000	RM'000
<u>Floating rate instrument</u>		
25 basis point increase	14,113	5,544
25 basis point decrease	13,613	5,044

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. Other than AEON from AMKC, which contributes to 20.1% of the rental income, the Group and the Fund do not have any significant exposure to any individual or group of tenants or counterparties.

Simplified approach for trade receivables

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

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

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

General 3-stage approach for other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

Group and Fund

	As at June 2020 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)	1,960	424	665	132	370	17	3	349
Impairment	(348)	-	-	-	-	-	-	(348)
	1,612	424	665	132	370	17	3	1
Expected loss rate								99%
Non-trade receivables (gross)	245	153	5	28	6	3	4	46
Impairment	(48)	-	-	-	-	(2)	(2)	(44)
	197	153	5	28	6	1	2	2
Expected loss rate						67%	75%	96%

Group and Fund

	As at June 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%
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)

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

	2020 RM'000	Group and Fund 2019 RM'000
As at 1 July	251	201
Allowance for impairment	117	120
Bad debts written off	(20)	(70)
As at 30 June	348	251

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 2020 of RM17.0 million (2019: RM11.6 million) are expected to assist in the liquidity and cash flow risk management.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(c) Liquidity and cash flow risk (continued)

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

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	3 to 5 years RM'000	Total RM'000
<u>Group</u>					
At 30 June 2020					
Borrowings	13,235	13,235	13,235	323,235	362,940
Payables and accruals	14,444	5,108	-	-	19,552
<u>Fund</u>					
At 30 June 2020					
Amount due to a subsidiary	-	-	-	305,048	305,048
Payables and accruals	14,444	5,108	-	-	19,552
<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

Note:-

The amounts are contractual and undiscounted cash flows.

23.2 Capital risk management

Capital is the unitholders' capital and borrowings.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.2 Capital risk management (continued)

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

	Group		Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total borrowings	312,427	100,169	305,048	100,169
Total assets	841,818	629,810	834,439	629,810
Borrowings to total assets ratio (%)	37.11%	15.90%	36.56%	15.90%

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with the REIT Guidelines. The Group and the Fund complied with the borrowing limit requirement for the financial year ended 30 June 2020. Amount due from a subsidiary (Note 12) is deemed as a borrowing as it represents advances of MTN proceeds from the subsidiary.

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

23.3 Fair value

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

- (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	
	2020 RM'000	2019 RM'000
Recurring fair value measurements:		
Investment properties	807,000	599,300

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.3 Fair value (continued)

Assets and liabilities not carried at fair value

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

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

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

	Level 3	
	2020	2019
	RM'000	RM'000
Medium term notes – fixed rate issue of RM210 million	219,000	-

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
KIP Mart Management Sdn. Bhd.	Common Shareholder
Genius Chance Sdn. Bhd.	Common Shareholder
Landasan Primamaju Sdn. Bhd.	Common Shareholder

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Fund	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Significant related parties transactions for the financial year:				
<i>Purchases of services</i>				
1) Reimbursement cost - KIP Property Services Sdn. Bhd.	4,139	4,786	4,139	4,786
2) Management fees - KIP REIT Management Sdn. Bhd.	7,407	4,164	7,407	4,164
3) Interest on advances from a subsidiary - KIP REIT Capital Sdn. Bhd.	-	-	13,087	-

Significant related parties balances as at reporting date:

Amounts due from

KIP Property Services Sdn. Bhd.	645	1,622	645	1,622
Genius Chance Sdn. Bhd.	-	3	-	3
KIP REIT Capital Sdn. Bhd.	-	-	-	109

Amounts due to

KIP REIT Management Sdn. Bhd.	13	127	13	127
KIP REIT Capital Sdn. Bhd.	-	-	305,049	-
KIP Mart Management Sdn. Bhd.	6	-	6	-
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, as well as advances pertaining to MTN issuance (Note 11).

25 CAPITAL COMMITMENT

	Group and Fund	
	2020 RM'000	2019 RM'000
Authorised and contracted for within one year		
Balance of purchase consideration on proposed Kinta Acquisition (see Note 26)	-	197,600

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26 SIGNIFICANT EVENTS DURING THE YEAR

- a) KIP REIT has completed the acquisition of AMKC at a cash purchase consideration of RM208 million on 31 July 2019 following the payment of the balance purchase consideration (net of initial deposit) amounting to RM196 million which was advanced from KIP REIT's wholly owned special purpose vehicle, KIP REIT Capital Sdn. Bhd. (see Note 11 and Note 12).
- b) As announced on 6 January 2020, the Amended and Restated Trust Deed dated 12 December 2019 has been registered and lodged with the Securities Commission on 2 January 2020 and 6 January 2020 respectively. The effective date of the Amended and Restated Trust Deed is on 2 January 2020 and superseded the Original Deed.
- c) The outbreak of the Novel Coronavirus ("Covid-19") was declared by the World Health Organization as a pandemic on 11 March 2020 and the Movement Control Order ("MCO") imposed by Malaysia Government on 16 March 2020 has restricted the operations of non-essential services.

The Group and the Fund have offered rental rebate to all the eligible non-essential tenants who are affected during MCO and fulfilled the credit standing criteria set. The total rental rebate offered amount to RM3.5 million, of which RM1.6 million was amortised during the financial year ended 30 June 2020 (see Note 3(k) for the applicable accounting policy).

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

UNITHOLDERS' STATISTICS AS AT 30 JULY 2020

ANALYSIS OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Issued Units
Less than 100	30	0.66	494	0.00
100 - 1,000	840	18.42	527,829	0.10
1,001 - 10,000	2,449	53.69	12,109,500	2.40
10,001 - 100,000	1,001	21.95	33,004,208	6.53
100,001 to less than 5% of issued units	239	5.24	378,411,401	74.89
5% and above of issued units	2	0.04	81,246,568	16.08
Total	4,561	100.00	505,300,000	100.00

voting rights: one vote per unit

DIRECTORS' AND CEO'S UNITHOLDINGS

No.	Name of Directors	No. of Units	Direct Interest	Deemed Interest	
			%	No. of Units	%
1	DATO' DR SYED HUSSAIN BIN SYED HUSMAN, JP	60,000	0.01	-	-
2	DATO' CHEW LAK SEONG	85,100,349	16.84	32,070,508	6.35*
3	DATO' ONG KOOK LIONG	92,986,283	18.40	20,500,507	4.06*
4	DATUK MOHAMED ARSAD BIN SEHAN	60,000	0.01	-	-
5	MR CHIAM TAU MENG	-	-	-	-
6	MR CHEW KHENG KAI	100,000	0.02	-	-
7	MS ONG PUI SHAN	100,000	0.02	-	-
8	MR CHAN HENG WAH (CEO)	125,000	0.02	-	-

SUBSTANTIAL UNITHOLDERS

No.	Name of Substantial Unitholders	No. of Units	Direct Interest	Deemed Interest	
			%	No. of Units	%
1	DATO' CHEW LAK SEONG	85,100,349	16.84	32,070,508	6.35*
2	DATO' ONG KOOK LIONG	92,986,283	18.40	20,500,507	4.06*

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

UNITHOLDERS' STATISTICS AS AT 30 JULY 2020 (CONT'D)

TOP 30 UNITHOLDERS

NO.	NAME	HOLDINGS	%
1	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG</i>	40,764,000	8.07
2	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG</i>	40,482,568	8.01
3	CHEW LAK SEONG	19,417,781	3.84
4	RHB NOMINEES (TEMPATAN) SDN. BHD. <i>OSK CAPITAL SDN BHD FOR ONG KOOK LIONG</i>	17,900,000	3.54
5	RHB NOMINEES (TEMPATAN) SDN. BHD. <i>OSK CAPITAL SDN BHD FOR CHEW LAK SEONG</i>	17,900,000	3.54
6	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	15,685,000	3.10
7	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	15,116,000	2.99
8	TEOH SIEW CHIN	15,000,493	2.97
9	YAYASAN GURU TUN HUSSEIN ONN	15,000,000	2.97
10	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG</i>	14,700,000	2.91
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	M & A NOMINEE (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG (M&A)</i>	10,910,000	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	CARTABAN NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR BOCI SECURITIES LTD (CLIENTS A/C)</i>	9,550,000	1.89
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND</i>	9,423,300	1.86
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG (7003599)</i>	8,000,000	1.58

UNITHOLDERS' STATISTICS AS AT 30 JULY 2020 (CONT'D)

TOP 30 UNITHOLDERS

NO.	NAME	HOLDINGS	%
19	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AHAM EQUITY FUND)</i>	7,500,000	1.48
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR CHEW LAK SEONG (7003606)</i>	7,300,000	1.44
21	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)</i>	7,237,300	1.43
22	MAYBANK NOMINEES (TEMPATAN) SDN. BHD.D <i>MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-AHAM)(420317)</i>	6,628,900	1.31
23	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. <i>EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (AFFIN)</i>	6,138,300	1.21
24	HSBC NOMINEES (TEMPATAN) SDN. BHD. <i>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)</i>	6,065,600	1.20
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR KOK PICK TONG (7004042)</i>	5,500,000	1.09
26	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>ETIQA LIFE INSURANCE BERHAD (LIFE PAR)</i>	5,439,200	1.08
27	BERNARD CHANG TZE WAH	5,100,000	1.01
28	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>MEDICAL FUND (IFM AFFINHWANG)</i>	4,213,100	0.83
29	KOK PICK TONG	3,755,029	0.74
30	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. <i>TMF TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG WHOLESALE EQUITY FUND</i>	3,487,700	0.69
TOTAL		363,214,271	71.84

CORPORATE DIRECTORY

MANAGER	KIP REIT Management Sdn. Bhd. (Registration No. 201501044317 / 1169638-M)
Registered Office	Unit 27.2, Menara 1MK Kompleks 1 Mont Kiara No. 1 Jalan Kiara, Mont Kiara 50480 Kuala Lumpur, Malaysia Telephone No. : +603 6203 5828 / +603 6201 8080 Facsimile No. : +603 6203 2788
Business Office	Unit B-6, Blok B, Tingkat 6, Menara KIP No. 1, Jalan Seri Utara 1 Sri Utara Off Jalan Ipoh 68100 Kuala Lumpur, Malaysia Telephone No. : +603 6259 1133 ; +603 6259 6633 Facsimile No. : +603 6259 1212 Email : 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

CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARY OF THE MANAGER

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

TRUSTEE

Pacific Trustees Berhad
(Registration No. 199401031319/317001-A)
A-9-8, 9th Floor Megan Avenue 1,
No. 189, Jalan Tun Razak Off Persiaran Hampshire,
50400 Kuala Lumpur, Malaysia
Telephone No.: +603 2166 8830
Facsimile No.: +603 2166 8830
Website: www.pacifictrustees.com

PROPERTY MANAGER

Azmi & Co (Shah Alam) Sdn. Bhd.
(Registration No. 200001022338/ 524945-H)
No. 8, 3rd Floor, Jalan Tengku Ampuan Zabedah D9/D,
40100 Shah Alam Selangor, Malaysia
Telephone No.: +603 5510 1900
Website: www.azmigroup.com.my

EXTERNAL AUDITORS

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

TAX CONSULTANT

PricewaterhouseCoopers Taxation Services Sdn. Bhd.
(Registration No. 199801008604/464731-M)
Level 10, 1 Sentral, Jalan Rakyat,
Kuala Lumpur Sentral,
P O Box 10192, 50706 Kuala Lumpur, Malaysia
Telephone No.: +603 2173 1188
Facsimile No.: +603 2173 1288
Website: www.pwc.com/my

INVESTOR RELATIONS

Imej Jiwa Communications Sdn. Bhd.
(Registration No. 201201037966/1022448-X)
Unit 28-7, Oval Tower @ Damansara,
No. 685 Jalan Damansara,
60000 Kuala Lumpur, Malaysia
Telephone No.: +603 7733 7752
Facsimile No.: +603 7733 7752
Website: www.imejjiwa.com

PRINCIPAL BANKER OF THE FUND

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

INDEPENDENT PROPERTY VALUER

C H Williams Talhar & Wong Sdn. Bhd.
(Registration No. 197401001098/18149-U)
30-01, 30th Floor, Menara Multi Purpose,
8 Jalan Munshi Abdullah,
50100 Kuala Lumpur, Malaysia
Telephone No.: +603 2616 8888
Facsimile No.: +603 2616 8899
Website: www.cbre-wtw.com.my

REGISTRAR

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

INTERNAL AUDITOR

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Short Name: KIPREIT
Stock Code : 5280

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Unitholders of KIP Real Estate Investment Trust ("KIP REIT") will be conducted fully virtual via Remote Participation Electronic Voting ("RPEV") to transact the following businesses:

Meeting Platform : <https://web.lumiagm.com/>
 Day and Date : Tuesday, 29 September 2020
 Time : 10.30 a.m.
 Broadcast Venue : 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

AGENDA

ORDINARY BUSINESS

- To lay the Audited Financial Statements of KIP REIT for the financial year ended 30 June 2020 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 resolutions:

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

*Ordinary
Resolution*

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

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

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

whichever occurs first ("Validity Period");

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

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

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

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

3. **PROPOSED VARIATION OF THE INVESTMENT POLICY OF KIP REIT AND PROPOSED AMENDMENT TO THE NOTICE PROVISIONS FOR GENERAL MEETINGS ("PROPOSED AMENDMENTS")**

**Majority
Resolution**

"THAT subject to the requisite approval being obtained, approval be and is hereby given to the Directors of KIP REIT Management Sdn Bhd, as manager of KIP REIT ("**Manager**") to vary the provisions in the Restated Trust Deed between the Manager and Pacific Trustees Berhad ("**Trustee**") dated 12 December 2019 (which amended and restated the Principal Trust Deed dated 2 November 2016) ("**Restated Trust Deed**"), in the manner as set out below:

- (i) the existing principal investment policy of KIP REIT as set out in Clause 9.4(a) of the Restated Trust Deed be amended to the following:

"The principal investment policy of KIP REIT is to invest, directly and indirectly, in a portfolio of income producing Real Estate used for retail purposes, and for industrial or commercial purposes, including, without limiting the generality of the foregoing, warehousing facilities, logistic facilities and manufacturing sites as well as Real Estate Assets."

and

- (ii) the existing provision for the service of notices or documents to unitholders as set out in Clause 29.1(a) of the Restated Trust Deed, be amended to the following:

"29.1 To Unitholders

- (a) *Service of notices and/or documents*

Unless specifically provided otherwise in this Trust Deed (including in Schedule 1 in relation to meetings of Unitholders), any notice or document required to be sent to Unitholders may be given by KIP REIT to any Unitholder:

- (i) *in hard copy, either personally or sent by post to him in a prepaid letter addressed to him at his last known address; or*

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

- (ii) *in electronic form, and sent by the following electronic means:-*
 - (aa) *transmitting to his last known electronic mail address; or*
 - (bb) *publishing the notice or document on KIP REIT's website provided that a notification of the publication of the notice or document on the website via hard copy or electronic mail or short messaging service has been given in accordance with Section 320 of the Companies Act and the Listing Requirements; or*
 - (cc) *using any other electronic platform maintained by KIP REIT or third parties that can host the information in a secure manner for access by the Unitholders provided that a notification of the publication or availability of the notice or document on the electronic platform via hard copy or electronic mail or short messaging service has been given to them accordingly."*

and the existing provisions for the service of notices of unitholders' meetings as set out in paragraph 8(a) of Schedule 1 of the Restated Trust Deed be amended to the following:

"8 Notice

- (a) At least 14 days' notice in writing of any meeting (or at least 21 days in the case of meetings at which a Majority Resolution or Special Resolution is to be passed or in the case of Annual General Meetings) of Unitholders shall be given by the Management Company (or by the Trustee, if the Management Company fails to give such notice within 14 days from a request by the Trustee or within 21 days after a requisition of the Unitholders under paragraph 3 above, as the case may be):
 - (i) either:
 - (A) *by sending a notice by post of the proposed meeting at least 14 days (or at least 21 days in the case of meetings at which a Majority Resolution or Special Resolution is to be passed or in the case of Annual General Meetings) before the date of the proposed meeting to each Unitholder at his last known address on the Record of Depositors; or*
 - (B) *by providing notice in electronic form, at least 14 days before the proposed meeting (or at least 21 days in the case of meetings at which a Majority Resolution or Special Resolution is to be passed or in the case of Annual General Meetings) either:*
 - (aa) *by transmitting to the Unitholder's last known electronic mail address; or*
 - (bb) *publishing the notice on KIP REIT's website provided that a notification of the publication of the notice on the website via hard copy or electronic mail or short messaging service has been given in accordance with Section 320 of the Companies Act and the Listing Requirements; or*
 - (cc) *using any other electronic platform maintained by KIP REIT or third parties that can host the information in a secure manner for access by the Unitholders provided that a notification of the publication or availability of the notice on the electronic platform via hard copy or electronic mail or short messaging service has been given to them accordingly;*

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

(ii) *by publishing at least 14 days before the date of the proposed meeting (or at least 21 days in the case of meetings at which a Majority Resolution or Special Resolution is to be passed or in the case of Annual General Meetings), an advertisement giving notice of the meeting in a national language daily newspaper and English daily newspaper circulating in Malaysia or such other newspaper as may be permitted by the SC from time to time; and*

(iii) *to Bursa Securities, the SC and the Trustee (as the case may be).*

In each instance of a meeting to be convened, the notice shall specify in a circular the place, date and hour of meeting and the general nature of the business to be transacted and containing such or any further information as the Management Company or the Trustee, as the case may be, may think fit and the terms of any resolution to be proposed in accordance with the Relevant Laws and Regulations (where applicable)."

THAT the Directors of the Manager and the Trustee be and are hereby authorised to sign and execute all documents, including but not limited to a supplementary trust deed to effect the Proposed Amendments, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Amendments;

AND THAT all actions taken by Directors and/or officers of the Manager and Trustee in relation to the Proposed Amendments prior to the date of this resolution shall be ratified."

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

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

Kuala Lumpur
28 August 2020

Notes:

1. In light of the current COVID-19 pandemic and having regard to the well-being and the safety of our Unitholders, the 4th AGM will be conducted on a fully virtual basis via RPEV facilities. Please follow the procedures provided in the Administrative Guide for the 4th AGM in order to register, participate and vote remotely via RPEV facilities.
2. Unitholder who is entitled to participate the meeting is entitled to appoint not more than 2 proxies to participate instead of him/her. A proxy need not be a Unitholder. Where a Unitholder appoints more than 1 proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Where a Unitholder is a corporation, its duly authorised representative shall be entitled to participate the meeting and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to participate and vote.
4. Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a Unitholder appoints more than 1 proxy, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarial certified copy of such power or authority shall be deposited at the Registered Office of KIP REIT Management Sdn Bhd at Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur no later than 28 September 2020 at 10.30 a.m. being 24 hours before the time appointed for holding the meeting or any adjournment thereof. Alternatively, you may choose to submit the proxy appointment electronically via email through the smart investor portal at <https://boardroomlimited.my> before the Form of Proxy submission cut-off time as mentioned above.
7. Only Unitholders registered in the Record of Depositors as at 23 September 2020 shall be entitled to participate, vote and speak at the meeting or appoint proxy(ies) to participate and vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Ordinary Resolution and Majority Resolution set out in the Notice of Fourth Annual General Meeting will be put to vote by way of a poll.
9. Pursuant to Section 295(4)(a) of the Capital Markets & Services Act 2007, and the Restated Trust Deed dated 12 December 2019 entered into between the Manager and the Trustee constituting KIP REIT, the Proposed Amendments is subject to approval being obtained from the unitholders comprising not less than 2/3 of all unitholders present at the forthcoming 4th AGM of KIP REIT.
10. Annual Report 2020 is available on KIP REIT's website www.kipreit.com.my which Unitholders can view or download at their convenience.

Explanatory Notes:

(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

(a) Proposed Authority

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

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

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

As at the date of this notice, KIP REIT has not issued any Units under the mandate which was approved at the 3rd AGM held on 25 September 2019 and which will lapse at the conclusion of the 4th AGM.

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

(b) Proposed Amendments

(i) Proposed Investment Policy Amendment

The Proposed Investment Policy Amendment permits KIP REIT Management greater flexibility in sourcing and evaluating offers in respect of appropriate assets to grow the fund and create greater value to its Unitholders and allows KIP REIT to have a more diversified portfolio of a broader range of asset classes. As the growth cycles of different classes of assets vary from one to another, a more diversified portfolio may permit more stable returns to its Unitholders.

(ii) Proposed Notice Provisions Amendments

The Proposed Notice Provisions Amendments will permit the delivery of notices of unitholders' meetings to the Unitholders by electronic means, as another option, instead of the delivery of notices of meetings to the Unitholders in hard copy as currently provided for in paragraph 8(a) of Schedule 1 of the Restated Trust Deed. This would also be consistent with the general provision for the delivery of notices or documents in Clause 29.1(a) of the Restated Trust Deed.

Further details of the Proposed Amendments are as set out in the Circular to Unitholders.

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KIP REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the Trust Deed dated 2 November 2016 and as amended and restated by the Restated Trust Deed dated 12 December 2019, entered into between KIP REIT Management Sdn Bhd and Pacific Trustees Berhad, constituting KIP REIT and registered with the Securities Commission Malaysia on 4 November 2016 and 2 January 2020 respectively)

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 Fourth Annual General Meeting of KIP REIT to be conducted on a fully virtual basis via Remote Participation Electronic Voting ("RPEV") on the following Meeting Platform, set out below and at any adjournment thereof:

Meeting Platform : <https://web.lumiagm.com/>

Day and Date : Tuesday, 29 September 2020

Time : 10.30 a.m.

Broadcast Venue : 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

* Strike out whichever not applicable

Resolution	For	Against
Ordinary Resolution - Proposed Authority		
Majority Resolution - Proposed Amendments		

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 _____ 2020

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

Notes :

- In light of the current COVID-19 pandemic and having regard to the well-being and the safety of our Unitholders, the 4th AGM will be conducted on a fully virtual basis via RPEV facilities. Please follow the procedures provided in the Administrative Guide for the 4th AGM in order to register, participate and vote remotely via RPEV facilities.
- Unitholder who is entitled to participate the meeting is entitled to appoint not more than 2 proxies to participate instead of him/her. A proxy need not be a Unitholder. Where a Unitholder appoints more than 1 proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
- Where a Unitholder is a corporation, its duly authorised representative shall be entitled to participate the meeting and shall be entitled to appoint another person (whether a Unitholder or not) as its proxy to participate and vote.
- Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a Unitholder appoints more than 1 proxy, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.
- 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.
- 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 Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur no later than 28 September 2020 at 10.30 a.m. being 24 hours before the time appointed for holding the meeting or any adjournment thereof. Alternatively, you may choose to submit the proxy appointment electronically through the smart investor portal at <https://boardroomlimited.my> before the Form of Proxy submission cut-off time as mentioned above.
- Only Unitholders registered in the Record of Depositors as at 23 September 2020 shall be entitled to participate, vote and speak at the meeting or appoint proxy(ies) to participate and vote on his/her behalf.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Fourth Annual General Meeting will be put to vote by way of poll.
- Pursuant to Section 295(4)(a) of the Capital Markets & Services Act 2007, and the Restated Trust Deed dated 12 December 2019 entered into between the Manager and the Trustee constituting KIP REIT, the Proposed Amendments is subject to approval being obtained from the unitholders comprising not less than 2/3 of all unitholders present at the forthcoming 4th AGM of KIP REIT.
- Annual Report 2020 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
STAMP

The Company Secretary

KIP REIT MANAGEMENT SDN BHD

Registration No. 201501044317 (1169638-M)

(The Manager for KIP Real Estate Investment Trust)

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

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GLOSSARY

AEI	Asset Enhancement Initiative(s)
AGM	Annual General Meeting
ARMC	Audit and Risk Management Committee
Board	Board of Directors
Bursa Malaysia	Bursa Malaysia Securities Berhad
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Deed	Trust Deed dated 2 November 2016 and as amended by the Restated Trust Deed dated 12 December 2019
DPU	Distribution Per Unit
ERM	Enterprise Risk Management
FY20	Financial year ended 30 June 2020
INEDs	Independent Non-Executive Directors
KIP REIT or Fund	KIP Real Estate Investment Trust
Manager	KIP REIT Management Sdn. Bhd.
MCCG 2017	Malaysian Code of Corporate Governance 2017
MMLR	Main Market Listing Requirements
MTN	Medium Term Notes
NEDs	Non-Executive Directors
NC	Nomination Committee
RC	Remuneration Committee
SC	Securities Commission Malaysia
SC's REIT Guidelines	Securities Commission's Guidelines on Listed REITs
TAV	Total Asset Value
Trustee	Pacific Trustees Berhad



KIP REAL ESTATE INVESTMENT TRUST

KIP REIT MANAGEMENT SDN BHD (Registration No. 201501044317/116938)
(The Manager for KIP REIT)

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