

ANNUAL REPORT 2022

KIP REAL ESTATE INVESTMENT TRUST

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KIP REIT™

KIP REAL ESTATE INVESTMENT TRUST

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

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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.

ABOUT KIP REIT

VISION

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

MISSION

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

For our investors: we strive to deliver sustainable returns for our investors with a steady stream of distribution income generated by our unique portfolio of assets.

For our business partners: we see and treat our tenants as our business partners. We are building a community of assets as a platform for our business partners to expand their enterprises together with our growing community of properties, be it local SMEs or established brands.

For our shoppers: we want our shoppers to feel at home at all of our community-centric malls, where they can access their daily necessities and create long-lasting memories with other members of their communities.

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

For our community: we are committed to helping the communities in our areas of operation by supporting causes to promote environmental sustainability and to foster economic and social development.

CORE VALUES

KNOW-HOW

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

INTEGRITY

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

PEOPLE

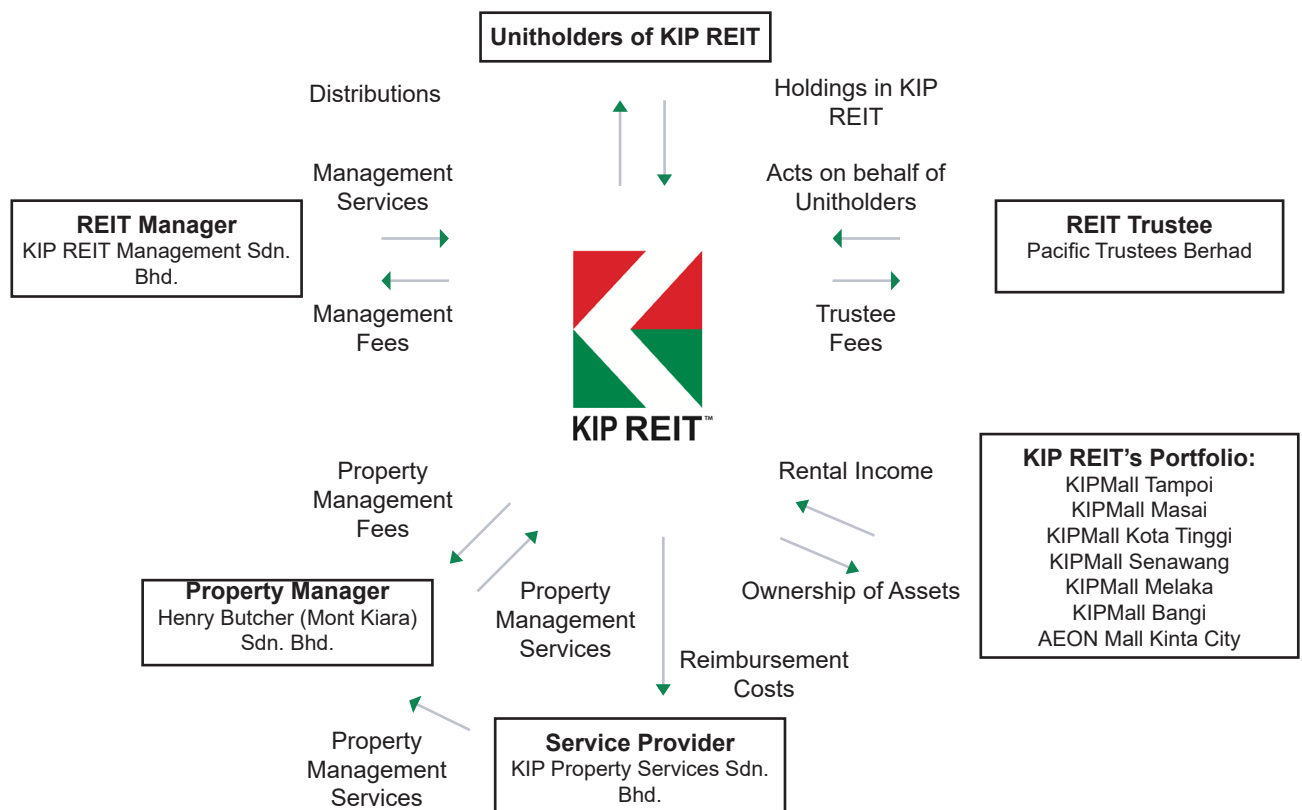
At the heart of our investment fund is our community of people. We strive to serve each and every one of our stakeholders with our dedication to maximise their value.

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

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

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

The REIT structure is as follows:



SALIENT FEATURES OF KIP REIT

Salient Features of KIP REIT

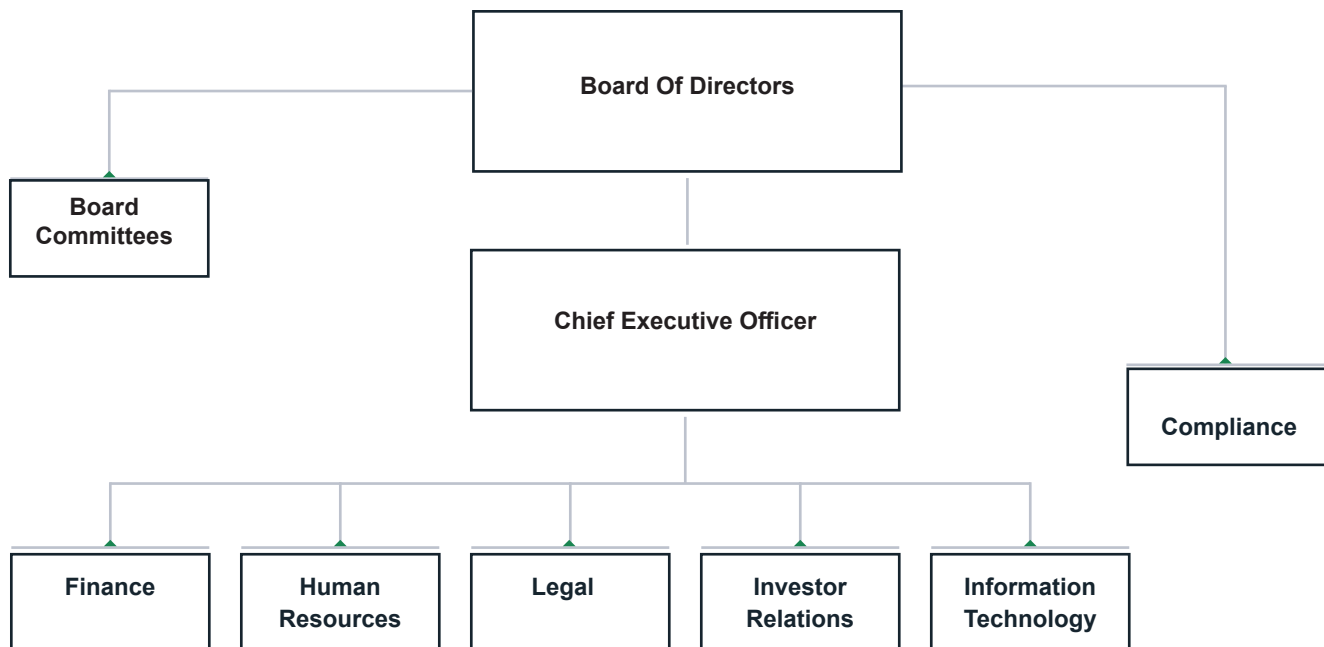
| | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------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

ABOUT THE MANAGER

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

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

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



LETTER TO UNITHOLDERS

Dear Unitholders,

We end the financial year ended 30 June 2022 (“FY2022”) with a sense of gratitude and hope. The past financial year commenced with various degrees of restrictions were imposed in different states but we weathered through with our grit and our resiliency because we knew some form of recovery was on the horizon. Containment measures were progressively lifted in the wake of significant vaccination progress and variants causing less severe disease in general. On 1 April 2022, Malaysia transitioned into the endemic phase as announced by the Malaysian government, thereby lifting all border controls.

Yet as we reflect on the past financial year, of the many lessons learnt since the pandemic, one thing was made abundantly clear: returning to business as usual was no longer sufficient. We needed to build back in ways that would be more sustainable and more durable. During the past financial year, we continued to adapt to the ever evolving business environment, to challenge the old norms and to improve upon our operational efficiency in pursuit for a more sustainable recovery. We worked closely together with our valued business partners with determination to better serve our communities and we strived to maximise value for all of our stakeholders alike. And while no businesses can truly remain recession proof, we aim to be the platform of choice for our tenants, many of whom are Small Medium Enterprises, to showcase their entrepreneurship and for the local shoppers to access their daily necessities at a competitive price through these trying times.

Sustainable recovery

Throughout the financial year, the economy progressively regained its traction with the lifting of the containment measures. We are cognisant that recovery will be an arduous process but remain committed to place ourselves in a better position to adapt a dynamic business environment by striving for operational efficiencies. We are pleased to announce the results from our effort in our management of KIP REIT’s portfolio.

KIP REIT recorded another year of steady results despite the disruptions that was brought on by the pandemic. During FY2022, total gross revenue saw a slight decline of 0.7% to RM73.7 million (FY2021: RM74.2 million) mainly as a result of the transnational period for renovation and fit-out work for HeroMarket and NOKO at KIPMall Bangi. Net Property Income saw a marginal increase of 0.2% to RM56.8 million (FY2021: RM56.7 million) with property expenses reducing by 3.7% to RM16.9 million (FY2021:

RM17.6 million). Average occupancy rate stood at 87.3%, which is a slight decrease from 89.6%, mainly due to the transnational period for fitting out of anchor and mini tenants such as HeroMarket and NOKO at KIPMall Bangi and Jalan Jalan Japan at KIPMall Tampoi. As part of our commitment to sustainable recovery, we will continue to align the tenancy mix with the changing consumer behaviours taking into account the balance between rental rates and occupancy rates. We look forward to building long and sustainable relationships with our valued business partners.

Despite the challenging economic conditions, KIP REIT has maintained a healthy balance sheet. KIP REIT continues to remain compliant with its financial covenants and healthy liquidity. Gearing stood at 35.2% (FY2021: 37.0%) as at 30 June 2022 on the back of greater revaluation surplus and remains well below the prescribed threshold under the REIT Guidelines. The available debt headroom will provide greater flexibility future funding purposes if required. We are also pleased to announce that following the third annual review, Ratings Agency Malaysia has again reaffirmed its AAA long-term ratings of RM210.0 million Class A Notes under KIP REIT’s wholly owned subsidiary KIP REIT Capital Sdn. Bhd. on the basis of its stable outlook.

I am pleased to announce that based on KIP REIT’s performance for the financial year, the Board has declared a total of RM34.4 million (FY2021: RM34.6 million) in distribution, representing 92.0% of current year distributable income. Based on the KIP REIT’s closing price at RM0.89 as at 30 June 2022, this translates to a distribution yield of 7.6%.

Asset enhancement initiatives (“AEI”)

This period of recovery continues to be windows for opportunities despite increased volatility and disruption to the economy. During the past financial year, we committed to upgrading some of assets under the KIP REIT portfolio. Notably, the KIPMall Bangi facelift has entered into the contract implementation stages with construction having begun by phases. The facelift programme will be a comprehensive initiative to reinvigorate the look and feel of the building. To date, the completed construction work includes renovation to increase the net lettable area to accommodate the tenancies for HeroMarket and NOKO. We are confident that the facelift will create greater value for stakeholders in the longer term. We understand AEI are critical to maintaining and improving upon the condition

of the respective assets. Other AEI carried out include the re-delineation of lettable area for Jalan Jalan Japan and the resurfacing of common road in KIPMall Tampoi, various upgrading work to amenities at AEON Mall Kinta City, upgrading of traveller and cabling and air-conditioning work to accommodate Guardian Health and Beauty Pharmacy at KIPMall Masai. Continual assessment on asset condition is part of our commitment to ensure KIP REIT's assets are able to serve its local communities and capitalise on opportunities as and when they are presented.

Sustainability drive

We are also pleased to invite our stakeholders to embark upon our journey to bolster our sustainability effort in the management of KIP REIT's properties. We believe that it should be our collective effort to integrate sustainability considerations into our decision making process be it our day to day operations or in our decision making process for long term investments. To us, this creates an ecosystem that would mutually benefit our various stakeholder groups.

During this financial year, KIP REIT's Sustainability Steering Committee was established to manage material Economic, Environmental, Social and Governance matters. The Sustainability Steering Committee is committed to the key sustainability risks and opportunities and to adopt appropriate practices in line with our collective goal of generating value to our stakeholders. We are proud to continue our efforts on the generation of renewable energy, through our solar photo-voltaic system at all of the six KIPMalls within the KIP REIT's portfolio and have since started our responsible usage of resources campaign to include paperless invoicing. We are also proud to continue to track our efforts on our recruitment and talent retention with diversity and inclusivity at the forefront. We are confident that our collective effort to integrate sustainability into the management of KIP REIT's properties will generate long term returns for our Unitholders.

We are especially heartened to have learnt that our sustainability effort had not gone unnoticed. On 19 July 2022, we were honoured to be informed that KIPMall Masai had emerged as a winner in The Edge Malaysia Best Managed & Sustainable Property Awards 2022 under the Above 10 Years: Specialised Category. We will continue to monitor the performance of initiatives taken to strengthen our sustainability effort.

Acquisition

On 12 July 2022, the Trustee has entered into conditional agreements to purchase three industrial assets strategically located in Pulau Indah for a total of RM78.7 million. This diversification marks KIP REIT's maiden acquisition of assets in the industrial sub-sector. The proposed transaction will be purchased and upon completion will be leased on fixed periods of 15 years to maintain the regular returns in line with our investment policy.

Looking Ahead










We are grateful to have experienced improvements in the economy since the start of the pandemic though market uncertainties still loom on the back of inflationary pressures, supply chain disruptions and global geopolitical events. Our adaptability to change and ability to strike the right balance are key components of our performance, now more so than ever. We will look ahead to further consider sustainability factors in our decision making process as part of our commitment to sustainable recovery as disruption continues into the immediate term. We are mindful that market conditions remain uncertain but look forward to adopting strategies to provide long term and sustainable value to our stakeholders.

Appreciation and acknowledgement

On behalf of the Board, I would like to convey my appreciation for the members of the Board, Management and all of our employees for their continued dedication and commitment during the financial year. I would also like to take this opportunity to express our gratitude for the unwavering support of our various external stakeholders from our Unitholders, business partners, financiers, regulators to the members of the public.

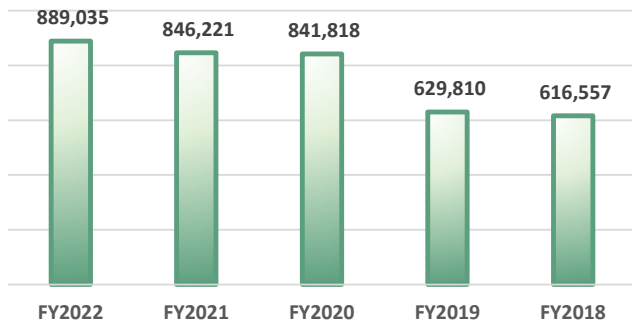
Datuk Dr Syed Hussain bin Syed Husman, PJN
Chairman of the Board

FY2022 HIGHLIGHTS

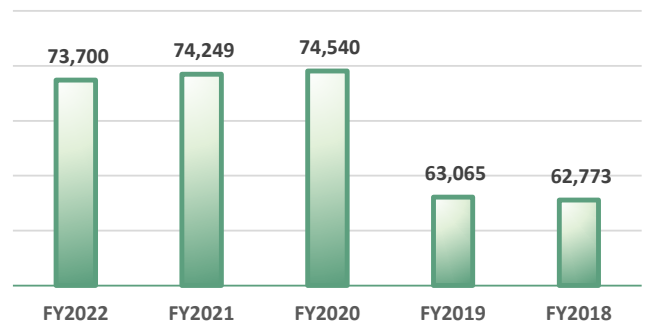
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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>GROSS REVENUE</p>  <p>RM 73,700,000 (FY2021: RM 74,249,000)</p> | <p>NET PROPERTY INCOME</p>  <p>RM 56,754,000 (FY2021: RM 56,662,000)</p> | <p>ASSET UNDER MANAGEMENT</p>  <p>RM 852,000,000 (FY2021: RM 808,000,000)</p> |
| <p>NET LETTABLE AREA</p>  <p>1,485,415 Sq. Ft. (FY2021: 1,481,761 Sq. Ft.)</p> | <p>AVERAGE OCCUPANCY</p>  <p>87.3% (FY2021: 89.6%)</p> | <p>NET ASSET VALUE PER UNIT</p>  <p>RM 1.0974 (FY2021: 1.0160)</p> |
| <p>DISTRIBUTION PER UNIT</p>  <p>6.80 Sen (FY2021: 6.84 Sen)</p> | <p>DISTRIBUTION YIELD</p>  <p>7.64% (FY2021: 8.09%)</p> | <p>MARKET CAPITALISATION</p>  <p>RM 449,717,000 (FY2021: RM 426,979,000)</p> |

PERFORMANCE AT A GLANCE

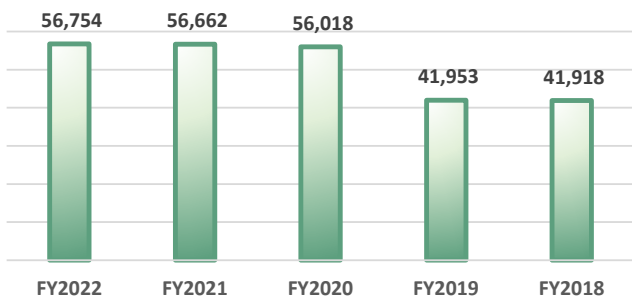
Total Assets (RM '000)



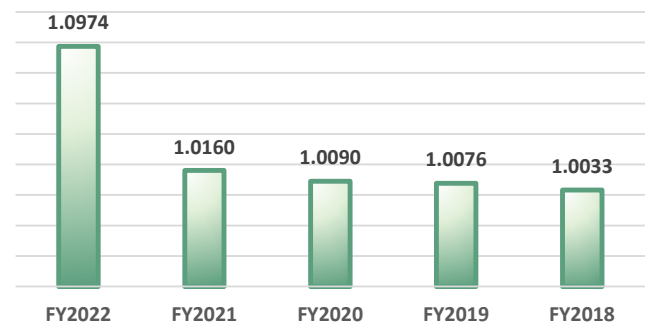
Gross Revenue (RM '000)



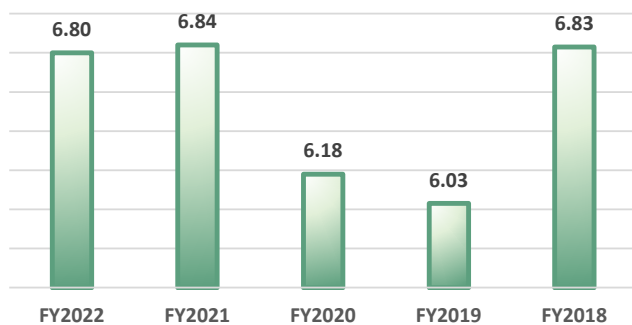
Net Property Income (RM '000)



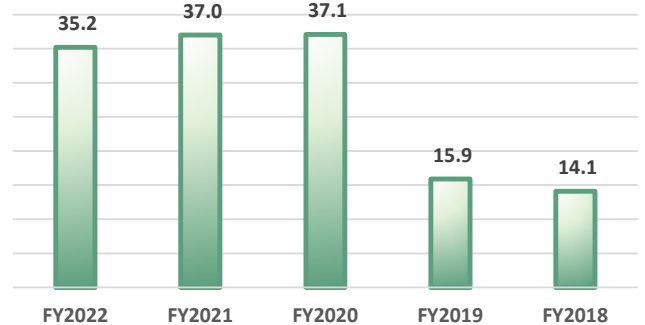
Net Asset Value per Unit (RM)



Distribution per Unit (Sen)



Gearing Ratio (%)



MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF BUSINESS DIRECTION, OBJECTIVES AND STRATEGIES

KIP REIT was constituted pursuant to the Deeds entered into between the Manager and Trustee. It was listed on the Main Market of Bursa Securities on 6 February 2017. The principal activity of the Trust is to invest in a portfolio of real estate properties in Malaysia. Following unitholder’s approval, KIP REIT’s investment policy has extended beyond the original retail focused properties to include industrial and commercial real estate. As at 30 June 2022, KIP REIT has a market capitalisation of approximately RM450.0 million and a portfolio independently valued at RM852.0 million.

Investment Objectives

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

Investment Policies

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

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

The Trustee shall ensure that it is fully informed at all times by the Manager of the investment policy and of any changes made by the Manager to the investment policy of KIP REIT. Unless otherwise provided by the Relevant Laws and Requirements, any modification to the Deeds 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 Deeds.

Investment Strategies

| Active Asset Management and Enhancement | Acquisition Growth | Capital and Risk Management |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Executing proactive leasing and cost management strategies to maximise returns for Unitholders • Leveraging local expertise in areas of operation to provide for optimised rental income, net lettable space and occupancy rates | <ul style="list-style-type: none"> • Sourcing of yield accretive retail assets providing sustainable income and capital appreciation in line with KIP REIT’s investment strategies | <ul style="list-style-type: none"> • Optimising capital structure to maximise Unitholder returns • Adopting an appropriate mix of debt and equity in financing acquisitions and managing refinancing risks |

FINANCIAL REVIEW

| | FY2022 (RM '000) | FY2021 (RM '000) | FY2020 (RM '000) | FY2019 (RM '000) | FY2018 (RM '000) |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Gross Revenue | 73,700 | 74,249 | 74,540 | 63,065 | 62,773 |
| Net Property Income | 56,754 | 56,662 | 56,018 | 41,953 | 41,918 |
| Borrowing Costs | (13,295) | (13,294) | (14,117) | (5,292) | (4,626) |
| Profit Before Taxation | 75,509 | 35,221 | 31,883 | 34,049 | 37,610 |
| Realised Profit | 36,043 | 36,068 | 31,851 | 30,691 | 34,293 |
| Unrealised Profit / (Loss) | 39,466 | (847) | 32 | 3,357 | 3,317 |
| Distribution per Unit (sen) | 6.80 | 6.84 | 6.18 | 6.03 | 6.83 |
| Distribution Yield (%) | 7.64% | 8.09% | 7.77% | 7.18% | 8.54% |
| Management Expense Ratio | 1.48% | 1.51% | 2.08% | 1.27% | 0.76% |

Gross Revenue

For the financial year under review, KIP REIT registered total gross revenue of RM73.7 million, a slight decline of RM0.5 million or 0.7% from RM74.2 million in the previous financial year. The slight decline is attributed to the transitional fitting out period to accommodate for HeroMarket and NOKO as anchor and mini-anchor at KIPMall Bangi and Jalan Jalan Japan at KIPMall Tampoi. The slight decline in KIPMall Tampoi is also attributed to tenants in the fashion sectors terminating during the movement restriction periods. The impact was partially cushioned by the increase in better promotional area income. Rental rebate amortisation continues to be recorded in this financial year's figures albeit at a lower rate.

During the financial year under review, the Manager continued to balance between the right tenancy mix, rental rates and occupancy rates at each of the six KIPMalls in KIP REIT's portfolio. Save and except for the decline in gross revenue for KIPMall Bangi and KIPMall Tampoi, all other properties in KIP REIT's portfolio registered gross revenue growth. More notably, gross revenue at KIPMall Senawang had outperformed to the pre-pandemic results. This was mainly attributed to increased footfall and tenancy interests due to the expansion of the fresh market following high customer adoption during the pandemic. The increase in gross revenue from AEON Mall Kinta City is attributed to the accounting for the full year step up rental received. The marginal increase in gross revenue at KIPMall Masai is attributed to accounting for full year rental of Jalan Jalan Japan and Guardian Health and Beauty Pharmacy.

The three largest contributors of total gross revenue are AEON Mall Kinta City at RM17.9 million (FY2021: RM17.1 million), KIPMall Masai at RM15.6 million (FY2021: RM15.6 million), and KIPMall Tampoi at RM14.5 million (FY2021: 15.3 million).

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

| | FY2022 (RM '000) | FY2021 (RM '000) | FY2020 (RM '000) | FY2019 (RM '000) | FY2018 (RM '000) |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| KIPMall Tampoi | 14,489 | 15,307 | 16,455 | 16,903 | 16,233 |
| KIPMall Kota Tinggi | 5,653 | 5,399 | 5,740 | 5,983 | 6,195 |
| KIPMall Masai | 15,649 | 15,596 | 16,388 | 16,461 | 16,454 |
| KIPMall Senawang | 3,289 | 2,951 | 2,821 | 2,853 | 3,150 |
| KIPMall Melaka | 6,931 | 6,618 | 6,064 | 6,457 | 5,657 |
| KIPMall Bangi | 9,774 | 11,231 | 12,090 | 14,408 | 15,084 |
| AEON Mall Kinta City | 17,915 | 17,147 | 14,982 | - | - |
| Total | 73,700 | 74,249 | 74,540 | 63,065 | 62,773 |

MANAGEMENT DISCUSSION & ANALYSIS

Property Expenses

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

| | FY2022 (RM '000) | FY2021 (RM '000) | FY2020 (RM '000) | FY2019 (RM '000) | FY2018 (RM '000) |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| KIPMall Tampoi | 3,188 | 3,224 | 3,526 | 4,111 | 4,269 |
| KIPMall Kota Tinggi | 1,806 | 1,854 | 1,881 | 2,249 | 2,282 |
| KIPMall Masai | 3,222 | 3,283 | 3,552 | 3,898 | 3,953 |
| KIPMall Senawang | 1,703 | 1,744 | 1,774 | 2,033 | 2,034 |
| KIPMall Melaka | 3,218 | 3,189 | 3,423 | 4,003 | 3,786 |
| KIPMall Bangi | 3,184 | 3,665 | 3,787 | 4,818 | 4,531 |
| AEON Mall Kinta City | 625 | 628 | 579 | - | - |
| Total | 16,946 | 17,587 | 18,522 | 21,112 | 20,855 |

The Manager continued to exercise tight fiscal management and monitoring of property expenses during the financial year under review. A total of RM16.9 million (FY2021: 17.6 million) of property expenses was recorded. A combination of factors contributed to the reduction of RM0.7 million or 3.7% for property expenses including right-sizing effort for housekeeping and maintenance, better contractual terms for security personnel and management of temperature at the six KIPMalls to reduce utilities. However, utilities savings from the latter is partially offset by Tenaga Nasional Berhad Prihatin package of 10% discount in utilities fees terminating in December 2021.

Net Property Income

KIP REIT recorded a RM0.1 million or 0.2% increase in Net Property Income at RM56.8 million (FY2021: RM56.7 million) as a result of greater operational efficiency achieved during the financial year.

Profit for the Year

KIP REIT recorded a 114.4% increase in Profit for the year to RM75.5 million (FY2021: RM35.2 million) due to the fair value gain of RM39.5 million being registered during this financial year.

Income Distribution

Distribution to Unitholders for the year ended 30 June 2022 totalled RM34.4 million (FY2021: RM34.6 million), representing 92.0% of current year distributable income of RM37.3 million (FY2021: RM38.3 million). This translates to a distribution yield of 7.6% (FY2021: 8.1%) based on KIP REIT's closing unit price of RM0.89 as at 30 June 2022 (30 June 2021: RM0.845).

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

| | Quarter Ended | Date Declared | Distribution per Unit (sen) | Payment Date |
|-------------|---------------|---------------|-----------------------------|--------------|
| 1st Interim | 30 Sep 2021 | 20 Oct 2021 | 1.55 | 23 Nov 2021 |
| 2nd Interim | 31 Dec 2021 | 19 Jan 2022 | 1.55 | 18 Feb 2022 |
| 3rd Interim | 31 Mar 2022 | 20 Apr 2022 | 1.60 | 23 May 2022 |
| Final | 30 Jun 2022 | 28 July 2022 | 2.10 | 25 Aug 2022 |
| Total | | | 6.80 | |

Key Financial Position

The key financial position is set out in the table below:

| | FY2022 (RM '000) | FY2021 (RM '000) | FY2020 (RM '000) | FY2019 (RM '000) | FY2018 (RM '000) |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Investment Properties | 852,000 | 808,000 | 807,000 | 599,300 | 585,000 |
| Total Asset Value | 889,035 | 846,221 | 841,818 | 629,810 | 616,557 |
| Trade Receivables | 709 | 2,769 | 1,961 | 483 | 1,325 |
| Borrowings | 312,913 | 312,708 | 312,427 | 100,169 | 86,975 |
| Net Asset Value | | | | | |
| Before Income Distribution | 588,887 | 545,060 | 541,016 | 541,018 | 542,059 |
| After Income Distribution | 554,526 | 513,378 | 509,839 | 509,133 | 506,951 |
| Gearing (%) | 35.2 | 37.0 | 37.1 | 15.9 | 14.1 |
| Unit Price (RM) | 0.890 | 0.845 | 0.795 | 0.840 | 0.800 |
| Market Capitalisation | 449,717 | 426,979 | 401,714 | 424,452 | 404,240 |
| Units in Circulation | 505,300 | 505,300 | 505,300 | 505,300 | 505,300 |
| Net Asset Value per Unit (RM) | 1.0974 | 1.0160 | 1.0090 | 1.0076 | 1.0033 |

Investment Properties Value

All Investment Properties are subject to independent valuation at least once a financial year pursuant to Chapter 10, Paragraph 10.02 (b) (i) of the REIT Guidelines. During the financial year under review, the independent appraisal for all KIPMalls under KIP REIT's portfolio was undertaken by CBRE WTW Valuation & Advisory Sdn. Bhd. Appraisal (Malaysia) Sdn. Bhd. was duly appointed for the independent valuation of AEON Mall Kinta City as CBRE WTW Valuation & Advisory Sdn. Bhd. conducted independent valuation for the said property for three consecutive years.

The valuation method adopted for the investment properties is the Income Approach (Investment Method) which is counter checked against the Cost Method.

The total appraised value of KIP REIT's portfolio as at 30 June 2022 stood at RM852.0 million (FY2021: RM808.0 million). A breakdown of the total appraised value is provided in the table below:

| | Carrying Value Before Revaluation (RM'000) | Market Value (RM '000) | Unrealised Gain / (Loss) |
|----------------------|-----------------------------------------------|---------------------------|-----------------------------|
| KIPMall Tampoi | 164,265 | 167,000 | 2,735 |
| KIPMall Kota Tinggi | 56,000 | 56,000 | 0 |
| KIPMall Masai | 170,020 | 174,000 | 3,980 |
| KIPMall Senawang | 25,000 | 27,000 | 2,000 |
| KIPMall Melaka | 48,092 | 50,000 | 1,908 |
| KIPMall Bangi | 128,611 | 124,000 | (4,611) |
| AEON Mall Kinta City | 220,546 | 254,000 | 33,454 |
| Total | 812,534 | 852,000 | 39,466 |

All investment properties registered a fair value gain save and except for KIPMall Bangi. The latter registered a valuation loss of RM4.6 million on the basis that the valuer had taken a conservative approach to factor into the fit-out period granted to HeroMarket and NOKO at the date of valuation, which caused a lower occupancy rate at the date of valuation. Conversely, AEON Mall Kinta City registered a significant fair value gain at RM33.5 million based upon the Master Lease Agreement with AEON (M) Co. Bhd.

MANAGEMENT DISCUSSION & ANALYSIS

Trade Receivables

Trade receivables reduced by RM2.1 million or 75% to RM0.7 million (FY2021: RM2.8 million) mainly due to continuous engagement with tenants and exercising of credit control measures during this period of economic recovery.

Total Borrowings

There were no material changes to the borrowing structure during FY2022. KIP REIT's gearing ratio remains well below the 50% threshold under SC's REIT Guidelines.

KIP REIT's wholly owned subsidiary issued its maiden Medium Term Note with a nominal value of RM310.0 million with a perpetual term of up to RM2.0 billion under the Medium Term Note Programme in July 2019 for the acquisition of AEON Mall Kinta City. The issuance comprises of RM210.0 million of fixed borrowing rate and RM100.0 million of floating borrowing rate, acting as a natural hedge against movement in interest rates.

Net Asset Value

| | As at 30 Jun 22 | As at 30 Jun 21 | As at 30 Jun 20 | As at 30 Jun 19 | As at 30 Jun 18 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Before Income Distribution | 1.1654 | 1.0787 | 1.0707 | 1.0707 | 1.0727 |
| After Income Distribution | 1.0974 | 1.0160 | 1.0090 | 1.0076 | 1.0033 |

KIP REIT's Net Asset Value per unit after income distribution is 1.0974 as compared to RM1.0160 in the previous financial year on the back of fair value gain on investment properties.

Capital Management

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

| | As at 30 Jun 22 | As at 30 Jun 21 | As at 30 Jun 20 | As at 30 Jun 19 | As at 30 Jun 18 |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Borrowing | 312,913 | 312,708 | 312,437 | 100,169 | 86,975 |
| Total Asset Value | 889,035 | 846,221 | 841,818 | 629,810 | 616,557 |

Cash Flow and Liquidity

The rolling forecast of liquidity requirements is 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 Unitholders and to mitigate the effects of fluctuations in cash flows.

Performance Benchmarks

| | FY2022 | FY2021 | FY2020 | FY2019 | FY2018 | Year on Year Commentary |
|----------------------------------------------------------------------|--------|--------|--------|--------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management Expense Ratio (%) ¹ | 1.5 | 1.5 | 2.1 | 1.3 | 0.8 | There were no material changes to the expenses incurred in operating KIP REIT during this financial year. |
| Total Returns (%) ² | 13.0 | 14.4 | 2.4 | 12.2 | (4.5) | The closing unit price as at 30 June 2022 has increased by 5.3% as compared to the prior year on the back of better market sentiments. |
| Average Total Returns (3 years) (%) ³ | 9.9 | 9.7 | 3.4 | N/A | N/A | Average total return has increased by 0.2 percentage point on the back of stable distribution being declared during this financial year coupled with the increase in unit price. |
| Distribution Yield (%) ⁴ | 7.6 | 8.1 | 7.8 | 7.2 | 8.5 | Distribution yield has decreased by 0.5 percentage point due to the higher unit price as at 30 June 2022 on the back of better market sentiments. |
| Net Asset Value per Unit After Income Distribution (RM) ⁵ | 1.0974 | 1.0160 | 1.0090 | 1.0076 | 1.0033 | Net Asset Value per unit increased due to fair value gain registered for the current financial year. |
| Unit Price (RM) ⁶ | 0.890 | 0.845 | 0.795 | 0.840 | 0.800 | KIP REIT's unit price increased by 5.3% as the overall market sentiment has stabilised since the beginning of the Covid-19 pandemic. |

¹ The ratio of expenses incurred in operating KIP REIT of RM7.8 million (FY2021: RM7.7 million) to the average Net Asset Value of KIP REIT of RM534.0 million (after income distribution) (FY2021: RM511.6 million).

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

³ 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.

⁴ Based on Distribution per Unit of 6.80 sen (FY2021: 6.84 sen) divided by its closing unit price as at 30 June 2022 of RM0.890 (30 June 2021: RM0.845).

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

⁶ Unit price is determined based on the unit price as at 30 June 2022 for FY2022 and 30 June 2021 for FY2021.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATION REVIEW

Tenant Management

The Manager is focused on its proactive leasing strategy to maintain sustainable and regular returns from KIP REIT's portfolio of strategically located community centric mall. As at 30 June 2022, the total number of tenancies stood at 780 (FY2021: 807), taking up total occupied area of 1,292,300 square feet, which represents 87.3% of the total Net Lettable Area ("NLA") of 1,485,415 square feet.

The economy continues to recover from the effects of the pandemic although there are increasing concerns including inflationary pressures, supply chain disruptions and uncertainty of markets as a result of geo-political events that would dampen the recovery momentum. The Manager acknowledges that tenant management is key to the performance of KIP REIT in view of the market uncertainties. In order to strive for sustainable recovery, the Manager expects that rental reversion will remain relatively flat in the near term future.

Tenancy Expiry Profile

The tenancy expiry profile from FY2023 to FY2026 is provided in the table below. The duration of tenancies is dependent on the tenant's nature of business, with key and anchor tenants being offered longer tenures. KIP REIT's portfolio is well-spread to mitigate tenant concentration risks. As at 30 June 2022, the weighted average lease expiry of KIP REIT's portfolio stood at 2.5 years (FY2021: 3.2 years) by occupied NLA ("ONLA") and 2.06 years (FY2021: 2.6 years) by Gross Rental Income ("GRI").

Tenancies expiring in KIPMall Masai contributes to the largest number of tenancies expiring in FY2023. For tenancies which expired during FY2022, 63.4% renewal rate was achieved.

| | Total Number of Tenancies | ONLA Expiring (%) | GRI Expiring (%) |
|--------|---------------------------|-------------------|------------------|
| FY2023 | 590 | 34.3 | 50.1 |
| FY2024 | 176 | 21.5 | 20.5 |
| FY2025 | 13 | 3.2 | 2.8 |
| FY2026 | 1 | 41.0 | 26.6 |
| Total | 780 | 100.0 | 100.0% |

Occupancy Rate

KIP REIT's portfolio average occupancy rate stood at 87.3% for FY2022, which is a slight decrease from 89.6% from the previous financial year. All KIPMalls experienced slight increase in occupancy rate except for KIPMall Tampoi and KIPMall Bangi. The occupancy rate for KIPMall Tampoi and KIPMall Bangi fell by 8.0 and 11.8 percentage point respectively due to the transitional period for fitting out works by anchor tenants during the financial year. AEON Mall Kinta City retains a 100% occupancy based on the Master Lease Agreement arrangement. The portfolio occupancy rate is summarized in the table below.

| | FY2022 (%) | FY2021 (%) | FY2020 (%) | FY2019 (%) | FY2018 (%) |
|----------------------|------------|------------|------------|------------|------------|
| KIPMall Tampoi | 80.5 | 88.5 | 97.4 | 97.7 | 96.2 |
| KIPMall Kota Tinggi | 91.4 | 88.0 | 92.8 | 91.3 | 92.8 |
| KIPMall Masai | 91.4 | 88.9 | 95.4 | 93.7 | 94.7 |
| KIPMall Senawang | 83.8 | 78.2 | 80.9 | 79.5 | 80.6 |
| KIPMall Melaka | 78.1 | 80.1 | 76.6 | 80.6 | 69.1 |
| KIPMall Bangi | 70.1 | 81.9 | 78.6 | 86.0 | 83.3 |
| AEON Mall Kinta City | 100.0 | 100.0 | 100.0 | N/A | N/A |
| Total | 87.3 | 89.6 | 90.7 | 87.8 | 85.0 |

Trade Sector Analysis

Supermarket and Home Décor, Gifts, Souvenirs and Stationeries remain the two largest contributing sectors by ONLA at 19.3% (FY2021: 24.3%) and 30.4% (FY2021: 24.3%) respectively. The variance is predominantly from the impact from the transitional fitting out period for HeroMarket and NOKO at KIPMall Bangi together with the tenancy of Jalan Jalan Japan taking up net lettable area at KIPMall Tampoi.

Fresh Market and Fashion Apparel remain the two largest contributing sectors by GRI at 21.8% (FY2021: 20.5%) and 22.4% (FY2021: 21.6%) respectively.

| | ONLA (%) | GRI (%) |
|-------------------------------------------|----------|---------|
| Fresh Market | 9.7 | 21.8 |
| Food & Beverages | 6.1 | 11.1 |
| Supermarket | 19.3 | 6.1 |
| Fashion Apparel | 14.4 | 22.4 |
| Entertainment & Leisure | 4.5 | 3.9 |
| Beauty, Health & Wellness | 3.2 | 6.1 |
| Timepieces & Jewellery | 0.6 | 1.5 |
| Home Decor, Gifts, Souvenirs & Stationery | 30.4 | 13.6 |
| IT/ Electronic/Digital | 6.9 | 9.6 |
| Furniture/Show Gallery | 1.1 | 1.0 |
| Sundry & Services | 3.8 | 2.9 |
| Total | 100.0 | 100.0 |

AEI

During the financial year under review, a number of AEI have been carried out as part of the drive to maintain sustainable and regular returns to its Unitholders. The total amount spent on AEI was RM4.5 million to include:

- (i) The rearrangement of lettable area to accommodate mini-anchor, Jalan Jalan Japan, resurfacing of the common road and re-purposing of the food court area at KIPMall Tampoi;
- (ii) Various upgrading work including transformer, chillers and passenger lifts at AEON Mall Kinta City;
- (iii) Upgrading of traveller and tenantable lot at KIPMall Melaka;
- (iv) Cabling and air-conditioning work to accommodate Guardian Health and Beauty Pharmacy at KIPMall Masai; and
- (v) The ongoing refurbishment initiative at KIPMall Bangi.

The Manager views AEI as a critical element to promote long term sustainability of the assets under the KIP REIT's portfolio. The Manager will continue to maintain and/or upgrade the asset condition as part of the measures to ensure the relevance of its retail assets to the changing consumer needs. Approved AEI aim to provide stable and regular return for KIP REIT's unitholders in a sustainable manner.

MANAGEMENT DISCUSSION & ANALYSIS

RISK MANAGEMENT REVIEW

The Manager carries out risk management reviews on a quarterly basis to assess relevant material risks, the risk likelihood and its potential impact pursuant to the risk appetite established and pre-approved by the Board. Where relevant, countermeasures are put into place to mitigate risk likelihood or impact. The following section summarises the principal risks in the management of KIP REIT’s portfolio.

| Principle Risks | Sources of Opportunities | Mitigating Measures |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Economic and Political Landscape Macroeconomic trends and political uncertainties may result in financial volatility and pose challenges in the operating environment for KIP REIT and its valued business partners</p> | <p>Diversification of assets of portfolio by asset class, geographic location and tenant base focused on the provision of daily necessities to the surrounding communities to spread concentration risk.</p> | <ul style="list-style-type: none"> • Continuous monitoring of economic and political trends to ensure appropriate strategies are adopted in line with the business environment • Leverage strength in tenancy mix focused on essential goods • Working with tenants during the pandemic to ensure promote long term sustainability of their businesses through active engagement • Following unitholders’ approval, amended investment policy to allow for the evaluation of commercial and industrial assets, which allow diversification of geographic and asset class |
| <p>Credit Recovery of outstanding receivables may be hindered by muted economic activities resulting in impairment loss, bad debts written off or high legal fees in pursuance of outstanding rental and may ultimately result in lower net income</p> | <p>Successful management of credit would reduce the risk of cashflow management issues.</p> | <ul style="list-style-type: none"> • Credit control measures include close monitoring of ageing profile, engaging in open and honest discourse with tenants on rental collection |
| <p>Capital and Liquidity Poor capital and liquidity management may result in KIP REIT’s ability to continue as a going concern</p> | <p>Successful management of capital and liquidity allows for more accurate cashflow planning.</p> | <ul style="list-style-type: none"> • The Medium Term Note held under KIP REIT’s wholly owned subsidiary, KIP REIT Capital Sdn. Bhd., is structured in a manner which acts as a natural hedge with a floating and fixed portion • Diligent management of capital and promoting financial discipline to maximise value to unitholders |
| <p>Investment Poor investment decisions in relation to acquisitions and disposals may adversely impact the profitability of KIP REIT</p> | <p>A portfolio of yield accretive investment asset would increase unitholder returns.</p> | <ul style="list-style-type: none"> • Offers for acquisition and disposals are evaluated by the Investment Steering Committee against a strict set of criteria • Recommendations from the Investment Steering Committee are presented to the Board and Trustee for approval • Due diligence performed for all acquisitions and disposals • External consultants are to engaged to appraise the asset for acquisition or disposal and effect the necessary transactions |
| <p>Business Integrity and Compliance Incidences of fraud, non-compliance and unlawful activities may result in the Manager’s ability to carry out its management duties for KIP REIT</p> | <p>Strong corporate governance practices including compliance with relevant regulation and guidelines by the applicable authorities alongside adherence to business integrity principles creates greater value for unitholders.</p> | <ul style="list-style-type: none"> • The Manager continues to monitor the performance of KIP REIT’s Anti-Bribery Management System which was implemented in line with S.17A of the Malaysian Anti-Corruption Commission Act 2009 • Quarterly review on the performance is tabled to the Audit and Risk Management Committee and approved by the Board on KIP REIT’s anti-bribery and corruption practices |

MARKET REVIEW

Overall Economic Conditions

The Malaysian economy has seen some recovery since the relaxation of containment measures, particularly following the government's announcement on 1 April 2022. The Malaysian economy grew by 5.0% in the first quarter of 2022 as compared to the preceding quarter which saw GDP growth by 3.6%. Growth was mainly driven by higher domestic demand supported by higher consumption. Private consumption grew at a faster pace of 5.5% in the first quarter of 2022 as compared to the preceding quarter which saw growth at a pace of 3.7%. Higher expenditure on necessities and selected discretionary items, including recreational services, restaurants and household furnishing were recording during the quarter. Consumer expenditure is largely driven by the recovery in the labour market with higher wages and employment growth registered. Headline inflation moderated at 2.2% during the first quarter of 2022 as compared to the preceding quarter which saw inflation at 3.2% mainly driven by lower domestic retail fuel prices last year.

Global economic recovery is also evident with many advanced economies and most emerging market economies loosening restrictions during the first quarter of the calendar year. However, the recovery momentum is dampened by factors amongst others, the military conflict in Ukraine, renewed lockdowns in China, global supply chain disruptions and increased commodity prices, further heightening inflationary pressures.

(Source: Bank Negara Malaysia Quarterly Bulletin)

Retail Industry Overview

Retail Group Malaysia (RGM) has revised Malaysia's annual retail industry growth rate for 2022 from 6.3% to 13.1% due to the expected strong retail results in the second quarter of the calendar year. During the first quarter of the calendar year, the industry recorded strong growth of 18.3% as compared to -9.9% reported in the same period in 2021. There are some evidence of shopper traffic returning to pre-pandemic levels, however, inflationary pressures and supply chain disruptions will continue well into the year. RGM expects that fashion and accessories sector will expect the largest increases in growth rate, estimated to be 58.9% during the second quarter of the calendar year, compared to the same period a year ago.

(Source: Retail Group Malaysia)

The following section details the retail outlook on a geographic specific level.

Retail in Johor

Retail malls in Iskandar Malaysia (IM) are looking forward for active days in 2022 as local and international travel restrictions have been relaxed, especially the land travel restrictions between Malaysia and Singapore.

IM retail performance was highly dependent on the 400,000 daily travellers of Singapore visitors and commuters who lived in Johor while working in Singapore before the pandemic. With movement restrictions lifted, prominent retail malls with strong brand records have seen a swift return of footfall. This underscores the relevancy of physical retail stores despite the adoption of technology in the sector as consumers still demand shopping experience for some retail categories, and services prior to their purchases especially big-ticket items such as furniture, cars, and home appliances.

The community mart and small convenient stores receives more footfall as consumers turn to these retail spaces in the neighbourhood for their daily needs. As most of these spaces offers the same essentials as retail malls and is more convenient for visit, retail malls are visited for more leisure activities and non-essential purchases.

E-commerce has been adopted as the new shopping medium by most consumers which pushed the sales via this channel sharply. Businesses are re-strategising their business model to incorporate online services to stay afloat during this tough time. This has increased the rate of technology adoption in the retail sector.

MANAGEMENT DISCUSSION & ANALYSIS

The retail market, in general, is expected to improve in performance, supported by government incentives announced in Budget 2022 in reviving the retail and tourism industries. These announced incentives are such as RM250 million allocation set aside to continue Shop Malaysia Online and Go-ecommerce Onboarding campaigns while RM74 million allocated for training programs and business guidance and a simple zero financing scheme for six months together with a moratorium.

(Source: extracted from valuation report - CBRE WTW Valuation & Advisory Sdn. Bhd.)

Retail in Negeri Sembilan

Negeri Sembilan has an overall 93 retail complexes with 6.5 million square feet of space as at Q4 FY2021. Seremban leads the state with 34 retail complexes of about 3.8 million square feet followed by Putra Nilai (8 retail complexes, 0.9 million square feet).

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

(Source: extracted from valuation report - CBRE WTW Valuation & Advisory Sdn. Bhd.)

Retail in Melaka

Melaka has an overall 31 retail complexes with 6.8 million square feet of space as at Q4 2021. Melaka Town, being the capital city and administrative centre of the State, leads the supply with 18 retail complexes of about 4.2 million square feet. Melaka Tengah where KIPMall Melaka is located, has 9 retail complexes contributing about 1.7 million square feet with no new completions in the period.

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

(Source: extracted from valuation report - CBRE WTW Valuation & Advisory Sdn. Bhd.)

Retail in Selangor

There are 567 existing shopping centres with 13.146 million square meter of retail space in Malaysia as at the end of 2021. More than 44% (165 shopping centres with 5.85 million s.m.) are located in Klang Valley. Kuala Lumpur (KL) and Selangor stood nearly at par with 2.9 million square meter of retail space and at a 79.0% occupancy. All categories of shopping centres in Klang Valley saw marginal growth, except for Community Centres, which recorded a decline in 2021. The overall growth was supported by the marginal increase recorded by Super Regional Malls, Regional Centres and Neighbourhood Centres.

Klang Valley Super Regional Mall rental index recorded a steady growth over the six-year period, with the exception of 2018. Both KL and Selangor made a comeback in 2019 but slowed down in 2021, reflecting the after-effect of the pandemic. The average rental for KL was twice as high as that of Selangor. Nevertheless, it is observed that rental in KL and Selangor grew about the same pace, each by 10.8% and 9.4% against 2015.

The rental index growth in Regional Centre was slower compared to Super Regional Mall but sustained its momentum. Selangor recorded a 2.0% growth, slightly higher than KL at 1.2% year-on-year. However, the KL recorded a higher average rental by more than 46.0% compared to Selangor. In terms of rental growth, Selangor recorded 7.7% increase compared to 2015 while KL recorded a lower 3.8% increase.

The rental index in Neighbourhood Centre grew slower compared to Super Regional Mall and Regional Centres. KL managed to sustain growth at 0.8% year-on-year while Selangor saw a turnaround in 2021 after two consecutive contractions. Rental in Selangor was higher than KL though in terms of growth, KL recorded a 2.4% increase against 2015 while Selangor only managed to record 0.8% increase.

Community Centres saw adverse impact from the pandemic. There were instances of early tenancy termination, discontinuation of tenancy, lowering of rental to retain tenants and shorter tenancy period (monthly, 3 months and 6 months), which caused the overall downward pressure on rental.

Both KL and Selangor rental index recorded contractions in 2021; Selangor moved into the negative regime earlier since 2020. Rental rate for Selangor was nearly twice as high as that of KL. However, KL recorded a higher rental growth of 6.2% against 2015 while Selangor recorded a lower growth of 3.4%.

(Source: extracted from Shopping Centre Retail Index - National Property Information Centre)

Retail in Perak

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

Prospects

The Manager is cautiously optimistic about the recovery of the economy and the positive impact on the retail sector as evidenced since the removal of containment measures as at 1 April 2022. Factors contributing the positive outlook includes increased domestic demand driven largely by private consumption on the relaxation of measures and improvements in the labour market. However, inflationary pressures, supply chain disruption and global geopolitical events continues to contribute to market uncertainties. The Manager will continue to monitor the situation to ensure that the recovery is sustainable and able to provide long term value to its Unitholders.

The Manager is also pleased to announce that it has entered into conditional agreements to acquire three industrial assets located in Pulau Indah in line with its amended investment policy. The acquisition of the assets mark KIP REIT's maiden investment into the commercial (industrial and warehousing) subsectors as part of its diversification plans.

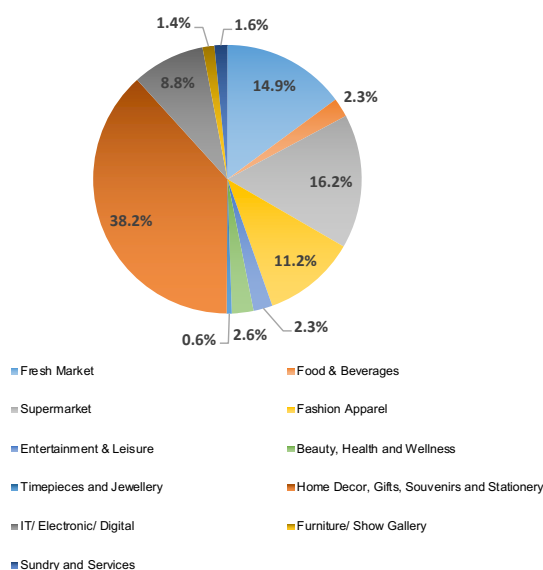
PROPERTY DETAILS

KIPMall Tampoi

Building Details

| | | |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Address | Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim | |
| Description | Single-storey retail centre with a mezzanine floor with 579 numbers of car park bays | |
| Age of Building | 18 years | |
| Existing Use | Retail Mall | |
| Title Information | HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim | |
| Encumbrances | Charged to Malaysian Trustees Berhad registered on 29 September 2019; Private Caveat on Land lodged by Malaysian Trustees Berhad registered on 18 July 2019 | |
| Tenure | 98 years, expiring on 24 September 2092 | |
| Gross Floor Area | 238,039 sq. ft. | |
| Net Lettable Area | 167,139 sq. ft. | |
| Acquisition Date | 6 February 2017 | |
| Acquisition Price | RM150.0 million | |
| Appraised Value | RM167.0 million (FY2021: RM163.0 million) | |
| Valuer | CBRE WTW Valuation & Advisory Sdn. Bhd. | |
| Valuation Date | 30 June 2022 | |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur | |
| Average Occupancy Rate for the Financial Year Ended 30 June 2022 | 80.5% (FY2021: 88.5%) | |
| Weighted Average Lease Expiry | ONLA: 1.7 years | GRI: 1.6 years |

Tenancy Mix by ONLA



Top 5 Tenants by ONLA

- Pasaraya Hwa Thai Sdn. Bhd.
- Bok Marketing Sdn. Bhd.
- Mr Dollar Sdn. Bhd.
- Mr. D.I.Y. (M) Sdn. Bhd.
- Lionmas Furnishers (M) Sdn. Bhd.

Top 5 Tenants by GRI

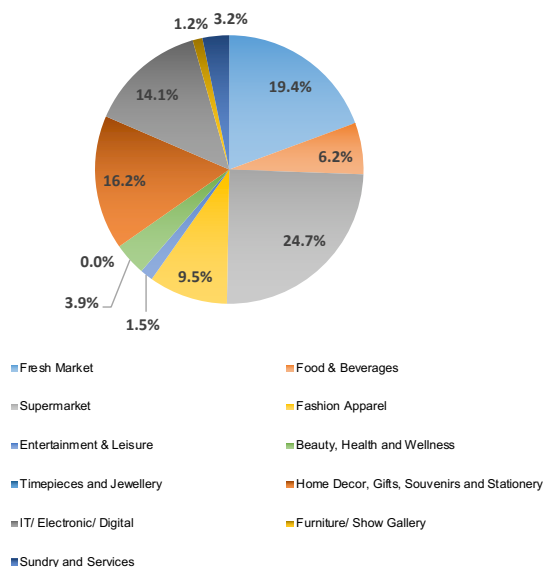
- Pasaraya Hwa Thai Sdn. Bhd.
- Bok Marketing Sdn. Bhd.
- Great Zone Household Centre Sdn. Bhd.
- Mr Dollar Sdn. Bhd.
- Tian Sing Shoes Trading

KIPMall Kota Tinggi

Building Details

| | | |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------|
| Address | No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim | |
| Description | Single-storey retail centre with a mezzanine floor with 196 numbers of car park bays | |
| Age of Building | 14 years | |
| Existing Use | Retail Mall | |
| Title Information | GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim | |
| Encumbrances | Charged to Malayan Banking Berhad; Private caveat on Land lodged by Malayan Banking Berhad on 25 November 2018 | |
| Tenure | Freehold | |
| Gross Floor Area | 113,958 sq. ft. | |
| Net Lettable Area | 76,297 sq. ft. | |
| Acquisition Date | 6 February 2017 | |
| Acquisition Price | RM55.0 million | |
| Appraised Value | RM56.0 million (FY2021: RM56.0 million) | |
| Valuer | CBRE WTW Valuation & Advisory Sdn. Bhd. | |
| Valuation Date | 30 June 2022 | |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur | |
| Average Occupancy Rate for the Financial Year Ended 30 June 2022 | 91.4% (FY2021: 88.0%) | |
| Weighted Average Lease Expiry | ONLA: 1.6 years | GRI: 1.4 years |

Tenancy Mix by ONLA



Top 5 Tenants by ONLA

Songmart Malaysia Sdn. Bhd.

Lionmas Furnishers (M) Sdn. Bhd.

Mr Dollar Sdn. Bhd.

Linkme LM Trading Sdn. Bhd.

QSR Stores Sdn. Bhd.

Top 5 Tenants by GRI

Songmart Malaysia Sdn. Bhd.

Linkme LM Trading Sdn. Bhd.

Lionmas Furnishers (M) Sdn. Bhd.

Mr Dollar Sdn. Bhd.

Siang Heng Marketing Sdn. Bhd.

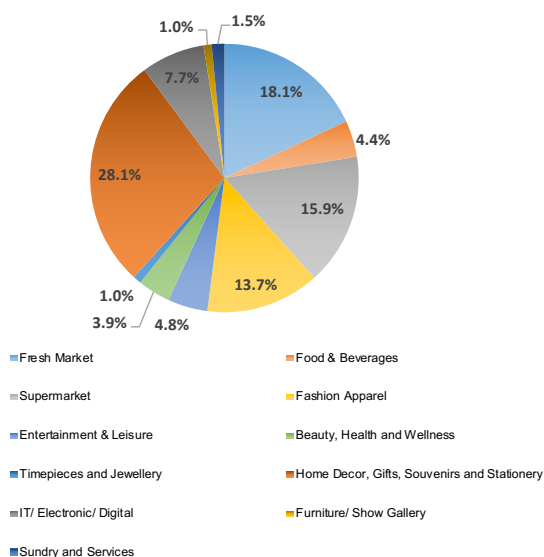
PROPERTY DETAILS

KIPMall Masai

Building Details

| | | |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Address | Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim | |
| Description | Single-storey retail centre with a mezzanine floor with 628 numbers of car park bays | |
| Age of Building | 11 years | |
| Existing Use | Retail Mall | |
| Title Information | PN 70766, Lot 198634 , Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim | |
| Encumbrances | Charged to Malaysian Trustees Berhad registered on 2 October 2019; Private caveat lodged by Malaysian Trustees Berhad on 18 July 2019 | |
| Tenure | 99 years, expiring on 28 December 2108 | |
| Gross Floor Area | 247,990 sq. ft. | |
| Net Lettable Area | 151,836 sq. ft. | |
| Acquisition Date | 6 February 2017 | |
| Acquisition Price | RM157.0 million | |
| Appraised Value | RM174.0 million (FY2021: RM170.0 million) | |
| Valuer | CBRE WTW Valuation & Advisory Sdn. Bhd. | |
| Valuation Date | 30 June 2022 | |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur | |
| Average Occupancy Rate for the Financial Year Ended 30 June 2022 | 91.4% (FY2021: 88.9%) | |
| Weighted Average Lease Expiry | ONLA: 1.2 years | GRI: 1.1 years |

Tenancy Mix by ONLA



Top 5 Tenants by ONLA

| |
|------------------------------|
| Pasaraya Hwa Thai Sdn. Bhd. |
| Bok Marketing Sdn. Bhd. |
| Mr. D.I.Y. (M) Sdn. Bhd. |
| Linkme LM Trading Sdn. Bhd. |
| Darson Electronics Sdn. Bhd. |

Top 5 Tenants by GRI

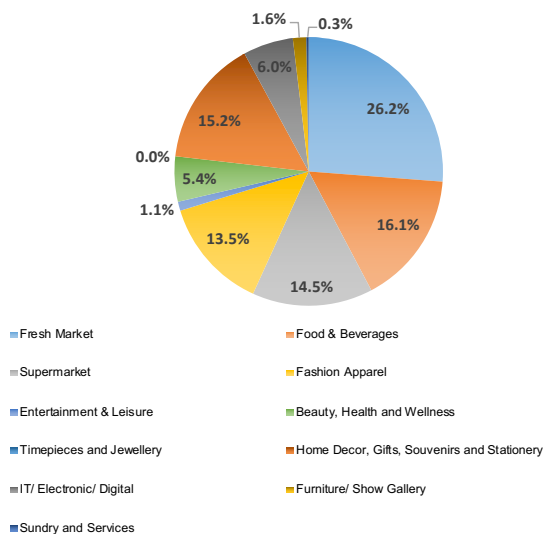
| |
|-----------------------------|
| Pasaraya Hwa Thai Sdn. Bhd. |
| Bok Marketing Sdn. Bhd. |
| Mr. D.I.Y. (M) Sdn. Bhd. |
| Sky Ways Enterprise |
| Linkme LM Trading Sdn. Bhd. |

KIPMall Senawang

Building Details

| | | |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------|
| Address | No. 1, Jalan KLS 1, Lavender Heights, 70450 Seremban, Negeri Sembilan Darul Khusus | |
| Description | Single-storey retail centre with a mezzanine floor with 584 numbers of car park bays | |
| Age of Building | 9 years | |
| Existing Use | Retail Mall | |
| Title Information | GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus | |
| Encumbrances | N/A | |
| Tenure | Freehold | |
| Gross Floor Area | 175,095 sq. ft. | |
| Net Lettable Area | 116,919 sq. ft. | |
| Acquisition Date | 6 February 2017 | |
| Acquisition Price | RM38.0 million | |
| Appraised Value | RM27.0 million (FY2021: RM25.0 million) | |
| Valuer | CBRE WTW Valuation & Advisory Sdn. Bhd. | |
| Valuation Date | 30 June 2022 | |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur | |
| Average Occupancy Rate for the Financial Year Ended 30 June 2022 | 83.8% (FY2021: 78.2%) | |
| Weighted Average Lease Expiry | ONLA: 1.6 years | GRI: 1.3 years |

Tenancy Mix by ONLA



Top 5 Tenants by ONLA

| |
|----------------------------------|
| TF Value Mart |
| Mr. D.I.Y. (M) Sdn. Bhd. |
| Porcelain Inn Sdn. Bhd. |
| Lionmas Furnishers (M) Sdn. Bhd. |
| QSR Stores Sdn. Bhd. |

Top 5 Tenants by GRI

| |
|----------------------------------|
| TF Value Mart |
| QSR Stores Sdn. Bhd. |
| Mr. D.I.Y. (M) Sdn. Bhd. |
| Porcelain Inn Sdn. Bhd. |
| Lionmas Furnishers (M) Sdn. Bhd. |

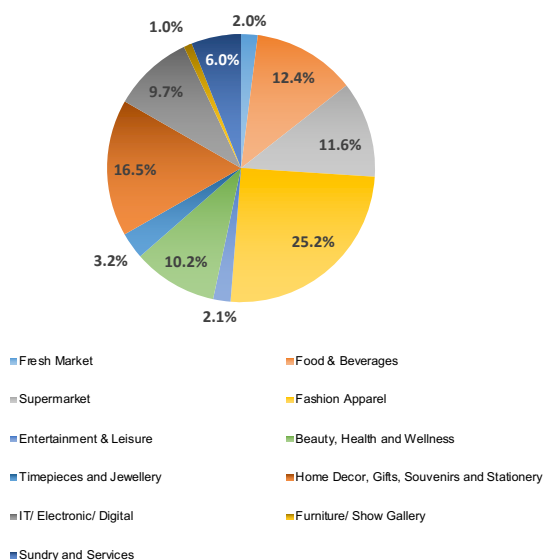
PROPERTY DETAILS

KIPMall Melaka

Building Details

| | | |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------|
| Address | No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350 Melaka | |
| Description | Two storey retail centre with 521 numbers of car park bays | |
| Age of Building | 8 years | |
| Existing Use | Retail Mall | |
| Title Information | PN61677, Lot No 19541 (formerly known as HSD76142, PT6786), Mukim of Bachang, District of Melaka Tengah, Melaka | |
| Encumbrances | N/A | |
| Tenure | 99 years, expiring on 17 November 2112 | |
| Gross Floor Area | 276,987 sq. ft. | |
| Net Lettable Area | 187,841 sq. ft. | |
| Acquisition Date | 6 February 2017 | |
| Acquisition Price | RM50.0 million | |
| Appraised Value | RM50.0 million (FY2021: RM48.0 million) | |
| Valuer | CBRE WTW Valuation & Advisory Sdn. Bhd. | |
| Valuation Date | 30 June 2022 | |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur | |
| Average Occupancy Rate for the Financial Year Ended 30 June 2022 | 78.1% (FY2021: 80.1%) | |
| Weighted Average Lease Expiry | ONLA: 1.5 years | GRI: 1.3 years |

Tenancy Mix by ONLA



Top 5 Tenants by ONLA

Bachang Family Store Sdn. Bhd.
Mr. D.I.Y. (M) Sdn. Bhd.
Omega Genius Sdn. Bhd.
Dode Concept
LT Retail Sdn. Bhd.

Top 5 Tenants by GRI

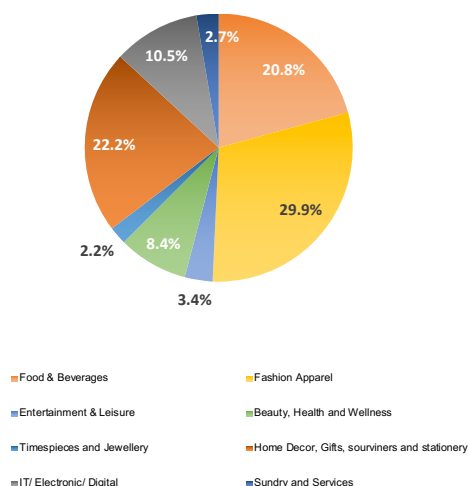
Bachang Family Store Sdn. Bhd.
Mr. D.I.Y. (M) Sdn. Bhd.
Lionmas Furnishers (M) Sdn. Bhd.
Guardian Health and Beauty Sdn. Bhd.
Watson's Personal Care Stores Sdn. Bhd.

KIPMall Bangi

Building Details

| | | |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Address | No. 1, Jalan Medan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan | |
| Description | Five storey shopping centre with one level of mezzanine floor and two levels of basement car park with 483 numbers of car park bays | |
| Age of Building | 22 years | |
| Existing Use | Retail Mall | |
| Title Information | HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan | |
| Encumbrances | Charged to Malaysian Trustees Berhad registered on 2 October 2019; Private caveat lodged by Malaysian Trustees Berhad on 18 July 2019. | |
| Tenure | 99 years, expiring on 14 July 2093 | |
| Gross Floor Area | 348,203 sq. ft. | |
| Net Lettable Area | 255,202 sq. ft. | |
| Acquisition Date | 6 February 2017 | |
| Acquisition Price | RM130.0 million | |
| Appraised Value | RM124.0 million (FY2021: RM126.0 million) | |
| Valuer | CBRE WTW Valuation & Advisory Sdn. Bhd. | |
| Valuation Date | 30 June 2022 | |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur | |
| Average Occupancy Rate for the Financial Year Ended 30 June 2022 | 70.1% (FY2021: 81.9%) | |
| Weighted Average Lease Expiry | ONLA: 1.4 years | GRI: 1.4 years |

Tenancy Mix by ONLA



Top 5 Tenants by ONLA

Bok Marketing Sdn. Bhd.
Live Sport Gallery Enterprise
Pusat Kain Silk House Sdn. Bhd.
Mr. D.I.Y. (M) Sdn. Bhd.
Sport Planet Warehouse Outlet Sdn. Bhd.

Top 5 Tenants by GRI

Bok Marketing Sdn. Bhd.
Central Market Fish Head Curry Sdn. Bhd.
QSR Stores Sdn. Bhd.
Pizza Hut Restaurants Sdn. Bhd.
Mr. D.I.Y. (M) Sdn. Bhd.

PROPERTY DETAILS

AEON Mall Kinta City

Building Details

| | |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Address | 2, Jalan Teh Lean Swee, Taman Ipoh Selatan, 31400 Ipoh, Perak |
| Description | Three storey shopping mall comprising two (2) levels of retail lots, one level of car park and cinema and one (1) level of car park and bowling alley at the rooftop – total car park 1,547 numbers of car park bays |
| Age of Building | 24 years |
| Existing Use | Shopping Mall |
| Title Information | Lot No. 320549, Mukim of Hulu Kinta, District of Kinta, Perak |
| Encumbrances | 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. |
| Acquisition Date | 31 July 2019 |
| Acquisition Price | RM208.0 million |
| Appraised Value | RM254.0 million (FY2021: RM220.0 million) |
| Valuer | Appraisal Malaysia Sdn. Bhd. (FY2021: CBRE WTW Valuation & Advisory Sdn Bhd) |
| Valuation Date | 30 June 2022 |
| Property Manager | Henry Butcher Malaysia (Mont Kiara) Sdn. Bhd. Unit D4-3-3&3A, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur |
| Master Lessee | AEON Co. (M) Berhad |

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

The Manager is committed to actively engaging with stakeholder groups to enable them to make informed decisions. Throughout the financial year, the Manager will provide relevant information including financial and operational performance, major development and industry trends and challenges to different stakeholder groups through a variety of different means.

Investor Engagement

The Manager regularly engage with stakeholder groups to promote greater transparency and allow for more effective communication. During the financial year, the Manager has held several engagement events including the following:

| Date | Event |
|-------------------|---------------------------------------------------------|
| 30 July 2021 | Analyst and Fund Managers' briefing on Q4FY2021 results |
| 26 August 2021 | Publication of Unrated Report: Rakuten Trade |
| 29 September 2021 | KIP REIT fifth Annual General Meeting ("AGM") |
| 18 October 2021 | Analyst and Fund Managers' briefing on Q1FY2022 results |
| 20 January 2022 | Analyst and Fund Managers' briefing on Q2FY2022 results |
| 22 March 2022 | Investors Meeting: Affin Hwang Research via Bursa RISE |
| 20 April 2022 | Analyst Meeting: TA Securities Research via Bursa RISE |
| 17 May 2022 | Analyst Meeting: Affin Hwang Research via Bursa RISE |
| 20 May 2022 | Publication of Unrated Report: Affin Hwang Research |
| 30 June 2022 | Publication of Unrated Report: TA Securities Research |

Bursa Research Incentive Scheme ("Bursa RISE")

During the financial year, KIP REIT was confirmed as part of the inaugural batch of participating Public Listed Companies in the Bursa RISE programme based on a set of quantitative and qualitative criteria. The scheme aims to improve the trading velocity through initiation of research coverage by licensed research houses. Through this scheme, the Manager had engaged in several engagements with Affin Hwang Research and TA Securities Research resulting in the initiation coverage that have been published.

Press Release and Media Coverage

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

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

Bursa Securities

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

AGM

The AGM is the primary platform for unitholders to effectively engage with the Board to gain insights as to the financial and operational performance of KIP REIT and to provide an avenue for feedback to the Board and the management team. It also serves as a platform for the Board to provide updates to the unitholders of the strategic development of KIP REIT.

On 29 September 2021, the Manager held its fully virtual Fifth AGM through live streaming and online voting via Remote Participation Electronic Voting ("RPEV"). The Manager complied with MCGG Practice 13.1 by issuing the notice of AGM at least 28 days prior to the AGM.

KIP REIT's Sixth AGM shall be held virtually via RPEV and is scheduled for 13 October 2022 at 10.30 a.m.

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

Other Channels Of Communication Briefing Packs, Factsheet And Analyst Briefings

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

Quarterly Financials And Annual Report

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

KIP REIT's FY2021 Annual Report alongside the Notice for KIP REIT's Fifth AGM and administrative guide was made available for unitholders before the AGM. The notices in the national language and English were also advertised on daily newspapers and via Bursa LINK. The information is presented in a manner and in time for unitholders to deliberate matters prior to attending the meeting and making the relevant investment decisions.

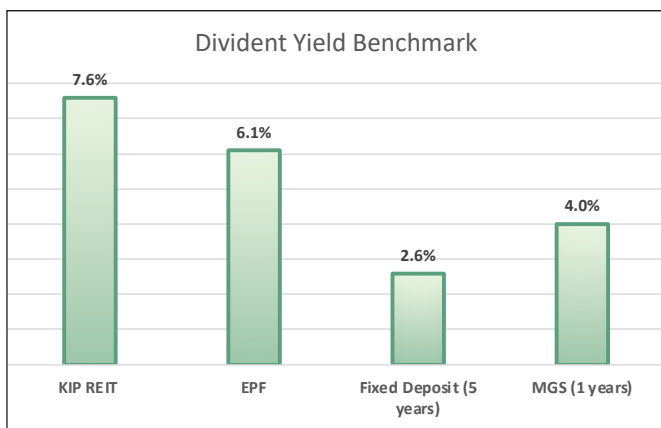
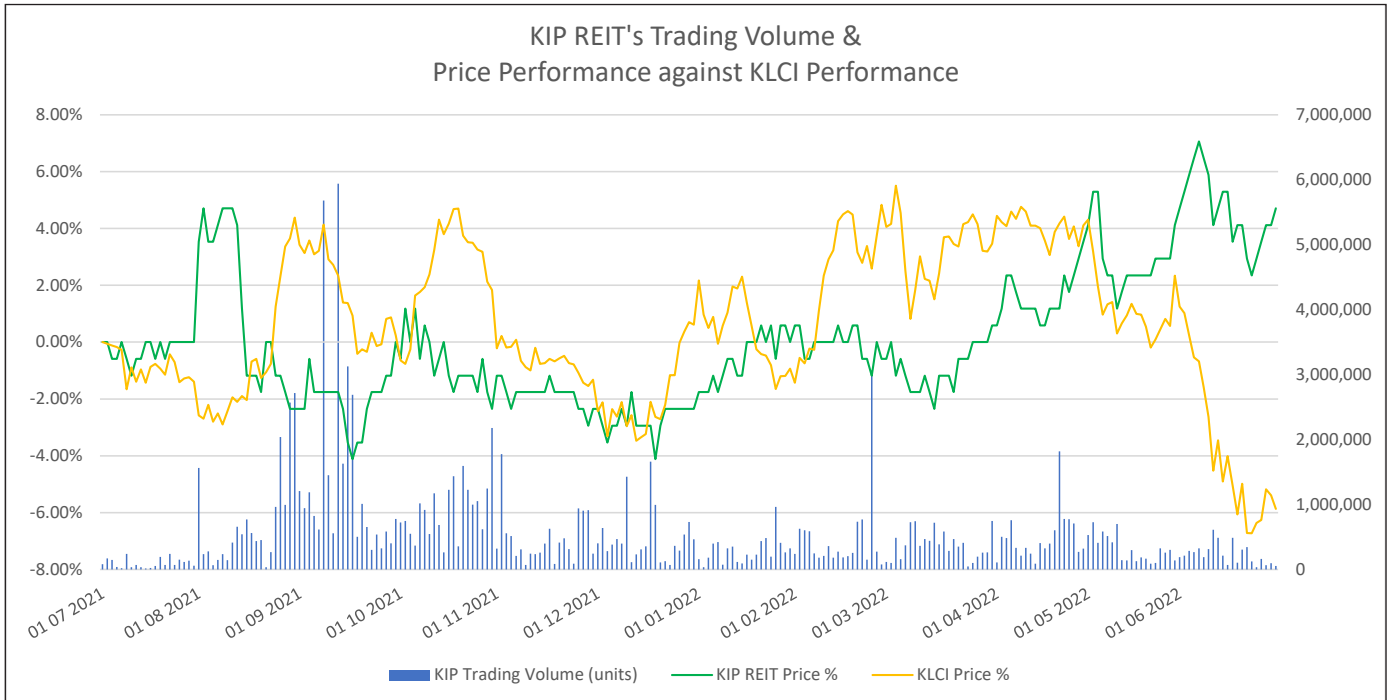
Following the Supplementary Trust Deed dated 29 September 2020 entered into by the Trustee and the Manager, the provisions for the issuance of reports, notices and other documents have been amended to allow for distribution via technological means.

IR Portal And E-Mail

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

Trading Performance

| | FY2022 | FY2021 | FY2020 | FY2019 | FY2018 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Price as at 30 June | 0.89 | 0.845 | 0.795 | 0.840 | 0.800 |
| Highest Traded Price | 0.92 | 0.91 | 0.91 | 0.91 | 0.90 |
| Lowest Traded Price | 0.82 | 0.79 | 0.60 | 0.60 | 0.75 |
| NAV per Unit (RM) | 1.10 | 1.02 | 1.00 | 1.00 | 1.00 |
| Total Trading Volume (million units) | 132,604 | 52,697 | 61,167 | 51,207 | 64,844 |
| Market Capitalisation (RM million) | 449,717 | 426,979 | 401,714 | 424,452 | 404,240 |
| Units in Circulation ('000 units) | 505,300 | 505,300 | 505,300 | 505,300 | 505,300 |



Feedback and Enquiries

Investor Relations & Corporate Communications

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

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 Facsimile No. : +603 6259 1212
 E-mail : info@kipreit.com.my
 Website : www.kipreit.com.my

BOARD AND MANAGEMENT PROFILE

Datuk Dr Syed Hussain bin Syed Husman, PJN

Chairman / Senior Independent Non-Executive Director

Datuk Dr Syed Hussain bin Syed Husman, PJN, Malaysian, male, aged 65 was appointed to the Board on 20 April 2016 as a Senior Independent Non-Executive Director. He is the Chairman of the Board and Remuneration Committee and a member of the Nomination Committee and the Audit and Risk Management Committee. He holds a Master in Business Administration (MBA) from Western Illinois University and has attended the Senior Management Development Programme at Harvard Business School. He has had an extensive career taking on a wide array of leadership roles in Procter & Gamble Malaysia and Singapore, Rothmans of Pall Mall (Malaysia) Berhad, British American Tobacco Berhad and Petrofield (M) Sdn Bhd. Datuk Dr Syed Hussain bin Syed Husman, PJN, is currently an Executive Director and the Chief Executive Officer of SVTT Resources Sdn. Bhd., a position he has held since 2011. He currently holds directorship in another public company, namely Can One Berhad as an Independent and Non-Executive Director and is also serving as the President of the Malaysian Employers Federation and a member of the Board of the Employee's Provident Fund as an Employers' representative. Additionally, Datuk Dr Syed Hussain bin Syed Husman, PJN, is also appointed to the Ahli Majlis Negara Bagi Keselamatan dan Kesihatan Pekerjaan (MNKKP), the Advisory Council of Malaysian Society for Occupational Health and Safety (MSOSH), National Wages Consultative Council, Ahli Majlis Penasihat Buruh Kebangsaan (NLAC), Ahli Majlis Pekerjaan Negara (MPV) and Ahli Majlis TVET Negara (MTVET).

Datuk Dr Syed Hussain bin Syed Husman, PJN does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does he have any conflict of interests with the Manager. Other than traffic offences, if any, he does not have any convictions for offences within the past five years, nor does he have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Datuk Dr Syed Hussain bin Syed Husman, PJN, has attended nine board meetings during the financial year.

Dato' Ong Kook Liong

Non-Independent Executive Director

Dato' Ong Kook Liong, Malaysian, male, aged 61 was appointed to the Board as a Non-Independent Executive Director on 18 December 2015. He currently holds the Capital Market Services Representative's License under the Capital Markets and Securities Act 2007. Dato' Ong Kook Liong has had an illustrious career in the real estate industry with extensive experience in property development. He began his career in MBf Property Services Sdn. Bhd. and Tan Co Properties Sdn. Bhd. Subsequently, in 1997, Dato' Ong Kook Liong co-founded KIP Group of Companies and assumed the role of Executive Director. KIP Group of Companies has since successfully completed several residential, commercial, hospitality and retail projects under his helm and leadership. As the Co-Founder to KIP Group of Companies, Dato' Ong Kook Liong conceptualised, developed and spearheaded the strategies in managing community-centric malls within suburban neighbourhoods and led to the successes of KIPMalls.

Dato' Ong Kook Liong is a major unitholder of KIP REIT, the major shareholder of the Manager and is the father of Ms. Ong Pui Shan, Non-Independent Non-Executive Director. Other than traffic offences, if any, he does not have any convictions for offences within the past five years, nor does he have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Dato' Ong Kook Liong has attended nine board meetings during the financial year.

Datuk Mohamed Arsad bin Sehan

Independent Non-Executive Director

Datuk Mohamed Arsad bin Sehan, Malaysian, male, aged 69 was appointed to the Board on 20 April 2016 as an Independent Non-Executive Director. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee. He holds a Bachelor of Economics (Statistics) degree from University of Malaya. He has had a distinguished career in the banking sector taking on a senior management roles in Bank Bumiputera Malaysia Berhad and Bank Kerjasama Rakyat Malaysia Berhad. Datuk Mohamed Arsad bin Sehan subsequently held the positions of Managing and Executive Director at Pure Circle Sdn. Bhd., a wholly owned subsidiary of PureCircle Limited for eight years. He holds directorship in one other public company, namely as an Independent Non-Executive Director at SYF Resources Berhad.

Datuk Mohamed Arsad bin Sehan does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does he have any conflict of interests with the Manager. Other than traffic offences, if any, he does not have any convictions for offences within the past five years, nor does he have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Datuk Mohamed Arsad bin Sehan has attended nine board meetings during the financial year.

Mr Chiam Tau Meng

Independent Non-Executive Director

Mr Chiam Tau Meng, Malaysian, male, aged 68 was appointed to the Board on 15 April 2019 as an Independent Non-Executive Director. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee. He holds a Bachelor of Commerce majoring in Accountancy from the University of Otago and is an Associate Chartered Accountant with Chartered Accountants Australia and New Zealand, and a Chartered Accountant with the Malaysian Institute of Accountants. He has had extensive experience in various industries across his career in corporate finance including Tolley Industries Limited (New Zealand), Malaysian Containers Berhad, Menang Corporation (M) Berhad and Bee Hin Holdings Sdn. Bhd. Mr Chiam Tau Meng then joined BDO Binder Management Consultants Sdn. Bhd. and subsequently incorporated CTM Consulting in 1994 and continues to hold the position of Principal to date. He currently holds directorship in another public company, namely Tri-Mode System (M) Berhad as an Independent and Non-Executive Director.

Mr Chiam Tau Meng does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does he have any conflict of interests with the Manager. Other than traffic offences, if any, he does not have any convictions for offences within the past five years, nor does he have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Mr Chiam Tau Meng has attended nine board meetings during the financial year.

BOARD AND MANAGEMENT PROFILE

Mr Chew Kheng Kai

Non-Independent Executive Director

Mr Chew Kheng Kai, Malaysian, male, aged 38 was appointed to the Board on 30 November 2018 as a Non-Independent Non-Executive Director and was subsequently redesignated as Non-Independent Executive Director on 29 July 2021. He holds a Bachelor of Fine Arts in Interior Architecture from Academy of Art University and a Master of Architecture the University of California, Los Angeles. He has had a distinguished career as an architect working internationally in Huang Iboshi Architecture in San Francisco, NMDA-INC in Los Angeles, American Apparel on a global project, and Lead Dao Technology and Engineering in Taipei. Mr Chew Kheng Kai was subsequently appointed as Director of KIP Group of Companies and co-founded ALLTHATISSOLID and Solidbuilt LLC which engages in designing and developing real estate domestically and abroad. He also serves as a director of Bentobox Holdings Inc. a venture capital company that invests in companies catering to millennial lifestyles.

Mr Chew Kheng Kai is of the son of Datin Teoh Siew Chin, major unitholder of KIP REIT. Other than traffic offences, if any, he does not have any convictions for offences within the past five years, nor does he have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Mr Chew Kheng Kai has attended nine board meetings during the financial year.

Ms Hii Wei Bing

Chief Financial Officer

Ms Hii Wei Bing, Malaysian, female, aged 48 was appointed as the Chief Financial Officer on 18 September 2018. She holds a Master of Science in Professional Accountancy from University of London and is a Fellow of the Association of Chartered Certified Accountants and Chartered Accountant with the Malaysian Institute of Accountants. Ms Hii Wei Bing has had a distinguished career in corporate finance having gained extensive experience at Berjaya Corporation Berhad and Courts (Malaysia) Sdn. Bhd.

Ms. Hii Wei Bing does not have any family relationships with any Director and/or major unitholder of KIP REIT, nor does she have any conflict of interests with the Manager. Other than traffic offences, if any, she does not have any convictions for offences within the past five years, nor does she have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Ms Ong Pui Shan

Non-Independent Non-Executive Director

Ms Ong Pui Shan, Malaysian, female, aged 34 was appointed to the Board on 30 November 2018 as a Non-Independent Non-Executive Director. She holds a Bachelor in Business and Politics from University of the Melbourne and a Master in Marketing and Branding from University of West of England. She is highly regarded in the real estate industry and continues to successfully manage a large portfolio of residential, commercial, hospitality and retail projects. During her tenure as the Group Chief Executive Officer and as an Executive Director at KIP Group of Companies, Ms. Ong Pui Shan is responsible for the overall operational and financial performance of the group and continues to oversee a pipeline of new developments across the Malaysian Peninsula.

Ms Ong Pui Shan is the daughter of Dato' Ong Kook Liong, major unitholder of KIP REIT and major shareholder of the Manager. Other than traffic offences, if any, she does not have any convictions for offences within the past five years, nor does she have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Ms Ong Pui Shan has attended nine board meetings during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This FY2022 Corporate Governance Overview Statement provides an overview to the framework which governs KIP REIT Management Sdn Bhd acting in the capacity as the REIT Manager of KIP REIT. The Manager believes that good corporate governance is a fundamental element of its culture and strives to adopt the relevant best practices as set out in the Malaysian Code on Corporate Governance 2021 (“MCCG 2021”) and the requirements under SC’s REIT Guidelines and the MMLR. For further detail on the Manager’s adoption of the principles and practices of the MCCG 2021, please refer to the Corporate Governance Report FY2022 on KIP REIT’s website at www.kipreit.com.my/corporate-governance.

The Manager

KIP REIT is constituted by the Deeds entered into between the Manager and the Trustee. Pursuant to the Deeds, the Manager shall exercise general powers of management over KIP REIT with due care and diligence and in the best interest of the unitholders and the 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 and its assets, under the strategic direction as set out by the Board, and execute measures in line with KIP REIT’s investment strategy. Primary management activities of the Manager include but is not limited to the establishing of overall strategy, risk management, acquisitions and disposals, monitoring of performance and business planning and market performance analysis.

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

Principle A: Board Leadership And Effectiveness

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

Board charter

The Board’s roles and responsibilities are set out in the Board Charter adopted and approved on 31 July 2017 and amended on 20 October 2021 to incorporate amendments to the MCCG 2021. The Board’s primary role includes but is not limited to the setting of strategic direction of the Manager and ensuring that necessary resources are in place to meet KIP REIT’s objectives. The Board also sets the company’s values and standards to support long term value creation of KIP REIT.

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

- (i) establishing and reviewing of the KIP REIT’s vision, mission, objectives and strategic direction;
- (ii) evaluating the performance and overall management of the Manager and the management of KIP REIT’s properties;
- (iii) deliberating with management on principal risks in view of the Manager’s risk appetite and assuming responsibility over the adequacy and effectiveness of internal controls and mitigation measures;
- (iv) ensuring that orderly succession plans are in place; and
- (v) active engagement with the stakeholders of KIP REIT.

The Board is assisted by any of the three delegated committees of KIP REIT namely the Audit and Risk Management Committee (“ARMC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”) in carrying out its duties to ensure that KIP REIT’s strategic plan will create long term and sustainable returns. However, the Board is collectively responsible for meeting the objectives and goals of KIP REIT.

The Chairman of the Board was appointed on 20 April 2016 and he provides leadership for the Board so that the Board is able to carry out its responsibilities effectively. The Chairman sets out the Board meeting agenda and ensures that adequate time is allocated for discussion of issues tabled to the Board for deliberation.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

and vision.

Clear Demarcation of Roles and Responsibilities

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

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

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 comprises six directors, half of whom are Independent Non-Executive Directors. The composition of the Board is as follows:

| Director Name | Designation | Meetings Attended |
|--------------------------------------------|--------------------------------------------------------|-------------------|
| Datuk Dr Syed Hussain bin Syed Husman, PJN | Chairman and Senior Independent Non-Executive Director | 9/9 |
| Dato’ Ong Kook Liong | Non-Independent Executive Director | 9/9 |
| Mr Chew Kheng Kai | Non-Independent Executive Director | 9/9 |
| Datuk Mohamed Arsad bin Sehan | Independent Non-Executive Director | 9/9 |
| Mr Chiam Tau Meng | Independent Non-Executive Director | 9/9 |
| Ms Ong Pui Shan | Non-Independent Non-Executive Director | 9/9 |

The Board, through the NC, 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. The NC will evaluate first and foremost based on merits and suitability of the candidate as a Board member who is able to objectively make decisions in the best interest of the unitholders. Diverse perspectives and insights are key to averting “group-think” in the decision-making process. The Manager also seeks to promote equality within the workforce and elected a greater representation in management roles as part of the continued effort to encourage diversity.

The NC is also delegated the power to evaluate all appointment or re-election of candidates for directorship and senior management roles in line with KIP REIT’s Fit and Proper Policy. The key elements of consideration includes character and integrity, experience and competence and time and commitment. The NC will also review the objectivity of the candidate taking into account the MCCG 2021 recommendation to limit tenure of independent directors serving a tenure beyond nine years. Following satisfactory evaluation of the candidate, the NC will recommend the candidate for Board’s approval on the appointment or re-election of directors.

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

Board Committees

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

ARMC

The ARMC comprises exclusively of three Independent Non-Executive Directors as follows and the meetings held during FY2022 are set out below:

| ARMC | Membership | Meetings Attended |
|--------------------------------------------|------------|-------------------|
| Mr Chiam Tau Meng | Chairman | 5/5 |
| Datuk Mohamed Arsad bin Sehan | Member | 5/5 |
| Datuk Dr Syed Hussain bin Syed Husman, PJN | Member | 5/5 |

During FY2022, the ARMC held five meetings and undertook the following activities, among others:

- reviewed financial results and audited financial statements of KIP REIT for the financial year ended 30 June 2022;
- reviewed and discussed with management on the quarterly unaudited financial results;
- ensured that disclosures required are made in line with regulatory requirements and accounting standards;
- recommended to the Board for approval of annual budget compared against reforecast figures;
- reviewed internal and external audit report taking into consideration of the audit plan as presented by the respective auditors;
- assessed related parties' transactions as reported by management on a quarterly basis;
- reviewed risk register in line with KIP REIT's Enterprise Risk Management Framework on a quarterly basis;
- reviewed performance of KIP REIT's Anti-Bribery Management System on quarterly basis; and
- evaluated the independence and effectiveness of internal and external auditors.

Details of the ARMC activities is included in the ARMC Report of this Annual Report.

NC

The NC comprises exclusively of Independent Non-Executive Directors as follows and the meetings held during FY2022 are set out below:

| NC | Membership | Meetings Attended |
|--------------------------------------------|------------|-------------------|
| Datuk Mohamed Arsad bin Sehan | Chairman | 3/3 |
| Mr Chiam Tau Meng | Member | 3/3 |
| Datuk Dr Syed Hussain bin Syed Husman, PJN | Member | 3/3 |

During FY2022, the NC held three meetings and undertook the following activities, among others:

- carried out annual performance assessment on the board and its Committees including the performance and contribution of each director;
- assessed independence of the Independent Non-Executive Directors;
- assessed the term of office, performance of the ARMC and each of its members for FY2022;
- recommended the re-election of directors under the annual re-election provisions; and
- selection of CEO and Compliance Officer.

RC

The RC comprises two Independent Non-Executive Directors and one Non-Independent Executive Director as follows and the meetings held during FY2022 are set out below:

| RC | Membership | Meetings Attended |
|--------------------------------------------|------------|-------------------|
| Datuk Dr Syed Hussain bin Syed Husman, PJN | Chairman | 4/4 |
| Datuk Mohamed Arsad bin Sehan | Member | 4/4 |
| Mr. Chew Kheng Kai* | Member | 3/3 |

*Appointed on 29 July 2021

During FY2022, the RC held four meetings and undertook the following activities, among others:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Evaluation

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

The Board has also adopted KIP REIT's Fit and Proper Policy. The Policy serves to guide the NC and the Board in reviewing and assessing candidate(s) to be appointed to the Board, Directors seeking re-election and the appointment of Senior Management Officers. The three key criteria assessed are character and integrity, experience and competence, time and commitment. Annual re-election of a director is contingent upon satisfactory evaluation of the director's performance and contribution to the Board and alignment with the Fit and Proper Policy.

Board Remuneration

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

| Directors | Fee (RM) | Allowance (RM) | Salary (RM) | Bonus (RM) | Benefits in Kind (RM) | Other Emoluments (RM) | Total (RM) |
|--------------------------------------------|----------|----------------|-------------|------------|-----------------------|-----------------------|------------|
| Dato' Ong Kook Liong | - | - | 576,000 | 45,702 | 136,975 | 96,000 | 854,677 |
| Mr Chew Kheng Kai | 15,677 | - | 532,645 | - | 120,213 | 96,000 | 764,535 |
| Datuk Dr Syed Hussain bin Syed Husman, PJN | 96,000 | 11,000 | - | - | - | - | 107,000 |
| Datuk Mohamed Arsad bin Sehan | 86,400 | 11,000 | - | - | - | - | 97,400 |
| Mr Chiam Tau Meng | 86,400 | 9,000 | - | - | - | - | 95,400 |
| Ms Ong Pui Shan | 86,400 | 5,000 | - | - | - | - | 91,400 |

Training

The Board is continuously developing skills, knowledge and expertise by attending seminars and trainings and giving speeches in their industry to further strengthen their decision making at the Board Level. Programmes attended during FY2022 includes:

| Date | Course Title |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 23 Sep 21 | MIRA Webinar – Securities Commission (SC) Guidelines on the Conduct of Directors of Listed Corporation and their Subsidiaries – their Implications to the Listed Corporation, its Directors, Directors of Its Subsidiaries and Management, Including What Needs to be Done |
| 26 Oct 21 - 11 Nov 21 | Harvard Business School - Family Office Wealth Management Virtual |
| 12 Jan 22 | Industrial Webinar Series 4: How To Identify Industrial Properties |
| 9 Mar 22 | TCFD 102: Building Experience in Climate Related Financial Reporting |
| 8 Jun 22 | MSWG Webinar – Cyber Security |
| 30 Jun 22 | International Malaysian Training Center – Detecting Financial Statement Fraud |

Sustainability

The Manager understands that the integration of sustainability considerations into KIP REIT's planning, performance and long term strategy is a critical element to ensure that long term and sustainable value can be created for KIP REIT's unitholders. The Board and management proactively identify material matter and implement sustainability measures during the financial year. All measures are tracked and reported in both qualitatively and quantitative measures. Details on KIP REIT's sustainability measures can be located in the Sustainability Statement of this Annual Report.

Ethical Business Conduct and Whistleblowing

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

Email: whistleblower@kipreit.com.my

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

Principle B: Effective Audit And Risk Management

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

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

Assessment of External Auditors

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

Assessment of Risk Management and Internal Controls

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

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

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

Continuous communication between the Manager and its stakeholders is required to facilitate mutual understanding of the objectives and expectations respectively. The Board ensures that there is effective, transparent and regular communication with stakeholders in line with disclosure obligations as per the MMLR and the principles of the Manager's Communications Policy. The Manager is committed to making full and timely disclosures to its stakeholders on all material information through different mediums including public announcements through Bursa Securities, KIP REIT's corporate website at www.kipreit.com.my, analyst briefings and press releases.

The Manager is also committed to ensuring transparency relating to its corporate governance framework and further details on the same can be found on the corporate website. While the disclosure is not mandatory under the MMLR, the Manager believes that voluntary disclosure of the Corporate Governance Report is in line with promoting greater transparency and effective communication with its stakeholders.

General Meeting

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Manager places great emphasis to comply with the obligations in line with the MMLR, REIT Guidelines and SC's Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers. KIP REIT's fifth AGM was held on 29 September 2021 with the Annual Report 2021 and relevant circulars, notices and administrative guide made available to the unitholders ahead of the meeting such that unitholders are able to make their analyses accordingly prior to the AGM. The notice of AGM was advertised on national dailies both in English and in Bahasa and announced through Bursa LINK on 27 August 2021.

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

Compliance Statement

The Board is satisfied that the Manager has substantially applied the principles and best practices under the MCCG 2021 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 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of the Manager is pleased to present the Statement on Risk Management and Internal Control in compliance with paragraph 15.26(b) of the MMLR, the statement on risk management and internal control guidelines for directors of listed issuers, the principles and practices of the MCCG 2021 and the REIT Guidelines.

Roles and Responsibilities of the Board

The Board in discharging its stewardship duties assumes overall responsibility for overseeing and maintaining a sound system of internal controls and risk management practices in the Manager. The Board recognises that continuous assessment on the effectiveness of such system in a dynamic business environment is fundamental to the governance framework. The Board also sets the acceptable risk appetite in cultivating a robust culture of risk management to ultimately better safeguard the interests of KIP REIT's unitholders.

The ARMC assists the Board in overseeing the risk management and internal controls framework, with the Board assuming responsibility on the oversight of the system. Key matters are deliberated in the assessment on the effectiveness and adequacy of the risk management and internal controls framework.

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

Main Features of KIP REIT's Risk Management Framework

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

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

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

- **Board:** sets the tone from the top in embedding of risk management practices and assumes overall responsibility on the adequacy of risk management framework;
- **ARMC:** delegated to carry out continuous review of the risk management framework and solicits formal feedback from independent auditors on risk management matters; and
- **Management:** implements processes in place for identifying, evaluating, monitoring and reporting of risk and internal control, takes appropriate and timely corrective actions as needed and providing assurance to the Board that processes have been carried out. These processes focus on several areas including but not limited to regulatory and compliance, financial, operational, personnel, and personnel matters. Further details on the Manager's risk management activities during FY2022 can be found in the Management Discussion and Analysis section of the Annual Report.

During the financial year, the Manager continues to monitor risks and implement controls to mitigate risk likelihood and/or impact. On a quarterly basis, the Risk Management Working Group ("RMWG") chaired by the CEO (or its absence, the CFO) to evaluate, identified any emerging risks and report on existing controls in place or management action plans. The same findings are reported to the ARMC alongside the updated risk register so that key risks are highlighted to the ARMC on a continual basis. On an annual

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

basis, the ARMC also reviews the adequacy of the risk appetite and tolerable ranges of risk. The review of the risk appetite and tolerable range of risks will thereafter guide management in terms of assessing and evaluating risks during the financial year.

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

Main Features of KIP REIT's Internal Controls

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

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

Standard Operating Policies

The Manager has implemented policies and procedures which provides standard guidance to the respective departments on the management of KIP REIT's portfolio. During FY2022, new standard procedures have been implemented alongside revisions to existing standard procedures. These include:

- Human Resources – Recruitment Policy;
- Human Resources – Training and Development Policy;
- Human Resources – Resignation and Termination Policy;
- Human Resources – Payroll Processing Policy;
- Finance Department Policy;
- Mall Operation Policy; and
- Fit and Proper Policy.

The Manager is cognisant that frequent review and improvement upon processes are required an increasingly dynamic business environment. As such, all policies and procedures are subjected to periodic review taking into consideration feedback and recommendation from independent third parties.

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

Financial Controls

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

On 20 April 2022, the Board of the Manager approved the annual budget for the financial year ending 30 June 2023 ("Annual Budget"). The Annual Budget was tabled to the Board as part of the main target setting process to which the Manager could objectively evaluate KIP REIT's performance. The Annual Budget is a summation of output from a top-down and bottom up approach which takes into account the views of the budget owners and senior management. Following detailed review and target-setting process takes into consideration of factors including the strengths and weaknesses of the properties and opportunities and threats faced by KIP REIT such as competitors and economic climate. The Annual Budget is then tabled to the ARMC for review and subsequently for Board's approval. Management will thereafter closely monitor actual financial performance in comparison to the Annual Budget and budget variance is analysed and explained to ARMC and Board on a quarterly basis.

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

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

Investment Control

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

Compliance

The Manager remains committed to continually monitor the Anti-Bribery Management Systems in place to ensure adherence to S.17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020. The Manager continues to adopt a zero-tolerance approach on acts of bribery and corruption and continues to comply with its comprehensive Anti-Bribery and Corruption Policy.

Internal Audit Function and its Activities

The Board recognises that a continuous review of KIP REIT's internal controls for proper governance purposes. The primary role of the internal audit function is to independently appraise the efficacy and effectiveness of policies, procedures and practices in mitigating risk exposure and impact. This appraisal is a systematic review which involves audit planning based on the existing internal controls vis-à-vis the business environment, field work auditing and reporting both on the current internal audit cycle and follow-up on previously agreed audit recommendations and management actions.

Baker Tilly as the appointed outsourced internal auditor, performed the following internal control reviews based on a pre-approved three-year audit plan across two cycles during the financial year:

- **Cycle one:** two areas of internal audit review on finance management and general accounting and organisational governance and two areas of follow up review on compliance of corporate liability obligation and human resource and compensation management; and
- **Cycle two:** two areas of internal audit review on leasing and tenant management and, billing and credit control management and two areas of follow-up review on finance management and general accounting and organisational governance.

There were no weaknesses or deficiencies requiring urgent remediation by management as per the internal audit report tabled to the ARMC during the financial year ended 30 June 2022. Management has taken into consideration the internal audit findings and implemented appropriate controls to ensure continuous improvement on the internal control systems.

The internal auditor has reported its findings from the audit cycles to the ARMC on 20 October 2021 and 20 April 2022 respectively.

The cost incurred by the Manager for the outsourced Internal Audit function in respect to FY2022 amounted to RM70,200.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Board's Appraisal on Risk Management and Internal Controls in FY2022

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 financial year under review and up to the date of approval of the statement for inclusion in the annual report. The Board has also received assurance from the Executive Directors and/or CFO that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of KIP REIT. The ARMC in the review of this statement, was satisfied that there were no significant control deficiencies noted during the financial year under review that had a material impact on KIP REIT's financial performance or business operations.

Review by External Auditors

The external auditors have performed limited assurance procedure on this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2022 in compliance with paragraph 15.23 of the Bursa Securities' MMLR, and reported to the Board that nothing has come to their attention that causes them to believe the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

This Statement has been tabled and approved by the Board on 28 July 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

Composition

In accordance to the MMLR, the ARMC's comprises of three (3) members; all of whom are Independent Non-Executive Directors. The Chairman on the ARMC is a member of the Malaysian Institute of Accountants. None of the members of the committee was previously a partner in PwC the external auditor of KIP REIT, nor do they have any financial interest in PwC in the previous two years.

The ARMC consists of:

| ARMC | Membership |
|--------------------------------------------|------------|
| Mr Chiam Tau Meng | Chairman |
| Datuk Mohamed Arsad bin Sehan | Member |
| Datuk Dr Syed Hussain bin Syed Husman, PJN | Member |

Terms of Reference

The ARMC is governed by the Terms of Reference, which provides for the roles and responsibilities of the chairman and the members of the ARMC. The Terms of Reference can be viewed on KIP REIT's corporate website.

Meetings

The ARMC convenes a minimum of four scheduled meetings on a yearly basis with additional meetings to be convened on a need basis. Meeting materials are circulated no later than seven days in advance to facilitate considered deliberation. The ARMC has direct communication channels between Senior Management, internal and external auditors to discuss matters that may affect KIP REIT on a regular basis. In FY2022, the ARMC meetings were held virtually.

The attendance of the members of the ARMC is as follows:

| ARMC | Attendance |
|--------------------------------------------|------------|
| Mr Chiam Tau Meng | 5/5 |
| Datuk Mohamed Arsad bin Sehan | 5/5 |
| Datuk Dr Syed Hussain bin Syed Husman, PJN | 5/5 |

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

Roles and Responsibilities

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

The ARMC in discharging its duties shall have:

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

The key responsibilities of the ARMC include:

- reviewing the adequacy and effectiveness of risk management and internal control system of the Manager and KIP REIT;
- reviewing the extent of compliance with relevant laws and regulations;
- providing assurance that the financial information presented by the management is relevant, reliable, timely and meets applicable accounting standards, statutory and legal requirements;
- assessing the effectiveness and independence of the internal and external auditors;
- evaluating the adequacy of scope, functions, competency, and resources of internal and external auditors;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

- reviewing any related party transactions and conflicts of interests that may arise during the course of business to ensure management integrity; and
- assessing the adequacy and effectiveness of the anti-bribery management system.

Summary of Activities

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

Oversight of Financial Reporting

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

Assessment of Risks and Control Environment

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

Evaluation of Audit Process

External Audit

- considered and deliberated on the Audit Plan to determine audit approach, reporting requirement, system of evaluation, areas of audit emphasis, scope for the year, auditing strategies and procedures prior to the commencement of audit during ARMC meeting held on 20 April 2022;
- evaluated the independence and competency of PwC in their capacity as the external auditors. Pre-determined criteria include suitability of appointment, auditor's experience, resources and objectivity are duly considered. Upon satisfactory assessment, the ARMC recommended the re-appointment of PwC as external auditors;
- noted the external auditors' confirmation on their independence in accordance with all applicable professional and regulatory requirements;
- held two private engagements with the external auditors without the presence of senior management;
- reviewed the audited financial statements to ensure that the said financial statements of KIP REIT for the FY2022 had been prepared in accordance with the Deeds, REIT Guidelines, MFRS and IFRS, and complied with the applicable disclosure provisions of MMLR prior to recommending to the Board for approval; and
- during FY2022, the external audit fees amounted to RM113,610 (FY2021: RM108,200).

Internal Audit

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

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

- (i) Finance Management and General Accounting
- (ii) Organisational Governance
- (iii) Mall Operations - Leasing and Tenant Management
- (iv) Billing and Credit Control Management

Follow-up reviews had also taken place during the audit cycle based on the areas tested during the previous cycle to ensure management action plans or corrective actions were completed. The areas of review and follow-up reports were tabled to the ARMC for recommendation to the Board for approval and was based on a risk-based approach. During FY2022, the internal audit fees amounted to RM70,200 (FY2021: RM78,000).

The ARMC held one private engagements with the external auditors without the presence of senior management.

Review of Related Party Transactions

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

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

- (i) carried out in compliance with the REIT Guidelines and the Deeds;
- (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 BursaLINK announcements, quarterly reports and Annual Report.

During the financial year under review, there were no material related party transactions nor recurrent related party transactions that require unitholders' approval.

Oversight on Anti-Bribery Management Systems

The Anti-Bribery Management System was established in line with KIP REIT's Corporate Liabilities Obligations in line with S.17A of the Malaysian Anti-Corruption Commission Act 2009. The ARMC was delegated the role of oversight and reviewed on a quarterly basis the management's performance in maintaining an effective anti-bribery and corruption policy. Details on the Anti-Bribery and Corruption Policy adopted can be found in the Statement of Risk Management and Internal Control and KIP REIT's corporate website.

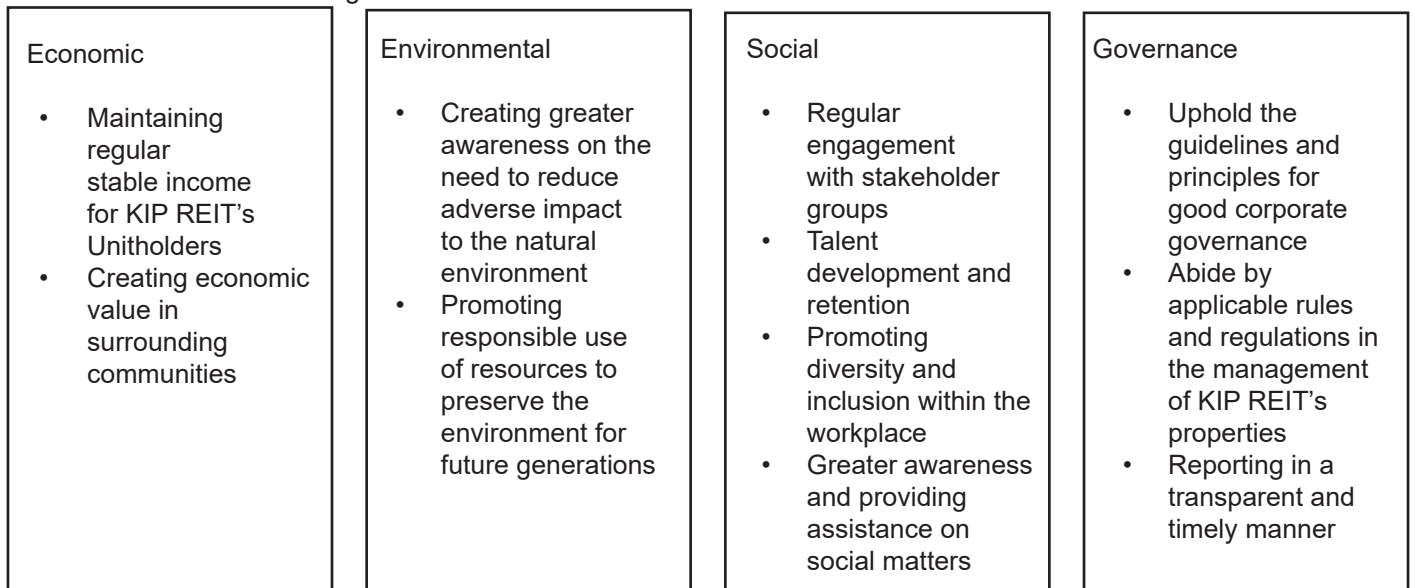
This ARMC Report was approved by the Board on 28 July 2022.

SUSTAINABILITY STATEMENT

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

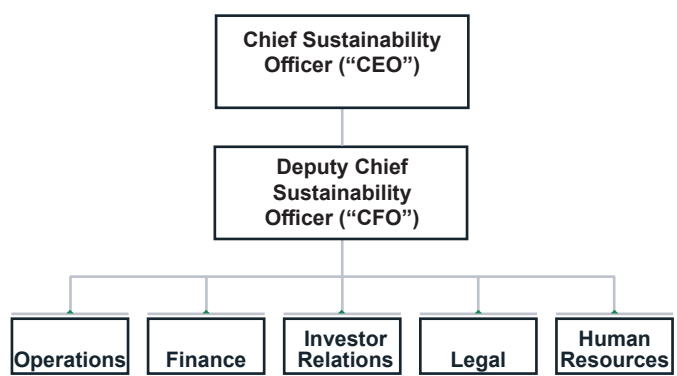
This sustainability statement was prepared in accordance with the MMLR with reference to and the Global Reporting Initiative (“GRI”) Standards 2021. It covers the financial year from 1 July 2021 to 30 June 2022. References made to the employees of KIP REIT shall be taken as the employees of the Manager and KIP Property Services Sdn. Bhd., being the service provider to the Property Manager (“Service Provider”). It also assesses the Economic, Environmental, Social and Governance (“EESG”) matters relevant to the management of KIP REIT’s portfolio of properties save and except for AEON Mall Kinta City, which AEON (M) Co. Bhd, as the Master Lessee manages on a lease arrangement.

The Manager recognises the importance of integrating EESG matters into the day-to-day operations in the management of KIP REIT’s properties. To provide long term and sustainable value to the different stakeholder groups, KIP REIT strives to achieve the following:



Sustainability Governance Structure

The Manager has established a Sustainability Steering Committee to integrate sustainability consideration into the day-to-day operations in the management of KIP REIT’s portfolio. The Sustainability Steering Committee is chaired by the Chief Sustainability Officer comprises all Heads of Departments. The minutes of the Sustainability Steering Committee meetings, which were convened twice during this financial year, were tabled to the Board for notation.



The Board alongside management is committed to continuously improving the framework to embedding sustainability into the management of KIP REIT's portfolio as part of the Manager's sustainability journey. This framework seeks to identify and prioritise material matters, set measurable targets for sustainability tracking, implementing sustainability measures and reporting meaningful quantitative and qualitative results to all stakeholder groups in this sustainability statement.

Stakeholder Engagement

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

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

| Key stakeholder groups | Expectations | Nature of engagement | KIP REIT's actions |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unitholders and Investment Communities | <ul style="list-style-type: none"> 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; AGM/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 AGM/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 |
| 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 |

SUSTAINABILITY STATEMENT

| Key stakeholder groups | Expectations | Nature of engagement | KIP REIT's actions |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shoppers | <ul style="list-style-type: none"> Provision of goods and services Appropriate tenancy mix at the respective locations Safe shopping environment | <ul style="list-style-type: none"> Promotional events held Shoppers survey Customer feedback management Social media | <ul style="list-style-type: none"> Providing a one-stop shop destination for 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 and email communication | <ul style="list-style-type: none"> Open communication with Property Manager to ensure smooth operation at mall level Feedback and brainstorming sessions to ensure that malls are properly managed and in compliance with relevant authorities' regulations |
| Employees | <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"> Team meetings Feedback/annual appraisals Team building events Employee welfare programmes | <ul style="list-style-type: none"> Recognition of individual talents 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/ e-mail 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 regulations 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-REITs rules and regulations |
| 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 |

Material Matters

The Manager has through the various channels of communication, identified the key EESG matters deemed material to the groups of stakeholders. The Manager took into consideration these EESG in deriving the sustainability measures to integrate into the day-to-day operations. During this financial year, the ten key material matters identified are as follows:


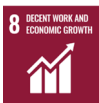





- 1 Financial Performance
- 2 Operational Performance
- 3 Governance Structure
- 4 Transparent Financial Reporting
- 5 Talent Development
- 6 Risk Management
- 7 Diversity and Inclusion
- 8 Data Security and Privacy
- 9 Environmental Effort

The Manager has categorised the ten sustainability matters, its impact to its stakeholders and the relevant United Nations' Sustainable Development Goals in the table below:

| Material Matters | Description | Stakeholders | United Nations Sustainable Development Goals |
|---------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------|
| Economic | | | |
| Financial performance | Economic value generated as a direct result of KIP REIT's performance | Investors Employees Suppliers Local communities | |
| Operational performance | Maximising returns by ensuring operational efficiency | Investors Employees | |
| Transparent financial Reporting | Promoting transparent financial reporting by ensuring robust infrastructure of internal controls | Investors Regulatory Bodies Employees | |
| Environmental | | | |
| Environmental effort | Promoting responsible consumption of resources and use of renewable energy | Local communities Investors Regulatory Bodies | |
| Social | | | |
| Diversity and inclusion | Diversity and inclusion of workforce to cultivate good work life balance | Employees | |

SUSTAINABILITY STATEMENT

| Material Matters | Description | Stakeholders | United Nations Sustainable Development Goals |
|---------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social | | | |
| Talent development | Upskilling of workforce to develop professional development and job satisfaction | Employees |   |
| Governance | | | |
| Governance Structure | Instilling good corporate governance practice in line with KIP REIT's core values | Investors Trustees Employees Regulatory Bodies |  |
| Risk Management | Process of identify risks and opportunities and corresponding treatment | Investors Trustees Employees Regulatory Bodies |  |
| Data Security and Privacy | Ensuring information held is not disclosed without consent first being obtained | Investors Employees Tenants Regulatory Bodies |  |

Economic

The impact from the Covid-19 pandemic has highlighted that maintaining strong financial performance remains as a key material matter to KIP REIT's diverse groups of stakeholders. As the global economy begins on a volatile path to recovery plagued by disruptions to the supply chain, it has become more evident that economic value generation must be sustainable and inclusive.

During the financial year, the total revenue generated from KIP REIT's operations comprises revenue received from its operations in the management of the seven properties under KIP REIT's portfolio. KIP REIT remains committed to providing stable and regular income distribution and capital appreciation for its unitholders to further economic growth and development. The generation of KIP REIT's income has also provided for decent work and productive employment for employees and suppliers alike. KIP REIT's community centric malls provide platforms 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 | RM73.7 million (FY2021: RM74.2 million) |
| Employee Remuneration | Not applicable - no employee under KIP REIT structure (refer to reimbursable costs for wages of Service Provider to KIP REIT for mall management employment costs) |
| Income Distribution | RM34.4million (FY2021: RM31.7 million) |
| Taxes | Not applicable - distributed 92% of total income, net income exempt from taxes |
| Value of Asset Enhancement Initiatives | RM4.5million (FY2021: RM1.8 million) |

Effective property management through AEI is a key component for the Manager to derive value to its stakeholders. All AEI approved and undertaken during the financial year is summarised below:

| Property | Works Performed | Status as at FY2022 |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------------------|
| KIPMall Bangi | The Main Contract for KIPMall Bangi has been awarded and construction has begun as at this financial year | Ongoing |
| KIPMall Tampoi | Renovation work to accommodate Jalan Jalan Japan has been completed with road repair works to upgrade amenities at KIPMall Tampoi | Completed |
| AEON Mall Kinta City | Various upgrading work to amenities such as transformer, chillers, passenger lifts | Completed |
| KIPMall Melaka | Upgrading work for traveller, tenantable lot upgrading | Completed |
| KIPMall Masai | Cabling and air-conditioning for Guardian | Completed |

Environmental

The Manager has committed to taking action to preserve the environment in which it operates in as part of the urgent global action to combat climate change and its impacts. The Manager has taken the initiative to implement measures to effectively manage operations by promoting responsible use of resources, generating renewable energy through the solar photovoltaic system installed at all of the KIPMalls within the KIP REIT portfolio, and monitoring the use of energy and water.

For the avoidance of doubt, information on environmental initiatives excludes AEON Mall Kinta City, which is fully managed by AEON (M) Co. Sdn. Bhd. as Master Lessee.

(1) Energy

The Manager proactively monitors energy usage and seeks to improve upon energy efficient within the KIP REIT portfolio. The various initiatives taken by the Manager to minimise energy consumption is aimed at minimising the impact on the environment and reducing greenhouse gas emissions. The initiatives taken by the Manager to improve upon energy efficiency includes:

Monitoring electricity usage and implementing controls

On a monthly basis, the Manager monitors the usage of electricity and investigates any large unexplained variances. Other measures taken during the financial year to minimise energy consumption includes:

- (i) The replacement of conventional lighting with more energy efficient LED lighting;
- (ii) The zoning of lighting to minimise wastage of electricity; and
- (iii) The management of temperature for air-conditioning.

SUSTAINABILITY STATEMENT

Generating renewable energy through solar photovoltaic system

The Manager understands that there is an urgent plight to combat the global climate crisis. As part of the Manager's effort to contribute the collective effort to reducing use of non-renewable resources, all of the KIPMalls under the KIP REIT portfolio are equipped with solar photovoltaic system, which allows for the generation of solar energy. KIP REIT has also participated in the sandbox initiative for Net Metering programme by SEDA which allows for excess solar power generated to be distributed to surrounding communities. During this financial year, the six KIPMalls have successfully produced 3,790,005 kWh of solar energy (FY2021: 3,833,043 kWh) which is equivalent to reducing 2,630 tonne of carbon footprint per annum (FY2021: 2,660 tonne). The variance in energy generation is dependent upon the weather conditions throughout the financial year.

(2) Water consumption

On a monthly basis, the Manager monitors water consumption at the respective KIPMalls and investigates any large unexplained variances.

(3) Responsible consumption of resources

The Manager actively communicates with internal and external stakeholders to promote more responsible consumption of resources. During this financial year, the initiatives taken includes:

- (i) Drive to promote the minimising usage of utilities;
- (ii) Drive to reduce, reuse and recycle;
- (iii) Drive to streamline processes to online platforms to minimise printing – printing cost for FY2022 amounted to RM3,600 (FY2021: RM17,400);
- (iv) Paperless invoicing and notices to tenants; and
- (v) Drive to move towards cashless payments.

Social

The Manager appreciates that stakeholder engagement is a key element to its operations and in line with KIP REIT's core value: People. The Manager is committed to building meaningful relationships across its communities by creating value for its employees, tenants, shoppers and suppliers alike. The following section provides detail on the Manager's effort to develop connections with the stakeholder groups.

(1) Employee benefits

The Manager places emphasis on ensuring that employees are fairly compensated based on competitive remuneration packages as compared to the domestic REIT market and in line with the obligations under Malaysia's Minimum Wages Order 2022. Other non-monetary benefits include:

- (i) Leave
 - a. Annual Leave
 - b. Special Leave (e.g. examination / study leave, marriage leave, paternity leave, compassionate leave)
 - c. Medical leave (e.g. sick leave, prolonged illness medical leave, maternity leave)
- (ii) Medical benefits
 - a. Executive Annual Health Screening
 - b. Executive Dental Treatment
 - c. Clinical Medical Benefits under panel clinic
 - d. Group Hospitalisation & Surgical Insurance Scheme ("GHS")
 - e. Group Personal Accident ("GPA")
- (iii) Statutory contribution
 - a. Employees Provident Fund ("EPF")
 - b. Employment Insurance System ("EIS")
 - c. Social Security Organisation ("SOCSO")
 - d. Human Resources Development Fund ("HRDF")
- (iv) Other benefits
 - a. Professional memberships
 - b. Allowances (e.g. motor vehicle, handphone, travelling)
 - c. Claims (e.g. mileage, toll, parking, hotel accommodation)
 - d. Face mask distribution
 - e. Chinese New Year Angpow
 - f. Early release for Muslim employees during bulan Ramadan
 - g. Time off for Covid-19 vaccinations

(2) Diversity and equal opportunity

As at 30 June 2022, the Manager employs a total of 10 employees and the Service Provider to the Property Manager employs 75 employees. The workforce comprises of individuals with diverse backgrounds to encourage more balance decisions as follows:

| | Gender | Ethnicity | Age Group |
|------------------|------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Manager | Female: 40% (FY2021: 40%) Male: 60% (FY2021:60%) | Malay: 30% (FY2021: 40%) Chinese: 70% (FY2021: 60%) | < 30: 20% (FY2021: 20%) 30 – 40: 40% (FY2021: 20%) 40 – 50: 30% (FY2021: 30%) > 50 : 10% (FY2021: 30%) |
| Service Provider | Female: 43% (FY2021: 43%) Male: 57% (FY2021: 57%) | Malay: 90% (FY2021: 91%) Chinese: 8% (FY2021: 8%) Indian: 2% (FY2021: 1%) | < 30: 40% (FY2021: 48%) 30 – 40: 25% (FY2021: 25%) 40 – 50: 27% (FY2021: 21%) > 50 : 8% (FY2021: 6%) |

SUSTAINABILITY STATEMENT

- (3) **Career development**
The Manager places emphasis on upskilling its employees as it recognises that talent development is a key element to employee's professional development and job satisfaction. Training and development are crucial to equipping the team with skills to adapt to the dynamic business environment. It may take the form of on-the-job learning, technical/non-technical workshops and internal/external seminars. During the past financial year, a total of 111 hours of training and development programmes were offered to employees. Training and development programmes are offered to employees regardless of gender, employment category or race.
- All employees are subject to appraisals during the financial year. The Manager recognises the importance of setting measurable Key Performance Indicators to fairly reward all high performing employees. During this financial year, all employees have set their appraisal goals for FY2022 and managerial level employees have had appraisals performed under the 360 degree appraisal scheme.
- (4) **Procurement management**
All of the suppliers appointed by the Manager on behalf of KIP REIT are based on their expertise and experience. All tenders received from suppliers are objectively reviewed and appointments are based upon the quality and competitiveness of the supplier. All selected vendors will be subject to the same assessments and processes, with letters of appointment issued out for their services. On an annual basis, the performance of the suppliers is reviewed. During this financial year, 100% of the vendors engaged were local.
- (5) **Tenant management**
The Manager understands that open and transparent communication with valued business partners is crucial to the sustainability of both the landlord and tenant's operations. The Manager has leveraged the use of technology to more effectively communicate with all tenants via digital means. All tenants information are kept on a secure basis. The Manager forbids any disclosure of tenant information without prior consent first being obtained. During the financial year, the Manager has also encouraged all communications, invoice and receipts to be issued on a paperless basis.
- (6) **Shopper focus**
During the financial year, various degrees of restrictions were imposed from time to time and in keeping with social distancing and crowd control measures. Active engagement with shoppers and communities on updates through various different channels including social media. As the economy enters into a recovery phase, the Manager continues to communicate with the shoppers to provide information relevant to shoppers where applicable.

Governance

The Board of the Manager places emphasis on instilling a culture of good corporate governance in the operations on the management of KIP REIT's portfolio. It recognises that a robust infrastructure for risk management, internal controls and transparent reporting is key to sustainable growth.

- (1) **Corporate Governance**
The Manager recognises that compliance to relevant rules and regulations and adherence to corporate governance structure are fundamental to maintaining stakeholders' confidence. The Board alongside the management places emphasis on the adoption of the best practices under the MCCG 2021; where the Manager has departed from the best practices, it has provided explanations and action plans where applicable. This promotes transparent reporting to all stakeholder groups such that stakeholders are able to make informed decisions with reference to the performance of KIP REIT.

(2) Anti-Bribery Management System

KIP REIT's Anti-Bribery Management System was adopted in line with the corporate liabilities obligations under S.17A of the Malaysian Anti-Corruption Commission Act 2009. The purpose of the adoption of the Anti-Bribery Management System is to deter against all forms of bribery and corruption in the management of KIP REIT's properties. All employees, executives and the Board are sufficient trained during their onboarding on the policy adopted by KIP REIT. The Anti-Bribery Policy is published on KIP REIT's corporate website for all stakeholders to access.

On a quarterly basis, the Board is updated on the effectiveness of the Anti-Bribery Management System. During this financial year, there were no non-compliance identified.

(3) Whistle-blowing Policy

All stakeholders are encouraged to raise concerns over the potential improper conduct or malpractice without fear of reprisal. All concerns lodged would be carefully considered by the ARMC and the Compliance Officer. Individuals are able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal via submissions through:

Email: whistleblower@kipreit.com.my

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

(4) Risk Management and Regulatory Compliance

The Board, through delegation to the ARMC has oversight on KIP REIT's risk management framework and internal controls. On an annual basis, an evaluation on the effectiveness of risk management and internal controls is reviewed by the ARMC for Board approval. During this review, the Board through delegation to the ARMC, approves the risk appetite taking into account the need to strike a balance between risk exposure and impact of risk materialising. All risks are registered under the risk register on a quarterly basis, following RMWG meetings, and minutes are tabled to the Board for their attention. Details on KIP REIT's risk management activities for the financial year can be found in the Statement on Risk Management and Internal Control section of the annual report.

The Manager is also committed to complying with all applicable laws, rules and regulations and guidelines by the relevant authorities. Non compliances, if any, are reported to the Board immediately alongside any management action plans. During this financial year, there were no material non-compliances with laws or regulations, save and except for a letter of non-compliance issued by the SC on the recruitment of a candidate for the Compliance Officer's vacancy. The Manager is committed to recruiting a qualified and competent candidate for this role.

Conclusion

Moving forward, the Manager will strive to further improve upon KIP REIT's sustainability framework in view of the ever-changing business environment. The Manager remains committed to adopting practices for the betterment of its stakeholders and for the community as a whole. The Manager invites all stakeholders whom have feedback or comments on sustainability matters to contact info@kipreit.com.my for all feedback and comments as it embarks on this journey to strengthen its sustainability efforts.

SUSTAINABILITY STATEMENT

| GRI Indicator | Content of Disclosure | Section Reference | Pages |
|------------------------|-------------------------------------------------------------------------------|------------------------------------------------------|-------|
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| 2-3 | Reporting period, frequency and contact point | Scope | 48 |
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| 2-9 | Governance structure and composition | Governance Structure of Sustainability | 48 |
| 2-11 | Chair of the highest governance body | Governance Structure of Sustainability | 48 |
| 2-13 | Delegation of responsibility for managing impacts | Corporate Governance | 38 |
| 2-14 | Role of the highest governance body in sustainability reporting | Governance Structure of Sustainability | 38 |
| 2-18 | Evaluation of the performance of the highest governance body | Corporate Governance | 36 |
| 2-24 | Embedding policy commitments | Sustainability Statement | 56-57 |
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| 3-2 | List of material topics | Material Sustainable Matters | 51 |
| 3-3 | Management of material topics | Sustainability statement | 51-57 |
| Economic | | | |
| 201-1 | Direct economic value generated and distributed | Economic | 52 |
| 203-2 | Significant indirect economic impacts | Economic | 52 |
| 204-1 | Proportion of spending on local suppliers | Procurement Management | 56 |
| 205-1 | Operations assessed for risks related to corruption | Anti-Bribery Management System | 57 |
| 205-2 | Communication and training about anti-corruption policies and procedures | Anti-Bribery Management System | 57 |
| Environmental | | | |
| 305-5 | Reduction of GHG emission | Solar photovoltaic system / Greenhouse gas emissions | 53 |
| Social | | | |
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| 405-1 | Diversity of governance bodies and employees | Diversity and Inclusion | 55 |

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to its obligations in Paragraph 15.26 (a) of the MMLR, the Board hereby reports that the financial statements of KIP REIT for FY2022 have been prepared in accordance with the Deeds, the 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 KIP REIT as at 30 June 2022 and of the financial performance and cash flows of KIP REIT for the financial year ended 30 June 2022.

In preparing the financial statements, the Board has:

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

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

MANAGER'S REPORT

The Manager of KIP Real Estate Investment Trust ("KIP REIT" or "Fund"), KIP REIT Management Sdn. Bhd. ("Manager"), is pleased to submit their report and audited financial statements of KIP REIT and its wholly-owned subsidiary, KIP REIT Capital Sdn. Bhd. ("Group") for the financial year ended 30 June 2022.

PRINCIPAL ACTIVITY OF THE MANAGER

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

THE FUND AND ITS INVESTMENT OBJECTIVE

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

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

DISTRIBUTION OF INCOME

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

- 1.550 sen per unit for the period from 1 July 2021 to 30 September 2021, which was paid on 23 November 2021.
- 1.550 sen per unit for the period from 1 October 2021 to 31 December 2021, which was paid on 18 February 2022.
- 1.600 sen per unit for the period from 1 January 2022 to 31 March 2022, which was paid on 23 May 2022.
- 2.100 sen per unit for the period from 1 April 2022 to 30 June 2022, which is payable on 25 August 2022.

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:-

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

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 2022, no Director has received or become entitled to receive a benefit (other than certain directors receive remuneration as a result of their employment with the Manager or related corporations).

DIRECTORS' INTEREST

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

| | Number of units | | |
|--------------------------------------------|--------------------------|-----------------------------------------|--------------------------|
| | Balance at 01.07.2021 | Addition / Disposal / Transferred | Balance at 30.06.2022 |
| Datuk Dr Syed Hussain bin Syed Husman, PJN | | | |
| Direct | 60,000 | - | 60,000 |
| Dato' Ong Kook Liong | | | |
| Direct | 88,486,283 | - (27,000,000) | 61,486,283 |
| Indirect | 13,878,492 | - (10,000,000) | 3,878,492 |
| Datuk Mohamed Arsad bin Sehan | | | |
| Direct | 60,000 | - | 60,000 |
| Chew Kheng Kai | | | |
| Direct | 100,000 | - | 100,000 |
| Ong Pui Shan | | | |
| Direct | 200,000 | - | 200,000 |

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 (CONTINUED)

OTHER INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

In the opinion of the Manager:-

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

MATERIAL LITIGATION

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

SOFT COMMISSION

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

CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

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

AUDITORS

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

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 16 August 2022.

DATO' ONG KOOK LIONG
EXECUTIVE DIRECTOR

CHEW KHENG KAI
EXECUTIVE DIRECTOR

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements are drawn up in accordance with the provisions of the Deed, the REIT Guidelines, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2022 and of their financial performance and cash flows for the financial year ended 30 June 2022.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 16 August 2022.

DATO' ONG KOOK LIONG
EXECUTIVE DIRECTOR

CHEW KHENG KAI
EXECUTIVE DIRECTOR

STATUTORY DECLARATION

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

HII WEI BING
(MIA No.: 19681)

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 16 August 2022.

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 2022. 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 2022 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 2022 as follows:

- 1.550 sen per unit for the period from 1 July 2021 to 30 September 2021, which was paid on 23 November 2021.
- 1.550 sen per unit for the period from 1 October 2021 to 31 December 2021, which was paid on 18 February 2022.
- 1.600 sen per unit for the period from 1 January 2022 to 31 March 2022, which was paid on 23 May 2022.
- 2.100 sen per unit for the period from 1 April 2022 to 30 June 2022, which is payable on 25 August 2022.

For and on behalf of the Trustee,
PACIFIC TRUSTEES BERHAD

RAZAK BIN AHMAD
Director

Kuala Lumpur,
Date: 16 August 2022

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KIP REIT (Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of KIP Real Estate Investment Trust ("the Fund") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Fund as at 30 June 2022, 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 of the Fund, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Fund for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 124.

Basis for opinion

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

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

Independence and other ethical responsibilities

We are independent of the Group and of the Fund 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 of the Fund. 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 of the Fund, the accounting processes and controls, and the industry in which the Group and the Fund operate.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KIP REIT (Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

| Key audit matters | How our audit addressed the key audit matters |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Fair value of investment properties</p> <p>As at 30 June 2022, KIP REIT's investment properties, carried at fair value, amounted to RM852 million.</p> <p>The fair valuation of KIP REIT's investment properties is based on valuation performed by an external valuer, engaged by management.</p> <p>We focused on this area due to the magnitude of the balance and the complexities in determining the fair value of the investment properties, which involved significant judgement and estimation that could result in material misstatement.</p> <p><i>Refer to Note 3(b) (Summary of Significant Accounting Policies), Note 4 (Critical Accounting Estimates and Judgements) and Note 6 (Investment Properties).</i></p> | <p>We evaluated the competence, qualification and experience as well as the independence of the external valuer engaged by the management.</p> <p>We discussed with the external valuer independently without the presence of the management regarding the methodology and assumptions used in the valuation.</p> <p>We agreed, on a sample basis, the rental income and rental periods used in the valuation to underlying lease agreements, to satisfy ourselves of the accuracy of the data provided to the external valuer by management.</p> <p>We tested the significant inputs underpinning the valuation, such as term and reversionary rental, other income, outgoings and allowance for void, by agreeing them to the underlying lease data or comparing to historical trends.</p> <p>We also considered the valuation methodology used against those applied by other valuers for similar property types. We compared the capitalisation rates used in the valuation against available industry data, taking into consideration comparability and market factors.</p> <p>We reviewed and assessed the adequacy of the disclosures, including the sensitivity analysis on the relationship between the key assumptions used and the fair valuation of the investment properties in the financial statements.</p> <p>Based on the above procedures performed, we did not identify any material exceptions.</p> |

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors of the Manager for the financial statements

The Directors of the Manager of the Fund are responsible for the preparation of the financial statements of the Group and of the Fund that give a true and fair view in accordance with the provision of the Deed of Trust dated 2 November 2016, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of the Manager are also responsible for such internal control as the Directors of the Manager determine is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Fund, the Directors of the Manager are responsible for assessing the Group's and the Fund'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 the Fund or to terminate the Fund, 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 of the Fund 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 of the Fund, 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.

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF KIP REIT (CONTINUED)

(Established in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (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 of the Fund's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) Conclude on the appropriateness of the Directors of the Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Fund'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 of the Fund 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 the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
16 August 2022

NG YEE LING
03032/01/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2022

| | Note | Group | | Fund | |
|----------------------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Non-current assets | | | | | |
| Equipment | 5 | 1,946 | 2,574 | 1,946 | 2,574 |
| Investment Properties | 6 | 852,000 | 808,000 | 852,000 | 808,000 |
| Investment in Subsidiary | 7 | - | - | -* | -* |
| Total non-current assets | | <u>853,946</u> | <u>810,574</u> | <u>853,946</u> | <u>810,574</u> |
| Current assets | | | | | |
| Trade and other receivables | 8 | 4,095 | 6,327 | 4,095 | 6,327 |
| Cash and cash equivalents | 9 | 30,994 | 29,320 | 23,344 | 21,805 |
| Total current assets | | <u>35,089</u> | <u>35,647</u> | <u>27,439</u> | <u>28,132</u> |
| Total assets | | <u>889,035</u> | <u>846,221</u> | <u>881,385</u> | <u>838,706</u> |
| Financed by: | | | | | |
| Unitholders' fund | | | | | |
| Unitholders' capital | 10 | 492,333 | 492,333 | 492,333 | 492,333 |
| Retained earnings | | 62,193 | 21,045 | 62,193 | 21,045 |
| Total unitholders' fund | | <u>554,526</u> | <u>513,378</u> | <u>554,526</u> | <u>513,378</u> |
| Non-current liabilities | | | | | |
| Borrowings | 11 | 309,329 | 309,073 | - | - |
| Payables and accruals | 12 | 8,144 | 10,960 | 313,407 | 316,153 |
| Total non-current liabilities | | <u>317,473</u> | <u>320,033</u> | <u>313,407</u> | <u>316,153</u> |
| Current liabilities | | | | | |
| Borrowings | 11 | 3,584 | 3,635 | - | - |
| Payables and accruals | 12 | 13,452 | 9,175 | 13,452 | 9,175 |
| Total current liabilities | | <u>17,036</u> | <u>12,810</u> | <u>13,452</u> | <u>9,175</u> |
| Total liabilities | | <u>334,509</u> | <u>332,843</u> | <u>326,859</u> | <u>325,328</u> |
| Total unitholders' fund and liabilities | | <u>889,035</u> | <u>846,221</u> | <u>881,385</u> | <u>838,706</u> |
| Net asset value ("NAV") | | | | | |
| - before income distribution | | 588,887 | 545,060 | 588,887 | 545,060 |
| - after income distribution | | <u>554,526</u> | <u>513,378</u> | <u>554,526</u> | <u>513,378</u> |
| Number of units in circulation ('000 units) | 10 | <u>505,300</u> | <u>505,300</u> | <u>505,300</u> | <u>505,300</u> |
| NAV per unit (RM) | | | | | |
| - before income distribution | | 1.1654 | 1.0787 | 1.1654 | 1.0787 |
| - after income distribution | | <u>1.0974</u> | <u>1.0160</u> | <u>1.0974</u> | <u>1.0160</u> |

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

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| | Note | 2022 RM'000 | Group and Fund 2021 RM'000 |
|--------------------------------------------------------|------|-----------------|----------------------------------|
| Lease income | | 68,312 | 64,984 |
| Revenue from contracts with customers | | 5,388 | 9,265 |
| Gross revenue | 13 | <u>73,700</u> | <u>74,249</u> |
| Utilities expenses | | (7,069) | (6,792) |
| Maintenance and housekeeping expenses | | (1,856) | (2,493) |
| Marketing expenses | | (173) | (232) |
| Quit rent and assessment | | (1,874) | (1,892) |
| Reimbursement costs | 14 | (3,591) | (3,662) |
| Property manager fee | | (128) | (156) |
| Other operating expenses | | (2,255) | (2,360) |
| Property operating expenses | | <u>(16,946)</u> | <u>(17,587)</u> |
| Net property income | | 56,754 | 56,662 |
| Changes in fair value on investment properties | 6 | 39,466 | (847) |
| Interest income | | 349 | 417 |
| Net investment income | | <u>96,569</u> | <u>56,232</u> |
| Manager's management fee | 15 | (5,664) | (5,541) |
| Trustees' fee | | (179) | (179) |
| Auditors' remuneration | | (114) | (108) |
| Valuers' fee | | (154) | (190) |
| Other trust expenses | | (1,654) | (1,699) |
| Borrowing costs | 16 | (13,295) | (13,294) |
| Profit before taxation | | <u>75,509</u> | <u>35,221</u> |
| Taxation | 17 | - | - |
| Profit after taxation | | <u>75,509</u> | <u>35,221</u> |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive income attributable to unitholders | | <u>75,509</u> | <u>35,221</u> |
| Profit after taxation is made up as follows: | | | |
| Realised | | 36,043 | 36,068 |
| Unrealised | | 39,466 | (847) |
| | | <u>75,509</u> | <u>35,221</u> |
| Basic earnings per unit (sen) | 18 | 14.9434 | 6.9703 |
| Diluted earnings per unit (sen) | 18 | <u>14.9434</u> | <u>6.9703</u> |
| Total comprehensive income | | 75,509 | 35,221 |
| Distribution adjustment | 19 | (38,180) | 3,033 |
| Distributable income | | <u>37,329</u> | <u>38,254</u> |
| Distribution per unit (sen) | 19 | <u>6.8000</u> | <u>6.8400</u> |

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

STATEMENTS OF CHANGES IN NET ASSET VALUE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| | Note | Unitholders' capital RM'000 | Retained earnings RM'000 | Total fund RM'000 |
|---------------------------------------------------------------------|------|-----------------------------------|--------------------------------|-------------------------|
| Group and Fund | | | | |
| As at 1 July 2021 | | 492,333 | 21,045 | 513,378 |
| Profit of the year | | - | 75,509 | 75,509 |
| Total comprehensive income for the year attributable to unitholders | | - | 75,509 | 75,509 |
| Unitholders' transactions | | | | |
| Distribution to unitholders | 19 | - | (34,361) | (34,461) |
| Decrease in net assets resulting from unitholders' transactions | | - | (34,461) | (34,461) |
| As at 30 June 2022 | | 492,333 | 62,193 | 554,526 |
| Group and Fund | | | | |
| As at 1 July 2020 | | 492,333 | 17,506 | 509,839 |
| Profit of the year | | - | 35,221 | 35,221 |
| Total comprehensive income for the year attributable to unitholders | | - | 35,221 | 35,221 |
| Unitholders' transactions | | | | |
| Distribution to unitholders | 19 | - | (31,682) | (31,682) |
| Decrease in net assets resulting from unitholders' transactions | | - | (31,682) | (31,682) |
| As at 30 June 2021 | | 492,333 | 21,045 | 513,378 |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| | Note | Group | | Fund | |
|-----------------------------------------------------|------|-----------------|------------------------------|-----------------|------------------------------|
| | | 2022 RM'000 | 2021 (Restated) RM'000 | 2022 RM'000 | 2021 (Restated) RM'000 |
| Cash flows from operating activities | | | | | |
| Profit before taxation | | 75,509 | 35,221 | 75,509 | 35,221 |
| <i>Adjustments for:</i> | | | | | |
| Changes in fair value on investment properties | | (39,466) | 847 | (39,466) | 847 |
| Interest expense on borrowings | | 13,039 | 13,038 | 100 | 100 |
| Interest expense on advances from a subsidiary | | - | - | 12,939 | 12,938 |
| Interest income | | (349) | (417) | (349) | (417) |
| Depreciation of equipment | | 629 | 552 | 629 | 552 |
| Amortisation of transaction costs | | 256 | 256 | 256 | 256 |
| Bad debts written off | | 323 | 2 | 323 | 2 |
| Written off of equipments | | 1 | 2 | 1 | 2 |
| Allowance for doubtful debts | | (170) | (1) | (170) | (1) |
| Operating income before changes in working capital | | 49,772 | 49,500 | 49,772 | 49,500 |
| Net change in trade and other receivables | | 2,072 | 941 | 2,072 | 941 |
| Net change in payables and accruals | | 1,411 | 575 | 1,411 | 575 |
| Net cash generated from operating activities | | 53,255 | 51,016 | 53,255 | 51,016 |
| Cash flows from investing activities | | | | | |
| Purchase of equipment | | (2) | (1,543) | (2) | (1,543) |
| Additions of investment properties | | (4,534) | (1,847) | (4,534) | (1,847) |
| Interest received | | 356 | 405 | 356 | 405 |
| Net cash used in investing activities | | (4,180) | (2,985) | (4,180) | (2,985) |
| Cash flows from financing activities | | | | | |
| Interest paid on borrowings | | (13,040) | (13,005) | (50) | (92) |
| Income distribution paid to unitholders | | (34,361) | (31,682) | (34,361) | (31,682) |
| Interest paid on advances from a subsidiary | | - | - | (12,990) | (12,912) |
| Repayment to a subsidiary | | - | - | (135) | (137) |
| Net cash used in from financing activities | | (47,401) | (44,687) | (47,536) | (44,823) |
| Net increase in cash and cash equivalents | | 1,674 | 3,344 | 1,539 | 3,208 |
| Cash and cash equivalents at beginning of the year | | 29,320 | 25,976 | 21,805 | 18,597 |
| Cash and cash equivalents at end of the year | 9 | 30,994 | 29,320 | 23,344 | 21,805 |

Details of reconciliation of liabilities arising from financing activities is disclosed in Note 9. The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

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

Registered office

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

Principal place of business

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

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

The financial statements as at and for the financial year ended 30 June 2022 comprise KIP REIT and its wholly-owned special purpose company, KIP REIT Capital Sdn. Bhd., a company incorporated in Malaysia, of which the principal activity is to raise financing for and on behalf of KIP REIT.

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

The financial statements were approved by the Board of Directors of the Manager on 16 August 2022.

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

(a) Property management fees

The property manager of KIP REIT, Henry Butcher (Mont Kiara) Sdn. Bhd. is entitled to property management fee of RM10,000 per month (excluding sales and service tax). In addition, the property manager is also entitled to full disbursement of costs and expenses properly incurred in the operation, maintenance, management and marketing of the properties held by KIP REIT ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager's management fees

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

- (i) a base fee ("Base Fee") of up to 1.0% per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- (ii) a performance fee ("Performance Fee") of up to 5.0% per annum of the Net Property Income of KIP REIT.

NOTES TO THE FINANCIAL STATEMENTS

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:

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

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

2 BASIS FOR PREPARATION (CONTINUED)

(b) Standard that are effective and applicable

The Group and the Fund have applied the following standards and amendments for the first time for the financial year beginning on 1 July 2021:

- (i) Financial year beginning on/after 1 July 2021
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition, Measurement and MFRS 7, Financial Instruments: Disclosures and MFRS 16, Leases - Interest Rate Benchmark Reform - Phase 2;
 - Amendments to MFRS 16, Leases - COVID-19- Related Rent Concessions beyond 30 June 2021;

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

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'

The Group and the Fund adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ('IBOR') reform. As a result, no immediate gain or loss is recognised in profit or loss.

The amendments also provide reliefs that enable and require the Group and the Fund to continue the MFRS 9 hedge accounting in circumstances when the Group and the Fund updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

The adoption of the amendments has no impact on the opening retained earnings as at 1 July 2021 because none of the IBOR-based contracts of the Group and the Fund were modified in 2021.

During the financial year, the Group and Fund have adopted the International Financial Reporting Standard Interpretation Committee ("IFRIC") agenda decision on IAS 7 Statement of Cash Flows on demand deposits with restrictions on use arising from a contract with a third party resulted in change in accounting policy. The detailed impact of change in accounting policy is set out in Note 27.

(c) Standard issued but not yet affective

The Group and the Fund intend to apply the following accounting standards, interpretation and amendments from the annual period beginning on 1 July 2022 except *Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)*, *MFRS 4, Insurance Contracts*, *MFRS 17, Insurance Contracts* and *MFRS 128, Investments in Associates and Joint Ventures – Sales or Contribution of Asset between an Investor and its Associate or Joint Ventures* as it is not applicable to the Group and the Fund:

- (i) MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2022
- Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use;
 - Amendments to MFRS 3, Business Combinations - Reference to the Conceptual Framework;
 - Amendments to MFRS 1, First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020);
 - Amendments to MFRS 9, Financial instruments (Annual Improvements to MFRS Standards 2018 - 2020);

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Standard issued but not yet effective (continued)

- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018 - 2020);
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract;
- Amendments to MFRS 101, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current;
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates; and
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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.

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 on 6 February 2017 i.e. combination involving entities or businesses under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired business' results and the related statement of financial position items are recognised prospectively from the date on which the business combination between entities under common control occurred.

(ii) Subsidiary

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Subsidiary (continued)

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment properties (continued)

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

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

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

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.

Right-of-use assets that meet the definition of investment property

Right-of-use assets that meet the definition of investment property in accordance with MFRS 140 is presented in the statement of financial position as investment property. Subsequent measurement of the right-of-use asset is consistent with those investment properties owned by the Group.

(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.

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:-

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Equipment (continued)

| | |
|-------------------------|-----|
| Equipment and appliance | 20% |
| Furniture and fittings | 10% |
| Signage | 30% |
| Office equipment | 20% |
| Renovation | 20% |

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').

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Measurement (continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Subsequent measurement - Impairment (continued)

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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

Rental income is recognised in accordance with the accounting policy set out in Note 3(m)(ii)(b).

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition (continued)

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

Property related income and advertising income are included in other income and recognised in the accounting period in which the services being rendered.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases

i) Definition of a lease

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

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

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

ii) Recognition and measurement

(a) As a lessee

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

Recognition and measurement (continued)

(a) As a lessee (continued)

ii) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

Short term leases and leases of low value assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

Recognition and measurement (continued)

(a) As a lessee (continued)

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

(b) As a lessor

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

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

Recognition and measurement (continued)

(b) As a lessor (continued)

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, as the rebate has changed the total lease consideration. The rental rebates are treated as a new operating lease from the effective date of modification, where lease income based on the revised total lease consideration is recognised over the remaining lease term on a straight-line basis.

Rental of concession space such as promotional areas is recognised on a straight-line basis over the lease term.

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

(o) Earnings per unit

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

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

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

(p) Segment reporting

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 CBRE WTW Valuation & Advisory Sdn. Bhd. (formerly known as C H Williams Talhar & Wong Sdn. Bhd.) for all the investment properties except AEON Mall Kinta City ("AMKC") and Appraisal (Malaysia) Sdn. Bhd. for AMKC (2021: C H Williams Talhar & Wong Sdn. Bhd.) ("the Valuers"), independent professional valuers who hold 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 2021 | 1,250 | 838 | 323 | 488 | 415 | 358 | 3,672 |
| Additions | 305 | 1 | - | 54 | - | - | 360 |
| Transfer to investment properties | - | - | - | - | - | (358) | (358) |
| Written off | (122) | - | - | - | - | - | (122) |
| As at 30 June 2022 | 1,433 | 839 | 323 | 542 | 415 | - | 3,552 |
| Accumulated Depreciation | | | | | | | |
| As at 1 July 2021 | 552 | 154 | 199 | 72 | 121 | - | 1,098 |
| Depreciation charge for the financial year | 268 | 84 | 91 | 103 | 83 | - | 629 |
| Written off | (121) | - | - | - | - | - | (121) |
| As at 30 June 2022 | 699 | 238 | 290 | 175 | 204 | - | 1,606 |
| Carrying amounts | | | | | | | |
| As at 30 June 2022 | 734 | 601 | 33 | 367 | 211 | - | 1,946 |

| | 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 2020 | 821 | 484 | 298 | 72 | 269 | 198 | 2,142 |
| Additions | 442 | 305 | 25 | 411 | 146 | 361 | 1,690 |
| Reclassification | - | 49 | - | 5 | - | (54) | - |
| Transfer to investment properties | - | - | - | - | - | (147) | (147) |
| Written off | (13) | - | - | - | - | - | (13) |
| As at 30 June 2021 | 1,250 | 838 | 323 | 488 | 415 | 358 | 3,672 |
| Accumulated Depreciation | | | | | | | |
| As at 1 July 2020 | 301 | 81 | 104 | 27 | 44 | - | 557 |
| Depreciation charge for the financial year | 262 | 73 | 95 | 45 | 77 | - | 552 |
| Written off | (11) | - | - | - | - | - | (11) |
| As at 30 June 2021 | 552 | 154 | 199 | 72 | 121 | - | 1,098 |
| Carrying amounts | | | | | | | |
| As at 30 June 2021 | 698 | 684 | 124 | 416 | 294 | 358 | 2,574 |

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT PROPERTIES

| | Group and Fund | |
|--------------------------|-------------------|----------------|
| | 2022 | 2021 |
| | RM '000 | RM '000 |
| As at 1 July | 808,000 | 807,000 |
| Transfer from Equipment | 358 | 147 |
| Additions | 4,176 | 1,700 |
| Fair value gain / (loss) | 39,466 | (847) |
| As at 30 June | <u>852,000</u> | <u>808,000</u> |

The title deeds to the investment properties' land are currently being held in trust by the trustees. KIPMall Tampoi, KIPMall Masai, KIPMall Bangi and 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 independent registered valuers, the Valuers, who hold a recognised relevant professional qualification and have relevant experience in valuing investment properties.

Based on the valuation reports dated 8 July 2022 issued by the Valuers, the fair values of the investment properties as at 30 June 2022 were RM852.0 million (2021: RM808.0 million).

Fair value is determined based on investment 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 investment method, 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.

6 INVESTMENT PROPERTIES

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments as well as the relationship between significant unobservable inputs and fair value, is detailed in the table below:

| <u>Description of valuation technique and inputs used</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment method involves capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoing and other operating expenses incidental to the property with allowance for void by using an appropriate market derived discount rate. | <ul style="list-style-type: none"> - Term capitalisation rate of 6.25% to 6.5% (2021: 6.25% to 7.25%) - Reversionary capitalisation rate of 6.75% to 7% (2021: 6.75% to 7%) - Allowance for void of 5% to 15% (2021: 5% to 12.5%) - Average term rental per square feet of RM2.28 to RM8.83 (2021: RM2.28 to RM8.69) - Average reversionary rental per square feet of RM2.55 to RM8.91 (2021: RM2.55 to RM8.80) | <p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> - Term capitalisation rate was lower/(higher) - Reversionary capitalisation rate was lower/(higher) - Allowance for void was lower/(higher) - Rental per square feet increase/(decrease) |

The fair value measurements using Level 3 inputs as at 30 June 2022 are as follows:-

| Group and Fund | Valuation technique | Fair value RM '000 | Parameters | | | | Sensitivity analysis on fair value measurements* | |
|---------------------|---------------------|-----------------------|-------------------------------|---------------------------------------|---------------------|-------------------------|--------------------------------------------------|----------------------------------|
| | | | Term capitalisation rate % | Reversionary capitalisation rate % | Outgoings RM psf | Allowance for void % | Impact of lower rate RM '000 | Impact of higher rate RM '000 |
| KIPMall Tampoi | Investment method | 167,000 | 6.50 | 7.00 | 1.90 | 5.00 | 12,000 | (10,000) |
| KIPMall Kota Tinggi | Investment method | 56,000 | 6.25 | 6.75 | 2.00 | 5.00 | 5,000 | (3,000) |
| KIPMall Masai | Investment method | 174,000 | 6.50 | 7.00 | 2.00 | 5.00 | 12,000 | (11,000) |
| KIPMall Senawang | Investment method | 27,000 | 6.25 | 6.75 | 1.20 | 10.00 | 2,000 | (2,000) |
| KIPMall Melaka | Investment method | 50,000 | 6.50 | 7.00 | 1.30 | 10.00 | 3,000 | (2,000) |
| KIPMall Bangi | Investment method | 124,000 | 6.50 | 7.00 | 1.00 | 15.00 | 3,000 | (6,000) |
| AMKC | Investment method | 254,000 | 6.25 | 6.75 | 0.18 | 10.00 | 20,000 | (17,000) |
| | | <u>852,000</u> | | | | | <u>57,000</u> | <u>(51,000)</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are as follows:-

Group and Fund

| | Date of Acquisition | Date of valuation | Location | Tenure | Expiry date of leasehold land | Occupancy rates as at 30.06.2022 % | Fair value as at 30.06.2022 RM '000 | Cost of investment properties RM '000 | Percentage of fair value to NAV*1 as at 30.06.2022 % |
|---------------------|---------------------|-------------------|----------|-----------|-------------------------------|---------------------------------------|----------------------------------------|------------------------------------------|---------------------------------------------------------|
| KIPMall Tampoi | 06.02.2017 | 30.06.2022 | Johor | Leasehold | 24.09.2092 | 90.77 | 167,000 | 150,000 | 30.12 |
| KIPMall Kota Tinggi | 06.02.2017 | 30.06.2022 | Johor | Freehold | - | 91.97 | 56,000 | 55,000 | 10.10 |
| KIPMall Masai | 06.02.2017 | 30.06.2022 | Johor | Leasehold | 28.12.2108 | 93.09 | 174,000 | 157,000 | 31.38 |
| KIPMall Senawang | 06.02.2017 | 30.06.2022 | Seremban | Freehold | - | 86.09 | 27,000 | 38,000 | 4.87 |
| KIPMall Melaka | 06.02.2017 | 30.06.2022 | Melaka | Leasehold | 17.11.2112 | 83.37 | 50,000 | 50,000 | 9.02 |
| KIPMall Bangi | 06.02.2017 | 30.06.2022 | Selangor | Leasehold | 14.07.2093 | 55.50 | 124,000 | 130,000 | 22.36 |
| AMKC | 31.07.2019 | 30.06.2022 | Perak | Freehold | - | 100.00 | 254,000 | 206,813 | 45.80 |
| | | | | | | | <u>852,000</u> | <u>786,813</u> | |

Notes:-

*1 Based on NAV after income distribution.

6 INVESTMENT PROPERTIES (CONTINUED)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are as follows:-

Group and Fund

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

Notes:-

*1 Based on NAV after income distribution.

7 INVESTMENT IN A SUBSIDIARY

| | 2022 | Fund 2021 |
|-----------------|---------|--------------|
| | RM '000 | RM '000 |
| At cost | | |
| Unquoted shares | -* | -* |

* Denotes RM2

| Name of company | Principal activity | Place of incorporation | Group's effective interest (%) | |
|----------------------------|------------------------------------------------------------------------------|------------------------|--------------------------------|------|
| | | | 2022 | 2021 |
| 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 | |
|--------------------------------------------------------------------|---------|---------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM '000 | RM '000 | RM'000 | RM'000 |
| Trade receivables | 709 | 2,769 | 709 | 2,769 |
| Less: Allowance for impairment of trade receivables (Note 23.1(b)) | (181) | (346) | (181) | (346) |
| Trade receivables – net | 528 | 2,423 | 528 | 2,423 |
| Other receivables – net (Note 23.1(b)) | 996 | 1,088 | 996 | 1,088 |
| Deposit recoverable | 191 | 189 | 191 | 189 |
| Amounts due from related companies | - | 7 | - | 7 |
| | 1,187 | 1,284 | 1,187 | 1,284 |
| Prepayments | 2,380 | 2,620 | 2,380 | 2,620 |
| | 3,567 | 3,904 | 3,567 | 3,904 |
| Total trade and other receivables | 4,095 | 6,327 | 4,095 | 6,327 |

The carrying amounts of trade and other receivables as at 30 June 2022 and 2021 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.

NOTES TO THE FINANCIAL STATEMENTS

9 CASH AND CASH EQUIVALENTS

| | Group | | Fund | |
|------------------------------------------------|---------------|--------------------|---------------|--------------------|
| | 2022 | 2021 (Restated) | 2022 | 2021 (Restated) |
| | RM '000 | RM '000 | RM'000 | RM'000 |
| Cash in hand | -* | -* | - | - |
| Bank balances | 914 | 542 | 897 | 524 |
| Short term deposits placed with licensed banks | 30,080 | 28,778 | 22,447 | 21,281 |
| Cash and bank balances | <u>30,994</u> | <u>29,320</u> | <u>23,344</u> | <u>21,805</u> |
| Pledged deposits | <u>9,210</u> | <u>9,156</u> | <u>1,578</u> | <u>1,660</u> |

* Denotes RM2

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 at Group and 1.73% per annum at Fund. (2021: Group at 1.59% per annum and Fund at 1.53% per annum).

Short term deposits placed with licensed banks have an average maturity of 29 days at Group and 18 days at Fund (2021: Group at 30 days and Fund at 20 days).

Included in the Group's short term deposits placed with licensed banks is restricted amount of RM7.6 million (2021: RM7.5 million) respectively which are maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for MTN granted to the Group (Note 11).

Included in the Fund's short term deposit placed with licensed banks is restricted amount of RM 1.6 million (FY2021: RM 1.7 million) that relates to letter of guarantee issued by the Bank to Tenaga Nasional Berhad to guarantee the deposit payable by the Fund.

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

| | As at 1 July | Cash changes | Non-cash changes | | As at 30 June |
|----------------------------|-----------------|------------------------------------------------|-----------------------------------------|---------------------|---------------|
| | | Net cash flows from financing activities | Amortisation of transaction costs | Accrued interest | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>2022</u> | | | | | |
| <u>Group</u> | | | | | |
| Borrowings | 312,708 | (12,990) | 256 | 12,939 | 312,913 |
| <u>Fund</u> | | | | | |
| Amount due to a subsidiary | 305,193 | (13,125) | 256 | 12,939 | 305,263 |
| <u>2021</u> | | | | | |
| <u>Group</u> | | | | | |
| Borrowings | 312,427 | (12,913) | 256 | 12,938 | 312,708 |
| <u>Fund</u> | | | | | |
| Borrowings | 305,048 | (13,049) | 256 | 12,938 | 305,193 |

10 UNITHOLDERS' CAPITAL

| | Group and Fund | |
|----------------------------|-----------------|-----------------|
| | 2022 | 2021 |
| | Number of units | Number of units |
| | '000 | '000 |
| Approved fund size: | | |
| As at 30 June | 505,300 | 505,300 |

| | Group and Fund | | | |
|----------------------------------|-----------------|---------|-----------------|---------|
| | 2022 | 2022 | 2021 | 2021 |
| | Number of units | Value | Number of units | Value |
| | '000 | RM'000 | '000 | RM'000 |
| Issued and fully paid up: | | | | |
| As at 1 July/30 June | 505,300 | 492,333 | 505,300 | 492,333 |

11 BORROWINGS

| | Group | | Fund | |
|-------------------------------|---------|---------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current (secured): | | | | |
| MTN | 3,840 | 3,891 | - | - |
| Unamortised transaction cost | (256) | (256) | - | - |
| | 3,584 | 3,635 | - | - |
| Non-current (secured): | | | | |
| MTN | 310,000 | 310,000 | - | - |
| Unamortised transaction cost | (671) | (927) | - | - |
| | 309,329 | 309,073 | - | - |
| Total borrowings | 312,913 | 312,708 | - | - |

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

- MTN of up to RM310 million (2021: RM310 million);
- A Short Term Revolving Credit ("STRC") of up to RM20 million (2021: RM20 million); and
- A letter of guarantee ("LG") of up to RM1.6 million (2021: RM1.6 million).

NOTES TO THE FINANCIAL STATEMENTS

11 BORROWINGS (CONTINUED)

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

| | Group | | Fund | |
|-----|------------------------|------------------------|------------------------|------------------------|
| | 2022 % per annum | 2021 % per annum | 2022 % per annum | 2021 % per annum |
| MTN | 4.25 | 4.25 | - | - |

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 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.

12 PAYABLES AND ACCRUALS

| | Note | Group | | Fund | |
|-------------------------------------|------|----------------|-----------------|----------------|----------------|
| | | 2022 RM'000 | 2021 RM '000 | 2022 RM'000 | 2021 RM'000 |
| Non-current payables | | | | | |
| Tenants' deposits | a | 8,144 | 10,960 | 8,144 | 10,960 |
| Amount due to a subsidiary | b | - | - | 305,263 | 305,193 |
| | | <u>8,144</u> | <u>10,960</u> | <u>313,407</u> | <u>316,153</u> |
| Current payables | | | | | |
| Trade payables | c | 493 | 435 | 493 | 435 |
| Tenants' deposits | a | 9,509 | 6,648 | 9,509 | 6,648 |
| | | <u>10,002</u> | <u>7,083</u> | <u>10,002</u> | <u>7,083</u> |
| Other payables and accrued expenses | | 3,385 | 2,092 | 3,385 | 2,092 |
| Amounts due to related company | | 65 | - | 65 | - |
| Total current payables and accruals | | <u>13,452</u> | <u>9,175</u> | <u>13,452</u> | <u>9,175</u> |
| Total payables and accruals | | <u>21,596</u> | <u>20,135</u> | <u>326,859</u> | <u>325,328</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

13 GROSS REVENUE

| | Group and Fund | |
|----------------------------------------------------------|-------------------|---------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Lease income: | | |
| Gross rental income | 64,856 | 64,984 |
| Promotional area | 3,456 | - |
| | <u>68,312</u> | <u>64,984</u> |
| Revenue from contracts with customers: | | |
| Promotion area | - | 3,842 |
| Utilities reimbursement | 4,261 | 4,361 |
| Property related and other advertising income | 1,127 | 1,062 |
| | <u>5,388</u> | <u>9,265</u> |
| Gross Revenue | <u>73,700</u> | <u>74,249</u> |
| Revenue from contracts with customers is represented by: | | |
| Point in time | 1,217 | 9,265 |
| Over time | 4,261 | - |
| | <u>5,388</u> | <u>9,265</u> |

Gross rental income included total rental rebate offered amounted to RM468,000 (2021: RM598,000) (Note 28) and variable lease payments related to sales generated from tenants which approximates to 0.74% (2021: 0.70%) of gross rental income. There are no other variable lease payments that depends on an index or rate.

14 REIMBURSEMENT COST

Included in reimbursement costs are the following expenses:-

| | Group and Fund | |
|------------------------|-------------------|--------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Staff salaries | 2,856 | 2,937 |
| Bonus | 173 | 109 |
| Statutory contribution | 451 | 464 |
| Training expenses | 13 | 6 |
| Others | 98 | 146 |
| | <u>3,631</u> | <u>4,062</u> |

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

15 MANAGER'S MANAGEMENT FEES

| | Group and Fund | |
|-----------------|-----------------|-----------------|
| | 2022 RM '000 | 2021 RM '000 |
| Base fee | 5,091 | 4,997 |
| Performance fee | 573 | 544 |
| | <u>5,664</u> | <u>5,541</u> |

During the financial year, the Manager received a base fee of 0.60% (2021: 0.60%) per annum of the Total Asset Value of KIP REIT and a performance fee of 1.0% (2021: 1.0%) per annum of Net Property Income.

For the financial year ended 30 June 2022, 100% (2021: 100%) of the total Manager's management fees has been paid in cash.

16 BORROWING COSTS

| | Group | | Fund | |
|-----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2022 RM '000 | 2021 RM '000 | 2022 RM '000 | 2021 RM '000 |
| Interest on advances from a subsidiary (Note 24) | - | - | 12,939 | 12,938 |
| Interest on borrowings | 13,039 | 13,038 | 100 | 100 |
| Amortisation of transaction cost | 256 | 256 | 256 | 256 |
| | <u>13,295</u> | <u>13,294</u> | <u>13,295</u> | <u>13,294</u> |

17 TAXATION

| | Group and Fund | |
|--------------------------------------------------------|-----------------|-----------------|
| | 2022 RM '000 | 2021 RM '000 |
| Reconciliation of tax expense | | |
| Profit before taxation | <u>75,509</u> | <u>35,221</u> |
| Income tax using Malaysian tax rate of 24% (2021: 24%) | 18,122 | 8,453 |
| Non-deductible expenses | 589 | 980 |
| Non-taxable income | (9,628) | (8) |
| Capital allowances on equipment | (2,176) | (2,161) |
| Effect of income exempted from tax | <u>(6,907)</u> | <u>(7,264)</u> |
| | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

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 2022 is more than 90% of total distributable income, no provision for income taxation has been made for the current year.

18 EARNINGS PER UNIT (“EPU”) - BASIC AND DILUTED

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

| | Group and Fund | |
|--------------------------------------------------|-----------------|-----------------|
| | 2022 RM '000 | 2021 RM '000 |
| Total comprehensive income | | |
| - Realised | 36,043 | 36,068 |
| - Unrealised | 39,466 | (847) |
| Total | <u>75,509</u> | <u>35,221</u> |
| Weighted average number of units ('000) | | |
| Weighted average number of Units in issue | <u>505,300</u> | <u>505,300</u> |
| Weighted average number of Units for diluted EPU | <u>505,300</u> | <u>505,300</u> |
| Basic/Diluted EPU (sen) | | |
| - Realised | 7.1330 | 7.1379 |
| - Unrealised | 7,8104 | (0.1676) |
| Total | <u>14,9434</u> | <u>6.9703</u> |

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

19 DISTRIBUTION TO UNITHOLDERS

| | | Group and Fund | |
|-----------------------------------------------------------------------|-----|-------------------|-----------------|
| | | 2022 | 2021 |
| | | RM '000 | RM '000 |
| Total comprehensive income | | 75,509 | 35,221 |
| Distribution adjustments | (a) | <u>(38,180)</u> | <u>3,033</u> |
| Distributable income | | <u>37,329</u> | <u>38,254</u> |
| Distributions proposed and declared: | | | |
| Distribution per unit (sen) | | | |
| - for the period from 1 July 2020 to 30 September 2020 | | - | 1.550 |
| - for the period from 1 October 2020 to 31 December 2020 | | - | 1.590 |
| - for the period from 1 January 2021 to 31 March 2021 | | - | 1.600 |
| - for the period from 1 April 2021 to 30 June 2021 | | - | 2.100 |
| - for the period from 1 July 2021 to 30 September 2021 | | 1.550 | - |
| - for the period from 1 October 2021 to 31 December 2021 | | 1.550 | - |
| - for the period from 1 January 2022 to 31 March 2022 | | 1.600 | - |
| - for the period from 1 April 2022 to 30 June 2022 | | 2.100 | - |
| | | <u>6.800</u> | <u>6.840</u> |
| <u>Sources of distributions</u> | | | |
| Net property income | | 56,754 | 56,662 |
| Interest income | | 349 | 417 |
| Changes in fair value on investment properties | | <u>39,466</u> | <u>(847)</u> |
| | | 96,569 | 56,232 |
| Less: Expenses | | <u>(21,060)</u> | <u>(21,011)</u> |
| Total comprehensive income | | 75,509 | 35,221 |
| Distribution adjustments | (a) | <u>(38,180)</u> | <u>3,033</u> |
| Prior year realised gain | | <u>15,143</u> | <u>8,571</u> |
| Distributable income | | 52,472 | 46,825 |
| Distribution of: | | | |
| - 1.530 sen for the period from 1 April 2020 to 30 June 2020 | | - | (7,731) |
| - 1.550 sen for the period from 1 July 2020 to 30 September 2020 | | - | (7,832) |
| - 1.590 sen for the period from 1 October 2020 to 31 December 2020 | | - | (8,034) |
| - 1.600 sen for the period from 1 January 2021 to 31 March 2021 | | - | (8,085) |
| - 2.100 sen for the period from 1 April 2021 to 30 June 2021 | | (10,611) | - |
| - 1.550 sen for the period from 1 July 2021 to 30 September 2021 | | (7,832) | - |
| - 1.550 sen for the period from 1 October 2021 to 31 December 2021 | | (7,832) | - |
| - 1.600 sen for the period from 1 January 2022 to 31 March 2022 | | (8,086) | - |
| Distributions recognised in statements of changes in net assets value | | <u>(34,361)</u> | <u>(31,682)</u> |
| Income retained | | <u>18,111</u> | <u>15,143</u> |

NOTES TO THE FINANCIAL STATEMENTS

19 DISTRIBUTION TO UNITHOLDERS (CONTINUED)

| | Group and Fund | |
|------------------------------------------------|-----------------|-----------------|
| | 2022 RM '000 | 2021 RM '000 |
| <u>Note (a):-</u> | | |
| Distribution adjustments comprise:- | | |
| Amortisation of transaction costs | 256 | 256 |
| Depreciation of equipment | 629 | 552 |
| Changes in fair value on investment properties | (39,446) | 847 |
| Reversal of allowance for doubtful debts | (170) | (1) |
| Bad debts written off | 323 | 2 |
| Written off of equipment | 1 | 2 |
| Net amortisation of rental rebate for MCO | 247 | 1,375 |
| | <u>(38,180)</u> | <u>3,033</u> |

The final distributable income for the 3 months ended 30 June 2022 is proposed to be 2.100 sen per unit for the period from 1 April 2022 to 30 June 2022, which was declared on 28 July 2022 and is payable on 25 August 2022. The financial statements for the current year ended 30 June 2022 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 2023.

Withholding tax will be deducted for distributions as follows:-

| | Withholding Tax Rate | |
|----------------------------|----------------------|------------------|
| | 2022 | 2021 |
| 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

| | Group and Fund | |
|------------------------------------------|----------------|------|
| | 2022 | 2021 |
| Portfolio Turnover Ratio ("PTR") (times) | - | - |

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

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

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

21 MANAGEMENT EXPENSE RATIO

| | 2022 | Group and Fund 2021 |
|--------------------------------------|--------------|---------------------------|
| Management expense ratio ("MER") (%) | <u>1.45%</u> | <u>1.51%</u> |

The calculation of the MER is based on the Fund's total operating expenses (Manager's management fees, trustees' fees and other trust expenses) incurred for the financial year ended 30 June 2022 to the average NAV (after income distribution) as at 30 June 2022, which is in accordance with the REIT Guidelines.

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

22 SEGMENT REPORTING

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

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

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

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

Revenues derived from the Northern region amount to approximately 24.3% (2021: 23.1%) 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

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 2022 Total RM '000 |
|---------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------------|
| Revenue | | | | |
| Lease income | 33,751 | 16,646 | 17,915 | 68,312 |
| Revenue from contracts with customers | 2,040 | 3,348 | - | 5,388 |
| Gross Revenue | <u>35,791</u> | <u>19,994</u> | <u>17,915</u> | <u>73,700</u> |
| Segmental net property income | <u>27,574</u> | <u>11,889</u> | <u>17,291</u> | <u>56,754</u> |
| Changes in fair value on investment properties | 6,716 | (703) | 33,453 | 39,466 |
| Interest income | 156 | 53 | 140 | 349 |
| Borrowing costs | (2,543) | (1,683) | (9,069) | (13,295) |
| Trust and other expenses | <u>(3,823)</u> | <u>(2,091)</u> | <u>(1,851)</u> | <u>(7,765)</u> |
| Profit before taxation | 28,080 | 7,465 | 39,964 | 75,509 |
| Taxation | - | - | - | - |
| Total comprehensive income attributable to unitholders | <u><u>28,080</u></u> | <u><u>7,465</u></u> | <u><u>39,964</u></u> | <u><u>75,509</u></u> |

22 SEGMENT REPORTING (CONTINUED)

Geographical segments (continued)

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

| | | | | Group 2022 |
|---------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------|------------------|
| | Southern region RM '000 | Central region RM '000 | Northern region RM '000 | Total RM '000 |
| Assets | | | | |
| Segment assets | 399,534 | 203,181 | 254,405 | 857,120 |
| Unallocated assets | | | | |
| - Cash and cash equivalents | | | | 30,994 |
| - Trade and other receivables | | | | 921 |
| Total assets | | | | <u>889,035</u> |
| Liabilities | | | | |
| Segment liabilities | 73,581 | 43,658 | 206,959 | 324,198 |
| Unallocated liabilities | | | | |
| - Payables and accruals | | | | 218 |
| - Borrowings | | | | 10,093 |
| Total liabilities | | | | <u>334,509</u> |
| Other segment information | | | | |
| Additions to non-current assets: | | | | |
| - Investment properties | 1,285 | 2,703 | 546 | 4,534 |
| - Equipment | 168 | (166) | - | 2 |
| Depreciation | <u>321</u> | <u>308</u> | <u>-</u> | <u>629</u> |
| | | | | Group 2021 |
| | Southern region RM '000 | Central region RM '000 | Northern region RM '000 | Total RM '000 |
| Revenue | | | | |
| Lease income | 33,129 | 14,709 | 17,146 | 64,984 |
| Revenue from contracts with customers | 3,173 | 6,092 | - | 9,265 |
| Gross Revenue | <u>36,302</u> | <u>20,801</u> | <u>17,146</u> | <u>74,249</u> |
| Segmental net property income | <u>27,940</u> | <u>12,203</u> | <u>16,519</u> | <u>56,662</u> |
| Changes in fair value on investment properties | 1,147 | (4,251) | 2,257 | (847) |
| Interest income | 189 | 80 | 148 | 417 |
| Borrowing costs | (2,543) | (1,683) | (9,068) | (13,294) |
| Trust and other expenses | (3,693) | (2,210) | (1,814) | (7,717) |
| Profit before taxation | <u>23,040</u> | <u>4,139</u> | <u>8,042</u> | <u>35,221</u> |
| Taxation | - | - | - | - |
| Total comprehensive income attributable to unitholders | <u>23,040</u> | <u>4,139</u> | <u>8,042</u> | <u>35,221</u> |

NOTES TO THE FINANCIAL STATEMENTS

22 SEGMENT REPORTING (CONTINUED)

Geographical segments (continued)

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

| | Southern region RM '000 | Central region RM '000 | Northern region RM '000 | Group 2021 Total RM '000 |
|----------------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------------------|
| Assets | | | | |
| Segment assets | 394,481 | 200,819 | 220,555 | 815,855 |
| Unallocated assets | | | | |
| - Cash and cash equivalents | | | | 29,320 |
| - Trade and other receivables | | | | 1,046 |
| Total assets | | | | <u>846,221</u> |
| Liabilities | | | | |
| Segment liabilities | 70,000 | 44,454 | 207,568 | 322,022 |
| Unallocated liabilities | | | | |
| - Payables and accruals | | | | 933 |
| - Borrowings | | | | 9,888 |
| Total liabilities | | | | <u>332,843</u> |
| Other segment information | | | | |
| Additions to non-current assets: | | | | |
| - Investment properties | 853 | 251 | 743 | 1,847 |
| - Equipment | 706 | 837 | - | 1,543 |
| Depreciation | <u>241</u> | <u>311</u> | <u>-</u> | <u>552</u> |

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).

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 Financial risk factors (continued)

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 | |
|--------------------------|----------------|----------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Fixed rate instrument | | |
| MTN – rated | 210,000 | 210,000 |
| Floating rate instrument | | |
| MTN – unrated | <u>100,000</u> | <u>100,000</u> |

Interest rate risk sensitivity analysis

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit after tax 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 | |
|---------------------------------|------------|------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| <u>Floating rate instrument</u> | | |
| 25 basis point increase | (250) | (250) |
| 25 basis point decrease | <u>250</u> | <u>250</u> |

Effect of IBOR reform

Following the Global Financial Crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR, USD LIBOR and other interbank offered rates has become a priority for global regulators. Globally, the new alternative reference rates ("ARR") are being introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates, in line with the LIBOR reforms.

On 24 September 2021, Bank Negara Malaysia ("BNM") announced the launch of the Malaysia Overnight Rate ("MYOR") as the ARR for Malaysia. The MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR").

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(a) Interest risk (continued)

Effect of IBOR reform (continued)

There remain key differences between KLIBOR and MYOR. KLIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3- or 6-month tenor) and is 'forward looking', because it is published at the beginning of the borrowing period. MYOR is currently a 'backward-looking' rate, based on unsecured overnight Malaysian Ringgit interbank transactions in the Malaysian financial market, and it is published on the next business day (i.e. at the end of the overnight borrowing period). Furthermore, KLIBOR includes a credit spread over the risk-free rate, which MYOR currently does not. To transition existing contracts and agreements that reference KLIBOR to MYOR, adjustments for term and credit differences might need to be applied to MYOR, to enable the two benchmark rates to be economically equivalent on transition.

The publication of the 2- and 12-month KLIBOR tenors will be discontinued on 1 January 2023. The remaining 1-, 3- and 6-month KLIBOR tenors will be reviewed by BNM in the second half of 2022. The Group's floating rate borrowings of RM100 million which the interest rate is based on the 1-month KLIBOR rate. The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the KLIBOR; and engage the bank to discuss necessary changes to the related contracts.

(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 24.3% (2021: 23.1%) 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.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(b) Credit risk (continued)

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.

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

| <u>Group and Fund</u> | As at June 2022 | 0-31 days | 32-61 days | 62-91 days | 92-121 days | 122-151 days | 152-181 days | >181 days |
|-------------------------------------|--------------------|--------------|---------------|---------------|----------------|-----------------|-----------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables (gross) | 709 | 121 | 147 | 47 | 46 | 30 | 25 | 293 |
| Impairment | (181) | - | - | - | - | - | - | (181) |
| | <u>528</u> | <u>121</u> | <u>147</u> | <u>47</u> | <u>46</u> | <u>30</u> | <u>25</u> | <u>112</u> |
| Expected loss rate | | | | | | | | 62% |
| Non-trade receivables (gross) | 292 | 110 | 39 | 29 | 13 | 16 | 9 | 76 |
| Impairment | (44) | - | - | - | - | (2) | (1) | (41) |
| | <u>248</u> | <u>110</u> | <u>39</u> | <u>29</u> | <u>13</u> | <u>14</u> | <u>8</u> | <u>35</u> |
| Expected loss rate | | | | | | 13% | 14% | 53% |

NOTES TO THE FINANCIAL STATEMENTS

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:- (continued)

| <u>Group and Fund</u> | As at June 2021 | 0-31 days | 32-61 days | 62-91 days | 92-121 days | 122-151 days | 152-181 days | >181 days |
|-------------------------------|--------------------|--------------|---------------|---------------|----------------|-----------------|-----------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables (gross) | 2,769 | 1,210 | 700 | 261 | 79 | 103 | 34 | 382 |
| Impairment | (346) | - | - | - | - | (12) | (1) | (333) |
| | <u>2,423</u> | <u>1,210</u> | <u>700</u> | <u>261</u> | <u>79</u> | <u>91</u> | <u>33</u> | <u>49</u> |
| Expected loss rate | | | | | | 12% | 2% | 87% |
| Non-trade receivables (gross) | 228 | 121 | 19 | 13 | 9 | 9 | 1 | 56 |
| Impairment | (49) | - | - | - | - | (1) | - | 48 |
| | <u>179</u> | <u>121</u> | <u>19</u> | <u>13</u> | <u>9</u> | <u>8</u> | <u>1</u> | <u>8</u> |
| Expected loss rate | | | | | | 16% | 0% | 86% |

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

| | Group and Fund | |
|--------------------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 |
| As at 1 July | 346 | 348 |
| Allowance for impairment | 158 | - |
| Bad debts written off | (323) | (2) |
| As at 30 June | <u>181</u> | <u>346</u> |

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

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.1 Financial risk factors (continued)

(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 2022 of RM30.1 million (2021: RM29.3 million) are expected to assist in the liquidity and cash flow risk management.

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

| | <1 year RM'000 | 1 to 2 years RM'000 | 2 to 3 years RM'000 | 3 to 5 years RM'000 | Total RM'000 |
|----------------------------|-------------------|---------------------------|---------------------------|---------------------------|-----------------|
| <u>Group</u> | | | | | |
| At 30 June 2022 | | | | | |
| Borrowings | 13,195 | 13,195 | 311,100 | - | 337,490 |
| Payables and accruals | 13,452 | 8,144 | - | - | 21,596 |
| <u>Fund</u> | | | | | |
| At 30 June 2022 | | | | | |
| Amount due to a subsidiary | - | - | 305,263 | - | 305,263 |
| Payables and accruals | 13,452 | 8,144 | - | - | 21,596 |
| <u>Group</u> | | | | | |
| At 30 June 2021 | | | | | |
| Borrowings | 12,905 | 12,905 | 12,905 | 311,074 | 349,789 |
| Payables and accruals | 9,175 | 10,960 | - | - | 20,135 |
| <u>Fund</u> | | | | | |
| At 30 June 2021 | | | | | |
| Amount due to a subsidiary | - | - | - | 305,193 | 305,193 |
| Payables and accruals | 9,175 | 10,960 | - | - | 20,135 |

Note:-

The amounts are contractual and undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.2 Capital risk management

Capital is the unitholders' capital and borrowings from bank and intercompany, as shown in the statement of financial position.

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

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

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

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

| | Group | | Fund | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Total borrowings | 312,913 | 312,708 | 305,263 | 305,193 |
| Total assets | 889,035 | 846,221 | 881,385 | 838,706 |
| Borrowings to total assets ratio (%) | 35.20% | 36.95% | 34.63% | 36.39% |

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 2022. Amount due to 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 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

23.3 Fair value

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

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

| | Level 3 | |
|------------------------------------|---------|---------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Recurring fair value measurements: | | |
| Investment properties | 852,000 | 808,000 |

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

Assets and liabilities not carried at fair value

The carrying amounts of financial assets and liabilities as at reporting date approximated their fair values 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 MTN 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 MTN issue for a borrowing facility of similar characteristics. This represents the best estimate of the market rate for the borrowing facility.

| | Level 3 | |
|-----------------------------------------|---------|---------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| MTN – fixed rate issue of RM210 million | 217,000 | 219,000 |

NOTES TO THE FINANCIAL STATEMENTS

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 |

The above companies are jointly controlled by KIP REIT's substantial unitholders Dato' Ong Kook Liong, his spouse and Datin Teoh Siew Chin.

| | Group | | Fund | |
|-------------------------------------------------------------------|--------|--------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Significant related parties transactions for the financial year: | | | | |
| <u>Purchases of services</u> | | | | |
| 1) Reimbursement cost | | | | |
| - KIP Property Services Sdn. Bhd. | 3,591 | 3,662 | 3,591 | 3,662 |
| 2) Management fees | | | | |
| - KIP REIT Management Sdn. Bhd. | 5,664 | 5,541 | 5,664 | 5,541 |
| 3) Interest on advances from a subsidiary | | | | |
| - KIP REIT Capital Sdn. Bhd. | - | - | 13,195 | 13,194 |
| Significant related parties balances as at reporting date: | | | | |
| <u>Amounts due from</u> | | | | |
| KIP Property Services Sdn. Bhd. | - | 7 | - | 7 |
| <u>Amounts due to</u> | | | | |
| KIP Property Services Sdn. Bhd. | 65 | - | 65 | - |
| KIP REIT Capital Sdn. Bhd. | - | - | 305,263 | 305,193 |

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 OPERATING LEASES

Leases as lessor

The Group and the Fund lease out the investment properties (Note 6) under operating leases. Subject to full receipts and/or recoveries of all trade receivables, and assuming no existing tenancies are prematurely terminated, all expiring tenancies will be renewed at the same passing rent rates and no rental support, incentive or waiver will be given to tenants.

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

| | Group and Fund | |
|---------------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| No later than 1 year | 47,169 | 53,877 |
| Later than 1 year but no later than 2 years | 24,561 | 35,710 |
| Later than 2 year but no later than 3 years | 18,901 | 20,194 |
| Later than 3 year but no later than 4 years | 4,484 | 17,911 |
| Later than 4 year but no later than 5 years | - | 4,484 |
| Later than 5 years | - | - |
| | <u> </u> | <u> </u> |

26 CAPITAL COMMITMENT

| | Group and Fund | |
|-----------------------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Significant capital expenditure commitments: | | |
| <u>Investment properties</u> | | |
| Contracted but not provided for and payable: | | |
| More than one year but less than two years | | |
| KIPMall Bangi Facelift | 18,116 | - |
| | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS

27 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group and the Fund have adopted the International Financial Reporting Standard Interpretation Committee (“IFRIC”) agenda decision on IAS 7 Statement of Cash Flows on demand deposits with restrictions on use arising from a contract with a third party resulted in change in accounting policy. The IFRIC in its April 2022 meeting concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7.

In line with the IFRIC agenda decision, the Group and the Fund have as at the reporting date reassessed and determined that the pledged deposits (disclosed in Note 9) are to be included as a component of cash and cash equivalents in the statements of cash flows. The change in accounting policy has been applied retrospectively where comparative information have been restated by including the pledged deposits as a component of cash and cash equivalents in the statements of cash flows. The change in accounting policy had no impact on the retained earnings and statements of financial position as at 1 July 2020 and 30 June 2021, statements of comprehensive income and statements of changes in net assets value of the Group and the Fund for the financial year ended 30 June 2021.

The detailed impact of change in accounting policy are set out below:

Impact to Statement of Cash Flows

| | Group | | |
|----------------------------------------------------|------------------------------|-------------------------------------------------|----------------|
| | As previously reported | Effects of change in accounting policy | As restated |
| | RM'000 | RM'000 | RM'000 |
| <u>For the financial year ended 30 June 2021</u> | | | |
| Cash from investing activities | | | |
| Pledged deposits | (160) | 160 | - |
| Net cash used in investing activities | (3,145) | 160 | (2,985) |
| Net increase in cash and cash equivalents | 3,184 | 160 | 3,344 |
| Cash and cash equivalents at beginning of the year | 16,980 | 8,996 | 25,976 |
| Cash and cash equivalents at end of the year | 20,164 | 9,156 | 29,320 |

27 CHANGE IN ACCOUNTING POLICY (CONTINUED)

The detailed impact of change in accounting policy are set out below: (continued)

Impact to Statement of Cash Flows

| | Fund | | |
|----------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------|----------------|
| | As previously reported | Effects of change in accounting policy | As restated |
| | RM'000 | RM'000 | RM'000 |
| <u>For the financial year ended 30 June 2021</u> | | | |
| Cash from investing activities | | | |
| Pledged deposits | (23) | 23 | - |
| Net cash used in investing activities | (3,008) | 23 | (2,985) |
| Net increase in cash and cash equivalents | 3,185 | 23 | 3,208 |
| Cash and cash equivalents at beginning of the year | 16,960 | 1,637 | 18,597 |
| Cash and cash equivalents at end of the year | 20,145 | 1,660 | 21,805 |
| | | | Group |
| | Before effects of change in accounting policy | Effects of change in accounting policy | As reported |
| | RM'000 | RM'000 | RM'000 |
| <u>For the financial year ended 30 June 2022</u> | | | |
| Cash from investing activities | | | |
| Pledged deposits | (54) | 54 | - |
| Net cash used in investing activities | (4,234) | 54 | (4,180) |
| Net increase in cash and cash equivalents | 1,620 | 54 | 1,674 |
| Cash and cash equivalents at beginning of the year | 20,164 | 9,156 | 29,320 |
| Cash and cash equivalents at end of the year | 21,784 | 9,210 | 30,994 |

NOTES TO THE FINANCIAL STATEMENTS

27 CHANGE IN ACCOUNTING POLICY (CONTINUED)

The detailed impact of change in accounting policy are set out below: (continued)

Impact to Statement of Cash Flows

| | Before effects of change in accounting policy RM'000 | Effects of change in accounting policy RM'000 | Fund As reported RM'000 |
|----------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------|
| <u>For the financial year ended 30 June 2022</u> | | | |
| Cash from investing activities | | | |
| Pledged deposits | 82 | (82) | - |
| Net cash used in investing activities | (4,098) | (82) | (4,180) |
| Net increase in cash and cash equivalents | 1,621 | (82) | 1,539 |
| Cash and cash equivalents at beginning of the year | 20,145 | 1,660 | 21,805 |
| Cash and cash equivalents at end of the year | 21,766 | 1,578 | 23,344 |

Note 9 to the Financial Statements – Cash and cash equivalents

| | As previously reported RM'000 | Effects of change in accounting policy RM'000 | As restated RM'000 |
|---------------------------|----------------------------------------|-----------------------------------------------------------|--------------------------|
| Group | | | |
| <u>As at 30 June 2021</u> | | | |
| Cash and cash equivalent | 20,164 | 9,156 | 29,320 |
| Fund | | | |
| <u>As at 30 June 2021</u> | | | |
| Cash and cash equivalent | 20,145 | 1,660 | 21,805 |

27 CHANGE IN ACCOUNTING POLICY (CONTINUED)

The detailed impact of change in accounting policy are set out below: (continued)

| | Before effects of change in accounting policy RM'000 | Effects of change in accounting policy RM'000 | As reported RM'000 |
|---------------------------|---------------------------------------------------------------------|-----------------------------------------------------------|--------------------------|
| Group | | | |
| <u>As at 30 June 2022</u> | | | |
| Cash and cash equivalent | 21,784 | 9,210 | 30,994 |
| Fund | | | |
| <u>As at 30 June 2022</u> | | | |
| Cash and cash equivalent | 21,766 | 1,578 | 23,344 |

28 SIGNIFICANT EVENTS DURING THE YEAR

- a) As announced on 22 February 2021, a Consent Judgement had been entered into on 22 February 2021 in relation to the litigation under Civil Suit No. WA-24NCvC-1804-10/2020. The dispute between the Plaintiff and Defendant had been settled amicably. Both parties agree that the Plaintiff may tenant the Demised Premises and shall vacate the Demised Premises on or before 28 February 2022.
- b) Movement restrictions of varying degrees have been imposed throughout much of the financial year in response to the Covid-19 pandemic. The Group and the Fund continued to offer rental rebate assistance to eligible tenants affected by the movement control orders subject to fulfilling the criteria set. The total rental rebate offered amounted to RM468,000 for the financial year ended 30 June 2022 (2021: RM598,000).

The Group and the Fund do not foresee significant increase in credit risks of the tenant that may materially jeopardise the sustainability of the Group's and the Fund's business with the recovery of the Malaysian economy.

29 SUBSEQUENT EVENTS

On 12 July 2022, the Manager announced that the Trustee has entered into conditional sale and purchase agreements ("SPAs") with Hextar Chemicals Sdn. Bhd., Hextar Industrial Chemicals Sdn. Bhd. and Teju Logistics Sdn. Bhd., respectively (hereinafter referred to as "Hextar group of companies"), for the sale and purchase of three industrial properties located in Pulau Indah ("Properties") for an aggregate purchase price of RM78.7 million ("Proposed Acquisitions"). The Properties will be leased to Hextar group of companies' related companies on a fixed period of 15 years from the date of completion of the SPAs ("Proposed Leases").

The Proposed Acquisitions and the Proposed Leases are deemed related party transactions under Paragraph 10.08 of the listing Requirements in view of the interests of the interested major unitholder of KIP REIT and are subject to the approval of the unitholders of KIP REIT at a general meeting to be convened, consents from the State Authority of Selangor and any other relevant authorities and/or parties if required.

NOTES TO THE FINANCIAL STATEMENTS

29 SUBSEQUENT EVENTS (CONTINUED)

On 1 August 2022, the Manager announced that additional 52,500,000 new units (“New Units”) arising from the private placement (“Private Placement”) was granted listing and quotation with effect from 3 August 2022. The said Private Placement of up to 101,060,000 new units, representing 20% of total number of issued units of KIP REIT as of 30 June 2021, was approved by Bursa Securities on 25 August 2021 and KIP REIT’s unitholders during 29 September 2021 Annual General Meeting. The issue price for New Units was fixed on 18 July 2022 at RM0.805, at 9.42% discount to the 5-day volume-weighted average price of KIP REIT Units up to and including 15 July 2022 of RM0.8887.

On 3 August 2022, the New Units were listed and quoted on Bursa Securities as KIP REIT – A UNITS, the New Units shall not be entitled to the final income distribution of 2.10 sen per unit for the 4th quarter of 2022 which was announced on 28 July 2022.

UNITHOLDERS' STATISTICS

AS AT 16 AUGUST 2022

ANALYSIS OF UNITHOLDINGS

| Size of Unitholdings | No. of Unitholders | % of Unitholders | No. of Units | % of Issued Units |
|-----------------------------------------|--------------------|------------------|--------------------|-------------------|
| Less than 100 | 31 | 0.40 | 442 | 0.00 |
| 100 - 1,000 | 1,254 | 16.04 | 792,429 | 0.14 |
| 1,001 - 10,000 | 4,185 | 53.53 | 21,222,000 | 3.80 |
| 10,001 - 100,000 | 2,024 | 25.89 | 66,051,408 | 11.84 |
| 100,001 to less than 5% of issued units | 322 | 4.12 | 333,969,721 | 59.87 |
| 5% and above of issued units | 2 | 0.03 | 135,764,000 | 24.34 |
| Total | 7,818 | 100.00 | 557,800,000 | 100.00 |

*Voting rights: one vote per unit

DIRECTORS' UNITHOLDINGS

| No. | Name of Directors | Direct Interest | | Deemed Interest | |
|-----|--------------------------------------------|-----------------|-------|-----------------|-------|
| | | No. of Units | % | No. of Units | % |
| 1 | Datuk Dr Syed Hussain bin Syed Husman, PJN | 60,000 | 0.01 | - | - |
| 2 | Dato' Ong Kook Liong | 61,486,283 | 11.02 | 3,878,492 | 0.70* |
| 3 | Datuk Mohamed Arsad bin Sehan | 60,000 | 0.01 | - | - |
| 4 | Chiam Tau Meng | - | - | - | - |
| 5 | Chew Kheng Kai | 100,000 | 0.02 | - | - |
| 6 | Ong Pui Shan | 200,000 | 0.04 | - | - |

SUBSTANTIAL UNITHOLDERS

| No. | Name of Substantial Unitholders | Direct Interest | | Deemed Interest | |
|-----|---------------------------------|-----------------|---------|-----------------|---------|
| | | No. of Units | % | No. of Units | % |
| 1 | Dato' Ong Kook Liong | 61,486,283 | 11.02 | 3,878,492 | 0.70* |
| 2 | Datin Teoh Siew Chin | 34,347,288 | 6.16 | - | - |
| 3 | Hextar Rubber Sdn. Bhd. | 101,500,000 | 18.20** | - | - |
| 3 | Dato' Ong Choo Meng | - | - | 101,500,000 | 18.20** |

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

** Deemed interest by virtue of his interest pursuant to Section 8(4) of the Companies Act 2016.

UNITHOLDERS' STATISTICS

AS AT 16 AUGUST 2022

TOP 30 UNITHOLDERS

| No. | Name | Holdings | % |
|-----|-----------------------------------------------------------------------------------------------------------------|-------------|-------|
| 1 | HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR RUBBER SDN. BHD. (PJCAC) | 101,500,000 | 18.20 |
| 2 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG | 34,264,000 | 6.14 |
| 3 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG | 17,900,000 | 3.21 |
| 4 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW CHIN | 17,900,000 | 3.21 |
| 5 | YAYASAN GURU TUN HUSSEIN ONN | 17,000,000 | 3.05 |
| 6 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW CHIN | 16,447,288 | 2.95 |
| 7 | TAN JYH YAONG | 14,882,500 | 2.67 |
| 8 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1) | 13,625,600 | 2.44 |
| 9 | CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE (EFGHK- ASING) | 12,500,000 | 2.24 |
| 10 | CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSHKBR-CL FR) | 12,500,000 | 2.24 |
| 11 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN) | 10,862,300 | 1.95 |
| 12 | CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BOCI SECURITIES LTD (CLIENTS A/C) | 9,550,000 | 1.71 |
| 13 | AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOOK LIONG | 8,600,000 | 1.54 |
| 14 | MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (LIFE PAR) | 6,931,700 | 1.24 |
| 15 | CARTABAN NOMINEES (TEMPATAN) SDN BHD TMF TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG WHOLESALE EQUITY FUND 2 | 6,866,400 | 1.23 |

TOP 30 UNITHOLDERS (CONTINUED)

| No. | Name | Holdings | % |
|-----|------------------------------------------------------------------------------------------------------------|-------------|-------|
| 16 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA) | 6,559,500 | 1.18 |
| 17 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (AFFIN) | 6,138,300 | 1.10 |
| 18 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AIK HOE (MY4374) | 5,400,000 | 0.97 |
| 19 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P) | 4,637,300 | 0.83 |
| 20 | MAYBANK NOMINEES (TEMPATAN) SDN BHD MEDICAL FUND (IFM AFFINHWANG) (410222) | 4,213,100 | 0.76 |
| 21 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG KAI MENG | 4,200,000 | 0.75 |
| 22 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK PICK TONG (7004042) | 4,000,000 | 0.72 |
| 23 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEW KUI TAW | 3,390,000 | 0.61 |
| 24 | MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM AFFINHWANG 410195) | 3,286,400 | 0.59 |
| 25 | HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HWA SING | 2,966,300 | 0.53 |
| 26 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHU YEE HONG | 2,800,000 | 0.50 |
| 27 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG YIH MING | 2,600,000 | 0.47 |
| 28 | MAH SIEW HOE | 2,500,000 | 0.45 |
| 29 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YAP KEK SIUNG | 2,400,000 | 0.43 |
| 30 | CHOW HON KEONG | 2,315,000 | 0.42 |
| | TOTAL | 358,735,688 | 64.33 |

CORPORATE DIRECTORY

MANAGER

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

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Chairman and Senior Independent Non-Executive Director
Dato' Ong Kook Liong
Non-Independent Executive Director
Mr Alex Chew Kheng Kai
Non-Independent Executive Director
Datuk Mohamed Arsad bin Sehan
Independent Non-Executive Director
Mr Chiam Tau Meng
Independent Non-Executive Director
Ms Ong Pui Shan
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Datuk Dr Syed Hussain bin Syed Husman, PJN (Chairman)
Datuk Mohamed Arsad bin Sehan
Mr Alex Chew Kheng Kai

COMPANY SECRETARY OF THE MANAGER

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 Stock Code : 5280

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