

**NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF KIP REAL ESTATE INVESTMENT TRUST (“KIP REIT”)  
DATED 30 DECEMBER 2016 (“ELECTRONIC PROSPECTUS”)**

*(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)*

**Website**

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“**Website**”).

**Availability and Location of Paper/Printed Prospectus**

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from KIP REIT Management Sdn Bhd (“**Manager**”), CIMB Investment Bank Berhad (“**CIMB**”), or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus and the Application Form from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

**Jurisdictional Disclaimer**

The distribution of the Electronic Prospectus and the IPO are subject to Malaysian law. Bursa Securities, the Manager, and CIMB take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorized or lawful or to any person to whom it is unlawful to make such offer or invitation.

**Close of Application**

Applications will be accepted from 10.00 a.m. on 30 December 2016 and will close at 5.00 p.m. on 16 January 2017 or for such further period or periods as the Manager and the Underwriter may mutually decide in their absolute discretion.

The Electronic Prospectus made available on the Website after the closing of the Retail Offering is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the Retail Offering.

**Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted**

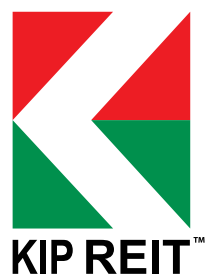
The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.





KiP Mart Tampoi



Managed by:

**KIP REIT MANAGEMENT SDN BHD** (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

Tel: +603 6252 0888  
Fax: +603 6258 6619

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

**KiP Mart**



**KiP Mall**

**KIPMALL**



KiP Mart Masai



**KIP REAL ESTATE INVESTMENT TRUST**

**PROSPECTUS**



## KIP REAL ESTATE INVESTMENT TRUST

(A REAL ESTATE INVESTMENT TRUST CONSTITUTED IN MALAYSIA UNDER THE DEED DATED 2 NOVEMBER 2016 AND REGISTERED WITH THE SECURITIES COMMISSION MALAYSIA ON 4 NOVEMBER 2016, ENTERED INTO BETWEEN KIP REIT MANAGEMENT SDN BHD (1169638-M) (“**MANAGER**”) AND PACIFIC TRUSTEES BERHAD (317001-A) (“**TRUSTEE**”), BOTH COMPANIES INCORPORATED IN MALAYSIA UNDER THE COMPANIES ACT, 1965)

INITIAL PUBLIC OFFERING OF 234,150,000 OFFER UNITS IN KIP REIT (“**UNITS**”) COMPRISING ISSUANCE OF:

- (I) 220,650,000 OFFER UNITS MADE AVAILABLE FOR APPLICATION BY MALAYSIAN INSTITUTIONAL INVESTORS AND SELECTED INVESTORS, INCLUDING BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, AT THE INSTITUTIONAL PRICE BEING THE PRICE PER UNIT PAYABLE BY THE INVESTORS WHICH WILL BE DETERMINED BY WAY OF BOOKBUILDING (“**INSTITUTIONAL PRICE**”); AND
- (II) 13,500,000 OFFER UNITS MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC, THE ELIGIBLE DIRECTORS AND EMPLOYEES OF THE MANAGER, THE VENDORS AND ELIGIBLE ASSOCIATE COMPANIES OF THE PROMOTERS AT THE RETAIL PRICE OF RM1.00 PER UNIT PAYABLE BY APPLICANTS (“**RETAIL PRICE**”);

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISION IN CONNECTION WITH THE LISTING OF AND QUOTATION FOR 505,300,000 UNITS IN KIP REIT ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

THE RETAIL PRICE IS PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE, IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE. THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF:

- (I) THE RETAIL PRICE OF RM1.00 PER UNIT; AND
- (II) THE INSTITUTIONAL PRICE.



KiP Mall Bangi



KiP Mart Kota Tinggi



KiP Mart Melaka



KiP Mart Lavender Senawang

Manager



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

Principal Adviser, Underwriter  
and Bookrunner



CIMB Investment Bank Berhad (18417-M)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Trustee



Pacific Trustees Berhad  
(Company Number: 317001-A)

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE SECTION 5 “RISK FACTORS” OF THIS PROSPECTUS.**

**THIS PROSPECTUS IS DATED 30 DECEMBER 2016  
AND EXPIRES ON 29 DECEMBER 2017**



*All terms used are defined under "Definitions" and "Presentation of Financial, Market, Industry and Other Information" commencing on pages xi and xix of this Prospectus respectively.*

## **RESPONSIBILITY STATEMENTS**

This Prospectus has been reviewed and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this Prospectus false or misleading. Each of the Directors accepts full responsibility for the Profit Forecasts included in this Prospectus and confirms that the Profit Forecasts have been prepared based on the assumptions made.

CIMB, being the Principal Adviser, the Underwriter and the Bookrunner acknowledges that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Offering and are satisfied that the Profit Forecasts (for which the Directors are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors after due and careful inquiry and have been duly reviewed by the Reporting Accountants.

## **STATEMENTS OF DISCLAIMER**

The SC has approved the issue of, offer for subscription or purchase, or issue of an invitation to subscribe for or purchase Units in respect of the Offering and a copy of this Prospectus has been registered with the SC.

The approval of the Offering, and registration of this Prospectus, should not be taken to indicate that the SC recommends KIP REIT or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus.

The SC is not liable for any non-disclosure on the part of the Manager and takes no responsibility for the contents in this Prospectus. The SC makes no representation on the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

The valuation approved or accepted by the SC shall only be utilised for the purpose of the proposals, in relation to the Listing of KIP REIT, submitted to and approved by the SC, and shall not be construed as an endorsement by the SC on the value of the Subject Properties for any other purpose.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF INVESTORS ARE UNABLE TO MAKE THEIR OWN EVALUATION, THEY ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.**

Admission to the Official List on the Main Market is not to be taken as an indication of the merits of the invitation, KIP REIT or of its Units.

## **NOTICE TO INVESTORS AND ADDITIONAL STATEMENTS**

Investors should note that they may seek recourse under the CMSA for breaches of securities laws and regulations including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to KIP REIT.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any person set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

Bursa Securities' approval for the admission of all the Units to be issued to the Official List of the Main Market and for the listing of and quotation for all the Units to be issued pursuant to the Listing was obtained on 8 December 2016.

Investors should note that any agreement by the Underwriter to underwrite the Units under the Retail Offering is not to be taken as an indication of the merits of the Units being offered.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

The Manager will not, prior to acting on any acceptance in respect of the Offering, make or be bound to make any inquiry as to whether investors have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any inquiry or investigation is made in connection therewith. It shall be the investors' sole responsibility if they are or may be subject to the laws of countries or jurisdictions other than Malaysia to consult their legal and/or other professional advisers as to whether the Offering would result in the contravention of any laws of such countries or jurisdictions.

Further, it shall also be the investors' sole responsibility to ensure that their applications for the Offering would be in compliance with the terms of the Offering and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which they may be subjected. The Manager will further assume that investors have accepted the Offering in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith.

However, the Manager reserves the right, in its absolute discretion, to treat any acceptance as invalid if the Manager believes that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Manager, the Promoters, the Principal Adviser, the Underwriter and the Bookrunner shall not accept any responsibility or liability in the event that any application made by investors shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

This Prospectus is published solely in connection with the Offering. The Units being offered in the Offering are offered solely on the basis of the information contained and representations made in this Prospectus. The Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by the Manager, the Promoters, the Principal Adviser, the Underwriter and the Bookrunner, or any of their respective directors or any other persons involved in the Offering. If anyone provides investors with different or inconsistent information, investors should not rely upon it. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of KIP REIT, the Manager or the Units since the date of this Prospectus. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. Unless required by applicable laws, and save as provided in the responsibility statement of the Directors as set out in this Prospectus, no representation, warranty or covenant, express or implied, is made by any of KIP REIT, the Manager, the Promoters, the Principal Adviser, the Underwriter and the Bookrunner or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of KIP REIT, the Manager, the Promoters, the Principal Adviser, the Underwriter or the Bookrunner or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of KIP REIT, the Manager, the Promoters, the Principal Adviser, the Underwriter and the Bookrunner or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any purchaser or subscriber of Units regarding the legality of an investment by such purchaser or subscriber under appropriate legal, investment or similar laws. In addition, investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. KIP REIT, the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to KIP REIT, the Promoters, the Manager, the Trustee, the Principal Adviser, the Underwriter and the Bookrunner. This Prospectus does not constitute, and the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner are not making, an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

This Prospectus is available from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

This Prospectus has been prepared in the context of an initial public offering under the laws of Malaysia.

## **ELECTRONIC PROSPECTUS**

The contents of the electronic copy of this Prospectus and the copy of this Prospectus registered with the SC are the same. Prospective investors may obtain a copy of the Electronic Prospectus from the websites of Affin Bank Berhad at [www.affinOnline.com](http://www.affinOnline.com), Affin Hwang Investment Bank Berhad at [trade.affinhwang.com](http://trade.affinhwang.com), CIMB Investment Bank Berhad at [www.eipocimb.com](http://www.eipocimb.com), CIMB Bank Berhad at [www.cimbclicks.com.my](http://www.cimbclicks.com.my), Malayan Banking Berhad at [www.maybank2u.com.my](http://www.maybank2u.com.my), Public Bank Berhad at [www.pbebank.com](http://www.pbebank.com) or RHB Bank Berhad at [www.rhbgroup.com](http://www.rhbgroup.com).

The internet is not a fully secured medium. The internet application for the Units may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions. If investors doubt the validity or integrity of an Electronic Prospectus, investors should immediately request from the Manager or the Issuing House, a paper or printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper or printed copy of this Prospectus, the contents of the paper or printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**third party internet sites**"), whether by way of hyperlinks or by way of description of the third party internet sites, investors acknowledge and agree that:

- (i) each of the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner does not endorse and is not affiliated in any way with third party internet sites. Accordingly, each of the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner is not responsible for the availability of, or the contents or any data, files or other material provided on third party internet sites. Investors bear all risks associated with the access to or use of third party internet sites;

- (ii) each of the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner is not responsible for the quality of products or services of third party internet sites, particularly in fulfilling any terms of agreements with third party internet sites. Each of the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner is also not responsible for any loss or damage or cost that investors may suffer or incur in connection with or as a result of dealing with the third party internet sites or the use of or reliance on any data, file or other material provided by such parties; and
- (iii) any data, file or other material downloaded from third party internet sites is done at investors' own discretion and risk. Each of the Promoters, the Manager, the Principal Adviser, the Underwriter and the Bookrunner is not responsible, liable or under obligation for any damage to investors' computer systems or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on any of the websites of the Internet Participating Financial Institutions, investors are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus to the extent of the contents of the Electronic Prospectus on the web servers of the Internet Participating Financial Institutions which may be viewed via the investors' web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of an Electronic Prospectus which has been obtained from the web servers of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to investors or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, investors or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault with the web browsers or other relevant software, any fault on investors' or any third party's personal computers, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the websites of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on investors' personal computers.

## INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below:

<u>Date and time<sup>(1)</sup></u>	<u>Event</u>
30 December 2016, 10.00 a.m.	: Opening date and time for the Retail Offering
30 December 2016	: Opening date of the Institutional Offering
16 January 2017, 5.00 p.m.	: Closing date and time for the Retail Offering
17 January 2017	: Closing date of the Institutional Offering
17 January 2017	: Price Determination Date
18 January 2017	: Balloting of applications for Offer Units pursuant to the Retail Offering for the Malaysian Public portion
3 February 2017	: Allotment of Offer Units to successful applicants
6 February 2017	: Listing of KIP REIT on the Main Market

**Note:**

<sup>(1)</sup> *The above timetable is indicative only and is subject to change. The Institutional Offering will open and close at the dates stated above or such other date(s) as the Manager and the Bookrunner may mutually decide in their absolute discretion. The application for the Offer Units offered under the Retail Offering will open and close at the dates stated above or such other date(s) as the Manager and the Underwriter may mutually decide in their absolute discretion.*

If either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting, allotment of Offer Units and Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated Bahasa Malaysia daily newspaper and English daily newspaper within Malaysia.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## TABLE OF CONTENTS

	Page
<b>DEFINITIONS</b> .....	xi
<b>PRESENTATION OF FINANCIAL, MARKET, INDUSTRY AND OTHER INFORMATION</b> .....	xx
<b>FORWARD-LOOKING STATEMENTS</b> .....	xxii
<b>CORPORATE DIRECTORY</b> .....	xxiii
<b>INFORMATION SUMMARY</b> .....	1
OVERVIEW OF KIP REIT .....	1
SUMMARY OF KIP REIT .....	3
STRUCTURE OF KIP REIT.....	6
OVERVIEW OF THE SUBJECT PROPERTIES .....	7
COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS .....	12
PRINCIPAL STATISTICS RELATING TO THE OFFERING .....	16
FINANCIAL HIGHLIGHTS .....	18
RISK FACTORS .....	24
FEES AND CHARGES .....	27
<b>1. DETAILED INFORMATION ON KIP REIT</b> .....	30
1.1 OVERVIEW OF KIP REIT .....	30
1.2 STRUCTURE OF KIP REIT.....	30
1.3 STRATEGIES .....	31
1.4 INVESTORS' PROFILE.....	35
1.5 PERFORMANCE BENCHMARK.....	35
1.6 DISTRIBUTION POLICY .....	36
1.7 VALUATION POLICY .....	36
1.8 BORROWING LIMITATIONS AND GEARING POLICY .....	37
1.9 INTELLECTUAL PROPERTY.....	37
<b>2. BUSINESS AND SUBJECT PROPERTIES</b> .....	39
2.1 ACQUISITIONS BY KIP REIT .....	40
2.2 OVERVIEW OF THE SUBJECT PROPERTIES .....	41
2.3 COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS .....	49
2.4 INDEPENDENT PROPERTY MARKET REPORT .....	53
2.5 VALUATION POLICIES.....	54
2.6 KIP MART TAMPOI.....	55
2.7 KIP MART KOTA TINGGI.....	59
2.8 KIP MART MASAI.....	63
2.9 KIP MART LAVENDER SENAWANG .....	67
2.10 KIP MART MELAKA.....	71
2.11 KIP MALL BANGI.....	75
2.12 TENANCY MANAGEMENT .....	78
2.13 INSURANCE.....	79



	<b>Page</b>
2.14 FIRE PROTECTION .....	79
2.15 RETAIL PROPERTY COMPETITION .....	79
2.16 CAPITAL EXPENDITURE .....	79
2.17 LEGAL PROCEEDINGS.....	79
<b>3. PARTICULARS OF THE OFFERING .....</b>	<b>80</b>
3.1 INTRODUCTION .....	80
3.2 TOTAL FUND SIZE AND UNITS TO BE ISSUED .....	81
3.3 PURPOSE OF THE OFFERING .....	81
3.4 DETAILS OF THE OFFERING.....	81
3.5 INDICATIVE TIMETABLE.....	84
3.6 BASIS OF DETERMINING THE PRICE OF THE OFFER UNITS .....	84
3.7 LISTING SCHEME .....	86
3.8 REIT FINANCING.....	87
3.9 UTILISATION OF PROCEEDS .....	88
3.10 BROKERAGE, COMMISSIONS AND OTHER FEES AND CHARGES.....	88
3.11 SALIENT TERMS OF THE RETAIL UNDERWRITING AGREEMENT.....	89
3.12 LOCK-UP ARRANGEMENTS .....	93
3.13 TRADING ON THE MAIN MARKET AND SETTLEMENT IN THE SECONDARY MARKET.....	94
<b>4. FINANCIAL INFORMATION .....</b>	<b>95</b>
4.1 PRO FORMA STATEMENT OF FINANCIAL POSITION.....	95
4.2 CAPITALISATION AND INDEBTEDNESS.....	98
4.3 PRO FORMA NET PROPERTY INCOME .....	98
4.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	100
4.5 PROFIT FORECASTS.....	115
<b>5. RISK FACTORS.....</b>	<b>130</b>
5.1 RISKS RELATING TO THE SUBJECT PROPERTIES.....	130
5.2 RISKS RELATING TO KIP REIT'S OPERATIONS.....	136
5.3 RISKS RELATING TO AN INVESTMENT IN THE UNITS.....	145
<b>6. THE MANAGER .....</b>	<b>151</b>
6.1 CORPORATE INFORMATION.....	151
6.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER .....	151
6.3 CORPORATE STRUCTURE OF THE MANAGER .....	154
6.4 DIRECTORS OF THE MANAGER .....	155
6.5 MANAGEMENT TEAM OF THE MANAGER .....	162
6.6 MANAGEMENT FEES .....	166
6.7 OUTSOURCING OF THE REGISTRAR FUNCTION.....	169
6.8 OUTSOURCING OF THE INTERNAL AUDIT FUNCTION .....	171

	<b>Page</b>	
6.9	OUTSOURCING OF COMPANY SECRETARIAL FUNCTION.....	172
6.10	UNITHOLDINGS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE MANAGER IN KIP REIT .....	173
6.11	RETIREMENT, REMOVAL AND REPLACEMENT OF THE MANAGER .....	173
6.12	RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST.....	174
6.13	CORPORATE GOVERNANCE .....	175
6.14	MATERIAL LITIGATION AND ARBITRATION.....	175
<b>7.</b>	<b>BACKGROUND INFORMATION ON THE PROMOTERS</b> .....	<b>176</b>
7.1	THE PROMOTERS .....	176
7.2	UNITHOLDINGS OF THE PROMOTERS IN KIP REIT .....	176
<b>8.</b>	<b>THE TRUSTEE</b> .....	<b>177</b>
8.1	CORPORATE INFORMATION.....	177
8.2	BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER OF THE TRUSTEE...	177
8.3	FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE .....	178
8.4	FINANCIAL INFORMATION OF THE TRUSTEE.....	179
8.5	TRUSTEE'S FEE.....	179
8.6	RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE.....	179
8.7	TRUSTEE'S RESPONSIBILITY STATEMENT .....	180
8.8	MATERIAL LITIGATION AND ARBITRATION.....	180
8.9	DELEGATION OF THE TRUSTEE'S FUNCTION.....	180
<b>9.</b>	<b>THE PROPERTY MANAGER</b> .....	<b>181</b>
9.1	CORPORATE INFORMATION.....	181
9.2	FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE PROPERTY MANAGER.....	181
9.3	EXPERIENCE IN PROPERTY MANAGEMENT AND PROPERTIES MANAGED.....	182
9.4	INFORMATION ON KEY PERSONNEL AND STAFF STRENGTH.....	182
9.5	PROPERTY MANAGEMENT FEE .....	183
9.6	SALIENT TERMS OF THE PROPERTY MANAGEMENT AGREEMENT .....	183
9.7	UNITHOLDING OF THE PROPERTY MANAGER IN KIP REIT.....	184
9.8	SERVICE PROVIDERS TO PROVIDE PERSONNEL TO THE PROPERTY MANAGER.....	184
<b>10.</b>	<b>SALIENT TERMS OF THE DEED</b> .....	<b>185</b>
10.1	THE DEED.....	185
10.2	NATURE OF UNITS .....	185
10.3	RIGHTS OF UNITHOLDERS .....	186
10.4	LIMITATION OF LIABILITY AND RIGHTS OF UNITHOLDERS.....	186
10.5	CREATION OF UNITS .....	187
10.6	SUSPENSION OF, DEALING IN AND ISSUE OF UNITS .....	187
10.7	VENDOR UNITS.....	188

	<b>Page</b>
10.8	DISTRIBUTABLE INCOME ..... 188
10.9	INVESTMENT POLICIES OF KIP REIT ..... 189
10.10	CONCERNING THE TRUSTEE ..... 191
10.11	FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE TRUSTEE..... 191
10.12	RETIREMENT, REMOVAL AND REPLACEMENT OF THE TRUSTEE..... 191
10.13	LIMITATION OF LIABILITY AND INDEMNITY OF THE TRUSTEE ..... 192
10.14	CONCERNING THE MANAGER..... 192
10.15	FUNCTIONS, DUTIES AND RESPONSIBILITIES OF THE MANAGER ..... 192
10.16	RETIREMENT, REMOVAL OR REPLACEMENT OF THE MANAGER..... 193
10.17	LIMITATION OF LIABILITY AND INDEMNITY OF THE MANAGER ..... 193
10.18	MANAGER'S FEES AND TRUSTEE'S FEE ..... 193
10.19	PERMITTED CHARGES OF KIP REIT ..... 193
10.20	MODIFICATION OF THE DEED..... 193
10.21	TERMINATION AND WINDING-UP OF KIP REIT ..... 194
10.22	MEETINGS OF UNITHOLDERS ..... 196
<b>11.</b>	<b>CORPORATE GOVERNANCE, RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST ..... 197</b>
11.1	CORPORATE GOVERNANCE..... 197
11.2	EXISTING AND ON-GOING RELATED PARTY TRANSACTIONS ..... 197
11.3	POTENTIAL RELATED PARTY TRANSACTIONS ..... 201
11.4	POTENTIAL CONFLICTS OF INTEREST ..... 202
11.5	INTERESTS OF DIRECTORS AND OTHER SUBSTANTIAL SHAREHOLDERS OF THE MANAGER IN OTHER CORPORATIONS CARRYING ON SIMILAR BUSINESSES ..... 204
11.6	OTHER PERTINENT INFORMATION ..... 204
11.7	DECLARATIONS BY ADVISERS ..... 205
<b>12.</b>	<b>APPROVALS, CONDITIONS, WAIVERS AND VARIATIONS ..... 207</b>
12.1	APPROVALS AND CONDITIONS ..... 207
12.2	WAIVERS AND VARIATIONS ..... 209
<b>13.</b>	<b>OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN MALAYSIA ..... 210</b>
13.1	OVERVIEW OF REGULATION OF REITS IN MALAYSIA ..... 210
13.2	OVERVIEW OF LAND LAW..... 212
<b>14.</b>	<b>ADDITIONAL INFORMATION ..... 221</b>
14.1	GENERAL ..... 221
14.2	MATERIAL CONTRACTS ..... 222
14.3	SALIENT TERMS OF THE SPAS ..... 224
14.4	SALIENT TERMS OF THE ROFRs ..... 226
14.5	CONSENTS ..... 228
14.6	DOCUMENTS AVAILABLE FOR INSPECTION ..... 228
14.7	RESPONSIBILITY STATEMENTS ..... 229

APPENDIX A	– VALUATION CERTIFICATES .....	A-1
APPENDIX B	– INDEPENDENT PROPERTY MARKET REPORT .....	B-1
APPENDIX C	– TAX CONSULTANT’S LETTER ON TAXATION OF KIP REIT AND UNITHOLDERS	C-1
APPENDIX D	– REPORTING ACCOUNTANTS’ LETTER ON PRO FORMA STATEMENT OF FINANCIAL POSITION .....	D-1
APPENDIX E	– REPORTING ACCOUNTANTS’ LETTER ON THE PROFIT FORECASTS .....	E-1
APPENDIX F	– PROCEDURE FOR THE APPLICATION AND ACCEPTANCE FOR THE RETAIL OFFERING .....	F-1

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK



## DEFINITIONS

The following terms in this Prospectus bear the same meaning unless the term is defined otherwise or the context requires otherwise:

Acquisitions	:	Acquisitions by the Trustee on behalf of KIP REIT of the Subject Properties and the Related Assets for a total purchase consideration of approximately RM580.3 million to be satisfied by Cash Consideration and Consideration Units
Act	:	Companies Act 1965, as amended from time to time and any re-enactment thereof
ADA	:	Authorised Depository Agent
Application Forms	:	Printed application forms for the application of the Offer Units under the Retail Offering accompanying this Prospectus
Appraised Value	:	In relation to a Subject Property, the value of that Subject Property as appraised by the Independent Property Valuer as at 1 March 2016
Asset Valuation Guidelines	:	Asset Valuation Guidelines issued by the SC on 8 May 2009, as amended from time to time
ATM	:	Automated teller machine
Audex	:	Audex Governance Sdn Bhd (Company No. 469101-V), a company incorporated under the laws of Malaysia
Authorised Investments	:	The following investments in which KIP REIT may invest, subject to the provisions of the REIT Guidelines:  (i) Real Estate; (ii) SPVs; (iii) Real Estate-Related Assets; (iv) Non-Real Estate-Related Assets; (v) cash, deposits and money market instruments; and  any other investment not specified in (i) to (v) above but specified as a permissible investment in the REIT Guidelines or as otherwise permitted by the SC
Board	:	Board of directors of the Manager
Bookrunner	:	CIMB, being the bookrunner in respect of the Institutional Offering
Books Closing Date	:	The specified time and date set by the Manager for the purpose of determining the Unitholders' entitlement to the Distributable Income, Offer Units or other distributions or entitlements
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company Number: 165570-W), a company incorporated under the laws of Malaysia, being the central depository of Malaysia
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company Number: 635998-W), a company incorporated under the laws of Malaysia, being the securities exchange of Malaysia
CAGR	:	Compound annual growth rate

Cash Consideration	:	The settlement of the balance of the purchase consideration for the Acquisitions of approximately RM309.1 million by way of cash
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor for the recording of the deposit of securities and for dealing in such securities by the depositor
CECS	:	CE Corporate Secretaries (Company Number: 814710-U), a company incorporated under the laws of Malaysia
CIMB	:	CIMB Investment Bank Berhad (Company Number: 18417-M), a company incorporated under the laws of Malaysia
CIS Prospectus Guidelines	:	Prospectus Guidelines for Collective Investment Schemes, as amended from time to time
Clawback and Reallocation	:	The clawback and reallocation provision as set out in Section 3.4.3 “Clawback and Reallocation” of this Prospectus
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
COF	:	Cost of Funds
Completion Date of the SPA	:	The date, on which the Acquisitions are completed or deemed to be completed on the terms as set out in the SPA
Consideration Units	:	The 271,150,000 Units to be issued as part satisfaction of the purchase consideration for the Acquisitions at the issue price of RM1.00 per Unit which shall be deemed fully paid
Controlling Shareholders	:	means a person who holds directly or indirectly 50.0% or more of the nominal amount of all voting shares of the company
Controlling Unitholders	:	means any person who is or a group of persons who together are entitled to exercise or control the exercise of more than 33.0% of the voting units in a unit trust scheme
Deed	:	The deed of trust dated 2 November 2016 entered into between the Manager and the Trustee, constituting KIP REIT and registered with the SC on 4 November 2016
Deposited Property	:	All the assets of KIP REIT, including all its Authorised Investments and other assets (after consulting with the auditor) to be in the nature of assets in accordance with generally accepted accounting practices in Malaysia, for the time being held or deemed to be held in accordance to the Deed
Director	:	Director of the Manager
Distributable Income	:	The amount available for distribution to the Unitholders of KIP REIT and having the meaning as set out in Section 10.8 “Distributable Income” of this Prospectus
Distribution Yield	:	The ratio of distribution paid to Unitholders from KIP REIT's Distributable Income to the market price of the Units
Distribution Period	:	Half-yearly, or such other interval as the Manager may determine in accordance with the Deed
DPU	:	Distribution per Unit

Electronic Application(s)	:	Application(s) for the Offer Units under the Retail Offering for the Malaysian Public through the ATMs of Participating Financial Institution(s)
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the internet, electronic mail and/or distribution of CD-ROMs
Eligible Companies	:	Eligible associate companies of the Promoters, namely Adamin Corporation, KIP Land Sdn Bhd, Kepong Industrial Park Sdn Bhd and KIP Development Sdn Bhd
EPF	:	Employees Provident Fund
Final Retail Price	:	Final price per Offer Unit payable by investors pursuant to the Retail Offering equivalent to RM1.00 per Offer Unit or the Institutional Price, whichever is lower, to be determined on the Price Determination Date
Financing Facilities	:	Financing facilities of up to RM97.0 million to be procured by KIP REIT through the Trustee from the Lender for part satisfaction of the Cash Consideration and for working capital purposes
Forecast Period 2017	:	The 8-month period ending 30 June 2017
Forecast Year 2018	:	1 July 2017 to 30 June 2018
FY	:	The period ending on 30 June in each year or any other period, as may be determined by the Manager and approved by the Trustee, subject to applicable laws and requirements
FYE	:	Financial year ended or, as the case may be, ending 30 June
GDP	:	Gross domestic product
GFA	:	Gross floor area
GST	:	Goods and services tax
Government	:	Government of Malaysia
Gross Rental Income	:	Base rental from tenants occupying the LA
Income Tax Act	:	Income Tax Act, 1967, as amended from time to time and any re-enactment thereof
Independent Property Market Consultant	:	Savills (Malaysia) Sdn Bhd (Company Number: 333510-P), a company incorporated under the laws of Malaysia
Independent Property Valuer	:	CBRE I WTW ( <i>also known as C H Williams Talhar &amp; Wong Sdn Bhd</i> ) (Company Number: 18149-U), a company incorporated under the laws of Malaysia
Institutional Offering	:	Offering of 220,650,000 Offer Units subject to Clawback and Reallocation, to Malaysian institutional investors and selected investors, including Bumiputera investors approved by MITI, at the Institutional Price
Institutional Price	:	The price per Offer Unit payable by the investors pursuant to the Institutional Offering which will be determined by way of bookbuilding
Internal Auditor	:	Audex Governance Sdn Bhd (Company Number: 469101-V), a company incorporated under the laws of Malaysia
Internet Application(s)	:	Application(s) for the Offer Units under the Retail Offering for the Malaysian Public portion through an Internet Participating Financial Institution(s)

Internet Participating Financial Institutions	:	Participating financial institutions for the Internet Application, being Affin Bank Berhad, CIMB, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad
Issuing House	:	Malaysian Issuing House Sdn Bhd (Company Number: 258345-X), a company incorporated under the laws of Malaysia
IT	:	Information technology
KiP Mall Bangi	:	A five-storey shopping centre with one level of mezzanine floor and two levels of basement car park, known as “KiP Mall Bangi”, bearing a postal address at No. 1, Jalan Medan Bangi, 43650, Bandar Baru Bangi, Selangor Darul Ehsan, erected on a leasehold land of 99 years, expiring on 14 July 2093, held under HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, State of Selangor Darul Ehsan
KiP Mall Bangi SPA	:	The Sale and Purchase Agreement dated 4 November 2016, entered into by Landasan Primamaju Sdn Bhd and the Trustee on behalf of KIP REIT in relation to the sale and purchase of KiP Mall Bangi and its Related Assets
KiP Mart Kota Tinggi	:	A single-storey retail centre with a mezzanine floor known as “KiP Mart Kota Tinggi”, bearing a postal address at No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim, erected on a freehold land, held under GRN 353762, Lot PT 28861, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor Darul Takzim
KiP Mart Kota Tinggi SPA	:	The Sale and Purchase Agreement dated 4 November 2016, entered into by Genius Chance Sdn Bhd and the Trustee on behalf of KIP REIT in relation to the sale and purchase of KiP Mart Kota Tinggi and its Related Assets
KiP Mart Masai	:	A single-storey retail centre with a mezzanine floor known as “KiP Mart Masai”, bearing a postal address at Lot PTD 204780, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim, erected on a leasehold land of 99 years, expiring on 28 December 2108, held under PN 70766, Lot 198634 (previously known as HSD 478086, Lot PTD 204780), Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim
KiP Mart Masai SPA	:	The Sale and Purchase Agreement dated 4 November 2016, entered into by Enrich Assets Sdn Bhd and the Trustee on behalf of KIP REIT in relation to the sale and purchase of KiP Mart Masai and its Related Assets
KiP Mart Melaka	:	A two-storey retail centre known as “KiP Mart Melaka”, bearing a postal address at No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350, Melaka, erected on leasehold land, of 99 years, expiring on 17 November 2112, held under HSD 76142, Lot PT 6786, Mukim Bachang, District of Melaka Tengah, State of Melaka
KiP Mart Melaka SPA	:	The Sale and Purchase Agreement dated 4 November 2016, entered into by Projek Impiana Sdn Bhd and the Trustee on behalf of KIP REIT in relation to the sale and purchase of KiP Mart Melaka and its Related Assets
KiP Mart Lavender Senawang	:	A single-storey retail centre with a mezzanine floor known as “KiP Mart Lavender Senawang”, bearing a postal address at No. 1, Jalan KLS 1, Lavender Heights, 70450 Seremban, Negeri Sembilan Darul Khusus, erected on a freehold land, held under GRN 262080 (formerly HSD 220819), Lot 61344 (formerly PT 6373), Pekan Senawang, District of Seremban, State of Negeri Sembilan Darul Khusus



KiP Mart Lavender Senawang SPA	:	The Sale and Purchase Agreement dated 4 November 2016, entered into by Setia Wirajaya Sdn Bhd and the Trustee on behalf of KIP REIT in relation to the sale and purchase of KiP Mart Lavender Senawang and its Related Assets
KiP Mart Tampoi	:	A single-storey retail centre with a mezzanine floor known as “KiP Mart Tampoi”, bearing a postal address at Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim erected on a leasehold land of 99 years, expiring on 24 September 2092, held under HSD 452673, Lot PTD 152711, Mukim of Pulai, District of Johor Bahru, State of Johor Darul Takzim
KiP Mart Tampoi SPA	:	The Sale and Purchase Agreement dated 4 November 2016, entered into by Kipmart Tampoi Sdn Bhd and the Trustee on behalf of KIP REIT in relation to the sale and purchase of KiP Mart Tampoi and its Related Assets
KIP Property Services	:	KIP Property Services Sdn Bhd, a wholly-owned company of the Promoters
KIP REIT	:	KIP Real Estate Investment Trust, a real estate investment trust established in Malaysia and constituted by the Deed
kWp	:	Kilowatt peak
Latest Practicable Date	:	31 October 2016, being the latest practicable date prior to the issuance of this Prospectus
Lettable Area or LA	:	Lettable area in a property, including kiosks in common areas such as corridors and walkways
Listing	:	Admission to the Official List and the listing of and quotation for 505,300,000 new Units, on the Main Market
Listing Date	:	The date of admission to the Official List and the listing of and quotation for 505,300,000 new Units on the Main Market
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
Lock up Period	:	The period commencing from the date of the Promoters’ and the Manager’s respective deed of undertaking in connection with the lock-up arrangements for the Lock-up Units until the date falling 180 days after the Listing Date (both dates inclusive)
Lock-up Units	:	The Units which will be held by the Promoters’ and the Manager upon Listing which are subject to the lock-up arrangement for the duration of the Lock-up Period
Main Market	:	Main Market of Bursa Securities
Malaysian FRS	:	Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
Malaysian Public	:	Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Management Fee	:	Fee payable to the Manager which comprises the Base Fee, the Performance Fee, the Acquisition Fee and the Divestment Fee as set out in Section 6.6 “Management Fees” of this Prospectus
Manager	:	KIP REIT Management Sdn Bhd (Company Number:1169638-M), a company incorporated under the laws of Malaysia, being the manager of KIP REIT
Market Day	:	A day on which Bursa Securities is open for trading in securities

MIRB	:	Malaysian Inland Revenue Board
MITI	:	Ministry of International Trade and Industry, Malaysia
MER	:	Management expense ratio, calculated by dividing the expenses of KIP REIT by the NAV of KIP REIT, where expenses of the REIT comprise all expenses, including the Management Fee, the Trustee's fee, valuation fee and other administrative expenses provided for under the Deed
N/A	:	Not applicable
NAV	:	Net asset value
Net Property Income or NPI	:	Total Revenue less Property Operating Expenses
Non-Real Estate-Related Assets	:	Refers to: <ul style="list-style-type: none"> <li>(i) listed shares issued by non-property companies;</li> <li>(ii) debt securities issued by, or fully guaranteed by the Government; and</li> <li>(iii) commercial papers or other debt securities issued by companies or institutions with a credit rating of not less than: <ul style="list-style-type: none"> <li>(a) A/PI by RAM Holdings Berhad; and</li> <li>(b) A/MARC-1 by Malaysian Rating Corporation Berhad,</li> </ul> </li> </ul> and such other assets as may be permitted by the REIT Guidelines and the SC
Occupancy Rate	:	The percentage of Occupied LA against total LA
Occupied LA	:	The total LA of the Subject Properties which is committed by the tenants and determined based on the commencement dates stipulated in the respective tenancy agreements and/or letters of offer
Offering	:	The initial public offering of 234,150,000 Offer Units comprising the Institutional Offering and the Retail Offering
Offer Unit(s)	:	The 234,150,000 new Units to be offered pursuant to the Offering
Official List	:	A list specifying all securities listed on the Main Market
Other Income	:	Comprises advertising income, promotional income, utilities and reimbursable income
Participating Financial Institutions	:	The participating financial institutions for Electronic Applications as referred to in Appendix F "Procedure for the Application and Acceptance of the Retail Offering" of this Prospectus
Permitted Expenses	:	In relation to the Property Management Agreement, means costs and expenses incurred in the operation, maintenance, management and marketing of the Subject Properties (including but not limited to the cost relating to the employment and remuneration of on-site staff provided)
Placement Agreement	:	The placement agreement to be entered into between, inter alia, the Manager, the Promoters, the Trustee (as Trustee for KIP REIT) and the Bookrunner in respect of the placement of Offer Units under the Institutional Offering
Price Determination Date	:	The date on which the Institutional Price and the Final Retail Price will be determined

Principal Register	:	The register of Unitholders kept pursuant to Section 308 of the CMSA
Profit Forecasts	:	The profit forecasts of KIP REIT for the Forecast Period 2017 and Forecast Year 2018
Promoters	:	(i) Dato' Chew Lak Seong (ii) Dato' Ong Kook Liong collectively, being the promoters of KIP REIT
Property Management Agreement	:	The property management agreement dated 5 December 2016 entered into between the Manager, the Trustee (on behalf of KIP REIT) and the Property Manager
Property Manager	:	Azmi & Co (Shah Alam) Sdn Bhd (Company Number: 524945-H), a company incorporated under the laws of Malaysia
Property Operating Expenses	:	All expenses or outgoings required to manage or maintain the Subject Properties as permitted by the Deed
Public Spread Requirement	:	The requirement, in accordance with the Listing Requirements, to have at least 25.0% of the total number of Units in issue to be held by public unitholders upon completion of the Offering and at the point of the Listing or such other minimum public spread as may be approved by Bursa Securities
Real Estate	:	Land and all things that are a natural part of the land as well as things attached to the land both below and above the ground
Real Estate Assets	:	Real Estate and SPVs
Real Estate-Related Assets	:	Includes units of other REITs, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies and real estate-related asset-backed securities
Registrar	:	Symphony Share Registrars Sdn Bhd (Company No: 378993-D), a company incorporated under the laws of Malaysia
REIT	:	Real estate investment trust
REIT Guidelines	:	The Guidelines on Real Estate Investments Trusts issued by the SC, as amended from time to time
Related Assets	:	Related assets such as IT equipment, furniture and fittings, and office equipment utilised by the respective Vendors for the operation of, or in relation to, the respective Subject Properties
Relevant Laws and Requirements	:	The laws, regulations, guidelines, rules and official requirements, guidance notes, practice notes (whether or not having the force of law) applicable to REITs from time to time including securities laws, the REIT Guidelines, the Asset Valuation Guidelines, the Listing Requirements, the Rules of Bursa Depository and taxation laws, rulings and guidelines
Reporting Accountants or PwC	:	Messrs. PricewaterhouseCoopers (Firm Number: AF 1146)
Retail Offering	:	Offering of 13,500,000 Offer Units, subject to Clawback and Reallocation, to the Malaysian Public via balloting, and the eligible directors and employees of the Manager, the Vendors and Eligible Companies
Retail Price	:	RM1.00 per Offer Unit, being the initial price payable by investors pursuant to the Retail Offering

Retail Underwriting Agreement	:	The retail underwriting agreement dated 15 December 2016 entered into between the Manager, the Promoters, the Trustee (as Trustee for KIP REIT) and the Underwriter in respect of the underwriting of 13,500,000 Offer Units under the Retail Offering
ROFR	:	Right of first refusal, from the Listing Date, for the acquisition of certain pipeline properties and for the acquisition of retail properties including purpose-built community-centric retail centres of similar concept to KiP Mart and those within mixed developments
Rules of Bursa Depository	:	Rules of Bursa Depository and all procedure manuals (as defined in Rules of Bursa Depository), as amended from time to time
SC	:	Securities Commission Malaysia
Service Provider Agreements	:	The service provider agreements dated 5 December 2016, entered into between the Property Manager and KIP Property Services for the provision of, among others, a team of personnel by KIP Property Services to the Property Manager, in order to facilitate the Property Manager in carrying out its services under the Property Management Agreement
SICDA	:	Securities Industry (Central Depositories) Act 1991 as amended from time to time and any re-enactment thereof
SPAs	:	Collectively, (i) KiP Mart Tampoi SPA; (ii) KiP Mart Kota Tinggi SPA; (iii) KiP Mart Masai SPA; (iv) KiP Mart Lavender Senawang SPA; (v) KiP Mart Melaka SPA; and (vi) KiP Mall Bangi SPA.
Special Resolution	:	A resolution passed at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Deed by a majority consisting of not less than $\frac{3}{4}$ of the persons voting upon a show of hands and, if a poll is demanded, then by a majority consisting of not less than $\frac{3}{4}$ of the votes given on such poll, provided always that for the purpose of terminating or winding up of KIP REIT, a "Special Resolution" means a resolution passed by a majority in number representing at least $\frac{3}{4}$ of the value of the Units held by Unitholders present at the meeting
SPV	:	Unlisted companies whose principal assets comprise real estate
sq ft	:	Square feet
sq m	:	Square metres
State Authority	:	In relation to the States of West Malaysia, the Ruler-in-Council or Governor-in-Council of a State and includes in Negeri Sembilan, the Yang di-Pertuan Besar acting on behalf of himself and the Ruling Chiefs (the Undang of Sungei Ujong, the Undang of Jelebu, the Undang of Johol, the Undang of Rembau and the Tunku Besar of Tampin), and in relation to the Federal Territories of Kuala Lumpur, Putrajaya and Labuan, the minister charged with the responsibility for local government



Subject Properties	: (i) KiP Mart Tampoi; (ii) KiP Mart Kota Tinggi; (iii) KiP Mart Masai; (iv) KiP Mart Lavender Senawang; (v) KiP Mart Melaka; and (vi) KiP Mall Bangi,  collectively, which form the property portfolio of KIP REIT at the point of Listing, and “ <b>Subject Property</b> ” means either one of them
Take-over Code	: Malaysian Code on Take-Overs and Mergers 2010 issued by the SC, as amended from time to time and any re-enactment thereof
Tax Consultant	: Deloitte Touche Tohmatsu Tax Services Sdn Bhd (Company Number: 151497-P), a company incorporated under the laws of Malaysia
Total Asset Value	: The value of the Deposited Property in accordance with generally accepted accounting practices in Malaysia, as determined in accordance with the Deed
Total Revenue	: Gross Rental Income and Other Income
Trustee	: Pacific Trustees Berhad (Company Number: 317001-A), a company incorporated under the laws of Malaysia
Underwriter	: CIMB, being the underwriter for the Retail Offering
Unit	: An undivided interest in KIP REIT as provided for in the Deed
Unitholders	: The holders of the Units
Vendors	: In relation to the Acquisitions, the Vendors of the Subject Properties, namely:  (i) Kipmart Tampoi Sdn Bhd in respect of KiP Mart Tampoi; (ii) Genius Chance Sdn Bhd in respect of KiP Mart Kota Tinggi; (iii) Enrich Assets Sdn Bhd in respect of KiP Mart Masai; (iv) Setia Wirajaya Sdn Bhd in respect of KiP Mart Lavender Senawang; (v) Projek Impiana Sdn Bhd in respect of KiP Mart Melaka; and (vi) Landasan Primamaju Sdn Bhd in respect of KiP Mall Bangi (each a “ <b>Vendor</b> ”)

## PRESENTATION OF FINANCIAL, MARKET, INDUSTRY AND OTHER INFORMATION

References to “Manager” are to “KIP REIT Management Sdn Bhd”, unless the context otherwise requires. Unless the context otherwise requires, references to “Management” are to the directors and senior management team of the Manager as at the date of this Prospectus, and statements in this Prospectus as to beliefs, expectations, estimates and opinions of KIP REIT are those of the Management. All references to “KIP REIT” in this Prospectus include references to Pacific Trustees Berhad, in its capacity as trustee for KIP REIT, unless the context otherwise requires.

In this Prospectus, references to the “Government” are to the Government of Malaysia; references to “Ringgit”, “Ringgit Malaysia”, “Malaysian Ringgit”, “RM” and “sen” are to the lawful currency of Malaysia.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations and a reference to a section is a reference to the relevant section of this Prospectus.

Any reference in this Prospectus to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a date and time in this Prospectus shall be a reference to Malaysian date and time, unless otherwise stated.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Figures and percentages are rounded to one or two decimal places, where appropriate. Percentage changes in this Prospectus have been calculated on the basis of relevant figures before rounding.

Certain acronyms, technical terms and other abbreviations used herein are defined in the “Definitions” section of this Prospectus.

This Prospectus includes statistical data provided by the Manager and various third parties and cites third-party projections regarding growth and performance of the markets in which KIP REIT operates. This data is taken or derived from information published by industry sources and from the Manager’s internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from the Manager. In particular, certain information in this Prospectus is extracted or derived from the independent property market report prepared by the Independent Property Market Consultant. The Manager believes that the statistical data and projections cited in this Prospectus are useful in helping prospective investors understand the major trends in the markets in which KIP REIT operates. However, none of KIP REIT, the Promoters, the Manager, the Trustee, the Principal Adviser, the Bookrunner and the Underwriter has independently verified these figures. Moreover, the rapidly evolving nature of the property industry makes it difficult to obtain precise and accurate statistics. None of KIP REIT, the Promoters, the Manager, the Trustee, the Principal Adviser, the Bookrunner and the Underwriter make any representation as to the correctness, accuracy or completeness of such data and accordingly prospective investors should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the forecast figures. No assurances are or can be given that the estimated figures will be achieved, and prospective investors should not place undue reliance on the third-party projections cited in this Prospectus.

This Prospectus includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. While the Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein.

All the information set out in this Prospectus is presented as of the Latest Practicable Date, unless otherwise indicated.

The information on the Manager's, KIP REIT's and the Subject Properties' websites or any website directly or indirectly linked to such websites is not incorporated by reference into this Prospectus and should not be relied on.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute “forward-looking statements”. All statements other than statements of historical facts included in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of KIP REIT, the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which KIP REIT or the Manager will operate in the future. Because these statements reflect the current views of the Manager concerning future events, these statements necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements. Investors should not place any undue reliance on these forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- estimated financial information regarding the future development and economic performance of KIP REIT’s business;
- future earnings, cash flow and liquidity;
- potential growth opportunities;
- financing plans;
- the Manager’s business strategy;
- the competitive position and the effects of competition on KIP REIT’s investment portfolio;
- development of additional revenue sources;
- the amount and nature of future capital expenditures required by KIP REIT; and
- the general industry environment.

Among the important factors that could cause the actual results, performance or achievements of KIP REIT or the Manager to differ materially from those in the forward-looking statements are the conditions of, and changes in, the domestic, regional and global economies, including, but not limited to, factors such as political, economic and social conditions in Malaysia and overseas, changes in Government laws and regulations affecting KIP REIT, competition in the Malaysian market in which KIP REIT may invest, currency exchange rates, interest rates, inflation, relations with tenants, relations with service providers, relations with lenders, hostilities (including any potential terrorist attacks), the performance and reputation of KIP REIT’s properties and/or acquisitions, difficulties in identifying future acquisitions, difficulty in completing acquisitions, changes in the Manager’s directors and executive officers, risks related to natural disasters, general volatility of the capital markets, general risks relating to the property market in which KIP REIT may invest and the market price of the Units as well as other matters not yet known to the Manager or not currently considered material by the Manager.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those set out in Section 5 “Risk Factors”, Section 4.5 “Profit Forecasts”, Section 4.4 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Section 2 “Business and Subject Properties” of this Prospectus. Neither KIP REIT nor the Manager can give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement contained herein to reflect any change in the expectations of the Manager with regard thereto or any change in events, conditions or circumstances on which any such statement is based.



## CORPORATE DIRECTORY

<b>MANAGER</b>	:	KIP REIT Management Sdn Bhd (Company Number:1169638-M)
<b>Registered Office</b>	:	Level 33A, Menara 1MK Kompleks 1 Mont Kiara No. 1 Jalan Kiara, Mont Kiara 50480 Kuala Lumpur, Malaysia Telephone No.: +603 6203 5322 / +603 6203 5828 Facsimile No.: +603 6203 2788
<b>Business Office</b>	:	Unit B-6, Blok B, Tingkat 6, Menara KIP No. 1, Jalan Seri Utara 1 Sri Utara Off Jalan Ipoh 68100 Kuala Lumpur, Malaysia Telephone No.: +603 6252 0888 Facsimile No.: +603 6258 6619 E-mail: kipreit@kip.com.my Website: www.kipreit.com.my

## DIRECTORS OF THE MANAGER

<b>No.</b>	<b>Name</b>	<b>Designation</b>
1	Dato' Syed Hussain Bin Syed Husman	Chairman and Senior Independent Non-Executive Director
2	Dato' Chew Lak Seong	Managing Director and Non-Independent Executive Director
3	Dato' Ong Kook Liong	Non-Independent Executive Director
4	Datuk Mohamed Arsad Bin Sehan	Independent Non-Executive Director
5	Foo Lee Khean	Independent Non-Executive Director

## AUDIT AND RISK MANAGEMENT COMMITTEE

<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
1	Foo Lee Khean	Chairman	Independent Non-Executive Director
2	Datuk Mohamed Arsad Bin Sehan	Member	Independent Non-Executive Director
3	Dato' Syed Hussain Bin Syed Husman	Member	Senior Independent Non-Executive Director

## NOMINATION COMMITTEE

<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
1	Datuk Mohamed Arsad bin Sehan	Chairman	Independent Non-Executive Director
2	Dato' Syed Hussain Bin Syed Husman	Member	Senior Independent Non-Executive Director
3	Foo Lee Khean	Member	Independent Non-Executive Director

## REMUNERATION COMMITTEE

No.	Name	Designation	Directorship
1	Dato' Syed Hussain Bin Syed Husman	Chairman	Senior Independent Non-Executive Director
2	Dato' Chew Lak Seong	Member	Non-Independent Executive Director
3	Datuk Mohamed Arsad bin Sehan	Member	Independent Non-Executive Director

**COMPANY SECRETARY OF THE MANAGER** : Foo Siew Loon (MAICSA 7006874)  
Level 33A, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1 Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur, Malaysia  
Telephone No.: +603 6203 5322 / +603 6203 5828

**TRUSTEE** : Pacific Trustees Berhad  
(Company Number: 317001-A)

**Registered Office and Business Office** : A-9-8, 9<sup>th</sup> Floor Megan Avenue 1  
No. 189, Jalan Tun Razak  
Off Persiaran Hampshire  
50400 Kuala Lumpur, Malaysia  
Telephone No.: +603 2166 8830  
Facsimile No.: +603 2166 3830

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

**LEGAL ADVISERS TO THE MANAGER** : Albar & Partners  
6th Floor  
Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Telephone No.: +603 2078 5588  
Website: www.albar.com.my

**LEGAL ADVISERS TO THE UNDERWRITER** : Zaid Ibrahim & Co  
Level 19 Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia  
Telephone No.: +603 2087 9999  
Website: www.zicolaw.com

**AUDITORS/REPORTING ACCOUNTANTS** : PricewaterhouseCoopers  
(Firm Number: AF 1146)  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Telephone No.: +603 2173 1188  
Website: www.pwc.com/my/en

- TAX CONSULTANT** : Deloitte Touche Tohmatsu Tax Services Sdn Bhd  
(Company Number: 151497-P)
- Level 16, Menara LGB  
1, Jalan Wan Kadir, Taman Tun Dr Ismail  
60000, Kuala Lumpur, Malaysia  
Telephone No.: +603 7610 8888  
Website: [www.deloitte.com/my](http://www.deloitte.com/my)
- PRINCIPAL BANKER** : OCBC Bank (Malaysia) Berhad  
(Company Number: 295400-W)
- 18th Floor, Menara OCBC  
18, Jalan Tun Razak  
50050 Kuala Lumpur, Malaysia  
Telephone No.: +603 2004 5034  
Website: [www.ocbc.com.my](http://www.ocbc.com.my)
- INDEPENDENT  
PROPERTY MARKET  
CONSULTANT** : Savills Malaysia Sdn Bhd  
(Company Number: 333510-P)
- Level 9 Menara Millenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia  
Telephone No.: +603 2092 5955  
Website: [www.savills.com.my](http://www.savills.com.my)
- INDEPENDENT  
PROPERTY VALUER** : C H Williams Talhar & Wong Sdn Bhd  
(Company Number: 18149-U)
- 30-01, 30th Floor  
Menara Multi-Purpose @ CapSquare  
8 Jalan Munshi Abdullah  
P.O. Box 12157  
50100 Kuala Lumpur, Malaysia  
Telephone No.: +603 2616 8888  
Website: [www.cbre-wtw.com.my](http://www.cbre-wtw.com.my)
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
(Company Number: 258345-X )
- Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor, Malaysia  
Telephone No.: +603 7841 8289
- REGISTRAR** : Symphony Share Registrars Sdn Bhd  
(Company Number: 378993-D)
- Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor, Malaysia  
Telephone No.: +603 7849 0777  
Website: [www.symphony.com.my](http://www.symphony.com.my)

**INTERNAL AUDITOR** : Audex Governance Sdn Bhd  
(Company Number: 469101-V)  
  
B-10-15 Tower B  
Megan Avenue 11  
12 Jalan Yap Kwan Seng  
Kuala Lumpur, Malaysia  
Telephone No.: +603 2166 1229  
Website: www.audex.com.my

**PRINCIPAL ADVISER,  
BOOKRUNNER FOR THE  
INSTITUTIONAL  
OFFERING AND  
UNDERWRITER FOR THE  
RETAIL OFFERING** : CIMB Investment Bank Berhad  
(Company Number: 18417-M)  
  
Level 13, Menara CIMB  
Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia  
Telephone No.: +603 2261 8888  
Website: www.cimb.com

**LISTING SOUGHT** : Main Market of Bursa Malaysia Securities Berhad

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## INFORMATION SUMMARY

*This section is only a summary of the salient information on the Offering and KIP REIT, as extracted from the full text of this Prospectus. The following section is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus and investors should read and understand this Prospectus in its entirety prior to making investment decisions. If necessary, investors should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers as to the legal, business, financial, tax and related aspects of an investment in the Units.*

*There are fees involved and investors are advised to consider them before investing in KIP REIT. Investors should be aware that the rental yields of the Subject Properties as well as other real estate that KIP REIT may invest in the future are not equivalent to the yields of the Units and the current rental receipts and yields of the Subject Properties may not be sustainable. Investors should also note that the value of the Subject Properties (including other investments in KIP REIT may have in the future), Unit prices and distributions payable, if any, may go down as well as up. For information concerning certain risk factors which should be considered by prospective investors, please refer to Section 5 "Risk Factors" of this Prospectus.*

*Statements contained in this section that are not historical facts may be forward-looking statements or are historical statements reconstituted on a pro forma basis. Such statements are based on certain assumptions and are subject to certain risks and uncertainties which could cause actual results of KIP REIT to differ materially from those forecast. Please refer to the section on "Forward-looking Statements" for further details. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by KIP REIT, the Manager, the Promoters, the Trustee, the Principal Adviser, the Underwriter, the Bookrunner or any other person or that these results will be achieved or are likely to be achieved. Investing in the Units involves risks.*

### OVERVIEW OF KIP REIT

#### Investment Policy

KIP REIT is a REIT established with the principal investment policy of investing, directly and indirectly, in a portfolio of income producing Real Estate used primarily for retail purposes. The nature of KIP REIT's investment shall be long-term, with a period of at least five years, with a focus towards community-centric retail centres. KIP REIT may also invest in other investments as permissible in the REIT Guidelines or as otherwise permitted by the SC, including in Real Estate-Related Assets. Any material change to the investment policy of KIP REIT must be approved by the Unitholders.

#### Investment Objective

The Manager's 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.

### **Key Investment Strategies**

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

- (i) **Active asset management and enhancement strategy** – The Manager will seek to optimise the rental rates, occupancy rates and LA of the Subject Properties in order to improve the returns from KIP REIT's property portfolio;
- (ii) **Acquisition growth strategy** – The Manager will source for and acquire properties that fit within KIP REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth. To support this acquisition strategy, the Manager expects to benefit from the ROFR provided by the Promoters over the Promoters' existing and future retail properties in Malaysia;
- (iii) **Capital and risk management strategy** – The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions and will seek to manage financing and refinancing risks with the intention of maximising returns to Unitholders.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



## SUMMARY OF KIP REIT

<b>Name of REIT</b>	KIP REIT
<b>REIT type</b>	Income stability and growth
<b>Deed</b>	Deed dated 2 November 2016
<b>The Manager</b>	KIP REIT Management Sdn Bhd
<b>The Trustee</b>	Pacific Trustees Berhad
<b>Approved size of KIP REIT</b>	505,300,000 Units
<b>Authorised Investments</b>	Real Estate, SPVs, 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.
<b>Authorised Investments limits</b>	<p>The investments of KIP REIT are subject to the following investment limits imposed by the REIT Guidelines:</p> <ul style="list-style-type: none"><li>(i) at least 50.0% of KIP REIT's Total Asset Value must be invested in Real Estate and/or SPVs at all times; and</li><li>(ii) not more than 25.0% of KIP REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, deposits and money market instruments,</li></ul> <p>provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:</p> <ul style="list-style-type: none"><li>(i) the value of KIP REIT's investments in securities issued by any single issuer must not exceed 5.0% of KIP REIT's Total Asset Value;</li><li>(ii) the value of KIP REIT's investments in securities issued by any group of companies must not exceed 10.0% of KIP REIT's Total Asset Value; and</li><li>(iii) KIP REIT's investments in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or</li></ul> <p>such other limits and investments as may be permitted by the SC or the REIT Guidelines.</p>

<b>Distribution Policy</b>	<p>The Deed provides that the Manager, shall with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as may be determined by the Manager at its absolute discretion) of KIP REIT's Distributable Income. It is the intention of the Manager to distribute up to 100.0% of KIP REIT's Distributable Income for the Forecast Period 2017 and Forecast Year 2018 and thereafter at least 90.0% of KIP REIT's Distributable Income on a half-yearly basis (or such other intervals as the Manager may determine at its absolute discretion).</p> <p>The actual proportion of Distributable Income to be distributed beyond 30 June 2018, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of KIP REIT's Distributable Income to the extent that the Manager believes it to be appropriate, having regards to KIP REIT's funding requirements, other capital management considerations and the availability of funds. Distributions, when made in the form of cash, will be in Ringgit Malaysia.</p> <p>The first distribution, which will be in respect of the period from KIP REIT's date of establishment to 30 June 2017, will be paid by the Manager within two months from the end of the said period. Please refer to Section 1.6 "Distribution Policy" of this Prospectus for further details.</p>
<b>Borrowing Limitations and Gearing Policy</b>	<p>Up to 50.0% of the Total Asset Value of KIP REIT at the time the borrowing is incurred (or such other limit permitted by the REIT Guidelines from time to time).</p>
<b>Performance Benchmark</b>	<p>The following performance indicators can be considered in reviewing the performance of KIP REIT: (i) distribution yield, (ii) NAV, (iii) total return (calculated as the change in market price of the Units over a period of time plus any distributions received during the relevant period) and (iv) MER. The performance indicators will be used to benchmark KIP REIT against its peers as well as against its own historical performance where applicable.</p>
<b>Revaluation Policy</b>	<p>Independent professional valuation will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines.</p>
<b>Redemption Policy</b>	<p>Unitholders have no right to request the Manager to repurchase their Units.</p>
<b>Minimum Initial Investment</b>	<p>Minimum of 100 Units</p>
<b>Minimum Additional Investment</b>	<p>Multiples of 100 Units</p>
<b>Investor Profile</b>	<p>KIP REIT may appeal to an investor with long-term investment objectives who seeks regular income distribution and long-term capital appreciation, and who understands the risks related to the real estate industry and REITs.</p>
<b>Form</b>	<p>The Units will be issued in registered form and KIP REIT shall be constituted by the Deed.</p>

<b>Board Lot</b>	100 Units per board lot.
<b>Quotation</b>	Main Market.
<b>Governing Law</b>	The Deed is governed by Malaysian law.
<b>Avenue for Advice Available to Prospective Investors</b>	<p>The Manager strives to provide investors with quality information services to assist investors to make well informed investment decisions and keep abreast of developments relating to KIP REIT.</p> <p>Enquiries can be made through:</p> <ul style="list-style-type: none"> <li>(i) by telephone enquiry to business office at telephone number +603 6252 0888 or facsimile number +603 6258 6619 during normal business hours;</li> <li>(ii) in writing to registered office at Unit B-6, Blok B, Tingkat 6, Menara KIP, No. 1, Jalan Seri Utara 1, Sri Utara Off Jalan Ipoh, 68100 Kuala Lumpur, Malaysia; or</li> <li>(iii) KiP REIT's email at <a href="mailto:kipreit@kip.com.my">kipreit@kip.com.my</a> or website at <a href="http://www.kipreit.com.my">www.kipreit.com.my</a></li> </ul> <p>Normal business hours (Malaysian time): Monday to Friday from 9.00 a.m. to 5.00 p.m.</p>

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## STRUCTURE OF KIP REIT

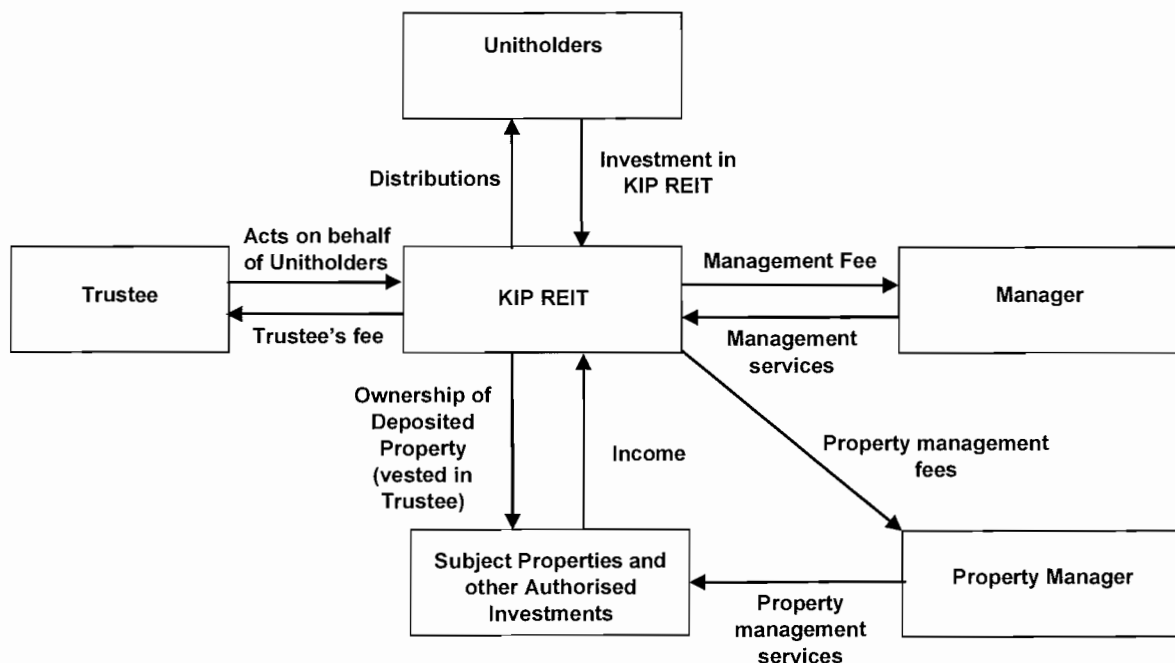
KIP REIT Management Sdn Bhd is the manager of KIP REIT. The Manager undertakes the primary management activities in relation to KIP REIT. The Manager's main responsibility is to manage KIP REIT's assets and liabilities for the benefit of the Unitholders, set the strategic direction of KIP REIT and give recommendations to the Trustee on the acquisition, divestment and enhancement of assets of KIP REIT in accordance with its stated investment strategy. The Manager is an indirect wholly-owned company of the Promoters through Kip Homes Sdn Bhd. For further details of the Manager, please refer to Section 6 "The Manager" of this Prospectus.

Dato' Chew Lak Seong and Dato' Ong Kook Liong are both the Promoters of KIP REIT. The Promoters are both the co-founders of the KIP group of companies. Their expertise include property development and investment, hospitality, retail design and development, project management, corporate management, leasing and retail development conceptualisation.

Pacific Trustees Berhad is the trustee of KIP REIT. The Trustee provides corporate trusteeship services for KIP REIT. For further details of the Trustee, please refer to Section 8 "The Trustee" of this Prospectus.

Azmi & Co. (Shah Alam) Sdn Bhd is the property manager of KIP REIT. The Property Manager is responsible for providing property management services to manage, operate, maintain and market the Subject Properties upon the terms and conditions of the Property Management Agreement. For further details of the Property Manager, please refer to Section 9 "The Property Manager" of this Prospectus.

KIP REIT will acquire the Subject Properties and the Related Assets in accordance with the terms of the SPAs which are interdependent on each other. For further details of the SPAs, please refer to Section 14.3 "Salient Terms of the SPAs" of this Prospectus. The following diagram illustrates the structure of KIP REIT and indicates the relationship between KIP REIT, the Manager, the Trustee, the Property Manager and the Unitholders:



## OVERVIEW OF THE SUBJECT PROPERTIES

KIP REIT's initial portfolio will consist of the following community-centric retail centres known as KiP Mart and a neighbourhood retail centre known as KiP Mall:

- (i) KiP Mart Tampoi is a single-storey retail centre with a mezzanine floor which has commenced operations since 23 December 2004. KiP Mart Tampoi has an LA of 163,669 sq ft as at 31 October 2016 and is located on 452,191 sq ft of land within a residential area known as Taman Tampoi Indah, Johor Bahru;
- (ii) KiP Mart Kota Tinggi is a single-storey retail centre with a mezzanine floor which has commenced operations since 7 November 2008. KiP Mart Kota Tinggi has an LA of 72,232 sq ft as at 31 October 2016 and is located on 168,111 sq ft of land along Jalan Maju, Kota Tinggi;
- (iii) KiP Mart Masai is a single-storey retail centre with a mezzanine floor which has commenced operations since 25 January 2011. KiP Mart Masai has an LA of 143,204 sq ft as at 31 October 2016 and is located on 472,757 sq ft of land in Taman Bukit Dahlia, Pasir Gudang;
- (iv) KiP Mart Lavender Senawang is a single-storey retail centre with a mezzanine floor which has commenced operations since 18 December 2012. KiP Mart Lavender Senawang has an LA of 115,640 sq ft as at 31 October 2016 and is located on 438,414 sq ft of land within the Lavender Heights township area, Seremban;
- (v) KiP Mart Melaka is a two-storey retail centre which has commenced operations since 26 March 2014. KiP Mart Melaka has an LA of 182,345 sq ft as at 31 October 2016 and is located on 380,310 sq ft of land in the Batu Berendam industrial area in Melaka; and
- (vi) KiP Mall Bangi is a five-storey shopping centre with one level of mezzanine floor and two levels of basement car park which was acquired by the Vendor on 26 March 2015. KiP Mall Bangi has an LA of 261,710 sq ft as at 31 October 2016 and is located on 92,817 sq ft of land along Jalan Medan Bangi, Bandar Baru Bangi.

The 'KiP Mart' name today is established in Johor as a one-stop community-centric retail centre catering to communities within the lower to medium income group. Each KiP Mart has a wide range of retailers which include a combination of a fresh market, supermarkets, general merchandise stores, convenience stores, boutiques, telecommunication shops, gold smith and jewellery shops and food courts. In addition to that, KiP Mart provides facilities such as ATM services, money changer, family entertainment area, push-cart kiosks, promotion areas and free parking space. KiP Mart also organises regular promotional events offering attractive prizes to attract shoppers.

KiP Mall Bangi is a five-storey shopping centre catering to communities within the low to medium income groups. The range of retailers and facilities in KiP Mall Bangi are similar to those of KiP Marts. KiP Mall Bangi also provides recreational facilities such as a bowling centre.

Details of the Subject Properties are set out in the table below:

**Subject Properties**

	<b>KIP Mart Tampoi</b>	<b>KIP Mart Kota Tinggi</b>	<b>KIP Mart Masai</b>	<b>KIP Mart Lavender Senawang</b>	<b>KIP Mart Melaka</b>	<b>KIP Mall Bangi</b>
<b>Land area of the individual title (sq m)</b>	42,010 (equivalent to 452,191 sq ft)	15,618 (equivalent to 168,111 sq ft)	43,921 (equivalent to 472,757 sq ft)	40,730 (equivalent to 438,414 sq ft)	35,332 (equivalent to 380,310 sq ft)	8,623 (equivalent to 92,817 sq ft)
<b>Tenure</b>	99 years, expiring on 24 September 2092	Freehold	99 years, expiring on 28 December 2108	Freehold	99 years, expiring on 17 November 2112	99 years, expiring on 14 July 2093
<b>Individual title information</b>	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim	PN 70766, Lot 198634 (previously known as HSD 478086, PTD 204780), Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan
<b>Encumbrances/ material limitations in the individual title<sup>(1)</sup></b>	<p>The following charges over the Master Title are registered in favour of CIMB Islamic Bank Berhad:</p> <p>(a) A private caveat registered on 2 September 2014 vide Presentation No. 28867/2014</p> <p>(b) A charge registered on 5 November 2014 vide Presentation No. 92431/2014</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36651/2016 on 8 December 2016.</p>	<p>The following charges over the Master Title are registered in favour of Hong Leong Bank Berhad:</p> <p>(a) A private caveat registered on 23 November 2011 vide Presentation No. 40213/2011</p> <p>(b) A charge registered on 8 March 2012 vide Presentation No. 17560/2012</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36654/2016 on 8 December 2016.</p>	<p>(1) The following charges over the Master Title are registered in favour of OCBC Bank (Malaysia) Berhad:</p> <p>(a) A private caveat registered on 2 April 2010 vide Presentation No. 11517/2010</p> <p>(b) A charge registered on 6 May 2010 vide Presentation No. 34882/2010</p> <p>(c) A charge registered on 8 June 2015 vide Presentation No. 44756/2015</p> <p>(2) A charge registered in favour of OCBC Al-Amin Bank Berhad on 5 June 2012 vide Presentation No. 44290/2012</p>	<p>A charge over the Master Title is registered in favour of OCBC Bank (Malaysia) Berhad on 5 July 2012 vide Presentation No. 18274/2012</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 12038/2016 on 8 December 2016.</p>	<p>The following charges over the Master Title are registered in favour of Alliance Bank Malaysia Berhad:</p> <p>(a) A charge registered on 27 April 2011 vide Presentation No. 0400SC2011005051</p> <p>(b) A charge registered on 16 May 2012 vide Presentation No. 0400SC2012006582</p> <p>(c) A charge registered on 23 March 2016 vide Presentation No. 0400SC2016002934</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 0400B2016004823 on 8 December 2016.</p>	<p>A charge registered in favour of OCBC Bank (Malaysia) Berhad on 23 March 2015 vide Presentation No. 27157/2015</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 59776/2016 on 8 December 2016.</p>



**Subject Properties**

	KiP Mart Tampoi	KiP Mart Kota Tinggi	KiP Mart Masai	KiP Mart Senawang	KiP Mart Lavender	KiP Mart Melaka	KiP Mall Bangi
			Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36672/2016 on 8 December 2016.				
<b>Restrictions-in-interest in the individual title</b>	<p>(1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.</p>	<p>(1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.</p>	<p>(1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.</p>	Not stated		<p>(1) This land is not allowed to be transferred or leased except with the consent of the State Authority. This restriction is exempted to the first buyer of the land.</p>	<p>(1) This land is not allowed to be transferred, leased or charged except with the consent of the State Authority.</p>
	<p>(2) Parcels in the building erected on this land whose ownership belongs to a Bumiputera/Bumiputera company, cannot thereafter be sold, leased or transferred in any manner whatsoever to a non-Bumiputera or non-Bumiputera company without the consent of the State Authority.</p>	<p>(2) Parcels in the building erected on this land whose ownership belongs to a Bumiputera/Bumiputera company, cannot thereafter be sold, leased, charged or transferred in any manner whatsoever to a non-Bumiputera or non-Bumiputera company without the consent of the State Authority.</p>	<p>(2) Where the land has been sub-divided into a 'subsidiary title', and ownership of the 'subsidiary title' is transferred to a Bumiputera, then the land may not be subsequently sold, leased, charged or transferred to a non-Bumiputera without the consent of the State Authority.</p>				

**Subject Properties**

	<b>KiP Mart Tampoi</b>	<b>KiP Mart Kota Tinggi</b>	<b>KiP Mart Masai</b>	<b>KiP Mart Lavender Senawang</b>	<b>KiP Mart Melaka</b>	<b>KiP Mall Bangi</b>
	(3) Parcels in the building erected on this land cannot be sold or transferred in any manner whatsoever to a non-citizen/foreign company without the consent of the State Authority.	(3) Parcels in the building erected on this land cannot be sold or transferred in any manner whatsoever to a non-citizen/foreign company without the consent of the State Authority.	(3) The sub-divided 'subsidiary title' of the land shall not be sold or transferred in any manner whatsoever to a non-Bumiputera without the consent of the State Authority.			
<b>Express conditions in the individual title</b>	(1) This land is to be used as a multi-storey building for commercial purposes and built according to the plan approved by the local authority.  (2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.  (3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.	(1) This land is to be used as a multi-storey building for commercial purposes and built according to the plan approved by the local authority.  (2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.  (3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.	(1) This land is to be permanently used as a commercial building and built according to the plan approved by the local authority.  (2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.  (3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.	(1) This land is to be used for commercial buildings only.	(1) Commercial Buildings Only.	(1) Commercial Buildings Only.

**Subject Properties**

Type	KiP Mart Tampoi	KiP Mart Kota Tinggi	KiP Mart Masai	KiP Mart Senawang	KiP Mart Lavender	KiP Mart Melaka	KiP Mall Bangi
	Leasehold	Freehold	Leasehold	Freehold	Leasehold	Leasehold	Leasehold
Appraised Value as at 1 March 2016 (RM 000)	150,000	55,000	157,000	38,000	50,000	130,000	
Related Assets based on the latest available audited financial statements of the Vendors (RM 000)	43	2	7	71	168	-	
Purchase consideration (RM 000)	150,043	55,002	157,007	38,071	50,168	130,000	
Subject Properties weighting (by Appraised Value) (%)	25.9	9.5	27.1	6.5	8.6	22.4	
LA as at 31 October 2016 (sq ft)	163,669	72,232	143,204	115,640	182,345	261,710	
GFA as at 31 October 2016 (sq ft)	234,321	113,958	247,990	175,095	276,987	348,203	
Number of tenancies as at 31 October 2016	277	153	260	76	80	160	
Occupancy Rate for the 4-month period ended 31 October 2016 (%)	97.3	94.6	92.6	72.6	65.8	90.3	
Number of car park bays as at 31 October 2016	579	196	628	584	520	475	
Number of motorcycle bays as at 31 October 2016	210	112	214	85	140	65	

**Note:**

(1) The charges over Master Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.

## COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

The Manager believes that an investment in KIP REIT offers the following investment attractions to Unitholders:

### **Strategic and diversified location of the Subject Properties with potential for future growth**

The Subject Properties are spread across townships in different states around Malaysia and primarily located in strategic and diversified locations in Johor, Negeri Sembilan, Melaka and Selangor thus providing investors with geographical diversification within Malaysia. All of the Subject Properties are easily accessible from the main thoroughfare of their respective towns and most of the Subject Properties are highly visible from the main thoroughfare.

The Subject Properties are also primarily located close to major residential catchments comprising neighbourhoods with residents within the lower to middle-income brackets which augurs well with its target catchment market. The detailed breakdown of the estimated population catchment (within 5 km radius) and its respective average monthly household income is as follows:

<b>Subject Properties</b>	<b>Estimation of population within a 5 km radius of the Subject Properties</b>	<b>Income Group</b>	<b>Monthly Household Income (2014) / State</b>
KiP Mart Tampoi	288,653	Lower to middle	RM6,207 / Johor
KiP Mart Kota Tinggi	59,827	Lower to middle	RM6,207 / Johor
KiP Mart Masai	247,076	Lower to middle	RM6,207 / Johor
KiP Mart Lavender Senawang	140,061	Lower to middle	RM5,271 / Negeri Sembilan
KiP Mart Melaka	236,228	Lower to middle	RM6,046 / Melaka
KiP Mall Bangi	187,538	Middle	RM8,252 / Selangor

*Source: Independent Market Report*

Most of the Subject Properties are also located close to commercial and industrial properties development which generates economic activities and employment in their respective towns as well as providing larger catchment for most of the KiP Marts.

According to the Independent Property Market Consultant, based on the local plan of the respective location of the Subject Properties, the majority of the future plans for development of the respective location of the Subject Properties are mainly concentrated on residential and commercial developments which may increase the retail traffic of the Subject Properties in the future. In addition, based on the Seremban local plan, the future infrastructure plan includes a proposed Light Rail Transit station to be located opposite KiP Mart Lavender Senawang and is expected to provide a connection to Senawang town centre which will increase the accessibility of KiP Mart Lavender Senawang and may result in an increase in retail traffic.

### **Opportunity to invest in a unique portfolio**

Investors will have an opportunity to invest in a unique portfolio as KIP REIT's portfolio comprises of five KiP Mart properties that are a hybrid between a traditional wet market and a conventional shopping centre, and a KiP Mall which is a neighbourhood conventional shopping mall, all of which cater to lower to middle-income customers.

KIP REIT's business model is such that many of its tenants target daily needs and basic necessities of the shoppers and hence, its business model may represent a strength during adverse economic conditions when consumers are more prudent in spending and will actively source for value-for-money products or services that are commonly found in KiP Mart.

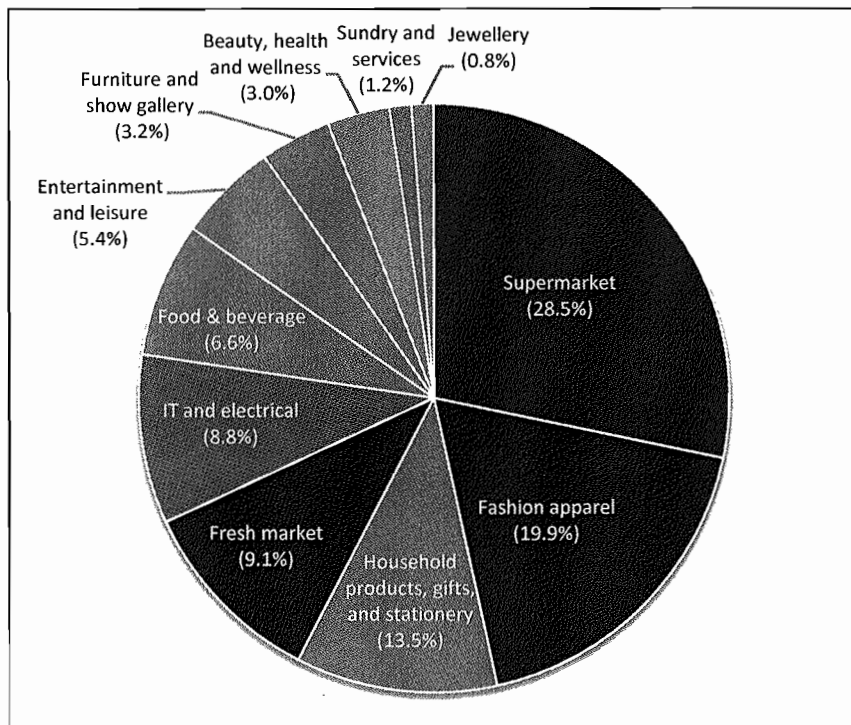
Community retail centres such as KiP Marts represent a viable alternative to the traditional hypermarket and neighbourhood centres by providing competitive offering to the lower to middle income groups in smaller towns and secondary markets in the country. The advantage of such community retail centres is the wider range of local products as compared to hypermarket especially fresh produce. These community retail centres have also the added advantage in localising the merchandises offered in order to cater to the preference of the surrounding community or neighbourhood as the wet market stalls within the community retail centres are operated by traditional market stall holders themselves. KIP REIT represents this new community-centric retail centre category and thrives well particularly in smaller towns or lower to middle-income neighbourhoods.

The community-centric retail concept is sustainable as it is not dependent on a single operator and has the attraction of a hypermarket in terms of size as it mimics the structure of hypermarkets but it has a versatility that hypermarkets lack due to its multi-trader nature. KIP REIT's primary catchment market does not require the scale and size of catchments that hypermarkets need to survive.

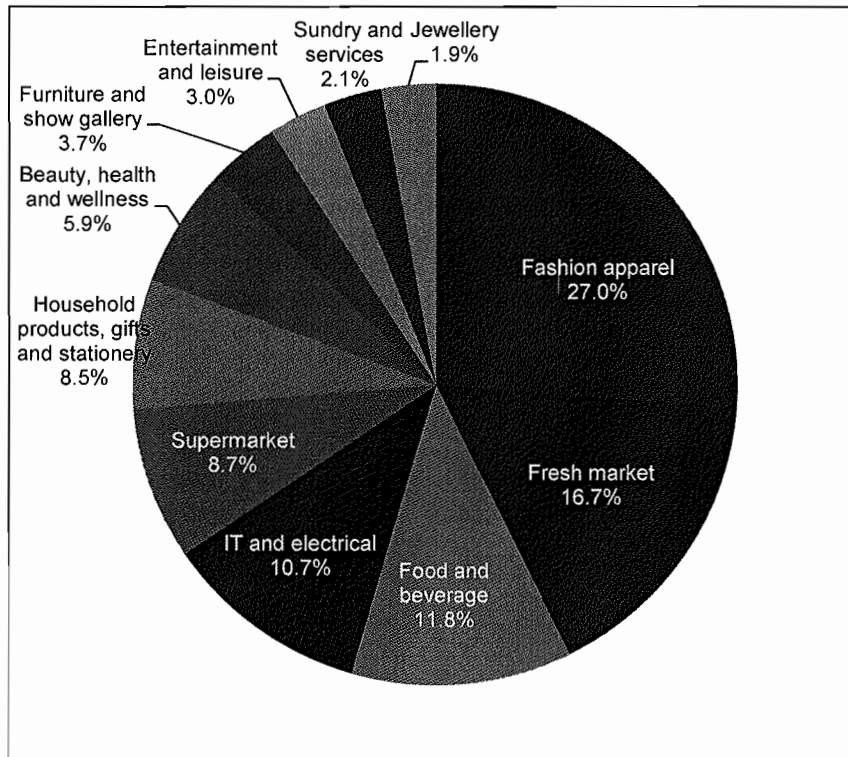
KIP REIT's business model is such that many of its tenants target daily needs and basic necessities of the shoppers. This is a strength during adverse economic conditions when consumers are more prudent in spending and will actively source for value-for-money products or services that are commonly found in KiP Mart.

**Diversified tenant base**

The tenants of the Subject Properties range from a variety of trades ranging from amongst others, fresh market, supermarket, fashion apparel, IT and electrical products and food and beverage. As at 31 October 2016, the Subject Properties had a total of 1,006 tenancies where no single tenant contributed more than 5.0% of Gross Rental Income. The detailed breakdown of the trade mix analysis by LA and by Gross Rental Income as at 31 October 2016 in respect of the Subject Properties are as follows:



**Detailed breakdown of the trade mix analysis by LA**



***Detailed breakdown of the trade mix by Gross Rental Income***

**Malaysian demographics which are supportive of the retail markets**

Malaysia recorded a population of 31.0 million as at 2015 and grew at a CAGR of 1.8% from 2005 to 2015. Malaysia is a country with a young population with a median age of 26.2 years in 2010, with more than 49.0% of the population below 27 years old. From 2010 to 2015, the population growth in the states in which the Subject Properties are located range from 5.4% to 11.6% whilst the median age in the states in which the Subject Properties are located range from 26 to 27 years old. The strong population growth and the relatively young median age are expected to be the main growth drivers of the retail sector as the population enters into the workforce and contribute to higher demand in the retail sector

In addition, urban migration is also an important factor contributing to growth in the retail sector. The urbanisation rate of the states in which the Subject Properties are located are high, with more than 70.0% of their respective populations urbanised. The urbanisation results in a higher concentration of population in the specific areas within the localities in which each of the Subject Properties is located.

**Conservative capital structure providing financial flexibility**

Upon Listing, KIP REIT's debt to asset ratio will be approximately 14.8%, which is lower than that of the average Malaysian REIT, of approximately 32.0% as at 30 September 2016. This would allow KIP REIT the opportunity to undertake borrowings for future acquisitions or any asset enhancement that it intends to make. Based on a debt to asset ratio of 50.0%, which is the maximum borrowings ratio for a REIT, the Manager could raise up to RM204.0 million of additional debt based on a Total Asset Value of RM580.3 million.



### **Experienced Promoters and management team**

Dato' Chew Lak Seong and Dato' Ong Kook Liong, being the Promoters of KIP REIT have over between 35 years and 27 years of experience respectively in the property development and investment, hospitality, retail design and development, project management, corporate management, leasing and retail development conceptualisation. The Promoters have initiated the conceptualisation of the KiP Mart business model as a community-centric retail centre and have been actively involved in the growth and development of the business for the past decade. Dato' Chew Lak Seong and Dato' Ong Kook Liong are the Managing Director and Executive Director of the Manager, respectively.

The Manager and the management team consist of experienced retail real estate professionals, many of whom have been with the KIP group of companies for several years managing, amongst others, the respective Subject Properties. Therefore, they maintain familiarity and in-depth knowledge of managing the Subject Properties in the respective locations, making them uniquely positioned to stimulate the future growth of KIP REIT.

The management team of the Manager is led by the Chief Executive Officer, Lim Han Gie, who joined KIP group of companies as the general manager overseeing the property development projects and the operations of KiP Marts in Malaysia. He was involved in the implementation of the KiP Mart business model and has led the introduction of three KiP Marts which are located in Tampoi, Kota Tinggi and Masai in Malaysia's southern region, all of which have maintained an average Occupancy Rate of above 90.0% in the last five years.

The profiles of the Promoters and the management team members are as set out in Section 6.4.1 and 6.5.1 of this Prospectus, respectively.

### **Growing pipeline serves as platform for future growth**

Future growth opportunities can be achieved through the optimisation of the management of the existing property portfolio of KIP REIT as well as through the potential acquisition of additional properties. The Promoters and the Manager intend to expand KIP REIT in the future, through the acquisition of other properties.

The Trustee currently holds ROFRs for the acquisition of KiP Mall Kota Warisan, KiP Mart Sendayan, KiP Mart Sungai Buloh, KiP Mart Kuantan and KiP Mart Sungai Petani. KiP Mall Kota Warisan is currently under construction and is expected to be completed in 2017, whilst the other properties are in their planning stages and expected to be completed by 2019. The Promoters have also provided the Trustee with a ROFR for the acquisition of retail properties including purpose-built community-centric retail centres of similar concept to KiP Mart and those within mixed developments.

The acquisition of the aforementioned properties are subject to, due diligence and assessment of commercial viability. The aforementioned properties are expected to be similarly positioned as the Subject Properties in terms of, amongst others, a community-centric retail centre, and shopper and tenancy profile.

The Manager may also explore the acquisition of properties developed by third parties should they meet the investment criteria and investment objective of KIP REIT.

## PRINCIPAL STATISTICS RELATING TO THE OFFERING

<b>The Offering</b>	234,150,000 Offer Units offered under the Institutional Offering and the Retail Offering
<b>The Institutional Offering</b>	<p>220,650,000 Offer Units, subject to Clawback and Reallocation, by way of placement to:</p> <ul style="list-style-type: none"><li>(i) Bumiputera investors approved by MITI; and</li><li>(ii) Malaysian institutional investors and selected investors</li></ul> <p>at the Institutional Price.</p>
<b>The Retail Offering</b>	13,500,000 Offer Units, subject to Clawback and Reallocation, to the Malaysian Public, and eligible directors and employees of the Manager, the Vendors, and the Eligible Companies.
<b>Retail Price</b>	<p>The Retail Price of RM1.00 per Offer Unit was determined and agreed upon by the Manager, the Principal Adviser, the Bookrunner and the Underwriter after taking into consideration the following factors:</p> <ul style="list-style-type: none"><li>(i) the financial history and condition of the Subject Properties;</li><li>(ii) the pro forma NAV per Unit upon Listing of approximately RM0.98;</li><li>(iii) the forecast distribution yields of KIP REIT;</li><li>(iv) the future prospects of KIP REIT; and</li><li>(v) the prevailing capital and property market conditions and sentiments.</li></ul> <p>The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be equal to the lower of:</p> <ul style="list-style-type: none"><li>(i) the Retail Price of RM1.00 per Offer Unit; and</li><li>(ii) the Institutional Price.</li></ul> <p>Prospective retail investors should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price.</p>
<b>Institutional Price</b>	The price per Offer Unit payable by the investors pursuant to the Institutional Offering which will be determined by way of bookbuilding.
<b>Expected Gross Proceeds</b>	Based on an illustrative issue price of RM1.00 per Offer Unit, the Offering is expected to raise gross proceeds of approximately RM234.2 million arising from the issuance of 234,150,000 Offer Units.
<b>Utilisation of Proceeds</b>	Assuming full subscription under the Offering and based on an illustrative issue price of RM1.00, the following table illustrates the allocation of the gross proceeds from the Offering.

<u>Purpose</u>	<u>(RM 000)</u>	<u>Estimated timeframe for utilisation upon Listing</u>
Part payment of the purchase consideration for the Acquisitions <sup>(1)</sup>	222,141	Immediate
Listing expenses <sup>(2)</sup>	10,909	Immediate
Expenses relating to Financing Facilities	1,100	Immediate
<b>Total</b>	<b><u>234,150</u></b>	

**Notes:**

<sup>(1)</sup> *The balance of the purchase consideration for the Acquisitions will be settled through the issuance of Consideration Units from the Offering and the funds received from the drawdown of the Financing Facilities.*

<sup>(2)</sup> *Listing expenses include estimated expenses incurred in relation to the Offering such as underwriting fees and commissions, placement commission and brokerage, professional and advisory fees, regulatory fees and other Offering-related expenses and contingencies. If the actual listing expenses are less than the estimated amount, the surplus shall be allocated for working capital purposes. If the actual listing expenses are greater than the estimated amount, the deficit shall be funded through the Financing Facilities.*

In the event the actual proceeds raised is higher than the estimated amount of approximately RM234.2 million, the amount used for part payment of the purchase consideration for the Acquisitions will be correspondingly higher. As a result, the amount of proceeds to be drawn from the Financing Facilities for the Acquisitions will be correspondingly lower in view that the cash consideration component of the Acquisitions has been fixed at approximately RM309.1 million. See Section 3.9 "Utilisation of Proceeds" of this Prospectus for further details.

## **FINANCIAL HIGHLIGHTS**

### **KIP REIT's Pro Forma Statement of Financial Position**

*The following is an extract from Section 4.1 "Pro Forma Statement of Financial Position" of this Prospectus.*

*As at the date of its establishment, KIP REIT will not have any assets and liabilities. The following table presents the Pro Forma Statement of Financial Position of KIP REIT, prepared for illustrative purposes only, to show the effects of the Acquisitions based on the assumption that such events had been effected on the date of establishment of KIP REIT and are not represented as being necessarily indicative of KIP REIT's view of its future financial position. KIP REIT's Pro Forma Statement of Financial Position should be read in conjunction with the "Reporting Accountants' Letter on the Pro Forma Statement of Financial Position" in Appendix D and the related notes in this Prospectus.*

*KIP REIT's Pro Forma Statement of Financial Position has been prepared for illustrative purposes using the financial statements of the vendors, namely:*

- (i) Kipmart Tampoi Sdn. Bhd.;*
- (ii) Genius Chance Sdn. Bhd.;*
- (iii) Enrich Assets Sdn. Bhd.;*
- (iv) Setia Wirajaya Sdn. Bhd.;*
- (iv) Projek Impiana Sdn. Bhd.; and*
- (v) Landasan Primamaju Sdn. Bhd.*

*which are prepared in the manner consistent with the format and the accounting policies to be adopted by KIP REIT as set out in Section 4.4.4 "Significant Accounting Policies" of this Prospectus.*

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**As at 2 November 2016**  
**Pro forma After**  
**Acquisitions and Offerings**

	<b>RM 000</b>
<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Investment properties	580,000
Plant and equipment	291
	580,291
<b>CURRENT ASSETS</b>	
Cash and bank balances	1,757
Deposits with licensed bank	15,770
	17,527
<b>TOTAL ASSETS</b>	597,818
<b>FINANCED BY:</b>	
Unitholders' funds <sup>(1)</sup>	494,391
<b>CURRENT LIABILITIES</b>	
Deferred income	34
Tenant deposits	12,901
	12,935
<b>NON-CURRENT LIABILITIES</b>	
Borrowings <sup>(2)</sup>	85,900
Tenant deposits	4,592
	90,492
<b>TOTAL EQUITY AND LIABILITIES</b>	597,818
NAV (RM 000) <sup>(3)</sup>	494,391
Units in issue (000)	505,300
NAV per unit (RM) <sup>(4)</sup>	0.98

**Notes:**

- <sup>(1)</sup> Unitholders' capital of RM505.3 million net of estimated expenses of RM10.1 million in relation to the issue of the Units recognised in equity and net of estimated expenses of RM0.8 million recognised in the profit and loss.
- <sup>(2)</sup> The carrying amount of the borrowings of RM87.0 million net of estimated transaction costs of RM1.1 million.
- <sup>(3)</sup> NAV represents the value of KIP REIT's assets less all liabilities.
- <sup>(4)</sup> NAV per unit is computed based on NAV divided by number of Units issued by KIP REIT.

### **Pro Forma Net Property Income**

*The following is an extract from Section 4.3 "Pro Forma Net Property Income" of this Prospectus.*

*The following table presents the pro forma net property income of KIP REIT for the FY2014, FY2015 and FY2016. The pro forma net property income should be read in conjunction with Section 4.4 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus.*

*The objective of the pro forma net property income of KIP REIT is to show what the results of operations might have been had KIP REIT existed at an earlier date. However, the pro forma net property income of KIP REIT is not necessarily indicative of the results of operation that would have been attained had KIP REIT actually existed earlier.*

*The pro forma net property income of KIP REIT for the FY2014, FY2015 and FY2016 have been prepared based on the Vendors' audited financial statements for the FY2014, FY2015 and FY2016, save and except for Landasan Primamaju Sdn Bhd and Kipmart Tampoi Sdn Bhd as Vendors for KiP Mall Bangi and KiP Mart Tampoi, respectively, where the financial year end for both of these entities are as at 31 December. The proforma net property income of KIP REIT has been prepared based on the management accounts of:*

- (i) Dunia Raya Enterprise Sdn Bhd, (as the previous owner of KiP Mall Bangi prior to its acquisition by Landasan Primamaju Sdn Bhd) for its 12-month period ended 30 June 2014 and 9-month period ended 31 March 2015;*
- (ii) Landasan Primamaju Sdn Bhd for the 3-month period ended 30 June 2015 and the 12-month period ended 30 June 2016; and*
- (iii) Kipmart Tampoi Sdn Bhd for the 12-month period ended 30 June 2014, 30 June 2015 and 30 June 2016.*

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

<b>RM 000</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Gross Rental Income	48,304	51,632	53,006
Other income	7,635	10,167	11,349
<b>Total Revenue</b>	<b>55,939</b>	<b>61,799</b>	<b>64,355</b>
Utilities	8,321	10,395	10,874
Maintenance and housekeeping expenses	5,468	4,064	2,726
Quit rent and assessment	837	1,269	1,263
Reimbursable costs <sup>(1)</sup>	4,411	4,233	4,606
Marketing and advertising	2,158	1,678	1,033
Other operating expenses	1,988	1,886	1,616
<b>Property Operating Expenses</b>	<b>23,183</b>	<b>23,525</b>	<b>22,118</b>
<b>NPI</b>	<b>32,756</b>	<b>38,274</b>	<b>42,237</b>

**Note:**

<sup>(1)</sup> Reimbursable costs relating to the staff costs of the Vendors of the Subject Properties.

Further details of the components of Total Revenue and Property Operating Expenses are set out in Section 4.4.5 and 4.4.6, respectively.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



## **Profit Forecasts**

*The following is an extract from Section 4.5 "Profit Forecasts" of this Prospectus. Statements contained in this "Profit Forecast" section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those estimates and forecasts. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of KIP REIT, the Manager, the Promoters, the Trustee, the Principal Adviser, the Bookrunner, the Underwriter or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See the Section on "Forward-looking Statements" and Section 5 "Risk Factors" of this Prospectus for further details. Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this Prospectus.*

**None of KIP REIT, the Manager, the Promoters, the Trustee, the Principal Adviser, the Bookrunner or the Underwriter guarantees the performance of KIP REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast yields stated in the following table are calculated based on the illustrative Retail Price of RM1.00**

**Such yields will vary accordingly for investors who purchase Units at a price that differs from the Retail Price.**

**Investors are cautioned that rental yield on the Subject Properties to be held by KIP REIT is not equivalent to the yield of the Units. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.**

*The following table shows KIP REIT's Profit Forecasts for the Forecast Period 2017 and Forecast Year 2018. The financial year end of KIP REIT is 30 June. The Forecast Period 2017 has been prepared assuming that the first financial period is the 8-month period ending 30 June 2017, and the date of establishment of KIP REIT of 2 November 2016. The Profit Forecast is based on the assumptions set out below and has been examined by the Reporting Accountants and should be read together with the "Reporting Accountants' Letter on the Profit Forecast" set out in Appendix E, as well as the assumptions and the sensitivity analysis set out in this section of the Prospectus.*

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

	Forecast Period 2017 (RM 000)	Forecast Year 2018 (RM 000)
Gross Rental Income	36,147	56,069
Other Income	7,493	11,505
<b>Total Revenue</b>	<b>43,640</b>	<b>67,574</b>
Utilities	7,385	11,330
Maintenance and housekeeping expenses	2,341	5,458
Quit Rent and Assessment	852	1,278
Reimbursable costs	3,409	5,246
Marketing and advertising	824	1,281
Other Operating Expenses	1,209	1,891
Property Operating Expenses	16,020	26,484
<b>Net Property Income</b>	<b>27,620</b>	<b>41,090</b>
Interest Income	260	390
Net Investment Income	27,880	41,480
Less:		
Manager's management fees	1,824	3,313
Trustee's Fee	67	100
Other Trust Expenses	1,168	578
Borrowing Costs	2,974	4,461
Profit before Taxation	21,847	33,028
Taxation	-	-
<b>Total comprehensive income</b>	<b>21,847</b>	<b>33,028</b>
Total comprehensive income	21,847	33,028
Add: Non cash items <sup>(1)</sup>	186	278
Total available distributable income	22,033	33,306
Assumed distribution rate	100%	100%
<b>Distributable income<sup>(2)</sup></b>	<b>22,033</b>	<b>33,306</b>
Number of Units in issue (000)	505,300	505,300
Distribution rate	100.0%	100%
Distribution cover (times)	1.00	1.00
Distribution per Unit (sen)	6.54 <sup>(3)</sup>	6.59
Illustrative Retail Price (RM/Unit)	1.00	1.00
<b>Distribution Yield on Retail Price</b>	<b>6.54%</b>	<b>6.59%</b>

**Notes:**

<sup>(1)</sup> Non-cash items comprise amortisation of capitalised borrowing costs and depreciation of plant and equipment.

<sup>(2)</sup> As defined in Section 10.8 of this Prospectus.

<sup>(3)</sup> Distribution for the Forecast Period 2017 has been annualized.

## **RISK FACTORS**

Prospective investors should carefully consider certain risks connected with an investment in the Units, as set out in Section 5 "Risk Factors" of this Prospectus.

### **Risks Relating to the Subject Properties**

- (i) The loss of key tenants or a downturn in the business of Subject Properties' key tenants may have a material adverse effect on the financial condition and results of operations of KIP REIT.
- (ii) The Subject Properties have tenancy cycles in which a substantial number of the tenancies expire in certain years.
- (iii) The Subject Properties may face increasing competition from other properties.
- (iv) The Subject Properties might be adversely affected if the Manager and the Property Manager do not provide adequate management and maintenance.
- (v) The due diligence on the Subject Properties may not have identified all material defects, breaches of laws and regulations and other deficiencies.
- (vi) Renovations, asset enhancement works and physical damage to the Subject Properties may disrupt the business and operations of the Subject Properties and collection of Gross Rental Income or otherwise resulting in an adverse impact on the financial condition and results of operations of KIP REIT.
- (vii) The Subject Properties may require significant capital expenditure beyond the Manager's current estimate and KIP REIT may not be able to secure funding.
- (viii) The Appraised Values of the Subject Properties are based on various assumptions which may or may not materialise and the price at which KIP REIT is able to sell the Subject Properties in the future may be lower than the acquisition value of the Subject Properties.
- (ix) KIP REIT is dependent on third parties for certain services.
- (x) KIP REIT may suffer material losses in excess of insurance proceeds or KIP REIT may not put in place or maintain adequate insurance in relation to the Subject Properties and its potential liabilities to third parties.
- (xi) Completion of the SPAs and transfer of certain contracts or licences may not occur.
- (xii) Subject Properties which are subject to Restrictions on the Transfer of Land.
- (xiii) The Subject Properties or any part of them may be acquired compulsorily.

### **Risks Relating to KIP REIT's Operations**

- (i) The Total Revenue earned from, and the value of, the Subject Properties may be adversely affected by a number of factors.
- (ii) Operating risks inherent to the retail property industry and increases in operating and other expenses of the Subject Properties may have an adverse effect on KIP REIT's financial condition and results of operations.
- (iii) Increase in living costs could materially and adversely affect KIP REIT's total revenue and profitability.
- (iv) KIP REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations.

- (v) The removal of the Manager may have an adverse effect on KIP REIT's financial condition and results of operations.
- (vi) KIP REIT may be adversely affected by the illiquidity of real estate investments and the lack of alternative uses and may be exposed to a higher level of risk compared to more diversified investments.
- (vii) KIP REIT is subject to third-party litigation risk by customers, contractors and tenants of the Subject Properties which may result in significant liabilities and damage to KIP REIT's reputation.
- (viii) KIP REIT is exposed to economic and real estate market conditions (including uncertainties and instability in global market conditions and increased competition in the retail property market).
- (ix) Adverse change in consumer preference may adversely affect KIP REIT.
- (x) KIP REIT will rely on KiP Mart Tampoi, KiP Mart Masai and KiP Mall Bangi for a substantial portion of its NPI.
- (xi) Possible change of investment strategies may adversely affect Unitholders' investments in KIP REIT.
- (xii) KIP REIT is subject to risks inherent in concentrating investments primarily in retail properties in a single country.
- (xiii) Potential conflicts of interest among KIP REIT, the Manager and the Promoters or its subsidiaries may result in corporate actions and business decisions that are not in the Unitholders' best interests.
- (xiv) KIP REIT is a newly established entity without an established operating history for investors to rely on in making an investment decision.
- (xv) The Manager may not be able to successfully implement its investment strategies for KIP REIT.
- (xvi) KIP REIT may be subject to GST.
- (xvii) KIP REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act by virtue of, among others tax adjustments which could affect the requirement of 90.0% distribution of taxable income or changes in tax laws.
- (xviii) KIP REIT may face risks associated with debt financing and existing and future debt facilities and debt covenants may limit or affect KIP REIT's operations.
- (xix) The amount KIP REIT may borrow is limited, which may affect the operations and expansion of KIP REIT.
- (xx) Occurrence of any acts of God, war and terrorist attacks may adversely and materially affect the business and operations of the Subject Properties.
- (xxi) The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere may adversely impact the business, financial condition and results of operations of KIP REIT.
- (xxii) KIP REIT is exposed to political risks.

### **Risks Relating to an Investment in the Units**

- (i) The actual performance of KIP REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.
- (ii) There has been no prior market for the Units, the listing of the Units on the Main Market may not result in an active or liquid market for the Units.
- (iii) KIP REIT's Pro Forma Statement of Financial Position and Pro Forma Net Property Income included herein may not reflect actual financial position and results.
- (iv) The sale of a substantial number of Units by the Major Unitholders and/or any of their transferees of the Units (following the lapse of the lock-up arrangements) could adversely affect the price of the Units.
- (v) Unitholders who do not or are not able to participate in future equity financing by KIP REIT will experience a dilution in their interest in KIP REIT.
- (vi) The price of the Units may decline after the Listing.
- (vii) There is no assurance that KIP REIT will be able to make distribution to Unitholders or maintain any given level of distribution.
- (viii) The Manager is not obliged to redeem Units.
- (ix) The NAV per Unit may be diluted if new Units are issued and priced below the current NAV per Unit.
- (x) Cyclical market and economic conditions may affect the price and demand for the Units.
- (xi) The laws, regulations and accounting standards in Malaysia may change, including the introduction of new or revised legislation, regulations, guidelines or directives affecting REITs.
- (xii) The Malaysian Ringgit may be subject to exchange controls.
- (xiii) Foreign investment in Malaysia assets may be subject to further controls.
- (xiv) Unitholders may be unable to recover claims brought against the Manager as the Manager is not an entity with significant assets.
- (xv) There may be a delay or failure in Listing of the Units.
- (xvi) There is no assurance that the Units will remain listed on Bursa Securities and/or not be suspended from trading.

## FEES AND CHARGES

**There are fees and charges involved and investors are advised to consider them before investing in KIP REIT.**

The following is a summary of the amount of certain fees and charges payable by the Unitholders in connection with the purchase, sale and holding of their investments in KIP REIT or trading of the Units on Bursa Securities (so long as the Units are listed):

<u>Payable by the Unitholders directly</u>	<u>Amount payable</u>
(a) Bursa Securities clearing fee	0.03% of the transaction value, subject to a maximum of RM1,000.00 per transaction
(b) Brokerage	A percentage of the transaction value prescribed by or negotiated with the ADAs, subject to a minimum of RM40.00 per transaction save for (i) online routed retail transactions, (ii) transactions executed in less than a board lot and (iii) transactions paid with cash upfront, for which the minimum brokerage fees are fully negotiable
(c) Stamp duty	RM1.00 for every RM1,000.00 or fractional part of the transaction value, subject to a maximum of RM200.00 per transaction

The above rates may be subject to changes by the relevant parties. Further information on the charges you may incur from the trading of Units on Bursa Securities may be found on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

The following is a summary of certain fees and charges payable by KIP REIT in connection with the establishment and on-going management and operation of KIP REIT.

<u>Payable by KIP REIT</u>	<u>Amount payable</u>
(a) Management Fee ( <i>Payable to the Manager</i> )	<p>The Manager may elect to receive the Management Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine). The Manager is entitled under the Deed to the following Management Fees (exclusive of goods and service tax, if any):</p> <p>(i) <b>Base Fee</b></p> <p>Up to 1.0% per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances) in the relevant financial year.</p> <p>The Manager intends to charge a Base Fee of 0.4% and 0.5% per annum of the Total Asset Value of KIP REIT (excluding cash and bank balances) for the Forecast Period 2017 and Forecast Year 2018 respectively.</p> <p>(ii) <b>Performance Fee</b></p> <p>Up to 5.0% per annum of the Net Property Income of KIP REIT in the relevant financial year.</p> <p>The Manager intends to charge a Performance Fee of 1.0% per annum of the Net Property Income of KIP REIT for the Forecast Period 2017 and Forecast Year 2018.</p>

(iii) **Acquisition Fee**

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

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

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

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

For the avoidance of doubt, no Acquisition Fee is payable with respect to the Acquisitions

(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.

(b) Trustee's fee (*Payable to the Trustee*) RM100,000.00 per annum payable upon the execution of the Deed for the first three (3) years and thereafter at such rate to be mutually agreed between the Manager and the Trustee. Any additional trustee's fee for acquisition of new properties after the commencement of KIP REIT are to be mutually agreed between the Manager and the Trustee. In any case, the annual trustee's fee in aggregate shall be up to the maximum rate of 0.05% per annum of the NAV of KIP REIT. For avoidance of doubt, the annual trustee's fee in aggregate for the first three (3) years upon the execution of the Deed shall not be less than RM100,000.00 per annum.

(c) Property Management Fee (*Payable to the Property Manager*) The Property Manager is entitled to receive RM12,000.00 (excluding GST) per month for the management and operation of the Subject Properties.

In addition, the Property Manager is also entitled to full reimbursement of costs and expenses properly incurred in the operation, maintenance, management and marketing of the Subject Properties, including fees and reimbursements for similar permissible expenses payable to its services provider(s).

(d) Other REIT expenses

These include:

- auditor's fee;
- valuation fee;
- professional fees;
- reporting fees;
- borrowing costs;
- annual listing fee;
- tax consultant's fee;
- printing, posting and general expenses that are directly related to and necessary for the administration of KIP REIT; and
- all other expenses related to KIP REIT as provided for in the Deed.

For the avoidance of doubt, any rebates and soft commissions shall be paid in accordance with the REIT Guidelines. For further details of the fees and charges, please refer to Section 3.12 "Brokerage, Commissions and Other Fees and Charges", Section 6.6 "Management Fees", Section 8.5 "Trustee's Fee" and Section 9.5 "Property Management Fee" of this Prospectus.



## 1. DETAILED INFORMATION ON KIP REIT

### 1.1 OVERVIEW OF KIP REIT

#### Investment Policy

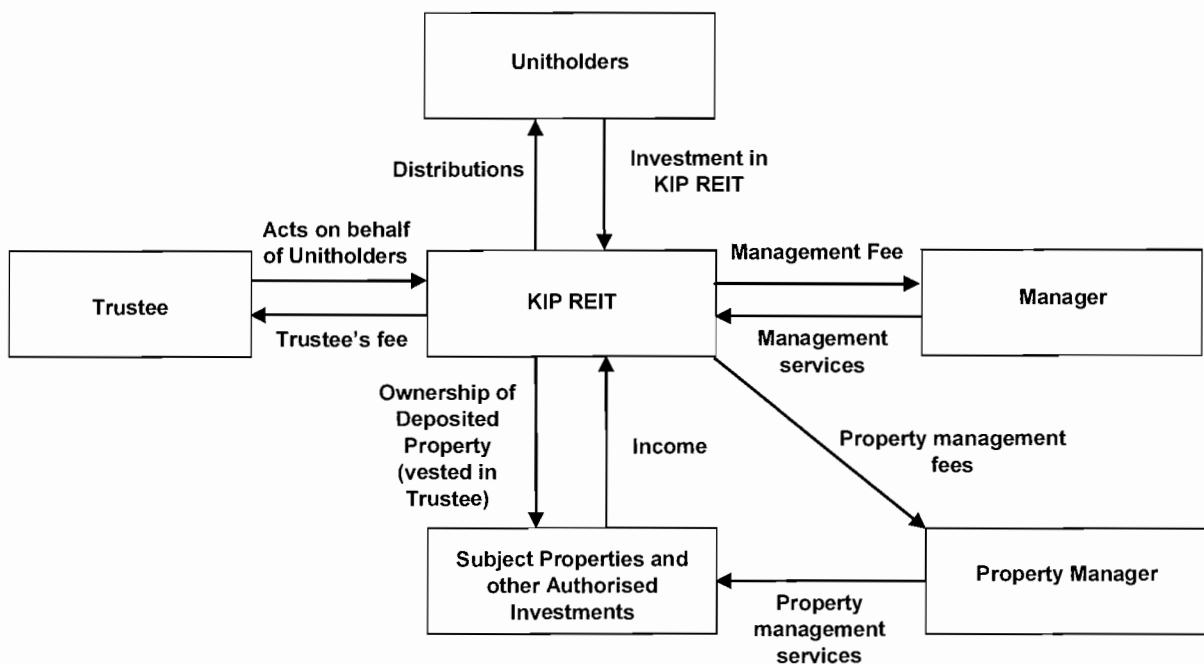
KIP REIT is a REIT established with the principal investment policy of investing, directly and indirectly, in a portfolio of income producing Real Estate used primarily for retail purposes. The nature of KIP REIT's investment shall be long-term, with a period of at least five years, with a focus towards community-centric retail centres. KIP REIT may also invest in other investments as permissible in the REIT Guidelines or as otherwise permitted by the SC, including in Real Estate-Related Assets. Any material change to the investment policy of KIP REIT must be approved by the Unitholders.

#### Investment Objective

The Manager's 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.

### 1.2 STRUCTURE OF KIP REIT

The following diagram illustrates the structure of KIP REIT as well as key relationships between KIP REIT, the Manager, the Trustee, the Property Manager and the Unitholders.



## 1.3 STRATEGIES

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

- (i) **Active asset management and enhancement strategy** – The Manager will seek to optimise the rental rates, occupancy rates and LA of the Subject Properties in order to improve the returns from KIP REIT's property portfolio;
- (ii) **Acquisition growth strategy** – The Manager will source for and acquire properties that fit within KIP REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth. To support this acquisition strategy, the Manager expects to benefit from the ROFR provided by the Promoters over the Promoters' existing and future retail properties in Malaysia;
- (iii) **Capital and risk management strategy** – The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions and will seek to manage financing and refinancing risks with the intention of maximising returns to Unitholders.

### 1.3.1 Active Asset Management Strategy

The Manager will seek organic growth of the Subject Properties by working closely with the Property Manager to maximise occupancy rates, rental rates and LA. The Manager intends to achieve optimal occupancy rates and rental rates of the Subject Properties by actively pursuing new leasing opportunities. Where appropriate, to enhance rental rates while maintaining high occupancy rates, the Manager seeks to maintain high levels of tenant satisfaction and mitigate risks relating to new tenancies and tenancy renewals by actively managing the tenant mix of the Subject Properties. In order to enhance the LA, the Manager will explore opportunities to add lettable area to the Subject Properties as appropriate.

The Manager, by working closely with the Property Manager, will seek to do the following:

#### (i) **Actively managing and leasing the Subject Properties**

The Manager strives to increase occupancy rates of the Subject Properties beyond the current level and where applicable, endeavour to maintain the existing occupancy rates by securing new tenants, pro-actively managing lease renewals, and minimising the void periods arising from non-renewals and early termination of leases.

The Manager believes that there will be opportunities to pursue various initiatives to improve the overall profitability of the Subject Properties that include:

- (a) actively marketing the Subject Properties to secure or source new tenants for existing and/or impending vacant space;
- (b) regularly reviewing rental rates vis-à-vis market rates for possible upward adjustments in accordance with the lease agreements and market conditions, and improving the rental rates upon expiry or renewal;
- (c) actively engaging in renewal negotiations with tenants whose leases are approaching expiry;
- (d) actively monitoring rental arrears and other aspects of tenant performance to minimise bad debt.

**(ii) Continual improvement of tenant mix and facility layout**

As each Subject Property serves its surrounding communities with their own distinct characteristics and socio-economic environment, the Manager intends to actively monitor and research relevant market trends to implement measures to ensure that the tenant profile and trade mix within each Subject Property are optimised on an ongoing basis with the objective to drive shopper traffic. The Manager believes continued shopper traffic will help drive demand for lettable area from existing and potential new tenants, thus resulting in higher rental rates and occupancy rates. The initiatives for continual improvement of tenant mix include, amongst others;

- (a) identifying potential tenants with an established presence within neighbourhood communities in which each Subject Property operates;
- (b) engaging in continuous improvement of the tenant and zoning mix within the Subject Properties;
- (c) searching for new tenants from sectors currently under-represented in the Subject Properties to achieve an optimal tenant mix; and
- (d) optimising the trade mix and trade locations within the Subject Properties to enhance the shopping experience and introduce new retail and/or marketplace strategies.

**(iii) Continual delivery of quality services to tenants and maintaining strong tenant relationships**

The Manager intends to further develop its strong relationship with the tenants to encourage tenant retention as well as to minimise vacancies and expenses for sourcing new tenants by providing services of quality through the following initiatives:

- (a) continually striving to promote tenant satisfaction by anticipating and responding to their requirements, feedback and enquiries;
- (b) cross-sharing of successful retail initiatives between the various Subject Properties for the benefit of tenants, indirectly improving the tenants' business to encourage tenant retention;
- (c) conducting regular maintenance and/or improvements to the Subject Properties' facilities to maintain tenant satisfaction and improve shopper experience;
- (d) conducting strategic improvements, renovation and/or expansion (where necessary) of the Subject Properties which are typically adaptable for varied tenant layouts and can be reconfigured to accommodate new tenants and/or the changing space needs of existing tenants; and
- (e) providing additional value-added services for tenants, such as organising marketing and promotion initiatives for the Subject Properties which include product promotion events, community and charity events and advertising campaigns through direct mail, newspaper, television and radio.

**(iv) Improving operational efficiency and optimising operating costs**

The Manager will work closely with the Property Manager to optimise property expenses without compromising the quality of services to tenants and shoppers. Some of the strategies include introducing cost control management systems and adopting energy-efficient practices to achieve utility cost savings for common areas. For example, solar panels have been installed in KIP Mart Masai which has resulted in average savings of about 20% on utility costs per month. The Manager intends to replicate this across all Subject Properties.

In addition, the Manager will actively manage property management costs and other outgoings based on competitive market benchmarks. By minimising operating costs, the Net Property Income of the Subject Properties is expected to further increase.

**(v) Continual asset enhancement initiatives**

The Manager intends to regularly review and assess the layouts of the Subject Properties for potential enhancements to maximise the rental potential and improve the shopping environments in the Subject Properties through the following initiatives:

- (a) actively reconfiguring the layout to improve the efficiency of the LA;
- (b) reconfiguring and/or redeveloping unproductive space to improve leasing potential where there is a demand for such space by existing and/or new tenants;
- (c) converting selected areas not currently leased out or selected ancillary areas to increase LA;
- (d) improvement of interior and exterior signage, lighting, restroom facilities environment and other aesthetic aspects of the Subject Properties; and
- (e) improving the accessibility of the Subject Properties by, among others, increasing the number of access roads.

**1.3.2 Acquisition growth strategy**

The Manager, on behalf of KIP REIT, will actively assess new acquisition opportunities in Malaysia that fits within KIP REIT's investment objectives in order to generate overall growth prospects and improvements of long-term value.

The Manager shall seek acquisition opportunities that will be beneficial for Unitholders by undertaking acquisitions of assets that are yield accretive or are undervalued, or which are close to being yield accretive but with the potential for improvement, such that Unitholders will be able to enjoy the upside in DPU in the future when the Manager implements such improvement potential.

The Manager expects KIP REIT to be able to benefit from the ROFR provided by the Promoters, which will provide KIP REIT the opportunity to acquire from the Promoters' future retail centres which they are developing under the KIP Mart and/or KIP Mall brands. Further details of the ROFRs and the potential acquisition pipelines currently held by the Promoters are set out in Section 2.3.7 of this Prospectus.

### ***Investment Criteria***

The key investment criteria that the Manager will consider when evaluating acquisition opportunities include the following, which are not exhaustive:

- (i) consistency with the Manager's investment strategy and synergistic potential to the existing portfolio;
- (ii) ability to provide long-term yield accretion to Unitholders and potential overall growth prospects to KIP REIT;
- (iii) attractiveness of the target property's acquisition price vis-à-vis its cash flows, current performance and sustainable future potential;
- (iv) location and catchment characteristics that will be able to support the target property's retail activities on a sustainable basis;
- (v) potential for growth of the target property taking into consideration the respective catchment's demographic and socio-economic situation;
- (vi) occupancy potential and average rental rates relative to prevailing market conditions;
- (vii) geographical diversification or expansion enabling KIP REIT to access tenant and shopper demand in new trade areas or communities;
- (viii) ability of the target property to complement the existing portfolio and strengthen KIP REIT's market share vis-à-vis competition in a trade area community;
- (ix) good quality specifications of the target property which are in compliance with legal, building control and zoning regulations;
- (x) the ability to exploit any unutilised plot ratio or embark on potential asset enhancement initiatives to improve property yields and create value; and
- (xi) quality properties which are undervalued that will provide redevelopment potential resulting in NAV improvements within the medium to long-term periods.

Any acquisition of future real estate will be made in compliance with the Deed and the REIT Guidelines taking into consideration the current maximum permissible level of debt of 50% of the Total Asset Value at the time the borrowing is incurred.

### **1.3.3 Capital and risk management strategy**

The Manager intends to optimise KIP REIT's capital structure by employing an appropriate combination of debt and equity financing to fund future acquisitions and property enhancements of its properties, while maintaining appropriate levels of financial prudence. The Manager's on-going capital and risk management strategy involves adopting and maintaining an appropriate gearing level to enable KIP REIT to minimise its cost of capital whilst maintaining sufficient debt headroom that provides flexibility to support future funding or other liquidity requirements as well as adopting a proactive strategy to manage risks associated with refinancing and changes in interest rates for KIP REIT to enjoy competitive rates of its ongoing cost of capital.

On the Listing Date, KIP REIT is expected to have debt of approximately RM85.9 million (net of estimated transaction costs of RM1.1 million) representing approximately 14.8% of its estimated Total Asset Value. Further details of KIP REIT's financing are set out in Section 3.8 of this Prospectus.

### **1.3.4 Authorised Investments and Investment Limits**

The list of authorised investments of KIP REIT is as follows:

- (i) Real Estate;
- (ii) SPVs;
- (iii) Real Estate-Related Assets;
- (iv) Non-Real Estate-Related Assets;
- (v) cash, deposits and money market instruments; and
- (vi) any other investment not specified in (i) to (v) above but specified as permissible investment in the REIT Guidelines or as otherwise permitted by the SC.

The investments of KIP REIT are subject to the following investment limits imposed by the REIT Guidelines:

- (i) at least 50.0% of KIP REIT's Total Asset Value must be invested in Real Estate and/or SPVs at all times; and
- (ii) not more than 25.0% of KIP REIT's Total Asset Value may be invested in Non-Real Estate-Related Assets and/or cash, deposits and money market instruments,

provided that investments in both Real Estate-Related Assets and Non-Real Estate-Related Assets are limited as follows:

- (i) the value of KIP REIT's investments in securities issued by any single issuer must not exceed 5.0% of KIP REIT's Total Asset Value;
- (ii) the value of KIP REIT's investments in securities issued by any group of companies must not exceed 10.0% of KIP REIT's Total Asset Value; and
- (iii) KIP REIT's investments in any class of securities must not exceed 10.0% of the securities issued by any single issuer; or

such other limits and investments as may be permitted by the SC or the REIT Guidelines.

## **1.4 INVESTORS' PROFILE**

KIP REIT may appeal to an investor with long-term investment objectives who seeks regular income distribution and long-term capital appreciation, and who understands the risks related to the real estate industry and REITs.

## **1.5 PERFORMANCE BENCHMARK**

The following performance indicators can be considered in reviewing the performance of KIP REIT:

### **(i) Distribution Yield**

The ratio of the distribution paid to Unitholders from KIP REIT's Distributable Income to the market price of the Units.

**(ii) NAV**

NAV represents the Total Asset Value after subtracting all of KIP REIT's liabilities and obligations.

**(iii) Total Return**

The change in market price of the Units over a period of time plus any distributions received during the relevant period.

**(iv) MER**

The ratio of expenses incurred in operating KIP REIT to the NAV of KIP REIT.

The performance indicators will be used to benchmark KIP REIT against its peers as well as against its own historical performance, where applicable.

## **1.6 DISTRIBUTION POLICY**

The Deed provides that the Manager, shall with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as may be determined by the Manager at its absolute discretion) of KIP REIT's Distributable Income. It is the intention of the Manager to distribute up to 100.0% of KIP REIT's Distributable Income for the Forecast Period 2017 and Forecast Year 2018, and thereafter at least 90.0% of KIP REIT's Distributable Income on a half-yearly basis (or such other intervals as the Manager may determine at its absolute discretion).

The actual proportion of Distributable Income to be distributed beyond 30 June 2018, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of KIP REIT's Distributable Income to the extent that the Manager believes it to be appropriate, having regards to KIP REIT's funding requirements, other capital management considerations and the availability of funds. Distributions, when made in the form of cash, will be in Ringgit Malaysia.

The first distribution, which will be in respect of the period from KIP REIT's date of establishment to 30 June 2017, will be paid by the Manager within two months from the end of the said period.

Half-yearly basis refers to each consecutive six-month period commencing and ending on the following dates (all dates inclusive) in each FY during the continuance of KIP REIT or such other interval as the Manager may determine in accordance with the Deed:

- (i) 1 July to 31 December; and
- (ii) 1 January to 30 June,

except that the first half year of KIP REIT shall commence on the date the Deed is registered with the SC and end on 30 June 2017 and the last half year of KIP REIT shall end on the date KIP REIT ceases to operate.

## **1.7 VALUATION POLICY**

Independent professional valuation will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. The Independent Property Valuer was engaged to carry out valuation for the Subject Properties as at 1 March 2016. The Manager has yet to decide on the exact date for the next valuation for the Subject Properties, but in any event, such valuation will be carried out within three years from 1 March 2016, in accordance with KIP REIT's valuation policy. Please refer to the Valuation Certificate set out in Appendix A "Valuation Certificates" of this Prospectus, which is to be read together with the full valuation reports for the

Subject Properties. Copies of the full valuation reports will be available for inspection at the registered office of the Manager for a period of 12 months from the date of this Prospectus.

## 1.8 BORROWING LIMITATIONS AND GEARING POLICY

KIP REIT may borrow up to 50.0% of the Total Asset Value of KIP REIT at the time the borrowing is incurred (or such other limit permitted by the REIT Guidelines from time to time).

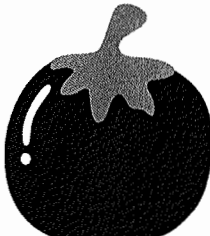
Upon Listing, based on KIP REIT's Pro Forma Statement of Financial Position, KIP REIT will have total indebtedness of approximately RM85.9 million (net of estimated transaction costs of RM1.1 million) representing approximately 14.8% of its estimated Total Asset Value.

## 1.9 INTELLECTUAL PROPERTY

KIPMart Management Sdn. Bhd. entered into an Assignment of Trade Marks agreement dated 7 December 2016 with the Trustee on behalf of KIP REIT, to assign to the Trustee on behalf of KIP REIT the following trade marks, with effect from the Completion Date of the SPA:

(i) The logo for KIP Mart, featuring the word "KIP" in a bold, sans-serif font with a small tomato icon above the letter "I", followed by the word "Mart" in a similar bold, sans-serif font.

(ii) A cartoon mascot character named KIPPY, depicted as a smiling tomato with a green leafy top, wearing a black hooded jacket with the word "KIPPY" written on the chest in white capital letters.

(iii) A stylized, solid black silhouette of a tomato with a green leafy top.

and pursuant to a Trade Marks Licence dated 7 December 2016 between the Trustee on behalf of KIP REIT and KIPMart Management Sdn. Bhd., the Trustee on behalf of KIP REIT further agreed to grant a non-exclusive licence to KIPMart Management Sdn. Bhd. to use the trademarks in respect of retail properties, including those within mixed developments owned, operated or managed by companies or corporations within the KIP group of companies and at any corporate office occupied by any entity within the KIP group of companies which manages such retail properties, with effect from the date on which the assignment takes effect.

KIP Mall Management Sdn. Bhd. entered into an Assignment of Trade Marks agreement dated 7 December 2016 with the Trustee on behalf of KIP REIT, to assign to the Trustee on behalf of KIP REIT the following trade marks, with effect from the Completion Date of the SPA:



(i)

**KiP Mall**

(ii)

**KIPMALL**

and pursuant to a Trade Marks Licence dated 7 December 2016 between the Trustee on behalf of KIP REIT and KIP Mall Management Sdn. Bhd., the Trustee on behalf of KIP REIT further agreed to grant a non-exclusive licence to KIP Mall Management Sdn. Bhd. to use the trademarks in respect of retail properties, including those within mixed developments owned, operated or managed by companies or corporations within the KIP group of companies and at any corporate office occupied by any entity within the KIP group of companies which manages such retail properties, with effect from the date on which the assignment takes effect.

All the above trade marks are registered save for **KIPMALL**, where an application has been made for registration.

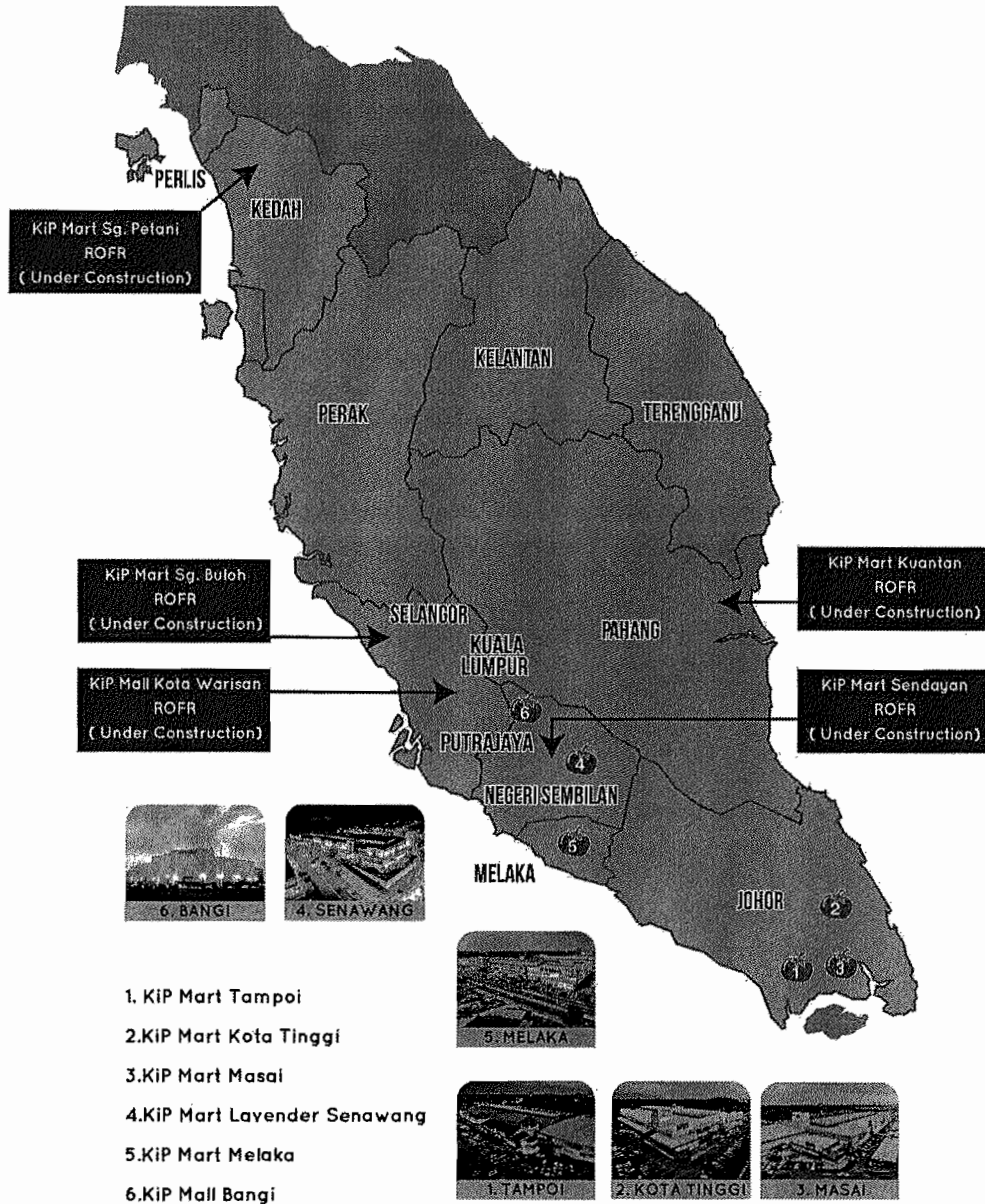
Both the licence agreements above shall be terminated, if at any time:

- (i) the trademarks or any part of the trademark is expunged or has been held invalid;
- (ii) the Promoters either:
  - (a) cease to be the Controlling Shareholders of the Manager, the management company of KIP REIT or such other manager of KIP REIT as may be appointed at any time or from time to time; or
  - (b) cease to be the Controlling Unitholders of KIP REIT, whether directly or indirectly,or KIP REIT ceases to be listed on Bursa Securities;
- (iii) the licensee terminates the Trade Marks Licence by giving three months written notice to the licensor;
- (iv) either the licensor or licensee gives written notice to the other where:
  - (a) the other party commits any breach and fails to remedy the breach within fourteen days after being given a written notice of the breach and requiring it to be remedied; or
  - (b) an encumbrancee takes possession or a receiver is appointed of any of the property or assets of the other party; or
  - (c) the other party:
    - (aa) being the licensee, is subject to a winding-up order or makes any voluntary composite arrangement with its creditors;
    - (bb) being the licensor, is wound-up, for any reason whatsoever, the trust constituting the licensor is terminated for any reason whatsoever;
    - (cc) the other party goes into liquidation; or
    - (dd) the other party ceases, or threatens to cease to carry on business.

## 2. BUSINESS AND SUBJECT PROPERTIES

Unless otherwise specified, all information relating to the Subject Properties in the Prospectus are as at 31 October 2016.

Upon Listing, KIP REIT will own a portfolio of five community-centric retail centres known as KiP Mart and a neighbourhood retail centre known as KiP Mall. These assets are predominantly situated in the southern states of Malaysia, namely three locations in Johor, and one each in Negeri Sembilan, Melaka and Selangor as illustrated in the map below. In addition, assets which are subject to the ROFR are located in Johor, Pahang, Kedah, Selangor and Negeri Sembilan.



## 2.1 ACQUISITIONS BY KIP REIT

On 4 November 2016, the Trustee, on behalf of KIP REIT, entered into the SPAs with the Vendors, among others, for the Acquisition, for a total purchase consideration of approximately RM580.3 million to be satisfied by:

- (i) issuance of 271,150,000 Consideration Units; and
- (ii) Cash Consideration raised through the proceeds from the Offering and the funds received from the drawdown of the Financing Facilities.

Subject Property	Valuation (RM 000) <sup>(1)</sup>	Related Assets (RM 000) <sup>(2)</sup>	Total Purchase Consideration (RM 000)	To be satisfied by	
				Consideration Units (000) <sup>(3)</sup>	Cash Consideration (RM 000) <sup>(4)</sup>
KiP Mart Tampoi	150,000	43	150,043	70,125	79,918
KiP Mart Kota Tinggi	55,000	2	55,002	25,712	29,290
KiP Mart Masai	157,000	7	157,007	73,398	83,609
KiP Mart Lavender Senawang	38,000	71	38,071	17,765	20,306
KiP Mart Melaka	50,000	168	50,168	23,375	26,793
KiP Mall Bangi	130,000	-	130,000	60,775	69,225
<b>Total</b>	<b>580,000</b>	<b>291</b>	<b>580,291</b>	<b>271,150</b>	<b>309,141</b>

### Notes:

- (1) The market value of the Subject Properties as appraised by the Independent Property Valuer as at 1 March 2016.
- (2) The net book value of the Related Assets, based on the latest available audited financial statements of the Vendors for the year ended 30 June 2015 (save for Vendors of KiP Mart Tampoi and KiP Mall Bangi which are based on their audited financial statements for the year ended 31 December 2015).
- (3) The RM equivalent of the number of Consideration Units to be issued at the issue price of RM 1.00 per Unit.
- (4) Cash Consideration to be raised through the proceeds from the Offering and the funds received from the drawdown of the Financing Facilities.

The total purchase consideration for the acquisition of the Subject Properties of approximately RM580.3 million was arrived at based on the independent valuation of the Subject Properties of RM580.0 million as at 1 March 2016 and the Related Assets of approximately RM0.3 million based on the net book value of the Related Assets based on the latest available audited financial statements of the Vendors for the year ended 30 June 2015 (save for Vendors of KiP Mart Tampoi and KiP Mall Bangi which are based on their audited financial statements for the year ended 31 December 2015).

## 2.2 OVERVIEW OF THE SUBJECT PROPERTIES

2.2.1 KIP REIT's portfolio of properties will comprise of the following six Subject Properties, of which five are hybrids between a traditional wet market and a conventional retail centre and one is a neighbourhood retail centre:

- (i) KiP Mart Tampoi is a single-storey retail centre with a mezzanine floor which has commenced operations since 23 December 2004. KiP Mart Tampoi has an LA of 163,669 sq ft as at 31 October 2016 and is located on 452,191 sq ft of land within a residential area known as Taman Tampoi Indah, Johor Bahru.
- (ii) KiP Mart Kota Tinggi is a single-storey retail centre with a mezzanine floor which has commenced operations since 7 November 2008. KiP Mart Kota Tinggi has an LA of 72,232 sq ft as at 31 October 2016 and is located on 168,111 sq ft of land along Jalan Maju, Kota Tinggi.
- (iii) KiP Mart Masai is a single-storey retail centre with a mezzanine floor which has commenced operations since 25 January 2011. KiP Mart Masai has an LA of 143,204 sq ft as at 31 October 2016 and is located on 472,757 sq ft of land in Taman Bukit Dahlia, Pasir Gudang.
- (iv) KiP Mart Lavender Senawang is a single-storey retail centre with a mezzanine floor which has commenced operations since 18 December 2012. KiP Mart Lavender Senawang has an LA of 115,640 sq ft as at 31 October 2016 and is located on 438,414 sq ft of land within the Lavender Heights township area, Seremban.
- (v) KiP Mart Melaka is a two-storey retail centre which has commenced operations since 26 March 2014. KiP Mart Melaka has an LA of 182,345 sq ft as at 31 October 2016 and is located on 380,310 sq ft of land in the Batu Berendam industrial area in Melaka.
- (vi) KiP Mall Bangi is a five-storey shopping centre with one level of mezzanine floor and two levels of basement car park which was acquired on 26 March 2015. KiP Mall Bangi has an LA of 261,710 sq ft as at 31 October 2016 and is located on 92,817 sq ft of land along Jalan Medan Bangi, Bandar Baru Bangi.

The 'KiP Mart' name today is established in Johor as a one-stop community-centric retail centre catering to communities within the low to medium income group. Each KiP Mart has a wide range of retailers which include a combination of a fresh market, supermarkets, general merchandise stores, convenience stores, boutiques, telecommunication shops, gold smith and jewellery shops and food courts. In addition to that, KiP Mart provides facilities such as ATM services, money changer, family entertainment area, push-cart kiosks, promotion areas and free parking space. KiP Mart also organises regular promotional events offering attractive prizes to attract shoppers.

KiP Mall Bangi is a five-storey shopping centre catering to communities within the low to medium income groups. The range of retailers and facilities in KiP Mall Bangi are similar to those of KiP Marts. KiP Mall Bangi also provides recreational facilities such as a bowling centre.

Details of the Subject Properties are set out in the table below:

**Subject Properties**

	KIP Mart Tampoi	KIP Mart Kota Tinggi	KIP Mart Masai	KIP Mart Lavender Senawang	KIP Mart Melaka	KIP Mail Bangi
<b>Land area of the individual title (sq m)</b>	42,010 (equivalent to 452,191 sq ft)	15,618 (equivalent to 168,111 sq ft)	43,921 (equivalent to 472,757 sq ft)	40,730 (equivalent to 438,414 sq ft)	35,332 (equivalent to 380,310 sq ft)	8,623 (equivalent to 92,817 sq ft)
<b>Tenure</b>	99 years, expiring on 24 September 2092	Freehold	99 years, expiring on 28 December 2108	Freehold	99 years, expiring on 17 November 2112	99 years, expiring on 14 July 2093
<b>Individual title information</b>	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim	PN 70766, Lot 198634 (previously known as HSD 478086, PTD 204780), Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan
<b>Encumbrances/ material limitations in the individual title<sup>(1)</sup></b>	The following charges over the Master Title are registered in favour of CIMB Islamic Bank Berhad: (a) A private caveat registered on 2 September 2014 vide Presentation No. 28867/2014 (b) A charge registered on 5 November 2014 vide Presentation No. 92431/2014 Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36651/2016 on 8 December 2016.	The following charges over the Master Title are registered in favour of Hong Leong Bank Berhad: (a) A private caveat registered on 23 November 2011 vide Presentation No. 40213/2011 (b) A charge registered on 8 March 2012 vide Presentation No. 17560/2012 Other than the above, a private caveat was lodged by the Trustee on behalf of OCBC AI-favour of OCBC AI-Amin Bank Berhad on 5 June 2012 vide Presentation No. 44290/2012.	(1) The following charges over the Master Title are registered in favour of OCBC Bank (Malaysia) Berhad: (a) A private caveat registered on 2 April 2010 vide Presentation No. 11517/2010 (b) A charge registered on 6 May 2010 vide Presentation No. 34882/2010 (c) A charge registered on 8 June 2015 vide Presentation No. 44756/2015 (2) A charge registered in favour of OCBC AI-favour of OCBC AI-Amin Bank Berhad on 5 June 2012 vide Presentation No. 44290/2012.	A charge over the Master Title is registered in favour of OCBC Bank (Malaysia) Berhad on 5 July 2012 vide Presentation No. 18274/2012 Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 12038/2016 on 8 December 2016.	The following charges over the Master Title are registered in favour of Alliance Bank Malaysia Berhad: (a) A charge registered on 27 April 2011 vide Presentation No. 0400SC2011005051 (b) A charge registered on 16 May 2012 vide Presentation No. 0400SC2012006582 (c) A charge registered on 23 March 2016 vide Presentation No. 0400SC2016002934 Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 0400B2016004823 on 8 December 2016.	A charge registered in favour of OCBC Bank (Malaysia) Berhad on 23 March 2015 vide Presentation No. 27157/2015 Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 59776/2016 on 8 December 2016.

**Subject Properties**

	KiP Mart Tampoi	KiP Mart Kota Tinggi	KiP Mart Masai	KiP Mart Lavender Senawang	KiP Mart Melaka	KiP Mall Bangi
			Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36672/2016 on 8 December 2016.			
<b>Restrictions-in-interest in the individual title</b>	<p>(1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.</p> <p>(2) Parcels in the building erected on this land whose ownership belongs to a Bumiputera/Bumiputera company, cannot thereafter be sold, leased or transferred in any manner whatsoever to a non-Bumiputera or non-Bumiputera company without the consent of the State Authority.</p>	<p>(1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.</p> <p>(2) Parcels in the building erected on this land whose ownership belongs to a Bumiputera/Bumiputera company, cannot thereafter be sold, leased, charged or transferred in any manner whatsoever to a non-Bumiputera or non-Bumiputera company without the consent of the State Authority.</p>	<p>(1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.</p> <p>(2) Where the land has been sub-divided into a 'subsidiary title', and ownership of the 'subsidiary title' is transferred to a Bumiputera, then the land may not be subsequently sold, leased, charged or transferred to a non-Bumiputera without the consent of the State Authority.</p>	Not stated	<p>(1) This land is not allowed to be transferred or leased except with the consent of the State Authority. This restriction is exempted to the first buyer of the land.</p>	<p>(1) This land is not allowed to be transferred, leased or charged except with the consent of the State Authority.</p>

**Subject Properties**

	KIP Mart Tampoi	KIP Mart Kota Tinggi	KIP Mart Masai	KIP Mart Lavender Senawang	KIP Mart Melaka	KIP Mall Bangi
	<p>(3) Parcels in the building erected on this land cannot be sold or transferred in any manner whatsoever to a non-citizen/foreign company without the consent of the State Authority.</p>	<p>(3) Parcels in the building erected on this land cannot be sold or transferred in any manner whatsoever to a non-citizen/foreign company without the consent of the State Authority.</p>	<p>(3) The sub-divided 'subsidiary title' of the land shall not be sold or transferred in any manner whatsoever to a non-Bumiputera without the consent of the State Authority.</p>			
<b>Express conditions in the individual title</b>	<p>(1) This land is to be used as a multi-storey building for commercial purposes and built according to the plan approved by the local authority.</p> <p>(2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.</p> <p>(3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.</p>	<p>(1) This land is to be used as a multi-storey building for commercial purposes and built according to the plan approved by the local authority.</p> <p>(2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.</p> <p>(3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.</p>	<p>(1) This land is to be permanently used as a commercial building and built according to the plan approved by the local authority.</p> <p>(2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.</p> <p>(3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.</p>	<p>(1) This land is to be used for commercial buildings only.</p>	<p>(1) Commercial Buildings Only.</p>	<p>(1) Commercial Buildings Only.</p>

Subject Properties

Type	Subject Properties					
	KIP Mart Tampoi	KIP Mart Kota Tinggi	KIP Mart Masai	KIP Mart Lavender Senawang	KIP Mart Melaka	KIP Mall Bangi
Leasehold						
Appraised Value as at 1 March 2016 (RM 000)	150,000	55,000	157,000	38,000	50,000	130,000
Related Assets based on the latest available audited financial statements of the Vendors (RM 000)	43	2	7	71	168	-
Purchase consideration (RM 000)	150,043	55,002	157,007	38,071	50,168	130,000
Subject Properties weighting (by Appraised Value) (%)	25.9	9.5	27.1	6.5	8.6	22.4
LA as at 31 October 2016 (sq ft)	163,669	72,232	143,204	115,640	182,345	261,710
GFA as at 31 October 2016 (sq ft)	234,321	113,958	247,990	175,095	276,987	348,203
Number of tenancies as at 31 October 2016	277	153	260	76	80	160
Occupancy Rate for the 4-month period ended 31 October 2016 (%)	97.3	94.6	92.6	72.6	65.8	90.3
Number of car park bays as at 31 October 2016	579	196	628	584	520	475
Number of motorcycle bays as at 31 October 2016	210	112	214	85	140	65

**Note:**

- (1) The charges over Master Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.



## 2.2.2 Total Revenue, Gross Rental Income and NPI

The Total Revenue, Gross Rental Income and NPI of the Subject Properties for the FY2016 are set out below:

	<u>Total Revenue</u>	<u>Gross Rental Income</u>	<u>NPI</u>
<u>Subject Properties</u>	<u>(RM 000)</u>	<u>(RM 000)</u>	<u>(RM 000)</u>
KiP Mart Tampoi	16,320	14,785	12,297
KiP Mart Kota Tinggi	6,347	5,878	3,859
KiP Mart Masai	15,471	14,046	11,242
KiP Mart Lavender Senawang	3,352	2,792	919
KiP Mart Melaka	6,518	4,307	2,289
KiP Mall Bangi	16,347	11,198	11,631
<b>Total</b>	<b>64,355</b>	<b>53,006</b>	<b>42,237</b>

## 2.2.3 Trade Sector Analysis

KIP REIT offers a wide range of retail stores. As at 31 October 2016, fashion apparel outlets and fresh market and supermarket were the most significant contributors to Gross Rental Income, contributing 27.0% and 25.4% respectively. Food and beverage outlets accounted for 11.8% of Gross Rental Income.

The table below provides the trade sector breakdown of the tenancies in the Subject Properties as at 31 October 2016.

<u>Trade sector</u>	<u>Percentage of Occupied LA (%)</u>	<u>Percentage of Gross Rental Income (%)</u>
Fashion apparel	19.9	27.0
Fresh market	9.1	16.7
Food and beverage	6.6	11.8
IT and electrical	8.8	10.7
Supermarket	28.5	8.7
Household products, gifts, and stationery	13.5	8.5
Beauty, health and wellness	3.0	5.9
Furniture and show gallery	3.2	3.7
Sundry and services	1.2	2.1
Jewellery	0.8	1.9
Entertainment and leisure	5.4	3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 2.2.4 Tenancy Expiry Profile

Many of the tenancies in the Subject Properties are leased on one to two year term with the option to renew for another term.

The table below provides the tenancy expiry profile of the Subject Properties as of 31 October 2016.

Period	Number of tenancies expiring	Percentage of Occupied LA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2017	540	42.3	47.3
FY2018	185	22.3	19.1
FY2019	206	29.6	25.0
FY2020	75	5.8	8.6
<b>Total</b>	<b>1,006</b>	<b>100.0</b>	<b>100.0</b>

The historical turnover of tenants for each Subject Property is as follows:

Subject Properties	Tenant Turnover <sup>(1)</sup> (% of Occupied LA)		
	FY2014	FY2015	FY2016
KiP Mart Tampoi	11.8	9.7	15.3
KiP Mart Kota Tinggi	9.4	10.9	5.7
KiP Mart Masai	5.0	8.1	10.5
KiP Mart Lavender Senawang <sup>(2)</sup>	30.9	21.5	43.2
KiP Mart Melaka <sup>(2)</sup>	N/A	43.2	53.5
KiP Mart Bangi <sup>(3)</sup>	N/A	N/A	4.0

### Notes:

<sup>(1)</sup> Tenant turnover refers to tenancies which have been replaced and vacant lots from expired or terminated tenancies during the year.

<sup>(2)</sup> KiP Mart Melaka and KiP Mart Lavender Senawang commenced operations in March 2014 and December 2012 respectively. Both KiP Mart Melaka and KiP Mart Lavender Senawang are still relatively new in operations. As such, the Marts have experienced a series of changes in anchor tenants who have exited or terminated their tenancies due to their unfamiliarity of the local shopping behaviour. The Manager has since replaced the exiting anchor tenants with a more established and localised supermarket name. Further, the Manager has repositioned the tenant mix to cater for local customer needs and demands.

<sup>(3)</sup> Acquisition of KiP Mall Bangi by Landasan Primamaju Sdn Bhd, the Vendor of KiP Mall Bangi, was completed in March 2015.

## 2.2.5 Occupancy Profile

The average Occupancy Rates of the Subject Properties for the past three years ended 30 June and for the 4-month period ended 31 October 2016 are set out in the table below:

Subject Properties	For the year ended 30 June			For the 4-month period ended 31 October 2016
	2014 (%)	2015 (%)	2016 (%)	(%)
KiP Mart Tampoi	98.4	96.2	96.9	97.3
KiP Mart Kota Tinggi	96.6	96.5	95.8	94.6
KiP Mart Masai	99.0	98.3	91.7	92.6
KiP Mart Lavender Senawang	75.2	81.1	79.4	72.6
KiP Mart Melaka	82.8 <sup>(1)</sup>	78.9	74.0	65.8
KiP Mall Bangi	N/A <sup>(2)</sup>	86.8 <sup>(3)</sup>	88.6	90.3
<b>Average</b>	<b>89.7</b>	<b>88.4</b>	<b>87.1</b>	<b>85.3</b>

### Notes:

- <sup>(1)</sup> *KiP Mart Melaka only commenced operations on 26 March 2014 and the average occupancy rate for KiP Mart Melaka represents the 3-month period ended 30 June 2014.*
- <sup>(2)</sup> *KiP Mall Bangi was acquired by the Vendor on March 2015.*
- <sup>(3)</sup> *The average occupancy rate for KiP Mall Bangi represents the 4-month period ended 30 June 2015.*

Please refer to Section 2.6 to 2.11 for further details of the respective Subject Properties including average Occupancy Rates.

## 2.2.6 Top Ten Tenants

KIP REIT's Gross Rental Income is well distributed within its portfolio of 1,006 tenants as at 31 October 2016. As at 31 October 2016, no single tenant contributed more than 5.0% of Gross Rental Income. The top ten tenants of the Subject Properties contributed an aggregate of approximately 12.1% to Gross Rental Income of the Subject Properties and occupy an aggregate of 42.0% of Occupied LA of the Subject Properties as at 31 October 2016.

Tenant's Trade Name	Trade sector	Percentage of Occupied LA (%)
Giant Hypermarket	Supermarket	10.4
Pasaraya Hwa Thai	Supermarket	5.8
Pasaraya Family Store	Supermarket	5.7
Pasaraya Syed	Supermarket	4.2
Bangi Superbowl	Entertainment and leisure	3.8
Lionmas	IT and electrical	3.5
Mr. DIY	Household products , gifts, and stationery	2.8
Pasaraya Songmart (Kota Tinggi) Sdn Bhd	Supermarket	2.3
COURTS	IT and electrical	2.1
Toy World	Household products, gifts, and stationery	1.4
<b>Sub-total</b>		<b>42.0</b>
<b>Others</b>		<b>58.0</b>
<b>Total</b>		<b>100.0</b>

## 2.3 COMPETITIVE STRENGTHS AND INVESTMENT HIGHLIGHTS

The Manager believes that an investment in KIP REIT offers the following investment attractions to Unitholders:

### 2.3.1 Strategic and diversified location of the Subject Properties with potential for future growth

The Subject Properties are spread across townships in different states around Malaysia and primarily located in strategic and diversified locations in Johor, Negeri Sembilan, Melaka and Selangor thus providing investors with geographical diversification within Malaysia. All of the Subject Properties are easily accessible from main thoroughfare of their respective towns, and most of the Subject Properties are highly visible from the main thoroughfare.

The Subject Properties are also primarily located close to major residential catchments comprising neighbourhoods with residents within the lower to middle-income brackets which augurs well with its target catchment market. The detailed breakdown of the estimated population catchment (within 5 km radius) and its respective average monthly household income is as follows:

<b>Subject Properties</b>	<b>Estimation of population within a 5 km radius of the Subject Properties</b>	<b>Income Group</b>	<b>Monthly Household Income (2014)/ State</b>
KiP Mart Tampoi	288,653	Lower to middle	RM6,207 / Johor
KiP Mart Kota Tinggi	59,827	Lower to middle	RM6,207 / Johor
KiP Mart Masai	247,076	Lower to middle	RM6,207 / Johor
KiP Mart Lavender Senawang	140,061	Lower to middle	RM5,271 / Negeri Sembilan
KiP Mart Melaka	236,228	Lower to middle	RM6,046 / Melaka
KiP Mall Bangi	187,538	Middle	RM8,252 / Selangor

*Source: Independent Market Report*

Most of the Subject Properties are also located close to commercial and industrial properties development which generates economic activities and employment in their respective towns as well as providing larger catchment for most of the KiP Marts.

According to the Independent Property Market Consultant, based on local plan of the respective location of the Subject Properties, the majority of the future plans for development of the respective location of the Subject Properties are mainly concentrated on residential and commercial developments and has the potential to increase the retail traffic of the Subject Properties in the future. In addition, based on the Seremban local plan, the future infrastructure plan includes a proposed Light Rail Transit station to be located opposite KiP Mart Lavender Senawang and is expected to provide a connection to Senawang town centre which will increase the accessibility of KiP Mart Lavender Senawang and may result in an increase in retail traffic.

### **2.3.2 Opportunity to invest in a unique portfolio**

Investors will have an opportunity to invest in a unique portfolio as KIP REIT's portfolio comprises of five KiP Mart properties that are a hybrid between a traditional wet market and a conventional shopping centre, and a KiP Mall which is a neighbourhood conventional shopping mall, all of which cater to lower to middle income customers.

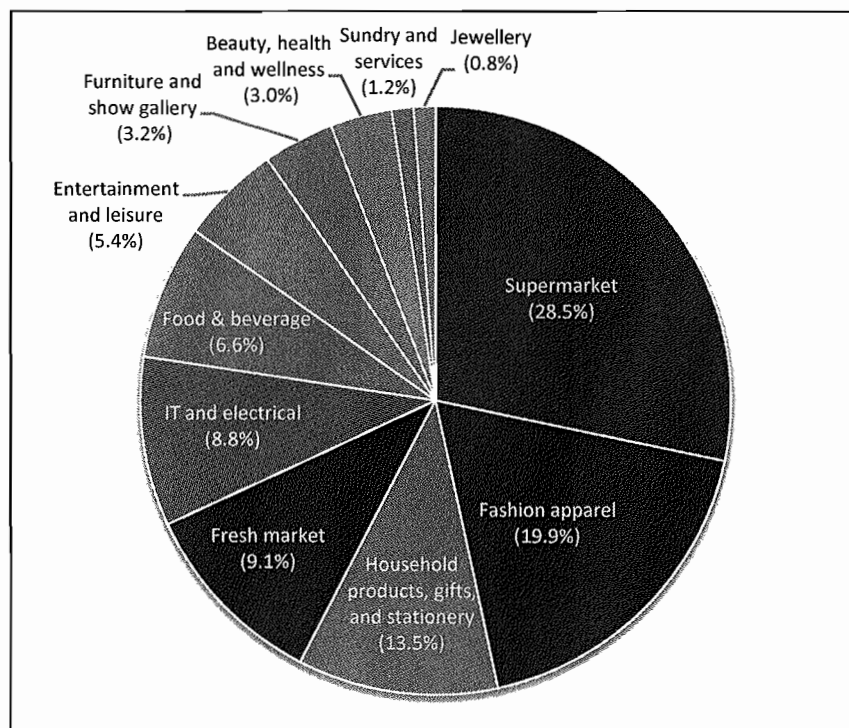
KIP REIT's business model is such that many of its tenants target daily needs and basic necessities of the shoppers and hence, its business model may represent a strength during adverse economic conditions when consumers are more prudent in spending and will actively source for value-for-money products or services that are commonly found in KiP Mart.

Community retail centres such as KiP Marts represent a viable alternative to the traditional hypermarket and neighbourhood centres by providing competitive offering to the lower to middle income groups in smaller towns and secondary markets in the country. The advantage of such community retail centres is the wider range of local products as compared to hypermarket especially fresh produce. These community retail centres have also the added advantage in localising the merchandises offered in order to cater to the preference of the surrounding community or neighbourhood as the wet market stalls within the community retail centres are operated by traditional market stall holders themselves. KIP REIT represents this new community-centric retail centre category and thrives well particularly in smaller towns or lower to middle-income neighbourhoods.

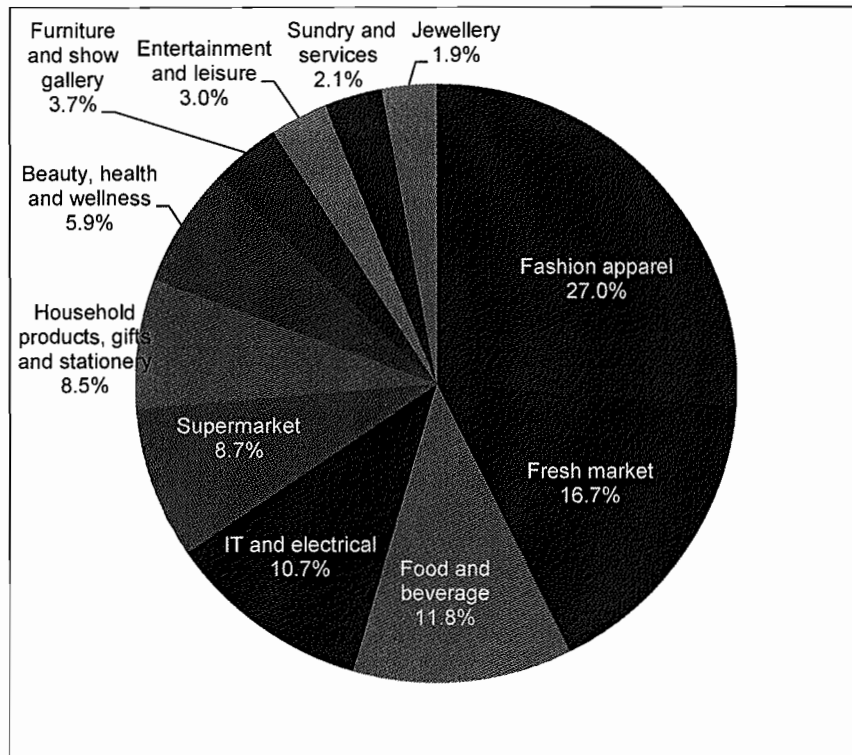
The community-centric retail concept is sustainable as it is not dependent on a single operator and has the attraction of a hypermarket in terms of size as it mimics the structure of hypermarkets but it has a versatility that hypermarkets lack due to its multi-trader nature. KIP REIT's primary catchment market does not require the scale and size of catchments that hypermarkets need to survive.

### 2.3.3 Diversified tenant base

The tenants of the Subject Properties range from a variety of trades ranging from amongst others, fresh market, supermarkets, fashion apparel, IT and electrical products and food and beverage. As at 31 October 2016, the Subject Properties had a total of 1,006 tenancies where no single tenant contributed more than 5.0% of Gross Rental Income. The detailed breakdown of the trade mix analysis by LA and by Gross Rental Income as at 31 October 2016 in respect of the Subject Properties are as follows:



**Detailed breakdown of the trade mix analysis by LA**



***Detailed breakdown of the trade mix analysis by Gross Rental Income***

#### **2.3.4 Malaysian demographics which are supportive of the retail markets**

Malaysia recorded a population of 31.0 million as at 2015 and grew at a CAGR of 1.8% from 2005 to 2015. Malaysia is a country with a young population with a median age of 26.2 years in 2010, with more than 49.0% of the population below 27 years old. From 2010 to 2015, the population growth in the states in which the Subject Properties are located range from 5.4% to 11.6% whilst the median age in the states in which the Subject Properties are located range from 26 to 27 years old. The strong population growth and the relatively young median age are expected to be the main growth drivers of the retail sector as the population enters into the workforce and contribute to higher demand in the retail sector.

In addition, urban migration is also an important factor contributing to growth in the retail sector. The urbanisation rate of the states in which the Subject Properties are located are high, with more than 70.0% of their respective populations urbanised. The urbanisation results in a higher concentration of population in the specific areas within the localities in which each of the Subject Properties is located.

#### **2.3.5 Conservative capital structure providing financial flexibility**

Upon Listing, KIP REIT's debt to asset ratio will be approximately 14.8%, which is lower than that of the average Malaysian REIT, of approximately 32.0% as at 30 September 2016. This would allow KIP REIT the opportunity to undertake borrowings for future acquisitions or any asset enhancement that it intends to make. Based on a debt to asset ratio of 50.0%, which is the maximum borrowings ratio for a REIT, the Manager could raise up to RM204.0 million of additional debt based on a Total Asset Value of RM580.3 million.

### **2.3.6 Experienced Promoters and management team**

Dato' Chew Lak Seong and Dato' Ong Kook Liong, being the Promoters of KIP REIT have over between 35 years and 27 years of experience respectively in the property development and investment, hospitality, retail design and development, project management, corporate management, leasing and retail development conceptualisation. The Promoters have initiated the conceptualisation of the KiP Mart business model as a community-centric retail centre and have been actively involved in the growth and development of the business for the past decade. Dato' Chew Lak Seong and Dato' Ong Kook Liong are the Managing Director and Executive Director of the Manager, respectively.

The Manager and the management team consist of experienced retail real estate professionals, many of whom have been with the KIP group of companies for several years managing, amongst others, the respective Subject Properties. Therefore, they maintain familiarity and in-depth knowledge of managing the Subject Properties in the respective locations, making them uniquely positioned to stimulate the future growth of KIP REIT.

The management team of the Manager is led by the Chief Executive Officer, Lim Han Gie, who joined KIP group of companies as the general manager overseeing the property development projects and the operations of KiP Marts in Malaysia. He was involved in the implementation of the KiP Mart business model and has led the introduction of three KiP Marts which are located in Tampoi, Kota Tinggi and Masai in Malaysia's southern region all of which have maintained an average Occupancy Rate of above 90.0% in the last five years.

The profiles of the Promoters and management team members are as set out in Section 6.4.1 and Section 6.5.1 of this Prospectus, respectively.

### **2.3.7 Growing pipeline serves as platform for future growth**

Future growth opportunities can be achieved through the optimisation of the management of the existing property portfolio of KIP REIT as well as through the potential acquisition of additional properties. The Promoters and the Manager intend to expand KIP REIT in the future, through the acquisition of other properties.

The Trustee currently holds ROFRs for the acquisition of KiP Mall Kota Warisan, KiP Mart Sendayan, KiP Mart Sungai Buloh, KiP Mart Kuantan and KiP Mart Sungai Petani. KiP Mall Kota Warisan is currently under construction and expected to be completed in 2017, whilst the other properties are in their planning stages and expected to be completed by 2019. The Promoters have also provided the Trustee with a ROFR for the acquisition of retail properties including purpose-built community-centric retail centres of similar concept to KiP Mart and those within mixed developments.

The acquisition of the aforementioned properties are subject to, due diligence and assessment of commercial viability. The aforementioned properties are expected to be similarly positioned as the Subject Properties in terms of, amongst others, a community-centric retail centre, and shopper and tenancy profile.

The Manager may also explore the acquisition of properties developed by third parties should they meet the investment criteria and investment objective of KIP REIT.

## **2.4 INDEPENDENT PROPERTY MARKET REPORT**

The Manager has engaged the Independent Property Market Consultant to prepare an independent property market report which describes the real estate markets in which KIP REIT operates and the outlook for those markets. Please refer to Appendix B "Independent Property Market Report" of this Prospectus for further details.



## 2.5 VALUATION POLICIES

Independent professional valuation will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as the Manager deems necessary. All valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. The Manager has engaged the Independent Property Valuer to carry out valuation for the Subject Properties.

Please refer to the Valuation Certificates set out in Appendix A “Valuation Certificates” of this Prospectus, which is to be read together with the full valuation reports for the Subject Properties. Copies of the full valuation reports will be made available for inspection at the registered office of the Manager at Level 33A, Menara 1MK, Kompleks 1 Mont Kiara, No. 1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, Malaysia, for a period of 12 months from the date of this Prospectus.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## 2.6 KIP MART TAMPOI

### 2.6.1 Vendor

Kipmart Tampoi Sdn Bhd

### 2.6.2 Address

Lot PTD 152711, Jalan Titiwangsa 1, Taman Tampoi Indah, 81200 Johor Bahru, Johor Darul Takzim

### 2.6.3 Description

KiP Mart Tampoi is a single-storey retail centre with a mezzanine floor which has commenced operations since 23 December 2004. The layout area for KiP Mart Tampoi is divided into several areas for, amongst others, a fresh market, dry retail lots, a supermarket, an amusement centre, car promotion areas, a food court, a fast food restaurant, a car wash area and various promotion areas with an LA of 163,669 sq ft as at 31 October 2016. KiP Mart Tampoi is located on 452,191 sq ft of land within a residential area known as Taman Tampoi Indah, Johor Bahru. KiP Mart Tampoi has 277 tenancies as at 31 October 2016.

The table below sets out a summary of selected information on KiP Mart Tampoi.

<b>Existing use</b>	Retail centre
<b>Age of Subject Property as at 31 October 2016</b>	12 years
<b>GFA as at 31 October 2016 (sq ft)</b>	234,321
<b>LA as at 31 October 2016 (sq ft)</b>	163,669
<b>Number of car park bays as at 31 October 2016</b>	579
<b>Total Revenue (RM 000)</b>	FY2014: 14,517 FY2015: 15,872 FY2016: 16,320
<b>NPI (RM 000)</b>	FY2014: 9,599 FY2015: 11,893 FY2016: 12,297
<b>Appraised Value as at 1 March 2016 (RM 000)</b>	150,000
<b>Purchase consideration (including Related Assets)(RM 000)</b>	150,043
<b>Number of tenancies as at 31 October 2016</b>	277

The table below sets out a summary of selected information of the master title in relation to KIP Mart Tampoi:

<b>Land area of the individual title (sq m)</b>	42,010 (equivalent to 452,191 sq ft)
<b>Tenure</b>	99 years, expiring on 24 September 2092
<b>Individual title information</b>	HSD 452673, PTD 152711, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim
<b>Encumbrances/material limitations in the individual title</b>	<p>The following charges over the Master Title are registered in favour of CIMB Islamic Bank Berhad:</p> <p>(a) A private caveat registered on 2 September 2014 vide Presentation No. 28867/2014</p> <p>(b) A charge registered on 5 November 2014 vide Presentation No. 92431/2014</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36651/2016 on 8 December 2016.</p>
<b>Restrictions-in-interest in the individual title</b>	<p>(a) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has constructed in accordance with the plans approved by the relevant authority.</p> <p>(b) Parcels in the building erected on this land whose ownership belongs to a Bumiputera/Bumiputera company, cannot thereafter be sold, leased or transferred in any manner whatsoever to a non-Bumiputera or non-Bumiputera company without the consent of the State Authority.</p> <p>(c) Parcels in the building erected on this land cannot be sold or transferred in any manner whatsoever to a non-citizen/foreign company without the consent of the State Authority.</p>
<b>Express conditions in the individual title</b>	<p>(a) This land is to be used as a multi-storey building for commercial purposes and built according to the plan approved by the local authority.</p> <p>(b) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.</p> <p>(c) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.</p>

**Note:**

<sup>(1)</sup> *The charges over Individual Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.*

## 2.6.4 Tenant Profile of KiP Mart Tampoi

### (i) Top Ten Tenants of KiP Mart Tampoi

The top ten tenants by contribution to Occupied LA (disclosed based on their respective trade names) of KiP Mart Tampoi as at 31 October 2016 are set out below. The top ten tenants contributed an aggregate of 17.5% to Gross Rental Income and occupy an aggregate of 48.3% of the Occupied LA of KiP Mart Tampoi as at 31 October 2016.

Tenants by trade name	Trade sector	Percentage of Occupied LA (%)
Pasaraya Hwa Thai	Supermarket	15.5
COURTS	IT and electrical	10.5
JH	Fashion apparel	5.4
Lionmas	IT and electrical	3.9
Your One-Stop Household Centre	Household products, gifts, and stationery	3.5
Pustaka Azhar	Household products, gifts, and stationery	3.4
Classics Living Furniture	Furniture and show gallery	2.0
Darson	IT and electrical	1.4
Black Zone Enterprise	Fashion apparel	1.4
Marrybrown	Food and beverage	1.3
<b>Sub-total</b>		<b>48.3</b>
<b>Others</b>		<b>51.7</b>
<b>Total</b>		<b>100.0</b>

### (ii) Trade Sector Analysis of KiP Mart Tampoi

The table below provides a breakdown of the different trade sectors represented in KiP Mart Tampoi as at 31 October 2016.

Trade sector	Percentage of Occupied LA (%)	Percentage of Gross Rental Income (%)
Fashion apparel	22.3	27.8
Fresh market	14.4	22.3
IT and electrical	18.7	10.4
Food and beverage	4.6	10.2
Household products, gifts, and stationery	10.5	8.1
Beauty, health and wellness	4.3	5.3
Furniture and show gallery	6.5	6.6
Supermarket	15.5	4.8
Entertainment and leisure	1.4	3.0
Sundry and services	1.3	0.7
Jewellery	0.5	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 2.6.5 Occupancy and Rental Profiles of KiP Mart Tampoi

The table below sets out the average Occupancy Rates and the average monthly Gross Rental Income of KiP Mart Tampoi.

Period	Average Occupancy Rate (%)	Average Monthly Gross Rental Income per sq ft (RM per sq ft)
FY2014	98.4	8.46
FY2015	96.2	8.29
FY2016	96.9	7.80
4-month period ended 31 October 2016	97.3	7.75

The decrease of the average Occupancy Rates from FY2014 to FY2015 is mainly due to termination of two tenancies in May 2014. The decrease is also due to the completion of the extension in November 2014 which increased the LA of KiP Mart Tampoi. Please refer to Section 2.6.7(i) for further information on the extension.

The decrease in average monthly Gross Rental Income per sq ft from FY2014 to FY2015 is due to the additional LA from the extension which was rented out at a lower rate. The decrease, however, was slightly mitigated by expired tenancies which were renewed at a higher rental rate.

The decrease for the average monthly Gross Rental Income per sq ft in FY2016 is mainly due to the additional LA from the extension rented at a lower rate for the full year as compared to only 6 months in FY2015.

The average monthly Gross Rental Income per sq ft for the 4-month period ended 31 October 2016 decreased due to a lower rental rate from new tenancies replacing expired tenancies.

## 2.6.6 Tenancy Profile of KiP Mart Tampoi

The table below illustrates the percentage of tenants by Occupied LA by the number of years as tenants in KiP Mart Tampoi as at 31 October 2016.

As at	Percentage of tenants by Occupied LA (%)		
	1 to 5 years as tenants	5 to 10 years as tenants	More than 10 years as tenants
31 October 2016	52.1	15.0	32.9

The table below illustrates the tenancy expiry profile of KiP Mart Tampoi as at 31 October 2016.

Period	Number of tenancies expiring	Percentage of Occupied LA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2017	41	15.6	9.2
FY2018	55	12.7	20.1
FY2019	109	50.1	43.0
FY2020	72	21.6	27.7
<b>Total</b>	<b>277</b>	<b>100.0</b>	<b>100.0</b>

## 2.6.7 Major Expansion and Renovation of KiP Mart Tampoi

### (i) Completed by the Vendor

During the two years prior to the Latest Practicable Date, Kipmart Tampoi Sdn Bhd, being the Vendor of KiP Mart Tampoi, has completed the extension of a new wing with additional LA of 25,937 sq ft in November 2014 and the installation of new roofing which is expected to commence in the first quarter 2017.

### (ii) Future Enhancements

The Manager intends to carry out major upgrading works in FY2017 and FY2018, which include, amongst others, upgrading of facilities and amenities such as the upgrading of restrooms, installation of new roofing and installation of additional air conditioners for the corridors and concourse area to offer a more convenient shopping experience to its shoppers; as well as facelifts such as the installation of a new glass panel and automated sliding door, installation of additional ceiling and lighting to corridor and concourse, renovation of covered car park and landscaping and other enhancements such as the installation of additional sprinklers and installation of new advertisement panel.

## 2.7 KIP MART KOTA TINGGI

### 2.7.1 Vendor

Genius Chance Sdn Bhd

### 2.7.2 Address

No. 1, Jalan Maju, 81900 Kota Tinggi, Johor Darul Takzim

### 2.7.3 Description

KiP Mart Kota Tinggi is a single-storey retail centre with a mezzanine floor which has commenced operations since 7 November 2008. The layout area for KiP Mart Kota Tinggi is divided into several areas for, amongst others, a fresh market, dry retail lots, a food court and various promotion areas with an LA of 72,232 sq ft as at 31 October 2016. KiP Mart Kota Tinggi is located on 168,111 sq ft of land located along Jalan Maju, Kota Tinggi. KiP Mart Kota Tinggi has 153 tenancies as at 31 October 2016.

The table below sets out a summary of selected information on KiP Mart Kota Tinggi.

<b>Existing use</b>	Retail centre
<b>Age of Subject Property as at 31 October 2016</b>	8 years
<b>GFA as at 31 October 2016(sq ft)</b>	113,958
<b>LA as at 31 October 2016 (sq ft)</b>	72,232
<b>Number of car park bays as at 31 October 2016</b>	196
<b>Total Revenue (RM 000)</b>	FY2014: 6,048 FY2015: 6,296 FY2016: 6,347
<b>NPI (RM 000)</b>	FY2014: 3,549 FY2015: 4,021 FY2016: 3,859
<b>Appraised Value as at 1 March 2016 (RM 000)</b>	55,000
<b>Purchase consideration (including Related Assets)(RM 000)</b>	55,002
<b>Number of tenancies as at 31 October 2016</b>	153

The table below sets out a summary of selected information of the master title in relation to KiP Mart Kota Tinggi:

<b>Land area of the individual title (sq m)</b>	15,618 (equivalent to 168,111 sq ft)
<b>Tenure</b>	Freehold
<b>Individual title information</b>	GRN 353762, Lot 28861, Mukim of Kota Tinggi, District of Kota Tinggi, Johor Darul Takzim
<b>Encumbrances/material limitations in the individual title<sup>(1)</sup></b>	<p>The following charges over the Master Title are registered in favour of Hong Leong Bank Berhad:</p> <p>(a) A private caveat registered on 23 November 2011 vide Presentation No. 40213/2011</p> <p>(b) A charge registered on 8 March 2012 vide Presentation No. 17560/2012</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36654/2016 on 8 December 2016.</p>
<b>Restrictions-in-interest in the individual title</b>	<p>(a) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has constructed in accordance with the plans approved by the relevant authority.</p> <p>(b) Parcels in the building erected on this land whose ownership belongs to a Bumiputera/Bumiputera company, cannot thereafter be sold, leased, charged or transferred in any manner whatsoever to a non-Bumiputera or non-Bumiputera company without the consent of the State Authority.</p> <p>(c) Parcels in the building erected on this land cannot be sold or transferred in any manner whatsoever to a non-citizen/foreign company without the consent of the State Authority.</p>
<b>Express conditions in the individual title</b>	<p>(a) This land is to be used as a multi-storey building for commercial purposes and built according to the plan approved by the local authority.</p> <p>(b) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.</p> <p>(c) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.</p>

**Note:**

(1) *The charges over the Individual Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.*

## 2.7.4 Tenant Profile of KiP Mart Kota Tinggi

### (i) Top Ten Tenants of KiP Mart Kota Tinggi

The top ten tenants by contribution to Occupied LA (disclosed based on their respective trade names) of KiP Mart Kota Tinggi as at 31 October 2016 are set out below. The top ten tenants contributed an aggregate of 27.1% to Gross Rental Income and occupy an aggregate of 57.4% of the Occupied LA of KiP Mart Kota Tinggi as at 31 October 2016.

Tenants by trade name	Trade sector	Percentage of Occupied LA (%)
Pasaraya Songmart (Kota Tinggi) Sdn Bhd	Supermarket	26.6
Lionmas	IT and electrical	11.3
LinkMe LM Trading Sdn Bhd	Household products, gifts, and stationery	6.5
Siang Heng Marketing Sdn Bhd	Fresh market	3.0
Marrybrown	Food and beverage	2.4
KVNP Enterprise	Fresh market	2.2
Kedai Kasut Angel Girl	Fashion apparel	2.0
DOM	Fashion apparel	1.4
Hup Heng	Fresh market	1.0
Toyota	Furniture and show gallery	1.0
<b>Sub-total</b>		<b>57.4</b>
<b>Others</b>		<b>42.6</b>
<b>Total</b>		<b>100.0</b>

### (ii) Trade Sector Analysis of KiP Mart Kota Tinggi

The table below provides a breakdown of the different trade sectors represented in KiP Mart Kota Tinggi as at 31 October 2016.

Trade sector	Percentage of Occupied LA (%)	Percentage of Gross Rental Income (%)
Fresh market	21.3	26.8
Fashion apparel	13.5	22.4
Food and beverage	7.2	12.1
Supermarket	26.6	7.4
IT and electrical	14.6	8.7
Household products, gifts, and stationery	7.8	6.0
Furniture and show gallery	2.4	4.2
Entertainment and leisure	1.9	4.2
Beauty, health and wellness	2.4	3.8
Jewellery	1.3	2.3
Sundry and services	1.0	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>



## 2.7.5 Occupancy and Rental Profiles of KiP Mart Kota Tinggi

The table below sets out the average Occupancy Rates and the average monthly Gross Rental Income of KiP Mart Kota Tinggi.

Period	Average Occupancy Rate (%)	Monthly average Gross Rental Income per sq ft (RM per sq ft)
FY2014	96.6	6.27
FY2015	96.5	6.38
FY2016	95.8	6.74
4-month period ended 31 October 2016	94.6	6.87

The increase in the rental rate upon the renewal of tenancies with existing tenants in November 2015, offset a decrease in the rental rates of new tenancies replacing expired tenancies, resulting in a net increase in the monthly average Gross Rental Income per sq ft for FY 2016. The decrease in the average Occupancy Rate is due to vacancy between the expiry of some of the tenancies and commencement of new tenancies to replace the expired tenancies.

The decrease in average occupancy rate for the 4-month period ended 31 October 2016 is mainly due to the withdrawal of the tenancy for the food court in June 2016. However, the area was replaced with a new tenancy commencing in August 2016, at a higher rental rate.

## 2.7.6 Tenancy Profile of KiP Mart Kota Tinggi

The table below illustrates the percentage of tenants by Occupied LA by the number of years as tenants in KiP Mart Kota Tinggi as at 31 October 2016.

As at	Percentage of tenants by Occupied LA (%)		
	1 to 3 years as tenants	3 to 6 years as tenants	More than 6 years as tenants
31 October 2016	40.5	15.1	44.4

The table below illustrates the tenancy expiry profile of KiP Mart Kota Tinggi as at 31 October 2016.

Period	Number of tenancies expiring	Percentage of Occupied LA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2017	44	29.1	22.0
FY2018	41	44.5	31.5
FY2019	68	26.4	46.5
FY2020	-	-	-
<b>Total</b>	<b>153</b>	<b>100.0</b>	<b>100.0</b>

## 2.7.7 Major Expansion and Renovation of KiP Mart Kota Tinggi

### (i) Completed by the Vendor

During the two years prior to the Latest Practicable Date, there was no major expansion and renovation completed by the Vendor.

## (ii) Future Enhancements

The Manager intends to carry out major upgrading works in FY2017 and FY2018, which include, amongst others, upgrading of facilities and amenities such as the installation of additional air conditioners to offer a more convenient shopping experience to its shoppers; as well as facelifts such as the installation of a new glass panel and automated sliding door, installation of additional ceiling and lighting to corridor and concourse, renovation of covered car park and landscaping and other enhancements such as the installation of additional sprinklers and installation of new advertisement panel.

## 2.8 KIP MART MASAI

### 2.8.1 Vendor

Enrich Assets Sdn Bhd

### 2.8.2 Address

KiP Mart Masai, Jalan Persiaran Dahlia 2, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor Darul Takzim

### 2.8.3 Description

KiP Mart Masai is a single-storey retail centre with a mezzanine floor which has commenced operations since 25 January 2011. The layout area for KiP Mart Masai is divided into several areas for, amongst others, a fresh market, dry retail lots, a food court and various promotion areas with an LA of 143,204 sq ft as at 31 October 2016. KiP Mart Masai is located on 472,757 sq ft of land located in Taman Bukit Dahlia, Pasir Gudang. KiP Mart Masai has 260 tenancies as at 31 October 2016.

The table below sets out a summary of selected information on KiP Mart Masai.

Existing use	Retail centre
Age of Subject Property as at 31 October 2016	5 years
GFA as at 31 October 2016 (sq ft)	247,990
LA as at 31 October 2016 (sq ft)	143,204
Number of car park bays as at 31 October 2016	628
Total Revenue (RM 000)	FY2014: 14,036 FY2015: 14,535 FY2016: 15,471
NPI (RM 000)	FY2014: 9,495 FY2015: 10,454 FY2016: 11,242
Appraised Value as at 1 March 2016 (RM 000)	157,000
Purchase consideration (including Related Assets)(RM 000)	157,007
Number of tenancies as at 31 October 2016	260

Land area of the individual title (sq m) 43,921 (equivalent to 472,757 sq ft)

Tenure 99 years, expiring on 28 December 2108

Individual title information PN 70766, Lot 198634 (previously known as HSD 478086, PTD 204780), Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim

**Encumbrances/material limitations in the individual title<sup>(1)</sup>**

- (1) The following charges over the Master Title are registered in favour of OCBC Bank (Malaysia) Berhad:
  - (a) A private caveat registered on 2 April 2010 vide Presentation No. 11517/2010
  - (b) A charge registered on 5 June 2012 vide Presentation No. 34882/2010
  - (c) A charge registered on 8 June 2015 vide Presentation No. 44756/2015
- (2) The following charges over the Master Title are registered in favour of OCBC Al-Amin Bank Berhad:
  - (a) A charge registered on 5 June 2012 vide Presentation No. 44290/2012

Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 36672/2016 on 8 December 2016.

**Restrictions-in-interest in the individual title**

- (1) The proprietor of the land is not permitted to offer or sell units (parcels) in the building to be constructed on this land unless the building has started construction in accordance with the plans approved by the relevant local authority.
- (2) Where the land has been subdivided into a 'subsidiary title', and ownership of the 'subsidiary title' is transferred to a Bumiputera, then the land may not be subsequently sold, leased, charged or transferred to a non-Bumiputera without the consent of the State Authority.
- (3) The subdivided 'subsidiary title' of the land shall not be sold or transferred in any manner whatsoever to a non-Bumiputera without the consent of the State Authority.

**Express conditions in the individual title**

- (1) This land is to be permanently used as a commercial building and built according to the plan approved by the local authority
- (2) Any dirt and pollution as a result of these activities must be channelled or disposed of in the respective locations as designated by the local authority.
- (3) All terms and conditions that have been enforced by the local authority from time to time must be adhered to.

**Note:**

- (1) *The charges over the Individual Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.*

## 2.8.4 Tenant Profile of KiP Mart Masai

### (i) Top Ten Tenants of KiP Mart Masai

The top ten tenants by contribution to Occupied LA (disclosed based on their respective trade names) of KiP Mart Masai as at 31 October 2016 are set out below. The top ten tenants contributed an aggregate of 17.7% to Gross Rental Income and occupy an aggregate of 41.1% of the Occupied LA of KiP Mart Masai as at 31 October 2016.

<u>Tenants by trade name</u>	<u>Trade sector</u>	<u>Percentage of Occupied LA (%)</u>
Pemborong & Pembekal Barangan Runcit Pasaraya Hwa Thai	Supermarket	16.8
LinkMe LM	Household products, gifts, and stationery	5.1
Lionmas	IT and electrical	3.7
Pusat Perabot Classics Living Furniture	Furniture and show gallery	3.5
Wanita Anggun Collection	Fashion apparel	2.9
Kedai Buah-Buahan Liew Peng Trading Sdn Bhd	Fresh market	2.0
Pembekal Buah-Buahan Siang Heng Marketing Sdn Bhd	Fresh market	1.9
Butik Fesyen Factory Outlet	Fashion apparel	1.8
YYU Fashion	Fashion apparel	1.8
Kedai Elektrik YES	IT and electrical	1.6
<b>Sub-total</b>		<b>41.1</b>
<b>Others</b>		<b>58.9</b>
<b>Total</b>		<b>100.0</b>

## (ii) Trade Sector Analysis of KiP Mart Masai

The table below provides a breakdown of the different trade sectors represented in KiP Mart Masai as at 31 October 2016.

Trade sector	Percentage of Occupied LA (%)	Percentage of Gross Rental Income (%)
Fashion apparel	23.1	28.4
Fresh market	19.0	23.9
Food and beverage	6.2	10.7
IT and electrical	6.8	9.6
Beauty, health and wellness	4.9	6.3
Household products, gifts, and stationery	10.9	5.9
Furniture and show gallery	7.8	4.3
Supermarket	16.8	3.4
Jewellery	0.9	2.0
Sundry and services	2.0	3.0
Entertainment and leisure	1.6	2.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 2.8.5 Occupancy and Rental Profiles of KiP Mart Masai

The table below sets out the average Occupancy Rates and the average monthly Gross Rental Income of KiP Mart Masai.

Period	Average Occupancy Rate (%)	Average Monthly Gross Rental Income per sq ft (RM per sq ft)
FY2014	99.0	8.54
FY2015	98.3	8.72
FY2016	91.7	9.06
4-month period ended 31 October 2016	92.6	9.18

The decrease in the average Occupancy Rate for FY2016 compared with FY2015 is due to the non-renewal of one mini anchor tenant and the completion of an extension to KiP Mart Masai in November 2015, resulting in additional LA of 15,794 sq ft. However, this is mitigated by higher rental rates from renewal of expiring tenancies in FY2016. The average Occupancy Rate has since increased in the following 4-month period ended 31 October 2016 from new tenants occupying the extension area.

### 2.8.6 Tenancy Profile of KiP Mart Masai

The table below illustrates the percentage of tenants by Occupied LA by the number of years as tenants in KiP Mart Masai as at 31 October 2016.

As at	Percentage of tenants by Occupied LA (%)		
	1 to 2 years as tenants	2 to 4 years as tenants	More than 4 years as tenants
31 October 2016	21.5	4.7	73.8

The table below illustrates the tenancy expiry profile of KiP Mart Masai as at 31 October 2016.

<b>Period</b>	<b>Number of tenancies expiring</b>	<b>Percentage of Occupied LA expiring (%)</b>	<b>Percentage of Gross Rental Income expiring (%)</b>
FY2017	256	99.6	99.0
FY2018	1	0.2	0.4
FY2019	3	0.2	0.6
FY2020	-	-	-
<b>Total</b>	<b>260</b>	<b>100.0</b>	<b>100.0</b>

### **2.8.7 Major Expansion and Renovation of KiP Mart Masai**

#### **(i) Completed by the Vendor**

During the two years prior to the Latest Practicable Date, the Vendor has completed the following major asset enhancements:

- (a) An extension completed in November 2015, resulting in an additional LA of 15,794 sq ft; and
- (b) The implementation of a 425 kWp solar photovoltaic system on rooftop of KiP Mart Masai, in December 2015. This has resulted in average savings of about 20% on utility costs per month.

#### **(ii) Future Enhancements**

The Manager intends to undertake minor upgrade and maintenance of the building in FY2018.

## **2.9 KIP MART LAVENDER SENAWANG**

### **2.9.1 Vendor**

Setia Wirajaya Sdn Bhd

### **2.9.2 Address**

No. 1, Jalan KLS 1, Lavender Heights, 70450 Seremban, Negeri Sembilan Darul Khusus

### **2.9.3 Description**

KiP Mart Lavender Senawang is a single-storey retail centre with a mezzanine floor which has commenced operations since 18 December 2012. The layout area for KiP Mart Lavender Senawang is divided into several areas for, amongst others, a fresh market, dry retail lots and various promotion areas with an LA of 115,640 sq ft as at 31 October 2016. KiP Mart Lavender Senawang is located on 438,414 sq ft of land located within the Lavender Heights township area, Seremban. KiP Mart Lavender Senawang has 76 tenancies as at 31 October 2016.

The table below sets out a summary of selected information on KiP Mart Lavender Senawang.

<b>Existing use</b>	Retail centre
<b>Age of Subject Property as at 31 October 2016</b>	4 years
<b>GFA as at 31 October 2016 (sq ft)</b>	175,095
<b>LA as at 31 October 2016 (sq ft)</b>	115,640
<b>Number of car park bays as at 31 October 2016</b>	584
<b>Total Revenue (RM 000)</b>	FY2014: 5,906 FY2015: 3,871 FY2016: 3,352
<b>NPI (RM 000)</b>	FY2014: 2,777 FY2015: 1,121 FY2016: 919
<b>Appraised Value as at 1 March 2016 (RM 000)</b>	38,000
<b>Purchase consideration (including Related Assets)(RM 000)</b>	38,071
<b>Number of tenancies as at 31 October 2016</b>	76

The table below sets out a summary of selected information of the master title in relation to KiP Mart Lavender Senawang:

<b>Land area of individual title (sq m)</b>	40,730 (equivalent to 438,414 sq ft)
<b>Tenure</b>	Freehold
<b>Individual title information</b>	GRN 262080, Lot 61344, Pekan Senawang, District of Seremban, Negeri Sembilan Darul Khusus
<b>Encumbrances/material limitations in the individual title<sup>(1)</sup></b>	A charge registered on 5 July 2012 vide Presentation No. 18274/2012 in favour of OCBC Bank (Malaysia) Berhad.  Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 12038/2016 on 8 December 2016.
<b>Restrictions in interest in the individual title</b>	Not stated
<b>Express conditions in the individual title</b>	This land is to be used for commercial buildings only.

**Note:**

- (1) *The charges over the Individual Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.*

## 2.9.4 Tenant Profile of KiP Mart Lavender Senawang

### (i) Top Ten Tenants of KiP Mart Lavender Senawang

The top ten tenants by contribution to Occupied LA (disclosed based on their respective trade names) of KiP Mart Lavender Senawang as at 31 October 2016 are set out below. The top ten tenants contributed an aggregate of 47.7% to Gross Rental Income and occupy an aggregate of 70.9% of the Occupied LA of KiP Mart Lavender Senawang as at 31 October 2016.

Tenants by trade name	Trade sector	Percentage of Occupied LA (%)
Pasaraya Syed	Supermarket	38.7
Y Pay More	Household products , gifts, and stationery	5.2
Tewah	Fashion apparel	5.2
Toy World	Household products, gifts, and stationery	5.1
Mr. DIY	Household products, gifts and stationery	5.0
Lionmas	IT and electrical	4.1
TNL Trading Sdn Bhd	Fresh market	2.9
Vegetable and grocery	Fresh market	2.3
Restoran ABC Senawang	Food and beverage	1.5
Farmasi Alpha.Com	Beauty, health and wellness	0.9
<b>Sub-total</b>		<b>70.9</b>
<b>Others</b>		<b>29.1</b>
<b>Total</b>		<b>100.0</b>

### (ii) Trade Sector Analysis of KiP Mart Lavender Senawang

The table below provides a breakdown of the different trade sectors represented in KiP Mart Lavender Senawang as at 31 October 2016.

Trade sector	Percentage of Occupied LA (%)	Percentage of Gross Rental Income (%)
Fresh market	10.0	16.0
Food and beverage	10.0	9.5
Fashion apparel	13.6	18.6
Supermarket	38.7	22.4
Household products, gifts, and stationery	17.6	14.2
IT and electrical	4.1	6.3
Beauty, health and wellness	2.5	8.4
Sundry and services	2.2	2.4
Entertainment and leisure	0.4	1.3
Jewellery	-	-
Furniture and show gallery	0.9	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>



### 2.9.5 Occupancy and Rental Profiles of KiP Mart Lavender Senawang

The table below sets out the average Occupancy Rates and the average monthly Gross Rental Income of KiP Mart Lavender Senawang.

Period	Average Occupancy Rate (%)	Average Monthly Gross Rental Income per sq ft (RM per sq ft)
FY2014	75.2	5.26
FY2015	81.1	3.19
FY2016	79.4	2.56
4-month period ended 31 October 2016	72.6	2.80

The increase in average Occupancy Rate from FY2014 to FY2015 is mainly due to new short term tenants including one new anchor tenant, taking up a larger area from that vacated by another anchor tenant in that period. FY2015 recorded a lower average monthly Gross Rental Income per sq ft due to a lower rental rate for the new short term tenants and rebates in rental rates to existing tenants to remain competitive.

The decrease in occupancy rate from FY2015 to FY2016 is due to the withdrawal of an anchor tenant in August 2015 which was replaced in November 2015. The decrease in average monthly Gross Rental Income per sq ft is due to the replacement of expired or terminated tenancies at a lower rental rate.

The average Occupancy Rate has continued to decrease in FY2016 and the 4-month period ended 31 October 2016 due to non-renewal of tenancy by a mini anchor tenant. The average monthly Gross Rental Income per sq ft increased due to the withdrawal of a mini anchor tenant which was enjoying a lower rental rate over a substantially large space.

### 2.9.6 Tenancy Profile of KiP Mart Lavender Senawang

The table below illustrates the percentage of tenants by Occupied LA by the number of years as tenants in KiP Mart Lavender Senawang as at 31 October 2016.

As at	Percentage of tenants by Occupied LA (%)	
	Less than 1 year as tenants	More than 1 year as tenants
31 October 2016	21.8	78.2

The table below illustrates the tenancy expiry profile of KiP Mart Lavender Senawang as at 31 October 2016.

Period	Number of tenancies expiring	Percentage of Occupied LA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2017	65	37.5	57.3
FY2018	6	14.1	12.9
FY2019	5	48.4	29.8
FY2020	-	-	-
<b>Total</b>	<b>76</b>	<b>100.0</b>	<b>100.0</b>

## 2.9.7 Major Expansion and Renovation of KiP Mart Lavender Senawang

### (i) Completed by the Vendor

During the two years prior to the Latest Practicable Date, there was no major expansion and renovation completed by the Vendor.

### (ii) Future Enhancements

The Manager intends to undertake minor upgrade and maintenance of the building in FY2018.

## 2.10 KIP MART MELAKA

### 2.10.1 Vendor

Projek Impiana Sdn Bhd

### 2.10.2 Address

No. 8999, Jalan Tun Fatimah, Batu Berendam, 75350 Melaka

### 2.10.3 Description

KiP Mart Melaka is a two-storey retail centre which has commenced operations since 26 March 2014. The layout area for KiP Mart Melaka is divided into several areas for, amongst others, dry retail lots, a supermarket, an amusement centre, car promotion areas, a food court, a fast food restaurant and various promotion areas with an LA of 182,345 sq ft as at 31 October 2016. KiP Mart Melaka is located on 380,310 sq ft of land located in the Batu Berendam industrial area in Melaka. KiP Mart Melaka has 80 tenancies as at 31 October 2016.

The table below sets out a summary of selected information on KiP Mart Melaka.

<b>Existing use</b>	Retail centre
<b>Age of Subject Property as at 31 October 2016</b>	2 years
<b>GFA as at 31 October 2016 (sq ft)</b>	276,987
<b>LA as at 31 October 2016 (sq ft)</b>	182,345
<b>Number of car park bays as at 31 October 2016</b>	520
<b>Total Revenue (RM 000)</b>	FY2014: 1,345 FY2015: 6,205 FY2016: 6,518
<b>NPI/(Net Property Loss) (RM 000)</b>	FY2014: (301) FY2015: 927 FY2016: 2,289
<b>Appraised Value as at 1 March 2016 (RM 000)</b>	50,000
<b>Purchase consideration (including Related Assets)(RM 000)</b>	50,168
<b>Number of tenancies as at 31 October 2016</b>	80

The table below sets out a summary of selected information of the master title in relation to KiP Mart Melaka:

<b>Land area of the individual title (sq m)</b>	35,332 (equivalent to 380,310 sq ft)
<b>Tenure</b>	99 years, expiring on 17 November 2112
<b>Individual title information</b>	HSD 76142, PT 6786, Mukim of Bachang, District of Melaka Tengah, Melaka
<b>Encumbrances/material limitations in the individual title<sup>(1)</sup></b>	<p>The following charges over the Master Title are registered in favour of Alliance Bank Malaysia Berhad:</p> <p>(a) A charge registered on 27 April 2011 vide Presentation No. 0400SC2011005051</p> <p>(b) A charge registered on 16 May 2012 vide Presentation No. 0400SC2012006582</p> <p>(c) A charge registered on 23 March 2016 vide Presentation No. 0400SC2016002934</p> <p>Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 0400B2016004823 on 8 December 2016.</p>
<b>Restrictions-in-interest in the individual title</b>	This land is not allowed to be transferred or leased except with the consent of the State Authority. This restriction is exempted to the first buyer of the land.
<b>Express conditions in the individual title</b>	Commercial Buildings Only.

**Note:**

- (1) *The charges over the Individual Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.*

<b>THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK</b>
--

## 2.10.4 Tenant Profile of KiP Mart Melaka

### (i) Top Ten Tenants of KiP Mart Melaka

The top ten tenants by contribution to Occupied LA (disclosed based on their respective trade names) of KiP Mart Melaka as at 31 October 2016 are set out below. The top ten tenants contributed an aggregate of 27.9% to Gross Rental Income and occupy an aggregate of 70.9% of the Occupied LA of KiP Mart Melaka as at 31 October 2016.

Tenants by trade name	Trade sector	Percentage of Occupied LA (%)
Pasaraya Family Store	Supermarket	38.6
Toy World	Household products, gifts and stationery	9.6
Mr. DIY	Household products , gifts, and stationery	5.4
Lionmas	IT and electrical	4.7
Soon Siang Stationery	Household products, gifts, and stationery	4.3
Kidzon	Entertainment and leisure	2.1
Keluarga Ali	Food and beverage	1.8
MB Culinary	Food and beverage	1.5
Old Town Kopitiam	Food and beverage	1.5
HY Fruits Trading	Fresh market	1.4
<b>Sub-total</b>		<b>70.9</b>
<b>Others</b>		<b>29.1</b>
<b>Total</b>		<b>100.0</b>

### (ii) Trade Sector Analysis of KiP Mart Melaka

The table below provides a breakdown of the different trade sectors represented in KiP Mart Melaka as at 31 October 2016.

Trade sector	Percentage of Occupied LA (%)	Percentage of Gross Rental Income (%)
Fashion apparel	11.3	31.9
Food and beverage	8.6	17.4
IT and electrical	9.5	14.4
Supermarket	39.3	11.7
Household products , gifts, and stationery	20.7	9.1
Beauty, health and wellness	2.4	6.7
Entertainment and leisure	5.0	4.4
Sundry and services	0.3	0.5
Fresh market	1.4	2.0
Jewellery	0.5	0.9
Furniture and show gallery	1.0	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 2.10.5 Occupancy and Rental Profiles of KiP Mart Melaka

The table below sets out the average Occupancy Rates and the average monthly Gross Rental Income of KiP Mart Melaka.

Period	Average Occupancy Rate (%)	Average Monthly Gross Rental Income per sq ft (RM per sq ft)
FY2014 <sup>(1)</sup>	82.8	1.63
FY2015	78.9	2.64
FY2016	74.0	2.58
4-month period ended 31 October 2016	65.8	2.75

**Note:**

<sup>1)</sup> For the 3-month period ended 30 June 2014. The low average monthly Gross Rental Income is due to KiP Mart Melaka commencing operations at the end of March and incentives granted to tenants such as 1 months' free rental for tenants who were able to commence operations on time.

The decrease in average Occupancy Rate from FY2014 to FY2016 is due to withdrawal of an anchor tenant operating as a supermarket in April 2015 and withdrawal of another anchor tenant occupying the mezzanine floor in August 2015. The decrease is mitigated with the replacement of the tenancy in the supermarket area by a new anchor tenant in June 2015 and several short term tenancies at the mezzanine floor. The decrease in average Occupancy Rate for the 4-month period ended 31 October 2016 is due to non-renewal of the short term tenancies. Nevertheless, an existing mini anchor tenant has committed to rent a further 10,000 sq ft commencing in December 2016.

The average monthly Gross Rental Income per sq ft increased from FY2014 due to full year of operations commencing in FY2015. The average monthly Gross Rental Income per sq ft stabilized through FY2016 and the 4-month period ended 31 October 2016.

## 2.10.6 Tenancy Profile of KiP Mart Melaka

The table below illustrates the percentage of tenants by Occupied LA by the number of years as tenants in KiP Mart Melaka as at 31 October 2016.

As at	Percentage of tenants by Occupied LA (%)	
	Less than 1 year as tenants	More than 1 year as tenants
31 October 2016	25.5	74.5

The table below illustrates the tenancy expiry profile of KiP Mart Melaka as at 31 October 2016.

Period	Number of tenancies expiring	Percentage of Occupied LA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2017	34	29.8	32.9
FY2018	42	68.8	63.7
FY2019	4	1.4	3.4
FY2020	-	-	-
<b>Total</b>	<b>80</b>	<b>100.0</b>	<b>100.0</b>

## 2.10.7 Major Expansion and Renovation of KiP Mart Melaka

### (i) Completed by the Vendor

During the two years prior to the Latest Practicable Date, there was no major expansion and renovation completed by the Vendor.

### (ii) Future Enhancements

The Manager intends to undertake minor upgrade and maintenance of the building in FY2018.

## 2.11 KIP MALL BANGI

### 2.11.1 Vendor

Landasan Primamaju Sdn Bhd

### 2.11.2 Address

No. 1, Jalan Medan Bangi, 43650 Bandar Baru Bangi, Selangor Darul Ehsan

### 2.11.3 Description

KiP Mall Bangi is a five-storey shopping centre with one level of mezzanine floor and two levels of basement car park which was acquired on 26 March 2015. The layout area for KiP Mall Bangi is divided into several areas for, amongst others, dry retail lots, a supermarket, an entertainment area, a food court, a fast food area, restaurants, a bowling alley and various promotion areas with an LA of 261,710 sq ft as at 31 October 2016. KiP Mall Bangi is located on 92,817 sq ft of land located along Jalan Medan Bangi, Bandar Baru Bangi. KiP Mall Bangi has 160 tenancies as at 31 October 2016.

The table below sets out a summary of selected information on KiP Mall Bangi.

Existing use	Shopping Centre
Age of Subject Property as at 31 October 2016	Approximately 18 years
GFA as at 31 October 2016 (sq ft)	348,203
LA as at 31 October 2016 (sq ft)	261,710
Number of car park bays as at 31 October 2016	475
Total Revenue (RM 000)	FY2014: 14,087 FY2015: 15,020 FY2016: 16,347
NPI (RM 000)	FY2014: 7,637 FY2015: 9,858 FY2016: 11,631
Appraised Value as at 1 March 2016 (RM 000)	130,000
Purchase consideration (including Related Assets)(RM 000)	130,000
Number of tenancies as at 31 October 2016	160

The table below sets out a summary of selected information of the master title in relation to KiP Mall Bangi:

<b>Land area of the individual title (sq m)</b>	8,623 (equivalent to 92,817 sq ft)
<b>Tenure</b>	99 years, expiring on 14 July 2093
<b>Individual title information</b>	HSD 36945, PT 29330, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan
<b>Encumbrances/material limitations in individual title</b>	A charge registered in favour of OCBC Bank (Malaysia) Berhad vide Presentation No. 27157/2015  Other than the above, a private caveat was lodged by the Trustee on behalf of KIP REIT vide Presentation No. 59776/2016 on 8 December 2016.
<b>Restrictions-in-interest in the individual title</b>	This land is not allowed to be transferred, leased or charged except with the consent of the State Authority.
<b>Express conditions in the individual title</b>	Commercial Buildings Only.

**Note:**

- (1) *The charges over the Individual Title of each Subject Property will be discharged by the respective banks for all the Subject Properties in accordance to the terms and conditions of the SPAs dated 4 November 2016 for the Acquisitions.*

#### **2.11.4 Tenant Profile of KiP Mall Bangi**

##### **(i) Top Ten Tenants of KiP Mall Bangi**

The top ten tenants by contribution to Occupied LA (disclosed based on their respective trade names) of KiP Mall Bangi as at 31 October 2016 are set out below. The top ten tenants contributed an aggregate of 31.1% to Gross Rental Income and occupy an aggregate of 71.1% of the Occupied LA of KiP Mall Bangi as at 31 October 2016.

<b>THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK</b>
--

Tenants by trade name	Trade sector	Percentage of Occupied LA (%)
Giant Hypermarket	Supermarket	35.1
Bangi Superbowl	Entertainment and leisure	12.6
Pusat Kain Silk House	Fashion apparel	5.1
Mr. DIY	Household products, gifts, and stationery	5.0
Sport Planet	Fashion apparel	3.8
Toy World	Household products, gifts and stationery	2.1
Vinida Collections	Fashion apparel	2.0
MG Concept Store	Fashion apparel	2.0
Kedai Buku Smart	Household products , gifts, and stationery	2.0
Central Market Fish Head Curry	Food and beverage	1.4
<b>Sub-total</b>		<b>71.1</b>
<b>Others</b>		<b>28.9</b>
<b>Total</b>		<b>100.0</b>

**(ii) Trade Sector Analysis of KiP Mall Bangi**

The table below provides a breakdown of the different trade sectors represented in KiP Mall Bangi as at 31 October 2016.

Trade sector	Percentage of Occupied LA (%)	Percentage of Gross Rental Income (%)
Fashion apparel	25.0	26.9
Supermarket	35.1	16.9
IT and electrical	3.1	13.7
Food and beverage	5.6	13.7
Household products , gifts, and stationery	13.3	12.3
Beauty, health and wellness	2.0	6.3
Jewellery	1.2	3.5
Entertainment and leisure	13.3	3.0
Sundry and services	0.8	3.2
Furniture and show gallery	0.6	0.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**2.11.5 Occupancy and Rental Profiles of KiP Mall Bangi**

The table below sets out the average Occupancy Rates and the average monthly Gross Rental Income of KiP Mall Bangi.

Period <sup>(1)</sup>	Average Occupancy Rate (%)	Average Monthly Gross Rental Income per sq ft (RM per sq ft)
FY2015 <sup>(2)</sup>	86.8	3.33
FY2016	88.6	4.04
4-month period ended 31 October 2016	90.3	3.91



**Notes:**

- (1) The average occupancy rate of KiP Mall Bangi for the FY2014 are not available as the acquisition of KiP Mall Bangi by Landasan Primamaju Sdn Bhd was completed only in March 2015.
- (2) For the 4-month period ended 30 June 2015.

The decrease in the average monthly Gross Rental Income per sq ft for the 4-month period ended 31 October 2016 is due to new tenants at the top floor of KiP Mall Bangi which was rented out at lower rental rates.

**2.11.6 Tenancy Profile of KiP Mall Bangi**

The percentage of tenants by Occupied LA by the number of years as tenants in KiP Mall Bangi is not available as the acquisition of KiP Mall Bangi by Landasan Primamaju Sdn Bhd was completed in March 2015.

The table below illustrates the tenancy expiry profile of KiP Mall Bangi as at 31 October 2016.

Period	Number of tenancies expiring	Percentage of Occupied LA expiring (%)	Percentage of Gross Rental Income expiring (%)
FY2017	100	39.8	47.1
FY2018	40	14.5	21.4
FY2019	17	40.4	27.9
FY2020	3	5.3	3.6
<b>Total</b>	<b>160</b>	<b>100.0</b>	<b>100.0</b>

**2.11.7 Major Expansion and Renovation of KiP Mall Bangi****(i) Completed by the Vendor**

From the date of acquisition by the Vendor in March 2015 until the Latest Practicable Date, there was no major expansion and renovation completed by the Vendor.

**(ii) Future Enhancements**

The Manager intends to carry out major upgrading works in FY2017 and FY2018, which include, amongst others, the demolition of cineplex and upgrading of facilities and amenities such as renovation works on the 5th floor and the installation of additional air conditioners to offer a more convenient shopping experience to its shoppers; as well as internal and external facelifts and other enhancements such as the installation of new advertisement panel.

**2.12 TENANCY MANAGEMENT**

The tenancy agreements entered into for the Subject Properties include terms and conditions relating to the term of the tenancy as well as renewal, assignment and termination of the tenancy. These terms and conditions may vary to accommodate the specific needs of some tenants.

The Management does not have a formal policy on rebates and soft commissions. However, in the past two years, rebates were given to certain tenants on case-by-case basis in KiP Mart Lavender Senawang and KiP Mart Melaka to remain competitive.

The tenancy agreements entered into are generally for one to two-year term with the option to renew for another term, subject to revision of rental (if any) to be agreed. Certain major tenants have the option to renew their tenancies after a term of three years, five terms in total, at the prevailing market rate to be agreed upon by the parties, subject to a pre-agreed maximum increase of the monthly rental.

The tenant's right to exercise the option to renew is generally subject, among others, to the tenant giving the landlord written notice of such intention not less than 6 months prior to the expiration of the term.

Tenants are generally required to provide deposits to cover rental, utility, and restoration.

### **2.13 INSURANCE**

The Subject Properties are currently insured under property and liability insurance policies, with coverage features and insured limits that are in line with industry practice in Malaysia. The coverage of these insurances policies includes property loss or damage caused by fire, consequential losses from fire, machine and office equipment, plate glass, burglary, fidelity guarantee, money insurance policy, employer's liability and public liability. There are no significant or unusual excess or deductible amounts required under these policies.

There are, however, certain risks that are not covered by such insurance policies, pursuant to typical exclusions such as war, acts of terrorism and radioactive or nuclear risks.

The insurance policies will be endorsed in favour of the Trustee on the Completion Date of the SPA.

### **2.14 FIRE PROTECTION**

The fire protection system for each of the Subject Properties is manned on a 24-hour basis at a fire command centre with the central monitoring system linked to the Malaysian Fire and Rescue Department (*Jabatan Bomba dan Penyelamat Malaysia*). The Subject Properties have fire safety personnel, who form part of an emergency response team and who ensure that all fire protection systems and equipment are in working order. Each of the Subject Properties is also equipped with a fire protection system which includes a fire detection system, fire suppression system and smoke management system. Each of the Subject Properties has maintenance contractors for the fire protection systems.

### **2.15 RETAIL PROPERTY COMPETITION**

Please refer to Appendix B "Independent Property Market Report" of this Prospectus for further details.

### **2.16 CAPITAL EXPENDITURE**

The Manager envisages that there will be continuous upgrading, renovation and refurbishment on the Subject Properties, where appropriate and feasible, from time to time, to ensure that the said properties remain competitive in terms of attracting and/or retaining tenants.

### **2.17 LEGAL PROCEEDINGS**

As at the Latest Practicable Date, neither of the Subject Properties nor the Manager is currently involved in any material litigation nor, to the best of the Manager's knowledge, is any material litigation currently contemplated or threatened against KIP REIT or the Manager.

### 3. PARTICULARS OF THE OFFERING

#### 3.1 INTRODUCTION

The SC granted its approval for the Offering on 31 October 2016. The approval of the SC shall not be taken to indicate that the SC recommends the Offering. **Investors should rely on their own evaluation to assess the merits and risks of the Offering and their investment in KIP REIT. In considering the investment, if investors are in any doubt as to the action to be taken, they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

Bursa Securities' approval for the admission of all the Units to be issued to the Official List of the Main Market and for the listing of and quotation for all the said Units was obtained on 8 December 2016. All the Units will be admitted to the Official List of the Main Market and official quotation will commence after receipt of confirmation from Bursa Depository that all the Units have been credited into the respective CDS Account of the Vendors and/or their nominees (pursuant to the Acquisitions) and the successful applicants and the notices of allotment of the Units have been despatched to the said parties. Admission to the Official List of the Main Market shall not be taken as an indication of the merits of KIP REIT, the Units, or the Offering.

**Pursuant to Section 14(1) of the Central Depository Act, Bursa Securities will prescribe the Units as a prescribed security. Consequently, the Units will be deposited directly with Bursa Depository. Any dealings in the Units will be carried out in accordance with the Deed, the Central Depositories Act and the Rules of Bursa Depository. Unit certificates will not be issued to successful applicants.**

Pursuant to the Listing Requirements, at least 25.0% of the total number of Units in issue must be held by a minimum number of 1,000 public unitholders holding not less than 100 Units each upon completion of the Offering and at the point of Listing or such other minimum public spread as may be approved by Bursa Securities. The Manager expects to achieve the public unitholding spread requirement at the point of Listing. In the event that the above requirement is not met pursuant to the Offering, KIP REIT may not be allowed to proceed with the Listing. In this event, monies paid in respect of all applications will be returned in full without interest.

Investors must have a CDS Account when applying for the Offer Units. In the case of an application by way of an Application Form, applicants should state their CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Application or Internet Application, only an individual who has a CDS Account can make an Electronic Application or Internet Application. For an application by way of Electronic Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by keying in his CDS Account number if the instruction on the ATM screen at which he enters his Electronic Application requires him to do so. In the case of an application by way of Internet Application, only an applicant who has an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institutions can make an Internet Application. The applicant shall furnish his CDS Account number to the Internet Participating Financial Institutions by keying in his CDS Account number into the online application form. A corporation or institution cannot apply for the Units by way of Electronic Application or Internet Application.

### 3.2 TOTAL FUND SIZE AND UNITS TO BE ISSUED

The table below sets out the details of the Units:

	<b>Number of Units (000)</b>
Fund size approved by the SC	505,300
Consideration Units to be issued to the Vendors as part payment for the Acquisitions	271,150
Units to be issued pursuant to the Retail Offering	13,500
Units to be issued pursuant to the Institutional Offering	220,650
Total issued Units upon Listing	<u>505,300</u>

There is only one class of units in KIP REIT. The Units to be issued, provided that full application monies are paid in full, will rank *pari passu* in all respects with each other and will be entitled to all distributions that may be declared subsequent to the Listing.

### 3.3 PURPOSE OF THE OFFERING

The purpose of the Offering is as follows:

- (i) to obtain a listing of and quotation for the Units on the Main Market to enhance liquidity as compared to the illiquid nature of the underlying Subject Properties;
- (ii) to gain access to capital markets in order to raise funds for future real estate acquisitions; and
- (iii) to provide investors an opportunity to invest in a REIT which provides stable distribution of income and potential capital appreciation on investment in the Units.

### 3.4 DETAILS OF THE OFFERING

#### 3.4.1 Retail Offering

Retail Offering at the Retail Price of RM1.00 per Offer Unit, payable in full upon application and subject to refund of the difference, in the event that the Final Retail Price is less than the Retail Price.

The Retail Offering of up to 13,500,000 Offer Units, representing up to approximately 2.7% of the total Units to be issued upon Listing, subject to the Clawback and Reallocation provisions, consists of the following:

- (i) 10,200,000 Offer Units, representing approximately 2.0% of the total Units to be issued upon Listing, for application by the Malaysian Public of which 50.0% are reserved for application by the Bumiputera public; and
- (ii) 3,300,000 Offer Units, representing approximately 0.7% of the total Units to be issued upon Listing to the eligible directors and employees of the Manager, the Vendors, and the Eligible Companies in the following manner:
  - (a) 2,019,000 Offer Units representing approximately 0.4% of the total Units to be issued upon Listing to five eligible directors and five eligible employees of the Manager;

- (b) 333,900 Offer Units representing approximately 0.1% of the total Units to be issued upon Listing to four eligible directors and six eligible employees of the Vendors; and
- (c) 947,100 Offer Units representing approximately 0.2% of the total Units to be issued upon Listing to three eligible directors and 20 eligible employees of the Eligible Companies.

The table below sets out the allocation of Units to the eligible directors of the Manager:

<b>Directors of the Manager</b>	<b>Number of Units allocated</b>
Dato' Syed Hussain bin Syed Husman	60,000
Dato' Chew Lak Seong	727,000
Dato' Ong Kook Liong	727,000
Datuk Mohamed Arsad bin Sehan	60,000
Foo Lee Khean	60,000
<b>Total</b>	<b>1,634,000</b>

The criteria for allocation to the eligible directors of the Manager are based on, among others, their future contribution to the Manager, taking into consideration their expected roles and responsibilities. The criteria for allocation to the eligible employees of the Manager as well as the eligible directors and employees of the Vendors and the Eligible Companies are based on, among others, performance, length of employment and job seniority as at 31 December 2015 as well as past contributions to the Subject Properties.

### 3.4.2 Institutional Offering

Institutional Offering to investors at the Institutional Price payable in full upon allocation and determined by way of bookbuilding on the Price Determination Date will be allocated in the following manner:

- (i) 58,100,000 Offer Units to Bumiputera investors approved by MITI; and
- (ii) 162,550,000 Offer Units to Malaysian institutional investors and selected investors.

In summary, the Offer Units offered under the Offering (subject to Clawback and Reallocation provision) will be allocated in the following manner:

<b>Categories</b>	<b>No of Units (000)</b>	<b>% of total Units</b>
<b>Retail Offering:</b>		
Malaysian Public via balloting		
- Bumiputera	5,100	1.0%
- Non-Bumiputera	5,100	1.0%
Eligible directors and employees of the Manager, the Vendors and the Eligible Companies	3,300	0.7%
<b>Sub-total</b>	<b>13,500</b>	<b>2.7%</b>
<b>Institutional Offering:</b>		
Bumiputera investors approved by MITI	58,100	11.5%
Other Malaysian institutional investors and selected investors	162,550	32.2%
<b>Sub-total</b>	<b>220,650</b>	<b>43.7%</b>
<b>Total</b>	<b>234,150</b>	<b>46.4%</b>

The Offering will not include any offer for sale of any units held by the Promoters under the Offering.

### **3.4.3 Clawback and Reallocation**

The Institutional Offering and the Retail Offering shall be subject to the following Clawback and Reallocation provisions:

- (i) The Offer Units may be clawed back and reallocated to the Institutional Offering from the Retail Offering at the discretion of the Underwriter (in consultation with the Manager and the Promoters) in the event of an over-subscription in the Institutional Offering and a corresponding under-subscription in the Retail Offering; and
- (ii) The Offer Units may be clawed back and reallocated to the Retail Offering from the Institutional Offering in the event of an over-subscription in the Retail Offering and a corresponding under-subscription in the Institutional Offering.

The above Clawback and Reallocation provisions shall not apply in the event of an over-subscription in both the Institutional Offering and the Retail Offering.

Any Offer Units not taken up by the eligible directors and employees of the Manager, the Vendors and the Eligible Companies ("**Eligible Directors and Employees**") under the Retail Offering ("**Excess Offer Units**") shall be made available for application by the Eligible Directors and Employees who have applied for excess on top of their pre-determined allocation and allocated on a pro-rata basis based on the number of Excess Offer Units applied to the Eligible Directors and Employees who have applied for the Excess Offer Units.

However, the Manager reserves the right to allocate to the Eligible Directors and Employees who have applied for excess on top of their pre-determined allocation at the discretion of the Manager in such manner it deems fit and expedient. The Manager also reserves the right to accept any Excess Offer Units application, in full or in part, without assigning any reason. Thereafter, any unsubscribed Offer Units unallocated to the Eligible Directors and Employees will be made available for application by the Malaysian Public under the Retail Offering, with any remaining Offer Units thereafter underwritten by the Underwriters, subject to the clawback and reallocation provisions.

### **3.4.4 Minimum Subscription**

Up to RM87.0 million of the total Cash Consideration will be partly funded by the Financing Facilities. As such, KIP REIT would be required to raise at least RM222.1 million from the Offering to be able to fully satisfy the Cash Consideration. In view of this, the minimum subscription in terms of proceeds to be raised from the Offering would amount to RM222.1 million.

In addition, the minimum subscription in terms of the number of Units to be subscribed will be such number of Units required to be held by public unitholders for KIP REIT to achieve a public unitholding spread of 25.0% at the point of Listing.

Furthermore, if the Offering is not completed and/or the Manager decides in its absolute discretion not to proceed with the Listing, monies paid in respect of any application for the Offer Units may be returned to the applicants without interest.

### 3.5 INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below:

Date and time <sup>(1)</sup>	Event
30 December 2016, 10.00 a.m.	: Opening date and time for the Retail Offering
30 December 2016	: Opening date of the Institutional Offering
16 January 2017, 5.00 p.m.	: Closing date and time for the Retail Offering
17 January 2017	: Closing date of the Institutional Offering
17 January 2017	: Price Determination Date
18 January 2017	: Balloting of applications for Offer Units pursuant to the Retail Offering for the Malaysian Public portion
3 February 2017	: Allotment of Offer Units to successful applicants
6 February 2017	: Listing of KIP REIT on the Main Market

**Note:**

<sup>(1)</sup> *The above timetable is indicative only and is subject to change. The Institutional Offering will open and close at the dates stated above or such other date(s) as the Manager and the Bookrunner may mutually decide in their absolute discretion. The application for the Offer Units offered under the Retail Offering will open and close at the dates stated above or such other date(s) as the Manager and the Underwriter may mutually decide in their absolute discretion.*

If either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting, allotment of Offer Units and Listing will be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in a widely circulated Bahasa Malaysia daily newspaper and English daily newspaper within Malaysia.

### 3.6 BASIS OF DETERMINING THE PRICE OF THE OFFER UNITS

#### 3.6.1 Retail Price

The Retail Price of RM1.00 per Offer Unit was determined and agreed upon by the Manager, the Principal Adviser, the Bookrunner and the Underwriter after taking into consideration the following factors:

- (i) the financial history and condition of the Subject Properties;
- (ii) the pro forma NAV per Unit upon Listing of approximately RM0.98;
- (iii) the forecast distribution yields of KIP REIT;
- (iv) the future prospects of KIP REIT; and
- (v) the prevailing capital and property market conditions and sentiments.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be equal to the lower of:

- (i) the Retail Price of RM1.00 per Offer Unit; and
- (ii) the Institutional Price.

Prospective retail investors should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price.

The Final Retail Price and the Institutional Price are expected to be announced within two Market Days from the Price Determination Date via Bursa Listing Information Network. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment.

Applicants should also note that the market price of the Units upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of the Units.

### **3.6.2 Institutional Price**

The Institutional Price will be determined by way of bookbuilding wherein prospective investors will be invited to bid for portions of the Institutional Offering by specifying the number of Offer Units that they would be prepared to acquire and the price that they would be prepared to pay for the subscription. This bookbuilding process is expected to start on 30 December 2016 and will end on 17 January 2017 or such other dates as the Manager and the Bookrunner may decide at their absolute discretion. Upon completion of the bookbuilding process, the Institutional Price will be fixed via agreement between the Manager and the Bookrunner on the Price Determination Date.

### **3.6.3 Refund Mechanism**

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary mail to the address as stated in Bursa Depository's records for applications made via the Application Form, Electronic Application and Internet Application, of the successful applicants, within 10 Market Days from the final balloting date for the applications, at the successful applicants' own risk.

### **3.6.4 Expected Market Capitalisation**

Based on an illustrative Issue Price of RM1.00 per Offer Unit and the listing of 505,300,000 Units, the total market capitalisation of KIP REIT upon Listing is estimated to be approximately RM505.3 million.

<b>THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK</b>
--



### 3.7 LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Manager undertook the listing scheme, as follows:

#### 3.7.1 Acquisitions

On 4 November 2016, the Trustee, on behalf of KIP REIT entered into the SPAs with the Vendors, for the Acquisitions for a total purchase consideration of approximately RM580.3 million:

Subject Properties	Valuation (RM 000) <sup>(1)</sup>	Related Assets <sup>(2)</sup>	Total Purchase consideration (RM 000)	To be satisfied by	
				Consideration Units (000) <sup>(3)</sup>	Cash consideration (RM 000) <sup>(4)</sup>
KiP Mart Tampoi	150,000	43	150,043	70,125	79,918
KiP Mart Kota Tinggi	55,000	2	55,002	25,712	29,290
KiP Mart Masai	157,000	7	157,007	73,398	83,609
KiP Mart Lavender Senawang	38,000	71	38,071	17,765	20,306
KiP Mart Melaka	50,000	168	50,168	23,375	26,793
KiP Mall Bangi	130,000	-	130,000	60,775	69,225
<b>TOTAL</b>	<b>580,000</b>	<b>291</b>	<b>580,291</b>	<b>271,150</b>	<b>309,141</b>

#### Notes:

- (1) *The market value of the Subject Properties was appraised by the Independent Property Valuer as at the valuation date of 1 March 2016.*
- (2) *The net book value of the Related Assets, based on the latest available audited financial statements of the Vendors for the year ended 30 June 2015 (save for Vendors of KiP Mart Tampoi and KiP Mall Bangi which are based on their audited financial statements for the year ended 31 December 2015).*
- (3) *The RM equivalent of the Consideration Units to be issued at the issue price of RM1.00.*
- (4) *Cash Consideration to be settled through the proceeds raised from the Offering and the funds received from the drawdown of the Financing Facilities.*

The total purchase consideration for the Acquisitions of approximately RM580.3 million was arrived at based on the independent valuation of the Subject Properties of RM580.0 million as at 1 March 2016 and the Related Assets of approximately RM0.3 million based on the latest available audited financial statements of the Vendors for the year ended 30 June 2015 (save for Vendors of KiP Mart Tampoi and KiP Mall Bangi which are based on their audited financial statements for the year ended 31 December 2015).

The total purchase consideration for the Acquisitions of approximately RM580.3 million will be satisfied through:

- (i) the issuance of 271,150,000 Consideration Units; and
- (ii) Cash Consideration to be settled through the proceeds raised from the Offering and the funds received from the drawdown of the Financing Facilities.

KIP REIT will acquire the Subject Properties in accordance with the terms of the SPAs. For further details of the SPAs, please refer to Section 14.3 "Salient Terms of the SPAs" of this Prospectus.

Note that if the SPAs are not completed in accordance with the terms therein contained, there will be no Acquisitions by KIP REIT and the Listing will not proceed and KIP REIT will be unwound. In the event Units have been allotted, the Unitholders who were allotted Units under the Offering will only receive their monies following the completion of the winding up of KIP REIT in accordance with the terms of the Deed.

### 3.8 REIT FINANCING

The Trustee, on behalf of KIP REIT, as borrower, has obtained the Financing Facilities comprising of a term loan of RM87.0 million to part finance the Acquisitions and, for working capital purposes, a revolving credit facility of RM7.0 million and letter of guarantee of RM3.0 million.

The term loan has a tenure of up to 5 years from the date of the first drawdown and carries an interest rate of COF + 1.25% per annum. The revolving credit carries an interest rate of COF + 1.5% and a commitment fee is payable in respect of any unutilised portion of the revolving credit facility at the rate of 1.0% per annum, while the letter of guarantee carries a guarantee fee of 1.2% per annum.

The Financing Facilities will be secured against, amongst others, the following:

- (i) a fixed charge over KiP Mart Tampoi and KiP Mart Masai;
- (ii) a fixed charge over the cash deposits deposited or to be deposited into Debt Service Reserve Account ("DSRA"), and interest thereon together with a Cash Deposit Agreement;
- (iii) an assignment of all rights, title and interest in and to all monies paid under or proceeds derived from the SPAs of the Subject Properties;
- (iv) an assignment of all the Trustee's rights, title and interest in and to all monies paid under or proceeds derived from the tenancy and/or lease agreements of the Subject Properties;
- (v) a debenture incorporating a fixed and floating charge over all present and future assets of KIP REIT;
- (vi) a letter of undertaking from the Trustee and Manager:
  - (a) to deposit all proceeds generated from the Subject Properties into the relevant Individual Collection Account established for each Subject Property;
  - (b) that it shall not declare any dividends and/or distributions to the Unitholders if:
    - (aa) an event of default under the Financing Facilities has occurred;
    - (bb) such declaration of dividends and/or distributions shall result in an event of default under the Financing Facilities; or
    - (cc) the financial covenants will be breached after such dividends and/or distributions.

### 3.9 UTILISATION OF PROCEEDS

Based on an illustrative issue price of RM1.00 per Offer Unit, the Offering is expected to raise gross proceeds of approximately RM234.2 million arising from the issuance of 234,150,000 Offer Units.

Assuming full subscription under the Offering and based on an illustrative issue price of RM1.00, the following table illustrates the allocation of the gross proceeds from the Offering.

<u>Purpose</u>	<u>(RM 000)</u>	<u>Estimated timeframe for utilisation upon Listing</u>
Part payment of the purchase consideration for the Acquisitions <sup>(1)</sup>	222,141	Immediate
Listing expenses <sup>(2)</sup>	10,909	Immediate
Expenses relating to Financing Facilities	1,100	Immediate
<b>Total</b>	<b>234,150</b>	

#### Notes:

<sup>(1)</sup> The balance of the purchase consideration for the Acquisitions will be settled through the issuance of Consideration Units from the Offering and the funds received from the drawdown of the Financing Facilities.

<sup>(2)</sup> Listing expenses include estimated expenses incurred in relation to the Offering, with the breakdown as follows:

<u>Expenses</u>	<u>(RM 000)</u>
Underwriting fees and commissions, placement commission and brokerage	5,404
Professional and advisory fees	3,167
Regulatory fees	200
Other Offering-related expenses and contingencies	2,138
<b>Total</b>	<b>10,909</b>

*If the actual listing expenses are less than the estimated amount, the surplus shall be allocated for working capital purposes. If the actual listing expenses are greater than the estimated amount, the deficit shall be funded through the Financing Facilities.*

In the event the actual proceeds raised is higher than the estimated amount of approximately RM234.2 million, the amount used for part payment of the purchase consideration for the Acquisitions will be correspondingly higher. As a result, the amount of proceeds to be drawn from the Financing Facilities for the Acquisitions will be correspondingly lower in view that the cash consideration component of the Acquisitions has been fixed at approximately RM309.1 million.

### 3.10 BROKERAGE, COMMISSIONS AND OTHER FEES AND CHARGES

#### 3.10.1 Brokerage

KIP REIT will bear brokerage relating to the Offer Units made available for application under the Retail Offering at the rate of 1.0% of the Retail Price in respect of successful applications which bear the stamp of CIMB, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Bookrunner is entitled to charge brokerage to successful applicants under the Institutional Offering. For the avoidance of doubt, the brokerage commission under the Institutional Offering will not be payable by KIP REIT.

### 3.10.2 Commissions

Pursuant to the Retail Underwriting Agreement, KIP REIT agrees to pay the Underwriter, an underwriting commission of up to 2.0% of the amount equal to the Retail Price multiplied by the 13,500,000 Offer Units being underwritten under the Retail Offering.

Pursuant to the Placement Agreement to be entered into by the relevant parties, KIP REIT agrees to pay the Bookrunner for the Institutional Offering, a placement commission of up to 2.25% of the amount equal to the gross proceeds raised under the Institutional Offering, being the number of Offer Units under the Institutional Offering at the Institutional Price.

### 3.10.3 Fees and Charges Payable Directly by Unitholders

The following is a summary of the amount of certain fees and charges payable by the Unitholders in connection with the purchase, sale and holding of their investments in KIP REIT or trading of the Units (so long as the Units are listed):

<u>Payable by the Unitholders directly</u>	<u>Amount payable</u>
(a) Bursa Securities clearing fee	0.03% of the transaction value, subject to a maximum of RM1,000.00 per transaction
(b) Brokerage	A percentage of the transaction value prescribed by or negotiated with the ADAs, subject to a minimum of RM40.00 per transaction save for (i) online routed retail transactions, (ii) transactions executed in less than a board lot and (iii) transactions paid with cashupfront, for which the minimum brokerage fees are fully negotiable
(c) Stamp duty	RM1.00 for every RM1,000.00 or fractional part of the transaction value, subject to a maximum of RM200.00 per transaction

The above rates may be subject to changes by the relevant parties. Further information on the charges you may incur from the trading of Units on Bursa Securities may be found on Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## 3.11 SALIENT TERMS OF THE RETAIL UNDERWRITING AGREEMENT

Subject to the terms and conditions contained in the Retail Underwriting Agreement, the Underwriter agrees to underwrite the 13,500,000 Offer Units under the Retail Offering, subject to the Clawback and Reallocation provisions. In consideration for the Underwriter acting as the underwriter to subscribe and/or procure subscribers, the Underwriter will receive an underwriting commission of 2% of the amount equal to the Retail Price multiplied by the 13,500,000 Offer Units being underwritten under the Retail Offering.

The following is an extract of the salient terms contained in the Retail Underwriting Agreement:

### 3.11.1 Conditions

The obligation of the Underwriter to underwrite the underwritten Units is conditional on the following:

- (i) The Underwriter receiving a certificate in the form or substantially in the form as agreed, from the Manager dated the date of registration of the Prospectus and next, from the Manager, dated the closing date for the Retail Offering, all of which are to be signed by a director or a duly authorised signatory of the Manager (on behalf of the Board);

- (ii) the Underwriter receiving a certificate in the form or substantially in the form as agreed, from each of the Promoters dated the date of registration of the Prospectus and next, from each of the Promoters, dated the closing date for the Retail Offering, all of which are signed by each of the Promoters;
- (iii) the Underwriter receiving a certificate in the form or substantially in the form as agreed, from the Trustee dated the date of registration of the Prospectus and next, from the Trustee, dated the closing date for the Retail Offering, all of which are signed by the Trustee;
- (iv) The Retail Underwriting Agreement has been duly signed and stamped;
- (v) the issue of the Prospectus not later than one (1) calendar month after the date of the Retail Underwriting Agreement or such later date as the Underwriter and the Manager may from time to time agree in writing;
- (vi) the registration of the Prospectus and such other documents, unless otherwise exempted as may be required in accordance with the CMSA in relation to the Initial Public Offering with the SC and the registration with the SC and the lodgement with the Registrar of Companies of a copy of the Prospectus together with copies of all other documents as may be required in accordance with the CMSA and the Companies Act 1965;
- (vii) the delivery to the Underwriter prior to the date of registration of the Prospectus with the SC of three (3) certified true copies by the authorised officers of the Manager of all the resolutions of the Directors approving:
  - (a) the Retail Underwriting Agreement (and the execution of it);
  - (b) the Prospectus;
  - (c) the Initial Public Offering;
  - (d) the Listing; and
  - (e) the issuance of the Prospectus and confirming that the Directors have seen and approved the Prospectus (in the form agreed by the Underwriter) and they collectively and individually, accept full responsibility for the accuracy of all information stated in the Prospectus;
- (viii) all the approvals required in relation to the Offering and the Listing including but not limited to the conditional approval of the Securities Commission for, amongst other matters, the establishment of KIP REIT, and as contained in the resolutions referred to in sub-paragraph (vii) above remaining in full force and effect and none having been rescinded, revoked or varied on the closing date for the Retail Offering and that all conditions to such approvals (except for any which can only be complied with after the Offering has been completed) have been complied with;
- (ix) the approval-in-principle of Bursa Securities for the Listing being obtained on terms acceptable to the Underwriter and the approvals of the SC and Bursa Securities remaining in full force and effect and none having been rescinded, revoked or varied on closing date for the Retail Offering and that all conditions to such approvals (except for any which can only be complied with after the Offering has been completed) have been complied with;
- (x) the execution of the Placement Agreement and the Placement Agreement has not been terminated or rescinded pursuant to the provisions thereof;

- (xi) the Offering, the Listing and the transactions contemplated under the Retail Underwriting Agreement has not been prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia (including, without limitation, the SC and the Bursa Securities) or any jurisdiction within which such Offer Units are offered or any court of law and all consents, approvals, authorisations or other orders required by the Promoters, the Trustee and/or the Manager under such laws for or in connection with the Offering have been obtained and are in force up to the closing date for the Retail Offering;
- (xii) all the conditions of the SPAs have been fulfilled in accordance with the terms in the respective SPAs and all the approvals and consents required for the completion of the SPAs are valid and subsisting;
- (xiii) the execution of the lock-up agreement and such lock-up agreement not having been terminated or rescinded and/or no breach of the terms of such lock-up agreement have occurred;
- (xiv) there not being, in the reasonable opinion of the Underwriter, on or prior to the closing date for the Retail Offering any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial, business, operations, or profit forecasts, prospects or otherwise) of KIP REIT, the Manager or the financial condition of the Promoters from that set out in the Prospectus which is material in the context of the Offering;
- (xv) the Underwriter having been satisfied that there is no breach of, or failure on the part of the Manager, the Trustee and the Promoters to comply with their respective obligations under the Retail Underwriting Agreement and that the Offering is in compliance with the policies, guidelines and requirements of the relevant authorities (including Bursa Securities and the SC) and all revisions, amendments, and/or supplements thereto;
- (xvi) there not having occurred on or prior to the closing date for the Retail Offering any event or discovery of any fact or circumstances or omission of any material facts or development rendering untrue, inaccurate or incorrect any of the warranties of the Manager, the Trustee and the Promoters under the Retail Underwriting Agreement;
- (xvii) there not having occurred on or prior to the closing date for the Retail Offering any breach of and/or failure to perform any of the undertakings by the Manager, and/or the Promoters contained in the Retail Underwriting Agreement; and
- (xviii) each of the Retail Underwriting Agreement, the Placement Agreement, the SPAs and the Deed is in full force and effect (and not amended or supplemented), there shall not have occurred any material breach or material non-compliance by any of the parties thereto of their obligations and agreements under such documents.

In the event any of the conditions above is not satisfied on or prior to three Market Days after the closing date for the Retail Offering or such later date as consented to in writing by the Underwriter, the Underwriter shall be entitled to terminate the Retail Underwriting Agreement by written notice given to the Manager, the Promoters and the Trustee.

### 3.11.2 Termination

The Underwriter may in its sole discretion and by notice to the Manager, the Promoters and the Trustee given at any time before the Listing Date, terminate, cancel and withdraw their underwriting commitment upon the occurrence of any of the following:

- (i) there has been a breach by the Manager, the Promoters or the Trustee of any of their respective warranties, obligations or undertakings under the Retail Underwriting Agreement in any respect;
- (ii) material information is withheld by the Manager or the Promoters from the Underwriter which is required to be disclosed pursuant to the Retail Underwriting Agreement which, in the opinion of the Underwriter, would have a material adverse effect, or the distribution or the sale of the Offer Units pursuant to the Offering;
- (iii) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect or is reasonably likely to have the effect of making any material obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms. Reference to "force majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
  - (a) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
  - (b) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
  - (c) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God;
- (iv) any government requisition or other occurrence of any nature whatsoever which would have or is reasonably likely to have a material adverse effect;
- (v) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriter would have or is reasonably likely to, have a material adverse effect as defined in the Retail Underwriting Agreement, or any material adverse effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of the Offer Units. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:
  - (a) on or after the date of the Retail Underwriting Agreement; and
  - (b) prior to the closing date for the Retail Offering,  
  
lower than 85%, of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (vi) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three consecutive Market Days or more;

- (vii) any new law or change in law, regulation, directive, policy or ruling in Malaysia which in the reasonable opinion of the Underwriter may prejudice the success of the Listing or which makes it impracticable to enforce contracts to allot and/or transfer the Offer Units or making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;
- (viii) the Institutional Offering and/or the Retail Offering is stopped or delayed by the Manager, the Promoters or the regulatory authorities for any reason whatsoever (unless such delay has been approved by the Underwriter);
- (ix) the closing date for the Retail Offering does not occur within twenty one (21) days from the date of issue of the Prospectus or such other extended date as the Underwriter and the Manager shall mutually decide in their absolute discretion;
- (x) the Listing does not take place by 28 February 2016 or such other extended date as may be agreed by the Underwriter after consultation with the Manager;
- (xi) any commencement of legal proceedings or action against KIP REIT, the Manager or any of their directors, or the Promoters which in the opinion of the Underwriter, have or reasonably likely to have a material adverse effect or makes it impracticable to enforce contracts to allot and/or transfer the Offer Units;
- (xii) the Placement Agreement is terminated or rescinded in accordance with its terms or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Bookrunner in accordance with its terms;
- (xiii) any of the approvals required in relation to the Offering and the Listing including but not limited to the conditional approval of the Securities Commission for, amongst other matters, the establishment of KIP REIT, and as contained in the resolutions referred to in Section 3.11.1 (vii) above is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is reasonably likely to have a material adverse effect;
- (xiv) any material statements contained in the Prospectus and application form and any supplement or amendment thereto has become or been discovered to be untrue, inaccurate or misleading in any respect; or
- (xv) any other event having a material adverse effect or which in the reasonable opinion of the Underwriter is likely to occur.

## 3.12 LOCK-UP ARRANGEMENTS

### 3.12.1 The Promoters

Subject to the exceptions described below, the Promoters have agreed with the Bookrunner that they will not, and shall procure that their nominees and/or trustees holding the Lock-up Units on trust for or on their behalf shall not, without the prior written consent of the Bookrunner, for the Lock-Up Period:

- (i) offer, sell, contract or agree to sell, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, hypothecate or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, the Lock-up Units (or any securities convertible into or exercisable or exchangeable for Lock-up Units) (i) held by him as at the date hereof and (ii) acquired by him after the date hereof and until and including the Listing Date (collectively, the "**Relevant Units**");



- (ii) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Units (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Units), whether any such transaction is to be settled by delivery of the Units or such other securities, in cash or otherwise;
- (iii) deposit any Relevant Units (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Units) in any depository receipt facilities;
- (iv) agree to do or publicly announce any intention to do any of the above or an offering or sale of, any of the Relevant Units or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Relevant Units (or any interest therein or in respect thereof) with respect to any of the foregoing; or
- (v) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by him/her which is directly, or through another company or other entity indirectly, the beneficial owner of the Relevant Units; or

The restrictions above shall apply to all of the Relevant Units for the duration of the Lock-up Period.

### **3.13 TRADING ON THE MAIN MARKET AND SETTLEMENT IN THE SECONDARY MARKET**

Upon listing and quotation on the Main Market, the Units will be traded on the Main Market and transferred by book-entry settlement through CDS, which will be effected in accordance with the Rules of Depository, as amended from time to time, and the provisions of the Central Depositories Act. Bursa Depository operates the CDS.

Unitholders are required under the Rules of Depository to maintain CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as Unitholders in respect of the number of Units credited to their respective securities accounts.

Transfer of Units under the book-entry settlement will be reflected by the seller's CDS Account being debited with the number of Units sold and the buyer's CDS Account being credited with the number of Units acquired. No transfer stamp duty is currently payable for the Units that are settled on a book-entry basis, although there is a nominal transfer fee of RM10.00 payable for each transfer not transacted on the market.

Dealings in units of REITs listed on the Main Market are normally transacted in "board lots" of 100 units. Investors who desire to deal in less than 100 units of a listed REIT occasionally experience delays in effecting such transaction.

It is expected that the Units offered under the Offering will commence trading on the Main Market approximately 10 Market Days after the close of the Institutional Offering. Subscribers of the Units will not be able to sell or otherwise deal in the Units prior to the commencement of trading on the Main Market. Please refer to Section 5.3.15 "Risk Factors – Risks Relating to an Investment in the Units – There may be a delay or failure in Listing of the Units" of this Prospectus for further details.

#### **4. FINANCIAL INFORMATION**

##### **4.1 PRO FORMA STATEMENT OF FINANCIAL POSITION**

As at the date of its establishment, KIP REIT will not have any assets and liabilities. The following table presents the Pro Forma Statement of Financial Position of KIP REIT, prepared for illustrative purposes only, to show the effects of the Acquisitions based on the assumption that such events had been effected on the date of establishment of KIP REIT and are not represented as being necessarily indicative of KIP REIT's view of its future financial position. KIP REIT's Pro Forma Statement of Financial Position should be read in conjunction with the "Reporting Accountants' Letter on the Pro Forma Statement of Financial Position" in Appendix D and the related notes in this Prospectus.

KIP REIT's Pro Forma Statement of Financial Position has been prepared for illustrative purposes using the financial statements of the Vendors, namely:

- (i) Kipmart Tampoi Sdn. Bhd.;
- (ii) Genius Chance Sdn. Bhd.;
- (iii) Enrich Assets Sdn. Bhd.;
- (iv) Setia Wirajaya Sdn. Bhd.;
- (v) Projek Impiana Sdn. Bhd.; and
- (vi) Landasan Primamaju Sdn. Bhd.

which are prepared in the manner consistent with the format and the accounting policies to be adopted by KIP REIT as set out in Section 4.4.4 "Significant Accounting Policies" of this Prospectus.

<b>THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK</b>
--

**KIP REIT's Pro Forma Statement of Financial Position as at its date of establishment**

	<b>As at 2 November 2016 Pro forma After Acquisitions and Offerings</b>
	<b>RM 000</b>
<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Investment properties	580,000
Plant and equipment	291
	<u>580,291</u>
<b>CURRENT ASSETS</b>	
Cash and bank balances	1,757
Deposits with licensed bank	15,770
	<u>17,527</u>
<b>TOTAL ASSETS</b>	<u><u>597,818</u></u>
<b>FINANCED BY:</b>	
Unitholders' funds <sup>(1)</sup>	494,391
<b>CURRENT LIABILITIES</b>	
Deferred income	34
Tenant deposits	12,901
	<u>12,935</u>
<b>NON-CURRENT LIABILITIES</b>	
Borrowings <sup>(2)</sup>	85,900
Tenant deposits	4,592
	<u>90,492</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>597,818</u></u>
NAV (RM 000) <sup>(3)</sup>	494,391
Units in issue (000)	505,300
NAV per unit (RM) <sup>(4)</sup>	0.98

**Notes:**

- (1) Unitholders' capital of RM505.3 million net of estimated expenses of RM10.1 million in relation to the issue of the Units recognised in equity and net of estimated expenses of RM0.8 million recognised in the profit and loss.
- (2) The carrying amount of the borrowings of RM87.0 million net of estimated transaction costs of RM1.1 million.
- (3) NAV represents the value of KIP REIT's assets less all liabilities
- (4) NAV per unit is computed based on NAV divided by number of Units issued by KIP REIT

The Pro Forma Statement of Financial Position of KIP REIT has been prepared in accordance with the Malaysian FRS, and the basis of preparation and the accounting policies to be adopted by KIP REIT as set out in Section 4.4.4 "Significant Accounting Policies" of this Prospectus.

KIP REIT's Pro Forma Statement of Financial Position set out above was prepared based on the following listing scheme:

- (i) The Acquisition from the Vendors by the Trustee (on behalf of KIP REIT) for a total purchase consideration of approximately RM580.3 million to be satisfied by:
  - (a) the issuance of 271,150,000 Consideration Units to the Vendors at the issue price of RM1.00 per Unit; and
  - (b) Cash Consideration of approximately RM309.1 million to be satisfied through the proceeds raised from the initial public offering and through the drawdown of a portion of the Financing Facilities.

The fair value of the Consideration Units is estimated at approximately RM271.2 million (based on the illustrative value of RM1.00 per Unit).

The purchase consideration for the Subject Properties was arrived at on a willing-buyer willing-seller basis based on the market value of the Subject Properties as appraised by the Independent Property Valuer in its valuation reports dated 1 March 2016. The valuation of the Subject Properties were carried out using the investment method.

The purchase consideration for the Related Assets was arrived at on a willing-buyer willing-seller basis based on the carrying amount recognised in the latest available audited financial statements of the Vendors for the year ended 30 June 2016 (save for Vendors of KiP Mart Tampoi and KiP Mall Bangi which are based on their audited financial statements for the year ended 31 December 2015).

Upon completion of the Acquisitions, KIP REIT will also assume the liabilities, being the tenant deposits, deferred income and the related cash and bank balances and deposits with licensed bank, based on the net book value of the liabilities as at 31 December 2015.

- (ii) The Offering of 234,150,000 Offer Units comprises:
  - (a) 220,650,000 Offer Units made available for application by Malaysian institutional investors and selector investors, including Bumiputera investors approved by the MITI, at the illustrative price of RM1.00 per unit, payable in full upon allocation; and
  - (b) 13,500,000 Offer Units made available for application by the Malaysian public, the eligible directors and employees of the Manager, the Vendors, and Eligible Companies, at the illustrative price of RM1.00 per Unit, payable in full upon application.
- (iii) Listing of and quotation for 505,300,000 Units on the Main Market.

The Pro forma Statement of Financial Position of KIP REIT has been prepared for illustrative purposes only, to show the effects of the statement of financial position on its date of establishment, had the listing scheme as set out above been affected on the date of establishment of KIP REIT.

For illustrative purposes,

- (i) the estimated expenses in relation to the Offering of RM10.1 million are recognised in equity and RM783,000 are recognised to profit or loss; and
- (ii) the estimated transaction cost of RM1.1 million attributable to the long term borrowings is debited against the carrying value of the borrowings.

The total estimated expenses in relation to the Offering and the estimated transaction cost of the long term borrowings are settled via proceeds from the Offering.

## 4.2 CAPITALISATION AND INDEBTEDNESS

Assuming full subscription under the Offering and based on the Retail Price, the following table sets forth the pro forma capitalisation of KIP REIT as at the Listing Date. The information in the table below should be read in conjunction with Section 3.10 "Utilisation of Proceeds", Section 4.1 "Pro Forma Statement of Financial Position" and the "Reporting Accountants' Letter on the Pro Forma Statement of Financial Position" in Appendix D of this Prospectus and the related notes in this Prospectus.

<b>As at the Listing Date</b>	<b>RM 000</b>
Financing Facilities <sup>(1)</sup>	85,900
Unitholders' Funds <sup>(2)</sup>	494,391
<b>Total Capitalisation</b>	<b>580,291</b>

### Notes:

- (1) *An amount of RM85.9 million (net of estimated transaction costs of RM1.1 million) of the Financing Facilities of RM87.0 million to be drawdown at the Listing Date for the Acquisitions.*
- (2) *Unitholders' capital of RM505.3 million net of estimated expenses of RM10.1 million in relation to the issue of the Units recognised in equity and net of estimated expenses of RM0.8 million recognised in the profit and loss.*

Please refer to Section 3.9 "REIT Financing" of this Prospectus for further details on the Financing Facilities.

Based on KIP REIT's Pro Forma Statement of Financial Position, KIP REIT is expected to have an initial indebtedness of approximately RM85.9 million (net of estimated transaction costs of RM1.1 million) representing approximately 14.8% of its estimated Total Asset Value.

## 4.3 PRO FORMA NET PROPERTY INCOME

The following table presents the pro forma net property income of KIP REIT for the FY2014, FY2015 and FY2016. The pro forma net property income should be read in conjunction with Section 4.4 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus.

The objective of the pro forma net property income of KIP REIT is to show what the results of operations might have been had KIP REIT existed at an earlier date. However, the pro forma net property income of KIP REIT is not necessarily indicative of the results of operation that would have been attained had KIP REIT actually existed earlier.

The pro forma net property income of KIP REIT for the FY2014, FY2015 and FY2016 have been prepared based on the Vendors' audited financial statements for the FY2014, FY2015 and FY2016, save and except for Landasan Primamaju Sdn Bhd and Kipmart Tampoi Sdn Bhd as Vendors for KiP Mall Bangi and KiP Mart Tampoi, respectively, where the financial year end for both of these entities are as at 31 December. The proforma net property income of KIP REIT has been prepared based on the management accounts of:

- (i) Dunia Raya Enterprise Sdn Bhd, (as the previous owner of KiP Mall Bangi prior to its acquisition by Landasan Primamaju Sdn Bhd) for its 12-month period ended 30 June 2014 and 9-month period ended 31 March 2015;
- (ii) Landasan Primamaju Sdn Bhd for the 3-month period ended 30 June 2015 and the 12-month period ended 30 June 2016; and
- (iii) Kipmart Tampoi Sdn Bhd for the 12-month period ended 30 June 2014, 30 June 2015 and 30 June 2016.

Certain numbers have been re-presented or reclassified in this pro forma to conform with the basis of presentation of the pro forma net property income and may not be consistent with the basis of presentation in the audited financial statements of the Vendors. The pro forma net property income has been prepared in accordance with the Malaysian FRS, and in a manner consistent with the format and the accounting policies to be adopted by KIP REIT.

The revenue and expenses stated below are directly related to the operations of the Subject Properties and should be read together with Section 4.4 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Prospectus.

### Pro Forma Net Property Income

<b>RM 000</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Gross Rental Income	48,304	51,632	53,006
Other income	7,635	10,167	11,349
<b>Total Revenue</b>	<b>55,939</b>	<b>61,799</b>	<b>64,355</b>
Utilities	8,321	10,395	10,874
Maintenance and housekeeping expenses	5,468	4,064	2,726
Quit rent and assessment	837	1,269	1,263
Reimbursable costs <sup>(1)</sup>	4,411	4,233	4,606
Marketing and advertising	2,158	1,678	1,033
Other operating expenses	1,988	1,886	1,616
<b>Property Operating Expenses</b>	<b>23,183</b>	<b>23,525</b>	<b>22,118</b>
<b>NPI</b>	<b>32,756</b>	<b>38,274</b>	<b>42,237</b>

**Note:**

<sup>(1)</sup> Reimbursable costs relating to the staff costs of the Vendors of the Subject Properties.

Further details of the components of Total Revenue and Property Operating Expenses are set out in Section 4.4.5 and 4.4.6, respectively.

## 4.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 4.4.1 General Background

KIP REIT is a REIT established in Malaysia, and is constituted by the Deed. As KIP REIT is a newly established REIT, it has no historical operating results and financial information based on which recipients of this Prospectus and prospective investors in the Units may evaluate KIP REIT save for those of the Subject Properties to be acquired.

KIP REIT was established with the principal investment policy of investing, directly and indirectly, in a portfolio of income producing real estate used primarily for retail purposes. KIP REIT may also invest in other investments as permissible in the REIT Guidelines or as otherwise permitted by the SC, including in Real Estate-Related Assets. Upon Listing, KIP REIT will own a portfolio of five community-centric retail centres known as KiP Mart and a neighbourhood retail centre known as KiP Mall. These assets are predominantly situated in the southern states of Malaysia, namely three locations in Johor and one each in Negeri Sembilan, Melaka, and Selangor.

The key objective of KIP REIT 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.

The Manager will seek to provide Unitholders with long-term and sustainable distribution of income and potential capital growth by implementing the following strategies, including:

- (i) **Active asset management and enhancement strategy** – The Manager will seek to optimise the rental rates, occupancy rates and LA of the Subject Properties in order to improve the returns from KIP REIT's property portfolio.
- (ii) **Acquisition growth strategy** – The Manager will source for and acquire properties that fit within KIP REIT's investment strategy to enhance returns to Unitholders and capitalise on opportunities for future income and NAV growth. To support this acquisition strategy, the Manager expects to benefit from the ROFR provided by the Promoters over the Promoters' existing and future retail properties in Malaysia; and
- (iii) **Capital and risk management strategy** – The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions, and will seek to manage financing and refinancing risks with the intention of maximising returns to Unitholders.

Please refer to Section 1.3 "Strategies" of this Prospectus for further details.

### 4.4.2 Presentation of Financial Information

KIP REIT is a newly established REIT, and except for the Subject Properties to be acquired, KIP REIT has not had any portfolio of real estate since its establishment. No historical financial information has been prepared since KIP REIT's establishment. The Manager's intention is for KIP REIT's first audited financial period to be the period commencing on the date of establishment of KIP REIT and ending on 30 June 2017. In order to assist investors' evaluation of the factors which may affect KIP REIT's future financial results, the Manager has prepared the profit forecast together with the related assumptions and information contained in Section 4.5.3 "Bases and Assumptions" of this Prospectus below which should be read together with the "Reporting Accountants' Letter on the Profit Forecasts" in Appendix E.

#### **4.4.3 Factors Affecting KIP REIT's Financial Condition and Results of Operations**

##### ***Rental Rates***

The performance of KIP REIT's portfolio is primarily dependent on the revenue generated from the tenancies of the Subject Properties, as well as the operating expenses related to the Subject Properties.

Rental rates for leases at the Subject Properties are mainly affected by the following:

- (i) competing properties within the locality;
- (ii) tenancy mix;
- (iii) total area tenanted and location within the subject property;
- (iv) tenure of tenancies and adjustments of rental upon renewal, if any;
- (v) shopper traffic, profile and spending patterns;
- (vi) sales performances and business conditions of the tenants; and
- (vii) general macroeconomic and supply/demand trends affecting the real estate market, particularly the retail real estate market in Malaysia.

##### ***Occupancy Rates***

Occupancy Rates of the Subject Properties is dependent on:

- (i) supply/demand trends affecting the retail real estate markets;
- (ii) potential vacancy periods arising from tenancy expiries and/or early terminations and;
- (iii) rental rates of other competing properties within the locality.

##### ***Property Operating Expenses***

A substantial part of KIP REIT's Property Operating Expenses are fixed in nature. To the extent that KIP REIT's Total Revenue is negatively affected by the abovementioned factors, its results of operations will be similarly negatively affected because it would not be easy for the Manager to reduce KIP REIT's costs without compromising the quality of retail environment and conditions of the Subject Properties.

Property Operating Expenses may be affected by a number of factors including, primarily:

- (i) the age, upkeep and upgrading of the Subject Properties;
- (ii) maintenance and service charges levied and supply conditions of service providers;
- (iii) inflation and changes in utilities tariffs;
- (iv) cyclical effect of festive seasons which drive the marketing expenses;
- (v) changes in quit rent and assessment levied by the local government and/or the State Authority where the Subject Properties are located;
- (vi) premium hike on insurance coverage procured over the Subject Properties; and
- (vii) employment conditions which may affect labour costs of the Property Manager, which are re-charged to KIP REIT.



Please refer to Section 4.4.5 “Components of Total Revenue” and Section 4.4.6 “Components of Property Operating Expenses” of this Prospectus below.

### ***Borrowing Costs***

Borrowing costs consist of interest expense incurred on borrowings and amortisation of transaction costs on borrowings capitalised. Borrowing costs will depend on interest rates of borrowings incurred by KIP REIT. Please refer to the section “Borrowing and borrowing costs” under Section 4.4.4 “Significant Accounting Policies” of this Prospectus below for further details.

### ***Fair Value of the Subject Properties***

Independent professional valuation will be obtained at least once every three years in accordance with the REIT Guidelines or such other shorter interval as required or as the Manager deems necessary and these valuations will be conducted on the bases and methods which are in accordance with the Asset Valuation Guidelines. Any increase or decrease in valuation will be credited or charged directly to KIP REIT’s statement of net property income as a fair value gain or loss on investment properties. The revaluation of the Subject Properties may therefore have an impact on the financial performance of KIP REIT.

Property values are affected by, amongst other factors, supply of and demand for comparable properties, any asset enhancement initiatives undertaken, interest rates and inflation. Retail property markets have historically been cyclical and future cyclical changes may result in fluctuations in the fair value of investment properties and KIP REIT’s financial condition.

## **4.4.4 Significant Accounting Policies**

The following accounting policies are to be adopted by KIP REIT as at the date of establishment.

### ***Basis of preparation***

The financial statements of KIP REIT will be prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) and International Financial Reporting Standards. The financial statements will be prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies.

### ***Investment properties***

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

Fair value is based on investment method, where cash flows projections are capitalised using a capitalisation rate, which takes into account the unexpired period, yield, and sinking fund, where applicable. Change in fair values is recognised in profit and loss for the period in which it arises.

The fair value of the investment property reflects the market conditions at the reporting date. It reflects, among others, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties 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.

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

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

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

### **Plant and equipment**

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

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

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

Plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Furniture and fittings	20%
Information technology equipment	30%
Office equipment	20%

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

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

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.

### **Financial assets**

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

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

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

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

#### Loans and receivables

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

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

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

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

#### **Impairment of financial assets**

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

#### Assets carried at amortised cost

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

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

- Significant financial difficulty of the obligor;
- A breach of contract, such as a default or delinquency in payments;
- KIP REIT, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that KIP REIT would not otherwise consider;
- It becomes probable that the obligor will enter bankruptcy or other financial distress;
- Disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of obligors in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

#### **Impairment of non-financial assets**

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

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

#### **Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with licensed financial institutions, other short term, highly liquid investments with original maturities of three months or less. Bank overdrafts, if any, are included in within borrowings in current liabilities in the statement of financial position.

#### **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 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, deposits received from tenants and other payables are recognised initially at fair value, with the amount of goods and services tax included and subsequently measured at amortised cost using the effective interest method.

### **Unitholders' capital**

Unitholders' contributions are classified as equity when there is no obligation to transfer cash or other assets, nor they are redeemable at the unitholders' option. Any consideration received or distributions paid is added or deducted directly from equity. Incremental external costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds.

### **Borrowing 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 yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless KIP REIT has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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

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

### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of KIP REIT's activities. Revenue is shown net of rebates and discounts. Revenue includes base rent charges from tenants.

Base rent from operating leases is recognised on a straight-line basis over the lease term. When KIP REIT provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue from sales of prepaid utilities reimbursement is recognised when services are being rendered. The credits on prepaid utilities reimbursement from tenants can be deferred up to the point of utilisation, which such amounts are recognised as income.

Credits of prepaid utilities are recognised as revenue when services are rendered. Unutilised credits of prepaid utilities reimbursement sold to tenants for which services are yet to be rendered is presented as deferred income in the statement of financial position.

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

Interest income is recognised on an effective yield basis.

### **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 fair value of the Units.

### **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.

The carrying value of KIP REIT's investment properties is assumed to be realised through continuous use.

### **Functional and presentation currency**

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

### **Earnings per unit**

KIP REIT's earnings per unit ("EPU") are presented on basic and diluted format.

Basic EPU is calculated by dividing the comprehensive income attributable to unitholders of KIP REIT by the weighted average number of units outstanding during the period.

Diluted EPU is determined by adjusting the comprehensive income attributable to unitholders against the weighted average number of units outstanding adjusted for the effects of all dilutive potential units, which mainly comprise management fees to the Manager.

### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, that makes strategic decisions.

#### **4.4.5 Components of Total Revenue**

KIP REIT's Total Revenue is the aggregate of Gross Rental Income, as well as other income. KIP REIT's Total Revenue is substantially derived from the Gross Rental Income earned on the Subject Properties. Apart from the Gross Rental Income, KIP REIT earns Other Income details of which are as set out below.

## **Gross Rental Income**

Gross Rental Income is derived from the total amount payable by tenants (net of rent rebates) pursuant to a tenancy under a tenancy agreement. The tenancy agreements for the Subject Properties are generally for a period of two years with the right to renew the leases for a period of two years. Gross Rental Income typically consists of agreed monthly rental from such tenants occupying the fixed areas designated as rental lots and kiosks.

## **Other Income**

Other income includes advertising and promotional income, rental of promotion areas, rental of signages, fees charged for ancillary services such as connection of water, and cost recoveries. The tenancy agreements for the Subject Properties provide for the agreed charges payable by tenants for advertising and promotional services.

### **4.4.6 Components of Property Operating Expenses**

The most significant Property Operating Expenses of KIP REIT are utilities, maintenance and housekeeping expenses, reimbursable costs, marketing and advertising, and quit rent and assessment. Other operating expenses include property management fees, security services, insurances, licences, landscaping and waste disposal services.

#### Utilities Expenses

Utilities expenses include electricity and water charges incurred for the operation of the Subject Properties.

#### Maintenance and Housekeeping Expenses

Maintenance expenses include costs for contractual maintenance as well as the general repair and upkeep of the Subject Properties, for example, the maintenance of air conditioners, electrical maintenance, consumables, the maintenance of lifts and escalators and the outsourcing of cleaning services.

Reimbursable costs relating to the employment by the Property Manager of the service provider pursuant to the Service Provider Agreement including fee payable to the Property Manager.

#### Quit Rent and Assessment

Quit rent is an amount prescribed by and payable to the State Authority. Assessment is calculated based on a rate as prescribed by the local authorities on the annual value of the Subject Properties as assessed by the relevant local authorities.

#### Marketing and Advertising

Marketing and advertising expenses comprise advertising setup costs, public relations costs, decoration costs, printing and distribution of flyers, and any other expenses related to promotional activities.

#### Other Operating Expenses

These include, amongst others, security services expenses, insurance, licences, landscaping, and waste disposal services:

- (i) *Security services expenses* – security services expenses include fees incurred for the provision of security personnel by way of a contract entered into between the outsourcing party and the Manager for all the Subject Properties.
- (ii) *Insurance* – the premiums are payable for coverage which include amongst others, fire, burglary, public liability, consequential loss of income and all other risks.

- (iii) *Licences* – licence fees are an amount prescribed by and payable for licences in respect of carrying out the business of the Subject Properties. The fees are payable for annual renewals of, amongst others, business premises licences, public performance licences and sound recording permits.
- (iv) *Landscaping* – Payment of landscaping services which include rental of potted plants and gardening services by way of a contract entered into between the outsourcing party and the Manager for all the Subject Properties.
- (v) *Waste disposal expenses* – waste disposal expenses comprise payment for rental of disposable bins and daily collection of waste.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



#### 4.4.7 Total Revenue and NPI Trends

The following table sets out information on the LA, Total Revenue, and NPI derived from each of the Subject Properties as at and for the FY2014, FY2015 and FY2016 respectively.

	Subject Properties							Total
	KiP Mart Tampoi	KiP Mart Kota Tinggi	KiP Mart Masai	KiP Mart Lavender Senawang	KiP Mart Melaka <sup>(1)</sup>	KiP Mall Bangi		
Total LA	FY2014 132,999	75,961	125,529	113,441	180,611	263,587	892,128	
	FY2015 161,996	75,798	124,714	112,343	188,902	263,587	927,340	
	FY2016 163,669	75,918	143,116	115,640	183,660	260,486	942,489	
Total Revenue (RM 000)	FY2014 14,517	6,048	14,036	5,906	1,345	14,087	55,939	
	FY2015 15,872	6,296	14,535	3,871	6,205	15,020	61,799	
	FY2016 16,320	6,347	15,471	3,352	6,518	16,347	64,355	
NPI/(net property losses) (RM 000)	FY2014 9,599	3,549	9,495	2,777	(301)	7,637	32,756	
	FY2015 11,893	4,021	10,454	1,121	927	9,858	38,274	
	FY2016 12,297	3,859	11,242	919	2,289	11,631	42,237	

**Note:**

<sup>(1)</sup> KiP Mart Melaka commenced operations on 26 March 2014.

#### 4.4.8 Occupancy Trends

The following table sets out the average Occupancy Rate of the Subject Properties for FY2014, FY2015 and FY2016.

Subject Properties	For the year ended 30 June		
	2014 (%)	2015 (%)	2016 (%)
KiP Mart Tampoi	98.4	96.2	96.9
KiP Mart Kota Tinggi	96.6	96.5	95.8
KiP Mart Masai	99.0	98.3	91.7
KiP Mart Lavender Senawang	75.2	81.1	79.4
KiP Mart Melaka	82.8	78.9	74.0
KiP Mall Bangi	N/A <sup>(1)</sup>	86.8 <sup>(2)</sup>	88.6
<b>Average</b>	<b>89.7</b>	<b>88.4</b>	<b>87.1</b>

**Notes:**

<sup>(1)</sup> *KiP Mall Bangi was acquired by Landasan Primamaju Sdn Bhd, the Vendor in March 2015.*

<sup>(2)</sup> *The average occupancy rate for KiP Mall Bangi represents the 4-month period ended 30 June 2015.*

For a further description of the occupancy rates and occupancy profile of the Subject Properties, please refer to Section 2.2.3 "Tenancy Expiry Profile" and Section 2.2.4 "Occupancy Profile" of this Prospectus.

#### 4.4.9 Results of Operations for FY2016 Compared to FY2015

##### **Total Revenue**

KIP REIT's Total Revenue for FY2016 increased by RM2.6 million or 4.1% to RM64.4 million from RM61.8 million in FY2015 .

Total Revenue for FY2016 principally comprised Gross Rental Income, which contributed 82.4% to Total Revenue.

##### **Gross Rental Income**

**Gross Rental Income** – The overall Gross Rental Income for FY2016 increased by RM1.4 million or 2.7% to RM53.0 million from RM51.6 million in FY2015. The increase in Gross Rental Income is mainly due to:

- (i) increase of RM0.6 million from renewal of expired tenancies at higher rental rate for KiP Mart Tampoi and KiP Mart Kota Tinggi;
- (ii) increase of RM1.2 million from a higher number of new tenants as a result of the increase in LA from the extension of a new wing, which was completed in December 2015 for KiP Mart Masai;
- (iii) increase of RM0.5 million due to new tenants on the top floor of KiP Mall Bangi;
- (iv) decrease of RM0.7 million from non-renewal of tenancies by the anchor and mini-anchor tenants in KiP Mart Lavender Senawang; and
- (v) decrease of RM0.2 million from non-renewal of the expired tenancies in KiP Mart Melaka.

### ***Other Income***

**Other Income** – Revenue derived from other income in respect of the Subject Properties for FY2016 increased by RM1.2 million or 11.6% to RM11.3 million from RM10.2 million in FY2015 mainly due to an increase in demand for promotional areas at KiP Mall Bangi, KiP Mart Lavender Senawang and KiP Mart Melaka resulting in an additional RM1.6 million in Other Income. However, this is reduced by RM0.4 million from, KiP Mart Kota Tinggi and KiP Mart Masai due to income from Ramadhan bazaar which fell outside the period under review for FY2016.

### ***Property Operating Expenses***

Property Operating Expenses decreased by RM1.4 million or 6.0% to RM22.1 million in FY2016 from RM23.5 million in FY2015. Utilities, reimbursable cost and maintenance and housekeeping expenses were the largest component of Property Operating Expenses and accounted for 49.2%, 20.8% and 12.3% respectively to the total Property Operating Expenses in FY2016.

Utilities Expenses – Utilities expenses increased by RM0.5 million or 4.61% to RM10.9 million in FY2016 from RM10.4 million in FY2015. The increase is mainly due to higher utilities consumption in KiP Mart Melaka, KiP Mart Lavender Senawang and KiP Mart Tampoi. The increase in KiP Mart Melaka and KiP Mart Lavender Senawang is due to the entry of new tenants in FY2016 (which is re-imbursed as part of Other Income). Whilst the increase in KiP Mart Tampoi is due to the installation of additional fans and spot lights in the mart.

Maintenance and Housekeeping Expenses – Maintenance and housekeeping expenses decreased by RM1.3 million or 32.9% to RM2.7 million in FY2016 from RM4.1 million in FY2015. The decrease is mainly due to lower expenses in KiP Mall Bangi as no major upkeep of building was required in FY2016 and lower expenses in KiP Mart Melaka for cleaning services.

Reimbursable costs – Reimbursable costs increased by RM0.4 million or 8.8% to RM4.6 million in FY2016 from RM4.2 million in FY2015. The increase is mainly due to recruitment of additional personnel in KiP Mall Bangi and KiP Mart Kota Tinggi which was partly offset by a reduction in staff costs in KiP Mart Lavender Senawang and KiP Mart Melaka.

Quit Rent and Assessment – Quit rent and assessment remained unchanged in RM1.3 million in FY2016 and FY2015.

Marketing and Advertising Expenses – The marketing and advertising expenses decreased by RM0.7 million or 38.4% to RM1.0 million in FY2016 from RM1.7 million in FY2015 due to a reduction in printing and distribution costs of flyers.

Other Operating Expenses – Other operating expenses decreased by RM0.3 million or 14.3% to RM1.6 million in FY2016 from RM1.9 million in FY2015 due to a reduction in the supply of security outsourcing services for KiP Mart Lavender Senawang as a result of a decrease in its occupancy rate.

### ***NPI***

Arising from the factors described above, the NPI increased by RM4.0 million or 10.4% to RM42.2 million in FY2016 from RM38.3 million in FY2015.

#### 4.4.10 Results of Operations for FY2015 Compared to FY2014

##### **Total Revenue**

KIP REIT's Total Revenue for FY2015 increased by RM5.9 million or 10.5% to RM61.8 million from RM55.9 million in FY2014.

**Gross Rental Income** – Gross Rental Income increased by RM3.3 million or 6.9% to RM51.6 million in FY2015 from RM48.3 million in FY2014. The difference in Gross Rental Income is mainly due to:

- (i) increase of RM3.6 million from a full year contribution of KiP Mart Melaka as compared to approximately three months' contribution in FY2014 after its commencement of operation in March 2014;
- (ii) increase of RM0.9 million from a higher number of new tenants as a result of the increase in LA from the extension of a new wing completed in December 2014 and expired tenancies renewed at higher rental rates for KiP Mart Tampoi;
- (iii) increase of RM0.6 million from renewal of expired tenancies at higher rental rates for KiP Mart Kota Tinggi, KiP Mart Masai and KiP Mall Bangi; and
- (iv) decrease of RM1.8 million from non-renewal of tenancies by the anchor and mini-anchor tenants in KiP Mart Lavender Senawang.

**Other Income** – Revenue derived from other income in respect of the Subject Properties for FY2015 increased by RM2.5 million or 33.2% to RM10.2 million from RM7.6 million in FY2014, mainly due to a full year contribution of Other Income by KiP Mart Melaka as compared to approximately three months' contribution in FY2014, increase in short term rental income from promotional areas of the Subject Properties, save for KiP Mart Lavender Senawang, which has a reduction of RM0.2 million from lower rental and demand on the promotional areas.

##### **Property Operating Expenses**

Property Operating Expenses increased by RM0.3 million or 1.5% to RM23.5 million in FY2015 from RM23.2 million in FY2014. Utilities, reimbursable costs and maintenance and housekeeping expenses were the largest component of Property Operating Expenses and accounted for 44.2%, 18.0% and 17.3% respectively to the total Property Operating Expenses in FY2015.

**Utilities Expenses** – Utilities expenses increased by RM2.1 million or 24.9% to RM10.4 million in FY2015 from RM8.3 million in FY2014. The increase is mainly due to KiP Mart Melaka's full year contribution in FY2015 as compared to three months in FY2014.

**Maintenance and Housekeeping Expenses** – Maintenance and housekeeping expenses decreased by RM1.4 million or 25.7% to RM4.1 million in FY2015 from RM5.5 million in FY2014. The decrease is mainly due to a reduction in the cost of upkeep and repair of the Subject Properties. KiP Mart Tampoi had incurred renovation costs in the previous financial year and KiP Mall Bangi incurred less costs on the upkeep of the building as compared to higher maintenance expense by the previous owner. However, KiP Mart Melaka incurred higher renovation costs for new anchor tenants.

**Reimbursable Costs** – Reimbursable costs reduced by RM0.2 million or 5.0% to RM4.2 million in FY2015 from RM4.4 million in FY2014, mainly due to lower staff cost of approximately RM1.0 million arising from a reduction in management personnel in KiP Mart Tampoi, KiP Mart Masai and KiP Mart Kota Tinggi. However, there was an increase in staff costs of RM0.8 million in KiP Mart Melaka due to commencement of operations for a full financial year as compared to 3 months in FY2014.

Quit Rent and Assessment – Quit rent and assessment increased by RM0.4 million or 51.6% to RM1.3 million in FY2015 from RM0.8 million in FY2014 as a result of an increase in assessment rate charges imposed by the relevant State Authorities. The charges imposed on KiP Mart Melaka and KiP Mart Lavender Senawang increased by RM0.3 million and RM0.1 million in FY2015, respectively.

Marketing and Advertising Expenses – The marketing and advertising expenses reduced by RM0.5 million or 22.2% to RM1.7 million in FY2015 from RM2.2 million in FY2014 due to reduction in printing and distribution of flyers.

Other Operating Expenses – Other operating expenses decreased by RM0.1 million or 5.1% to RM1.9 million in FY2015 from RM2.0 million in FY2014 due to the reduction in outsourced security services for KiP Mart Lavender Senawang as a result of a decrease in its occupancy rate.

#### **NPI**

Arising from the factors described above, the NPI increased by RM5.5 million or 16.9% to RM38.3 million in FY2015 from RM32.8 million in FY2014.

#### **4.4.11 Liquidity and Capital Resources**

The Manager is of the opinion that KIP REIT's working capital would be sufficient for its present requirements as rental income is received in advance on a monthly basis and generally, tenants are required to provide a security deposit of two to four months of their monthly rental. The Manager anticipate that KIP REIT's primary uses of cash would be to fund day-to-day operations expenses, trust expenses, servicing of debt, maintenance and other property-related costs as well as for its capital expenditure, assets enhancement and future property acquisitions.

Funding of the foregoing would come from a combination of cash from operations and borrowings. KIP REIT's expected gearing level upon Listing will be approximately 14.8% while the regulated maximum under the REIT Guidelines is 50.0% of its Total Asset Value at the time of borrowing.

#### **4.4.12 Asset Enhancement Initiatives**

The Manager has undertaken continuous upgrading, renovation and refurbishment of the Subject Properties. The Manager plans to continue carrying out asset enhancement initiatives in order to optimise the lettable area and improve the overall aesthetics of the Subject Properties. The following table sets out details of historical and proposed asset enhancement initiatives in relation to the Subject Properties for the period indicated:

<b>Asset enhancement initiatives</b>					
<b>Subject Properties</b>	<b>FY2014 (RM 000)</b>	<b>FY2015 (RM 000)</b>	<b>FY2016 (RM 000)</b>	<b>FY2017 (RM 000)</b>	<b>FY2018 (RM 000)</b>
KiP Mart Tampoi	347	5,151 <sup>(1)</sup>	29	1,450 <sup>(2)</sup>	1,875 <sup>(3)</sup>
KiP Mart Kota Tinggi	16	18	13	450	700 <sup>(4)</sup>
KiP Mart Masai	81	-	8,629 <sup>(4)</sup>	-	53
KiP Mart Lavender Senawang	-	-	-	-	67
KiP Mart Melaka	-	-	-	-	67
KiP Mall Bangi	-	-	566	3,080 <sup>(5)</sup>	1,320 <sup>(6)</sup>
<b>TOTAL</b>	<b>444</b>	<b>5,169</b>	<b>9,237</b>	<b>4,980</b>	<b>4,082<sup>(7)</sup></b>

**Notes:**

- (1) Including in relation to the extension of a new wing with additional LA of 25,937 sq ft completed in November 2014.
- (2) Including in relation to the installation of new roofing of approximately RM800,000 to be borne by the Vendor and additional air conditioners for the corridors and concourse area.
- (3) The Manager intends to carry out major upgrading works in FY2018, which include, amongst others, facelifts such as the installation of additional sprinklers and installation of new advertisement panel.
- (4) Including in relation to the extension of a new wing with additional LA of 15,794 sq ft completed in November 2015 and installation of solar panels.
- (5) The Manager intends to carry out major upgrading works in FY2017, which include, amongst others, the demolition of cineplex and upgrading of facilities and amenities such as renovation works on the 5th floor and the installation of additional air conditioners to offer a more convenient shopping experience to its shoppers; as well as internal and external facelifts and other enhancements such as the installation of new advertisement panel.
- (6) The anticipated asset enhancement costs includes the rectification of mechanical and electrical system of approximately RM500,000, floor improvements of approximately RM720,000 and minor upkeep and miscellaneous costs of approximately RM100,000.
- (7) These amounts are taken up in the Forecast Period 2017 and Forecast Year 2018 in maintenance and housekeeping expenses of RM230,000 and RM2,331,667, respectively. Save for RM800,000 which will be borne by the Vendor in Forecast Period 2017, the remaining balance of the asset enhancement initiatives will be capitalised in the respective forecast year.

**4.4.13 Changes to Accounting Policies**

There were no changes to the accounting policies of the Vendors.

**4.5 PROFIT FORECAST**

Statements contained in this "Profit Forecast" section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those estimates and forecasts. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by any of KIP REIT, the Manager, the Promoters, the Trustee, the Principal Adviser, the Bookrunner, the Underwriter or any other person that the underlying assumptions will materialise, or that these results will be achieved or are likely to be achieved. See the Section on "Forward-looking Statements" and Section 5 "Risk Factors" of this Prospectus for further details. Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this Prospectus.

***None of KIP REIT, the Manager, the Promoters, the Trustee, the Principal Adviser, the Bookrunner or the Underwriter guarantees the performance of KIP REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast yields stated in the following table are calculated based on the illustrative Retail Price of RM1.00.***

***Such yields will vary accordingly for investors who purchase Units at a price that differs from the Retail Price.***

***Investors are cautioned that rental yield on the Subject Properties to be held by KIP REIT is not equivalent to the yield of the Units. Current rental receipts and yields may not sustain. The values of the Subject Properties may rise as well as fall.***

The following table shows KIP REIT's Profit Forecast for the Forecast Period 2017 and Forecast Year 2018. The financial year end of KIP REIT is 30 June. The Forecast Period 2017 has been prepared assuming that the first financial period is the 8-months period ending 30 June 2017 and the date of establishment of KIP REIT of 2 November 2016. The Profit Forecast are based on the assumptions set out below and have been examined by the Reporting Accountants and should be read together with the "Reporting Accountants' Letter on the Profit Forecast" set out in Appendix E, as well as the assumptions and the sensitivity analysis set out in this section of the Prospectus.

## Profit Forecast

	Forecast Period 2017 (RM 000)	Forecast Year 2018 (RM 000)
Gross Rental Income	36,147	56,069
Other Income	7,493	11,505
<b>Total Revenue</b>	<b>43,640</b>	<b>67,574</b>
Utilities	7,385	11,330
Maintenance and housekeeping expenses	2,341	5,458
Quit Rent and Assessment	852	1,278
Reimbursable costs	3,409	5,246
Marketing and advertising	824	1,281
Other Operating Expenses	1,209	1,891
Property Operating Expenses	<b>16,020</b>	<b>26,484</b>
<b>Net Property Income</b>	<b>27,620</b>	<b>41,090</b>
Interest Income	260	390
Net Investment Income	27,880	41,480
Less:		
Manager's management fees	1,824	3,313
Trustee's Fee	67	100
Other Trust Expenses	1,168	578
Borrowing Costs	2,974	4,461
Profit before Taxation	21,847	33,028
Taxation	-	-
<b>Total comprehensive income</b>	<b>21,847</b>	<b>33,028</b>
Total comprehensive income	21,847	33,028
Add: Non cash items <sup>(1)</sup>	186	278
Total available distributable income	22,033	33,306
Assumed distribution rate	100%	100%
Distributable income <sup>(2)</sup>	<b>22,033</b>	<b>33,306</b>
Number of Units in issue (000)	505,300	505,300
Distribution rate	100.0%	100%
Distribution cover (times)	1.00	1.00
Distribution per Unit (sen)	6.54 <sup>(3)</sup>	6.59
Illustrative Retail Price (RM/Unit)	1.00	1.00
<b>Distribution Yield on Retail Price</b>	<b>6.54%</b>	<b>6.59%</b>

### Notes:

- <sup>(1)</sup> Non-cash items comprise amortisation of capitalised borrowing costs and depreciation of plant and equipment.
- <sup>(2)</sup> As defined in Section 10.8 of this Prospectus.
- <sup>(3)</sup> Distribution for the Forecast Period 2017 has been annualized.

#### 4.5.1 PROJECTED INCOME

The following sets out the forecast Total Revenue and NPI of each of the Subject Properties for the Forecast Period 2017 and Forecast Year 2018.

	Forecast Period 2017	Forecast Year 2018
	(RM 000)	(RM 000)
<b>Total Revenue</b>		
KiP Mart Tampoi	11,259	17,098
KiP Mart Kota Tinggi	4,199	6,330
KiP Mart Masai	10,718	16,912
KiP Mart Lavender Senawang	2,562	4,221
KiP Mart Melaka	3,903	6,256
KiP Mall Bangi	10,999	16,757
<b>Total</b>	<b>43,640</b>	<b>67,574</b>
<b>Net Property Income</b>		
KiP Mart Tampoi	8,360	12,094
KiP Mart Kota Tinggi	2,413	3,377
KiP Mart Masai	7,864	12,456
KiP Mart Lavender Senawang	712	1,306
KiP Mart Melaka	799	1,453
KiP Mall Bangi	7,472	10,404
<b>Total</b>	<b>27,620</b>	<b>41,090</b>

#### 4.5.2 DIRECTORS' ANALYSIS AND COMMENTARY

The directors of the Manager confirm that the Profit Forecast of KIP REIT and the underlying bases and assumptions stated herein have been reviewed by the Director. After due and careful inquiries, with the directors taking into account the future prospects of the industry, the future direction of KIP REIT and its level of gearing, liquidity and working capital requirements, the Directors are of the opinion that the Profit Forecast of KIP REIT are achievable and the assumptions made are reasonable at the time of issue of this Prospectus, barring unforeseen circumstances.

Nevertheless, the bases and assumptions are inherently subject to significant business, economic and competitive uncertainties and contingencies, which are beyond the Manager's control. Therefore, future events, regionally and globally, may have a material impact on the actual results of KIP REIT during the Forecast Period 2017 and Forecast Year 2018.



### 4.5.3 BASES AND ASSUMPTIONS

The Profit Forecast has been prepared for illustrative purposes, and was prepared on bases and accounting principles consistent with those to be adopted in the preparation of the financial statements of KIP REIT. The Manager has prepared the Profit Forecast on the following bases and assumptions. The Manager considers these bases and assumptions to be appropriate and reasonable as at the date of this Prospectus. However, investors should consider these bases and assumptions as well as the Profit Forecast and make their own assessment of the future performance of KIP REIT.

#### 4.5.3.1 Total Revenue

For Forecast Period 2017 and Forecast Year 2018, the Manager's forecast Total Revenue is RM43.6 million and RM67.6 million respectively. Total Revenue consists of Gross Rental Income and Other Income (both as defined herein).

	Forecast Period 2017 (RM 000)	Forecast Year 2018 (RM 000)
Gross Rental Income	36,147	56,069
Other income – Property related	7,493	11,505
<b>Total Revenue</b>	<b>43,640</b>	<b>67,574</b>

#### Gross Rental Income

Gross rental income comprises base rent net of rebate and discounts.

For the Forecast Period 2017 and Forecast Year 2018, the estimated gross rental income to be contributed by the Subject Properties is approximately RM36.1 million and RM56.1 million, details of which are as set out below:

Subject Properties	Gross Rental Income for Forecast Period 2017 (RM 000)	Gross Rental Income for Forecast Year 2018 (RM 000)
KiP Mart Tampoi	10,294	15,725
KiP Mart Kota Tinggi	3,901	5,907
KiP Mart Masai	9,794	15,296
KiP Mart Lavender Senawang	2,027	3,405
KiP Mart Melaka	2,523	3,982
KiP Mall Bangi	7,608	11,754
<b>Total</b>	<b>36,147</b>	<b>56,069</b>

The Manager has assumed the following in arriving at the base rent for the tenancies of the Subject Properties for the Forecast Period 2017 and Forecast Year 2018:

- (i) base rent is forecast based on committed tenancies for the Forecast Period 2017 and Forecast Year 2018;
- (ii) expiring tenancies in the Forecast Period 2017 and Forecast Year 2018 are assumed to be renewed based on latest negotiated rates or the Manager's assumed renewal rates; and

(iii) vacant lots to be taken up by prospective tenants based on the forecast Occupancy Rate of the respective Subject Properties.

(a) *KiP Mart Tampoi*

During the Forecast Period 2017 and Forecast Year 2018, all 41 and 96 expiring tenancies (accounting for 9.2% and 29.2% out of the Gross Rental Income) out of a total of 277 tenancies are assumed to be renewed. In addition, Occupancy Rate is expected to increase to approximately 97.2% and 98.0% in the Forecast Period 2017 and Forecast Year 2018.

(b) *KiP Mart Kota Tinggi*

During the Forecast Period 2017 and Forecast Year 2018, all 44 and 61 expiring tenancies (accounting for 22.0% and 37.3% of the Gross Rental Income) out of a total of 153 tenancies are assumed to be renewed. In addition, Occupancy Rate is expected to increase to approximately 95.7% and 96.3% in the Forecast Period 2017 and Forecast Year 2018.

(c) *KiP Mart Masai*

During the Forecast Period 2017 and Forecast Year 2018, all 256 and 12 expiring tenancies (accounting for 99.0% and 2.9% out of the Gross Rental Income) out of a total of 260 tenancies are assumed to be renewed. In addition, Occupancy Rate is expected to increase to approximately 95.5% and 98.2% in the Forecast Period 2017 and Forecast Year 2018.

(d) *KiP Mart Lavender Senawang*

During the Forecast Period 2017 and Forecast Year 2018, all 65 and 50 expiring tenancies (accounting for 57.3% and 35.9% out of the Gross Rental Income) out of a total of 76 tenancies are assumed to be renewed. In addition, Occupancy Rate is expected to increase to approximately 80.8% and 85.0% in the Forecast Period 2017 and Forecast Year 2018.

(e) *KiP Mart Melaka*

During the Forecast Period 2017 and Forecast Year 2018, all 34 and 71 expiring tenancies (accounting for 32.9% and 85.2% out of the Gross Rental Income) out of a total of 80 tenancies are assumed to be renewed. In addition, Occupancy Rate is expected to increase to approximately 68.1% and 70.9% in the Forecast Period 2017 and Forecast Year 2018.

(f) *KiP Mall Bangi*

During the Forecast Period 2017 and Forecast Year 2018, all 100 and 137 expiring tenancies (accounting for 47.1% and 64.5% out of the Gross Rental Income) out of a total of 160 tenancies are assumed to be renewed. In addition, Occupancy Rate is expected to increase to approximately 90.3% and 90.6% in the Forecast Period 2017 and Forecast Year 2018.

**Other Income**

Other income consists of utilities reimbursement income, promotional area income and advertising income from tenants.

For the Forecast Period 2017 and Forecast Year 2018, the Manager estimates an income of RM7.5 million and RM11.5 million respectively.

Forecast Period 2017 Other Income							Total (RM 000)
	KIP Mart Tampoi (RM 000)	KiP Mart Kota Tinggi (RM 000)	KIP Mart Masai (RM 000)	KiP Mart Lavender Senawang (RM 000)	KIP Mart Melaka (RM 000)	KiP Mall Bangi (RM 000)	
Utilities reimbursement	371	106	298	352	683	1,313	3,123
Promotion Area	421	148	411	154	494	2,071	3,699
Property related and Advertising Income	173	44	215	30	203	6	671
<b>Total</b>	<b>965</b>	<b>298</b>	<b>924</b>	<b>536</b>	<b>1,380</b>	<b>3,390</b>	<b>7,493</b>

Forecast Year 2018 Other Income							Total (RM 000)
	KIP Mart Tampoi (RM 000)	KiP Mart Kota Tinggi (RM 000)	KIP Mart Masai (RM 000)	KiP Mart Lavender Senawang (RM 000)	KIP Mart Melaka (RM 000)	KiP Mall Bangi (RM 000)	
Utilities reimbursement	557	164	447	528	1,025	2,028	4,749
Promotion Area	552	193	839	242	939	2,964	5,729
Property related and Advertising Income	265	67	329	46	310	10	1,027
<b>Total</b>	<b>1,374</b>	<b>424</b>	<b>1,615</b>	<b>816</b>	<b>2,274</b>	<b>5,002</b>	<b>11,505</b>

Promotional area income is revenue earned from renting out the concourse area for events and promotional activities. The Manager forecasts a sum of RM3.7 million and RM5.7 million for the Forecast Period 2017 and Forecast Year 2018.

Reimbursement of utilities income is the revenue earned from the distribution of utilities for the tenants' own consumption. The Manager forecasts a sum of RM3.1 million and RM4.7 million for the Forecast Period 2017 and Forecast Year 2018.

Property related and advertising income is revenue arising from installation of electricity meter fees, forfeiture deposits and recovery of marketing and advertising cost from tenants, wherever applicable. The Manager forecasts a sum of RM0.7 million and RM1.0 million for the Forecast Period 2017 and Forecast Year 2018 respectively.

#### 4.5.3.2 Property Operating Expenses

For the Forecast Period 2017 and Forecast Year 2018, the Manager forecasts the Property Expenses to be approximately RM16.0 million and RM26.5 million, attributable from the following Subject Properties:

Forecast Period 2017	KiP Mart		KiP Mart		KiP Mart Melaka (RM 000)	KiP Mall Bangi (RM 000)	Total (RM 000)
	KiP Mart Tampoi (RM 000)	Kota Tinggi (RM 000)	KiP Mart Masai (RM 000)	KiP Mart Lavender Senawang (RM 000)			
Utilities Expenses	940	446	1,006	924	1,981	2,088	7,385
Maintenance and housekeeping Expenses	554	295	433	180	208	671	2,341
Marketing and Advertisement	170	127	160	101	100	166	824
Reimbursable Cost	729	590	754	403	489	444	3,409
Quit rent and Assessment	202	65	221	129	187	48	852
Other Operating Expenses	304	263	280	112	139	111	1,209
<b>Total</b>	<b>2,899</b>	<b>1,786</b>	<b>2,854</b>	<b>1,849</b>	<b>3,104</b>	<b>3,528</b>	<b>16,020</b>

Forecast Year 2018	KiP Mart		KiP Mart		KiP Mart Melaka (RM 000)	KiP Mall Bangi (RM 000)	Total (RM 000)
	KiP Mart Tampoi (RM 000)	Kota Tinggi (RM 000)	KiP Mart Masai (RM 000)	KiP Mart Lavender Senawang (RM 000)			
Utilities Expenses	1,452	689	1,532	1,427	3,004	3,226	11,330
Maintenance and housekeeping Expenses	1,387	658	750	346	394	1,923	5,458
Marketing and Advertisement	262	196	247	157	158	261	1,281
Reimbursable Cost	1,118	905	1,155	618	752	698	5,246
Quit rent and Assessment	303	97	332	194	280	72	1,278
Other Operating Expenses	482	408	439	173	215	174	1,891
<b>Total</b>	<b>5,004</b>	<b>2,953</b>	<b>4,455</b>	<b>2,915</b>	<b>4,803</b>	<b>6,354</b>	<b>26,484</b>

### Utilities

Utilities refer to electricity and water expenses. The Manager has assumed an increase in utilities charges of 1.0% to 3.0% for the Forecast Period 2017 and Forecast Year 2018. In addition, the Manager has also taken into consideration the increase in consumption especially in KiP Mart Lavender Senawang due to a higher projected occupancy rate.

The Manager has assumed a minimal increase in utilities expenses for KiP Mart Masai as the Manager expects electricity expenses to be reduced as a result of cost savings of approximately RM0.3 million from the use of solar energy saving panels installed in year 2015.

### Maintenance and Housekeeping Expenses

Maintenance and housekeeping expenses refers to the cost for contractual maintenance as well as the general repair and cost of upkeep of the Subject Properties; for example, the maintenance of the air-conditioning system, generator set, electrical maintenance, consumables, housekeeping, maintenance of lifts and escalators, and pest control.

For the Forecast Period 2017 and Forecast Year 2018, the Subject Properties are expected to incur maintenance charges of approximately RM2.3 million and RM5.5 million.

### Marketing and Advertising

Marketing and advertising expenses are incurred for the on-going monthly printing and distribution of flyers, monthly site decorations, awareness banners, posters and corporate social responsibility programme (CSR).

For the Forecast Period 2017 and Forecast Year 2018, the marketing and advertising expenses are expected to be approximately RM0.8 million and RM1.3 million.

### Reimbursable Costs

Pursuant to the property management agreement to be entered into between the Manager, the Trustee (on behalf of KIP REIT) and the Property Manager, the property management fee for each Subject Property would amount to RM2,000.00 per month (excluding GST). In addition, the Property Manager is entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the Subject Properties (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) ("**Permitted Expenses**") as well as services provider(s), provided that such reimbursable amounts are:

- (i) supported by receipts, vouchers or other evidence of payment acceptable to the Manager and the Trustee; and
- (ii) have been pre-approved by the Trustee and/or Manager in the approved Annual Business Plan and Budget or (if not covered in the approved Annual Business Plan and Budget) with the prior approval of the Trustee and the Manager.

The Reimbursable Cost is forecasted to be approximately RM3.4 million and RM5.2 million for the Forecast Period 2017 and Forecast Year 2018.

### Quit Rent and Assessment

Quit rent and assessment is an amount prescribed and payable to the state government and local council respectively on the Subject Properties. Assessment is computed based on the rent prescribed by the local council on the annual value of the prescribed Subject Properties.

These expenses are forecasted to be approximately RM0.8 million and RM1.3 million for the Forecast Period 2017 and Forecast Year 2018.

### ***Other operating expenses***

The other operating expenses for the Forecast Period 2017 and Forecast Year 2018 are RM1.2 million and RM1.9 million. These comprise, amongst others, mainly the following:

(i) Security Outsourcing Services

These are expenses incurred for the hiring of security personnel and contractual security services for the Subject Properties, based on contractual service agreements. The security outsourcing services are estimated to be approximately RM0.3 million and RM0.5 million for the Forecast Period 2017 and Forecast Year 2018.

(ii) Insurance Premium Expenses

Insurance premium expenses are costs incurred and payable for coverage of the Subject Properties. These include, amongst others, (a) fire, (b) public liability (personal injury), (c) consequential loss of income, (d) burglary, and (e) all other risks. The forecast insurance expenses are estimated to be approximately RM0.3 million and RM0.4 million for the Forecast Period 2017 and Forecast Year 2018.

(iii) Rental of Car Park

Car park rental expenses are incurred for KiP Mart Kota Tinggi only. The forecast rental expenses are estimated to be approximately RM0.1 million for the Forecast Period 2017 and Forecast Year 2018.

(iv) Waste Disposal

Waste disposal refers to the cost of contractual services for the disposal of waste for all the Subject Properties. The forecast waste disposal expenses are estimated to be RM0.3 million and RM0.5 million for the Forecast Period 2017 and Forecast Year 2018.

#### **4.5.3.3 Management Fee**

The Management Fee comprises of both the base fee and the performance fee. For the Forecast Period 2017 and Forecast Year 2018, the Management Fee will be computed based on the following:

- (i) base fee of up to 0.4% per annum and 0.5% per annum of the Total Asset Value as at 30 June 2017 and 30 June 2018 (excluding cash and bank deposits with licenced banks) of KIP REIT to be paid wholly in cash; and
- (ii) performance fee of 1.0% per annum of the Net Property Income (NPI) for the financial period ending 30 June 2017 and 30 June 2018 of KIP REIT.

For the Forecast Period 2017 and Forecast Year 2018, the total Management Fee is estimated to be approximately RM1.8 million and RM3.3 million.

#### **4.5.3.4 Trustee's Fee**

The Trustee fee payable is RM100,000.00 per annum payable upon the execution of the Deed for the first three years and thereafter at such rate to be mutually agreed between the Manager and the Trustee. In any case, the annual trustee's fee in aggregate shall be up to the maximum rate of 0.05% per annum of the NAV of KIP REIT. For avoidance of doubt, the annual trustee's fee in aggregate for the first three years upon the execution of the Deed shall not be less than RM100,000.00 per annum.

#### **4.5.3.5 Other Trust Expenses**

Other trust expenses of KIP REIT consist of costs incurred on the establishment date that are not incremental to the issuance of the shares (such as printing, marketing and advertising expenses, valuation fees and miscellaneous expenses), annual audit fees, taxation fees, valuation fees, market research fees, public relation expenses and other expenses relating to the preparation and distribution of reports to Unitholders, together with other miscellaneous expenses such as postage, printing and stationery. Factors such as KIP REIT's total assets, number of investors and inflation rate are likely to be positively related to trust expenses.

#### **4.5.3.6 Interest Income**

Interest income is assumed to be earned at an interest rate of 3.0% per annum applied to cash held in interest-bearing/fixed deposit accounts with licensed financial institutions.

#### **4.5.3.7 Borrowings Cost**

To part finance the acquisition, KIP REIT will obtain the Financing Facilities as described in Section 3.8 "REIT Financing" of this Prospectus. The Manager has assumed a drawdown of a term loan of RM87.0 million upon establishment on 2 November 2016. The term loan carries an effective interest rate of COF + 1.25 per annum. The effective interest rate of the term loan taking into consideration of the transaction cost of RM1.1 million is 5.19% per annum, based on the assumed COF for the Forecast Period 2017 and Forecast Year 2018 of 3.65%.

#### **4.5.3.8 Taxation**

It is assumed that KIP REIT will distribute 90% or more of its total income (as defined under the Income Tax Act) to its Unitholders within two months from the close of each financial year which forms the basis period for the year of assessment of KIP REIT and accordingly, KIP REIT will be exempted from income tax. The first distribution will be in respect of the period from the date of establishment of KIP REIT to 30 June 2017, and will be paid by the Manager within two months from the end of the financial year ending 30 June 2017. Please refer to Section 1.6 "Distribution Policy" of this Prospectus for further details.

No current tax liabilities have been forecasted during the Forecast Period 2017 and Forecast Year 2018 as it is assumed that at least 100% of KIP REIT's total income (as defined under the Income Tax Act), will be distributed within two months after the close of the financial year.

#### **4.5.3.9 Investment Properties and Valuation**

For the purposes of this profit forecast, the Manager has assumed that there will be no material fluctuation on the fair value of the Subject Properties during the financial year ending 30 June 2017 and financial year ending 30 June 2018 since the acquisition date. Fair value of the property is assumed at RM580.0 million as at 30 June 2017 and 30 June 2018. Accordingly, no fair value gains or losses are included in the profit forecast for the Forecast Period 2017 and Forecast Year 2018.

#### **4.5.3.10 Distribution of Income**

The Manager has assumed that KIP REIT will distribute 100.0% of its Distributable Income for the Forecast Period 2017 and Forecast Year 2018.

#### **4.5.3.11 General Assumptions**

- (i) It is assumed that all Units to be issued will be fully subscribed at the Retail Price of RM1.00 per Unit;
- (ii) It is assumed that the credit risk within KIP REIT is low, as significantly all revenue receivable by KIP REIT, such as rental proceeds, will be received within the credit term for such activities;
- (iii) There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere that may directly or indirectly affect the activities or performance of KIP REIT;
- (iv) There will be no material changes in the present legislation and government regulations, including taxation and guidelines of regulatory authorities which will affect KIP REIT's activities or the market in which KIP REIT operates;
- (v) Inflation rates will remain at 3.0%;
- (vi) Existing financing facilities will remain available and the level of financing costs will not change materially from those presently prevailing;
- (vii) There will be no significant changes to the COF of 3.65% and effective interest rate which will materially affect KIP REIT's borrowing costs;
- (viii) There will be no major industrial disputes or any abnormal factors or changes, both domestic and overseas, which will adversely affect KIP REIT's operations;
- (ix) There will be no significant changes in the principal activities, management structure and accounting policies adopted by KIP REIT;
- (x) All tenancies are enforceable and will be performed in accordance with their terms with no premature termination of tenancies;
- (xi) There will be no changes to the portfolio of the Subject Properties;
- (xii) There will be no compulsory acquisition by the Malaysian Government pursuant to the provisions of the Land Acquisition Act 1960;



- (xiii) There will be no material contingent liabilities arising from the Forecast Period 2017 and Forecast Year 2018, which may adversely affect the Forecast Period 2017 and Forecast Year 2018. KIP REIT will not be engaged in any material litigation and there will be no legal proceedings which will affect KIP REIT's activities or performance or give rise to additional contingent liabilities which may materially affect the results of KIP REIT;
- (xiv) It has been assumed that there is no significant impact on the Profit Forecast arising from the adoption of the new Malaysian Financial Reporting Standards and amendments effective for annual periods beginning 1 July 2016 based on the announcement by the Malaysian Accounting Standards Board up to 31 December 2015;
- (xv) There will be no adverse economic, political or property market conditions which will materially affect the activities and performance of the Subject Properties;
- (xvi) There is sufficient insurance coverage on all the Subject Properties against fire, loss of rent and other risks;
- (xvii) The acquisition of the Subject Properties from the Vendors to KIP REIT is regarded as Transfer of Going Concern ("TOGC") and such acquisition shall be treated as neither a supply of goods nor a supply of services pursuant to Paragraph 1, Second Schedule of Goods and Services Tax Act 2014 ("GST Act") and hence, not subject to GST;
- (xviii) There will be no major disruption in the operations and there will be no other events and abnormal factors including war, terrorism attacks, epidemic outbreak or natural disaster, which will adversely affect the operations of KIP REIT; and
- (xix) There will be no significant changes in the terms and conditions of significant contracts and agreements, including the tenancy agreements, Sales and Purchase Agreements, the Deed and the Property Management Agreement during the Forecast Period 2017 and Forecast Year 2018.

#### 4.5.4 SENSITIVITY ANALYSIS

The Profit Forecasts is based on a number of assumptions that have been outlined in Section 4.5.3 "Bases and Assumptions" of this Prospectus. The Profit Forecast is also subject to a number of risks as outlined in Section 5 "Risks Factors" of this Prospectus. The actual performance of KIP REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus.

Investors should be aware that future events cannot be predicted with any certainty and that deviations from the figures forecast in this Prospectus are to be expected. Depicted below is the sensitivity analysis on KIP REIT's DPU for the Forecast Period 2017 and Forecast Year 2018 as a result of changes in vacancy allowance, interest rate for the Financing Facilities, Property Operating Expenses and Occupancy Rates for the Subject Properties. The assumptions for these items have been set out in Section 4.5.3 "Bases and Assumptions" of this Prospectus.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any of the aforementioned variables beyond the extent shown.

**(i) Impact of variations in the vacancy allowance for the Gross Rental Income of the Subject Properties on DPU**

Vacancy Allowance for the Gross Rental Income of the Subject Properties	DPU (sen)	
	Forecast Period 2017	Forecast Year 2018
Base case: No vacancy allowance	6.54	6.59
0.5% vacancy allowance	6.54	6.59
1.0% vacancy allowance	6.53	6.58

**(ii) Impact of variations in the interest rate for the Financing Facilities on DPU**

Interest rate for the Financing Facilities	DPU (sen)	
	Forecast Period 2017	Forecast Year 2018
0.25% below assumed interest rate	6.61	6.64
Base case: Assumed interest rate for the Financing Facilities <sup>(1)</sup>	6.54	6.59
0.25% above assumed interest rate	6.47	6.54

**Note:**

<sup>(1)</sup> The interest rate for the term loan of RM87.0 million is assumed to be 4.90% for the Forecast Period 2017.

(iii) Impact of variations in the Property Operating Expenses on DPU

Property Operating Expenses	DPU (sen)	DPU (sen)
	Forecast Period 2017	Forecast Year 2018
1.0% below assumed Property Operating Expenses	6.56	6.60
<b>Base case:</b> Assumed Property Operating Expenses <sup>(1)</sup>	6.54	6.59
1.0% above assumed Property Operating Expenses	6.53	6.58

**Note:**

<sup>(1)</sup> The assumed Property Operating Expenses for the Forecast Period 2017 is approximately RM25.6 million.

(iv) Impact of variations in the Occupancy Rates of the Subject Properties<sup>(1)</sup> on DPU

Occupancy Rates of KiP Mart Tampoi, KiP Mart Kota Tinggi, KiP Mart Masai and KiP Mall Bangi <sup>(2)</sup>	DPU (sen)	DPU (sen)
	Forecast Period 2017	Forecast Year 2018
1.0% above the assumed Occupancy Rates	6.64	6.69
<b>Base case:</b> Assumed Occupancy Rates	6.54	6.59
1.0% below the assumed Occupancy Rates	6.44	6.49

Occupancy Rates of KiP Mart Lavender Senawang and KiP Mart Melaka <sup>(2)</sup>	DPU (sen)	DPU (sen)
	Forecast Period 2017	Forecast Year 2018
5.0% above the assumed Occupancy Rates	6.61	6.66
<b>Base case:</b> Assumed Occupancy Rates	6.54	6.59
5.0% below the assumed Occupancy Rates	6.47	6.52

**Notes:**

<sup>(1)</sup> The assumed Occupancy Rates for each Subject Property for the Forecast Period 2017 are as follows:

Subject Property	Occupancy Rate (%)	Occupancy Rate (%)
	Forecast Period 2017	Forecast Year 2018
KiP Mart Tampoi	97.2	98.0
KiP Mart Kota Tinggi	95.7	96.3
KiP Mart Masai	95.5	98.2
KiP Mart Lavender Senawang	80.8	85.0
KiP Mart Melaka	68.1	70.9
KiP Mall Bangi	90.3	90.6

<sup>(2)</sup> Assuming the other Subject Properties are not subject to any variation in their Occupancy Rates.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## 5. RISK FACTORS

An investment in the Units involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors in addition to other information contained elsewhere in this Prospectus, before investing in the Units.

This Prospectus contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results of KIP REIT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus. If any of the risks described herein actually occur, KIP REIT's business, prospects, financial condition, results of operations and ability to make distributions could be negatively affected, the trading price of the Units could decline and investors may lose all or part of their investment.

Unless specified or quantified in the relevant risk factors set out herein, the Manager is not in a position to quantify the financial or other implication of any of the risks described in this section. In addition, the following risk factors may not be exhaustive and additional risks and uncertainties not presently known to KIP REIT or the Manager, or which are currently deemed to be immaterial may become material in the future, which would have a material adverse effect on KIP REIT or the trading price of the Units.

As an investment in a REIT is meant to produce stable income distributions, investors should not expect to realise a significant proportion of their returns in KIP REIT in the form of capital gains.

Investors should be aware that the trading price of the Units may fluctuate. Investors should also note that they may not get back their original investment.

### 5.1 RISKS RELATING TO THE SUBJECT PROPERTIES

#### 5.1.1 The loss of key tenants or a downturn in the business of Subject Properties' key tenants may have a material adverse effect on the financial condition and results of operations of KIP REIT

As at 31 October 2016, the ten largest tenants of the Subject Properties and their respective contribution to the Gross Rental Income are as follows:

<b>Subject Properties</b>	<b>Total Gross Rental Income as at 31 October 2016 (%)</b>
KiP Mart Tampoi	17.5
KiP Mart Kota Tinggi	27.1
KiP Mart Masai	17.7
KiP Mart Lavender Senawang	47.7
KiP Mart Melaka	27.9
KiP Mall Bangi	31.1

Accordingly, KIP REIT's business, financial condition, results of operations and ability to make distributions may be adversely affected by the bankruptcy, insolvency or downturn in the businesses of one or more of these tenants, as well as the decision by one or more of these tenants not to renew its tenancy. New tenants on the same terms (or no less favourable terms) may not be found in time or at all.

Further, in the event that any major tenants of the Subject Properties are unable to pay their rent or breach their obligations under the respective tenancy agreements, KIP REIT's business, financial condition, results of operations and ability to make distributions may be adversely affected. The performance of the major tenants' other businesses could also have an impact on their ability to make rental payments to KIP REIT. The departure of major tenants could also negatively impact the interests of potential and existing tenants in the Subject Properties as well.

Factors that affect the ability of such major tenants to meet their obligations include, but are not limited to:

- (i) general economic conditions;
- (ii) their operating results;
- (iii) the local economies in which they have business operations; and
- (iv) the ability of such major tenants to compete with their competitors.

#### **5.1.2 The Subject Properties have tenancy cycles in which a substantial number of the tenancies expire in certain years**

A majority of the Subject Properties' tenancies are for terms of one to two years, which exposes the Subject Properties to significant rates of tenancy expiries in each tenancy cycle.

The Subject Properties have tenancy cycles in which a majority of tenancies expire in certain years, as follows:

<b>Subject Properties</b>	<b>% of tenancies by Occupied LA as at 31 October 2016 expiring in</b>			
	<b>FY2017 (%)</b>	<b>FY2018 (%)</b>	<b>FY2019 (%)</b>	<b>FY2020 (%)</b>
KiP Mart Tampoi	15.6	12.7	50.1	21.6
KiP Mart Kota Tinggi	29.1	44.5	26.4	-
KiP Mart Masai	99.6	0.2	0.2	-
KiP Mart Lavender Senawang	37.5	14.1	48.4	-
KiP Mart Melaka	29.8	68.8	1.4	-
KiP Mall Bangi	39.8	14.5	40.4	5.3

The concentration of tenancy expiries heightens KIP REIT's exposure to the typical risks associated with tenancy expiries, including the risk of vacancies following non-renewal of tenancies, reduced occupancy rates and lower Gross Rental Income.

If major tenants or a large number of tenants decide not to renew their tenancies and in the event that new tenants are unable to be secured or are secured after a long vacancy period or at lower rates, the income of KIP REIT and distributions to Unitholders will be adversely affected.

### **5.1.3 The Subject Properties may face increasing competition from other properties**

The Subject Properties are located in areas where other competing properties are present and new properties may be developed which may compete with the Subject Properties. The appeal and attractiveness of the Subject Properties may decrease in the future, especially if other retail properties are built and/or surrounding properties undergo upgrading and the Subject Properties fail to keep pace. Furthermore, with KiP Mart Lavender Senawang and KiP Mart Melaka being relatively new, and with the existence of retail properties in the areas surrounding these KiP Marts, there can be no assurance that the Subject Properties will be able to compete effectively with other retail properties in the vicinity to retain existing tenants and secure additional tenants.

The Subject Properties are currently not fully tenanted and the Manager will have to continue to actively seek new tenants to maximise occupancy rate. However, the ability of the Manager to achieve this is subject to factors such as the competitive environment and economic conditions. There can be no assurance that the Manager is able to maximise occupancy rates in the Subject Properties.

If, in the future, competing properties are more successful in attracting and retaining tenants, the income from the Subject Properties could be reduced, thereby adversely affecting KIP REIT's cash flow and the amount of funds available for distribution to Unitholders.

### **5.1.4 The Subject Properties might be adversely affected if the Manager and the Property Manager do not provide adequate management and maintenance**

Should the Manager and the Property Manager fail to provide adequate management and maintenance, the value of the Subject Properties might be adversely affected and this may result in difficulty to attract new tenants, the loss of existing tenants or lower rental rates, which will adversely affect KIP REIT's business, financial condition, results of operations and its ability to make distributions.

Failure to provide adequate management and maintenance to the Subject Properties may also lead to a decrease in customer traffic, with customer being attracted to the competitors of the Subject Properties. This will affect the business, financial condition and results of operations of KIP REIT.

### **5.1.5 The due diligence on the Subject Properties may not have identified all material defects, breaches of laws and regulations and other deficiencies**

Save for due diligence on the title and legal matters affecting the Subject Properties, no other due diligence was carried out in respect of the Subject Properties. Such due diligence may not have revealed all material defects, breaches of laws and regulations or other deficiencies affecting the Subject Properties, including to the title thereof.

No technical due diligence was undertaken by the Manager on the Subject Properties. There can be no assurance that the Subject Properties do not or will not have defects, breach any law and regulations or have deficiencies, which will require special repair or additional maintenance expenditure or payment of damages or other obligations to third parties. Such costs or liabilities may involve significant and potentially unpredictable levels of expenditure which may have a material adverse effect on KIP REIT's business, financial condition, results of operations and prospects.

Moreover, the representations, warranties and indemnities made in favour of KIP REIT by the Vendors may not offer sufficient protection for the costs and liabilities that may arise from any defect, breach of laws and regulations or deficiency.

**5.1.6 Renovations, asset enhancement works and physical damage to the Subject Properties may disrupt the business and operations of the Subject Properties and collection of Gross Rental Income or otherwise resulting in an adverse impact on the financial condition and results of operations of KIP REIT**

The demand of space and rental rates for the Subject Properties are affected by the quality and design of the Subject Properties. The Subject Properties may need to undergo renovation, upgrading, development, redevelopment or asset enhancement programmes from time to time to retain their competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop or due to new planning laws or regulations. The costs of maintaining properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the buildings age.

In addition, the Subject Properties may be required to undergo rectification works to comply with local regulatory requirements. The business and operations of the Subject Properties may suffer disruption and it may not be possible to collect any Gross Rental Income in full, or at all, on space affected by such renovation or redevelopment works. Subsequent to the renovation or redevelopment of the Subject Properties, there can be no assurance that the Gross Rental Income will be the same as before or higher and there is a possibility of the Gross Rental Income being reduced, if the occupancy rate is reduced. Any inconvenience caused may also potentially lower customer traffic.

In addition, physical damage to the Subject Properties resulting from fire, floods or other unforeseen circumstances may lead to a significant disruption to the business and operations of the Subject Properties and, together with the foregoing, may impose unbudgeted costs on KIP REIT and result in an adverse impact on the business, financial condition, results of operations of KIP REIT and its ability to make distributions.

**5.1.7 The Subject Properties may require significant capital expenditure beyond the Manager's current estimate and KIP REIT may not be able to secure funding**

The Subject Properties may require significant capital expenditure beyond the Manager's current estimate. KIP REIT may not be able to fund capital improvements solely from cash derived from its operating activities or obtain additional equity or debt financing on favourable terms or at all. If KIP REIT is not able to procure such financing, the Manager may be unable to refurbish, renovate or improve the Subject Properties which may adversely affect rental negotiations and rental rates. KIP REIT may also require additional equity and debt financing to fund future expansion, operational needs and finance debt service payments. Without the required funding, KIP REIT may not be able to sufficiently fund capital improvements, carry out its operations effectively or respond to competitive pressures.

**5.1.8 The Appraised Values of the Subject Properties are based on various assumptions which may or may not materialise and the price at which KIP REIT is able to sell the Subject Properties in the future may be lower than the acquisition value of the Subject Properties.**

The purchase consideration paid by KIP REIT for the Subject Properties was based on their Appraised Values. There can be no assurance that the assumptions relied on to derive the Appraised Values of the Subject Properties are accurate measures of the market, and the said values of the Subject Properties may be evaluated inaccurately. Property valuation in general involves using assumptions, estimates, subjective parameters and/or appropriate comparables. The Independent Property Valuer may have included a subjective determination of certain factors relating to the Subject Properties such as their relative market positions, financial and competitive strengths, and physical condition. The Independent Property Valuer may also have taken into account external factors such as the demand and supply of the property market and general economic conditions.



The valuation of any of the Subject Properties does not guarantee a sale price at that value at present or in the future as values may change and are subject to market conditions as well. The price at which KIP REIT may sell any of the Subject Properties may be lower than the Appraised Value or its purchase consideration.

#### **5.1.9 KIP REIT is dependent on third parties for certain services**

Certain services to the Subject Properties, for example, water, electricity and sewerage treatment may be provided by third party service providers. There is no assurance that the third parties or other parties contracted by the third parties will fulfil their obligations under the contracts of service. KIP REIT is also dependent on the Property Manager for providing property management services, tenancy management services, marketing and marketing coordination services and project management services. Any interruption to such services to the Subject Properties may disrupt business operations and have a material adverse effect on KIP REIT's business, financial condition, results of operations and prospects.

#### **5.1.10 KIP REIT may suffer material losses in excess of insurance proceeds or KIP REIT may not put in place or maintain adequate insurance in relation to the Subject Properties and its potential liabilities to third parties**

The Subject Properties may face the risk of suffering physical damage caused by fire, acts of God such as natural disasters or other causes, as well as potential public liability claims from customers, contractors and tenants.

In addition, certain types of risks (such as war risk and losses caused by the outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Currently, KIP REIT's insurance policies for the Subject Properties include policies on fire, consequential losses from fire, machine and office equipment, plate glass, burglary, fidelity guarantee, money insurance policy, employer's liability and public liability but do not in general cover acts of war, acts of terrorism, outbreak of contagious diseases, contamination or other damages caused by breaches of environmental law.

Should an uninsured loss or a loss in excess of insured amounts occur, KIP REIT could be required to pay compensation and/or lose capital invested in the affected Subject Property as well as anticipated future income from that Subject Property as it may not be able to rent out or sell the said property. No assurance can be given that material losses in excess of insurance proceeds will not occur.

In addition, KIP REIT's insurance policies and terms of coverage will be subject to renewal and negotiations on a periodic basis in the future and there is no assurance as to the nature and extent of coverage that will be available on commercially reasonable terms in the future. Any material increase in insurance rates or decrease in available coverage in the future will adversely affect KIP REIT's business, results of operations and financial condition.

#### 5.1.11 Completion of the SPAs and transfer of certain contracts or licences may not occur

There can be no assurance that the SPAs, which are interdependent on each other, will complete in accordance with their respective terms. The SPAs are subject to conditions precedent, which may not all be satisfied or waived. Further, the Vendors may fail to comply with the terms of the SPAs, including the obligation to complete the sale to KIP REIT. Please refer to Section 14.3 "Salient Terms of the SPAs" of this Prospectus for details of the SPAs. If any of the SPAs is not completed in accordance with the terms contained therein; for example, in the event that the financing cannot be drawdown for any reason whatsoever, such as the agreements for the Financing Facilities not being duly stamped, the Acquisition cannot be completed as a result thereof. Failure to complete the Acquisitions will result in KIP REIT being unwound. In the event the Units have been allotted, the Unitholders who were allotted Units under the Offering will only receive their monies free of interest following the completion of the winding up of KIP REIT in accordance with the terms of the Deed.

Some licences, permits and approvals required for certain operational aspects of the Subject Properties may need to be transferred to or applied by KIP REIT as the new owner of the Subject Properties upon completion of the SPAs. There can be no assurance that such licences, permits and approvals can be transferred to KIP REIT or will be issued by the relevant authorities or government bodies within a reasonable period. Such operational aspects of the Subject Properties may be affected if these licences, permits and approvals cannot be transferred or are not issued by the relevant authorities or government bodies.

#### 5.1.12 Subject Properties which are subject to Restrictions on the Transfer of Land

There are two properties which are subject to a restriction on the transfer of land endorsed on its respective title deeds ("**Restricted Properties**") These 2 properties are namely, KiP Mart Melaka and KiP Mall Bangi, which are both located in Melaka and Selangor respectively.

The restrictions are as follows:

**(i) KiP Mart Melaka**

*"Tanah ini tidak boleh dipindahmilik atau dipajak kecuali dengan kebenaran Pihak Berkuasa Negeri. Sekatan kepentingan ini dikecualikan kepada Pembeli pertama".*

*(Unofficial English translation)*

*"This land shall not be transferred or leased except with the consent of the State Authority. This restriction is exempted to the first buyer of the land".*

**(ii) KiP Mall Bangi**

*"Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri".*

*(Unofficial English translation)*

*"This land is not allowed to be transferred, leased or charged except with the consent of the State Authority".*

There can be no assurance that the consent of the relevant State Authorities will be obtained.

### **5.1.13 The Subject Properties or any part of them may be acquired compulsorily.**

Under Section 3 of the Land Acquisition Act 1960, the State Authority has the power to acquire any land, whether in whole or in part, which is needed:

- (i) for any public purpose;
- (ii) by any person or corporation for any purpose which, in the opinion of the State Authority, is beneficial to the economic development of Malaysia or any part thereof or to the public generally or any class of the public; or
- (iii) for the purpose of mining or for residential, agricultural, commercial, industrial or recreational purposes or any combination of such purposes.

In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. The market value of the Subject Properties as determined by the State Authority may be lower than the market value as determined by any independent property valuer appointed by KIP REIT. Or, if any of the Subject Properties were acquired compulsorily by the State Authority at a point in time when the market value of the Subject Properties has decreased, the level of compensation paid to KIP REIT may be less than the price which KIP REIT paid for the Subject Properties, which may have an adverse effect on the trading price of the Units and KIP REIT's business, financial condition, results of operations and prospects. If the compulsory acquisition concerned a material section of the Subject Properties such as retail space, car park areas and/or access areas to the Subject Properties, the business and operation of the Subject Properties may be adversely affected thereby resulting in a reduction of Total Revenue and market value of the Subject Properties.

## **5.2 RISKS RELATING TO KIP REIT'S OPERATIONS**

### **5.2.1 The Total Revenue earned from, and the value of, the Subject Properties may be adversely affected by a number of factors**

The Total Revenue earned from, and the value of, the Subject Properties may be adversely affected by a number of factors, including, but not limited to:

- (i) the ability to collect rent from the tenants;
- (ii) the amount and extent to which KIP REIT may grant rent rebates to the tenants;
- (iii) defects affecting the Subject Properties which could affect the operations of tenants resulting in the inability of such tenants to make timely payments of rent or at all;
- (iv) a drop in rental rates due to changes in rental rates of comparable retail properties, tenant mix, renewal options, size, location and configuration of LA within the Subject Properties, shopper traffic to the Subject Properties and the design of the Subject Properties;
- (v) the tenants requesting waiver of interest on late payment of rent;
- (vi) the tenants seeking the protection of bankruptcy laws which may result in delays in the receipt of rent payments, inability to collect Gross Rental Income, or delays in the termination of the tenancy, or which could hinder or delay the re-letting of the space in question or the sale of the relevant property;
- (vii) the general macroeconomic and supply and demand trends affecting the economic conditions of Malaysia and conditions in the real estate market sector in Malaysia;

- (viii) reduced occupancy rates due to supply and demand trends affecting the retail real estate market in Malaysia, the length of potential vacancy periods arising from tenancy expiries and early terminations, and rental rates of other competing properties;
- (ix) the Manager's ability to provide adequate management and maintenance or to purchase or put in place adequate insurance;
- (x) changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Rights related to the properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to condemnation and redevelopment; and
- (xi) acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases, and other events beyond the control of the Manager.

**5.2.2 Operating risks inherent to the retail property industry and increases in operating and other expenses of the Subject Properties may have an adverse effect on KIP REIT's financial condition and results of operations**

KIP REIT's ability to maintain a certain level of distribution to the Unitholders could be affected if its operating and other expenses increase without a corresponding increase in revenue or tenant reimbursement of operating and other costs. In addition to other factors mentioned herein, factors which could increase operating and other costs of the Subject Properties, include, but are not limited to, the following:

- (i) increase in utility costs (including any increase in preferential tariff granted by utility service providers);
- (ii) increase in construction, repair and maintenance costs (including mechanical and engineering costs);
- (iii) increase in third party sub-contracted service costs;
- (iv) increase in insurance premia;
- (v) increase in quit rent and assessments (property and related taxes) and other statutory charges;
- (vi) increase in property management costs and management fees;
- (vii) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- (viii) increase in labour costs;
- (ix) increase in the rate of inflation; and
- (x) increase in costs of financing for operating or capital requirements.

Additionally, capital expenditures and other expenses may be irregular since ongoing repairs and maintenance may be significant and potentially unpredictable. Both the amount and timing of such expenditures will have an impact on the cash flow of KIP REIT. If the Subject Properties do not generate sufficient revenue to meet operating expenses, debt service and capital expenditures, KIP REIT's income and ability to make distributions may be materially and adversely affected.

Many of these factors may have an adverse effect on the NPI derived from the Subject Properties. The valuation of the Subject Properties, (which is to be obtained at least once every three years from the date of the last valuation pursuant to the REIT Guidelines or such other shorter interval as the Manager deems necessary), will reflect such factors and as a result, such valuation may fluctuate significantly upwards or downwards.

**5.2.3 Increase in living costs could materially and adversely affect KIP REIT's total revenue and profitability**

KIP REIT's results of operations are sensitive to changes in consumer spending. Economic indications such as employment levels, business levels, interest rates, the imposition of GST, fuel costs and rising inflation could increase the costs of living and reduce consumer spending or change consumer purchasing habits. A general reduction in consumer spending and KIP REIT's subsequent inability to respond to shifting consumer living costs could diminish KIP REIT's revenues and profitability, which in turn would have a material adverse effect on KIP REIT's business, financial condition and results of operations.

**5.2.4 KIP REIT depends on certain key personnel and the loss of any key personnel may adversely affect its operations**

KIP REIT's performance depends, in part, upon the efforts, abilities and continued service and performance of certain key personnel of the Manager. The insight and experience gained by the Manager and its key personnel from their management of the Properties may be difficult to replace should or any of the Manager's key personnel leave their position. These key personnel may, in the future, leave the employment of the Manager or compete with the Manager or KIP REIT. The insight and experience gained by the said key personnel from their management of the Properties may be difficult to replace should they leave their position. If this were to occur, the Manager will need to allocate resources searching for a replacement and the duties for which such key personnel are responsible may be affected. The loss of any of these individuals may have a material adverse effect on KIP REIT's financial condition and the results of operations.

**5.2.5 The removal of the Manager may have an adverse effect on KIP REIT's financial condition and results of operations**

There is no assurance that the Manager will remain the manager of KIP REIT. In the event that the Manager ceases to be eligible to act as a REIT manager under the CMSA or is removed pursuant to the Deed or the Relevant Laws and Requirements, KIP REIT may need to appoint another management company, which may materially and adversely affect KIP REIT's financial condition and results of operations.

**5.2.6 KIP REIT may be adversely affected by the illiquidity of real estate investments and the lack of alternative uses and may be exposed to a higher level of risk compared to more diversified investments**

KIP REIT's focus on retail properties involves a higher level of risk as compared to a portfolio which has a more diverse range of investments which are more liquid. Real estate investments are relatively illiquid and such illiquidity may affect KIP REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. KIP REIT may be unable to sell its assets on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets if a quick sale is required. KIP REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to the illiquid nature of real estate assets.

These factors could have an adverse effect on KIP REIT's financial condition and results of operations, with a consequential adverse effect on KIP REIT's ability to deliver expected distributions to Unitholders.

A concentration of investments in Real Estate exposes KIP REIT to the risk of a downturn in the real estate market. Such downturns may lead to a decline in occupancy for properties or Real Estate-Related Assets in KIP REIT's portfolio. This will affect KIP REIT's Gross Rental Income from the Subject Properties and/or a decline in the capital value of KIP REIT's portfolio, which will have an adverse impact on distributions to the Unitholders and/or on the results of operations and the financial condition of KIP REIT.

**5.2.7 KIP REIT is subject to third-party litigation risk by customers, contractors and tenants of the Subject Properties which may result in significant liabilities and damage to KIP REIT's reputation**

KIP REIT is exposed to the risk of litigation or claims by customers, contractors or tenants of the Subject Properties, which may arise for a variety of reasons, including accidents or injuries that may be suffered by them while within the Subject Properties, tenants' inability to enjoy the use of the Subject Properties in accordance with the terms of their tenancy and KIP REIT's failure to perform any of its obligations under any tenancy, construction or other contract or agreement entered into with contractors, tenants or other third parties. If KIP REIT is required to bear all or a portion of the costs arising out of litigation, this may have a material adverse effect on KIP REIT's business, financial condition, results of operations and prospects.

**5.2.8 KIP REIT is exposed to economic and real estate market conditions (including uncertainties and instability in global market conditions and increased competition in the retail property market)**

KIP REIT's results of operations depend, to a large extent, on the performance of Malaysia's economy and the Malaysian real estate market conditions. A decline in Malaysia's economy could adversely affect KIP REIT's results of operations and future growth. Historically, the Malaysian property market has been cyclical and Malaysian property values, rents and occupancy rates have been affected by, among other factors, the rate of economic growth in Malaysia, interest rates and inflation. There can be no assurance that the Malaysian economy will continue to improve, property values, rents and occupancy rates will not decline, or that interest rates or inflation will not rise in the future. An economic decline in Malaysia, a decline in real estate market conditions in Malaysia or other developments outside the control of KIP REIT and the Manager, would have a material adverse effect on KIP REIT's business, financial condition and results of operations.

In addition, the Malaysian economy is affected by global economic conditions. The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. These events could adversely affect KIP REIT insofar as they result in:

- (i) reduced customers traffic in the Subject Properties;
- (ii) a negative impact on the ability of the tenants to pay their rents (including percentage rent) in a timely manner or continue their tenancies, thus reducing KIP REIT's revenue and/or cashflow;
- (iii) an increase in counterparty risk involving parties such as, but not limited to, tenants, insurers, lenders as well as contractors and suppliers (in terms of any warranties provided); and/or
- (iv) an increase likelihood that lenders, banks providing banker's guarantees for KIP REIT's rental deposits and/or KIP REIT's insurers may be unable to honour their commitments to KIP REIT.

KIP REIT may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that KIP REIT will be able to raise funds at a reasonable cost or on favourable terms which may have a material adverse effect on KIP REIT's business, financial condition and results of operations.

#### **5.2.9 Adverse change in consumer preference may adversely affect KIP REIT**

Consumer demand for the Subject Properties store formats and product assortment is directly affected by changes in consumer preferences. Consumer preferences in the markets in which the Subject Properties operates or intends to operate may cease to favour the Subject Properties store formats and/or the products offered by the Subject Properties, as a result of, for example, changes in lifestyle and dietary preferences or as a result of national or regional economic conditions.

Similarly, local conditions may cause customer preferences to vary from region to region as KIP REIT continues to expand outside Johor, Melaka, Selangor and Negeri Sembilan. If the Manager is unable to identify and adapt to such changes in consumer preferences quickly, consumer demand may decline, decreasing KIP REIT's total revenue and profitability, which in turn would have a material adverse effect on KIP REIT's business, financial condition and results of operations.

#### **5.2.10 KIP REIT will rely on KiP Mart Tampoi, KiP Mart Masai and KiP Mall Bangi for a substantial portion of its NPI**

KIP REIT will be dependent on KiP Mart Tampoi, KiP Mart Masai and KiP Mall Bangi for a substantial portion of its NPI. For the Forecast Period 2017 and Forecast Year 2018, KiP Mart Tampoi, KiP Mart Masai and KiP Mall Bangi are forecasted to account for 30.3%, 28.5% and 27.0% of the Subject Properties' collective NPI, for the respective period. If KIP REIT continues to be dependent on the 3 properties for a significant portion of its NPI going forward, a significant decline in the NPI of any of these three properties' may have a material adverse effect on KIP REIT.

#### **5.2.11 Possible change of investment strategies may adversely affect Unitholders' investments in KIP REIT**

KIP REIT's policies with respect to certain activities, including investments and acquisitions, will be determined by the Manager. Unitholders and potential investors should note that, subject to the requirements of the Deed and the Relevant Laws and Requirements, the Manager has wide discretion to determine the investment strategies of KIP REIT and may decide to invest in other types of assets, including any Real Estate Assets, Real Estate-Related Asset, as well as Non-Real Estate-Related Assets. Furthermore, as with other investment decisions, there are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves. Please refer to Section 10.9 "Investment Policies of KIP REIT" of this Prospectus for further details on the restrictions relating to the investment policies of KIP REIT.

**5.2.12 KIP REIT is subject to risks inherent in concentrating investments primarily in retail properties in a single country**

The Subject Properties are community-centric retail centres. KIP REIT's principal investment policy is to invest, directly and indirectly, in a portfolio of income producing real estate used primarily for retail purposes. KIP REIT may also invest in other investments as permissible in the REIT Guidelines or as otherwise permitted by the SC, including in Real Estate-Related Assets. As such, KIP REIT will be subject to additional risks compared to a portfolio that is diversified in terms of location and type. Other real estate companies which invest in more than one asset class and over a wider geographical spread may not be exposed to the same level of risk as KIP REIT. These risks include, and are not limited to, a downturn in the real estate market in Malaysia and the Malaysian economy, movements in interest rates and changes in policies or laws affecting real property in Malaysia, which could in turn affect the valuation of the Subject Properties, and other adverse changes in Malaysia's macro-economic indicators. Such downturns would affect distributions to Unitholders, and have a material adverse effect on KIP REIT's business, results of operations and financial conditions.

**5.2.13 Potential conflicts of interest among KIP REIT, the Manager and the Promoters or its subsidiaries may result in corporate actions and business decisions that are not in the Unitholders' best interests**

The Manager is indirectly wholly-owned by the Promoters through Kip Homes Sdn Bhd. In addition, the Promoters will be a substantial Unitholders of KIP REIT. There can be no assurance that conflicts of interest may not arise among KIP REIT, the Manager, the Promoters or their subsidiaries in the future. Please refer to Section 11 "Corporate Governance, Related Party Transactions and Conflicts of Interest" of this Prospectus.

The Promoters and their subsidiaries and/or associates are engaged in, and/or may engage in among others, investment in, and the development, management and operation of retail properties which may compete with the Subject Properties and cause downward pressure on rental rates. Additionally, the Promoters and the Manager may in the future, sponsor, manage or invest in other REITs or other vehicles which may also compete directly with KIP REIT.

In addition, pursuant to the ROFR, the Manager may in the future recommend that KIP REIT acquire additional retail properties and mixed-use developments with a retail component from the Promoters and/or its subsidiaries. In such cases, the Manager is required to obtain valuations from independent property valuers and to comply with all other requirements applicable to such transactions pursuant to the REIT Guidelines. There can be no assurance that the negotiations with respect to such properties related to the sale and purchase of such properties (in particular, the representations, warranties and indemnities and payment terms), will not be adverse to KIP REIT. However, the REIT Guidelines provide that the related party transaction entered into by or on behalf of KIP REIT should be carried out at arm's length, in accordance with the provisions therein.

**5.2.14 KIP REIT is a newly established entity without an established operating history for investors to rely on in making an investment decision**

KIP REIT was established on 4 November 2016. Accordingly, the KIP REIT has no operating history by which its past performance may be assessed and investors may find it difficult to evaluate KIP REIT's future prospects. There can be no assurance that KIP REIT will be able to generate sufficient income from operations to make distributions or that such distributions (if any) will be in line with those set out in Section 4.5 "Profit Forecasts of this Prospectus."



**5.2.15 The Manager may not be able to successfully implement its investment strategies for KIP REIT**

The Manager's ability to successfully implement its investment strategies or to expand KIP REIT's portfolio at any specified rate or to any specified size, and whether under the ROFR or otherwise will depend on, amongst other factors, the Management's ability to identify suitable assets and ability to obtain financing. There can be no assurance that the Manager will be able to make acquisitions or investments on favourable terms or within a desired time frame.

**5.2.16 KIP REIT may be subject to GST**

On 4 August 2016, the Royal Malaysian Customs Department ("**RMCD**") has issued an advance ruling to Adamin Corporation Sdn Bhd and KIP Development Sdn Bhd respectively on behalf of the vendors of the Subject Properties. Pursuant to the advance rulings, the transfer of the Subject Properties from the vendors to KIP REIT is regarded as a transfer of going concern pursuant to Section 68 of the Goods and Services Tax Act 2014, subject to terms and conditions set out in the advance rulings. The transfer of going concern is treated as neither a supply of goods nor a supply of services under Paragraph 1, Second Schedule of the Goods and Services Tax Act 2014 and therefore the acquisition of the Subject Properties by KIP REIT is not subject to GST. However, there is no assurance that the RMCD will not revoke its confirmation, or reclassify the acquisition of the Subject Properties as a supply of goods or services, prior to the completion of the acquisition of the Subject Properties. In the event of such revocation or reclassification, the transfer of the Subject Properties will be subject to GST at the rate of 6.0%, or the amount of RM34.8 million, which is payable by KIP REIT.

**5.2.17 KIP REIT may not meet the requirements to enjoy tax exemptions under Section 61A of the Income Tax Act by virtue of, among others tax adjustments which could affect the requirement of 90.0% distribution of taxable income or changes in tax laws**

Pursuant to Section 61A of the Income Tax Act 1967, a REIT is exempted from income tax for the relevant year of assessment provided that it distributes at least 90.0% of its total income (as defined under the Income Tax Act 1967) to its Unitholders in the basis period of the REIT for the relevant year of assessment. The MIRB has given a concession for such distribution to be made within two months after the close of the financial year which forms the basis period for the tax assessment of the REIT.

Where the abovementioned condition pursuant to Section 61A of the Income Tax Act 1967 is met, the total income of KIP REIT will be exempted from income tax. However, KIP REIT will be required to withhold tax on such income distributed to certain Unitholders. Please refer to Appendix C "Tax Consultant's Letter on Taxation of KIP REIT and Unitholders" of this Prospectus for the Malaysian withholding tax implications on distributions to investors from a Malaysian REIT which meets the requirement of Section 61A of the Income Tax Act, 1967.

There is no assurance that KIP REIT will be able to comply with the requirement to enjoy tax exemption under Section 61A of the Income Tax Act 1967. In the event of a tax audit, the MIRB may make an upward adjustment to the total income of KIP REIT, which may result in KIP REIT no longer satisfying the 90.0% threshold requirement of Section 61A of the Income Tax Act 1967. Moreover, if KIP REIT was not originally exempted under Section 61A of the Income Tax Act 1967, an upward adjustment to total income would result in KIP REIT being subject to more income tax.

The Malaysian tax laws may subject to change. For example, the pre-requisites for tax exemption may become more difficult to meet, such that KIP REIT would be more likely to be subject to income tax or the tax exemption for Malaysian REITs may be removed altogether. Any other tax exemptions/reliefs, such as stamp duty and GST which Malaysian REITs currently enjoy, may also be removed in the future.

#### **5.2.18 KIP REIT may face risks associated with debt financing and existing and future debt facilities and debt covenants may limit or affect KIP REIT's operations**

Upon Listing, based on KIP REIT's Consolidated Pro Forma Statement of Financial Position, KIP REIT will have total indebtedness of approximately RM85.9 million representing approximately 14.8% of its Total Asset Value. KIP REIT is subject to risks associated with existing and future debt financing, including the risk that its cash flow will be insufficient to meet the required payments of principal and interest under such financing, and therefore be unable to make distributions to Unitholders. Please refer to Section 3.8 "REIT Financing" of this Prospectus for further details on the debt financing of KIP REIT.

Distributions from KIP REIT to Unitholders are expected to comprise at least 90.0% of KIP REIT's Distributable Income. As a result of this distribution policy, KIP REIT may not be able to meet all of its obligations to repay any future borrowings through its cash flow from operations. KIP REIT may be required to repay maturing debt with funds from additional debt or equity financing or both. There is no assurance that such financing will be available on acceptable terms or at all.

If principal amounts due for repayment at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, KIP REIT will not be able to repay all maturing debt. In such cases, if KIP REIT defaults under such debt facilities, the lenders may be able to declare a default and initiate enforcement proceedings in respect of any security provided, and/or call upon any guarantees provided. Further, if KIP REIT's properties are mortgaged, such properties could be foreclosed by the lender or the lender could require a forced sale of the properties with a consequent loss of income and asset value to KIP REIT. This would in turn affect the distributions to be paid to Unitholders.

Even if KIP REIT is able to secure new debt financing, KIP REIT may be subject to the risk that any terms of any refinancing undertaken will be less favourable than the terms of the borrowings sought to be refinanced (including bank borrowings or issuances of debenture and bonds). KIP REIT may also be subject to certain covenants that may limit or otherwise adversely affect its operations and its ability to make distributions to Unitholders. Such covenants may also restrict KIP REIT's ability to acquire properties or undertake other capital expenditure and may require it to set aside funds for maintenance or repayment of security deposits or require KIP REIT to maintain certain financial ratios (such as loan to value ratios). The triggering of any such covenants may have an adverse impact on KIP REIT's financial condition.

Increases in interest rates could significantly affect KIP REIT's financial condition and results of operations. The interest rates of borrowings could be subject to changes based on the cost of funds of the respective lenders, which could be subject to renegotiation on a periodic basis. If the interest rates of KIP REIT's existing or future borrowings increase significantly, its cost of funds will increase which may adversely impact its results of operations, planned capital expenditure and cash flows.

**5.2.19 The amount KIP REIT may borrow is limited, which may affect the operations and expansion of KIP REIT**

Under the REIT Guidelines, KIP REIT is only permitted to borrow up to 50.0% of its Total Asset Value at the time the borrowing is incurred. KIP REIT may, from time to time, require further debt financing to achieve its investment strategies. If further debt funding is incurred, it would result in increased debt service obligations and may result in additional operating and financing covenants, or liens on the Subject Properties, that may restrict its operations. In the event KIP REIT is unable to procure additional borrowings in the future, KIP REIT may be unable to proceed with its investment strategies and may face adverse business consequences as a result of this limitation on future borrowings. These may include, but are not limited to,

- (i) an inability to fund capital expenditure requirements in relation to KIP REIT's existing asset portfolio or in relation to KIP REIT's potential acquisitions to expand its portfolio;
- (ii) a decline in the value of the Deposited Property may cause the borrowing limit under the REIT Guidelines to be exceeded, thus affecting KIP REIT's ability to undertake further borrowings; and
- (iii) cash flow shortages (including with respect to distributions) which KIP REIT might otherwise be able to resolve by borrowing funds.

**5.2.20 Occurrence of any acts of God, war and terrorist attacks may adversely and materially affect the business and operations of the Subject Properties**

KIP REIT will be subject to risk such as natural disasters and other acts of God, which are beyond the control of KIP REIT or the Manager. These may materially and adversely affect the economy, infrastructure and livelihood of the local population including KIP REIT. KIP REIT's business and income available for distribution may be adversely affected should such acts of God occur. Further, there is no assurance that any war, terrorist attack or other hostilities in Malaysia, potential, threatened or otherwise, will not, directly or indirectly, have an adverse effect on the operations of the Subject Properties and hence KIP REIT's income available for distribution.

**5.2.21 The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere may adversely impact the business, financial condition and results of operations of KIP REIT**

In April 2013, the World Health Organisation reported new cases of human infection with avian influenza A (H7N9) in China.

In March 2014, outbreaks of the Ebola virus occurred in a number of countries in Africa such as Guinea, Liberia and Sierra Leone. In 2015, outbreaks of this disease were reported in other parts of the world including Asia. In June 2015, Thailand, South Korea and Malaysia experienced an outbreak of Middle East Respiratory Syndrome ("MERS") virus, which affected the Asian economies, including Malaysia's economy.

Recently, in May 2015, an outbreak of the Zika virus was also reported in various parts of the world, predominantly in South America.

The outbreak of an infectious disease such as Asian Influenza, Ebola, MERS and Zika in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, may have a negative impact on the economy and business activities in Asia and could thereby adversely impact the revenues and results of KIP REIT. These factors could materially and adversely affect the business and financial conditions and the results of operations of KIP REIT.

### **5.2.22 KIP REIT is exposed to political risks**

KIP REIT 's business, prospects, financial condition and results of operations may be adversely affected by political, economic and social developments in Malaysia. Other political and economic uncertainties include but are not limited to the risks of war, terrorism, riots, renegotiations or nullification of existing contracts and changes in interest rates, foreign exchange rates, methods of taxation and import duties restrictions. Any change in Government policy, changes to senior positions within the Government and Parliament, or any political instability in Malaysia or other countries that may arise from these changes may have a material adverse effect on KIP REIT.

## **5.3 RISKS RELATING TO AN INVESTMENT IN THE UNITS**

### **5.3.1 The actual performance of KIP REIT and the Subject Properties could differ materially from the forward-looking statements in this Prospectus**

This Prospectus contains forward-looking statements regarding, amongst others, distribution/yield levels for the Forecast Period 2017 and Forecast Year 2018. These forward-looking statements are based on a number of assumptions which are subject to uncertainties and contingencies which are outside of the Manager's control. See Section 4.5.3 "Bases and Assumptions" of this Prospectus for further details. KIP REIT's ability to achieve the abovementioned distributions/yields is subject to events and circumstances assumed which may not occur as expected, or events and circumstances not anticipated which may arise.

No assurance is given that the assumptions will be realised and the actual distributions/yields will be as projected.

### **5.3.2 There has been no prior market for the Units, the listing of the Units on the Main Market may not result in an active or liquid market for the Units**

On 8 December 2016, approval was obtained from Bursa Securities for the admission of all the issued Units of KIP REIT to the Official List of the Main Market and for permission to deal in and the listing of, and quotation for, all the issued Units. The Units comprise a new issue of securities for which there is currently no public market. There is no guarantee that the listing and quotation for the Units will develop a trading market or if a market does develop, the liquidity of that market for the Units. Prospective Unitholders must be prepared to hold their Units for an indefinite length of time.

Furthermore, it may be difficult to assess KIP REIT's performance against either domestic or international benchmarks. The REIT market in Malaysia is relatively less developed compared to the REIT markets in Australia, Hong Kong and Singapore which could lead to a lack of liquidity for the Units and a general lack of investor demand for Malaysian REITs such as KIP REIT. There can be no assurance that an active market for REITs will develop in Malaysia.

### **5.3.3 KIP REIT's Pro Forma Statement of Financial Position and Pro Forma Net Property Income included herein may not reflect actual financial position and results**

KIP REIT's Pro Forma Statement of Financial Position has been prepared to show the effects of the Acquisitions and the Offering, based on the assumption that the events have been effected on the date of establishment of KIP REIT. As KIP REIT's Pro Forma Statement of Financial Position is prepared for illustrative purposes only, such information, because of its nature, does not provide a true representation of the effects of the formation of KIP REIT on the financial position of KIP REIT had the events occurred on the date of establishment of KIP REIT. Further, such information does not purport to predict KIP REIT's future financial position.

KIP REIT's Pro Forma Net Property Income included in this Prospectus has been prepared on an aggregate basis as if the Subject Properties have been operated under KIP REIT throughout and as at the periods and dates presented. The Pro Forma Net Property Income is also not necessarily indicative of the results of operations that would have been attained had KIP REIT actually existed earlier.

Please refer to Section 4.1 and 4.3 of this Prospectus for more details on KIP REIT's Pro Forma Statement of Financial Position and Pro Forma Net Property Income.

**5.3.4 The sale of a substantial number of Units by the Major Unitholders (following the lapse of the lock-up arrangements) could adversely affect the price of the Units**

Upon Listing, the Promoters will hold 727,000 Units directly and have deemed interest in 271,300,000 Units through interest via (i) the Vendors to which Consideration Units are to be issued pursuant to the Acquisitions and (ii) their spouses and children, assuming full subscription of their respective entitlements to the Units pursuant to the preferential allocation under the Retail Offering. If the Promoters (following the lapse of the relevant respective lock-up arrangements, or pursuant to any applicable waivers) sells or are is perceived as intending to sell a substantial amount of its Units, or if a secondary offering of the Units is undertaken in connection with an additional listing on another securities exchange, the market price for the Units could be adversely affected.

**5.3.5 Unitholders who do not or are not able to participate in future equity financing by KIP REIT will experience a dilution in their interest in KIP REIT**

If Unitholders do not or are not able to participate in any future equity fund raising, such as rights issues or private placements, their proportionate interest in KIP REIT will be reduced. Any consideration received by such Unitholders in exchange for any rights under future equity fund raisings may not be sufficient to compensate for the dilution of their unitholdings as a result of the equity fund raising.

**5.3.6 The price of the Units may decline after the Listing**

The Final Retail Price and the Institutional Price may not be indicative of the market price for the Units upon completion of the Listing.

The trading price of the Units will depend on many factors, including, but not limited to:

- (i) the perceived prospects of KIP REIT's business and investments and the Malaysian real estate market or Real Estate-Related Assets;
- (ii) differences between KIP REIT's actual financial and operating results and those expected by investors and analysts;
- (iii) changes in analysts' recommendations or projections, if any;
- (iv) changes in general economic or market conditions;
- (v) the market value of KIP REIT's assets;
- (vi) the perceived attractiveness of the Units against those of other equity or debt securities, including those not in the real estate sector;
- (vii) the balance of buyers and sellers of the Units;
- (viii) the size and liquidity of the Malaysian REIT market;
- (ix) any changes to the regulatory system, including the accounting standards and tax system, both generally and specifically in relation to Malaysian REITs;

- (x) any ability on the Manager's part to implement successfully its investment and growth strategies; and
- (xi) broad market fluctuations, including increases in interest rates and weakness of the equity and debt markets.

For these reasons, amongst others, Units may trade at prices that are higher or lower than the NAV per Unit. To the extent that KIP REIT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of KIP REIT's Total Asset Value and NAV, may not correspondingly increase the market price of the Units. Any failure to meet market expectations with regards to future earnings and cash distributions may adversely affect the market price for the Units.

Where new Units are issued at less than the market price of Units, the value of an investment in Units may be affected. The Units are not capital-protected/guaranteed products. There is no guarantee that Unitholders can regain the amount invested. If KIP REIT is terminated or liquidated, investors may lose a part or all of their investment in the Units.

### **5.3.7 There is no assurance that KIP REIT will be able to make distribution to Unitholders or maintain any given level of distribution**

Distributable Income is dependent on:

- (i) the NPI earned from real estate investments which depends on, among other factors the amount of Gross Rental Income and other property income received and the level of property expenses incurred; and
- (ii) the trust level expenses of KIP REIT, such as Management Fees and financing costs.

If the Subject Properties from time to time do not generate sufficient Distributable Income and cash flows, KIP REIT's ability to make distributions to Unitholders could be adversely affected.

No assurance can be given as to KIP REIT's ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the tenancies of the Subject Properties or that the receipt of Gross Rental Income in connection with expansion of the properties or acquisitions of properties will increase KIP REIT's cash flow available for distribution to Unitholders.

### **5.3.8 The Manager is not obliged to redeem Units**

Unitholders have no right to request the Manager to redeem their Units. Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the price at which they purchased the Units or at any price, or at all. Accordingly, Unitholders may only be able to liquidate or dispose of their Units by selling their Units through trading on the Main Market.

### **5.3.9 The NAV per Unit may be diluted if new Units are issued and priced below the current NAV per Unit**

The Deed contemplates new issues of Units, the offering price for which may be above, at or below the then current NAV per Unit. The NAV per Unit may be diluted if new Units are issued and the proceeds from such issue of these Units generates insufficient cashflow to compensate for the dilution. Where new Units, including Units which may be issued to the Manager in payment of the Management Fee, are issued at less than the NAV per Unit, the then current NAV per Unit may be diluted.

### **5.3.10 Cyclical market and economic conditions may affect the price and demand for the Units**

Cyclical movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of, and demand for, the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units provides investors a lower return compared to other investments.

The FTSE Bursa Malaysia KLCI sentiment was lacklustre, dropping to a 52-week low of 1,600.92 points on 21 January 2016. There can be no assurance that the performance of the Malaysian securities markets will continue to improve. The Malaysian securities markets are smaller than certain other international securities markets. Malaysian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

### **5.3.11 The laws, regulations and accounting standards in Malaysia may change, including the introduction of new or revised legislation, regulations, guidelines or directives affecting REITs**

KIP REIT may be affected by the introduction of new or revised legislation, regulations or accounting standards. Accounting standards in Malaysia are subject to change as they are further aligned with international accounting standards. The financial statements of KIP REIT may be affected by the introduction of such revised accounting standards. The extent and timing of these changes in accounting standards are unknown and subject to confirmation by the relevant authorities.

There is no assurance that these changes will not:

- (i) have a significant impact on the presentation of KIP REIT's financial statements;
- (ii) have a significant impact on KIP REIT's results of operations;
- (iii) have an adverse effect on the ability of KIP REIT to make distributions to Unitholders;
- (iv) have an adverse effect on the ability of the Manager to carry out KIP REIT's investment strategies; or
- (v) have an adverse effect on the operations and financial condition of KIP REIT.

KIP REIT may also be affected by the introduction of new or revised legislation, regulations, guidelines or directives affecting REITs. There is no assurance that new or revised legislation, regulations, guidelines or directives will not adversely affect REITs in general or KIP REIT specifically, consequently having a corresponding adverse effect on Unitholders.

### **5.3.12 The Malaysian Ringgit may be subject to exchange controls**

From 1998 to 2005, Bank Negara Malaysia maintained a fixed exchange rate of RM3.80 to USD1.00. In 2005, Bank Negara Malaysia removed the peg and allowed the Malaysian Ringgit to operate in a managed float, with the value of the currency being determined by various economic factors.

In 2015, the Malaysian Ringgit experienced a slump due to deteriorating terms of trade and slumping oil prices. There can be no assurance that Bank Negara Malaysia will, or would be able to, intervene or maintain this managed float system in the future or that any such intervention or managed float system would be effective. Hence, there can be no assurance that the exchange rate will not deviate significantly from the previous fixed exchange rate.

Furthermore, there can be no assurance that the Government will not impose more restrictive or other exchange controls. Any further imposition, variation or removal of exchange controls may adversely affect the value of the Units or the ability of investors to repatriate the proceeds of any distributions or from the sale of any Units out of Malaysia.

#### **5.3.13 Foreign investment in Malaysia assets may be subject to further controls**

Foreign investment in Malaysian assets is regulated and monitored by the Economic Planning Unit of the Prime Minister's Department. Currently there is no restriction imposed on foreign investment in REITs which have invested in Malaysian assets. However, there can be no assurance that the Economic Planning Unit of the Prime Minister's Department and/or the Government will not impose any restrictive or other controls relating to foreign investment in Malaysian assets. Any imposition or variation of such controls may affect Unitholders' ability to sell the Units to foreign parties and may affect the liquidity of the Units. Such conditions may also limit KIP REIT's access to future sources of equity capital.

#### **5.3.14 Unitholders may be unable to recover claims brought against the Manager as the Manager is not an entity with significant assets**

Unitholders may in future have claims against the Manager in connection with the carrying on of its duties as manager of KIP REIT (including in relation to the Offering and this Prospectus).

Under the terms of the Deed, the Manager is indemnified from the Deposited Property against any actions, costs, claims, damages, expenses or demands to which it may be put as manager of KIP REIT unless occasioned by fraud, gross negligence, wilful default or breach of the Deed by the Manager. In the event of any such fraud, gross negligence, wilful default or breach, only the assets of the Manager itself and not the Deposited Property would be available to satisfy a claim.

#### **5.3.15 There may be a delay or failure in Listing of the Units**

The Listing is exposed to the risk that it may be delayed or may fail should any one or more of the following events occur:

- (i) the Underwriter exercise its rights pursuant to the Retail Underwriting Agreement and/or the Bookrunner(s) exercises its rights under the Placement Agreement, respectively, to discharge itself from their obligations thereunder; or
- (ii) KIP REIT is unable to meet the public spread requirement of 25.0% public shareholding spread or such other minimum public unitholding spread as may be approved by Bursa Securities.
- (iii) the Final Retail Price and Institutional Price being too low to achieve the minimum subscription for the offering;
- (iv) the Financing Facilities being withdrawn, terminated or not being drawdown for any reason whatsoever; and
- (v) the authorities revoke approvals for Listing.

If the Offering is not completed and/or the Manager decides in its absolute discretion not to proceed with the Listing, any monies paid in respect of all applications under the Retail Offering will be refunded without interest.



**5.3.16 There is no assurance that the Units will remain listed on Bursa Securities and/or not be suspended from trading**

Although it is intended that the Units will remain listed on Bursa Securities, there is no guarantee of the continued listing of the Units. Among other factors, KIP REIT may not continue to satisfy the public spread requirements under the Listing Requirements. Accordingly, Unitholders will not be able to sell their Units through trading on Bursa Securities if the Units are no longer listed on Bursa Securities and/or are suspended from trading for an indefinite period.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**