

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the 2ND Quarter Ended 31 December 2016

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)

A1 BASIS OF PREPARATION

There are no actual financial results reported for KIP REIT for the period ended 2nd Quarter as the acquisition of assets were only completed on 6 February 2017, the date of Listing of KIP REIT.

The Pro Forma Financial Position, Pro Forma Statement of Comprehensive Income, Pro Forma Statements of Changes in Equity and Pro Forma Statement of Cash Flow of KIP REIT for 2nd Quarter are compiled for illustrative purposes only.

The results are illustrative, stated on a Pro Forma basis, as if the assets had been acquired at the relevant date, and are derived from the actual performances of the 6 assets which belonged to the respective vendors prior to 6 February 2017.

No comparative figures are available as this is the First Interim Financial Report of KIP REIT since it was constituted on 2 November 2016. The acquisitions of the assets by KIP REIT were completed on the listing date on 6 February 2017.

A2 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTENST

There were no auditor’s report of preceding financial statements as KIP REIT was established on 2 November 2016 and the acquisition of the assets were completed on 6 February 2017.

A3 SEASONALITY AND CYCLICALITY OF OPERATIONS

KIP REIT’s operations were not significantly affected by seasonal or cyclical factors for the period under review.

A4 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no significant unusual items that affect the financial statement of KIP REIT during the financial period under review.

A5 CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates arising from the adoption of the new and revised FRSS, that have had a material effect during the financial period under review.

A6 ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

During the current financial period, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current financial period as the acquisition of the assets were completed on 6 February 2017.

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The results are illustrative, stated on a Pro Forma basis, as if the assets had been acquired at the relevant date, and are derived from the actual performances of the 6 assets which belonged to the respective vendors prior to 6 February 2017.

No comparative figures are available as this is the First Interim Financial Report of KIP REIT since it was constituted on 2 November 2016. The acquisitions of the assets by KIP REIT were completed on the listing date on 6 February 2017.

A7 INCOME DISTRIBUTION

The Manager has assumed that KIP REIT will distribute 100.0% of its Distributable Income for the Forecast Period 2017 and Forecast Year 2018.

A8 SEGMENT REPORTING

The segmental financial information by operating segments is not presented as the acquisition of the assets were completed on 6 February 2017.

A9 VALUATION OF INVESTMENT PROPERTIES

Based on the Prospectus, the market value of the 6 assets are RM580,000,000. There is no valuation of investment Properties during the financial period under review.

A10 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

KIP REIT, via Pacific Trustees Berhad (the Trustee) has established up to 30 December 2016 in the Prospectus (not being contracts entered into in the ordinary course of the business of KIP REIT) are as follows:

- (i) the Deed dated 2 November 2016 constituting KIP REIT and registered with the SC on 4 November 2016 entered into between the Manager and the Trustee on behalf of KIP REIT, for the benefit of the Unitholders;
- (ii) the KiP Mall Bangi SPA dated 4 November 2016 entered between the Trustee on behalf of KIP REIT and Landasan Primamaju Sdn Bhd for the purchase of KiP Mall Bangi at a purchase consideration of RM130,000,000.00, to be satisfied in cash and via the issuance of Consideration Units;
- (iii) the KiP Mart Kota Tinggi SPA dated 4 November 2016 entered between the Trustee on behalf of KIP REIT and Genius Chance Sdn Bhd for the purchase of KiP Mart Kota Tinggi at a purchase consideration of RM55,002,000.00, to be satisfied in cash and via the issuance of Consideration Units;
- (iv) the KiP Mart Masai SPA dated 4 November 2016 entered between the Trustee on behalf of KIP REIT and Enrich Assets Sdn Bhd for the purchase of KiP Mart Masai at a purchase consideration of RM157,007,000.00, to be satisfied in cash and via the issuance of Consideration Units;

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- (v) the KiP Mart Melaka SPA dated 4 November 2016 entered between the Trustee on behalf of KIP REIT and Projek Impiana Sdn Bhd for the purchase of KiP Mart Melaka at a purchase consideration of RM50,168,000.00, to be satisfied in cash and via the issuance of Consideration Units;
- (vi) the KiP Mart Lavender Senawang SPA dated 4 November 2016 entered between the Trustee on behalf of KIP REIT and Setia Wirajaya Sdn Bhd for the purchase of KiP Mart Lavender Senawang at a purchase consideration of RM38,071,000.00, to be satisfied in cash and via the issuance of Consideration Units;
- (vii) the KiP Mart Tampoi SPA dated 4 November 2016 entered between the Trustee on behalf of KIP REIT and Kipmart Tampoi Sdn Bhd for the purchase of KiP Mart Tampoi at a purchase consideration of RM150,043,000.00, to be satisfied in cash and via the issuance of Consideration Units;
- (viii) the Retail Underwriting Agreement dated 15 December 2016 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;
- (ix) the facilities agreement for the Financing Facilities amounting to RM97,000,000 dated 23 December 2016 between OCBC Bank Malaysia Berhad and the Trustee, in respect of the Financing Facilities;
- (x) the Property Management Agreement dated 5 December 2016 between the Manager, the Trustee on behalf of KIP REIT and the Property Manager pursuant to which the Property Manager will provide certain property management services for the Subject Properties in consideration of a property management fee of RM12,000.00 per month;
- (xi) the letter of undertaking for the General ROFR dated 5 December 2016 between the Promoters and the Trustee on behalf of KIP REIT pursuant to which the Promoters will grant the Trustee on behalf of KIP REIT a right of first refusal to purchase the retail properties, including purpose built community-centric retail centres of similar concept to the marts and those within mixed development or where such real estate is held through a single purpose company, vehicle or entity established solely to own such real estate including the shares or equity interest, as the case may be, for and on behalf of KIP REIT;
- (xii) the letter of undertaking for the Specific ROFR dated 6 December 2016 between the Trustee on behalf of KIP REIT and Cahaya Serijaya Sdn Bhd pursuant to which Cahaya Serijaya Sdn Bhd will grant the Trustee on behalf of KIP REIT a right of first refusal to purchase KiP Mall Kota Warisan;
- (xiii) the letter of undertaking for the Specific ROFR dated 6 December 2016 between the Trustee on behalf of KIP REIT and Genuine Icon Sdn Bhd pursuant to which Genuine Icon Sdn Bhd will grant the Trustee on behalf of KIP REIT a right of first refusal to purchase KiP Mart Kuantan;
- (xiv) the letter of undertaking for the Specific ROFR dated 6 December 2016 between the Trustee on behalf of KIP REIT and Bintang Sinarmas Sdn Bhd pursuant to which Bintang Sinarmas Sdn Bhd will grant the Trustee on behalf of KIP REIT a right of first refusal to purchase KiP Mart Sri Sendayan;

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- (xv) the letter of undertaking for the Specific ROFR dated 6 December 2016 between the Trustee on behalf of KIP REIT and Senz Yang Realty Sdn Bhd pursuant to which Senz Yang Realty Sdn Bhd will grant the Trustee on behalf of KIP REIT a right of first refusal to purchase KiP Mart Sungai Buloh;
- (xvi) the letter of undertaking for the Specific ROFR dated 6 December 2016 between the Trustee on behalf of KIP REIT and Setia Serijaya Sdn Bhd pursuant to which Setia Serijaya Sdn Bhd will grant the Trustee on behalf of KIP REIT a right of first refusal to purchase KiP Mart Sungai Petani;
- (xvii) Assignment of Trade Marks Agreement dated 7 December 2016 between KIPMart Management Sdn Bhd and the Trustee on behalf of KIP REIT for the assignment of the “KiP Mart” trade mark, and Kippy and Tomato logos;
- (xviii) Assignment of Trade Marks Agreement dated 7 December 2016 between KIP Mall Management Sdn Bhd and the Trustee on behalf of KIP REIT for the assignment of the “KiP Mall” trade marks;
- (xix) Trade Marks Licence Agreement dated 7 December 2016 between the Trustee on behalf of KIP REIT and KIPMart Management Sdn Bhd for the licence granted by the Trustee on behalf of KIP REIT to KIPMart Management Sdn Bhd for the use of the “KiP Mart” trade mark, and Kippy and Tomato logos; and
- (xx) Trade Marks Licence Agreement dated 7 December 2016 between the Trustee on behalf of KIP REIT and KIP Mall Management Sdn Bhd for the licence granted by the Trustee on behalf of KIP REIT to KIP Mall Management Sdn Bhd for the use of the “KiP Mall” trade marks.

A11 SUBSEQUENT MATERIAL EVENTS

On 6 February 2017, KIP REIT was listed on Main Market of Bursa Malaysia Securities Berhad. It has issued a total of 505,300,000 units comprises of Initial Public Offering of 234,150,000 units and 271,150,000 units to Vendors. It has secure the financing of RM87,000,000 for partial settlement of the acquisition of 6 assets and RM12,009,000 for pre-listing expenses.

A12 CHANGES IN THE COMPOSITION OF THE TRUST

There were no material change in composition or fund size for the current financial period under review as the acquisition of the assets were completed on 6 February 2017.

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets for the current financial period under review.

A14 CAPITAL COMMITMENT

There were no major capital commitment as at 31 December 2016.

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B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSEXPANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 ("MFRS 134")

B1 REVIEW OF PERFORMANCE

For the current financial period ended 31 December 2016, the Pro Forma Statement of Comprehensive income of KIP REIT's Revenue and Net Property Income was RM15.801 million and RM10.293 million respectively and is generated from the 6 assets.

B2 PROSPECTUS

KIP REIT has launched the Prospectus for its Initial Public Offering on 30 December 2016.

B3 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.

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.

B4 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during the current quarter under review.

B5 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the current quarter under review.

B6 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

Same for the Initial Public Offering of KIP REIT, there were no corporate proposals announced during the period under review.

B7 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

For the current quarter under review there was no off balance sheet financial instruments.

B8 MATERIAL LITIGATION

There was no pending material litigation as at the date of Interim Financial Report as the acquisition of the assets were completed on 6 February 2017.

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**B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSEXPANATORY NOTES
PURSUANT TO FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)**

B9 SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the current financial period under review.

B10 RESPONSIBILITY STATEMENT

This quarterly report has been prepared in accordance with FRS134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of KIP REIT as at 31 December 2016 and of its financial performance and cash flows for the period then ended.