



# KIP REAL ESTATE INVESTMENT TRUST

## Interim Financial Report for the 1st quarter FY2021 ended 30 Sep 2020

<b><u>No</u></b>	<b><u>Contents</u></b>	<b><u>Page</u></b>
1.	Condensed Consolidated Statement of Comprehensive Income	1 - 2
2.	Condensed Consolidated Statement of Financial Position	3
3.	Condensed Consolidated Statement of Changes in Net Asset Value	4
4.	Condensed Consolidated Statement of Cash Flows	5
5.	Part A - Disclosure requirements pursuant to Malaysian Financial Reporting Standards ("MFRS") 134	6 - 10
6.	Part B - Additional disclosure pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")	11 - 16

**KIP REAL ESTATE INVESTMENT TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Quarter			Period-To-Date		
	30 Sep 2020	30 Sep 2019	Changes	30 Sep 2020	30 Sep 2019	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	15,717	16,030	(1.9%)	15,717	16,030	(1.9%)
Revenue from contracts with customers	2,517	2,460	2.3%	2,517	2,460	2.3%
<b>Gross revenue</b>	<b>18,234</b>	<b>18,490</b>	<b>(1.4%)</b>	<b>18,234</b>	<b>18,490</b>	<b>(1.4%)</b>
Utilities expenses	(1,550)	(2,153)	28.0%	(1,550)	(2,153)	28.0%
Maintenance and housekeeping expenses	(665)	(704)	5.6%	(665)	(704)	5.6%
Marketing expenses	(41)	(70)	41.7%	(41)	(70)	41.7%
Quit rent and assessment	(495)	(404)	(22.5%)	(495)	(404)	(22.5%)
Reimbursement costs	(865)	(1,108)	22.0%	(865)	(1,108)	22.0%
Property manager fee	(41)	(37)	(8.2%)	(41)	(37)	(8.2%)
Other operating expenses	(576)	(518)	(11.2%)	(576)	(518)	(11.2%)
Property operating expenses	<b>(4,233)</b>	<b>(4,994)</b>	15.2%	<b>(4,233)</b>	<b>(4,994)</b>	15.2%
<b>Net property income</b>	<b>14,001</b>	<b>13,496</b>	3.7%	<b>14,001</b>	<b>13,496</b>	3.7%
Changes in fair value on investment properties	-	13,187	(100.0%)	-	13,187	(100.0%)
Interest income	157	103	51.8%	157	103	51.8%
<b>Net investment income</b>	<b>14,158</b>	<b>26,786</b>	<b>(47.1%)</b>	<b>14,158</b>	<b>26,786</b>	<b>(47.1%)</b>
Manager's management fee	(1,333)	(3,394)	60.7%	(1,333)	(3,394)	60.7%
Trustees' fee	(44)	(233)	81.2%	(44)	(233)	81.2%
Auditors' remuneration	(31)	(27)	(14.0%)	(31)	(27)	(14.0%)
Valuers' fee	(75)	(45)	(68.1%)	(75)	(45)	(68.1%)
Other trust expenses	(482)	(1,165)	58.6%	(482)	(1,165)	58.6%
Borrowing costs	(3,341)	(3,377)	1.1%	(3,341)	(3,377)	1.1%
	<b>(5,306)</b>	<b>(8,241)</b>	35.6%	<b>(5,306)</b>	<b>(8,241)</b>	35.6%
<b>Profit before taxation <sup>N1</sup></b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>
<b>Taxation</b>	-	-	-	-	-	-
<b>Profit after taxation</b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>
<b>Profit after taxation is made up as follows:</b>						
- Realised	8,852	8,840	0.1%	8,852	8,840	0.1%
- One-off exp incidental to the acquisition	-	(3,482)	100.0%	-	(3,482)	100.0%
- Unrealised	-	13,187	(100.0%)	-	13,187	(100.0%)
	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>	<b>8,852</b>	<b>18,545</b>	<b>(52.3%)</b>
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
<b>Basic / Diluted earnings per unit (sen)</b>						
- Realised	1.75	1.06		1.75	1.06	
- Unrealised	-	2.61		-	2.61	
	<b>1.75</b>	<b>3.67</b>		<b>1.75</b>	<b>3.67</b>	
<b>Total comprehensive income</b>	8,852	18,545		8,852	18,545	
<b>Distribution adjustments</b>	927	(12,506)		927	(12,506)	
<b>Total current period / year distributable income</b>	<b>9,779</b>	<b>6,039</b>		<b>9,779</b>	<b>6,039</b>	
<b>Distribution per unit (sen)</b>	1.55	1.37		1.55	1.37	
<sup>N1</sup> Included in profit before taxation are following items:						
Interest income	157	103		157	103	
Amotisation of rental rebate	(703)	-		(703)	-	
Depreciation of equipments	(154)	(72)		(154)	(72)	
Allowance for impairment on receivable	(6)	(80)		(6)	(80)	

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2020 ("AFS FY2020") and the accompanying notes attached to this Interim Financial Report.

**KIP REAL ESTATE INVESTMENT TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**  
**STATEMENT OF INCOME DISTRIBUTION**

	Quarter		Period-To-Date	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM '000	RM '000	RM '000	RM '000
<b>Net property income</b>	<b>14,001</b>	<b>13,496</b>	<b>14,001</b>	<b>13,496</b>
Changes in fair value on investment properties	-	13,187	-	13,187
Interest income	157	103	157	103
	<b>14,158</b>	<b>26,786</b>	<b>14,158</b>	<b>26,786</b>
Less : Expenses	(5,306)	(8,241)	(5,306)	(8,241)
<b>Total comprehensive (loss) / income</b>	<b>8,852</b>	<b>18,545</b>	<b>8,852</b>	<b>18,545</b>
Distribution adjustment				
- Amortisation of transactions costs	64	529	64	529
- Depreciation of equipment	154	72	154	72
- Changes in fair value on investment properties	-	(13,187)	-	(13,187)
- Allowance for impairment on receivable	6	80	6	80
- Amortisation of rental rebate for MCO	703	-	703	-
	<b>927</b>	<b>(12,506)</b>	<b>927</b>	<b>(12,506)</b>
Total current period / year distributable income	<b>9,779</b>	<b>6,039</b>	<b>9,779</b>	<b>6,039</b>
Undistributed distributable income brought forward	840	912	840	912
<b>Distributable income</b>	<b>10,619</b>	<b>6,951</b>	<b>10,619</b>	<b>6,951</b>
Less: Proposed / Declared income distribution	(7,832)	(6,923)	(7,832)	(6,923)
<b>Undistributed distributable income</b>	<b>2,787</b>	<b>28</b>	<b>2,787</b>	<b>28</b>
<b>Distribution per unit (sen)</b>	<b>1.55</b>	<b>1.37</b>	<b>1.55</b>	<b>1.37</b>

**KIP REAL ESTATE INVESTMENT TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Group		Fund	
	Unaudited As At	Audited As At	Unaudited As At	Audited As At
	30 Sep 2020 RM '000	30 Jun 20 RM '000	30 Sep 2020 RM '000	30 Jun 20 RM '000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Equipment	1,753	1,585	1,753	1,585
Investment properties	807,493	807,000	807,493	807,000
Investment in a subsidiary	-	-	- *	-
<b>Total Non-Current Assets</b>	<b>809,246</b>	<b>808,585</b>	<b>809,246</b>	<b>808,585</b>
<b><u>Current Assets</u></b>				
Trade receivables	1,456	1,612	1,456	1,612
Other receivables and prepaid expenses	5,116	5,645	5,116	5,645
Cash and bank balances	24,767	25,976	17,350	18,597
<b>Total Current Assets</b>	<b>31,339</b>	<b>33,233</b>	<b>23,922</b>	<b>25,854</b>
<b>TOTAL ASSETS</b>	<b>840,585</b>	<b>841,818</b>	<b>833,168</b>	<b>834,439</b>
<b>FINANCED BY:</b>				
<b>Unitholders' fund</b>				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	18,627	17,506	18,627	17,506
<b>Total Unitholders' Fund</b>	<b>510,960</b>	<b>509,839</b>	<b>510,960</b>	<b>509,839</b>
<b><u>Non-Current Liabilities</u></b>				
Borrowings	308,881	308,817	-	-
Amount due to subsidiary company	-	-	302,769	305,048
Other payables and accrued expenses	4,844	5,108	4,844	5,108
<b>Total Non-Current Liabilities</b>	<b>313,725</b>	<b>313,925</b>	<b>307,613</b>	<b>310,156</b>
<b><u>Current Liabilities</u></b>				
Borrowings	1,305	3,610	-	-
Trade payables	344	744	344	744
Other payables and accrued expenses	14,251	13,700	14,251	13,700
<b>Total Current Liabilities</b>	<b>15,900</b>	<b>18,054</b>	<b>14,595</b>	<b>14,444</b>
<b>TOTAL LIABILITIES</b>	<b>329,625</b>	<b>331,979</b>	<b>322,208</b>	<b>324,600</b>
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>	<b>840,585</b>	<b>841,818</b>	<b>833,168</b>	<b>834,439</b>
<b>Net Asset Value (NAV)</b>				
- before income distribution	518,691	541,016	518,691	541,016
- after income distribution	510,960	509,839	510,960	509,839
<b>Number of units in circulation (Units)</b>	<b>505,300</b>	<b>505,300</b>	<b>505,300</b>	<b>505,300</b>
<b>Net Asset Value per unit (RM)</b>				
- before income distribution	1.0265	1.0707	1.0265	1.0707
- after income distribution	1.0112	1.0090	1.0112	1.0090

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

The unaudited Condensed Consolidated Statement of the Financial Position should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

**KIP REAL ESTATE INVESTMENT TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**

	<b>Unitholders'</b>	<b>Retained</b>	<b>Total</b>
	<b>RM '000</b>	<b>earnings</b>	<b>RM '000</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b><u>Group and Fund</u></b>			
<b>As at 1 July 2020</b>	492,333	17,506	509,839
Profit for the year	-	8,852	8,852
Total comprehensive income for the year attributable to unitholders	-	8,852	8,852
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(7,731)	(7,731)
Decrease in net asset resulting from unitholders' transactions	-	(7,731)	(7,731)
<b>As at 30 Sep 2020</b>	<u>492,333</u>	<u>18,627</u>	<u>510,960</u>
<b><u>Group and Fund</u></b>			
<b>As at 1 July 2019</b>	492,333	16,800	509,133
Profit for the year	-	18,545	18,545
Total comprehensive income for the year attributable to unitholders	-	18,545	18,545
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(7,681)	(7,681)
Decrease in net asset resulting from unitholders' transactions	-	(7,681)	(7,681)
<b>As at 30 Sep 2019</b>	<u>492,333</u>	<u>27,664</u>	<u>519,997</u>

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

**KIP REAL ESTATE INVESTMENT TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Group		Fund	
	Cumulative 30 Sep 2020 RM '000	Period-To-Date 30 Sep 2019 RM '000	Cumulative 30 Sep 2020 RM '000	Period-To-Date 30 Sep 2019 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	8,852	18,545	8,852	18,545
Adjustment for:				
Changes in fair value on investment properties	-	(13,187)	-	(13,187)
Interest expenses on borrowings	3,277	2,847	-	468
Interest expenses on advance from a subsidiary company	-	-	3,260	2,379
Interest income	(157)	(103)	(157)	(103)
Bad debts written off	-	10	-	10
Allowance for doubtful debts	6	80	6	80
Amortisation of transaction costs	64	529	64	529
Depreciation of equipment	154	72	154	72
Operating income before changes in working capital	12,196	8,793	12,179	8,793
Net change in trade and other receivables	646	(30)	679	(30)
Net change in payables and accruals	(112)	3,112	(112)	3,112
Cash generated from operations	12,730	11,875	12,746	11,875
Taxes paid	-	-	-	-
Net cash generated from operating activities	12,730	11,875	12,746	11,875
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	189	99	157	99
Pledge deposit	(46)	(7,520)	(6)	(320)
Purchase of equipment	(322)	(519)	(322)	(519)
Acquisition of investment properties	-	(196,413)	-	(196,413)
Asset enhancement on investment properties	(493)	(110)	(493)	(110)
Net cash used in investing activities	(672)	(204,463)	(664)	(197,263)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Income distribution paid to unitholders	(7,731)	(7,681)	(7,731)	(7,681)
Repayment/Advances from a subsidiary company	-	-	(40)	301,114
Interest paid on advance from a subsidiary company	-	-	(5,564)	(817)
Payment for transaction cost	-	(1,669)	-	-
Interest paid on borrowings	(5,581)	(2,013)	-	(1,196)
Repayment of borrowings	-	(99,929)	-	(99,929)
Proceeds from borrowings	-	310,000	-	-
Net (used in) / cash from financing activities	(13,312)	198,708	(13,335)	191,491
Net (decrease) / increase in cash and cash equivalents	(1,254)	6,120	(1,253)	6,103
Cash and cash equivalents at beginning of period	16,980	11,579	16,960	11,579
<b>Cash and cash equivalents at end of period</b>	<b>15,726</b>	<b>17,699</b>	<b>15,707</b>	<b>17,682</b>

Cash and cash equivalent in the consolidated statement of cash flows comprise the following statement of financial position amounts:

Cash in hand	7	27	7	27
Bank balances	7,472	6,054	7,455	6,036
Short term deposits placed with licensed bank	17,288	20,431	9,888	13,231
	24,767	26,512	17,350	19,294
Less: Pledged deposits	(9,041)	(8,813)	(1,643)	(1,612)
	15,726	17,699	15,707	17,682

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

# KIP REAL ESTATE INVESTMENT TRUST

---

## **PART A - DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134**

### **A1 CORPORATE INFORMATION**

KIP Real Estate Investment Trust ("KIPREIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 November 2016 as amended and restated by the Restated Deed dated 12 December 2019, a supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017. The unaudited condensed consolidated interim financial statements comprise KIPREIT and its subsidiary (the "Group").

### **A2 BASIS OF PREPARATION**

The condensed consolidated financial statements of the Group are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2020 ("AFS FY2020") and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The accounting policies and methods of computation adopted in these unaudited condensed consolidated financial statements are consistent with those disclosed in the AFS FY2020.

### **A3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The audit report of the financial statements of KIP REIT for the preceding financial year ended 30 June 2020 was not qualified.

### **A4 SEASONALITY AND CYCLICALITY OF OPERATIONS**

KIP REIT's operations were not significantly affected by seasonal or cyclical factors.

# KIP REAL ESTATE INVESTMENT TRUST

---

## **A5 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS**

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flow during the financial period to date under review, except the amortisation of rental rebates offered to non-essential retail tenants as explained in B1 and B2.

## **A6 CHANGES IN ESTIMATES**

Not applicable as no estimates were previously reported.

## **A7 ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

## **A8 INCOME DISTRIBUTION**

The Manager intends to distribute at least 90% of the distributable income to the unitholders of KIP REIT in financial year ending 30 June 2021, on a quarterly basis.

For the quarter ended 30 September 2020, the Manager proposed a first interim income distribution of RM7.83 million or 1.55 sen per unit, which includes a non-taxable portion of approximately 0.85 sen per unit derived from capital allowances and tax-exempt income which is not subject to tax. The book closure and payment dates in respect of the proposed income distribution will be fixed on 5 November 2020 and 23 November 2020 respectively.

This amount has not been included in a liability in the current financial quarter under review.



# KIP REAL ESTATE INVESTMENT TRUST

## A9 SEGMENT REPORTING

Segmental result for the financial period ended 30 September 2020 is as follows:-

	<b>1st Quarter and YTD Ended 30.9.2020</b>			
	<b>Southern Region RM'000</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Total RM'000</b>
<b>By Location Segments</b>				
<b>Revenue and expenses</b>				
Gross revenue	9,084	5,058	4,092	18,234
Net property income	6,995	3,072	3,934	14,001
Interest income	71	34	52	157
Borrowing costs	(635)	(421)	(2,285)	(3,341)
Trust and other expenses	(932)	(575)	(458)	(1,965)
Profit before taxation	5,499	2,110	1,243	8,852
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	5,499	2,110	1,243	8,852
<b>Assets</b>				
Segment assets	390,751	205,205	218,702	814,658
Unallocated assets				
- Cash and bank balances				24,767
- Trade and other receivables				1,160
Total assets				<u>840,585</u>
<b>Liabilities</b>				
Segment liabilities	68,950	43,969	209,555	322,474
Unallocated liabilities				
- Payables and accruals				(215)
- Borrowings				7,366
Total liabilities				<u>329,625</u>
<b>Other Segmental information</b>				
Additional to non-current assets:				
- Investment properties	-	13	480	493
- Equipment	179	143	-	322
Depreciation	46	108	-	154

# KIP REAL ESTATE INVESTMENT TRUST

	<b>1st Quarter and YTD Ended 30.9.2019</b>			
	<b>Southern Region RM'000</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Total RM'000</b>
<b>Revenue and expenses</b>				
Gross revenue	10,045	5,712	2,733	18,490
Net property income	7,606	3,260	2,630	13,496
Changes in fair value on investment properties	-	-	13,187	13,187
Interest income	60	31	12	103
Borrowing costs	(1,045)	(668)	(1,664)	(3,377)
Trust and other expenses	(991)	(589)	(3,284)	(4,864)
Profit before taxation	5,630	2,034	10,881	18,545
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	5,630	2,034	10,881	18,545
<b>Assets</b>				
Segment assets	390,242	213,352	222,464	826,058
Unallocated assets				
- Cash and bank balances				23,657
- Trade and other receivables				693
Total assets				<u>850,408</u>
<b>Liabilities</b>				
Segment liabilities	69,612	43,442	208,283	321,337
Unallocated liabilities				
- Payables and accruals				1,959
- Borrowings				7,115
Total liabilities				<u>330,411</u>
<b>Other Segmental information</b>				
Additional to non-current assets:				
- Investment properties	110	-	-	110
- Equipment	28	491	-	519
Depreciation	40	32	-	72

## **KIP REAL ESTATE INVESTMENT TRUST**

---

### **A10 VALUATION OF INVESTMENT PROPERTIES**

Investment properties are valued by independent registered valuers. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. There was no valuation performed during the quarter under review.

### **A11 SUBSEQUENT MATERIAL EVENTS**

There was no item, transaction or event of a material or unusual in nature during the period from the end of the quarter under review to the date of this report.

### **A12 CHANGES IN THE COMPOSITION OF KIP REIT**

There was no change in composition of fund size for the current quarter under review.

### **A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets to be disclosed.

### **A14 CAPITAL COMMITMENT**

There were no capital commitments to be disclosed.

# KIP REAL ESTATE INVESTMENT TRUST

## PART B - ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MMLR

### B1 REVIEW OF PERFORMANCE

#### Comparison with Preceding Year Corresponding Quarter and Year-to-date

	Quarter		
	30.9.2020	30.9.2019	Changes
	RM'000	RM'000	(%)
<b>Gross revenue</b>			
Southern Region	9,084	10,045	(9.56%)
Central Region	5,058	5,712	(11.45%)
Northern Region	4,092	2,733	49.70%
	<b>18,234</b>	<b>18,490</b>	<b>(1.38%)</b>
<b>Net property income</b>			
Southern Region	6,995	7,606	(8.03%)
Central Region	3,072	3,260	(5.76%)
Northern Region	3,934	2,630	49.61%
	<b>14,001</b>	<b>13,496</b>	<b>3.74%</b>
<b>Profit before taxation</b>			
Realised	8,852	5,358	65.22%
Unrealised	-	13,187	(100.00%)
	<b>8,852</b>	<b>18,545</b>	<b>(52.27%)</b>
<b>Income available for distribution</b>	<b>9,779</b>	<b>6,039</b>	<b>61.93%</b>

#### Quarterly and Year to date Results

KIP REIT recorded revenue of RM18.2 million in Q1FY21, as compared to RM18.5 million recorded in the preceding year corresponding quarter. The drop in revenue was attributed to RM1.6 million lower revenue from both Southern and Central region but partially cushioned by one-month additional revenue from AEON Mall Kinta City ("AMKC") at Northern region, which was acquired in July 2019. Included in the revenue of Southern and Central region was the amortisation of rental rebates amounting to RM0.7million offered to non-essential tenants affected by the Movement Control Order ("MCO"). The net property income also came in lower in tandem with the lower revenue as compared to preceding year corresponding quarter, at a lower negative variance due to the better cost management.

Southern region recorded revenue of RM9.1 million, at -9.6% against Q1FY20 mainly due to amortisation of MCO rental rebates. The net property income was 8.0% lower against Q1FY20, at a lower variance % as compared to revenue shortfall due to better cost management.

Central region saw 11.4% shortfall against preceding year corresponding quarter. On top of the amortisation of rental rebates offered during the MCO, promotional

## KIP REAL ESTATE INVESTMENT TRUST

area also experienced lower events take up rate due to precautionary approach adopted by event organisers. Property expenses came in lower than Q1FY20 due to lower utilities, reimbursement cost and marketing cost. Correspondingly, net property income was -5.8% lower against preceding year corresponding quarter.

The investment properties in the Southern region, Central region and Northern region contributed 49.8%, 27.7% and 22.5% of the KIP REIT total revenue respectively.

KIP REIT's Q1FY21 realised profit before tax was 65.2% higher than Q1FY20 despite the amortisation of rental rebates of RM0.7 million during the quarter on the back of Q1FY20 RM3.5 million one off expenses in relation of AMKC acquisition. Included in Q1FY20 was unrealised profit from AMKC acquisition.

Current quarter income available for distribution was 62.0% higher than preceding year corresponding quarter mainly due to higher realised profit before tax as explained earlier.

The total net asset value and net asset value per unit (after income distribution) stood at RM511.0 million (30 June 2020: RM509.8 million) and RM1.0112 (30 June 2020 : RM1.0090) respectively. The increase in the net asset value and net asset value per unit was mainly due to net increase in realised profit after tax during the quarter.

### B2 MATERIAL CHANGES IN QUARTERLY RESULTS AS COMPARED TO IMMEDIATE PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	
	<u>30.9.2020</u>	<u>30.6.2020</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
<b>Gross revenue</b>	<b>18,234</b>	<b>16,900</b>	<b>7.89%</b>
<b>Net property income</b>	<b>14,001</b>	<b>13,232</b>	<b>5.81%</b>
<b>(Loss) / Profit before taxation</b>			
<b>Realised</b>	<b>8,852</b>	<b>8,158</b>	<b>8.50%</b>
<b>Unrealised</b>	<b>-</b>	<b>(13,155)</b>	<b>(100.00%)</b>
	<b>8,852</b>	<b>(4,997)</b>	<b>277.15%</b>
<b>Income available for distribution</b>	<b>9,779</b>	<b>7,483</b>	<b>30.69%</b>

KIP REIT's revenue for the current quarter was 7.9% higher than the immediate preceding quarter ended 30 June 2020 mainly attributed to lower amortisation of rental rebate offered to non-essential tenants during MCO.

In tandem with higher revenue, the net property income increased by 5.8% compared to the preceding quarter.

## KIP REAL ESTATE INVESTMENT TRUST

---

Realised profit before taxation was 8.5% higher than the immediate preceding quarter ended 30 June 2020 on the back of better net property income coupled with lower borrowing cost during the quarter from OPR cut.

Current quarter income available for distribution was 30.7% higher than the immediate preceding quarter ended 30 June 2020 mainly due to higher realised profit before taxation and distribution adjustment on amortisation of rental rebate.

### **B3 PROSPECTS**

Bank Negara Malaysia revised its latest gross domestic product growth forecast for 2020 to a range of -3.5% to -5.5%, due to the unprecedented length of the movement control order (“MCO”) and changes in world growth forecasts. The Retail Group Malaysia has similarly revised their annual retail sales growth rate for 2020 from -8.7% to -9.3% and for the fourth quarter, retail sales are expected to decrease by 2.5%. To add to the softer consumer sentiment, consumers are expected to tighten their spending for the last 3 months of the year as they resume their monthly repayments in view of the six-month moratorium on loan repayments that ended on September 2020.

Shopper traffic has since gradually normalised albeit at a muted rate during the Recovery MCO period which began on 10 June 2020. However, the Manager will remain vigilant with rising concerns over a potential uncontained spike in Covid-19 infection cases. Proactive measures will continue to be taken including adherence to Standard Operating Procedures imposed by the Ministry of Health and other relevant authorities and supporting tenants through active engagement in open discourse on community updates. The properties under KIP REIT will continue to cater for its surrounding communities offering daily necessities and essential services, however, in view of the situation, KIP REIT’s performance may remain flattish for the remainder of the year.

At the recent 4th Annual General Meeting, KIP REIT has obtained its unitholders’ approval to amend its existing investment policy which enables the Manager to diversify its assets portfolio to include real estate used for industrial or commercial purposes. This allows the Manager greater flexibility in sourcing and evaluating offers from a broader range of assets to grow the fund and create greater value to its unitholders with a more diverse income producing assets.

### **B4 PORTFOLIO COMPOSITON**

During the financial period under review, the KIP REIT’s portfolio consists of seven (7) retail malls as investment properties, of which three (3) are in the Southern region, three (3) are in the Central region and one (1) in the Northern region.

## KIP REAL ESTATE INVESTMENT TRUST

---

### **B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS**

There was no issuance of new units during the financial period under review.

### **B6 TAXATION**

#### Trust Level

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

As KIP REIT intends to distribute more than 90% of its distributable income, which translates to more than 90% of its total taxable income, to its unitholders for the financial year ending 30 June 2021, no provision for taxation has been made for the current quarter.

#### Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at KIP REIT's level:

Resident unitholder:

a)	Company	Tax flow through; thus no withholding tax
b)	Other than company	Withholding tax at 10%

Non-resident unitholder:

a)	Company	Withholding tax at 24%
b)	Institutional investors	Withholding tax at 10%
c)	Individuals	Withholding tax at 10%

### **B7 STATUS OF CORPORATE PROPOSAL**

There was no corporate proposal that has been announced but not completed as at the date of this report.

## KIP REAL ESTATE INVESTMENT TRUST

---

### B8 BORROWINGS

The Group's borrowings as at 30 September 2020 are as follows:

	<b>As at 30.9.2020 RM'000</b>	<b>As at 30.6.2020 RM'000</b>
Current (secured):		
Medium term notes	1,561	3,866
Unamortised transaction cost	(256)	(256)
	<u>1,305</u>	<u>3,610</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(1,119)	(1,183)
	<u>308,881</u>	<u>308,817</u>
Total borrowings	<u>310,186</u>	<u>312,427</u>
Total assets	<u>840,585</u>	<u>841,818</u>
Gearing ratio (%)	36.90%	37.11%

The weighted average interest rate of borrowings as at 30 September 2020 was 4.31% (30 June 2020: 4.52%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

### B9 MATERIAL LITIGATION

There was no material litigation pending as at the date of this report.

### B10 SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the current period-to-date.



# KIP REAL ESTATE INVESTMENT TRUST

---

## B11 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 30 September 2020	Immediate Preceding Quarter ended 30 June 2020
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	8,852	8,158
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	2.02	1.84
- after Manager's fee	1.75	1.61
Net Income distribution to unitholders (RM'000)	7,832	7,731
Distribution per unit (DPU) (sen)	1.55	1.53
Net Asset Value (NAV) (RM'000)	510,960	509,839
NAV per unit (RM)	1.0112	1.0090
Market value per unit (RM)	0.815	0.795

## B12 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of KIP REIT as at 30 September 2020 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 20 October 2020.