

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 4th Quarter Ended 30 June 2017

### A. DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134

#### A1 BASIS OF PREPARATION

This Interim Financial Report is unaudited and has been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"). This Interim Financial Report should be read in conjunction with the proforma financial information in the Prospectus and the accompanying notes attached to this Interim Financial Report.

#### A2 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was 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, the date of listing of KIP REIT on the Main Board of Bursa Malaysia Securities Berhad.

#### 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

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current financial period.

#### A7 INCOME DISTRIBUTION

Based on the Prospectus dated 30 December 2016, KIP REIT Management Sdn. Bhd. ("Manager"), the Manager shall distribute up to 100.0% of KIP REIT's Distributable Income on a half-yearly basis for the Financial Period Ending 30 June 2017 and Financial Year Ending 30 June 2018 and thereafter at least 90% of KIP REIT's Distributable Income.

The income distribution policy for KIP REIT has changed from half-yearly basis to quarterly basis with effect from 31 March 2017 onward, and has been approved by the Trustee and the Manager on 27 April 2017.

On 25 July 2017, the Manager has declared a final income distribution of RM9.69 million or 1.918 sen per unit (of which 1.838 sen per unit is subject to withholding tax and 0.080 sen per unit is tax exempt/non-taxable) for quarter ended 30 June 2017, from 1 April 2017 to 30 June

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2017. The final income distribution will be paid on 29 August 2017 to the unitholders registered in the Record of Depositors on 11 August 2017 and has not been included as a liability in the current financial quarter under review.

#### A8 SEGMENT REPORTING

Segmental result for the quarter ended 30.6.2017 is as follows:-

<u>4th Quarter</u>	<u>4th Quarter Ended 30.6.2017</u>		
	<u>KiP Mart</u> <u>RM'000</u>	<u>KiP Mall</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<b>By Business Segments</b>			
<b>Revenue and expenses</b>			
Gross revenue	12,156	3,886	16,042
Net property income	8,023	2,840	10,863
Other income	302	18	320
Interest income	137	40	177
Borrowing costs	(881)	(255)	(1,136)
Trust and other expenses	(846)	(246)	(1,092)
Profit before taxation	6,735	2,397	9,132
Taxation	-	-	-
Total comprehensive income attributable to unitholders	6,735	2,397	9,132

<u>Cumulative Quarter</u>	<u>Cumulative Quarter Ended 30.6.2017</u>		
	<u>KiP Mart</u> <u>RM'000</u>	<u>KiP Mall</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<b>By Business Segments</b>			
<b>Revenue and expenses</b>			
Gross revenue	20,055	6,295	26,350
Net property income	13,197	4,328	17,525
Other income	503	30	533
Interest income	312	90	402
Borrowing costs	(1,416)	(409)	(1,825)
Trust and other expenses	(1,540)	(435)	(1,975)
Profit before taxation	11,056	3,604	14,660
Taxation	-	-	-
Total comprehensive income attributable to unitholders	11,056	3,604	14,660

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#### A8 SEGMENT REPORTING (Cont'd)

	<u>Gross Revenue</u>			<u>Net Property Income</u>			<u>Gross Revenue</u>			<u>Net Property Income</u>		
	<u>4th Quarter</u>			<u>4th Quarter</u>			<u>Cumulative Quarter</u>			<u>Cumulative Quarter</u>		
	<u>30.6.2017</u>	<u>30.6.2016</u>	<u>Change</u>	<u>30.6.2017</u>	<u>30.6.2016</u>	<u>Change</u>	<u>30.6.2017</u>	<u>30.6.2016</u>	<u>Change</u>	<u>30.6.2017</u>	<u>30.6.2016</u>	<u>Change</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
<b><u>KiP Mart</u></b>												
Tampoi	4,042	-	-	3,030	-	-	6,743	-	-	5,055	-	-
Kota Tinggi	1,554	-	-	966	-	-	2,596	-	-	1,634	-	-
Mart Masai	4,310	-	-	3,378	-	-	6,998	-	-	5,435	-	-
Senawang	829	-	-	231	-	-	1,367	-	-	335	-	-
Melaka	1,421	-	-	418	-	-	2,351	-	-	738	-	-
	<u>12,156</u>	<u>-</u>	<u>-</u>	<u>8,023</u>	<u>-</u>	<u>-</u>	<u>20,055</u>	<u>-</u>	<u>-</u>	<u>13,197</u>	<u>-</u>	<u>-</u>
<b><u>KiP Mall</u></b>												
Bangi	3,886	-	-	2,840	-	-	6,295	-	-	4,328	-	-
	<u>3,886</u>	<u>-</u>	<u>-</u>	<u>2,840</u>	<u>-</u>	<u>-</u>	<u>6,295</u>	<u>-</u>	<u>-</u>	<u>4,328</u>	<u>-</u>	<u>-</u>
Total Segment	<u>16,042</u>	<u>-</u>	<u>-</u>	<u>10,863</u>	<u>-</u>	<u>-</u>	<u>26,350</u>	<u>-</u>	<u>-</u>	<u>17,525</u>	<u>-</u>	<u>-</u>

KIP REIT comprises the following two business segments:

- i) KiP Mart
- ii) KiP Mall

#### a) Review of Current Quarter Results

##### KiP Mart Segment

KiP Mart registered a total Revenue of RM12.16 million and Net Property Income of RM8.02 million for the period under review.

After taking the financing cost and other trust expenses totalling RM1.72 million and off-set with RM0.3 million and interest income of RM0.14 million, the profit before taxation for the current quarter ended 30 June 2017 was RM6.74 million.

##### KiP Mall Segment

KiP Mall registered a total Revenue of RM3.89 million and Net Property Income of RM2.84 million for the period under review.

After taking the financing cost and other trust expenses totalling RM0.5 million and off-set with other income of RM0.02 and interest income of RM0.04million, the profit before taxation for the current quarter ended 30 June 2017 was RM2.40 million.

#### b) Review of Cumulative Results

##### KiP Mart Segment

KiP Mart registered a total Revenue of RM20.06 million and Net Property Income of RM13.20 million for the period under review.

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

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After taking the financing cost and other trust expenses totalling RM2.95 million and off-set with other income of RM0.5 million and interest income of RM0.31 million, the profit before taxation for the current quarter ended 30 June 2017 was RM11.06 million.

#### KiP Mall Segment

KiP Mall registered a total Revenue of RM6.30 million and Net Property Income of RM4.33 million for the period under review.

After taking the financing cost and other trust expenses totalling RM0.85 million and off-set with other income of RM0.03 million and interest income of RM0.09million, the profit before taxation for the current quarter ended 30 June 2017 was RM3.60 million.

### **A9 VALUATION OF INVESTMENT PROPERTIES**

A revaluation of the 6 properties had been conducted by CH William Talhar & Wong Sdn Bhd and based on the valuation letters dated on 18 July 2017, the market value of the 6 properties as at 30 June 2017 remained at RM580 million.

### **A10 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

There were no significant events during the quarter ended 30 June 2017.

### **A11 SUBSEQUENT MATERIAL EVENTS**

Besides A7, there is no other subsequent material events.

### **A12 CHANGES IN THE COMPOSITION OF THE TRUST**

KIP REIT was listed on 6 February 2017 with an initial fund size of 505.3 million units. Since listing, there was no material change in composition of fund size for the current financial period under review.

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

There were no contingent liabilities or contingent assets as at 30 June 2017.

### **A14 CAPITAL COMMITMENT**

There were no major capital commitment as at 30 June 2017.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 4<sup>TH</sup> Quarter Ended 30 June 2017

### **B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN LISTING REQUIREMENTS**

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#### **B1 REVIEW OF PERFORMANCE**

For the 4<sup>th</sup> Quarter ended 30 June 2017, the actual results stated in the Statement of Comprehensive Income are from 1 April 2017 to 30 June 2017.

##### **Current quarter results**

KIP REIT registered a total Revenue of RM16.04 million and Net Property Income of RM10.86 million for the period under review.

After taking the financing cost and other trust expenses totalling RM2.23 million and off-set with other income of RM0.32 million and interest income of RM0.18 million, the profit before taxation for the current quarter ended 30 June 2017 was RM9.13 million.

##### **Cumulative period to date results**

KIP REIT registered a total Revenue of RM26.35 million and Net Property Income of RM17.53 million (include waiver of 5 days' Net Property Income from Vendors amounting to RM0.68 million) for the period under review.

After taking the financing cost and other trust expenses totalling RM3.80 million and off-set with other income of RM0.53 million and interest income of RM0.40 million, the profit before taxation for the current quarter ended 30 June 2017 was RM14.66 million.

The Manager has declared a final income distribution of RM9.69 million or 1.918 sen per unit for the current quarter ended 30 June 2017 and will be paid on 29 August 2017.

#### **B2 MATERIAL CHANGES IN NET INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER**

	<b>Current Quarter Ended 30 June 2017 <u>RM ('000)</u></b>	<b>Immediate Preceding Quarter Ended 31 March 2017 <u>RM ('000)</u></b>
Net income before tax	<u>9,132</u>	<u>5,526</u>

There was an increase in net income before tax recorded in the current quarter as compared with the immediate preceding quarter due to net income from KIP REIT properties which were acquired February 2017.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

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### **B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN LISTING REQUIREMENTS**

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#### **B3 PROSPECT**

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, an allocation of 579 car park bays and 210 motorcycle bays located 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, an allocation of 196 car park bays and 112 motorcycle bays located of land along Jalan Maju, Kota Tinggi;
- (iii) KiP Mart Masai is a single-storey retail centre with a mezzanine floor, an allocation of 628 car park bays and 214 motorcycle bays located of land in Taman Bukit Dahlia, Pasir Gudang;
- (iv) KiP Mart Lavender Senawang is a single-storey retail centre with a mezzanine floor, an allocation of 584 car park bays and 85 motorcycle bays located of land within the Lavender Heights township area, Seremban;
- (v) KiP Mart Melaka is a two-storey retail centre with an allocation of 520 car park bays and 140 motorcycle bays located 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, , an allocation of 475 car park bays and 65 motorcycle bays located of land along Jalan Medan Bangi, Bandar Baru Bangi.

The Manager intend to expand KIP REIT in the future, through the acquisition of other properties. The Trustee currently also holds Right of First Refusal (ROFR) for the acquisition of KiP Mall Kota Warisan, KiP Mart Sendayan, KiP Mart Sungai Buloh, KiP Mart Kuantan and KiP Mart Sungai Pertani at different stage of completion.

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.

#### **B4 INVESTMENT OBJECTIVES AND STRATEGIES**

The Manager's key objective for KIP REIT is to provide the unitholders with regular and stable distributions, sustainable long term unit price, distributable income and capital growth, while maintaining an appropriate capital structure. The Manager intends to increase the income and the value of the investment properties through active asset management, asset enhancement initiatives, acquisition growth as well as capital and risk management strategies.

#### **B5 PORTFOLIO COMPOSITON**

During the financial period under review, the portfolio of KIP REIT consists of six (6) investment properties as stated in B3.

# KIP REAL ESTATE INVESTMENT TRUST

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### B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN LISTING REQUIREMENTS

#### B6 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

A total of 505.30 million units were issued at RM1.00 per unit by KIP REIT to satisfy part of purchase consideration for the investment properties as follows:-

Subject Properties	Valuation (RM'000)	Related Assets (RM'000)	Total Purchase consideration (RM'000)	To be satisfied by	
				Consideration Units ('000)	Cash consideration (RM'000)
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>

Cash considerations were funded through the proceeds raised from the IPO and funds received from the drawdown of the financing facility. The total cash proceeds of RM234.15 million raised from the IPO are used for the following:-

Purpose	(RM'000)
- Part payment of the purchase consideration for the Acquisitions	222,141
- Listing expenses	10,909
- Expenses relating to Financing Facilities	1,100
<b>Total</b>	<b>234,150</b>

#### B7 TAXATION

KIP REIT will be exempted from income tax provided that KIP REIT distributes 90% or more of its total income as defined in the Malaysian Income Tax Act, 1967 ("ITA") to its unitholders within 2 months from the close of its financial period which forms the basis period for the period of assessment of KIP REIT.

For the final income distribution, the Manager has declared more than 90% of the distributable income as defined in the Malaysian Income Tax Act, 1967 ("ITA") of KIP REIT to unitholders

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## **B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN LISTING REQUIREMENTS**

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for the current quarter ended 30 June 2017, no provision for taxation has been made for the current quarter ended 30 June 2017.

### **B8 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.

### **B9 PURCHASE AND DISPOSAL OF QUOTED SECURITIES**

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

### **B10 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

There were no corporate proposals announced during the quarter under review.

### **B11 BORROWINGS**

KIP REIT has obtained the Financing Facilities comprising of a term loan of RM87.00 million to part finance the Acquisitions and, or working capital purposes, a revolving credit facility of RM7.00 million and letter of guarantee of RM3.00 million.

### **B12 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There was no off balance sheet financial instruments for the current quarter ended 30 June 2017 under review.

### **B13 MATERIAL LITIGATION**

There was no pending material litigation as at the date of Interim Financial Report ended 30 June 2017.

### **B14 SOFT COMMISSION RECEIVED**

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



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For the 4<sup>TH</sup> Quarter Ended 30 June 2017

## B. ADDITIONAL INFORMATION PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S MAIN LISTING REQUIREMENTS

### B15 SUMMARY OF DPU, EPU AND NAV

	Current Quarter Ended 30 June 2017
Number of units in issue (units'000)	505,300
Earning per unit (EPU) - sen	1.81
Net income distribution to unitholders (RM'000)	9,692
Distribution per unit (DPU) – sen	1.92
Net Asset Value (NAV) – (RM'000)	504,398
NAV per unit (RM)	0.9982
Market Value Per Unit (RM)	0.92

### B16 MANAGER FEE

Based on the Trust Deed, the Manager is entitled to receive the following fees from KIP REIT:-

- (i) Base fee of up to 1.0% per annum on the TAV;
- (ii) Performance fee of up to 5.0% per annum of net property income;
- (iii) Acquisition fee of 1.0% of the transaction value of real estate and real estate related assets directly or indirectly acquired from time to time by the Trustee; and
- (iv) Divestment fee of 0.5% of the transaction value of any real estate and real estate related assets directly or indirectly sold or divested from time to time by the Trustee.

The Manager fees for the current quarter ended 30 June 2017 totalling RM478,032 consist of base fee (0.3%) and performance fee (1%).

### B17 TRUSTEE FEE

Based on the Deed, KIP REIT will pay the Trustee an annual trustee's fee of 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. The annual trustee's fee in aggregate shall be up to maximum rate of 0.05% per annum of the NAV of KIP REIT.

### B18 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 30 June 2017 and of its financial performance and cash flows for the period then ended.