



# KIP REAL ESTATE INVESTMENT TRUST

## Interim Financial Report for the 3rd quarter 2018 ended 31 March 2018

<u>No</u>	<u>Contents</u>	<u>Page</u>
1.	Condensed Statement of Comprehensive Income	1
2.	Condensed Statement of Financial Position	2
3.	Condensed Statement of Changes in Net Assets Value	3
4.	Condensed Statement of Cash Flows	4
5.	Part A - Disclosure requirements pursuant to Malaysian Financial Reporting Standards ("MFRS") 134	5-9
6.	Part B - Additional disclosure pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")	10-15

**KIP REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
For the 3rd Quarter Ended 31 March 2018

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 March 2018 (3 months) RM '000	31 March 2017 (2 months) RM '000	31 March 2018 (9 months) RM '000	31 March 2017 (2 months) RM '000
Gross rental income	13,337	8,684	39,630	8,684
Other income	2,333	1,624	7,016	1,624
<b>Gross revenue</b>	<b>15,670</b>	<b>10,308</b>	<b>46,646</b>	<b>10,308</b>
Utilities expenses	2,625	1,627	7,790	1,627
Maintenance and housekeeping expenses	688	556	2,001	556
Marketing expenses	107	191	429	191
Reimbursement costs	1,146	769	3,348	769
Property manager fee	36	-	108	-
Quit rent and assessment	319	213	956	213
Other operating expenses	385	289	1,211	289
<b>Property operating expenses</b>	<b>5,306</b>	<b>3,645</b>	<b>15,843</b>	<b>3,645</b>
<b>Net property income</b>	<b>10,364</b>	<b>6,663</b>	<b>30,803</b>	<b>6,663</b>
Other income	-	213	-	213
Interest income	204	225	609	225
<b>Net investment income</b>	<b>10,568</b>	<b>7,101</b>	<b>31,412</b>	<b>7,101</b>
Borrowing costs	1,082	689	3,414	689
Depreciation of plant and equipment	20	26	53	26
Manager's management fee	248	418	1,617	418
Auditors' remuneration	61	38	199	38
Trustees' fee	31	32	96	32
Valuers' fee	38	17	113	17
Other advisor fee	14	6	24	6
Other expenses (Pre Listing)	-	313	-	313
Office expenses	227	36	685	36
<b>Profit before taxation</b>	<b>8,847</b>	<b>5,526</b>	<b>25,211</b>	<b>5,526</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit after taxation</b>	<b>8,847</b>	<b>5,526</b>	<b>25,211</b>	<b>5,526</b>
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<b>8,847</b>	<b>5,526</b>	<b>25,211</b>	<b>5,526</b>
Profit after taxation is made up as follows:				
- Realised	8,847	5,526	25,211	5,526
- Unrealised	-	-	-	-
	<b>8,847</b>	<b>5,526</b>	<b>25,211</b>	<b>5,526</b>
<b>Earnings Per Unit (sen)</b>	<b>1.75</b>	<b>1.09</b>	<b>4.99</b>	<b>1.09</b>

The financial performance of KIP REIT is not comparable for both the individual period and cumulative period with the preceding year corresponding quarter and period performance. This is due to the preceding year corresponding quarter and period recognising 2 months of financial performance of KIP REIT (from 6 February 2017 to 31 March 2017) as the REIT was listed on Bursa Malaysia on 6 February 2017.

**KIP REAL ESTATE INVESTEMENT TRUST  
CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

	Unaudited As At End of Current Quarter 31 March 2018 RM ('000)	Audited As At Preceding Year Ended 30 June 2017 RM ('000)
<b>ASSETS</b>		
<b><u>Non-Current Assets</u></b>		
Plant and equipment	484	323
Investment properties	580,017	580,000
<b>Total Non-Current Assets</b>	<b>580,501</b>	<b>580,323</b>
<b><u>Current Assets</u></b>		
Trade receivables	1,437	2,533
Other receivables and prepaid expenses	4,684	5,085
Deposit with licensed bank	13,328	11,277
Cash and bank balances	10,492	13,695
<b>Total Current Assets</b>	<b>29,941</b>	<b>32,590</b>
<b>TOTAL ASSETS</b>	<b>610,443</b>	<b>612,913</b>
<b>FINANCED BY UNITHOLDERS' FUND</b>		
Unitholders' capital	492,315	492,264
Retained earnings	11,231	12,134
<b>Total Unitholders' Fund</b>	<b>503,546</b>	<b>504,398</b>
<b><u>Current Liabilities</u></b>		
Trade payables	109	535
Other payables and accrued expenses	10,028	11,098
Borrowings	572	616
<b>Total Current Liabilities</b>	<b>10,709</b>	<b>12,249</b>
<b><u>Non-Current Liabilities</u></b>		
Other payables and accrued expenses	10,096	10,096
Borrowings	86,092	86,170
<b>Total Non-Current Liabilities</b>	<b>96,188</b>	<b>96,266</b>
<b>TOTAL LIABILITIES</b>	<b>106,897</b>	<b>108,515</b>
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>	<b>610,443</b>	<b>612,913</b>
<b>Net Asset Value (NAV)</b>		
- before income distribution	529,660	508,599
- after income distribution	<b>503,546</b>	<b>503,546</b>
<b>Number of units in circulation (Units)</b>	<b>505,300</b>	<b>505,300</b>
<b>Net Asset Value per unit (RM)</b>		
- before income distribution	1.0482	1.0065
- after income distribution	<b>0.9965</b>	<b>0.9965</b>

The unaudited condensed statement of the financial position should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2017 and the accompanying notes attached to the financial statements.

KIP REAL ESTATE INVESTMENT TRUST  
 CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
 For the 3rd Quarter Ended 31 March 2018

	Unitholders' capital RM ('000)	Retained earnings RM ('000)	Total funds RM ('000)
As at 1 July 2017	492,264	12,134	504,398
Total comprehensive income for the period attributable to unitholders	-	25,211	25,211
Distribution to unitholders	-	(26,114)	(26,114)
Net total comprehensive income for the period attributable to unitholders	492,264	11,231	503,495
Unitholders' transactions			
Listing expenses	51	-	51
Increase in net assets resulting from unitholders' transactions	51	-	51
As at 31 March 2018	492,315	11,231	503,546
As at 2 November 2016 (Date of establishment of KIP REIT)	-	-	-
Total comprehensive income for the period attributable to unitholders	-	14,660	14,660
Distribution to unitholders	-	(5,053)	(5,053)
Net total comprehensive income for the period attributable to unitholders	-	9,607	9,607
Unitholders' transactions			
Issue of new units	505,300	-	505,300
Valuation of units issued at fair value	(2,527)	-	(2,527)
Total value of units issued	502,774	-	502,774
Effect of fair value adjustment (due to units issued) for acquisition of investment properties	-	2,527	2,527
Listing expenses	(10,509)	-	(10,509)
Increase in net assets resulting from unitholders' transactions	492,264	2,527	494,791
As at 30 June 2017	492,264	12,134	504,398

The unaudited condensed statement of changes in net asset value of KIP REIT should be read in conjunction with the Audited Financial Statements for the financial period ended 30 June 2017 and the accompanying notes attached to the financial statements.

**KIP REAL ESTATE INVESTEMENT TRUST  
CONDENSED STATEMENT OF CASH FLOWS**

	Year To Date	
	Current Year Ended 31 March 2018 (9 months) RM ('000)	Preceding Year Ended 31 March 2017 (2 months) RM ('000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	25,211	5,526
Adjustment for:		
Borrowing costs	3,414	689
Interest income	(609)	(438)
Depreciation of plant and equipment	53	26
Operating income before changes in working capital	<u>28,069</u>	<u>5,803</u>
Net change in trade and other receivables	1,497	(6,579)
Net change in payables and accruals	<u>(1,568)</u>	<u>20,058</u>
Cash generated from operations	27,998	19,282
Taxes paid	-	-
Net cash generated from operating activities	<u>27,998</u>	<u>19,282</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	609	438
Placement of short term deposits	(2,051)	-
Purchase of investment properties	-	(580,291)
Purchase of plant and equipment	(214)	-
Capital expenditure on investment properties	(17)	-
Net cash used in investing activities	<u>(1,673)</u>	<u>(579,853)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Income distribution paid to unitholders	(26,114)	-
Interest paid	(3,414)	(689)
Proceeds from issue of new units less direct issue cost	-	494,659
Proceeds from issuance of long term financing direct issue cost	-	87,657
Net cash used in financing activities	<u>(29,528)</u>	<u>581,627</u>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,203)	21,056
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>13,695</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>10,492</u>	<u>21,056</u>

The financial performance of KIP REIT is not comparable for both the individual period and cumulative period with the preceding year corresponding quarter and period performance. This is due to the preceding year corresponding quarter and period recognising 2 months of financial performance of KIP REIT (from 6 February 2017 to 31 March 2017) as the REIT was listed on Bursa Malaysia on 6 February 2017.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3rd Quarter of 2018 Ended 31 March 2018

### 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

The Audited Financial Statements of KIP REIT for the financial period ended 30 June 2017 was not subject to any audit qualification.

#### 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 statements 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 23 April 2018, the Manager has declared a 3<sup>rd</sup> interim income distribution of RM8.99 million or 1.78 sen per unit (of which 1.739 sen per unit is subject to withholding tax and 0.041 sen per unit is tax exempt/non-taxable) for 3<sup>rd</sup> quarter of 2018 ended 31 March 2018 (from 1 January 2018 to 31 March 2018). The 3<sup>rd</sup> interim income distribution will be paid on 25 May 2018 to the

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3rd Quarter of 2018 Ended 31 March 2018

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

unitholders registered in the Record of Depositors on 10 May 2018 and has not been included as a liability in the current financial quarter under review.

#### A8 SEGMENT REPORTING

Segmental result for the 3<sup>rd</sup> quarter of 2018 ended 31 March 2018 is as follows:-

<u>3rd Quarter</u>	<u>3rd Quarter Ended 31.3.2018</u>		
	<u>KiP Mart</u>	<u>KiP Mall</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>By Business Segments</b>			
<b>Revenue and expenses</b>			
Gross revenue	11,896	3,774	15,670
Net property income	7,751	2,613	10,363
Interest income	158	46	204
Borrowing costs	(839)	(243)	(1,082)
Trust and other expenses	(472)	(167)	(638)
Profit before taxation	6,599	2,249	8,847
Taxation	-	-	-
Total comprehensive income attributable to unitholders	6,599	2,249	8,847

<u>Cumulative Quarter</u>	<u>Cumulative Quarter Ended 31.3.2018</u>		
	<u>KiP Mart</u>	<u>KiP Mall</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>By Business Segments</b>			
<b>Revenue and expenses</b>			
Gross revenue	35,517	11,129	46,646
Net property income	23,052	7,751	30,803
Interest income	473	136	609
Borrowing costs	(2,647)	(767)	(3,414)
Trust and other expenses	(2,154)	(632)	(2,786)
Profit before taxation	18,723	6,489	25,212
Taxation	-	-	-
Total comprehensive income attributable to unitholders	18,723	6,489	25,212

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3rd Quarter of 2018 Ended 31 March 2018

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

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

	<u>Gross Revenue</u>			<u>Net Property Income</u>			<u>Gross Revenue</u>			<u>Net Property Income</u>		
	<u>3rd Quarter</u>			<u>3rd Quarter</u>			<u>Cumulative Quarter</u>			<u>Cumulative Quarter</u>		
	<u>31.3.2018</u>	<u>31.3.2017</u>	<u>Change</u>	<u>31.3.2018</u>	<u>31.3.2017</u>	<u>Change</u>	<u>31.3.2018</u>	<u>31.3.2017</u>	<u>Change</u>	<u>31.3.2018</u>	<u>31.3.2017</u>	<u>Change</u>
<u>(3 months)</u>	<u>(2 months)</u>	<u>% (*)</u>	<u>(3 months)</u>	<u>(2 months)</u>	<u>% (*)</u>	<u>(9 months)</u>	<u>(2 months)</u>	<u>% (*)</u>	<u>(9 months)</u>	<u>(2 months)</u>	<u>% (*)</u>	
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>	
<b><u>KIP Mart</u></b>												
Tampoi	4,050	2,701	NA	2,968	2,025	NA	12,047	2,701	NA	8,761	2,025	NA
Kota Tinggi	1,524	1,042	NA	991	667	NA	4,607	1,042	NA	2,854	667	NA
Mart Masai	4,117	2,688	NA	3,124	2,057	NA	12,392	2,688	NA	9,341	2,057	NA
Senawang	788	538	NA	264	103	NA	2,389	538	NA	843	103	NA
Melaka	1,417	929	NA	404	320	NA	4,082	929	NA	1,252	320	NA
	<u>11,896</u>	<u>7,898</u>	<u>NA</u>	<u>7,751</u>	<u>5,173</u>	<u>NA</u>	<u>35,517</u>	<u>7,898</u>	<u>NA</u>	<u>23,052</u>	<u>5,173</u>	<u>NA</u>
<b><u>KIP Mall</u></b>												
Bangi	3,774	2,409	NA	2,613	1,488	NA	11,129	2,409	NA	7,751	1,488	NA
	<u>3,774</u>	<u>2,409</u>	<u>NA</u>	<u>2,613</u>	<u>1,488</u>	<u>NA</u>	<u>11,129</u>	<u>2,409</u>	<u>NA</u>	<u>7,751</u>	<u>1,488</u>	<u>NA</u>
Total Segment	<u>15,670</u>	<u>10,307</u>	<u>NA</u>	<u>10,363</u>	<u>6,661</u>	<u>NA</u>	<u>46,646</u>	<u>10,307</u>	<u>NA</u>	<u>30,803</u>	<u>6,661</u>	<u>NA</u>

\*Not applicable due to 3 months in the current year quarter as opposed to 2 months in the preceding year quarter and 9 months cumulative quarter as compared to 2 months in the preceding cumulative quarter.

KIP REIT comprises the following two business segments:

- i) KIP Mart, and
- ii) KIP Mall

#### a) Review of 3<sup>rd</sup> Quarter of 2018 (January to March) Performance

##### KIP Mart Segment

KIP Mart segment registered a total Revenue of RM11.90 million and Net Property Income of RM7.75 million for the period under review.

After taking the financing cost and other trust expenses totalling RM1.31 million and off-set with the interest income of RM0.16 million, the profit before taxation for the 3<sup>rd</sup> quarter of 2018 ended 31 March 2018 was RM6.60 million.

No comparison is available as the results in the current year quarter is for 3 months and the preceding year corresponding period is only 2 months.

##### KIP Mall Segment

KIP Mall segment registered a total Revenue of RM3.77 million and Net Property Income of RM2.61 million for the period under review.

After taking the financing cost and other trust expenses totalling RM0.41 million and off-set with the interest income of RM0.05million, the profit before taxation for the 3<sup>rd</sup> quarter of 2018 ended 31 March 2018 was RM2.25 million.

No comparison is available as the results in the current year quarter is for 3 months and the preceding year corresponding period is only 2 months.



# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3rd Quarter of 2018 Ended 31 March 2018

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

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

- b) Review of Cumulative Quarter Performance ended 31 March 2018 (9 months from July'17 to March'18)

##### KiP Mart Segment

KiP Mart segment registered a total Revenue of RM35.52 million and Net Property Income of RM23.05 million for the cumulative quarter under review.

After taking the financing cost and other trust expenses totalling RM4.80 million and off-set with the interest income of RM0.47 million, the profit before taxation for the cumulative quarter ended 31 March 2018 was RM18.72 million.

No comparison is available as the results in the cumulative quarter is for 9 months and the cumulative preceding year corresponding period is only 2 months.

##### KiP Mall Segment

KiP Mall segment registered a total Revenue of RM11.13 million and Net Property Income of RM7.75 million for the cumulative quarter under review.

After taking the financing cost and other trust expenses totalling RM1.40 million and off-set with the interest income of RM0.08 million, the profit before taxation for the cumulative quarter ended 31 March 2017 was RM6.49 million.

No comparison is available as the results in the cumulative quarter is for 9 months and the cumulative preceding year corresponding period is only 2 months.

#### A9 VALUATION OF INVESTMENT PROPERTIES

The valuation of investment properties has been brought forward without amendment from the previous audited financial statements for the period ended 30 June 2017.

#### A10 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the 3rd quarter of 2018 ended 31 December 2018.

#### 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.

# KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
For the 3rd Quarter of 2018 Ended 31 March 2018

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

### A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

### A14 CAPITAL COMMITMENT

Capital commitment as at 31 March 2018:

	Current Quarter Ended 31 March 2018 <u>RM ('000)</u>
<b>KiP Mart Tampoi</b>	
- Installation of firefighting system, upgrading plaster ceiling, air-conditioning system, wiring and lighting system	1,743
<b>KiP Mall Bangi</b>	
- Design, retrofit, operation and maintenance for replacement of existing chilled water air-conditioning plant	2,700
Total	<u>4,443</u>

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3<sup>RD</sup> Quarter FY 2018 Ended 31 March 2018

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

#### B1 REVIEW OF PERFORMANCE

For the 3rd quarter FY 2018 ("Q3FY18") ended 31 March 2018, the results as stated in the Statement of Comprehensive Income are from the period from 1 January 2018 to 31 March 2018.

##### Financial review for current quarter and financial year to date

	<u>Individual Period (3rd quarter)</u>			<u>Cumulative Period</u>		
	Current Year Quarter 31.3.2018 (3 months) RM'000	Preceding Year Corresponding Quarter 31.3.2017 (2 months) RM'000	Changes % (*)	Current Year To Date 31.3.2018 (9 months) RM'000	Preceding Year Corresponding Period 31.3.2017 (2 months) RM'000	Changes % (*)
Gross revenue	15,670	10,308	NA	46,646	10,308	NA
Net property income	10,363	6,663	NA	30,803	6,663	NA
Profit before interest and tax	9,929	6,215	NA	28,626	6,215	NA
Profit before taxation	8,847	5,526	NA	25,212	5,526	NA
Profit after taxation	8,847	5,526	NA	25,212	5,526	NA
Total comprehensive income attributable to unitholders	8,847	5,526	NA	25,212	5,526	NA

\*Not applicable due to 3 months in the current quarter as opposed to 2 months in the preceding quarter and 9 months cumulative quarter as compared to 2 months in the preceding cumulative quarter.

KIP REIT registered a total Revenue of RM15.67 million and Net Property Income of RM10.36 million for Q3FY18. Total Comprehensive Income Attributable to Unitholders for Q3FY18 and for the 3 months current quarter and 9 months cumulative period ended 31 March 2018 was RM8.85 million and RM25.21 million respectively.

The financial performance of KIP REIT is not comparable for both the individual period and cumulative period with the preceding year corresponding quarter and period performance. This is due to the preceding year corresponding quarter and period recognising 2 months of financial performance of KIP REIT (from 6 February 2017 to 31 March 2017) as the REIT was listed on Bursa Malaysia on 6 February 2017.

The Manager has declared a 3<sup>rd</sup> interim income distribution of RM8.99 million or 1.78 sen per unit for Q3FY18 which will be paid on 25 May 2018.

##### Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.3.2018 (3QFY18) RM'000	Immediate Preceding Quarter 31.12.2017 (2QFY18) RM'000	Changes %
Gross revenue	15,670	15,675	0.0%
Net property income	10,363	10,815	-4.2%
Profit before interest and tax	9,929	9,926	0.0%
Profit before taxation	8,847	8,753	1.1%
Profit after taxation	8,847	8,753	1.1%
Total comprehensive income attributable to unitholders	8,847	8,753	1.1%

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3<sup>RD</sup> Quarter FY 2018 Ended 31 March 2018

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

#### **B1 REVIEW OF PERFORMANCE (CONTINUED)**

##### **Financial review for current quarter compared with immediate preceding quarter (Continued)**

##### **Gross Revenue**

Gross revenue for Q3FY18 was RM15.67 million which is about the same as the immediate preceding quarter.

##### **Net Property Income**

Net property income ("NPI") for Q3FY18 was RM10.36 million as compared to the immediate preceding quarter of RM10.82 million, a decrease of RM0.46 million or 4.2% as all the upkeep of building and marketing and advertisement expenses are fully utilised in the current year quarter.

##### **Profit Before Interest and Taxation**

Profit before interest and taxation for Q3FY18 was RM9.29 million compared to the immediate preceding quarter of RM9.26 million.

##### **Total Comprehensive Income Attributable to Unitholders**

KIP REIT registered a higher total comprehensive income attributable to unitholders of RM8.85 million for the current year quarter compared to RM8.75 million for the immediate preceding year quarter due to lower other operating cost which has resulted an increase of RM0.1 million or 1.1%.

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

	Current Quarter Ended 31 March 2018 <u>RM ('000)</u>	Immediate Preceding Quarter Ended 31 December 2017 <u>RM ('000)</u>
Profit before tax	<u>8,847</u>	<u>8,753</u>

The changes in profit before tax for the current year quarter and the immediate preceding year quarter are explained in B1 above.

#### **B3 PROSPECTS**

The retail business in Malaysia will continue to remain challenging as consumer confidence has yet to recover from the current sluggish economy.

KiP Marts and the KiP Mall are community-centric and neighbourhood retail centres, offering a variety of fresh and affordable daily necessity products. The Properties recorded an average occupancy of 86.22% as at Q3FY18 ended 31 March 2018 and will be expected to maintain this occupancy rate despite the current challenging economic situation.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3<sup>RD</sup> Quarter FY 2018 Ended 31 March 2018

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

#### **B3 PROSPECTS (CONTINUE)**

The Manager will continue to ensure that all the existing assets under the portfolio are well maintained and will continue to undertake assets enhancement initiatives ("AEI") to ensure stable rental income and distribution for its unitholders. The Manager will prioritise and focus on leasing and marketing strategies to increase the occupancy for KiP Mart Lavender Senawang, KiP Mart Melaka as well as KiP Mall Bangi in order to further improve the net rental income.

The Manager will continue to expand the asset portfolio of KIP REIT in the near future, through the acquisition of other properties from the promoters. The Trustee currently also holds Right of First Refusal ("ROFR") for the acquisition of KiP Mall Kota Warisan (completed and launched on 29 August 2017), KiP Mart Sendayan, KiP Mart Sungai Buloh, KiP Mart Kuantan and KiP Mart Sungai Petani which are currently at various stages of completion.

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

The Manager is actively identifying suitable property assets as potential new acquisitions to continuously improve the net property income and to ensure stronger yields for KIP REIT.

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

The Manager's key objective for KIP REIT is to provide the unitholders with regular and stable income distributions 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, 5 community-centric retail centres and a neighbourhood shopping mall.

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

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

#### **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 third interim 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 for the current year quarter ended 31 March 2018, no provision for taxation has been made for the current year quarter ended 31 March 2018.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3<sup>RD</sup> Quarter FY 2018 Ended 31 March 2018

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

#### **B8 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

There was no disposal of unquoted securities or investment properties during Q3FY18 ended 31 March 2018 under review.

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

There was no purchase or disposal of quoted securities during Q3FY18 ended 31 March 2018 under review.

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

There were no corporate proposals announced during the Q3FY18 ended March 2018 under review.

#### **B11 BORROWINGS**

	As at 31 March 2018 <u>RM ('000)</u>	As at 30 June 2017 <u>RM ('000)</u>
Secured Term Loan:-		
Current	572	616
Non-current	86,092	86,170
Total Borrowings	<u>86,664</u>	<u>86,786</u>

The Financing Facilities for KIP REIT comprise 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 of which RM1.61 million had been utilised as utilities deposits.

#### **B12 TRADE RECEIVABLES**

	As at 31 March 2018 <u>RM ('000)</u>	As at 30 June 2017 <u>RM ('000)</u>
Trade Receivables	<u>1,437</u>	<u>2,533</u>

The average credit terms of trade receivables was seven (7) days.

As at 31 March 2018, the trade receivables has further improved by 43.27% or RM1.1 million to RM1.4 million as compared to audited financial period ended 30 June 2017.

#### **B13 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There was no off balance sheet financial instruments for the Q3FY18 ended 31 March 2018 under review.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3<sup>RD</sup> Quarter FY 2018 Ended 31 March 2018

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

#### **B14 MATERIAL LITIGATION**

There was no pending material litigation as at the date of Interim Financial Report ended 31 March 2018.

#### **B15 SOFT COMMISSION RECEIVED**

There was no soft commission received by the Manager during the 3<sup>rd</sup> quarter of FY 2018 ended 31 March 2018 under review.

#### **B16 SUMMARY OF DPU, EPU AND NAV**

	Current Year Quarter Ended 31 March 2018
Number of units in issue (units'000)	505,300
Earning per unit (EPU) - sen	1.75
Net income distribution to unitholders (RM'000)	8,847
Distribution per unit (DPU) – sen	1.78
Net Asset Value (NAV) – (RM'000)	503,548
NAV per unit (RM)	0.997
Market Value Per Unit (RM)	0.770

#### **B17 MANAGER FEE**

Based on the Trust Deed dated on 2 November 2016, 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 3<sup>rd</sup> quarter FY 2018 ended 31 March 2018 totalling RM0.25mil consist of base fee (0.3%) and performance fee (1%).

#### **B18 TRUSTEE FEE**

Based on the Deed dated on 2 November 2016, 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.

# KIP REAL ESTATE INVESTMENT TRUST

## NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 3<sup>RD</sup> Quarter FY 2018 Ended 31 March 2018

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

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#### **B19 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 March 2018 and of its financial performance and cash flows for the period then ended.