



KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 3rd quarter FY2020 ended 31 March 2020

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter				Period-To-Date			
	31 Mar 2020		31 Mar 2019		31 Mar 2020		31 Mar 2019	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Gross rental income	17,111	88.1%	13,146	84.0%	50,451	87.5%	39,278	83.8%
Revenue from contracts with customers	2,305	11.9%	2,497	16.0%	7,189	12.5%	7,583	16.2%
Gross revenue	19,416	100.0%	15,643	100.0%	57,640	100.0%	46,860	100.0%
Utilities expenses	(1,896)	(9.8%)	(2,186)	(14.0%)	(6,238)	(10.8%)	(7,476)	(16.0%)
Maintenance and housekeeping expenses	(677)	(3.5%)	(957)	(6.1%)	(1,980)	(3.4%)	(2,433)	(5.2%)
Marketing expenses	(77)	(0.4%)	(149)	(1.0%)	(227)	(0.4%)	(485)	(1.0%)
Quit rent and assessment	(494)	(2.5%)	(319)	(2.0%)	(1,343)	(2.3%)	(956)	(2.0%)
Reimbursement costs	(1,097)	(5.6%)	(1,362)	(8.7%)	(3,295)	(5.7%)	(3,670)	(7.8%)
Property manager fee	(48)	(0.2%)	(38)	(0.2%)	(121)	(0.2%)	(113)	(0.2%)
Other operating expenses	(570)	(2.9%)	(376)	(2.4%)	(1,651)	(2.9%)	(1,084)	(2.3%)
Property operating expenses	(4,859)	(25.0%)	(5,387)	(34.4%)	(14,855)	(25.8%)	(16,217)	(34.6%)
Net property income	14,557	75.0%	10,256	65.6%	42,785	74.2%	30,643	65.4%
Changes in fair value on investment properties	-	0.0%	-	0.0%	13,187	22.9%	-	0.0%
Interest income	169	0.9%	98	0.6%	455	0.8%	416	0.9%
Net investment income	14,726	75.8%	10,354	66.2%	56,427	97.9%	31,059	66.3%
Manager's management fee	(1,457)	(7.5%)	(991)	(6.3%)	(6,250)	(10.8%)	(2,956)	(6.3%)
Trustees' fee	(45)	(0.2%)	(25)	(0.2%)	(317)	(0.5%)	(75)	(0.2%)
Auditors' remuneration	(27)	(0.1%)	(27)	(0.2%)	(80)	(0.1%)	(88)	(0.2%)
Valuers' fee	(60)	(0.3%)	(38)	(0.2%)	(150)	(0.3%)	(116)	(0.2%)
Other trust expenses	(435)	(2.2%)	(482)	(3.1%)	(2,103)	(3.6%)	(1,391)	(3.0%)
Borrowing costs	(3,595)	(18.5%)	(1,425)	(9.1%)	(10,647)	(18.5%)	(3,911)	(8.3%)
Profit before taxation	9,107	46.9%	7,366	47.1%	36,880	64.0%	22,522	48.1%
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	9,107	46.9%	7,366	47.1%	36,880	64.0%	22,522	48.1%
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	9,107	46.9%	7,366	47.1%	36,880	64.0%	22,522	48.1%
Total								
Profit after taxation is made up as follows:								
- Realised	9,107	46.9%	7,366	47.1%	27,175	47.1%	22,522	48.1%
- One-off exp incidental to the acquisition	-	0.0%	-	0.0%	(3,482)	(6.0%)	-	0.0%
- Unrealised	-	0.0%	-	0.0%	13,187	22.9%	-	0.0%
	9,107	46.9%	7,366	47.1%	36,880	64.0%	22,522	48.1%
Basic earnings per unit (sen)	1.80		1.46		7.30		4.46	
Diluted earnings per unit (sen)	1.80		1.46		7.30		4.46	
Total comprehensive income	9,107		7,366		36,880		22,522	
Distribution adjustments	(869)		153		(13,208)		387	
Distribution income	8,238		7,519		23,672		22,909	
Distribution per unit (sen)	1.52		1.51		4.65		4.51	

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 2019 ("AFS FY2019") and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group		Fund	
	Unaudited As At 31 Mar 2020 RM '000	Audited As At 30 Jun 19 RM '000	Unaudited As At 31 Mar 2020 RM '000	Audited As At 30 Jun 19 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Plant and equipment	1,821	1,190	1,821	1,190
Investment properties	819,676	599,300	819,676	599,300
Investment in a subsidiary	-	-	0 *	0 *
Total Non-Current Assets	821,497	600,490	821,497	600,490
<u>Current Assets</u>				
Trade receivables	665	232	665	232
Other receivables and prepaid expenses	4,767	16,221	4,768	16,221
Cash and bank balances	25,423	12,867	18,100	12,867
Total Current Assets	30,855	29,320	23,533	29,320
TOTAL ASSETS	852,352	629,810	845,030	629,810
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	30,183	16,800	30,183	16,800
Total Unitholders' Fund	522,516	509,133	522,516	509,133
<u>Non-Current Liabilities</u>				
Borrowings	302,280	93,390	-	93,390
Amount due to subsidiary company	-	-	302,715	-
Other payables and accrued expenses	5,454	9,750	5,454	9,750
Total Non-Current Liabilities	307,734	103,140	308,169	103,140
<u>Current Liabilities</u>				
Borrowings	7,752	6,779	-	6,779
Trade payables	370	494	370	494
Other payables and accrued expenses	13,980	10,264	13,975	10,264
Total Current Liabilities	22,102	17,537	14,345	17,537
TOTAL LIABILITIES	329,836	120,677	322,514	120,677
TOTAL UNITHOLDERS' FUND AND LIABILITIES	852,352	629,810	845,030	629,810
Net Asset Value (NAV)				
- before income distribution	546,013	541,018	546,013	541,018
- after income distribution	522,516	509,133	522,516	509,133
Number of units in circulation (Units)	505,300	505,300	505,300	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.0806	1.0707	1.0806	1.0707
- after income distribution	1.0341	1.0076	1.0341	1.0076

* 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 2019 and the accompanying notes attached to this Interim Financial Report.

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

	Unitholders' capital RM '000	Retained earnings RM '000	Total RM '000
Group and Fund			
As at 1 July 2019	492,333	16,800	509,133
Profit for the period	-	36,880	36,880
Total comprehensive income for the period attributable to unitholders	-	36,880	36,880
Unitholders' transactions			
Distribution to unitholders	-	(23,497)	(23,497)
Decrease in net asset resulting from unitholders' transactions	-	(23,497)	(23,497)
As at 31 March 2020	492,333	30,183	522,516
Fund			
As at 1 July 2018	492,315	14,636	506,951
Profit for the period	-	22,522	22,522
Total comprehensive income for the period attributable to unitholders	-	22,522	22,522
Unitholders' transactions			
Distribution to unitholders	-	(24,254)	(24,254)
Decrease in net asset resulting from unitholders' transactions	-	(24,254)	(24,254)
As at 31 March 2019	492,315	12,904	505,219

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2019 and the accompanying notes attached to this Interim Financial Report.

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

	Period-To-Date 31 Mar 2020 RM '000	Period-To-Date 31 Mar 2019 RM '000 **
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	36,880	22,522
Adjustment for:		
Changes in fair value on investment properties	(13,187)	-
Interest expenses	9,989	3,938
Interest income	(455)	(416)
Bad debts written off	20	-
Allowance for doubtful debts	88	68
Amortisation of transaction costs	658	191
Depreciation of plant and equipment	229	128
Operating income before changes in working capital	<u>34,222</u>	<u>26,431</u>
Net change in trade and other receivables	10,928	(9,367)
Net change in payables and accruals	<u>(2,379)</u>	<u>(2,807)</u>
Cash generated from operations	42,771	14,257
Taxes paid	-	-
Net cash generated from operating activities	<u>42,771</u>	<u>14,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	439	416
Uplift of short term deposits	-	8,433
Pledge deposit	(7,663)	-
Purchase of plant and equipment	(859)	(265)
Acquisition of investment properties	(206,813)	-
Asset enhancement on investment properties	<u>(376)</u>	<u>(9,700)</u>
Net cash used in investing activities	<u>(215,272)</u>	<u>(1,116)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Income distribution paid to unitholders	(23,497)	(24,254)
Interest paid	(9,180)	(3,938)
Repayment of borrowings	(99,929)	-
Proceeds from borrowings	310,000	13,155
Net cash from / (used in) financing activities	<u>177,394</u>	<u>(15,037)</u>
Net increase / (decrease) in cash and cash equivalents	4,893	(1,896)
Cash and cash equivalents at beginning of period	<u>11,579</u>	<u>14,280</u>
Cash and cash equivalents at end of period	<u><u>16,472</u></u>	<u><u>12,384</u></u>

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

Cash in hand	9	21
Bank balances	2,018	3,022
Short term deposits placed with licensed bank	23,396	10,613
	<u>25,423</u>	<u>13,656</u>
Less: Pledged deposits	(8,951)	(1,272)
	<u><u>16,472</u></u>	<u><u>12,384</u></u>

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2019 and the accompanying notes attached to this Interim Financial Report.

** Consists of the Fund's Statement of Cash flows only

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 Amended and Restated Deed dated 12 December 2019 (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 interim financial statements is 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 Listing Requirements, the Deed and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

The unaudited condensed interim financial statements should be read in conjunction with the AFS FY2019 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements. The accounting policies and methods of computation adopted in this condensed unaudited interim financial statements are consistent with those disclosed in the AFS FY2019.

A3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report for FY2019 was not subject to any audit qualification.

A4 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

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.

A6 CHANGES IN ESTIMATES

Not applicable.

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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 ended 31 March 2020.

A8 INCOME DISTRIBUTION

The Directors of the Manager have decided to distribute at least 90% of KIP REIT's realised distributable income on a quarterly basis for the financial year ending 30 June 2020.

For the quarter ended 31 March 2020, the Manager proposed an interim income distribution of RM7.68 million or 1.52 sen per unit. The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 11 May 2020 and 29 May 2020 respectively.

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

A9 SEGMENT REPORTING

Segmental result for the financial period ended 31 March 2020 is as follows:-

	<u>3rd Quarter Ended 31.3.2020</u>				<u>YTD Ended 31.3.2020</u>			
	<u>Southern Region RM'000</u>	<u>Central Region RM'000</u>	<u>Northern Region RM'000</u>	<u>Total RM'000</u>	<u>Southern Region RM'000</u>	<u>Central Region RM'000</u>	<u>Northern Region RM'000</u>	<u>Total RM'000</u>
By Location Segments								
Revenue and expenses								
Gross revenue	9,942	5,395	4,079	19,416	30,118	16,586	10,936	57,640
Net property income	7,577	3,066	3,914	14,557	22,875	9,395	10,515	42,785
Changes in fair value on investment properties	-	-	-	-	-	-	13,187	13,187
Interest income	76	38	55	169	221	115	119	455
Borrowing costs	(686)	(455)	(2,454)	(3,595)	(2,433)	(1,588)	(6,626)	(10,647)
Trust and other expenses	(990)	(556)	(478)	(2,024)	(3,003)	(1,705)	(4,192)	(8,900)
Profit before taxation	5,977	2,093	1,037	9,107	17,660	6,217	13,003	36,880
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,977	2,093	1,037	9,107	17,660	6,217	13,003	36,880
Assets								
Segment assets					389,957	214,629	220,647	825,233
Unallocated assets								25,423
- Cash and bank balances								1,697
- Trade and other receivables								852,352
Total assets								852,352

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	<u>3rd Quarter Ended 31.3.2019</u>				<u>YTD Ended 31.3.2019</u>			
	Southern Region	Central Region	Northern Region	Total	Southern Region	Central Region	Northern Region	Total
	<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>
Revenue and expenses								
Gross revenue	9,740	5,903	-	15,643	29,078	17,782	-	46,860
Net property income	7,171	3,085	-	10,256	21,332	9,311	-	30,643
Changes in fair value on investment properties	-	-	-	-	-	-	-	-
Interest income	64	34	-	98	268	148	-	416
Borrowing costs	(869)	(556)	-	(1,425)	(2,411)	(1,500)	-	(3,911)
Trust and other expenses	(966)	(598)	-	(1,564)	(2,882)	(1,744)	-	(4,627)
Profit before taxation	5,400	1,965	-	7,366	16,307	6,215	-	22,522
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,400	1,965	-	7,366	16,307	6,215	-	22,522
Assets								
Segment assets					377,287	219,292	-	596,579
Unallocated assets								-
- Cash and bank balances								13,656
- Trade and other receivables								15,129
Total assets								625,364

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

The Malaysian government has announced three phases of Movement Control Order (“MCO”) between 18 March 2020 to 28 April 2020 in a bid to contain the novel coronavirus Covid-19 (“Covid-19”). This restriction prohibits all government and private premises from operating except those providing essential services. As a result, the retail industry has been operating on a reduced capacity affecting shopping malls across Malaysia.

KIP REIT has complied with the MCO alongside government and regulatory guidelines during the Covid-19 outbreak. All properties under KIP REIT’s portfolio are operating with revised hours (7am-7pm or 8am-8pm depending on regions) to provide public access to essential services to the community including supermarket, fresh markets, pharmacies and food and beverages through delivery and take out services only.

The Manager shall continue to monitor and implement appropriate measures in a timely manner to mitigate the impact on KIP REIT’s performance. On the KIPMall level, sanitization, temperature checks and social distancing efforts have been put in place to boost shopper and tenant confidence. Additionally, tenants prohibited from operating may be granted with rental rebates in the form of credit notes on a case-by-case basis and subject to terms and conditions. This rental rebate programme seeks to assist tenants in this challenging period for the sustainability of their businesses and to maintain long term business partnerships.

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The Manager foresees that, conservatively, the impact from the MCO and Covid-19 outbreak will continue into the next few quarters. However, the Manager shall effect appropriate measures in view of the current situation to curb the impact operationally and financially.

A12 CHANGES IN THE COMPOSITION OF KIP REIT

There was no change in composition of fund size for the current quarter and cumulative quarter ended 31 March 2020.

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A14 CAPITAL COMMITMENT

There were no capital commitment to be disclosed.

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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			Year To Date		
	<u>31.3.2020</u>	<u>31.3.2019</u>	<u>Changes</u>	<u>31.3.2020</u>	<u>31.3.2019</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	19,416	15,643	24.1%	57,640	46,860	23.0%
Net property income	14,557	10,256	41.9%	42,785	30,643	39.6%
Profit before taxation	9,107	7,366	23.6%	36,880	22,522	63.8%
Profit after taxation	9,107	7,366	23.6%	36,880	22,522	63.8%
Total comprehensive income attributable to unitholders	9,107	7,366	23.6%	36,880	22,522	63.8%

Quarterly Results

KIP REIT recorded revenue of RM19.4 million in Q3FY20, as compared to RM15.6 million recorded in the preceding year corresponding quarter. The increase was attributed to RM4.1 million from the new acquisition of AEON Mall Kinta City ("AMKC") in July 2019. This amount was partially offset by amortisation of rental rebates of RM0.2mil, in accordance with MFRS16, given to the non-essential tenants affected by the Movement Control Order 18 to 31 March 2020 ("MCO 1").

KIP REIT property operating expenses was RM4.9 million in Q3FY20, a decrease of RM0.5 million or 9.8% mainly attributed to overall better cost management. Correspondingly, net property income of RM14.6 million was 41.9% higher than preceding year corresponding quarter.

The investment properties in the Southern region, Central region and Northern region contributed 51.2%, 27.8% and 21.0% of the KIP REIT total revenue respectively.

Current quarter total comprehensive income attributable to unitholders was RM9.1 million, 23.6% higher than preceding year corresponding quarter. The increase in total comprehensive income was attributed to lower effective interest rates, higher revenue from the acquisition of AMKC and overall better cost management but partially offset by rental rebate offered to non-essential tenants during MCO 1.

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Year-to-date Results

Total revenue for year-to-date 31 March 2020 was RM57.6 million, representing an increase of 23.0% against preceding year-to-date performance, mainly due to 8 months contribution from acquisition of AMKC effective 31 July 2019 but partially offset by the amortisation of rental rebate for non-essential tenants during MCO 1 as explained earlier.

Total property expenses were 8.4% lower compared to year-to-date 31 March 2019 on the back of savings from solar PV system and overall better cost management.

Year-to-date total comprehensive income attributable to unitholders was 63.8% higher than preceding year-to-date attributed to unrealised fair value gain on acquisition of AMKC of RM13.2 million but partially offset by one-off expenses incidental to the acquisition of RM3.5 million on top of the positive net property income contribution from acquisition of AMKC.

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

	Current Quarter	Immediate Preceding Quarter	
	<u>31.3.2020</u>	<u>31.12.2019</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	19,416	19,734	-1.6%
Net property income	14,557	14,733	-1.2%
Profit before taxation	9,107	9,228	-1.3%
Profit after taxation	9,107	9,228	-1.3%
Total comprehensive income attributable to unitholders	9,107	9,228	-1.3%

KIP REIT revenue for the current quarter was 1.6% lower than the immediate preceding quarter ended 31 December 2019 mainly attributed to amortisation of rental rebate offered to non-essential tenants during MCO 1 and coupled with lower revenue from KIPMall Bangi due to a strategic exercise of reshuffling tenant which was explained in last quarter announcement.

In tandem with lower revenue, the net property income decreased by 1.2% compared to the preceding quarter but at the lower than the shortfall against revenue due to overall better cost management. Lower profit before taxation of 1.3% was due to lower revenue as explained.

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B3 PROSPECTS

End of 2019, Retail Group Malaysia (“RGM”) projected 4.6% growth rate for 2020. However, this projection is no longer valid due to the Covid-19 outbreak in the first three months of this year. According to RGM, shopping traffic is estimated to decline between 10% and 50% in retail malls as the Covid-19 outbreak persists, the Malaysia’s retail industry is expected to post a 3.9% year-on-year contraction for the first quarter of 2020. If the virus outbreak and domestic political turmoil are not resolved in the next few months, the local retail industry is expected to suffer negative growth this year.

The outlook for 2020 is filled with uncertainties. Looking out for the next 12 months, the fast-spreading Covid-19 continues to grab headlines and dozens of countries have accelerated emergency measures to curb the spread of the virus. Having said that, Malaysian Government has been proactive with devising measures to mitigate the impact of Covid-19 with the introduction of two economic stimulus packages amounting to RM250 billion to provide immediate relief to affected households and businesses.

In view of challenges in the operating environment, the Manager has taken steps to strengthen the standards of hygiene in all KIPMalls to help restore tenants’ and shoppers’ confidence. The Manager will continue to study KIP REIT’s current tenant base and analyse the changing operating circumstances and pressures faced by tenants to develop a more reasonable leasing strategy during such challenging times. The Board will continue to monitor and assess the situation with respect to Covid-19 and remains committed to minimise the adverse risk Covid-19 may have on the operating and financial performance of KIP REIT.

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.

The Group completed the acquisition of AMKC (Northern region) on 31 July 2019.

B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

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B6 TAXATION

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 proposes to declare more than 90% of its distributable income to its unitholders for the financial year ending 30 June 2020, no provision for taxation has been made for the current quarter.

B7 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during Q3FY20 ended 31 March 2020 under review.

B8 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during Q3FY20 ended 31 March 2020 under review.

B9 BORROWINGS

The Group’s borrowings as at 31 March 2020 are as follows:

	As at 31.3.2020 <u>RM'000</u>
Medium Term Note (MTN)	
Current	7,752
Non-current	302,280
	<u>310,032</u>
Total sssets	<u>852,352</u>
Gearing ratio (%)	36.37%

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B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments for the Q3FY20 ended 31 March 2020 under review.

B11 MATERIAL LITIGATION

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

B12 SOFT COMMISSION RECEIVED

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

B13 SUMMARY OF DPU, EPU AND NAV

	Current Quarter ended 31 March 2020	Immediate Preceding Quarter ended 31 December 2019
Number of units in issue (unuts'000)	505,300	505,300
Earnings per unit (EPU) (sen)		
- before Manager's fee	2.09	2.10
- after Manager's fee	1.80	1.83
Net Income distribution to unitholders (RM'000)	7,681	8,893
Distribution per unit (DPU) (sen)	1.52	1.76
Net Asset Value (NAV) (RM'000)	522,516	522,303
NAV per unit (RM)	1.0341	1.0336
Market value per unit (RM)	0.765	0.860

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B14 MANAGER FEE

Based on the 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 period-to-date was RM6.3 million, which consists of base fee (0.6%) of TAV, performance fee (1%) of net property income and acquisition fee (1%) of the transaction value of AMKC.

B15 TRUSTEE FEE

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

Included in the cumulative quarter ended 31 March 2020 Trustee fees was acquisition fee (0.1%) of the transaction value of AMKC.

B16 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 31 March 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 23 April 2020.