



# KIP REAL ESTATE INVESTMENT TRUST

## Interim Financial Report for the 4th quarter FY2020 ended 30 June 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 - 9
6.	Part B - Additional disclosure pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")	10 - 17

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

	Quarter			Period-To-Date		
	30 Jun 2020	30 Jun 2019	Changes	30 Jun 2020	30 Jun 2019	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	15,505	13,395	15.7%	65,955	52,673	25.2%
Revenue from contracts with customers	1,395	2,809	(50.3%)	8,585	10,392	(17.4%)
<b>Gross revenue</b>	<b>16,900</b>	<b>16,204</b>	<b>4.3%</b>	<b>74,540</b>	<b>63,065</b>	<b>18.2%</b>
Utilities expenses	(1,404)	(2,254)	37.7%	(7,642)	(9,729)	21.4%
Maintenance and housekeeping expenses	(387)	(651)	40.5%	(2,368)	(3,084)	23.2%
Marketing expenses	10	(123)	107.9%	(217)	(608)	64.3%
Quit rent and assessment	(494)	(319)	(55.0%)	(1,836)	(1,275)	(44.1%)
Reimbursement costs	(845)	(1,116)	24.3%	(4,139)	(4,786)	13.5%
Property manager fee	(30)	(38)	22.2%	(151)	(151)	0.0%
Other operating expenses	(518)	(396)	(30.8%)	(2,169)	(1,479)	(46.6%)
Property operating expenses	<b>(3,668)</b>	<b>(4,897)</b>	<b>25.1%</b>	<b>(18,522)</b>	<b>(21,112)</b>	<b>12.3%</b>
<b>Net property income</b>	<b>13,232</b>	<b>11,307</b>	<b>17.0%</b>	<b>56,018</b>	<b>41,953</b>	<b>33.5%</b>
Changes in fair value on investment properties	(13,155)	3,357	(491.9%)	32	3,357	(99.1%)
Interest income	113	86	31.4%	567	502	13.1%
<b>Net investment income</b>	<b>190</b>	<b>14,750</b>	<b>(98.7%)</b>	<b>56,617</b>	<b>45,812</b>	<b>23.6%</b>
Manager's management fee	(1,157)	(1,207)	4.2%	(7,407)	(4,164)	(77.9%)
Trustees' fee	(36)	(32)	(13.7%)	(353)	(100)	(253.2%)
Auditors' remuneration	(25)	(26)	4.5%	(105)	(105)	(0.4%)
Valuers' fee	(50)	(70)	28.1%	(200)	(185)	(8.2%)
Other trust expenses	(448)	(509)	11.9%	(2,552)	(1,917)	(33.1%)
Borrowing costs	(3,471)	(1,381)	(151.4%)	(14,117)	(5,292)	(166.8%)
	<b>(5,187)</b>	<b>(3,225)</b>	<b>(60.8%)</b>	<b>(24,734)</b>	<b>(11,763)</b>	<b>(110.3%)</b>
<b>(Loss) / Profit before taxation <sup>N1</sup></b>	<b>(4,997)</b>	<b>11,525</b>	<b>(143.4%)</b>	<b>31,883</b>	<b>34,049</b>	<b>(6.4%)</b>
<b>Taxation</b>	-	-		-	-	
<b>(Loss) / Profit after taxation</b>	<b>(4,997)</b>	<b>11,525</b>	<b>(143.4%)</b>	<b>31,883</b>	<b>34,049</b>	<b>(6.4%)</b>
Other comprehensive income, net of tax	-	-		-	-	
<b>Total comprehensive (loss) / income attributable to unitholders</b>	<b>(4,997)</b>	<b>11,525</b>	<b>(143.4%)</b>	<b>31,883</b>	<b>34,049</b>	<b>(6.4%)</b>
<b>(Loss) / Profit after taxation is made up as follows:</b>						
- Realised	8,158	8,168	(0.1%)	35,333	30,692	15.1%
- One-off exp incidental to the acquisition	-	-	0.0%	(3,482)	-	0.0%
- Unrealised	(13,155)	3,357	(491.9%)	32	3,357	(99.1%)
	<b>(4,997)</b>	<b>11,525</b>	<b>(143.4%)</b>	<b>31,883</b>	<b>34,049</b>	<b>(6.4%)</b>
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
<b>Basic / Diluted earnings per unit (sen)</b>						
- Realised	1.61	1.62		6.30	6.07	
- Unrealised	(2.60)	0.66		0.01	0.67	
	<b>(0.99)</b>	<b>2.28</b>		<b>6.31</b>	<b>6.74</b>	
<b>Total comprehensive (loss) / income</b>	<b>(4,997)</b>	<b>11,525</b>		<b>31,883</b>	<b>34,049</b>	
<b>Distribution adjustments</b>	<b>12,480</b>	<b>(3,063)</b>		<b>(728)</b>	<b>(2,744)</b>	
<b>Total current period / year distributable income</b>	<b>7,483</b>	<b>8,462</b>		<b>31,155</b>	<b>31,305</b>	
<b>Distribution per unit (sen)</b>	<b>1.53</b>	<b>1.52</b>		<b>6.18</b>	<b>6.03</b>	
<sup>N1</sup> Included in (loss) / profit before taxation are following items:						
Interest income	113	86		567	502	
Amortisation of rental rebate	(1,411)	-		(1,645)	-	
Depreciation of equipments	(77)	(36)		(306)	(164)	
Allowance for impairment on receivable	(16)	(91)		(104)	(91)	
Bad debts written off	-	(70)		(20)	(70)	

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 COMPREHENSIVE INCOME (Continued)**  
**STATEMENT OF INCOME DISTRIBUTION**

	Quarter		Period-To-Date	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM '000	RM '000	RM '000	RM '000
<b>Net property income</b>	<b>13,232</b>	<b>11,307</b>	<b>56,018</b>	<b>41,953</b>
Changes in fair value on investment properties	(13,155)	3,357	32	3,357
Interest income	113	86	567	502
	<b>190</b>	<b>14,750</b>	<b>56,617</b>	<b>45,812</b>
Less : Expenses	(5,187)	(3,225)	(24,734)	(11,763)
<b>Total comprehensive (loss) / income</b>	<b>(4,997)</b>	<b>11,525</b>	<b>31,883</b>	<b>34,049</b>
Distribution adjustment				
- Amortisation of transactions costs	64	77	722	268
- Depreciation of equipment	77	36	306	164
- Changes in fair value on investment properties	13,155	(3,357)	(32)	(3,357)
- Allowance for doubtful debts	16	91	104	91
- Bad debts written off	-	70	20	70
- Written off of equipment	-	20	-	20
- Realised unamortised rental rebate for MCO	(832)	-	(1,848)	-
	<b>12,480</b>	<b>(3,063)</b>	<b>(728)</b>	<b>(2,744)</b>
Total current period / year distributable income	<b>7,483</b>	<b>8,462</b>	<b>31,155</b>	<b>31,305</b>
Undistributed distributable income brought forward	1,088	131	913	77
<b>Distributable income</b>	<b>8,571</b>	<b>8,593</b>	<b>32,068</b>	<b>31,382</b>
Less: Proposed / Declared income distribution	(7,731)	(7,680)	(31,228)	(30,469)
<b>Undistributed distributable income</b>	<b>840</b>	<b>913</b>	<b>840</b>	<b>913</b>
<b>Distribution per unit (sen)</b>	<b>1.53</b>	<b>1.52</b>	<b>6.18</b>	<b>6.03</b>

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	Audited As At	Unaudited As At	Audited As At
	30 Jun 2020 RM '000	30 Jun 19 RM '000	30 Jun 2020 RM '000	30 Jun 19 RM '000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Equipment	1,585	1,190	1,585	1,190
Investment properties	807,000	599,300	807,000	599,300
Investment in a subsidiary	-	-	- *	- *
<b>Total Non-Current Assets</b>	<b>808,585</b>	<b>600,490</b>	<b>808,585</b>	<b>600,490</b>
<b><u>Current Assets</u></b>				
Trade receivables	1,612	232	1,612	232
Other receivables and prepaid expenses	5,645	16,221	5,645	16,221
Cash and bank balances	25,976	12,867	18,597	12,867
<b>Total Current Assets</b>	<b>33,233</b>	<b>29,320</b>	<b>25,854</b>	<b>29,320</b>
<b>TOTAL ASSETS</b>	<b>841,818</b>	<b>629,810</b>	<b>834,439</b>	<b>629,810</b>
<b>FINANCED BY:</b>				
<b>Unitholders' fund</b>				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	17,506	16,800	17,506	16,800
<b>Total Unitholders' Fund</b>	<b>509,839</b>	<b>509,133</b>	<b>509,839</b>	<b>509,133</b>
<b><u>Non-Current Liabilities</u></b>				
Borrowings	308,817	93,390	-	93,390
Amount due to subsidiary company	-	-	305,048	-
Other payables and accrued expenses	5,108	9,750	5,108	9,750
<b>Total Non-Current Liabilities</b>	<b>313,925</b>	<b>103,140</b>	<b>310,156</b>	<b>103,140</b>
<b><u>Current Liabilities</u></b>				
Borrowings	3,610	6,779	-	6,779
Trade payables	744	494	744	494
Other payables and accrued expenses	13,700	10,264	13,700	10,264
<b>Total Current Liabilities</b>	<b>18,054</b>	<b>17,537</b>	<b>14,444</b>	<b>17,537</b>
<b>TOTAL LIABILITIES</b>	<b>331,979</b>	<b>120,677</b>	<b>324,600</b>	<b>120,677</b>
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>	<b>841,818</b>	<b>629,810</b>	<b>834,439</b>	<b>629,810</b>
<b>Net Asset Value (NAV)</b>				
- before income distribution	541,016	541,018	541,016	541,018
- after income distribution	<b>509,839</b>	<b>509,133</b>	<b>509,839</b>	<b>509,133</b>
<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	1.0707	1.0707	1.0707	1.0707
- after income distribution	<b>1.0090</b>	<b>1.0076</b>	<b>1.0090</b>	<b>1.0076</b>

\* 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**

	<b>Unitholders' capital</b>	<b>Retained earnings</b>	<b>Total</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 2019</b>	492,333	16,800	509,133
Profit for the year	-	31,883	31,883
Total comprehensive income for the year attributable to unitholders	-	31,883	31,883
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(31,177)	(31,177)
Decrease in net asset resulting from unitholders' transactions	-	(31,177)	(31,177)
<b>As at 30 June 2020</b>	<b>492,333</b>	<b>17,506</b>	<b>509,839</b>
<b><u>Group and Fund</u></b>			
<b>As at 1 July 2018</b>	492,315	14,636	506,951
Profit for the year	-	34,049	34,049
Total comprehensive income for the year attributable to unitholders	-	34,049	34,049
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(31,885)	(31,885)
Reversal of listing expenses	18	-	18
Increase / (decrease) in net asset resulting from unitholders' transactions	18	(31,885)	(31,867)
<b>As at 30 June 2019</b>	<b>492,333</b>	<b>16,800</b>	<b>509,133</b>

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**

	Group		Fund	
	Cumulative 30 Jun 2020 RM '000	Period-To-Date 30 Jun 2019 RM '000	Cumulative 30 Jun 2020 RM '000	Period-To-Date 30 Jun 2019 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	31,883	34,049	31,883	34,049
Adjustment for:				
Changes in fair value on investment properties	(32)	(3,357)	(32)	(3,357)
Interest expenses on borrowings	13,395	5,024	543	5,024
Interest expenses on advance from a subsidiary company	-	-	12,852	-
Interest income	(567)	(502)	(567)	(502)
Bad debts written off	20	70	20	70
Allowance for doubtful debts	104	91	104	91
Amortisation of transaction costs	722	268	722	268
Written off of equipment	-	20	-	20
Depreciation of equipment	306	164	306	164
Operating income before changes in working capital	45,831	35,827	45,831	35,827
Net change in trade and other receivables	(1,325)	(10,748)	(1,325)	(10,748)
Net change in payables and accruals	(956)	(2,106)	(956)	(2,106)
Cash generated from operations	43,550	22,973	43,550	22,973
Taxes paid	-	-	-	-
Net cash generated from operating activities	43,550	22,973	43,550	22,973
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	564	487	564	487
Uplift of short term deposits	-	8,433	-	8,433
Pledge deposit	(7,708)	(36)	(349)	(36)
Purchase of equipment	(701)	(875)	(701)	(875)
Acquisition of investment properties	(196,413)	-	(196,413)	-
Asset enhancement on investment properties	(855)	(9,700)	(855)	(9,700)
Net cash used in investing activities	(205,113)	(1,691)	(197,754)	(1,691)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Income distribution paid to unitholders	(31,177)	(31,885)	(31,177)	(31,885)
Advances from a subsidiary company	-	-	300,948	-
Interest paid on advance from a subsidiary company	-	-	(8,987)	-
Payment for transaction cost	(1,674)	(80)	-	(80)
Interest paid on borrowings	(10,256)	(4,947)	(1,270)	(4,947)
Repayment of borrowings	(99,929)	-	(99,929)	-
Proceeds from borrowings	310,000	12,929	-	12,929
Net cash from / (used in) financing activities	166,964	(23,983)	159,585	(23,983)
Net increase / (decrease) in cash and cash equivalents	5,401	(2,701)	5,381	(2,701)
Cash and cash equivalents at beginning of period	11,579	14,280	11,579	14,280
<b>Cash and cash equivalents at end of period</b>	<b>16,980</b>	<b>11,579</b>	<b>16,960</b>	<b>11,579</b>

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

Cash in hand	4	29	4	29
Bank balances	1,257	3,800	1,239	3,800
Short term deposits placed with licensed bank	24,715	9,038	17,354	9,038
	25,976	12,867	18,597	12,867
Less: Pledged deposits	(8,996)	(1,288)	(1,637)	(1,288)
	16,980	11,579	16,960	11,579

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

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## **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 (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 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 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 these 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.

# KIP REAL ESTATE INVESTMENT TRUST

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## **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 rental rebates offered to non-essential retail tenants as explained in B1 and B2.

## **A6 CHANGES IN ESTIMATES**

Not applicable.

## **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 30 June 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 30 June 2020, the Manager proposed a final income distribution of RM7.73 million or 1.53 sen per unit. The book closure and payment dates in respect of the proposed income distribution will be fixed on 13 August 2020 and 27 August 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 June 2020 is as follows:-

	4th Quarter Ended 30.6.2020				YTD Ended 30.6.2020			
	Southern Region	Central Region	Northern Region	Total	Southern Region	Central Region	Northern Region	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>By Location Segments</b>								
<b>Revenue and expenses</b>								
Gross revenue	8,465	4,389	4,046	16,900	38,583	20,975	14,982	74,540
Net property income	6,749	2,595	3,888	13,232	29,624	11,991	14,403	56,018
Changes in fair value on investment properties	(836)	(9,152)	(3,167)	(13,155)	(836)	(9,152)	10,020	32
Interest income	52	24	37	113	271	140	156	567
Borrowing costs	(663)	(439)	(2,369)	(3,471)	(3,096)	(2,027)	(8,994)	(14,117)
Trust and other expenses	(832)	(478)	(406)	(1,716)	(3,836)	(2,183)	(4,598)	(10,617)
Profit before taxation	4,470	(7,450)	(2,017)	(4,997)	22,127	(1,231)	10,987	31,883
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	4,470	(7,450)	(2,017)	(4,997)	22,127	(1,231)	10,987	31,883
<b>Assets</b>								
Segment assets					391,921	205,798	217,883	815,602
Unallocated assets								
- Cash and bank balances								25,976
- Trade and other receivables								240
Total assets								841,818
<b>Liabilities</b>								
Segment liabilities					68,931	43,922	209,286	322,139
Unallocated liabilities								
- Payables and accruals								234
- Borrowings								9,606
Total liabilities								331,979

	4th Quarter Ended 30.6.2019				YTD Ended 30.6.2019			
	Southern Region	Central Region	Northern Region	Total	Southern Region	Central Region	Northern Region	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue and expenses</b>								
Gross revenue	10,268	5,936	-	16,204	39,347	23,718	-	63,065
Net property income	7,756	3,551	-	11,307	29,088	12,865	-	41,953
Changes in fair value on investment properties	9,917	(6,560)	-	3,357	9,917	(6,560)	-	3,357
Interest income	57	29	-	86	325	177	-	502
Borrowing costs	(839)	(542)	-	(1,381)	(3,250)	(2,042)	-	(5,292)
Trust and other expenses	(1,063)	(781)	-	(1,844)	(3,947)	(2,524)	-	(6,471)
Profit before taxation	15,828	(4,303)	-	11,525	32,133	1,916	-	34,049
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	15,828	(4,303)	-	11,525	32,133	1,916	-	34,049
<b>Assets</b>								
Segment assets					391,414	213,467	-	604,881
Unallocated assets								
- Cash and bank balances								10,467
- Trade and other receivables								14,462
Total assets								629,810
<b>Liabilities</b>								
Segment liabilities					68,312	38,275	-	106,587
Unallocated liabilities								
- Payables and accruals								1,565
- Borrowings								12,525
Total liabilities								120,677

# 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.

Investment Properties	Fair value		Increase / (decrease) RM'000
	As at 30.6.20 RM'000	As at 30.6.19 RM'000	
<b><u>Southern Region</u></b>			
KIPMall Tampoi	163,000	163,500	(500)
KIPMall Kota Tinggi	56,000	56,600	(600)
KIPMall Masai	168,000	167,700	300
	<u>387,000</u>	<u>387,800</u>	<u>(800)</u>
<b><u>Central Region</u></b>			
KIPMall Senawang	25,000	28,000	(3,000)
KIPMall Melaka	48,000	49,000	(1,000)
KIPMall Bangi	130,000	134,500	(4,500)
	<u>203,000</u>	<u>211,500</u>	<u>(8,500)</u>
<b><u>Northern Region</u></b>			
AEON Mall Kinta City	217,000	-	217,000
	<u>217,000</u>	<u>-</u>	<u>217,000</u>
Total investment properties	<u>807,000</u>	<u>599,300</u>	<u>207,700</u>
Less : Acquisition during the year *			(206,813)
Less : Capital expenditure			(855)
Changes in fair value on investment properties			<u>32</u>

\* in relation to acquisition of AEON Mall Kinta City on 31 July 2019.

## 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 and cumulative quarter ended 30 June 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 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			Year To Date		
	30.6.2020	30.6.2019	Changes	30.6.2020	30.6.2019	Changes
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
<b>Gross revenue</b>						
Southern Region	8,465	10,268	(17.55%)	38,583	39,347	(1.94%)
Central Region	4,389	5,936	(26.05%)	20,975	23,718	(11.57%)
Northern Region	4,046	-	N/A	14,982	-	N/A
	<u>16,900</u>	<u>16,204</u>	4.30%	<u>74,540</u>	<u>63,065</u>	18.20%
<b>Net property income</b>						
Southern Region	6,749	7,756	(12.99%)	29,624	29,088	1.84%
Central Region	2,595	3,551	(26.92%)	11,991	12,865	(6.79%)
Northern Region	3,888	-	N/A	14,403	-	N/A
	<u>13,232</u>	<u>11,307</u>	17.03%	<u>56,018</u>	<u>41,953</u>	33.53%
<b>(Loss) / Profit before taxation</b>						
Realised	8,158	8,168	(0.12%)	31,851	30,692	3.77%
Unrealised	(13,155)	3,357	(491.86%)	32	3,357	(99.06%)
	<u>(4,997)</u>	<u>11,525</u>	(143.36%)	<u>31,883</u>	<u>34,049</u>	(6.36%)
<b>Income available for distribution</b>	7,483	8,462	(11.57%)	31,155	31,305	(0.48%)

#### Quarterly Results

KIP REIT recorded revenue of RM16.9 million in Q4FY20, as compared to RM16.2 million recorded in the preceding year corresponding quarter. The increase was attributed to RM4.0 million from the new acquisition of AEON Mall Kinta City ("AMKC") at Northern region in July 2019 but partially offset by the amortisation of rental rebate of RM1.4 million, in accordance with MFRS16, given to the non-essential tenants affected by the Movement Control Order ("MCO"). The acquisition of AMKC also contributed to the increase in net property income by 17.0%.

Southern region recorded revenue of RM8.5 million, at -17.6% against Q4FY19 mainly due to MCO rental rebates offered and loss of promotion area income generated from Bazaar Ramadhan. The net property income was 13% lower against Q4FY19, at a lower variance % as compared to revenue shortfall due to better cost management.

Central region saw 26.1% shortfall against preceding year corresponding quarter. On top of the rental rebates offered during the MCO, KIP Mall Bangi experienced lower occupancy rate due to the reshuffling of tenants and delay in tenants taking vacant possession due to the MCO. Central region net property income was lower in tandem with the lower revenue.

## KIP REAL ESTATE INVESTMENT TRUST

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The investment properties in the Southern region, Central region and Northern region contributed 50.1%, 26.0% and 23.9% of the KIP REIT total revenue respectively.

KIP REIT Q4FY20 realised profit before tax was closed to Q4FY19 despite the amortisation of rental rebates of RM1.4 million during the quarter attributed to better cost management and additional contribution from AMKC. Unrealised loss was the result of changes in fair value of investment properties, refer fair value of the investment properties as at 30 June 2020, by property as disclosed in Note A10.

Current quarter income available for distribution was 11.6% lower than preceding year corresponding quarter mainly due to total rental rebates offered which amounted to RM2.2 million during the quarter (refer distribution adjustment in Statement of comprehensive income).

### Year-to-date Results

Total revenue for year-to-date 30 June 2020 was RM74.5 million, representing an increase of 18.2% against preceding year-to-date performance, mainly due to 11 months contribution from acquisition of AMKC at Northern region effective 31 July 2019 but partially offset by the amortisation of rental rebates for non-essential tenants during MCO which amounted to RM1.6 million. The net property income has increased by 33.5% year-on-year.

Southern region recorded -1.9% revenue year-on-year on the back of lower Q4FY20 performance as explained earlier. However, net property income has improved by 1.8% attributed to cost management exercise and savings from full year solar PV system as compared to 5 months saving in FY19.

Central region also recorded lower revenue year-on-year against FY19 mainly due to KIPMall Bangi strategic exercise of reshuffling tenants which was explained under Quarter results and last two quarter announcement and delays in tenants taking vacant possession due to the MCO. Correspondingly, net property income of RM12.0 million was 6.8% lower than last year, at lower % than revenue shortfall due to full year solar PV system as explained earlier.

Year-to-date realised income was 3.8% higher than preceding year-to-date attributed to higher net property income but partially offset by one-off expenses incidental to the acquisition of RM3.5 million and RM1.6 million amortisation of rental rebates.

Current year income available for distribution was 0.5% lower than preceding year mainly due to one-off expenses incidental to the acquisition of AMKC amounting to RM3.5 million. Additionally, total rental rebates of RM3.5 million was offered to eligible non-essential tenants during the MCO. Both of the above was cushioned by higher net property income from the AMKC acquisition.

## KIP REAL ESTATE INVESTMENT TRUST

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Changes in total net asset value and total net asset value per unit

Total net asset value as at 30 June 2020 was RM0.7 million higher than 30 June 2019 mainly due to higher realised profit (after distribution to unitholders). The net asset value per unit also increase in tandem with the total net asset value.

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

	Current Quarter <u>30.6.2020</u> <u>RM'000</u>	Immediate Preceding Quarter <u>31.3.2020</u> <u>RM'000</u>	<u>Changes</u> <u>(%)</u>
<b>Gross revenue</b>	<b>16,900</b>	<b>19,416</b>	<b>(12.96%)</b>
<b>Net property income</b>	<b>13,232</b>	<b>14,557</b>	<b>(9.10%)</b>
<b>(Loss) / Profit before taxation</b>			
<b>Realised</b>	<b>8,158</b>	<b>9,107</b>	<b>(10.43%)</b>
<b>Unrealised</b>	<b>(13,155)</b>	<b>-</b>	<b>N/A</b>
	<b>(4,997)</b>	<b>9,107</b>	<b>(154.87%)</b>
<b>Income available for distribution</b>	<b>7,483</b>	<b>8,237</b>	<b>(9.16%)</b>

KIP REIT revenue for the current quarter was 13.0% lower than the immediate preceding quarter ended 31 March 2020 mainly attributed to amortisation of rental rebate offered to non-essential tenants during MCO and coupled with lower promotion area income under MCO restriction.

In tandem with lower revenue, the net property income decreased by 9.1% compared to the preceding quarter but at a lower than shortfall against revenue due to overall better cost management.

Loss before taxation was after unrealised fair value loss of RM13.2 million on annual valuation exercise (refer A10 for detail). Realised profit before taxation was 10.4% lower than the immediate preceding quarter ended 31 March 2020 on the back of longer MCO period during the quarter as compared to 14 days in Q3FY20, and higher amortisation of rental rebate charged to statement of comprehensive income during the quarter.

Current quarter income available for distribution was 9.2% lower than the immediate preceding quarter ended 31 March 2020 mainly due to total rental rebates offered which amounted to RM2.2 million as explained earlier.

# KIP REAL ESTATE INVESTMENT TRUST

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## **B3 PROSPECTS**

Bank Negara Malaysia has forecasted Malaysia's GDP growth at between -2.0% and +0.5% in 2020 against a highly challenging global economic outlook due mainly to the Covid-19 pandemic. Consumer sentiment continues to be undermined by global volatility, with the Retail Group Malaysia forecasting the overall industry suffering a decline in sales by 5.5%, as compared to a 4.6% growth projection in December 2019. The effect of market uncertainty is also reflected in the Malaysian Institute of Economic Research's Consumer Sentiments Index which saw a decline of 31.2 points to 51.1 points in March 2020 as compared with a previous value of 82.3 points for December 2019.

Malaysia's retail sector remains one the hardest hit sectors as all stores in shopping malls were subjected to the Movement Control Order ("MCO") measures implemented by the Malaysian Government with exception to those providing essential services such as food and daily necessities. Resumption of business operations came in phases starting May 2020 and standard operating procedures were introduced during the Conditional MCO and Recovery MCO. Shopper footfall and retail sales are expected to gradually normalised, albeit at a muted rate. Certain subsectors of retail focused on essential goods and services are expected to recover at a quicker pace than other peers in the industry.

In view of challenges in the operating environment, the Manager will remain vigilant on managing cash flow and exercising financial discipline to continue delivering value to our unitholders. Operationally, the Manager will continue to focus on a leasing strategy aimed at the provision of daily necessities to the local communities surrounding KIP REIT's portfolio. During this period, proactive lease management, tenant retention and maintaining a strong balance sheet remain our top priorities. The impact of Covid-19 is currently fluid and evolving, however the Manager will continue to monitor the situation and adopt appropriate strategies accordingly to further encourage long term partnerships with tenants and ultimately ensure long term sustainability 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.

## **KIP REAL ESTATE INVESTMENT TRUST**

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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 ended 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 quarter ended 30 June 2020 under review.

### **B8 PURCHASE AND DISPOSAL OF QUOTED SECURITIES**

There was no purchase or disposal of quoted securities during quarter ended 30 June 2020 under review.

## KIP REAL ESTATE INVESTMENT TRUST

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### B9 BORROWINGS

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

	<b>As at 30.6.2020 RM'000</b>	<b>As at 30.6.2019 RM'000</b>
Current (secured):		
Term loan	-	727
Short term revolving credit	-	6,240
Medium term notes	3,866	-
Unamortised transaction cost	(256)	(188)
	<u>3,610</u>	<u>6,779</u>
Non-current (secured):		
Term loan	-	93,688
Medium term notes	310,000	-
Unamortised transaction cost	(1,183)	(298)
	<u>308,817</u>	<u>93,390</u>
Total borrowings	<u>312,427</u>	<u>100,169</u>
Total sssets	<u>841,818</u>	<u>629,810</u>
Gearing ratio (%)	37.11%	15.90%

The weighted average interest rate of borrowings as at 30 June 2020 was 4.52% (2019: 5.29%) and the percentage proportion of debt that is based on fixed and floating interest rate was 68 : 32 (2019: Nil : 100) respectively.

### B10 MATERIAL LITIGATION

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

### B11 SOFT COMMISSION RECEIVED

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



## KIP REAL ESTATE INVESTMENT TRUST

### B12 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 30 June 2020	Immediate Preceding Quarter ended 31 March 2020
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	8,158	9,107
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	1.84	2.09
- after Manager's fee	1.61	1.80
Net Income distribution to unitholders (RM'000)	7,731	7,681
Distribution per unit (DPU) (sen)	1.53	1.52
Net Asset Value (NAV) (RM'000)	509,839	522,516
NAV per unit (RM)	1.0090	1.0341
Market value per unit (RM)	0.795	0.765

### B13 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 RM7.4 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.

### B14 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 FY20 Trustee fees was acquisition fee (0.1%) of the transaction value of AMKC.

# KIP REAL ESTATE INVESTMENT TRUST

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## **B15 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 June 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 29 July 2020.