

# KIP REAL ESTATE INVESTMENT TRUST

## Interim Financial Report for the 1st quarter FY2022 ended 30 September 2021

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

	Quarter			Period-To-Date		
	30 Sep 2021	30 Sep 2020	Changes	30 Sep 2021	30 Sep 2020	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	15,615	15,717	(0.6%)	15,615	15,717	(0.6%)
Revenue from contracts with customers	1,522	2,517	(39.5%)	1,522	2,517	(39.5%)
<b>Gross revenue</b>	<b>17,137</b>	<b>18,234</b>	<b>(6.0%)</b>	<b>17,137</b>	<b>18,234</b>	<b>(6.0%)</b>
Utilities expenses	(1,124)	(1,550)	27.5%	(1,124)	(1,550)	27.5%
Maintenance and housekeeping expenses	(424)	(665)	36.3%	(424)	(665)	36.3%
Marketing expenses	(16)	(41)	61.9%	(16)	(41)	61.9%
Quit rent and assessment	(455)	(495)	8.0%	(455)	(495)	8.0%
Reimbursement costs	(842)	(865)	2.7%	(842)	(865)	2.7%
Property manager fee	(32)	(41)	21.5%	(32)	(41)	21.5%
Other operating expenses	(571)	(576)	1.0%	(571)	(576)	1.0%
Property operating expenses	<b>(3,464)</b>	<b>(4,233)</b>	<b>18.2%</b>	<b>(3,464)</b>	<b>(4,233)</b>	<b>18.2%</b>
<b>Net property income</b>	<b>13,673</b>	<b>14,001</b>	<b>(2.3%)</b>	<b>13,673</b>	<b>14,001</b>	<b>(2.3%)</b>
Changes in fair value on investment properties	-	-	0.0%	-	-	0.0%
Interest income	79	157	(49.7%)	79	157	(49.7%)
<b>Net investment income</b>	<b>13,752</b>	<b>14,158</b>	<b>(2.9%)</b>	<b>13,752</b>	<b>14,158</b>	<b>(2.9%)</b>
Manager's management fee	(1,442)	(1,333)	(8.2%)	(1,442)	(1,333)	(8.2%)
Trustees' fee	(45)	(44)	(3.5%)	(45)	(44)	(3.5%)
Auditors' remuneration	(25)	(31)	16.7%	(25)	(31)	16.7%
Valuers' fee	(53)	(75)	30.0%	(53)	(75)	30.0%
Other trust expenses	(474)	(482)	1.6%	(474)	(482)	1.6%
Borrowing costs	(3,342)	(3,341)	(0.0%)	(3,342)	(3,341)	(0.0%)
	<b>(5,381)</b>	<b>(5,306)</b>	<b>(1.4%)</b>	<b>(5,381)</b>	<b>(5,306)</b>	<b>(1.4%)</b>
<b>Profit before taxation <sup>N1</sup></b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>
<b>Taxation</b>	-	-	-	-	-	-
<b>Profit after taxation</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>
<b>Profit after taxation is made up as follows:</b>						
- Realised	8,371	8,852	(5.4%)	8,371	8,852	(5.4%)
- Unrealised	-	-	0.0%	-	-	0.0%
	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
<b>Basic / Diluted earnings per unit (sen)</b>						
- Realised	1.66	1.75		1.66	1.75	
- Unrealised	-	-		-	-	
	<b>1.66</b>	<b>1.75</b>		<b>1.66</b>	<b>1.75</b>	
<b>Total comprehensive income</b>	<b>8,371</b>	<b>8,852</b>		<b>8,371</b>	<b>8,852</b>	
<b>Distribution adjustments</b>	<b>85</b>	<b>927</b>		<b>85</b>	<b>927</b>	
<b>Total current period / year distributable income</b>	<b>8,456</b>	<b>9,779</b>		<b>8,456</b>	<b>9,779</b>	
<b>Distribution per unit (sen)</b>	<b>1.55</b>	<b>1.55</b>		<b>1.55</b>	<b>1.55</b>	
<sup>N1</sup> Included in profit before taxation are following items:						
Interest income	79	157		79	157	
Amortisation of rental rebate	(277)	(703)		(277)	(703)	
Depreciation of equipments	(165)	(154)		(165)	(154)	
Allowance for impairment on receivable	(47)	(6)		(47)	(6)	

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 2021 ("AFS FY2021") and the accompanying notes attached to this Interim Financial Report.

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

	Quarter			Period-To-Date		
	30 Sep 2021 RM '000	30 Sep 2020 RM '000	Changes %	30 Sep 2021 RM '000	30 Sep 2020 RM '000	Changes %
<b>Net property income</b>	<b>13,673</b>	<b>14,001</b>	<b>(2.3%)</b>	<b>13,673</b>	<b>14,001</b>	<b>(2.3%)</b>
Interest income	79	157	(49.7%)	79	157	(49.7%)
	<b>13,752</b>	<b>14,158</b>	<b>(2.9%)</b>	<b>13,752</b>	<b>14,158</b>	<b>(2.9%)</b>
Less : Expenses	(5,381)	(5,306)	(1.4%)	(5,381)	(5,306)	(1.4%)
<b>Total comprehensive income</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>	<b>8,371</b>	<b>8,852</b>	<b>(5.4%)</b>
Distribution adjustment						
- Amortisation of transactions costs	64	64	0.0%	64	64	0.0%
- Depreciation of equipment	165	154	7.4%	165	154	7.4%
- Allowance for impairment on receivable	47	6	644.9%	47	6	644.9%
- (Realised unamortisation) / amortisation of rental rebate for MCO	(191)	703	(127.1%)	(191)	703	(127.1%)
	<b>85</b>	<b>927</b>	<b>(90.8%)</b>	<b>85</b>	<b>927</b>	<b>(90.8%)</b>
Total current period / year distributable income	<b>8,456</b>	<b>9,779</b>	<b>(13.5%)</b>	<b>8,456</b>	<b>9,779</b>	<b>(13.5%)</b>
Undistributed distributable income brought forward	4,532	840	439.7%	4,532	840	439.7%
<b>Distributable income</b>	<b>12,988</b>	<b>10,619</b>	<b>22.3%</b>	<b>12,988</b>	<b>10,619</b>	<b>22.3%</b>
Less: Proposed / declared income distribution	(7,832)	(7,832)	0.0%	(7,832)	(7,832)	0.0%
<b>Undistributed distributable income</b>	<b>5,156</b>	<b>2,787</b>	<b>85.0%</b>	<b>5,156</b>	<b>2,787</b>	<b>85.0%</b>
<b>Distribution per unit (sen)</b>	1.55	1.55	0.0%	1.55	1.55	0.0%

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 2021 ("AFS FY2021") 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 Sep 2021 RM '000	30 Jun 2021 RM '000	30 Sep 2021 RM '000	30 Jun 2021 RM '000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Equipment	2,779	2,574	2,779	2,574
Investment properties	808,000	808,000	808,000	808,000
Investment in a subsidiary	-	-	- *	-
<b>Total Non-Current Assets</b>	<b>810,779</b>	<b>810,574</b>	<b>810,779</b>	<b>810,574</b>
<b><u>Current Assets</u></b>				
Trade receivables	3,359	2,423	3,359	2,423
Other receivables and prepaid expenses	4,287	3,904	4,287	3,904
Cash and bank balances	23,046	29,320	15,499	21,805
<b>Total Current Assets</b>	<b>30,692</b>	<b>35,647</b>	<b>23,145</b>	<b>28,132</b>
<b>TOTAL ASSETS</b>	<b>841,471</b>	<b>846,221</b>	<b>833,924</b>	<b>838,706</b>
<b>FINANCED BY:</b>				
<b>Unitholders' fund</b>				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	18,804	21,045	18,804	21,045
<b>Total Unitholders' Fund</b>	<b>511,137</b>	<b>513,378</b>	<b>511,137</b>	<b>513,378</b>
<b><u>Non-Current Liabilities</u></b>				
Borrowings	309,137	309,073	-	-
Amount due to subsidiary company	-	-	302,921	305,193
Other payables and accrued expenses	10,256	10,960	10,256	10,960
<b>Total Non-Current Liabilities</b>	<b>319,393</b>	<b>320,033</b>	<b>313,177</b>	<b>316,153</b>
<b><u>Current Liabilities</u></b>				
Borrowings	1,331	3,635	-	-
Trade payables	212	435	212	435
Other payables and accrued expenses	9,398	8,740	9,398	8,740
<b>Total Current Liabilities</b>	<b>10,941</b>	<b>12,810</b>	<b>9,610</b>	<b>9,175</b>
<b>TOTAL LIABILITIES</b>	<b>330,334</b>	<b>332,843</b>	<b>322,787</b>	<b>325,328</b>
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>	<b>841,471</b>	<b>846,221</b>	<b>833,924</b>	<b>838,706</b>
<b>Net Asset Value (NAV)</b>				
- before income distribution	521,748	545,060	521,748	545,060
- after income distribution	511,137	513,378	511,137	513,378
<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	1.0326	1.0787	1.0326	1.0787
- after income distribution	1.0116	1.0160	1.0116	1.0160

\* 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 2021 and the accompanying notes attached to this Interim Financial Report.

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

	<b>Unitholders'</b>	<b>Retained</b>	<b>Total</b>
	<b>RM '000</b>	<b>earnings</b>	<b>RM '000</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b><u>Group and Fund</u></b>			
<b>As at 1 July 2021</b>	492,333	21,045	513,378
Profit for the period	-	8,371	8,371
Total comprehensive income for the period attributable to unitholders	-	8,371	8,371
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(10,612)	(10,612)
Decrease in net asset resulting from unitholders' transactions	-	(10,612)	(10,612)
<b>As at 30 September 2021</b>	<b>492,333</b>	<b>18,804</b>	<b>511,137</b>
<b><u>Group and Fund</u></b>			
<b>As at 1 July 2020</b>	492,333	17,506	509,839
Profit for the period	-	8,852	8,852
Total comprehensive income for the period attributable to unitholders	-	8,852	8,852
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(7,731)	(7,731)
Decrease in net asset resulting from unitholders' transactions	-	(7,731)	(7,731)
<b>As at 30 September 2020</b>	<b>492,333</b>	<b>18,627</b>	<b>510,960</b>

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

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

	Group		Fund	
	Cumulative Year-To-Date 30 Sep 2021 RM '000	Cumulative Year-To-Date 30 Sep 2020 RM '000	Cumulative Year-To-Date 30 Sep 2021 RM '000	Cumulative Year-To-Date 30 Sep 2020 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	8,371	8,852	8,371	8,852
Adjustment for:				
Interest expenses on borrowings	3,278	3,277	25	-
Interest expenses on advance from a subsidiary company	-	-	3,253	3,260
Interest income	(79)	(157)	(79)	(157)
Allowance for doubtful debts	47	6	47	6
Amortisation of transaction costs	64	64	64	64
Depreciation of equipment	165	154	165	154
Operating income before changes in working capital	11,846	12,196	11,846	12,179
Net change in trade and other receivables	(1,379)	646	(1,348)	679
Net change in payables and accruals	(294)	(112)	(294)	(112)
Cash generated from operations	10,173	12,730	10,204	12,746
Taxes paid	-	-	-	-
Net cash generated from operating activities	10,173	12,730	10,204	12,746
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	93	189	62	157
Pledge deposit	(39)	(46)	(6)	(6)
Purchase of equipment	(371)	(322)	(371)	(322)
Asset enhancement on investment properties	(0)	(493)	(0)	(493)
Net cash used in investing activities	(317)	(672)	(315)	(664)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Income distribution paid to unitholders	(10,611)	(7,731)	(10,611)	(7,731)
Repayment to a subsidiary company	-	-	(33)	(40)
Interest paid on advance from a subsidiary company	-	-	(5,557)	(5,564)
Interest paid on borrowings	(5,557)	(5,581)	-	-
Net cash used in financing activities	(16,168)	(13,312)	(16,201)	(13,335)
Net decrease in cash and cash equivalents	(6,312)	(1,254)	(6,312)	(1,253)
Cash and cash equivalents at beginning of period	20,164	16,980	20,145	16,960
<b>Cash and cash equivalents at end of period</b>	<b>13,852</b>	<b>15,726</b>	<b>13,833</b>	<b>15,707</b>

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

Cash in hand	-	7	-	7
Bank balances	2,309	7,472	2,292	7,455
Short term deposits placed with licensed bank	20,737	17,288	13,207	9,888
	23,046	24,767	15,499	17,350
Less: Pledged deposits	(9,194)	(9,041)	(1,666)	(1,643)
	13,852	15,726	13,833	15,707

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

# 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 and the supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017. The unaudited condensed consolidated interim financial statements comprise KIPREIT and its subsidiary (the "Group").

### **A2 BASIS OF PREPARATION**

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

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2021 ("AFS FY2021") and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The accounting policies and methods of computation adopted in these unaudited condensed consolidated financial statements are consistent with those disclosed in the AFS FY2021.

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

The audit report of the financial statements of KIP REIT for the preceding financial year ended 30 June 2021 was not qualified.

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

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

## **KIP REAL ESTATE INVESTMENT TRUST**

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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 amortisation of rental rebates during MCO 1.0 offered to non-essential retail tenants and rental assistance offered to affected tenants during MCO 2.0 and Full MCO ("FMCO") as explained in B1 and B2.

### **A6 CHANGES IN ESTIMATES**

Not applicable as no estimates were previously reported.

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

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

### **A8 INCOME DISTRIBUTION**

For the quarter ended 30 September 2021, the Manager proposed a first interim income distribution of RM7.83 million or 1.55 sen per unit, which includes a non-taxable portion of approximately 0.71 sen per unit derived from capital allowances and tax-exempt income which is not subject to tax. The book closure and payment dates in respect of the proposed income distribution will be fixed on 5 November 2021 and 23 November 2021 respectively.

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



# KIP REAL ESTATE INVESTMENT TRUST

## A9 SEGMENT REPORTING

Segmental result for the financial period ended 30 September 2021 is as follows:-

	<b>1st Quarter and YTD Ended 30 September 2021</b>			
	<b>Southern Region RM'000</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Total RM'000</b>
<b>By Location Segments</b>				
<b>Revenue and expenses</b>				
Gross revenue	7,960	4,693	4,484	17,137
Net property income	6,268	3,076	4,329	13,673
Changes in fair value on investment properties	-	-	-	-
Interest income	33	12	34	79
Borrowing costs	(640)	(422)	(2,280)	(3,342)
Trust and other expenses	(1,055)	(499)	(485)	(2,039)
Profit before taxation	4,606	2,167	1,598	8,371
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	4,606	2,167	1,598	8,371
<b>Assets</b>				
Segment assets	395,223	200,932	220,852	817,007
Unallocated assets				
- Cash and bank balances				23,046
- Trade and other receivables				1,418
Total assets				841,471
<b>Liabilities</b>				
Segment liabilities	69,707	44,540	208,230	322,477
Unallocated liabilities				
- Payables and accruals				209
- Borrowings				7,648
Total liabilities				330,334
<b>Other Segmental information</b>				
Additional to non-current assets:				
- Investment properties	-	-	-	-
- Equipment	207	164	-	371
Depreciation	87	78	-	165

# KIP REAL ESTATE INVESTMENT TRUST

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

	<b>1st Quarter and YTD Ended 30 September 2020</b>			
	<b>Southern Region</b>	<b>Central Region</b>	<b>Northern Region</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue and expenses</b>				
Gross revenue	9,084	5,058	4,092	18,234
Net property income	6,995	3,072	3,934	14,001
Changes in fair value on investment properties	-	-	-	-
Interest income	71	34	52	157
Borrowing costs	(635)	(421)	(2,285)	(3,341)
Trust and other expenses	(932)	(575)	(458)	(1,965)
Profit before taxation	5,499	2,110	1,243	8,852
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	5,499	2,110	1,243	8,852
<b>Assets</b>				
Segment assets	390,751	205,205	218,702	814,658
Unallocated assets				
- Cash and bank balances				24,767
- Trade and other receivables				1,160
Total assets				840,585
<b>Liabilities</b>				
Segment liabilities	68,950	43,969	209,555	322,474
Unallocated liabilities				
- Payables and accruals				215
- Borrowings				6,936
Total liabilities				329,625
<b>Other Segmental information</b>				
Additional to non-current assets:				
- Investment properties	-	13	480	493
- Equipment	179	143	-	322
Depreciation	46	108	-	154

# **KIP REAL ESTATE INVESTMENT TRUST**

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## **A10 VALUATION OF INVESTMENT PROPERTIES**

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

## **A11 SUBSEQUENT MATERIAL EVENTS**

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

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

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

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

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

## **A14 CAPITAL COMMITMENT**

There were no capital commitments to be disclosed.

# KIP REAL ESTATE INVESTMENT TRUST

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

### B1 REVIEW OF PERFORMANCE

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

	Quarter & Year To Date		
	<u>30.9.2021</u>	<u>30.9.2020</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
<b>Gross revenue</b>			
Southern Region	7,960	9,084	(12.4%)
Central Region	4,693	5,058	(7.2%)
Northern Region	4,484	4,092	9.6%
	<u>17,137</u>	<u>18,234</u>	(6.0%)
<b>Net property income</b>			
Southern Region	6,268	6,995	(10.4%)
Central Region	3,076	3,072	0.1%
Northern Region	4,329	3,934	10.0%
	<u>13,673</u>	<u>14,001</u>	(2.3%)
<b>Profit before taxation</b>			
Realised	8,371	8,852	(5.4%)
Unrealised	-	-	N/A
	<u>8,371</u>	<u>8,852</u>	(5.4%)
<b>Income available for distribution</b>	8,456	9,779	(13.5%)

#### Quarterly and Year to date Results

KIP REIT recorded revenue of RM17.1 million in Q1FY22, as compared to RM18.2 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to lower promotional area income on the back of restriction on activities or events at Mall level. Q1FY22 also saw the average occupancy rate decrease as compared to preceding year corresponding quarter. The net property income also came in lower in tandem with lower revenue as compared to preceding year corresponding quarter at a lower negative variance due to careful cost management.

Southern region recorded revenue of RM8.0 million, at 12.4% shortfall against Q1FY21 mainly due to lower promotional area income. The net property income was 10.4% lower against Q1FY21.

Central region saw 7.2% lower against preceding year corresponding quarter. Central region also experienced lower promotional area income during the quarter. Contrary to the lower revenue, net property income came in better than preceding year corresponding quarter due to better cost management.

Northern region recorded 9.6% improvement in revenue against Q1FY21 mainly due to step up rent upon renewal of lease agreement effective September 2020.

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The net property income was 10.0% better against Q1FY21, at a higher positive variance due to same property expenses pursuant to lease agreement with tenant.

The investment properties in the Southern region, Central region and Northern region contributed 46.4%, 27.4% and 26.2% of the KIP REIT total revenue respectively.

KIP REIT's Q1FY22 realised profit before tax was 5.4% lower than Q1FY21 mainly due to lower revenue recorded.

Current quarter income available for distribution was 13.5% lower than preceding year corresponding quarter on the back of lower realised profit before tax and additional rental assistance offered amounted to RM0.5 million during the quarter.

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

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	
	<b><u>30.9.2021</u></b>	<b><u>30.6.2021</u></b>	<b><u>Changes</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>(%)</u></b>
<b>Gross revenue</b>	<b>17,137</b>	<b>19,404</b>	<b>(11.7%)</b>
<b>Net property income</b>	<b>13,673</b>	<b>15,076</b>	<b>(9.3%)</b>
<b>Profit before taxation</b>			
<b>Realised</b>	<b>8,371</b>	<b>10,113</b>	<b>(17.2%)</b>
<b>Unrealised</b>	<b>-</b>	<b>(847)</b>	<b>(100.0%)</b>
	<b>8,371</b>	<b>9,266</b>	<b>(9.7%)</b>
<b>Income available for distribution</b>	<b>8,456</b>	<b>10,159</b>	<b>(16.8%)</b>

KIP REIT's revenue for the current quarter was 11.7% lower than the immediate preceding quarter ended 30 June 2021 mainly attributed to lower promotional area income coupled with lower rental billed on the back of the drop in average occupancy rate.

Net property income came in lower by 9.3%, at lower negative variance compared to the preceding quarter mainly due to cost management in current quarter.

In tandem with lower net property income, realised profit before taxation was 17.2% lower than the immediate preceding quarter ended 30 June 2021, at a higher variance % due to higher other trust expenses.

Current quarter income available for distribution was 16.8% lower than the immediate preceding quarter ended 30 June 2021 mainly due to lower realised profit before taxation.

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## **B3 PROSPECTS**

The World Bank has further cut its economic growth projection for Malaysia to 3.3% in 2021, from an earlier estimate of 4.5% in June, which represents the second revision during the year. The downward revision was attributed to Malaysia's ongoing Movement Control Orders, increased precautionary behaviour, and subdued labour market conditions, which are expected to weigh further on private consumption and overall economic growth.

The Manager maintains a cautious outlook for the coming quarters and will continue to practise fiscal prudence and implement credit control measures. KIP REIT's performance remains manageable to date and the Manager will closely monitor the situation and actively manage the portfolio. The Manager will also continue to evaluate opportunities for growth and diversification into different asset classes in commercial and industrial assets.

## **B4 PORTFOLIO COMPOSITON**

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

## **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

### Trust Level

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

As KIP REIT intends to distribute more than 90% of its distributable income, which translates to more than 90% of its total taxable income, to its unitholders for the financial year ending 30 June 2022, no provision for taxation has been made for the current quarter.

### Unitholders' Level

Pursuant to the Section 109D of Act, the following withholding tax rates would be applicable on distribution of income which is tax exempt at KIP REIT's level:

Resident unitholder:

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

Non-resident unitholder:

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

## B7 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals that have been announced but not completed as at the date of this report.

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### B8 BORROWINGS

The Group's borrowings as at 30 September 2021 are as follows:

	<b>As at 30.9.2021 RM'000</b>	<b>As at 30.6.2021 RM'000</b>
Current (secured):		
Medium term notes	1,587	3,891
Unamortised transaction cost	(256)	(256)
	<u>1,331</u>	<u>3,635</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(863)	(927)
	<u>309,137</u>	<u>309,073</u>
Total borrowings	<u>310,468</u>	<u>312,708</u>
Total assets	<u>841,471</u>	<u>846,221</u>
Gearing ratio (%)	36.90%	36.95%

The weighted average interest rate of borrowings as at 30 September 2021 was 4.31% (30 June 2021: 4.25%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

### B9 MATERIAL LITIGATION

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

### B10 SOFT COMMISSION RECEIVED

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



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

	Current Quarter ended 30 Sep 2021	Immediate Preceding Quarter ended 30 June 2021
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	8,371	10,113
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	1.94	2.28
- after Manager's fee	1.66	2.00
Net Income distribution to unitholders (RM'000)	7,832	10,611
Distribution per unit (DPU) (sen)	1.55	2.10
Net Asset Value (NAV) (RM'000)	511,137	513,378
NAV per unit (RM)	1.0116	1.0160
Market value per unit (RM)	0.850	0.845

### B12 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of KIP REIT as at 30 September 2021 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 20 October 2021.