

# KIP REAL ESTATE INVESTMENT TRUST

## Interim Financial Report for the 3rd quarter FY2023 ended 31 March 2023

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

	Quarter			Period-To-Date		
	31 Mar 2023	31 Mar 2022	Changes	31 Mar 2023	31 Mar 2022	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Lease income	20,235	16,557	22.2%	56,773	48,252	17.7%
Revenue from contracts with customers	1,585	2,273	(30.3%)	4,586	6,227	(26.4%)
<b>Gross revenue</b>	<b>21,820</b>	<b>18,830</b>	<b>15.9%</b>	<b>61,359</b>	<b>54,479</b>	<b>12.6%</b>
Utilities expenses	(2,625)	(1,936)	(35.5%)	(7,304)	(4,848)	(50.6%)
Maintenance and housekeeping expenses	(532)	(423)	(25.6%)	(1,786)	(1,247)	(43.1%)
Marketing expenses	(96)	(52)	(84.0%)	(176)	(88)	(99.9%)
Quit rent and assessment	(495)	(482)	(2.5%)	(1,434)	(1,392)	(3.0%)
Reimbursement costs	(998)	(855)	(16.7%)	(2,828)	(2,570)	(10.1%)
Property manager fee	(41)	(32)	(28.0%)	(104)	(96)	(8.2%)
Other operating expenses	(607)	(549)	(10.5%)	(1,810)	(1,684)	(7.5%)
Property operating expenses	<b>(5,394)</b>	<b>(4,329)</b>	<b>(24.6%)</b>	<b>(15,442)</b>	<b>(11,925)</b>	<b>(29.5%)</b>
<b>Net property income</b>	<b>16,426</b>	<b>14,501</b>	<b>13.3%</b>	<b>45,917</b>	<b>42,554</b>	<b>7.9%</b>
Changes in fair value on investment properties	-	-	0.0%	-	-	0.0%
Interest income	216	86	150.3%	957	251	280.8%
<b>Net investment income</b>	<b>16,642</b>	<b>14,587</b>	<b>14.1%</b>	<b>46,874</b>	<b>42,805</b>	<b>9.5%</b>
Manager's management fee	(1,498)	(1,429)	(4.8%)	(5,667)	(4,252)	(33.3%)
Trustees' fee	(106)	(44)	(139.3%)	(296)	(134)	(121.4%)
Auditors' remuneration	(73)	(40)	(83.0%)	(162)	(95)	(69.5%)
Valuers' fee	(102)	(10)	(872.4%)	(365)	(129)	(183.1%)
Other trust expenses	(477)	(661)	27.8%	(1,967)	(1,687)	(16.6%)
Borrowing costs	(3,859)	(3,277)	(17.8%)	(10,965)	(9,961)	(10.1%)
	<b>(6,115)</b>	<b>(5,461)</b>	<b>(12.0%)</b>	<b>(19,422)</b>	<b>(16,258)</b>	<b>(19.5%)</b>
<b>Profit before taxation</b> <sup>N1</sup>	<b>10,527</b>	<b>9,126</b>	<b>15.4%</b>	<b>27,452</b>	<b>26,547</b>	<b>3.4%</b>
Taxation	-	-	-	-	-	-
<b>Profit after taxation</b>	<b>10,527</b>	<b>9,126</b>	<b>15.4%</b>	<b>27,452</b>	<b>26,547</b>	<b>3.4%</b>
Other comprehensive income, net of tax	-	-	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<b>10,527</b>	<b>9,126</b>	<b>15.4%</b>	<b>27,452</b>	<b>26,547</b>	<b>3.4%</b>
<b>Profit after taxation is made up as follows:</b>						
- Realised	10,527	9,126	15.4%	29,228	26,547	10.1%
- One-off exp incidental to the acquisition	-	-	0.0%	(1,776)	-	0.0%
- Unrealised	-	-	0.0%	-	-	0.0%
	<b>10,527</b>	<b>9,126</b>	<b>15.4%</b>	<b>27,452</b>	<b>26,547</b>	<b>3.4%</b>
Weighted average number of units ('000)	590,219	505,300		572,083	505,300	
<b>Earnings per unit ("EPU") (sen)</b> <sup>N2</sup>						
- Realised	1.78	1.81		4.80	5.25	
- Unrealised	-	-		-	-	
	<b>1.78</b>	<b>1.81</b>		<b>4.80</b>	<b>5.25</b>	
<b>Total comprehensive income</b>	10,527	9,126		27,452	26,547	
<b>Distribution adjustments</b>	247	456		788	1,052	
<b>Total current period / year distributable income</b>	<b>10,774</b>	<b>9,582</b>		<b>28,240</b>	<b>27,599</b>	
<b>Distribution per unit (sen)</b>	<b>1.55</b>	<b>1.60</b>		<b>4.45</b>	<b>4.70</b>	

<sup>N1</sup> Included in profit before taxation are following items:

Interest income	216	86	957	251
Amotisation of rental rebate	(41)	(122)	(184)	(603)
Depreciation of equipments	(132)	(165)	(419)	(500)
Allowance for impairment on receivable	(10)	(105)	11	53
Bad debts written off	-	-	-	(279)
Equipments written off	-	-	(5)	-

<sup>N2</sup> EPU for the current quarter is computed based on Profit after tax for the quarter divided by number of units in issue of 590,218,556 units and EPU for the current period is based on weighted average number of units in issue of 572,082,920 units. EPU for preceding year corresponding quarter/period is based on number of units in issue of 505,300,000 units.

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 2022 ("AFS FY2022") 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		
	31 Mar 2023	31 Mar 2022	Changes	31 Mar 2023	31 Mar 2022	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
<b>Net property income</b>	<b>16,426</b>	<b>14,501</b>	13.3%	<b>45,917</b>	<b>42,554</b>	7.9%
Interest income	216	86	150.3%	957	251	280.8%
	<b>16,642</b>	<b>14,587</b>	14.1%	<b>46,874</b>	<b>42,805</b>	9.5%
Less : Expenses	(6,115)	(5,461)	(12.0%)	(19,422)	(16,258)	(19.5%)
<b>Total comprehensive income</b>	<b>10,527</b>	<b>9,126</b>	15.4%	<b>27,452</b>	<b>26,547</b>	3.4%
Distribution adjustment						
- Amortisation of transactions costs	64	64	0.0%	192	192	0.0%
- Depreciation of equipment	132	165	(20.0%)	419	500	(16.2%)
- Changes in fair value on investment properties	-	-	0.0%	-	-	0.0%
- Allowance for impairment on receivable	10	105	(90.8%)	(11)	(53)	(79.3%)
- Bad debts written off	-	-	0.0%	-	279	(100.0%)
- Written off of equipment	-	-	0.0%	6	-	0.0%
- Net amortisation of rental rebate for MCO	41	122	(66.3%)	182	134	36.0%
	<b>247</b>	<b>456</b>	(45.8%)	<b>788</b>	<b>1,052</b>	(25.1%)
Total current period / year distributable income	<b>10,774</b>	<b>9,582</b>	12.4%	<b>28,240</b>	<b>27,599</b>	2.3%
Undistributed distributable income brought forward	8,177	6,886	18.8%	7,500	4,532	65.5%
<b>Distributable income</b>	<b>18,951</b>	<b>16,468</b>	15.1%	<b>35,740</b>	<b>32,131</b>	11.2%
Less: Proposed / declared income distribution	(9,399)	(8,085)	16.3%	(26,188)	(23,748)	10.3%
<b>Undistributed distributable income</b>	<b>9,552</b>	<b>8,383</b>	14.0%	<b>9,552</b>	<b>8,383</b>	13.9%
<b>Distribution per unit (sen)</b>	1.55	1.60	(3.1%)	4.45	4.70	(5.3%)

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 2022 ("AFS FY2022") 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 2023 RM '000	Audited As At 30 Jun 2022 RM '000	Unaudited As At 31 Mar 2023 RM '000	Audited As At 30 Jun 2022 RM '000
<b>ASSETS</b>				
<b><u>Non-Current Assets</u></b>				
Equipment	1,649	1,946	1,649	1,946
Investment properties	936,910	852,000	936,910	852,000
Investment in a subsidiary	-	-	- *	-
<b>Total Non-Current Assets</b>	<b>938,559</b>	<b>853,946</b>	<b>938,559</b>	<b>853,946</b>
<b><u>Current Assets</u></b>				
Trade receivables	477	528	477	528
Other receivables	3,001	3,567	3,001	3,567
Cash and cash equivalents	53,105	30,994	45,331	23,344
<b>Total Current Assets</b>	<b>56,583</b>	<b>35,089</b>	<b>48,809</b>	<b>27,439</b>
<b>TOTAL ASSETS</b>	<b>995,142</b>	<b>889,035</b>	<b>987,368</b>	<b>881,385</b>
<b>FINANCED BY:</b>				
<b>Unitholders' fund</b>				
Unitholders' capital	573,785	492,333	573,785	492,333
Retained earnings	62,245	62,193	62,245	62,193
<b>Total Unitholders' Fund</b>	<b>636,030</b>	<b>554,526</b>	<b>636,030</b>	<b>554,526</b>
<b><u>Non-Current Liabilities</u></b>				
Borrowings	309,522	309,329	-	-
Amount due to subsidiary company	-	-	303,048	305,263
Other payables and accruals	15,530	8,144	15,530	8,144
<b>Total Non-Current Liabilities</b>	<b>325,052</b>	<b>317,473</b>	<b>318,578</b>	<b>313,407</b>
<b><u>Current Liabilities</u></b>				
Borrowings	21,301	3,584	20,000	-
Trade payables	1,256	493	1,256	493
Other payables and accruals	11,503	12,959	11,503	12,959
<b>Total Current Liabilities</b>	<b>34,060</b>	<b>17,036</b>	<b>32,759</b>	<b>13,452</b>
<b>TOTAL LIABILITIES</b>	<b>359,112</b>	<b>334,509</b>	<b>351,337</b>	<b>326,859</b>
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>	<b>995,142</b>	<b>889,035</b>	<b>987,368</b>	<b>881,385</b>
<b>Net Asset Value (NAV)</b>				
- before income distribution	663,431	588,887	663,431	588,887
- after income distribution	636,030	554,526	636,030	554,526
<b>Number of units in circulation (Units)</b>	590,219 **	505,300	590,219 **	505,300
<b>Net Asset Value per unit (RM)</b>				
- before income distribution	1.1240	1.1654	1.1240	1.1654
- after income distribution	1.0776	1.0974	1.0776	1.0974

\* Denotes RM2 share capital in KIP REIT Capital Sdn Bhd

\*\* Weighted average number of units

The unaudited Condensed Consolidated Statement of the Financial Position should be read in conjunction with the AFS FY 2022 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 2022</b>	492,333	62,193	554,526
Profit for the year	-	27,452	27,452
Total comprehensive income for the period attributable to unitholders	-	27,452	27,452
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(27,400)	(27,400)
Issuance and placement of units	82,399	-	82,399
Issuing expenses	(947)	-	(947)
Decrease in net asset resulting from unitholders' transactions	81,452	(27,400)	54,052
<b>As at 31 March 2023</b>	<b>573,785</b>	<b>62,245</b>	<b>636,030</b>
<b><u>Group and Fund</u></b>			
<b>As at 1 July 2021</b>	492,333	21,045	513,378
Profit for the year	-	26,547	26,547
Total comprehensive income for the period attributable to unitholders	-	26,547	26,547
<b>Unitholders' transactions</b>			
Distribution to unitholders	-	(26,276)	(26,276)
Decrease in net asset resulting from unitholders' transactions	-	(26,276)	(26,276)
<b>As at 31 March 2022</b>	<b>492,333</b>	<b>21,316</b>	<b>513,649</b>

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2022 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		Cumulative Year-To-Date	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
	RM '000	RM '000	RM '000	RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	27,452	26,547	27,452	26,547
Adjustment for:				
Interest expenses on borrowings	10,794	9,769	436	75
Interest expenses on advance from a subsidiary company	-	-	10,337	9,694
Interest income	(957)	(251)	(957)	(251)
Depreciation of equipment	419	500	419	500
Amortisation of transaction costs	192	192	192	192
Bad debts written off	-	279	-	279
Written off of equipment	5	-	5	-
Allowance for doubtful debts	(11)	(54)	(11)	(54)
Operating income before changes in working capital	37,894	36,982	37,873	36,982
Net change in trade and other receivables	723	1,396	723	1,428
Net change in payables and accruals	6,290	861	6,290	861
Cash generated from operations	44,907	39,239	44,886	39,271
Taxes paid	-	-	-	-
Net cash generated from operating activities	44,907	39,239	44,886	39,271
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	862	254	862	222
Pledge of deposit	-	(119)	-	(17)
Purchase of equipment	(127)	(2,024)	(127)	(2,024)
Acquisition of investment properties	(78,700)	-	(78,700)	-
Asset enhancement on investment properties	(6,210)	(346)	(6,210)	(346)
Net cash used in investing activities	(84,175)	(2,235)	(84,175)	(2,165)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of new units	82,399	-	82,399	-
Payment of issuing expenses	(947)	-	(947)	-
Income distribution paid to unitholders	(27,400)	(26,276)	(27,400)	(26,276)
Repayment to a subsidiary company	-	-	(103)	(102)
Interest paid on advance from a subsidiary company	-	-	(12,641)	(12,075)
Interest paid on borrowings	(12,675)	(12,117)	(33)	(42)
Proceeds from borrowings	20,000	-	20,000	-
Net cash generated from / (used in) financing activities	61,377	(38,393)	61,275	(38,495)
Net increase / (decrease) in cash and cash equivalents	22,111	(1,389)	21,986	(1,389)
Cash and cash equivalents at beginning of period	30,994	20,164	23,345	20,145
<b>Cash and cash equivalents at end of period</b>	<b>53,105</b>	<b>18,775</b>	<b>45,331</b>	<b>18,756</b>

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

Cash in hand	-	*	-	*	-	-
Bank balances	8,353		1,146		8,336	1,128
Short term deposits placed with licensed bank	44,752		26,903		36,995	19,305
	53,105		28,049		45,331	20,433
	-		(9,274)		-	(1,677)
	53,105		18,775		45,331	18,756

\* Denotes RM2

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2022 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 ("KIP REIT" 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 KIP REIT 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 2022 ("AFS FY2022") 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 FY2022.

### **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 2022 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").

## **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**

The Manager intends to distribute at least 90% of the distributable income to the unitholders of KIP REIT in financial year ending 30 June 2023, on a quarterly basis.

For the quarter ended 31 March 2023, the Manager proposed a third interim income distribution of RM9.40 million or 1.55 sen per unit, which includes a non-taxable portion of approximately 0.532 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 9 May 2023 and 30 May 2023 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 31 March 2023 is as follow:-

	3rd quarter Ended 31 March 2023						YTD Ended 31 March 2023					
	Southern Region RM'000	Central Region RM'000	Northern Region RM'000	Retail RM'000	Industrial RM'000	Total RM'000	Southern Region RM'000	Central Region RM'000	Northern Region RM'000	Retail RM'000	Industrial RM'000	Total RM'000
<b>By Location Segments</b>												
<b>Revenue and expenses</b>												
Lease income	9,750	4,732	4,469	18,951	1,284	20,235	28,304	13,461	13,476	55,241	1,532	56,773
Contract with Customer	509	1,076	-	1,585	-	1,585	1,518	3,068	-	4,586	-	4,586
Gross revenue	10,259	5,808	4,469	20,536	1,284	21,820	29,822	16,529	13,476	59,827	1,532	61,359
Net property income	7,836	3,001	4,313	15,150	1,275	16,425	22,706	8,680	13,008	44,394	1,523	45,917
Interest income	105	41	71	217	-	217	436	193	327	957	-	957
Borrowing costs	(670)	(446)	(2,452)	(3,568)	(291)	(3,859)	(2,009)	(1,332)	(7,251)	(10,592)	(373)	(10,965)
Trust and other expenses	(956)	(547)	(533)	(2,036)	(219)	(2,255)	(2,952)	(1,765)	(1,711)	(6,428)	(2,029)	(8,457)
Profit before taxation	6,315	2,049	1,399	9,763	765	10,528	18,181	5,776	4,373	28,331	(879)	27,452
Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	6,315	2,049	1,399	9,763	765	10,528	18,181	5,776	4,373	28,331	(879)	27,452
<b>Assets</b>												
Segment assets							399,610	208,460	254,989	863,059	78,700	941,759
Unallocated assets												
- Cash and bank balances												53,106
- Trade and other receivables												277
Total assets												995,142
<b>Liabilities</b>												
Segment liabilities							77,190	42,785	207,641	327,616	22,995	350,611
Unallocated liabilities												
- Payables and accruals												498
- Borrowings												8,003
Total liabilities												359,112
<b>Other Segmental information</b>												
Additional to non-current assets:												
- Investment properties							279	5,586	345	6,210	78,700	84,910
- Equipment							81	46	-	127	-	127
Depreciation							219	200	-	419	-	419
Written off							3	2	-	-	-	5

## A9 SEGMENT REPORTING (Con't)

# KIP REAL ESTATE INVESTMENT TRUST

Segmental result for the financial period ended 31 March 2022 is as follow:-

	<u>3rd quarter Ended 31 March 2022</u>				<u>YTD Ended 31 March 2022</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>
<b>By Location Segments</b>								
<b>Revenue and expenses</b>								
Gross revenue	9,189	5,172	4,469	18,830	26,060	14,943	13,476	54,479
Net property income	7,123	3,065	4,313	14,501	20,323	9,223	13,008	42,554
Changes in fair value on investment properties	-	-	-	-	-	-	-	-
Interest income	39	13	34	86	110	38	103	251
Borrowing costs	(627)	(415)	(2,235)	(3,277)	(1,905)	(1,261)	(6,795)	(9,961)
Trust and other expenses	(1,096)	(599)	(489)	(2,184)	(3,174)	(1,674)	(1,449)	(6,297)
Profit before taxation	5,439	2,064	1,623	9,126	15,354	6,326	4,867	26,547
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,439	2,064	1,623	9,126	15,354	6,326	4,867	26,547
<b>Assets</b>								
Segment assets					394,728	200,401	221,301	816,430
Unallocated assets								28,049
- Cash and bank balances								718
- Trade and other receivables								
Total assets								845,197
<b>Liabilities</b>								
Segment liabilities					70,379	44,844	206,859	322,082
Unallocated liabilities								1,767
- Payables and accruals								7,699
- Borrowings								
Total liabilities								331,548
<b>Other Segmental information</b>								
<b>Additional to non-current assets:</b>								
- Investment properties					-	-	346	346
- Equipment					884	1,140	-	2,024
Depreciation					265	235	-	500

# 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 / FUND SIZE OF KIP REIT

KIP REIT's fund size was increased from 505,300,000 units to 606,360,000 units as at 31 March 2023 with the issuance of 52,500,000, 21,150,000 and 27,410,000 new units on 3 August 2022, 25 August 2022 and 23 February 2023 respectively.

## A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

## A14 CAPITAL COMMITMENT

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated financial statements were as follows:

	<b>As at 31.3.2023 <u>RM'000</u></b>	<b>As at 30.6.2022 <u>RM'000</u></b>
Approved and contracted for KIPMall Bangi Facelift	12,701	18,116

# 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		
	31.03.2023	31.03.2022	Changes	31.03.2023	31.03.2022	Changes
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
<b>Gross revenue</b>						
Southern Region	10,260	9,189	11.7%	29,822	26,060	14.4%
Central Region	5,808	5,172	12.3%	16,529	14,943	10.6%
Northern Region	4,469	4,469	(0.0%)	13,476	13,476	0.0%
Retail segment	20,536	18,830	9.1%	59,827	54,479	9.8%
Industrial segment	1,284	-	N/A	1,532	-	N/A
	<b>21,820</b>	<b>18,830</b>	<b>15.9%</b>	<b>61,360</b>	<b>54,479</b>	<b>12.6%</b>
<b>Net property income</b>						
Southern Region	7,837	7,123	10.0%	22,706	20,323	11.7%
Central Region	3,001	3,065	(2.1%)	8,680	9,223	(5.9%)
Northern Region	4,313	4,313	(0.0%)	13,008	13,008	(0.0%)
Retail segment	15,151	14,501	4.5%	44,394	42,554	4.3%
Industrial segment	1,275	-	N/A	1,523	-	N/A
	<b>16,426</b>	<b>14,501</b>	<b>13.3%</b>	<b>45,917</b>	<b>42,554</b>	<b>7.9%</b>
<b>Profit before taxation</b>						
Realised	10,527	9,126	15.4%	29,228	26,547	10.1%
One off expenses	-	-	N/A	(1,776)	-	N/A
Unrealised	-	-	N/A	-	-	N/A
	<b>10,527</b>	<b>9,126</b>	<b>15.4%</b>	<b>27,452</b>	<b>26,547</b>	<b>3.4%</b>
<b>Income available for distribution</b>	<b>10,774</b>	<b>9,582</b>	<b>12.4%</b>	<b>28,240</b>	<b>27,599</b>	<b>2.3%</b>

#### Quarterly Results

KIP REIT recorded revenue of RM21.8 million in Q3FY23, as compared to RM18.8 million recorded in the preceding year corresponding quarter. The increase in gross revenue split into 2 segment which is 9.1% from Retail and 6.8% from industrial. The increase in retail segment due to low base revenue in Q3FY2022 despite the relaxation the SOPs. The net property income came in higher in tandem with higher revenue.

Southern region recorded revenue of RM10.3 million, at 11.6% improvement against Q3FY22 mainly due to higher occupancy rate at Tampoi and Southern region mall recorded lower rental rebate amortisation. Net property income came in better than preceding year corresponding quarter by 10% which is in tandem with higher revenue.

Central region recorded higher revenue by 12.3% against preceding year corresponding quarter mainly due to improvement from Melaka mini anchor Jalan Jalan Japan commenced operation. Contrary to the higher revenue, Central region net property income came in lower than preceding year corresponding quarter due to higher property expenses such as utilities, upkeep of building and reimbursement costs.

# KIP REAL ESTATE INVESTMENT TRUST

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Northern region revenue and net property income remained unchanged pursuant to master lease agreement with the lessee.

With the completion of the Proposed Acquisitions as explained in B9 below, KIP REIT will assess the portfolio performance by retail and industrial segment, with retail further assess by region.

The investment properties from retail and industrial segment contributed 94.1% and 5.9% of the KIP REIT total revenue respectively, whilst Southern, Central and Northern region contributed 47%, 26.6% and 20.5% of the KIP REIT total revenue from retail segment respectively.

KIP REIT's Q3FY23 realised profit before tax was 15.4% higher than Q3FY22 mainly to the acquisitions of the 3 industrial properties and low base profit recorded in Q3FY22.

Current quarter income available for distribution was 12.4% higher than preceding year corresponding quarter mainly due to the reasons stated above.

## **Year to date Results**

Total revenue for year-to-date 31 March 2023 was RM61.4 million, at 12.6% improvement against preceding year-to-date performance, mainly due to low base revenue in last year on the back of restriction on activities as a result of FMCO. In addition, there was 3 months lease income from the 3 newly acquired industrial properties. The net property income came in higher in tandem with higher revenue at a lower positive variance as compared to preceding year-to-date due to overall higher property expenses such as utilities, reimbursement cost and upkeep of building.

Year-to-date realised profit before tax and income available for distribution was 3.4% and 1.4% respectively higher against last year mainly due to explanation earlier.

The total net asset value and net asset value per unit (after income distribution) stood at RM636 million (30 June 2022: RM554.5 million) and RM1.0776 (30 June 2022 : RM1.0974) respectively. The increase in the net asset value was due to increase in Unitholders' capital upon completion of the 3 tranches of private placements during FY2023. Net asset value per unit on the other hand decrease due to increase in Units in circulation causing the dilution.

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

	Current Quarter <u>31.03.2023</u> <u>RM'000</u>	Immediate Preceding Quarter <u>31.12.2022</u> <u>RM'000</u>	<u>Changes</u> <u>(%)</u>
<b>Gross revenue</b>	21,820	20,190	8.1%
<b>Net property income</b>	16,426	15,157	8.4%
<b>Profit before taxation</b>			
<b>Realised</b>	10,527	9,907	6.3%
<b>One off expenses</b>	-	(1,776)	(100.0%)
<b>Unrealised</b>	-	-	N/A
	<u>10,527</u>	<u>8,131</u>	29.5%
<b>Income available for distribution</b>	10,774	8,381	28.6%

KIP REIT's revenue for the current quarter was 8.1% better than the immediate preceding quarter ended 31 December 2022 mainly attributed by the lease income from the 3 newly acquired industrial properties and higher occupancy rate recorded from retail segment.

Net property income came in higher by 8.4% compared to the immediate preceding quarter mainly due to the same reason as stated above.

The realised profit before taxation was 29.5% higher than the immediate preceding quarter ended 31 December 2022 was due to the one off expenses incidental to the acquisition of 3 industrial properties recorded in Q2FY23.

Current quarter income available for distribution was 28.6% higher than the immediate preceding quarter ended 31 December 2022 mainly due to higher realised profit before taxation.

## **B3 PROSPECTS**

Bank Negara Malaysia has reported that the Malaysian economy expanded strongly by 8.7% in 2022, driven by the recovery in private and public sector spending following the full reopening of the economy. The Malaysia Retailers Association (MRA) and Malaysia Retail Chain Association (MRCA) have also projected a fourth-quarter growth rate of 13.9% in November 2022. Furthermore, Retail Group Malaysia (RGM) reported that Malaysia's retail industry sales grew 13.7% year-on-year in the fourth quarter of 2022, recording a positive growth rate of 33.3% for the entire year of 2022.

Moving forward, RGM forecasts a growth rate of 3.5% for the retail industry in 2023, according to its latest Malaysia Retail Industry Report (November 2022). The slower growth rate is mainly due to the overall costs of doing business, which are expected to increase and be largely impacted by the revision of the Employment Act, a challenging labor market, supply chain disruptions, as well as a drastic increase in the electricity tariff. However, with the announcement of the National Budget 2023 on several monetary incentives to subsidize the higher prices of basic necessities for B40 and M40 households, such as reducing personal income tax contributions by two percentage points, it should help encourage Malaysian workers to channel the extra money to retail spending.

The manager remains cautious about the outlook of the retail sector in light of the anticipated challenges but maintains an optimistic outlook of the industrial sector, particularly on those assets acquired by REIT, as they have long-term tenancies and are mostly built-to-suit properties. In any case, the managers remain committed to managing the existing portfolio and exercising prudent capital management to deliver sustainable DPU to unitholders and to continue to evaluate growth opportunities in its existing and new assets, including retail, commercial, and industrial assets.

## **B4 PORTFOLIO COMPOSITON**

During the financial period under review, the KIP REIT's portfolio consists of total of ten (10) assets. There are three (3) industrial properties added to the existing portfolio of seven (7) retail malls. The seven (7) retail malls, of which three (3) are in the Southern region, three (3) are in the Central region and one (1) in the Northern region. The Proposed Acquisitions of the three (3) industrial properties was completed on 14 December 2022, located at Pulau Indah.

## KIP REAL ESTATE INVESTMENT TRUST

### B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

As at 31 March 2023, the status of utilisation of the gross proceeds from the private placement was as follows:

Proposed utilisation	Proposed amount for utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation upon listing
	RM'000	RM'000	RM'000	
Part-finance the proposed acquisitions of 3 industrial properties as announced on 12 July 2022	50,000	50,000	-	within 14 months
Part-finance the KIPMall Bangi facelift	9,215	4,072	5,143	within 18 months
Defrayment of expenses in relation to the private placement	708	708	-	within 6 months
	<u>59,923</u>	<u>54,780</u>	<u>5,143</u>	

### 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 2023, no provision for taxation has been made for the current quarter.



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## 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 INVESTMENT OBJECTIVES**

The Manager's key investment objective is to provide unitholders with regular and stable distributions, sustainable long-term unit price, distributable income and capital growth, while maintaining an appropriate capital structure. The Manager is pleased to report that since the listing of KIP REIT, the Trust has been successful in achieving the investment objectives. There was no change in the investment objectives of KIP REIT as at the date of this report.

## **B8 STRATEGIES AND POLICIES**

There were no change in the strategies and policies employed since the issuance of the 2022 Integrated Annual Report of KIP REIT.

## **B9 STATUS OF CORPORATE PROPOSAL**

On 12 July 2022, the Manager announced that the Trustee to KIP REIT has entered into conditional sale and purchase agreements ("SPAs") with Hextar Chemicals Sdn Bhd, Hextar Industrial Chemicals Sdn Bhd and Teju Logistics Sdn Bhd, respectively (hereinafter referred to as "Hextar group of companies"), for the sale and purchase of three industrial properties located in Pulau Indah ("Properties") for an aggregate purchase price of RM78.7 million ("Proposed Acquisitions"). The Properties will be leased to Hextar group of companies' related companies on a fixed period of 15 years from the date of completion of the SPAs ("Proposed Leases").

The Proposed Acquisitions and the Proposed Leases are deemed related party transactions under Paragraph 10.08 of the Listing Requirements in view of the interests of the interested major unitholder of KIP REIT and are subject to the approval of the unitholders of KIP REIT at a general meeting to be convened, consents from the State Authority of Selangor and any other relevant authorities and/or parties if required. Unitholders of KIP REIT had at the Unitholders' Meeting

## KIP REAL ESTATE INVESTMENT TRUST

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convened and held on 13 October 2022, approved the Proposed Acquisitions and Proposed Leases.

On 7 December 2022, the Manager announced that all the conditions precedent set out in the SPAs have been fulfilled and SPAs became unconditional on the even date.

On 14 December 2022, the Manager announced the completion of the Proposed Acquisitions with the settlement of the balance of purchase price. Following the completion of Proposed Acquisitions, Proposed Leases commenced on the same date.

### B10 BORROWINGS

The Group's borrowings as at 31 March 2023 are as follows:

	<b>As at 31.03.2023 RM'000</b>	<b>As at 30.6.2022 RM'000</b>
Current (secured):		
Short term revolving credit	20,000	-
Medium term notes	1,557	3,840
Unamortised transaction cost	(256)	(256)
	<u>21,301</u>	<u>3,584</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(478)	(671)
	<u>309,522</u>	<u>309,329</u>
Total borrowings	<u>330,823</u>	<u>312,913</u>
Total assets	<u>995,142</u>	<u>889,035</u>
Gearing ratio (%)	33.24%	35.20%

The weighted average interest rate of borrowings as at 31 March 2023 was 4.40% per annum (30 June 2022: 4.25% per annum) and the percentage proportion of debt that is based on fixed and floating interest rate of 64 : 36, with the drawdown of short term revolving credit of RM20.0 million in the immediate preceding quarter.

### B11 MATERIAL LITIGATION

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

# KIP REAL ESTATE INVESTMENT TRUST

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## B12 SOFT COMMISSION RECEIVED

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

## B13 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 31 March 2023	Immediate Preceding Quarter ended 31 December 2022
Number of units in issue (units'000)	590,219 <sup>N1</sup>	578,950 <sup>N1</sup>
Net realised income (RM'000)	10,527	8,131
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	2.04	1.82
- after Manager's fee	1.78	1.40
Net Income distribution to unitholders (RM'000)	9,399	8,395
Distribution per unit (DPU) (sen)	1.55	1.45
Net Asset Value (NAV) (RM'000)	636,030	611,658
NAV per unit (RM)	1.0776	1.0565
Market value per unit (RM)	0.905	0.905

<sup>N1</sup> Weighted average number of units in issue. The total number of units issued increased from 505,300,000 units to 606,360,000 units with the issuance and listing of total 101,060,000 new units arising from private placement on 3 August, 25 August 2022 and 23 February 2023 respectively.

## B14 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 2023 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 19 April 2023.