



KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 4th quarter 2018 ended 30 June 2018

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the 4th Quarter Ended 30 June 2018

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 June 2018 (3 months) RM '000	30 June 2017 (3 months) RM '000	30 June 2018 RM '000	30 June 2017 RM '000
Gross rental income	13,108	13,294	52,738	21,979
Other income	3,019	2,748	10,035	4,371
Gross revenue	16,127	16,042	62,773	26,350
Utilities expenses	2,389	2,516	10,179	4,143
Maintenance and housekeeping expenses	553	598	2,554	1,154
Marketing expenses	149	149	578	341
Reimbursement costs	1,206	1,134	4,554	1,881
Property manager fee	36	36	144	58
Quit rent and assessment	321	320	1,277	533
Other operating expenses	358	426	1,569	715
Property operating expenses	5,012	5,179	20,855	8,825
Net property income	11,115	10,863	41,918	17,525
Other income	-	320	-	533
Changes in fair value on investment properties	3,317	-	3,317	-
Interest income	208	177	817	402
Net investment income	14,640	11,360	46,052	18,460
Borrowing costs	1,212	1,136	4,626	1,825
Depreciation of plant and equipment	41	(6)	94	20
Manager's management fee	540	478	2,157	896
Auditors' remuneration	(109)	57	90	95
Trustees' fee	4	48	100	80
Valuers' fee	34	133	147	150
Other advisor fee (Include internal audit fee)	123	7	147	11
Other expenses (Pre Listing)	-	292	-	605
Office expenses	396	83	1,081	118
	2,241	2,228	8,442	3,800
Profit before taxation	12,399	9,132	37,610	14,660
Taxation	-	-	-	-
Profit after taxation	12,399	9,132	37,610	14,660
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income attributable to unitholders	12,399	9,132	37,610	14,660
Profit after taxation is made up as follows:				
- Realised	9,082	9,132	34,293	14,660
- Unrealised	3,317	-	3,317	-
	12,399	9,132	37,610	14,660
Basic Earnings Per Unit (sen)	2.45	1.81	7.44	2.90

The financial performance of KIP REIT is not comparable for the cumulative period with the preceding year corresponding period performance. This is due to the preceding year corresponding period recognising 5 months of financial performance of KIP REIT (from 6 February 2017 to 30 June 2017) as the REIT was listed on Bursa Malaysia on 6 February 2017.

**KIP REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Unaudited As At End of Current Quarter 30 June 2018 RM ('000)	Audited As At Preceding Year Ended 30 June 2017 RM ('000)
ASSETS		
<u>Non-Current Assets</u>		
Plant and equipment	1,742	323
Investment properties	585,000	580,000
Total Non-Current Assets	586,742	580,323
<u>Current Assets</u>		
Trade receivables	1,325	2,533
Other receivables and prepaid expenses	4,157	5,085
Deposit with licensed bank	8,433	11,277
Cash and bank balances	15,533	13,695
Total Current Assets	29,448	32,590
TOTAL ASSETS	616,190	612,913
FINANCED BY UNITHOLDERS' FUND		
Unitholders' capital	492,315	492,264
Retained earnings	14,636	12,134
Total Unitholders' Fund	506,951	504,398
<u>Current Liabilities</u>		
Trade payables	85	535
Other payables and accrued expenses	17,864	11,098
Borrowings	462	616
Total Current Liabilities	18,411	12,249
<u>Non-Current Liabilities</u>		
Other payables and accrued expenses	4,346	10,096
Borrowings	86,482	86,170
Total Non-Current Liabilities	90,828	96,266
TOTAL LIABILITIES	109,239	108,515
TOTAL UNITHOLDERS' FUND AND LIABILITIES	616,190	612,913
Net Asset Value (NAV)		
- before income distribution	542,058	509,451
- after income distribution	506,951	504,398
Number of units in circulation (Units)	505,300	505,300
Net Asset Value per unit (RM)		
- before income distribution	1.0727	1.0082
- after income distribution	1.0033	0.9982

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

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
For the 4th Quarter Ended 30 June 2018

	Unitholders' capital	Retained earnings	Total funds
	RM ('000)	RM ('000)	RM ('000)
As at 1 July 2017	492,264	12,134	504,398
Total comprehensive income for the year attributable to unitholders	-	37,610	37,610
Distribution to unitholders	-	(35,108)	(35,108)
Net total comprehensive income for the period attributable to unitholders	492,264	14,636	506,900
Unitholders' transactions			
Reversal of listing expenses	51	-	51
Increase in net assets resulting from unitholders' transactions	51	-	51
As at 30 June 2018	<u>492,315</u>	<u>14,636</u>	<u>506,951</u>
As at 2 November 2016 (Date of establishment of KIP REIT)	-	-	-
Total comprehensive income for the period attributable to unitholders	-	14,660	14,660
Distribution to unitholders	-	(5,053)	(5,053)
Net total comprehensive income for the period attributable to unitholders	-	9,607	9,607
Unitholders' transactions			
Issue of new units	505,300	-	505,300
Valuation of units issued at fair value	(2,527)		(2,527)
Total value of units issued	502,773	-	502,773
Effect of fair value adjustment (due to units issued) for acquisition of investment properties	-	2,527	2,527
Listing expenses	(10,509)	-	(10,509)
Increase in net assets resulting from unitholders' transactions	492,264	2,527	494,791
As at 30 June 2017	<u>492,264</u>	<u>12,134</u>	<u>504,398</u>

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

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

	Year To Date	
	Current Year Ended 30 June 2018 (12 months) RM ('000)	Preceding Year Ended 30 June 2017 (5 months) RM ('000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	37,610	14,660
Adjustment for:		
Borrowing costs	4,626	1,825
Changes in fair value on investment properties	(3,317)	-
Interest income	(817)	(403)
Depreciation of plant and equipment	94	20
Operating income before changes in working capital	<u>38,196</u>	<u>16,102</u>
Net change in trade and other receivables	2,136	(8,213)
Net change in payables and accruals	775	21,460
Cash generated from operations	<u>41,107</u>	<u>29,349</u>
Taxes paid	-	-
Net cash generated from operating activities	<u>41,107</u>	<u>29,349</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	817	403
Uplift/ (Placement) of short term deposits	2,844	(11,277)
Purchase of plant and equipment (Note 1)	(1,513)	(193)
Acquisition of investment properties (Note 2)	-	(309,000)
Capital expenditure on investment properties	(1,683)	-
Net cash from/ (used in) investing activities	<u>465</u>	<u>(320,067)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new units	-	234,150
Payment of direct issuance cost	-	(10,509)
Income distribution paid to unitholders	(35,108)	(5,053)
Interest paid	(4,626)	(1,825)
Proceeds from drawdown of long term loan	-	87,650
Net cash (used in)/ from financing activities	<u>(39,734)</u>	<u>304,413</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,838	13,695
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>13,695</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>15,533</u></u>	<u><u>13,695</u></u>

Note 1:

Purchase of plant and equipment		
Cash consideration	1,513	193
Issuance of new units	-	291

Note 2:

Acquisition of investment properties		
Cash consideration	-	309,000
Issuance of new units	-	271,000

The financial performance of KIP REIT is not comparable for the cumulative period with the preceding year corresponding period performance. This is due to the preceding year corresponding period recognising 5 months of financial performance of KIP REIT (from 6 February 2017 to 30 June 2017) as the REIT was listed on Bursa Malaysia on 6 February 2017.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 4th Quarter of 2018 Ended 30 June 2018

A. DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134

A1 BASIS OF PREPARATION

This Interim Financial Report is unaudited and has been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Securities Commission’s Guidelines on Real Estate Investment Trusts (“REIT Guidelines”). This Interim Financial Report should be read in conjunction with the proforma financial information in the Prospectus and the accompanying notes attached to this Interim Financial Report.

A2 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A3 SEASONALITY AND CYCLICALITY OF OPERATIONS

KIP REIT’s operations were not significantly affected by seasonal or cyclical factors for the period under review.

A4 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no significant unusual items that affect the financial statements of KIP REIT during the financial period under review.

A5 CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates arising from the adoption of the new and revised MFRSs, that have had a material effect during the financial period under review.

A6 ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current financial period.

A7 INCOME DISTRIBUTION

Based on the Prospectus dated 30 December 2016, KIP REIT Management Sdn. Bhd. (“Manager”), the Manager shall distribute up to 100.0% of KIP REIT’s Distributable Income on a half-yearly basis for the Financial Period Ending 30 June 2017 and Financial Year Ending 30 June 2018 and thereafter at least 90% of KIP REIT’s Distributable Income.

The income distribution policy for KIP REIT has changed from half-yearly basis to quarterly basis with effect from 30 June 2017 onward, and has been approved by the Trustee and the Manager on 27 April 2017.

On 26 July 2018, the Manager has declared a final income distribution of RM9.09 million or 1.80 sen per unit (of which 1.759 sen per unit is subject to withholding tax and 0.041 sen per unit is tax exempt/non-taxable) for 4th quarter of 2018 ended 30 June 2018 (from 1 April 2018 to 30 June 2018). The final income distribution will be paid on 23 August 2018 to the unitholders registered in the Record of Depositors on 10 August 2018 and has not been included as a liability in the current financial quarter under review.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 4th Quarter of 2018 Ended 30 June 2018

A. DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134

A8 SEGMENT REPORTING

Segmental result for the 4th quarter of 2018 ended 30 June 2018 is as follows:-

<u>4th Quarter</u>	<u>4th Quarter Ended 30.6.2018</u>		
	<u>KiP Mart</u> <u>RM'000</u>	<u>KiP Mall</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
By Business Segments			
Revenue and expenses			
Gross revenue	12,172	3,955	16,127
Net property income	8,311	2,804	11,115
Other income	3,317	-	3,317
Interest income	161	47	208
Borrowing costs	(940)	(272)	(1,212)
Trust and other expenses	(678)	(351)	(1,029)
Profit before taxation	10,171	2,228	12,399
Taxation	-	-	-
Total comprehensive income attributable to unitholders	10,171	2,228	12,399

<u>Cumulative Quarter</u>	<u>Cumulative Quarter Ended 30.6.2018</u>		
	<u>KiP Mart</u> <u>RM'000</u>	<u>KiP Mall</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
By Business Segments			
Revenue and expenses			
Gross revenue	47,689	15,084	62,773
Net property income	31,363	10,555	41,918
Other income	3,317	-	3,317
Interest income	634	183	817
Borrowing costs	(3,587)	(1,039)	(4,626)
Trust and other expenses	(2,832)	(984)	(3,816)
Profit before taxation	28,895	8,715	37,610
Taxation	-	-	-
Total comprehensive income attributable to unitholders	28,895	8,715	37,610

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 4th Quarter of 2018 Ended 30 June 2018

A. DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134

A8 SEGMENT REPORTING (Cont’d)

	<u>Gross Revenue</u>			<u>Net Property Income</u>			<u>Gross Revenue</u>			<u>Net Property Income</u>		
	<u>4th Quarter</u>			<u>4th Quarter</u>			<u>Cumulative Quarter</u>			<u>Cumulative Quarter</u>		
	<u>30.6.2018</u>	<u>30.6.2017</u>	<u>Change</u>	<u>30.6.2018</u>	<u>30.6.2017</u>	<u>Change</u>	<u>30.6.2018</u>	<u>30.6.2017</u>	<u>Change</u>	<u>30.6.2018</u>	<u>30.6.2017</u>	<u>Change</u>
<u>(3 months)</u>	<u>(3 months)</u>	<u>%</u>	<u>(3 months)</u>	<u>(3 months)</u>	<u>%</u>	<u>(12 months)</u>	<u>(5 months)</u>	<u>% (*)</u>	<u>(12 months)</u>	<u>(5 months)</u>	<u>% (*)</u>	
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>	
<u>KiP Mart</u>												
Tampoi	4,185	4,042	4%	3,201	3,030	6%	16,233	6,743	NA	11,964	5,055	NA
Kota Tinggi	1,588	1,554	2%	1,058	965	10%	6,195	2,596	NA	3,912	1,634	NA
Mart Masai	4,063	4,310	-6%	3,161	3,378	-6%	16,454	6,998	NA	12,501	5,435	NA
Senawang	760	829	-8%	272	232	17%	3,150	1,367	NA	1,115	335	NA
Melaka	1,576	1,421	11%	619	418	48%	5,657	2,351	NA	1,871	738	NA
	12,172	12,156	0%	8,311	8,023	4%	47,689	20,055	NA	31,363	13,196	NA
<u>KiP Mall</u>												
Bangi	3,955	3,886	2%	2,804	2,840	-1%	15,084	6,295	NA	10,555	4,328	NA
	3,955	3,886	2%	2,804	2,840	-1%	15,084	6,295	NA	10,555	4,328	NA
Total Segment	16,127	16,042	2%	11,115	10,863	2%	62,773	26,350	NA	41,918	17,525	NA

*Not applicable due to 12 months cumulative quarter as compared to 5 months in the preceding cumulative quarter.

KIP REIT comprises the following two business segments:

- i) KiP Marts, and
- ii) KiP Mall

- a) Review of 4th quarter of 2018 (April to June) performance

KiP Marts Segment

The KiP Mart segment registered a total revenue for the 4th quarter of 2018 of RM12.17 million compared to RM12.16 million for the 4th quarter of 2017 representing a slight increase of RM0.01 million for the current quarter under review.

Net property income (“NPI”) for the 4th quarter of 2018 was RM8.31 million compared to RM8.02 million for the 4th quarter of 2017, an increase of RM0.3 million. The increase was due to higher revenue during the current quarter’s “Ramadan Period” in the KiP Mart Segment and lower operating expenses after the completion of asset enhancements in KiP Mart Tampoi.

KiP Mall Segment

The KiP Mall segment registered a total revenue for the 4th quarter of 2018 of RM3.96 million compared to RM3.89 million for the 4th quarter of 2017, an increase of RM0.07 million for the current quarter under review due to higher revenue during the current quarter’s “Ramadan Period” and higher short term tenancies.

NPI for the 4th quarter of 2018 was RM2.80 million compared to RM2.84 million for the 4th quarter of 2017, a slight decrease of RM0.04 million. The decrease was due to higher upkeep and maintenance expenses incurred in the current period under review.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 4th Quarter of 2018 Ended 30 June 2018

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

A8 SEGMENT REPORTING (Cont'd)

- b) Review of the cumulative quarter performance ended 30 June 2018 (12 months from Jul'17 to Jun'18)

KiP Mart Segment

The KiP Mart segment registered a total revenue of RM47.69 million and NPI of RM31.36 million for the cumulative quarter under review.

After taking the financing cost and other trust expenses totalling RM6.42 million and off-set with the interest income and other income of RM3.95 million (including fair value gain on investment properties of RM3.3 million), the profit before taxation for the cumulative quarter ended 30 June 2018 is RM28.89 million.

No comparison is available as the results in the cumulative quarter is for 12 months and the cumulative preceding year corresponding period is only 5 months.

KiP Mall Segment

KiP Mall segment registered a total revenue of RM15.08 million and NPI of RM10.56 million for the cumulative quarter under review.

After taking the financing cost and other trust expenses totalling RM2.02 million and off-set with the interest income of RM0.20 million, the profit before taxation for the cumulative quarter ended 30 June 2018 was RM8.72 million.

No comparison is available as the results in the cumulative quarter was for 12 months and the cumulative preceding year corresponding period was only 5 months.

A9 VALUATION OF INVESTMENT PROPERTIES

The fair values of the investment properties as at 30 June 2018 were RM585 million (30 June 2017 at RM580 million).

A10 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the 4th quarter of 2018 ended 30 June 2018.

A11 SUBSEQUENT MATERIAL EVENTS

Besides A7, there are no other subsequent material events.

A12 CHANGES IN THE COMPOSITION OF THE TRUST

KIP REIT was listed on 6 February 2017 with an initial fund size of 505.3 million units. Since listing, there was no material change in composition of fund size for the current financial period under review.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 4th Quarter of 2018 Ended 30 June 2018

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

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A14 CAPITAL COMMITMENT

Capital commitment as at 30 June 2018:

	Current Quarter Ended 30 June 2018 <u>RM ('000)</u>
Design AHUs, retrofitting, testing, commission for chiller plant (include chiller, cooling tower, chilled water pumps, condenser water pumps, cooling coil and modulating valves for all AHUs) for KiP Mall Bangi	<u>1,548</u>

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 4TH Quarter FY 2018 Ended 30 June 2018

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

B1 REVIEW OF PERFORMANCE

For the 4th quarter FY 2018 ("Q4FY18") ended 30 June 2018, the results as stated in the Statement of Comprehensive Income are from the period from 1 April 2018 to 30 June 2018.

Financial review for current quarter and financial year to date

	<u>Individual Period (4th quarter)</u>			<u>Cumulative Period</u>		
	<u>Current Year</u>	<u>Preceding Year</u>	<u>Changes</u>	<u>Current Year</u>	<u>Preceding Year</u>	<u>Changes %</u>
	<u>Quarter</u>	<u>Corresponding</u>		<u>To Date</u>	<u>Corresponding</u>	
	<u>30.6.2018</u>	<u>30.6.2017</u>	<u>%</u>	<u>30.6.2018</u>	<u>30.6.2017</u>	<u>(*)</u>
<u>(3 months)</u>	<u>(3 months)</u>		<u>(12 months)</u>	<u>(5 months)</u>		
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>	
Gross revenue	16,127	16,042	1%	62,773	26,350	NA
Net property income	11,115	10,863	2.3%	41,920	17,525	NA
Profit before interest and tax	13,611	10,268	32.6%	42,236	16,485	NA
Profit before taxation	12,399	9,132	35.8%	37,610	14,660	NA
Profit after taxation	12,399	9,132	35.8%	37,610	14,660	NA
Total comprehensive income attributable to unitholders	12,399	9,132	35.8%	37,610	14,660	NA

**Not applicable due to 12 months cumulative quarter as compared to 5 months in the preceding cumulative quarter.*

KIP REIT registered a total revenue of RM16.13 million and net property income ("NPI") of RM11.11 million for Q4FY18. Total comprehensive income attributable to unitholders for Q4FY18 and for the current quarter and 12 months cumulative period ended 30 June 2018 was RM12.40 million and RM37.61 million respectively.

The financial performance of KIP REIT is not comparable for the cumulative period with the preceding year corresponding period performance. This is due to the preceding year corresponding period recognising 5 months of financial performance of KIP REIT (from 6 February 2017 to 30 June 2017) as the REIT was listed on Bursa Malaysia on 6 February 2017.

The Manager has declared a final income distribution of RM9.09 million or 1.80 sen per unit for Q4FY18 which will be paid on 23 August 2018.

Financial review for current quarter compared with immediate preceding quarter

	<u>Current</u>	<u>Immediate</u>	<u>Changes</u>
	<u>Quarter</u>	<u>Preceding Quarter</u>	
	<u>30.6.2018</u>	<u>31.3.2018</u>	<u>%</u>
	<u>(4QFY18)</u>	<u>(3QFY18)</u>	
	<u>RM'000</u>	<u>RM'000</u>	
Gross revenue	16,127	15,670	2.9%
Net property income	11,115	10,363	7.3%
Profit before interest and tax	13,611	9,929	37.1%
Profit before taxation	12,399	8,847	40.1%
Profit after taxation	12,399	8,847	40.1%
Total comprehensive income attributable to unitholders	12,399	8,847	40.1%

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 4TH Quarter FY 2018 Ended 30 June 2018

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

B1 REVIEW OF PERFORMANCE (CONTINUED)

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

Gross Revenue

Gross revenue for Q4FY2018 was RM16.13 million compared to RM15.67 million for the immediate preceding quarter, an increase of RM0.46 million or 2.9%. The increase was due to the festive season of "Ramadan" which occurred in the months of May'18 and Jun'18, and the increase in revenue from promotion area.

Net Property Income

Net property income ("NPI") for Q4FY18 was RM11.11 million as compared to RM10.36 million for the immediate preceding quarter, an increase of RM0.75 million or 7.3% due to higher gross revenue for current quarter and lower operating expenses.

Profit Before Interest and Taxation

Profit before interest and taxation for Q4FY18 was RM13.61 million as compared to RM9.9 million for the immediate preceding quarter, an increase of RM3.7 million or 37.1%. This was due to fair value gain on the investment properties of RM3.3 million during the financial period under review.

Total Comprehensive Income Attributable to Unitholders

KIP REIT registered a higher total comprehensive income attributable to unitholders of RM12.40 million for the current quarter compared to RM8.85 million for the immediate preceding quarter due to higher revenue from festive season of "Ramadan", lower operating expenses and fair value gain.

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

	Current Quarter Ended 30 June 2018 <u>RM ('000)</u>	Immediate Preceding Quarter Ended 31 March 2018 <u>RM ('000)</u>
Profit before tax	<u>12,399</u>	<u>8,847</u>

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

B3 PROSPECTS

The retail market in Malaysia is expected to recover further in the 2nd half of calendar year 2018 due to the recent change in the political landscape, zerorisation of Goods & Services Tax ("GST") and consumers all are having ambitious spending plan as a result of improved income and favourable employment outlook. According to the Malaysian Institute of Economic Research ("MIER"), the Malaysian consumer confidence jumped to its highest level in 21 years in the second quarter of 2018, as households were upbeat about their future income. With that, KIP REIT expects the retail spaces at all our KiP Marts/ Mall to stay resilient in term of occupancy and rental rates under the current market conditions.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 4TH Quarter FY 2018 Ended 30 June 2018

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

B3 PROSPECTS (CONTINUE)

The KiP Marts and the KiP Mall are community-centric and neighbourhood retail centres, offering a variety of fresh and affordable daily necessity products. The Properties recorded an average occupancy rate of 86.28% for Q4FY18 and will be expected to further improve moving forward.

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

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

Furthermore, the Manager will continue to explore potential acquisition of properties developed by third parties should they meet the investment criteria and investment objective of KIP REIT.

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

B4 INVESTMENT OBJECTIVES AND STRATEGIES

The Manager's key objective for KIP REIT is to provide the unitholders with regular and stable income distributions and capital growth, while maintaining an appropriate capital structure. The Manager intends to increase the income and the value of the investment properties through active asset management, asset enhancement initiatives, acquisition growth as well as capital and risk management strategies.

B5 PORTFOLIO COMPOSITON

During the financial period under review, the portfolio of KIP REIT consists of six (6) investment properties, 5 community-centric retail centres and a neighbourhood shopping mall.

B6 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

B7 TAXATION

KIP REIT will be exempted from income tax provided that KIP REIT distributes 90% or more of its total income as defined in the Malaysian Income Tax Act, 1967 ("ITA") to its unitholders within 2 months from the close of its financial period which forms the basis period for the period of assessment of KIP REIT.

For the final income distribution, the Manager has declared more than 90% of the distributable income as defined in the Malaysian Income Tax Act, 1967 ("ITA") of KIP REIT to unitholders for the current year quarter ended 30 June 2018, no provision for taxation has been made for the current year quarter ended 30 June 2018.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 4TH Quarter FY 2018 Ended 30 June 2018

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

B8 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during Q4FY18 ended 30 June 2018 under review.

B9 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during Q4FY18 ended 30 June 2018 under review.

B10 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no corporate proposals announced during the Q4FY18 ended June 2018 under review.

B11 BORROWINGS

	As at 30 June 2018 <u>RM ('000)</u>	As at 30 June 2017 <u>RM ('000)</u>
Secured Term Loan:-		
Current	462	616
Non-current	86,482	86,170
Total Borrowings	<u>86,944</u>	<u>86,786</u>

The Financing Facilities for KIP REIT comprise a term loan of RM87.00 million to part finance the acquisition of investment properties and, or working capital purposes, a revolving credit facility of RM7.00 million and letter of guarantee of RM3.00 million of which RM1.61 million had been utilised as utilities deposits.

B12 TRADE RECEIVABLES

	As at 30 June 2018 <u>RM ('000)</u>	As at 30 June 2017 <u>RM ('000)</u>
Trade Receivables	1,526	2,533
Less: Allowance for impairment of trade receivables	(201)	-
	<u>1,325</u>	<u>2,533</u>

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

As at 30 June 2018, the trade receivables (before allowance for impairment) has further improved by 39.76% or RM1.0 million to RM1.5 million as compared to audited financial period ended 30 June 2017.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 4TH Quarter FY 2018 Ended 30 June 2018

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

B13 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instruments for the Q4FY18 ended 30 June 2018 under review.

B14 MATERIAL LITIGATION

There was no pending material litigation as at the date of Interim Financial Report ended 30 June 2018.

B15 SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the 4th quarter of FY 2018 ended 30 June 2018 under review.

B16 SUMMARY OF DPU, EPU AND NAV

	Current Year Quarter Ended 30 June 2018
Number of units in issue (units'000)	505,300
Earning per unit (EPU) - sen	2.45
Net income distribution to unitholders (RM'000)	9,095
Distribution per unit (DPU) – sen	1.80
Net Asset Value (NAV) – (RM'000)	506,951
NAV per unit (RM)	1.003
Market Value Per Unit (RM)	0.800

B17 MANAGER FEE

Based on the Trust Deed dated on 2 November 2016, the Manager is entitled to receive the following fees from KIP REIT:-

- (i) Base fee of up to 1.0% per annum on the TAV;
- (ii) Performance fee of up to 5.0% per annum of net property income;
- (iii) Acquisition fee of 1.0% of the transaction value of real estate and real estate related assets directly or indirectly acquired from time to time by the Trustee; and
- (iv) Divestment fee of 0.5% of the transaction value of any real estate and real estate related assets directly or indirectly sold or divested from time to time by the Trustee.

The Manager fees for the 4th quarter FY 2018 ended 30 June 2018 totalling RM0.54mil consist of base fee (0.3%) and performance fee (1%).

B18 TRUSTEE FEE

Based on the Deed dated on 2 November 2016, KIP REIT will pay the Trustee an annual trustee's fee of RM100,000.00 per annum payable upon the execution of the Deed for the first three (3) years and thereafter at such rate to be mutually agreed between the Manager and the Trustee. The annual trustee's fee in aggregate shall be up to maximum rate of 0.05% per annum of the NAV of KIP REIT.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 4TH Quarter FY 2018 Ended 30 June 2018

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

B19 RESPONSIBILITY STATEMENT

This quarterly report has been prepared in accordance with MFRS134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of KIP REIT as at 30 June 2018 and of its financial performance and cash flows for the period then ended.

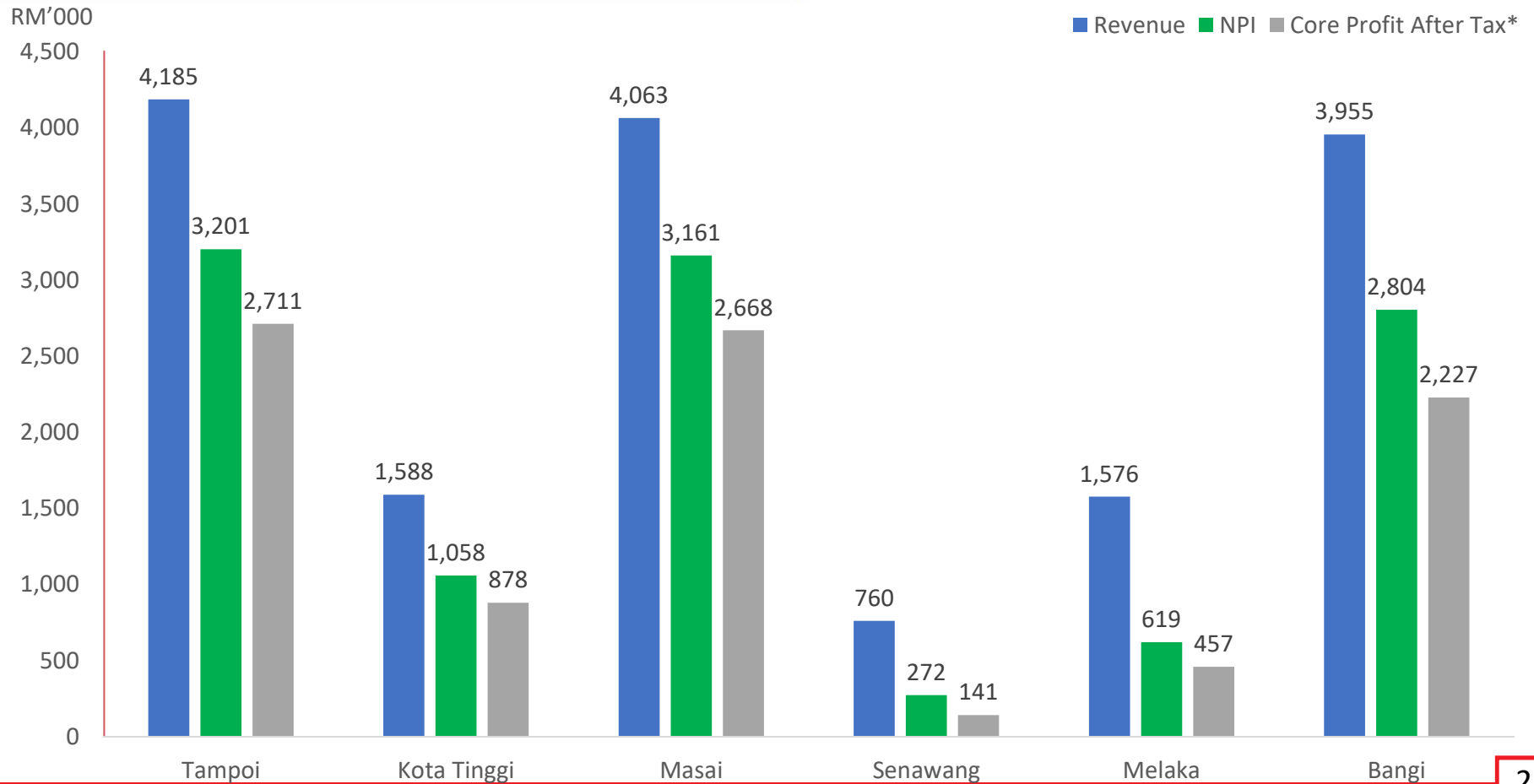


KIP Real Estate Investment Trust
BOARD PRESENTATION
4th Quarter FY2018

FY2018 FINANCIAL PERFORMANCE

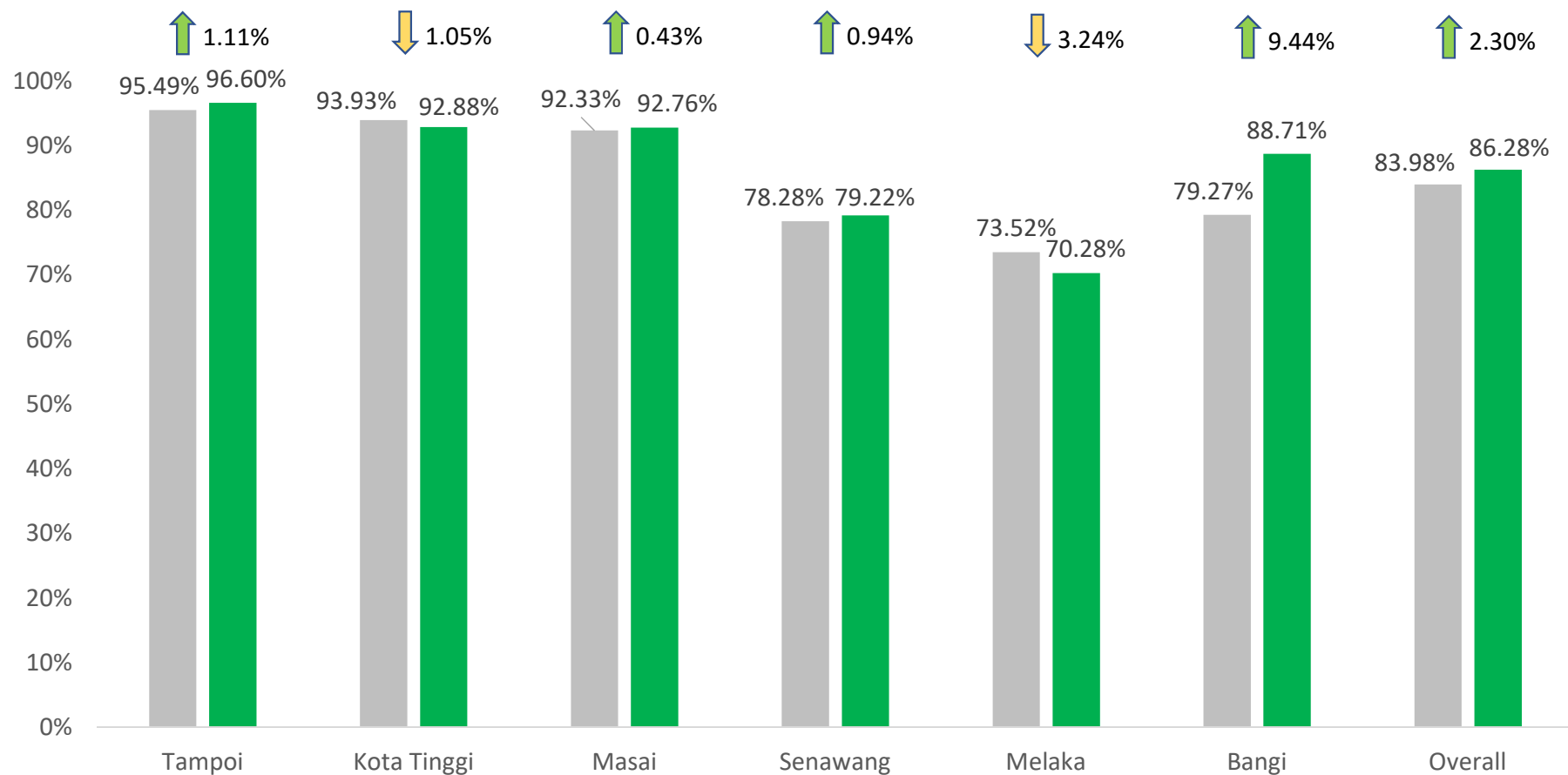
Income Statement Items	Q4FY2018 RM'000	Q3FY2018 RM'000	Variance RM'000	Variance%
Revenue	16,127	15,670	457	2.9%
Property Expenses	(5,012)	(5,307)	(294)	-5.5%
Net Property Income	11,115	10,363	752	7.3%
Other Expenses	(2,033)	(1,516)	517	34.1%
Core Profit After Tax excludes				
Revaluation Adjustment	9,082	8,847	235	2.6%
Revaluation Adjustment	3,317	-	3,317	100%
Profit After Tax	12,399	8,847	3,552	40.1%

Q4FY2018 FINANCIAL PERFORMANCE



* Core Profit After Tax excludes revaluation adjustments

AVERAGE OCCUPANCY RATES Q4FY2017 vs Q4FY2018





THANK YOU !

KIP REAL ESTATE INVESTMENT TRUST

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