



# KIP REAL ESTATE INVESTMENT TRUST

## Interim Financial Report for the 2nd quarter FY2019 ended 31 December 2018

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

	Quarter		Period-To-Date	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM '000	RM '000	RM '000	RM '000
Gross rental income	13,032	13,242	26,126	26,293
Other income	2,593	2,433	5,091	4,683
<b>Gross revenue</b>	<b>15,625</b>	<b>15,675</b>	<b>31,217</b>	<b>30,976</b>
Utilities expenses	(2,566)	(2,648)	(5,290)	(5,165)
Maintenance and housekeeping expenses	(732)	(458)	(1,476)	(1,313)
Marketing expenses	(183)	6	(336)	(322)
Reimbursement costs	(1,007)	(993)	(2,318)	(2,202)
Property manager fee	(33)	(36)	(65)	(72)
Quit rent and assessment	(319)	(319)	(637)	(637)
Other operating expenses	(339)	(412)	(708)	(826)
Property operating expenses	<b>(5,178)</b>	<b>(4,860)</b>	<b>(10,830)</b>	<b>(10,537)</b>
<b>Net property income</b>	<b>10,447</b>	<b>10,815</b>	<b>20,387</b>	<b>20,439</b>
Interest income	133	199	318	405
<b>Net investment income</b>	<b>10,580</b>	<b>11,014</b>	<b>20,705</b>	<b>20,844</b>
Borrowing costs	(1,273)	(1,173)	(2,499)	(2,332)
Depreciation of plant and equipment	(47)	(18)	(78)	(33)
Manager's management fee	(979)	(687)	(1,965)	(1,369)
Auditors' remuneration	(26)	(73)	(61)	(138)
Trustees' fee	(25)	(30)	(50)	(65)
Valuers' fee	(38)	(37)	(78)	(75)
Other advisor fee (Include internal audit fee)	(70)	(4)	(299)	(10)
Office expenses	(225)	(239)	(519)	(458)
	<b>(2,684)</b>	<b>(2,261)</b>	<b>(5,549)</b>	<b>(4,480)</b>
<b>Profit before taxation</b>	<b>7,896</b>	<b>8,753</b>	<b>15,156</b>	<b>16,364</b>
<b>Taxation</b>	-	-	-	-
<b>Profit after taxation</b>	<b>7,896</b>	<b>8,753</b>	<b>15,156</b>	<b>16,364</b>
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income attributable to unitholders</b>	<b>7,896</b>	<b>8,753</b>	<b>15,156</b>	<b>16,364</b>
<b>Total</b>				
<b>Profit after taxation is made up as follows:</b>				
- Realised	7,896	8,753	15,156	16,364
- Unrealised	-	-	-	-
	<b>7,896</b>	<b>8,753</b>	<b>15,156</b>	<b>16,364</b>
<b>Basic Earnings Per Unit (sen)</b>	<b>1.56</b>	<b>1.73</b>	<b>3.00</b>	<b>3.24</b>

The unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 ("AFS FY2018") and the accompanying notes attached to this Interim Financial Report.

**KIP REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited As At 31 Dec 2018 RM '000</b>	<b>Audited As At 30 June 2018 RM '000</b>
<b>ASSETS</b>		
<b><u>Non-Current Assets</u></b>		
Plant and equipment	6,769	1,742
Investment properties	587,765	585,000
<b>Total Non-Current Assets</b>	<u>594,534</u>	<u>586,742</u>
<b><u>Current Assets</u></b>		
Trade receivables	534	1,325
Other receivables and prepaid expenses	11,956	4,525
Deposit with licensed bank	1,272	8,433
Cash and bank balances	14,724	15,532
<b>Total Current Assets</b>	<u>28,486</u>	<u>29,815</u>
<b>TOTAL ASSETS</b>	<u><b>623,020</b></u>	<u><b>616,557</b></u>
<b>FINANCED BY UNITHOLDERS' FUND</b>		
Unitholders' capital	492,315	492,315
Retained earnings	13,370	14,636
<b>Total Unitholders' Fund</b>	<u>505,685</u>	<u>506,951</u>
<b><u>Non-Current Liabilities</u></b>		
Borrowings	91,385	86,513
Other payables and accrued expenses	4,230	4,346
<b>Total Non-Current Liabilities</b>	<u>95,615</u>	<u>90,859</u>
<b><u>Current Liabilities</u></b>		
Borrowings	6,772	462
Trade payables	193	85
Other payables and accrued expenses	14,755	18,200
<b>Total Current Liabilities</b>	<u>21,720</u>	<u>18,747</u>
<b>TOTAL LIABILITIES</b>	<u>117,335</u>	<u>109,606</u>
<b>TOTAL UNITHOLDERS' FUND AND LIABILITIES</b>	<u><b>623,020</b></u>	<u><b>616,557</b></u>
<b>Net Asset Value (NAV)</b>		
- before income distribution	522,107	542,058
- after income distribution	<u>505,685</u>	<u>506,951</u>
<b>Number of units in circulation (Units)</b>	505,300	505,300
<b>Net Asset Value per unit (RM)</b>		
- before income distribution	1.0333	1.0727
- after income distribution	<u>1.0008</u>	<u>1.0033</u>

The unaudited Condensed Statement of the Financial Position should be read in conjunction with the AFS FY 2018 and the accompanying notes attached to this Interim Financial Report.

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

	<b>Unitholders' capital</b>	<b>Retained earnings</b>	<b>Total funds</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b>As at 1 July 2018</b>	492,315	14,636	506,951
Total comprehensive income for the year attributable to unitholders	-	15,156	15,156
Distribution to unitholders	-	(16,422)	(16,422)
Net total comprehensive income for the period attributable to unitholders	492,315	13,370	505,685
<b>As at 31 December 2018</b>	<u>492,315</u>	<u>13,370</u>	<u>505,685</u>
<b>As at 1 July 2017</b>	492,264	12,134	504,398
Total comprehensive income for the year attributable to unitholders	-	16,364	16,364
Distribution to unitholders	-	(17,271)	(17,271)
Net total comprehensive income for the period attributable to unitholders	492,264	11,227	503,491
Unitholders' transactions			
Listing expenses	50	-	50
Increase in net asset resulting from unitholders' transactions	50	-	50
<b>As at 31 December 2017</b>	<u>492,314</u>	<u>11,227</u>	<u>503,541</u>

The unaudited condensed Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2018 and the accompanying notes attached to this Interim Financial Report.

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

	Period-To-Date 31 Dec 2018 RM '000	Period-To-Date 31 Dec 2017 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,156	16,364
Adjustment for:		
Borrowing costs	2,499	391
Interest income	(318)	(62)
Allowance for doubtful debts	42	-
Depreciation of plant and equipment	78	33
Operating income before changes in working capital	<u>17,457</u>	<u>16,726</u>
Net change in trade and other receivables	(6,682)	1,071
Net change in payables and accruals	<u>(3,288)</u>	<u>(746)</u>
Cash generated from operations	7,486	17,051
Taxes paid	-	-
Net cash generated from operating activities	<u>7,486</u>	<u>17,051</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	318	62
Uplift/ (Placement) of short term deposits	7,161	(1,016)
Purchase of plant and equipment	(5,105)	(132)
Capital expenditure on investment properties	<u>(2,765)</u>	<u>(17)</u>
Net cash used in investing activities	<u>(391)</u>	<u>(1,103)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Income distribution paid to unitholders	(16,422)	(17,271)
Interest paid	(2,499)	(391)
Proceeds from drawdown of borrowing	<u>11,018</u>	<u>-</u>
Net cash used in financing activities	<u>(7,903)</u>	<u>(17,662)</u>
Net decrease in cash and cash equivalents	(808)	(1,714)
Cash and cash equivalents at beginning of period	<u>15,532</u>	<u>13,695</u>
<b>Cash and cash equivalents at end of period</b>	<u>14,724</u>	<u>11,981</u>

The unaudited condensed Statement of Cash Flow should be read in conjunction with the AFS FY 2018 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 BASIS OF PREPARATION**

The condensed interim financial statements is unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements and the Securities Commission’s Guidelines on Listed Real Estate Investment Trusts (“REIT Guidelines”).

The unaudited condensed interim financial statements should be read in conjunction with the AFS FY2018 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements. The accounting policies and methods of computation adopted in this condensed unaudited interim financial statements are consistent with those disclosed in the AFS FY2018.

### **A2 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report for FY2018 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.

### **A4 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.

### **A5 CHANGES IN ESTIMATES**

Not applicable.

### **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 for the current quarter or cumulative quarter ended 31 December 2018.

# KIP REAL ESTATE INVESTMENT TRUST

## A7 INCOME DISTRIBUTION

The Directors of the Manager have decided to distribute at least 90% of KIP REIT's distributable income on a quarterly basis for the financial year ending 30 June 2019.

For the first quarter ended 30 September 2018, the Manager paid a distribution amounting to RM7.33 million or 1.45 sen per unit (of which 1.414 sen per unit is subject to withholding tax and 0.036 sen per unit is tax exempt/non-taxable) on 13 November 2018, representing approximately 100% of quarterly distributable income.

For the second quarter ended 31 December 2018, the Manager will be making a distribution of 98% of KIP REIT's quarterly distributable income amounting to RM7.83 million or 1.55 sen per unit (of which 1.518 sen per unit is subject to withholding tax and 0.032 sen per unit is tax exempt/non-taxable), to be payable on 14 February 2019 to every unitholder who is entitled to receive such distribution as at 4.00 p.m. on 31 January 2019. This amount has not been included in a liability in the current financial quarter under review.

## A8 SEGMENT REPORTING

Segmental result for the financial period ended 31 December 2018 is as follows:-

	<u>KiP Mart</u> <u>RM'000</u>	<u>KiP Mall</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<b>By Business Segments</b>			
<b>Revenue and expenses</b>			
Gross revenue	23,878	7,339	31,217
Net property income	15,497	4,890	20,387
Interest income	247	71	318
Borrowing costs	(1,941)	(558)	(2,499)
Trust and other expenses	(2,357)	(693)	(3,050)
Profit before taxation	11,446	3,710	15,156
Taxation	-	-	-
Total comprehensive income attributable to unitholders	11,446	3,710	15,156
<b>Assets</b>			
Segment assets	460,470	134,064	594,534
Unallocated assets			
- Deposits with licensed banks			1,272
- Cash and bank balances			14,724
- Trade and other receivables			12,490
Total assets			623,020

# KIP REAL ESTATE INVESTMENT TRUST

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## A9 SUBSEQUENT MATERIAL EVENTS

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

## A10 CHANGES IN THE COMPOSITION OF KIP REIT

There was no change in composition of fund size for the current quarter and cumulative quarter ended 31 December 2018.

## A11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

## A12 CAPITAL COMMITMENT

Capital commitment as at 31 December 2018:

	<b><u>RM'000</u></b>
Authorised and contracted for – within one year	<u>197,600</u>



# KIP REAL ESTATE INVESTMENT TRUST

## PART B - ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

### B1 REVIEW OF PERFORMANCE

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

	Quarter			Year To Date		
	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>Changes</u>	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	15,625	15,675	-0.3%	31,217	30,976	0.8%
Net property income	10,447	10,815	-3.4%	20,387	20,439	-0.3%
Profit before taxation	7,896	8,753	-9.8%	15,156	16,364	-7.4%
Profit after taxation	7,896	8,753	-9.8%	15,156	16,364	-7.4%
Total comprehensive income attributable to unitholders	7,896	8,753	-9.8%	15,156	16,364	-7.4%

#### Quarterly Results

KIP REIT recorded revenue of RM15.6 million in Q2FY19, as compared to RM15.7 million recorded in the preceding year corresponding quarter. The marginal decrease was mainly attributable to lower rental per sq ft of RM5.28 in Q2FY19 as compared to RM5.52 in Q2FY18 despite the increase in occupancy rate from 85.0% in corresponding quarter to 87.9% in current quarter.

KIP REIT property operating expenses was RM5.2 million in Q2FY19, an increase of RM0.3 million or 6.5% mainly attributable to the higher maintenance, marketing and advertisement expenses. Correspondingly, net property income of RM10.4 million was 3.4% lower than preceding year corresponding quarter.

KIP Mart contributed 76.9% of the KIP REIT total revenue, or RM12.0 million in current quarter vis-à-vis 76.3% in preceding year corresponding quarter. Net property income for KIP Mart was RM8.0 million, closed to corresponding quarter.

KIP Mall contributed 23.1% of the KIP REIT total revenue, or RM3.6 million in current quarter vis-à-vis 23.7% in preceding year corresponding quarter. Net property income for KIP Mall was RM2.4 million, 11% lower as compared to corresponding quarter. KIP Mall has notable improvement on occupancy rate at 87.2% as compared to corresponding quarter at 80.9%.

Current quarter total comprehensive income attributable to unitholders was RM7.9 million, 9.8% lower against preceding year corresponding quarter. This was mainly due to higher management fee charged from 0.40% of TAV in corresponding quarter to 0.60% of TAV in current quarter, on top of the higher maintenance, marketing and advertisement expenses spent.

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## Year-to-date Results

Total revenue for year-to-date 31 December 2018 was RM31.2 million, representing an increase of 0.8% against preceding year-to-date performance, which was mainly attributable to the higher occupancy rate at 87.1% as compared to year-to-date 31 December 2017 at 83.6%.

Total property operating expenses was RM0.3 million or 2.8% higher compared to year-to-date 31 December 2017. This was mainly due to higher maintenance expenses incurred. Correspondingly, net property income of RM20.4 million was 0.3% lower than preceding year-to-date 31 December 2017.

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

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>
	<b><u>31.12.2018</u></b>	<b><u>30.9.2018</u></b>	<b><u>(%)</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	
Gross revenue	15,625	15,592	0.2%
	-		
Net property income	10,447	9,940	5.1%
Profit before taxation	7,896	7,260	8.8%
Profit after taxation	7,896	7,260	8.8%
Total comprehensive income attributable to unitholders	7,896	7,260	8.8%

KIP REIT revenue and net property income increased by 0.2% and 5.1% as compared to the preceding financial quarter ended 30 September 2018, mainly due to higher occupancy rate and lower utilities expenses on the back of saving from Solar installation.

# KIP REAL ESTATE INVESTMENT TRUST

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## **B3 PROSPECTS**

Retail business in Malaysia is expected to remain challenging in 2019.

The Manager will continue ensuring the existing assets within the portfolio are well maintained and focus on leasing and marketing strategies to increase the overall occupancy in order to improve the net income and benefits from capital appreciations.

In addition, the Manager also continue to actively identify good assets for potential acquisitions including pipeline assets from promoters to achieve sustainable growth of KIP REIT and create long term value for its unitholders.

## **B4 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.

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

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

## **B6 TAXATION**

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

As KIP REIT proposes to declare more than 90% of its distributable income to its unitholders for the financial year ending 30 June 2019, no provision for taxation has been made for the current quarter.

## KIP REAL ESTATE INVESTMENT TRUST

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### **B7 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES**

There was no disposal of unquoted securities or investment properties during Q2FY19 ended 31 December 2018 under review.

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

There was no purchase or disposal of quoted securities during Q2FY19 ended 31 December 2018 under review.

### **B9 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

The proposed acquisition of Aeon Kinta City Mall in Ipoh that was announced on 28 August 2018 and 30 November 2018 is not completed.

### **B10 BORROWINGS**

	<b>As at 31 December 2018 RM ('000)</b>
Secured Term Loan:-	
Current	6,772
Non-current	91,385
Total Borrowings	<u>98,157</u>
Total assets	<u>623,020</u>
Gearing ratio (%)	<u>15.8</u>

### **B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There was no off balance sheet financial instruments for the Q2FY19 ended 31 December 2018 under review.

### **B12 MATERIAL LITIGATION**

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

## KIP REAL ESTATE INVESTMENT TRUST

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### B13 SOFT COMMISSION RECEIVED

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

### B14 SUMMARY OF DPU, EPU AND NAV

	Current Quarter Ended 31 December 2018	Immediate Preceding Quarter Ended 30 September 2018
Number of units in issue (units'000)	505,300	505,300
Earning per unit (EPU) - sen	1.56	1.44
Net income distribution to unitholders (RM'000)	7,832	7,327
Distribution per unit (DPU) – sen	1.55	1.45
Net Asset Value (NAV) – (RM'000)	505,685	505,116
NAV per unit (RM)	1.0333	0.9996
Market Value Per Unit (RM)	0.750	0.835

### B15 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 year-to-date was RM1.96mil consist of base fee (0.6%) of TAV and performance fee (1%) of net property income.

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### **B16 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.

### **B17 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 December 2018 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 15 January 2019.