



KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 2nd quarter FY2021 ended 31 Dec 2020

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	31 Dec 2020	31 Dec 2019	Changes	31 Dec 2020	31 Dec 2019	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	16,218	17,310	(6.3%)	31,935	33,340	(4.2%)
Revenue from contracts with customers	2,401	2,424	(1.0%)	4,918	4,884	0.7%
Gross revenue	18,619	19,734	(5.6%)	36,853	38,224	(3.6%)
Utilities expenses	(1,967)	(2,189)	10.2%	(3,517)	(4,342)	19.0%
Maintenance and housekeeping expenses	(656)	(599)	(9.6%)	(1,321)	(1,303)	(1.4%)
Marketing expenses	(40)	(80)	50.4%	(81)	(150)	46.0%
Quit rent and assessment	(495)	(445)	(11.2%)	(990)	(849)	(16.6%)
Reimbursement costs	(909)	(1,089)	16.6%	(1,774)	(2,198)	19.3%
Property manager fee	(41)	(36)	(12.5%)	(82)	(73)	(11.0%)
Other operating expenses	(615)	(563)	(9.2%)	(1,191)	(1,082)	(10.1%)
Property operating expenses	(4,723)	(5,001)	5.6%	(8,956)	(9,997)	10.4%
Net property income	13,896	14,733	(5.7%)	27,897	28,227	(1.2%)
Changes in fair value on investment properties	-	-	0.0%	-	13,187	(100.0%)
Interest income	84	183	(54.0%)	241	286	(15.8%)
Net investment income	13,980	14,916	(6.3%)	28,138	41,700	(32.5%)
Manager's management fee	(1,381)	(1,399)	1.3%	(2,714)	(4,793)	43.4%
Trustees' fee	(45)	(39)	(15.6%)	(89)	(272)	67.4%
Auditors' remuneration	(30)	(27)	(12.0%)	(61)	(54)	(13.0%)
Valuers' fee	(25)	(45)	44.4%	(100)	(90)	(11.6%)
Other trust expenses	(489)	(503)	2.7%	(971)	(1,666)	41.7%
Borrowing costs	(3,350)	(3,675)	8.8%	(6,691)	(7,052)	5.1%
	(5,320)	(5,688)	6.5%	(10,626)	(13,927)	23.7%
Profit before taxation ^{N1}	8,660	9,228	(6.2%)	17,512	27,773	(36.9%)
Taxation	-	-	-	-	-	-
Profit after taxation	8,660	9,228	(6.2%)	17,512	27,773	(36.9%)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	8,660	9,228	(6.2%)	17,512	27,773	(36.9%)
Profit after taxation is made up as follows:						
- Realised	8,660	9,228	(6.2%)	17,512	18,068	(3.1%)
- One-off exp incidental to the acquisition	-	-	0.0%	-	(3,482)	100.0%
- Unrealised	-	-	0.0%	-	13,187	(100.0%)
	8,660	9,228	(6.2%)	17,512	27,773	(36.9%)
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
Basic / Diluted earnings per unit (sen)						
- Realised	1.71	1.83		3.47	2.89	
- Unrealised	-	-		-	2.61	
	1.71	1.83		3.47	5.50	
Total comprehensive income	8,660	9,228		17,512	27,773	
Distribution adjustments	701	167		1,628	(12,339)	
Total current period / year distributable income	9,361	9,395		19,140	15,434	
Distribution per unit (sen)	1.59	1.76		3.14	3.13	
^{N1} Included in profit before taxation are following items:						
Interest income	84	183		241	286	
Amortisation of rental rebate	(545)	-		(1,248)	-	
Depreciation of equipments	(118)	(78)		(272)	(149)	
Allowance for impairment on receivable	26	(15)		20	(95)	

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 2020 ("AFS FY2020") 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 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM '000	RM '000	RM '000	RM '000
Net property income	13,896	14,733	27,897	28,227
Changes in fair value on investment properties	-	-	-	13,187
Interest income	84	183	241	286
	13,980	14,916	28,138	41,700
Less : Expenses	(5,320)	(5,688)	(10,626)	(13,927)
Total comprehensive income	8,660	9,228	17,512	27,773
Distribution adjustment				
- Amortisation of transactions costs	64	64	128	594
- Depreciation of equipment	118	78	272	149
- Changes in fair value on investment properties	-	-	-	(13,187)
- Allowance for impairment on receivable	(26)	15	(20)	95
- Bad debts written off	-	10	-	10
- Amortisation of rental rebate for MCO	545	-	1,248	-
	701	167	1,628	(12,339)
Total current period / year distributable income	9,361	9,395	19,140	15,434
Undistributed distributable income brought forward	2,787	29	840	913
Distributable income	12,148	9,424	19,980	16,347
Less: Proposed / Declared income distribution	(8,035)	(8,894)	(15,867)	(15,817)
Undistributed distributable income	4,113	530	4,113	530
Distribution per unit (sen)	1.59	1.76	3.14	3.13

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
	31 Dec 2020 RM '000	30 Jun 20 RM '000	31 Dec 2020 RM '000	30 Jun 20 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	1,809	1,585	1,809	1,585
Investment properties	808,001	807,000	808,001	807,000
Investment in a subsidiary	-	-	- *	-
Total Non-Current Assets	809,810	808,585	809,810	808,585
<u>Current Assets</u>				
Trade receivables	1,104	1,612	1,104	1,612
Other receivables and prepaid expenses	3,608	5,645	3,608	5,645
Cash and bank balances	29,594	25,976	22,145	18,597
Total Current Assets	34,306	33,233	26,857	25,854
TOTAL ASSETS	844,116	841,818	836,667	834,439
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	19,454	17,506	19,454	17,506
Total Unitholders' Fund	511,787	509,839	511,787	509,839
<u>Non-Current Liabilities</u>				
Borrowings	308,945	308,817	-	-
Amount due to subsidiary company	-	-	305,157	305,048
Other payables and accrued expenses	5,524	5,108	5,524	5,108
Total Non-Current Liabilities	314,469	313,925	310,681	310,156
<u>Current Liabilities</u>				
Borrowings	3,661	3,610	-	-
Trade payables	358	744	358	744
Other payables and accrued expenses	13,841	13,700	13,841	13,700
Total Current Liabilities	17,860	18,054	14,199	14,444
TOTAL LIABILITIES	332,329	331,979	324,880	324,600
TOTAL UNITHOLDERS' FUND AND LIABILITIES	844,116	841,818	836,667	834,439
Net Asset Value (NAV)				
- before income distribution	527,350	541,016	527,350	541,016
- after income distribution	511,787	509,839	511,787	509,839
Number of units in circulation (Units)	505,300	505,300	505,300	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.0436	1.0707	1.0436	1.0707
- after income distribution	1.0128	1.0090	1.0128	1.0090

* 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 2020 and the accompanying notes attached to this Interim Financial Report.

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

	Unitholders'	Retained	Total
	RM '000	earnings	RM '000
	RM '000	RM '000	RM '000
<u>Group and Fund</u>			
As at 1 July 2020	492,333	17,506	509,839
Profit for the period	-	17,512	17,512
Total comprehensive income for the period attributable to unitholders	-	17,512	17,512
Unitholders' transactions			
Distribution to unitholders	-	(15,564)	(15,564)
Decrease in net asset resulting from unitholders' transactions	-	(15,564)	(15,564)
As at 31 Dec 2020	492,333	19,454	511,787
<u>Group and Fund</u>			
As at 1 July 2019	492,333	16,800	509,133
Profit for the period	-	27,773	27,773
Total comprehensive income for the period attributable to unitholders	-	27,773	27,773
Unitholders' transactions			
Distribution to unitholders	-	(14,603)	(14,603)
Decrease in net asset resulting from unitholders' transactions	-	(14,603)	(14,603)
As at 31 Dec 2019	492,333	29,970	522,303

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Fund	
	Cumulative 31 Dec 2020 RM '000	Period-To-Date 31 Dec 2019 RM '000	Cumulative 31 Dec 2020 RM '000	Period-To-Date 31 Dec 2019 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	17,512	27,773	17,512	27,773
Adjustment for:				
Changes in fair value on investment properties	-	(13,187)	-	(13,187)
Interest expenses on borrowings	6,563	6,458	50	494
Interest expenses on advance from a subsidiary company	-	-	6,513	5,964
Interest income	(241)	(286)	(241)	(286)
Bad debts written off	-	10	-	10
Allowance for doubtful debts	(20)	95	(20)	95
Amortisation of transaction costs	128	594	128	594
Depreciation of equipment	272	149	272	149
Operating income before changes in working capital	<u>24,214</u>	<u>21,606</u>	<u>24,214</u>	<u>21,606</u>
Net change in trade and other receivables	2,557	2,070	2,557	2,070
Net change in payables and accruals	171	(840)	171	(840)
Cash generated from operations	<u>26,942</u>	<u>22,836</u>	<u>26,942</u>	<u>22,836</u>
Taxes paid	-	-	-	-
Net cash generated from operating activities	<u>26,942</u>	<u>22,836</u>	<u>26,942</u>	<u>22,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	248	257	252	257
Pledge deposit	(84)	(7,572)	(12)	(331)
Purchase of equipment	(496)	(759)	(496)	(759)
Acquisition of investment properties	-	(196,413)	-	(196,413)
Asset enhancement on investment properties	(1,001)	(181)	(1,001)	(181)
Net cash used in investing activities	<u>(1,333)</u>	<u>(204,668)</u>	<u>(1,257)</u>	<u>(197,427)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distribution paid to unitholders	(15,564)	(14,603)	(15,564)	(14,603)
(Repayment)/Advances from a subsidiary company	-	-	(73)	301,066
Interest paid on advance from a subsidiary company	-	-	(6,462)	(2,046)
Payment for transaction cost	-	(1,674)	-	-
Interest paid on borrowings	(6,512)	(3,268)	(50)	(1,221)
Repayment of borrowings	-	(99,929)	-	(99,929)
Proceeds from borrowings	-	310,000	-	-
Net (used in) / cash from financing activities	<u>(22,076)</u>	<u>190,526</u>	<u>(22,149)</u>	<u>183,267</u>
Net increase in cash and cash equivalents	3,533	8,694	3,536	8,676
Cash and cash equivalents at beginning of period	<u>16,980</u>	<u>11,579</u>	<u>16,960</u>	<u>11,579</u>
Cash and cash equivalents at end of period	<u>20,513</u>	<u>20,273</u>	<u>20,496</u>	<u>20,255</u>

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

Cash in hand	8	17	8	17
Bank balances	484	1,681	466	1,664
Short term deposits placed with licensed bank	29,102	27,435	21,671	20,193
	<u>29,594</u>	<u>29,133</u>	<u>22,145</u>	<u>21,874</u>
Less: Pledged deposits	(9,081)	(8,860)	(1,649)	(1,619)
	<u>20,513</u>	<u>20,273</u>	<u>20,496</u>	<u>20,255</u>

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST

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, a 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'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 2020 ("AFS FY2020") 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 FY2020.

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 2020 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

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 offered to non-essential retail tenants 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

The Manager intends to distribute at least 90% of the distributable income to the unitholders of KIP REIT in financial year ending 30 June 2021, on a quarterly basis.

For the quarter ended 31 December 2020, the Manager proposed a second interim income distribution of RM8.03 million or 1.59 sen per unit, which includes a non-taxable portion of approximately 0.72 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 February 2021 and 19 February 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 31 December 2020 is as follows:-

	<u>2nd quarter Ended 31 Dec 2020</u>				<u>YTD Ended 31 Dec 2020</u>			
	<u>Southern</u>	<u>Central</u>	<u>Northern</u>	<u>Total</u>	<u>Southern</u>	<u>Central</u>	<u>Northern</u>	<u>Total</u>
	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>RM'000</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>RM'000</u>
By Location Segments								
Revenue and expenses								
Gross revenue	8,957	5,332	4,330	18,619	18,041	10,390	8,422	36,853
Net property income	6,689	3,034	4,173	13,896	13,684	6,106	8,107	27,897
Interest income	37	13	34	84	108	48	85	241
Borrowing costs	(644)	(426)	(2,280)	(3,350)	(1,280)	(847)	(4,564)	(6,691)
Trust and other expenses	(928)	(577)	(465)	(1,970)	(1,860)	(1,153)	(922)	(3,935)
Profit before taxation	5,154	2,044	1,462	8,660	10,652	4,154	2,706	17,512
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,154	2,044	1,462	8,660	10,652	4,154	2,706	17,512
Assets								
Segment assets					391,012	204,765	218,157	813,934
Unallocated assets								
- Cash and bank balances								29,594
- Trade and other receivables								588
Total assets								<u>844,116</u>
Liabilities								
Segment liabilities					68,607	44,025	209,039	321,671
Unallocated liabilities								
- Payables and accruals								872
- Borrowings								9,786
Total liabilities								<u>332,329</u>
Other Segmental information								
Additional to non-current assets:								
- Investment properties					445	24	532	1,001
- Equipment					363	279	-	642
Depreciation					99	173	-	272

KIP REAL ESTATE INVESTMENT TRUST

Segmental result for the financial period ended 31 December 2019 is as follows:-

	<u>2nd quarter Ended 31 Dec 2019</u>				<u>YTD Ended 31 Dec 2019</u>			
	Southern	Central	Northern	Total	Southern	Central	Northern	Total
	Region	Region	Region		Region	Region	Region	
	<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>
Revenue and expenses								
Gross revenue	10,130	5,480	4,124	19,734	20,175	11,192	6,857	38,224
Net property income	7,697	3,065	3,971	14,733	15,298	6,329	6,600	28,227
Changes in fair value on investment properties	-	-	-	-	-	-	13,187	13,187
Interest income	85	46	52	183	145	77	64	286
Borrowing costs	(702)	(465)	(2,508)	(3,675)	(1,746)	(1,133)	(4,173)	(7,052)
Trust and other expenses	(1,024)	(559)	(430)	(2,013)	(2,013)	(1,148)	(3,714)	(6,875)
Profit before taxation	6,056	2,087	1,085	9,228	11,684	4,125	11,964	27,773
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	6,056	2,087	1,085	9,228	11,684	4,125	11,964	27,773
Assets								
Segment assets					389,759	214,353	220,131	824,243
Unallocated assets								
- Cash and bank balances								29,134
- Trade and other receivables								943
Total assets								<u>854,320</u>
Liabilities								
Segment liabilities					70,054	44,332	207,460	321,846
Unallocated liabilities								
- Payables and accruals								642
- Borrowings								9,529
Total liabilities								<u>332,017</u>
Other Segmental information								
Additional to non-current assets:								
- Investment properties					110	71	196,413	196,594
- Equipment					117	642	-	759
Depreciation					80	69	-	149

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.

KIP REAL ESTATE INVESTMENT TRUST

A11 SUBSEQUENT MATERIAL EVENTS

In an effort to curb the increase in coronavirus (“Covid-19”) infections in Malaysia, the government has implemented another phase of Movement Control Order between 13 January 2021 to 26 January 2021 (“MCO 2.0”) in certain states. Similar to the MCO announced in March 2020, these restrictions prohibit certain sectors from the economy from operating except those providing essential services; further restrictions also apply to restrict hours of operation. As such, the reduced capacity has affected shopping malls across the impacted states.

The REIT Manager remains committed to comply with government and other regulatory guidance during the Covid-19 outbreak as part of its role in the management of KIP REIT’s properties. All properties will comply with the respective guidelines provided from local authorities and our tenants who are able to operate shall continue to serve the surrounding communities in the provision of essential services such as supermarket, fresh markets, pharmacies and food and beverages via delivery and take away services only. The REIT Manager recognises that while restrictions pose challenges to many retailers, these measures are necessary as part of our collective effort to curb Covid-19. As such, we will work together with our tenants to ensure the long term sustainability of our business partnerships.

Additionally, the REIT Manager will continue to monitor the guidelines and implement appropriate measures in a timely manner to mitigate the Covid-19 impact on KIP REIT’s performance. At the property management level at KIPMall, our property manager is ensuring that sanitisation, temperature checks and social distancing observed, which are part of the effort to increase consumer and tenant confidence. Additionally, review of costs are underway to achieve further operational efficiencies.

The impact from this MCO and the Covid-19 outbreak will continue to be reflected in KIP REIT’s performance and the economy as a whole for the coming quarters. However, the effort to vaccinate against Covid-19 is due to start in the coming quarters and the REIT Manager foresees that when they become readily available to the general population, consumer confidence would be expected to subsequently normalise.

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		
	31.12.2020 RM'000	31.12.2019 RM'000	Changes (%)	31.12.2020 RM'000	31.12.2019 RM'000	Changes (%)
Gross revenue						
Southern Region	8,957	10,130	(11.58%)	18,041	20,175	(10.58%)
Central Region	5,332	5,480	(2.69%)	10,390	11,192	(7.16%)
Northern Region	4,330	4,124	5.00%	8,422	6,857	22.82%
	<u>18,619</u>	<u>19,734</u>	(5.65%)	<u>36,853</u>	<u>38,224</u>	(3.59%)
Net property income						
Southern Region	6,689	7,697	(13.10%)	13,684	15,298	(10.55%)
Central Region	3,034	3,065	(1.01%)	6,106	6,329	(3.52%)
Northern Region	4,173	3,971	5.08%	8,107	6,600	22.82%
	<u>13,896</u>	<u>14,733</u>	(5.69%)	<u>27,897</u>	<u>28,227</u>	(1.17%)
Profit before taxation						
Realised	8,660	9,228	(6.16%)	17,512	14,586	20.06%
Unrealised	-	-	N/A	-	13,187	(100.00%)
	<u>8,660</u>	<u>9,228</u>	(6.16%)	<u>17,512</u>	<u>27,773</u>	(36.95%)
Income available for distribution	9,361	9,395	(0.37%)	19,140	15,434	24.01%

Quarterly Results

KIP REIT recorded revenue of RM18.6 million in Q2FY21, as compared to RM19.7 million recorded in the preceding year corresponding quarter. The drop in revenue was attributed to RM1.3 million lower revenue from both Southern and Central region but partially cushioned by higher revenue from AEON Mall Kinta City ("AMKC") at Northern region. Included in the revenue of Southern and Central region was the amortisation of rental rebates amounting to RM0.5 million offered to non-essential tenants affected by the Movement Control Order ("MCO"). The net property income also came in lower in tandem with the lower revenue as compared to preceding year corresponding quarter.

Southern region recorded revenue of RM9.0 million, at -11.6% against Q2FY20 mainly due to amortisation of MCO rental rebates. The net property income was 13.1% lower against Q2FY20.

Central region saw 2.7% shortfall against preceding year corresponding quarter. On top of the amortisation of rental rebates offered during the MCO, promotional area also experienced lower events take up rate due to precautionary approach adopted by event organisers. Property expenses came in lower than Q2FY20 due to lower utilities, reimbursement cost and marketing cost. Correspondingly, net property income was -1.0% lower against preceding year corresponding quarter.

The investment properties in the Southern region, Central region and Northern region contributed 48.1%, 28.6% and 23.3% of the KIP REIT total revenue respectively.

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KIP REIT's Q2FY21 realised profit before tax was 6.2% lower than Q2FY20 mainly the amortisation of rental rebates of RM0.5 million during the quarter, stripping out the amortisation of rental rebates of RM0.5 million, the realised profit before tax would be close to Q2FY20.

Current quarter income available for distribution was close to preceding year corresponding quarter after the distribution adjustment on amortisation of rental rebates.

Year to date Results

Total revenue for year-to-date 31 December 2020 was RM36.9 million, at 3.6% shortfall against preceding year-to-date performance, mainly due to RM1.2 million amortisation of rental rebates but partially cushioned by one-month additional revenue from AMKC.

Southern region recorded revenue of RM18.0 million, at -10.6% against preceding year-to-date mainly due to amortisation of MCO rental rebates and lower promotional area income. Correspondingly, the net property income came in 10.6% lower than last year.

Central region also recorded lower revenue year-on-year against last year. On top of the amortisation of rental rebates offered during the MCO, promotional area continued to experience lower events take up rate due to precautionary approach adopted by event organisers. However, the net property income shortfall is at a lower variance % as compared to revenue shortfall attributed to cost management.

Northern region recorded 22.8% better revenue and net property income mainly due to one-month additional revenue from AMKC (acquisition date on 31 July 2019).

Year-to-date realised profit before tax was 20.0% better than last year on the back of last year RM3.5 million one off expenses in relation of AMKC acquisition.

Year-to-date income available for distribution was 24.0% higher than last year mainly due to realised profit before tax as explained earlier.

The total net asset value and net asset value per unit (after income distribution) stood at RM511.8 million (30 June 2020: RM509.8 million) and RM1.0128 (30 June 2020 : RM1.0090) respectively. The increase in the net asset value and net asset value per unit was mainly due to net increase in realised profit after tax during the year.

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

	Current Quarter <u>31.12.2020</u> <u>RM'000</u>	Immediate Preceding Quarter <u>30.9.2020</u> <u>RM'000</u>	<u>Changes</u> <u>(%)</u>
Gross revenue	18,619	18,234	2.11%
Net property income	13,896	14,001	(0.75%)
Profit before taxation			
Realised	8,660	8,852	(2.17%)
Unrealised	-	-	N/A
	<u>8,660</u>	<u>8,852</u>	2.17%
Income available for distribution	9,361	9,779	(4.28%)

KIP REIT's revenue for the current quarter was 2.1% higher than the immediate preceding quarter ended 30 September 2020 mainly attributed to lower amortisation of rental rebate offered to non-essential tenants during MCO and higher revenue from AMKC on the back of step up rent effective 28 September 2020.

Net property income came in lower by 0.8% compared to the preceding quarter mainly due to normalised utilities in current quarter.

In tandem with lower net property income, realised profit before taxation was 2.2% lower than the immediate preceding quarter ended 30 September 2020, at a higher variance % due to lower interest income recorded in the current quarter.

Current quarter income available for distribution was 4.3% lower than the immediate preceding quarter ended 30 September 2020 mainly due to lower realised profit before taxation.

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B3 PROSPECTS

The Covid-19 pandemic had for a large part of the calendar year 2020 introduced uncertainties into the Malaysian economy. Correspondingly, consumer sentiments continue to fluctuate due to the third wave Covid-19 pandemic and the various movement control orders imposed by the government. Although most retail sectors were allowed to operate, consumer sentiments were weak as they were cautious of the spread of the virus, with the numbers of reported cases daily remaining at high levels. As a result, Malaysia's retail industry's initial projected contraction of 9.3% is expected exacerbate to 15.8% in 2020. The pandemic has also led the International Monetary Fund to forecast a 5.8% decline in real GDP for 2020, and deflation is expected to settle at 1.2%.

In response to the sluggish economic landscape, the authorities have reacted appropriately by coordinating multi-pronged policies to support the livelihoods of the population, stabilize domestic financial markets and ensure the flow of credit into the economy through the 2021 budget allocation. Real GDP is projected to rebound by 7% in 2021 supported by both domestic and external demands driven by exports. The announced nationwide vaccination programme in 2021 should also accelerate the economic recovery rate.

The Manager shall remain vigilant due to the prolonged uncertainties surrounding the economic recovery, while adopting measures to achieve greater cost efficiency moving forward. Transparent sanitary and hygiene screening remain the priority to ensure consumers' well-being. Further to the above, the Manager shall continue to monitor the situation and leverage its strength in its leasing strategies focussed on essentials.

Following the change in KIP REIT's investment policy in the previous financial year to diversify its assets portfolio to include real estate used for industrial or commercial purposes, the Manager is actively exploring potential acquisitions to support fund growth and to create long-term value to unitholders with more diverse income producing 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 2021, no provision for taxation has been made for the current quarter.

Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, 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 31 December 2020 are as follows:

	As at 31.12.2020 RM'000	As at 30.6.2020 RM'000
Current (secured):		
Medium term notes	3,917	3,866
Unamortised transaction cost	(256)	(256)
	<u>3,661</u>	<u>3,610</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(1,055)	(1,183)
	<u>308,945</u>	<u>308,817</u>
Total borrowings	<u>312,606</u>	<u>312,427</u>
Total assets	<u>844,116</u>	<u>841,818</u>
Gearing ratio (%)	37.03%	37.11%

The weighted average interest rate of borrowings as at 31 December 2020 was 4.32% (30 June 2020: 4.52%) 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 31 December 2020	Immediate Preceding Quarter ended 30.9.2020
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	8,660	8,852
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	1.99	2.02
- after Manager's fee	1.71	1.75
Net Income distribution to unitholders (RM'000)	8,035	7,832
Distribution per unit (DPU) (sen)	1.59	1.55
Net Asset Value (NAV) (RM'000)	511,787	510,960
NAV per unit (RM)	1.0128	1.0112
Market value per unit (RM)	0.810	0.815

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 31 December 2020 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 19 January 2021.