

KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 2nd quarter FY2022 ended 31 December 2021

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	31 Dec 2021	31 Dec 2020	Changes	31 Dec 2021	31 Dec 2020	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	16,080	16,218	(0.9%)	31,695	31,935	(0.8%)
Revenue from contracts with customers	2,432	2,401	1.3%	3,954	4,918	(19.6%)
Gross revenue	18,512	18,619	(0.6%)	35,649	36,853	(3.3%)
Utilities expenses	(1,788)	(1,967)	9.1%	(2,912)	(3,517)	17.2%
Maintenance and housekeeping expenses	(400)	(656)	39.1%	(824)	(1,321)	37.6%
Marketing expenses	(20)	(40)	(50.2%)	(36)	(81)	55.4%
Quit rent and assessment	(455)	(495)	8.0%	(910)	(990)	8.1%
Reimbursement costs	(873)	(909)	3.9%	(1,715)	(1,774)	3.3%
Property manager fee	(32)	(41)	21.5%	(64)	(82)	22.4%
Other operating expenses	(564)	(615)	8.3%	(1,135)	(1,191)	4.7%
Property operating expenses	(4,132)	(4,723)	12.5%	(7,596)	(8,956)	15.2%
Net property income	14,380	13,896	3.5%	28,053	27,897	0.6%
Changes in fair value on investment properties	-	-	0.0%	-	-	0.0%
Interest income	86	84	2.3%	165	241	(31.6%)
Net investment income	14,466	13,980	3.5%	28,218	28,138	0.3%
Manager's management fee	(1,381)	(1,381)	(0.0%)	(2,823)	(2,714)	(4.0%)
Trustees' fee	(45)	(45)	(0.9%)	(90)	(89)	(2.1%)
Auditors' remuneration	(30)	(30)	0.0%	(55)	(61)	8.4%
Valuers' fee	(66)	(25)	(163.3%)	(119)	(100)	(19.3%)
Other trust expenses	(552)	(489)	(12.8%)	(1,026)	(971)	(5.7%)
Borrowing costs	(3,342)	(3,350)	0.2%	(6,684)	(6,691)	0.1%
	(5,416)	(5,320)	(1.8%)	(10,797)	(10,626)	(1.6%)
Profit before taxation ^{N1}	9,050	8,660	4.5%	17,421	17,512	(0.5%)
Taxation	-	-		-	-	
Profit after taxation	9,050	8,660	4.5%	17,421	17,512	(0.5%)
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive income attributable to unitholders	9,050	8,660	4.5%	17,421	17,512	(0.5%)
Profit after taxation is made up as follows:						
- Realised	9,050	8,660	4.5%	17,421	17,512	(0.5%)
- Unrealised	-	-	0.0%	-	-	0.0%
	9,050	8,660	4.5%	17,421	17,512	(0.5%)
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
Basic / Diluted earnings per unit (sen)						
- Realised	1.79	1.71		3.45	3.47	
- Unrealised	-	-		-	-	
	1.79	1.71		3.45	3.47	
Total comprehensive income	9,050	8,660		17,421	17,512	
Distribution adjustments	512	701		596	1,628	
Total current period / year distributable income	9,562	9,361		18,017	19,140	
Distribution per unit (sen)	1.55	1.59		3.10	3.14	
^{N1} Included in profit before taxation are following items:						
Interest income	86	84		165	241	
Amortisation of rental rebate	(204)	(545)		(480)	(1,248)	
Depreciation of equipments	(170)	(118)		(335)	(272)	
Allowance for impairment on receivable	205	26		158	20	
Bad debts written off	(279)	-		(279)	-	

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 ("AFS FY2021") and the accompanying notes attached to this Interim Financial Report.

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

	Quarter			Period-To-Date		
	31 Dec 2021	31 Dec 2020	Changes	31 Dec 2021	31 Dec 2020	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Net property income	14,380	13,896	3.5%	28,053	27,897	0.6%
Interest income	86	84	2.3%	165	241	(31.6%)
	14,466	13,980	3.5%	28,218	28,138	0.3%
Less : Expenses	(5,416)	(5,320)	(1.8%)	(10,797)	(10,626)	(1.6%)
Total comprehensive income	9,050	8,660	4.5%	17,421	17,512	(0.5%)
Distribution adjustment						
- Amortisation of transactions costs	64	64	0.0%	128	128	0.0%
- Depreciation of equipment	170	118	43.7%	335	272	23.2%
- Allowance for impairment on receivable	(205)	(26)	687.9%	(158)	(20)	701.5%
- Bad debts written off	279	-	0.0%	279	-	0.0%
- Net amortisation of rental rebate for MCO	204	545	(62.6%)	12	1,248	(99.0%)
	512	701	(27.0%)	596	1,628	(63.4%)
Total current period / year distributable income	9,562	9,361	2.2%	18,017	19,140	(5.9%)
Undistributed distributable income brought forward	5,156	2,787	85.0%	4,532	840	439.7%
Distributable income	14,718	12,148	21.2%	22,549	19,980	12.9%
Less: Proposed / declared income distribution	(7,832)	(8,035)	(2.5%)	(15,663)	(15,867)	(1.3%)
Undistributed distributable income	6,886	4,113	67.4%	6,886	4,113	67.4%
Distribution per unit (sen)	1.55	1.59	(2.5%)	3.10	3.14	(1.3%)

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

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group		Fund	
	Unaudited As At 31 Dec 2021 RM '000	Audited As At 30 Jun 2021 RM '000	Unaudited As At 31 Dec 2021 RM '000	Audited As At 30 Jun 2021 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	3,037	2,574	3,037	2,574
Investment properties	808,348	808,000	808,348	808,000
Investment in a subsidiary	-	-	-	*
Total Non-Current Assets	811,385	810,574	811,385	810,574
<u>Current Assets</u>				
Trade receivables	2,200	2,423	2,200	2,423
Other receivables and prepaid expenses	3,500	3,904	3,500	3,904
Cash and bank balances	28,111	29,320	20,530	21,805
Total Current Assets	33,811	35,647	26,230	28,132
TOTAL ASSETS	845,196	846,221	837,615	838,706
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	20,022	21,045	20,022	21,045
Total Unitholders' Fund	512,355	513,378	512,355	513,378
<u>Non-Current Liabilities</u>				
Borrowings	309,201	309,073	-	-
Amount due to subsidiary company	-	-	305,307	305,193
Other payables and accrued expenses	9,922	10,960	9,922	10,960
Total Non-Current Liabilities	319,123	320,033	315,229	316,153
<u>Current Liabilities</u>				
Borrowings	3,687	3,635	-	-
Trade payables	451	435	451	435
Other payables and accrued expenses	9,538	8,740	9,538	8,740
Amount due to related company	42	-	42	-
Total Current Liabilities	13,718	12,810	10,031	9,175
TOTAL LIABILITIES	332,841	332,843	325,260	325,328
TOTAL UNITHOLDERS' FUND AND LIABILITIES	845,196	846,221	837,615	838,706
Net Asset Value (NAV)				
- before income distribution	530,799	545,060	530,799	545,060
- after income distribution	512,355	513,378	512,355	513,378
Number of units in circulation (Units)	505,300	505,300	505,300	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.0505	1.0787	1.0505	1.0787
- after income distribution	1.0140	1.0160	1.0140	1.0160

* Denotes RM2 share capital in KIP REIT Capital Sdn Bhd

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

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

	Unitholders'	Retained	Total
	RM '000	earnings	RM '000
	RM '000	RM '000	RM '000
<u>Group and Fund</u>			
As at 1 July 2021	492,333	21,045	513,378
Profit for the period	-	17,421	17,421
Total comprehensive income for the period attributable to unitholders	-	17,421	17,421
Unitholders' transactions			
Distribution to unitholders	-	(18,444)	(18,444)
Decrease in net asset resulting from unitholders' transactions	-	(18,444)	(18,444)
As at 31 December 2021	492,333	20,022	512,355
<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 December 2020	492,333	19,454	511,787

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

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Fund	
	Cumulative Year-To-Date		Cumulative Year-To-Date	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	17,421	17,512	17,421	17,512
Adjustment for:				
Interest expenses on borrowings	6,557	6,563	50	50
Interest expenses on advance from a subsidiary company	-	-	6,507	6,513
Interest income	(165)	(241)	(165)	(241)
Bad debts written off	279	-	279	-
Allowance for doubtful debts	(158)	(20)	(158)	(20)
Amortisation of transaction costs	128	128	128	128
Depreciation of equipment	335	272	335	272
Operating income before changes in working capital	24,397	24,214	24,397	24,214
Net change in trade and other receivables	498	2,557	530	2,557
Net change in payables and accruals	(191)	171	(191)	171
Cash generated from operations	24,704	26,942	24,736	26,942
Taxes paid	-	-	-	-
Net cash generated from operating activities	24,704	26,942	24,736	26,942
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	173	248	141	252
Pledge deposit	(78)	(84)	(11)	(12)
Purchase of equipment	(798)	(496)	(798)	(496)
Asset enhancement on investment properties	(348)	(1,001)	(348)	(1,001)
Net cash used in investing activities	(1,051)	(1,333)	(1,016)	(1,257)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distribution paid to unitholders	(18,443)	(15,564)	(18,443)	(15,564)
Repayment to a subsidiary company	-	-	(66)	(73)
Interest paid on advance from a subsidiary company	-	-	(6,455)	(6,462)
Interest paid on borrowings	(6,497)	(6,512)	(42)	(50)
Net cash used in financing activities	(24,940)	(22,076)	(25,006)	(22,149)
Net decrease in cash and cash equivalents	(1,287)	3,533	(1,286)	3,536
Cash and cash equivalents at beginning of period	20,164	16,980	20,145	16,960
Cash and cash equivalents at end of period	18,877	20,513	18,859	20,496

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

Cash in hand	-	8	-	8
Bank balances	1,067	484	1,050	466
Short term deposits placed with licensed bank	27,044	29,102	19,480	21,671
	28,111	29,594	20,530	22,145
Less: Pledged deposits	(9,234)	(9,081)	(1,671)	(1,649)
	18,877	20,513	18,859	20,496

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

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

A1 CORPORATE INFORMATION

KIP Real Estate Investment Trust ("KIPREIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 November 2016 as amended and restated by the Restated Deed dated 12 December 2019 and the supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017. The unaudited condensed consolidated interim financial statements comprise KIPREIT and its subsidiary (the "Group").

A2 BASIS OF PREPARATION

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

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

A3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A4 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

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A5 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flow during the financial period to date under review, except the amortisation of rental rebates during MCO 1.0 offered to non-essential retail tenants and rental assistance offered to affected tenants during MCO 2.0 and Full MCO ("FMCO") as explained in B1 and B2.

A6 CHANGES IN ESTIMATES

Not applicable as no estimates were previously reported.

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

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

A8 INCOME DISTRIBUTION

For the quarter ended 31 December 2021, the Manager proposed a second interim income distribution of RM7.83 million or 1.55 sen per unit, which includes a non-taxable portion of approximately 0.71 sen per unit derived from capital allowances and tax-exempt income which is not subject to tax. The book closure and payment dates in respect of the proposed income distribution will be fixed on 7 February 2022 and 18 February 2022 respectively.

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

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A9 SEGMENT REPORTING

Segmental result for the financial period ended 31 December 2021 is as follows:-

	2nd quarter Ended 31 December 2021				YTD Ended 31 December 2021			
	Southern Region	Central Region	Northern Region	Total	Southern Region	Central Region	Northern Region	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
By Location Segments								
Revenue and expenses								
Gross revenue	8,911	5,078	4,523	18,512	16,870	9,772	9,007	35,649
Net property income	6,933	3,082	4,365	14,380	13,201	6,158	8,694	28,053
Changes in fair value on investment properties	-	-	-	-	-	-	-	-
Interest income	38	13	35	86	71	25	69	165
Borrowing costs	(639)	(425)	(2,278)	(3,342)	(1,279)	(846)	(4,559)	(6,684)
Trust and other expenses	(1,021)	(577)	(476)	(2,074)	(2,077)	(1,076)	(960)	(4,113)
Profit before taxation	5,311	2,093	1,646	9,050	9,916	4,261	3,244	17,421
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,311	2,093	1,646	9,050	9,916	4,261	3,244	17,421
Assets								
Segment assets					393,995	200,334	221,243	815,572
Unallocated assets								
- Cash and bank balances								28,111
- Trade and other receivables								1,513
Total assets								845,196
Liabilities								
Segment liabilities					69,586	45,066	207,362	322,014
Unallocated liabilities								
- Payables and accruals								759
- Borrowings								10,068
Total liabilities								332,841
Other Segmental information								
Additional to non-current assets:								
- Investment properties					-	-	348	348
- Equipment					218	580	-	798
Depreciation					176	159	-	335

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Segmental result for the financial period ended 31 December 2020 is as follows:-

	<u>2nd quarter Ended 31 December 2020</u>				<u>YTD Ended 31 December 2020</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>
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
Changes in fair value on investment properties	-	-	-	-	-	-	-	-
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								<u>9,786</u>
Total liabilities								<u>332,329</u>
Other Segmental information								
Additional to non-current assets:								
- Investment properties					445	24	532	1,001
- Equipment					217	279	-	496
Depreciation					99	173	-	272

KIP REAL ESTATE INVESTMENT TRUST

A10 VALUATION OF INVESTMENT PROPERTIES

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

A11 SUBSEQUENT MATERIAL EVENTS

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

A12 CHANGES IN THE COMPOSITION OF KIP REIT

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

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A14 CAPITAL COMMITMENT

There were no capital commitments to be disclosed.

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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		
	31.12.2021 RM'000	31.12.2020 RM'000	Changes (%)	31.12.2021 RM'000	31.12.2020 RM'000	Changes (%)
Gross revenue						
Southern Region	8,911	8,957	(0.5%)	16,870	18,041	(6.5%)
Central Region	5,078	5,332	(4.8%)	9,772	10,390	(6.0%)
Northern Region	4,523	4,330	4.5%	9,007	8,422	6.9%
	<u>18,512</u>	<u>18,619</u>	(0.6%)	<u>35,649</u>	<u>36,853</u>	(3.3%)
Net property income						
Southern Region	6,933	6,689	3.6%	13,201	13,684	(3.5%)
Central Region	3,082	3,034	1.6%	6,158	6,106	0.8%
Northern Region	4,365	4,173	4.6%	8,694	8,107	7.2%
	<u>14,380</u>	<u>13,896</u>	3.5%	<u>28,053</u>	<u>27,897</u>	0.6%
Profit before taxation						
Realised	9,050	8,660	4.5%	17,421	17,512	(0.5%)
Unrealised	-	-	N/A	-	-	N/A
	<u>9,050</u>	<u>8,660</u>	4.5%	<u>17,421</u>	<u>17,512</u>	(0.5%)
Income available for distribution	9,562	9,361	2.2%	18,017	19,140	(5.9%)

Quarterly Results

KIP REIT recorded revenue of RM18.5 million in Q2FY22, as compared to RM18.6 million recorded in the preceding year corresponding quarter. The decrease in revenue was mainly due to lower promotional area income despite the relaxation of the SOPs. Q2FY22 also saw the average occupancy rate decrease as compared to preceding year corresponding quarter. The net property income came in higher despite lower revenue as compared to preceding year corresponding quarter due to careful cost management.

Southern region recorded revenue of RM8.9 million, at 0.5% shortfall against Q2FY21 mainly due to lower promotional area income. The net property income nonetheless was 3.6% better against Q2FY21.

Central region recorded lower revenue of 4.8% against preceding year corresponding quarter. Central region also experienced lower promotional area income during the quarter, Bangi saw a decrease in occupancy rate on the back of preparation for facelift commencement in March 2022. Contrary to the lower revenue, net property income came in better than preceding year corresponding quarter due to better cost management.

Northern region recorded 4.5% improvement in revenue against Q2FY21 mainly due to step up rent upon renewal of lease agreement effective September 2020. The net property income was 4.6% better against Q2FY21, at a higher positive variance due to same property expenses pursuant to lease agreement with the lessee.

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The investment properties in the Southern region, Central region and Northern region contributed 48.2%, 27.4% and 24.4% of the KIP REIT total revenue respectively.

KIP REIT's Q2FY22 realised profit before tax was 4.5% better than Q2FY21 mainly arising from careful cost management.

Current quarter income available for distribution was 2.2% higher than preceding year corresponding quarter on the back of higher realised profit before tax.

Year to date Results

Total revenue for year-to-date 31 December 2021 was RM35.6 million, at 3.3% shortfall against preceding year-to-date performance, mainly due to lower promotional income on the back of restrictions on activities and events at Mall level for the first quarter and average occupancy rate decrease as compared to last year.

Southern region recorded revenue of RM16.9 million, at -6.5% against preceding year-to-date mainly due to lower average occupancy rate and lower promotional income. Correspondingly, the net property income came in 3.5% lower than last year.

Central region also recorded lower revenue year-on-year against last year. On top of the lower promotional area income, Bangi also experienced lower occupancy rate in preparation for facelift commencement in March 2022. However, the net property income came in marginally better attributed to cost management.

Northern region recorded 6.9% better revenue and 7.2% better net property income due to step up rent upon renewal of lease agreement effective September 2020.

Year-to-date realised profit before tax was 0.5% shortfall against last year due to lower revenue recorded during the year.

Year-to-date income available for distribution was 5.9% lower than last year mainly due to lower realised profit before tax as explained earlier and additional rental assistance offered amounted to RM0.5 million during Q1FY22.

The total net asset value and net asset value per unit (after income distribution) stood at RM512.4 million (30 June 2021: RM513.4 million) and RM1.0140 (30 June 2021 : RM1.0160) respectively. The decrease in the net asset value and net asset value per unit was mainly due to net decrease 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	Immediate Preceding Quarter	
	<u>31.12.2021</u>	<u>30.9.2021</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	18,512	17,137	8.0%
Net property income	14,380	13,673	5.2%
Profit before taxation			
Realised	9,050	8,371	8.1%
Unrealised	-	-	N/A
	9,050	8,371	8.1%
Income available for distribution	9,562	8,456	13.1%

KIP REIT's revenue for the current quarter was 8.0% better than the immediate preceding quarter ended 30 September 2021 mainly attributed to improved average occupancy rate during the quarter and slightly better promotional area income upon relaxation of restrictions.

Net property income came in higher by 5.2%, at lower positive variance compared to the preceding quarter mainly due to certain costs saved on partial closure of the Malls in preceding quarter.

In tandem with higher net property income, realised profit before taxation was 8.1% higher than the immediate preceding quarter ended 30 September 2021.

Current quarter income available for distribution was 13.1% higher than the immediate preceding quarter ended 30 September 2021 mainly due to better realised profit before taxation and no further rental assistance had been offered during the quarter.

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B3 PROSPECTS

The easing of various restrictions during the quarter saw the returning of footfall and tenants to all the KIP REIT's portfolio. However, toward the end of November 2021, WHO has announced a new Covid-19 variant of concern, Omicron and warns of its potential impact to the community.

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

B4 PORTFOLIO COMPOSITON

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

B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

KIP REAL ESTATE INVESTMENT TRUST

B6 TAXATION

Trust Level

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

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

Unitholders' Level

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

Resident unitholder:

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

Non-resident unitholder:

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

B7 STATUS OF CORPORATE PROPOSAL

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

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B8 BORROWINGS

The Group's borrowings as at 31 December 2021 are as follows:

	As at 31.12.2021 RM'000	As at 30.6.2021 RM'000
Current (secured):		
Medium term notes	3,943	3,891
Unamortised transaction cost	(256)	(256)
	<u>3,687</u>	<u>3,635</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(799)	(927)
	<u>309,201</u>	<u>309,073</u>
Total borrowings	<u>312,888</u>	<u>312,708</u>
Total assets	<u>845,196</u>	<u>846,221</u>
Gearing ratio (%)	37.02%	36.95%

The weighted average interest rate of borrowings as at 31 December 2021 was 4.31% (30 June 2021: 4.25%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

B9 MATERIAL LITIGATION

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

B10 SOFT COMMISSION RECEIVED

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

KIP REAL ESTATE INVESTMENT TRUST

B11 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 31 December 2021	Immediate Preceding Quarter ended 30 September 2021
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	9,050	8,371
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	2.06	1.94
- after Manager's fee	1.79	1.66
Net Income distribution to unitholders (RM'000)	7,832	7,832
Distribution per unit (DPU) (sen)	1.55	1.55
Net Asset Value (NAV) (RM'000)	512,355	511,137
NAV per unit (RM)	1.0140	1.0116
Market value per unit (RM)	0.835	0.850

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 2021 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 19 January 2022.