

KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 1st quarter FY2023 ended 30 September 2022

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	30 Sep 2022	30 Sep 2021	Changes	30 Sep 2022	30 Sep 2021	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Lease income	17,906	16,078	11.4%	17,906	16,078	11.4%
Revenue from contracts with customers	1,443	1,059	36.3%	1,443	1,059	36.3%
Gross revenue	19,349	17,137	12.9%	19,349	17,137	12.9%
Utilities expenses	(2,311)	(1,124)	(105.6%)	(2,311)	(1,124)	(105.6%)
Maintenance and housekeeping expenses	(621)	(424)	(46.5%)	(621)	(424)	(46.5%)
Marketing expenses	(39)	(16)	(154.0%)	(39)	(16)	(154.0%)
Quit rent and assessment	(469)	(455)	(3.2%)	(469)	(455)	(3.2%)
Reimbursement costs	(964)	(842)	(14.5%)	(964)	(842)	(14.5%)
Property manager fee	(32)	(32)	0.0%	(32)	(32)	0.0%
Other operating expenses	(580)	(571)	(1.7%)	(580)	(571)	(1.7%)
Property operating expenses	(5,016)	(3,464)	(44.8%)	(5,016)	(3,464)	(44.8%)
Net property income	14,333	13,673	4.8%	14,333	13,673	4.8%
Changes in fair value on investment properties	-	-	0.0%	-	-	0.0%
Interest income	279	79	253.2%	279	79	253.2%
Net investment income	14,612	13,752	6.3%	14,612	13,752	6.3%
Manager's management fee	(1,738)	(1,442)	(20.5%)	(1,738)	(1,442)	(20.5%)
Trustees' fee	(49)	(45)	(7.8%)	(49)	(45)	(7.8%)
Auditors' remuneration	(50)	(25)	(96.6%)	(50)	(25)	(96.6%)
Valuers' fee	(65)	(53)	(23.8%)	(65)	(53)	(23.8%)
Other trust expenses	(454)	(474)	4.2%	(454)	(474)	4.2%
Borrowing costs	(3,463)	(3,342)	(3.6%)	(3,463)	(3,342)	(3.6%)
	(5,819)	(5,381)	(8.2%)	(5,819)	(5,381)	(8.2%)
Profit before taxation^{N1}	8,793	8,371	5.0%	8,793	8,371	5.0%
Taxation	-	-	-	-	-	-
Profit after taxation	8,793	8,371	5.0%	8,793	8,371	5.0%
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	8,793	8,371	5.0%	8,793	8,371	5.0%
Profit after taxation is made up as follows:						
- Realised	8,793	8,371	5.0%	8,793	8,371	5.0%
- Unrealised	-	-	0.0%	-	-	0.0%
	8,793	8,371	5.0%	8,793	8,371	5.0%
Weighted average number of units ('000)	547,474	505,300		547,474	505,300	
Earnings per unit ("EPU") (sen)^{N2}						
- Realised	1.61	1.66		1.61	1.66	
- Unrealised	-	-		-	-	
	1.61	1.66		1.61	1.66	
Total comprehensive income	8,793	8,371		8,793	8,371	
Distribution adjustments	292	85		292	85	
Total current period / year distributable income	9,085	8,456		9,085	8,456	
Distribution per unit (sen)	1.45	1.55		1.45	1.55	
^{N1} Included in profit before taxation are following items:						
Interest income	279	79		279	79	
Amortisation of rental rebate	(78)	(277)		(78)	(277)	
Depreciation of equipments	(147)	(165)		(147)	(165)	
Allowance for impairment on receivable	-	(47)		-	(47)	
Equipments written off	(3)	-		(3)	-	

^{N2} EPU for the current quarter/period is computed based on Profit after tax for the quarter/period divided by weighted average number of units in issue of 547,474,457 units. EPU for preceding year corresponding quarter/period is based on number of units in issue of 505,300,000 units.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 ("AFS FY2022") and the accompanying notes attached to this Interim Financial Report.

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

	Quarter			Period-To-Date		
	30 Sep 2022	30 Sep 2021	Changes	30 Sep 2022	30 Sep 2021	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Net property income	14,333	13,673	4.8%	14,333	13,673	4.8%
Interest income	279	79	253.2%	279	79	253.2%
	14,612	13,752	6.3%	14,612	13,752	6.3%
Less : Expenses	(5,819)	(5,381)	(8.2%)	(5,819)	(5,381)	(8.2%)
Total comprehensive income	8,793	8,371	5.0%	8,793	8,371	5.0%
Distribution adjustment						
- Amortisation of transactions costs	64	64	0.0%	64	64	0.0%
- Depreciation of equipment	147	165	(11.0%)	147	165	(11.0%)
- Allowance for impairment on receivable	-	47	(100.0%)	-	47	(100.0%)
- Bad debts written off	-	-	0.0%	-	-	0.0%
- Written off of equipment	3	-	0.0%	3	-	0.0%
- Net amortisation of rental rebate for MCO	78	(191)	(141.0%)	78	(191)	(141.0%)
	292	85	242.1%	292	85	242.1%
Total current period / year distributable income	9,085	8,456	7.4%	9,085	8,456	7.4%
Undistributed distributable income brought forward	7,500	4,532	65.5%	7,500	4,532	65.5%
Distributable income	16,585	12,988	27.7%	16,585	12,988	27.7%
Less: Proposed / declared income distribution	(8,105)	(7,832)	3.5%	(8,105)	(7,832)	3.5%
Undistributed distributable income	8,480	5,156	64.5%	8,480	5,156	64.5%
Distribution per unit (sen)	1.45	1.55	(6.5%)	1.45	1.55	(6.5%)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 ("AFS FY2022") and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group		Fund	
	Unaudited As At	Audited As At	Unaudited As At	Audited As At
	30 Sep 2022 RM '000	30 Jun 2022 RM '000	30 Sep 2022 RM '000	30 Jun 2022 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	1,905	1,946	1,905	1,946
Investment properties	852,685	852,000	852,685	852,000
Investment in a subsidiary	-	-	- *	-
Total Non-Current Assets	854,590	853,946	854,590	853,946
<u>Current Assets</u>				
Trade receivables	396	528	396	528
Other receivables	7,770	3,567	7,770	3,567
Cash and cash equivalents	82,033	30,994	74,345	23,344
Total Current Assets	90,199	35,089	82,511	27,439
TOTAL ASSETS	944,789	889,035	937,101	881,385
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	551,578	492,333	551,578	492,333
Retained earnings	60,375	62,193	60,375	62,193
Total Unitholders' Fund	611,953	554,526	611,953	554,526
<u>Non-Current Liabilities</u>				
Borrowings	309,393	309,329	-	-
Amount due to subsidiary company	-	-	303,062	305,263
Other payables and accruals	6,986	8,144	6,986	8,144
Total Non-Current Liabilities	316,379	317,473	310,048	313,407
<u>Current Liabilities</u>				
Borrowings	1,357	3,584	-	-
Trade payables	356	493	356	493
Other payables and accruals	14,744	12,959	14,744	12,959
Total Current Liabilities	16,457	17,036	15,100	13,452
TOTAL LIABILITIES	332,836	334,509	325,148	326,859
TOTAL UNITHOLDERS' FUND AND LIABILITIES	944,789	889,035	937,101	881,385
Net Asset Value (NAV)				
- before income distribution	622,564	588,887	622,564	588,887
- after income distribution	611,953	554,526	611,953	554,526
Number of units in circulation (Units)	578,950	505,300	578,950	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.0753	1.1654	1.0753	1.1654
- after income distribution	1.0570	1.0974	1.0570	1.0974

* 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 2022 and the accompanying notes attached to this Interim Financial Report.

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

	Unitholders' capital	Retained earnings	Total
	RM '000	RM '000	RM '000
<u>Group and Fund</u>			
As at 1 July 2022	492,333	62,193	554,526
Profit for the year	-	8,793	8,793
Total comprehensive income for the period attributable to unitholders	-	8,793	8,793
Unitholders' transactions			
Distribution to unitholders	-	(10,611)	(10,611)
Issuance and placement of units	59,923	-	59,923
Issuing expenses	(678)	-	(678)
Decrease in net asset resulting from unitholders' transactions	59,245	(10,611)	48,634
As at 30 September 2022	551,578	60,375	611,953
<u>Group and Fund</u>			
As at 1 July 2021	492,333	21,045	513,378
Profit for the year	-	8,371	8,371
Total comprehensive income for the period attributable to unitholders	-	8,371	8,371
Unitholders' transactions			
Distribution to unitholders	-	(10,612)	(10,612)
Decrease in net asset resulting from unitholders' transactions	-	(10,612)	(10,612)
As at 30 September 2021	492,333	18,804	511,137

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2022 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Fund	
	Cumulative Year-To-Date 30 Sep 2022 RM '000	Cumulative Year-To-Date 30 Sep 2021 RM '000	Cumulative Year-To-Date 30 Sep 2022 RM '000	Cumulative Year-To-Date 30 Sep 2021 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	8,793	8,371	8,793	8,371
Adjustment for:				
Interest expenses on borrowings	3,399	3,278	25	25
Interest expenses on advance from a subsidiary company	-	-	3,374	3,253
Interest income	(279)	(79)	(279)	(79)
Depreciation of equipment	147	165	147	165
Amortisation of transaction costs	64	64	64	64
Written off of equipment	3	-	3	-
Allowance for doubtful debts	-	47	-	47
Operating income before changes in working capital	12,127	11,846	12,127	11,846
Net change in trade and other receivables	(3,906)	(1,379)	(3,906)	(1,348)
Net change in payables and accruals	548	(294)	548	(294)
Cash generated from operations	8,769	10,173	8,769	10,204
Taxes paid	-	-	-	-
Net cash generated from operating activities	8,769	10,173	8,769	10,204
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	114	93	114	62
Purchase of equipment	(109)	(371)	(109)	(371)
Asset enhancement on investment properties	(685)	-	(685)	-
Net cash used in investing activities	(680)	(278)	(680)	(309)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of new units	59,923	-	59,923	-
Payment of issuing expenses	(678)	-	(678)	-
Income distribution paid to unitholders	(10,611)	(10,611)	(10,611)	(10,611)
Repayment to a subsidiary company	-	-	(38)	(33)
Interest paid on advance from a subsidiary company	-	-	(5,602)	(5,557)
Interest paid on borrowings	(5,684)	(5,557)	(82)	-
Net cash generated from / (used in) financing activities	42,950	(16,168)	42,912	(16,201)
Net increase / (decrease) in cash and cash equivalents	51,039	(6,273)	51,001	(6,306)
Cash and cash equivalents at beginning of period	30,994	29,320	23,344	21,805
Cash and cash equivalents at end of period	82,033	23,047	74,345	15,499

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

Cash in hand	-	*	-	*	-	-
Bank balances	1,126		2,310		1,109	2,292
Short term deposits placed with licensed bank	80,907		20,737		73,236	13,207
	<u>82,033</u>		<u>23,047</u>		<u>74,345</u>	<u>15,499</u>

* Denotes RM2

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2022 and the accompanying notes attached to this Interim Financial Report.

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

A1 CORPORATE INFORMATION

KIP Real Estate Investment Trust ("KIP REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 November 2016 as amended and restated by the Restated Deed dated 12 December 2019 and the supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017. The unaudited condensed consolidated interim financial statements comprise 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 2022 ("AFS FY2022") and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The accounting policies and methods of computation adopted in these unaudited condensed consolidated financial statements are consistent with those disclosed in the AFS FY2022.

A3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the financial statements of KIP REIT for the preceding financial year ended 30 June 2022 was not qualified.

A4 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

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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, except as disclosed in Note A12.

A8 INCOME DISTRIBUTION

For the quarter ended 30 September 2022, the Manager proposed a first income distribution of RM8.39 million or 1.45 sen per unit, which includes a non-taxable portion of approximately 0.06 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 10 November 2022 and 23 November 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 30 September 2022 is as follow:-

	<u>1st Quarter and YTD Ended 30 September 2022</u>			
	<u>Southern Region</u>	<u>Central Region</u>	<u>Northern Region</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
By Location Segments				
Revenue and expenses				
Gross revenue	9,640	5,225	4,484	19,349
Net property income	7,290	2,715	4,328	14,333
Interest income	123	56	100	279
Borrowing costs	(663)	(437)	(2,363)	(3,463)
Trust and other expenses	(1,074)	(652)	(630)	(2,356)
Profit before taxation	5,676	1,682	1,435	8,793
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	5,676	1,682	1,435	8,793
Assets				
Segment assets	399,473	203,706	254,287	857,466
Unallocated assets				
- Cash and bank balances				82,033
- Trade and other receivables				5,290
Total assets				944,789
Liabilities				
Segment liabilities	73,856	43,758	207,007	324,621
Unallocated liabilities				
- Payables and accruals				285
- Borrowings				7,930
Total liabilities				332,836
Other Segmental information				
Additional to non-current assets:				
- Investment properties	131	519	35	685
- Equipment	72	37	-	109
Depreciation	77	70	-	147

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Segmental result for the financial period ended 30 September 2021 is as follow:-

	1st Quarter and YTD Ended 30 September 2021			
	Southern Region RM'000	Central Region RM'000	Northern Region RM'000	Total RM'000
By Location Segments				
Revenue and expenses				
Gross revenue	7,960	4,693	4,484	17,137
Net property income	6,268	3,076	4,329	13,673
Interest income	33	12	34	79
Borrowing costs	(640)	(422)	(2,280)	(3,342)
Trust and other expenses	(1,055)	(499)	(485)	(2,039)
Profit before taxation	4,606	2,167	1,598	8,371
Taxation	-	-	-	-
Total comprehensive income attributable to unitholders	4,606	2,167	1,598	8,371
Assets				
Segment assets	395,223	200,932	220,852	817,007
Unallocated assets				
- Cash and bank balances				23,047
- Trade and other receivables				1,417
Total assets				841,471
Liabilities				
Segment liabilities	69,707	44,540	208,230	322,477
Unallocated liabilities				
- Payables and accruals				209
- Borrowings				7,648
Total liabilities				330,334
Other Segmental information				
Additional to non-current assets:				
- Investment properties	-	-	-	-
- Equipment	207	164	-	371
Depreciation	87	78	-	165

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A10 VALUATION OF INVESTMENT PROPERTIES

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

A11 SUBSEQUENT MATERIAL EVENTS

On 13 October 2022, the Manager announced that unitholders of KIP REIT had at the Unitholders' Meeting convened and held on 13 October 2022, approved the Proposed Acquisitions and Proposed Leases as announced on 12 July 2022.

A12 CHANGES IN THE COMPOSITION / FUND SIZE OF KIP REIT

KIP REIT's fund size was increased from 505,300,000 units to 578,950,000 units during the quarter under review with the issuance of 52,500,000 and 21,150,000 new units on 3 August 2022 and 25 August 2022 respectively.

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A14 CAPITAL COMMITMENT

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

	As at 30.9.2022 <u>RM'000</u>	As at 30.6.2022 <u>RM'000</u>
Approved and contracted for KIPMall Bangi Facelift	18,116	18,116

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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		
	<u>30.9.2022</u>	<u>30.9.2021</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue			
Southern Region	9,640	7,960	21.1%
Central Region	5,225	4,693	11.3%
Northern Region	4,484	4,484	0.0%
	<u>19,349</u>	<u>17,137</u>	12.9%
Net property income			
Southern Region	7,290	6,268	16.3%
Central Region	2,715	3,076	(11.8%)
Northern Region	4,328	4,329	(0.0%)
	<u>14,333</u>	<u>13,673</u>	4.8%
Profit before taxation			
Realised	8,793	8,371	5.0%
Unrealised	-	-	N/A
	<u>8,793</u>	<u>8,371</u>	5.0%
Income available for distribution	9,085	8,456	7.4%

Quarterly and Year to date Results

KIP REIT recorded revenue of RM19.3 million in Q1FY23, as compared to RM17.1 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to low base revenue in Q1FY22 with lower promotional area income on the back of restriction on activities as a result of FMCO. The net property income came in higher in tandem with higher revenue at a lower positive variance as compared to preceding year corresponding quarter due to overall higher property expenses with full force operating during quarter.

Southern region recorded revenue of RM9.6 million, at 21.1% improvement against Q1FY22 mainly due to the same reason mentioned earlier. Net property income came in better than preceding year corresponding quarter by 16.3%, at lower positive variance as compared to revenue improvement.

Central region recorded higher revenue by 11.3% against preceding year corresponding quarter for the same reason. All Malls in the Central region recorded higher revenue except Bangi due to ongoing Facelift as explained in past quarters' announcements. Contrary to the higher revenue, Central region net property income came in lower than preceding year corresponding quarter due to higher property expenses such as utilities and reimbursement costs.

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

The investment properties in the Southern region, Central region and Northern region contributed 49.8%, 27.0% and 23.2% of the KIP REIT total revenue respectively.

KIP REIT's Q1FY23 realised profit before tax was 5.0% higher than Q1FY22 mainly arising from higher net property income.

Current quarter income available for distribution was 7.4% higher than preceding year corresponding quarter mainly due to higher realised profit before tax on top of the RM0.5 million rental assistance offered last year.

The total net asset value and net asset value per unit (after income distribution) stood at RM612.0 million (30 June 2022: RM554.5 million) and RM1.0570 (30 June 2022 : RM1.0974) respectively. The increase in the net asset value was due to increase in Unitholders' capital upon completion of the 2 tranches of private placements during the quarter. Net asset value per unit on the other hand decrease due to increase in Units in circulation causing the dilution.

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

	Current Quarter	Immediate Preceding Quarter	
	<u>30.9.2022</u>	<u>30.6.2022</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	19,349	19,221	0.7%
			0.0%
Net property income	14,333	14,200	0.9%
Profit before taxation			
Realised	8,793	9,496	(7.4%)
Unrealised	-	39,466	(100.0%)
	8,793	48,962	(82.0%)
Income available for distribution	9,085	9,728	(6.6%)

KIP REIT's revenue for the current quarter was 0.7% better than the immediate preceding quarter ended 30 June 2022 mainly attributed to lower rental rebate amortisation and higher occupancy rate recorded but partially offset by slightly lower rental per sq. ft. during the quarter.

Net property income came in higher by 0.9% compared to the preceding quarter mainly due to the same reason.

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Contrary to the higher net property income, realised profit before taxation was 7.4% lower than the immediate preceding quarter ended 30 June 2022 due to higher non property expenses during the quarter.

There was unrealised profit before tax in the immediate preceding quarter on the changes in fair value on investment properties.

Current quarter income available for distribution was 6.6% lower than the immediate preceding quarter ended 30 June 2022 mainly due to lower realised profit before taxation.

B3 PROSPECTS

Bank Negara Malaysia reported higher economic growth at 6.9% for the first half of calendar year 2022, and is projected to expand further for the remainder of the year driven by domestic demand, improving labour market conditions and higher tourist arrivals. Headline inflation is projected to trend higher in some months during the remainder of the year, due partly to the base effect from the discount on electricity prices implemented in 3Q 2021. Core inflation is expected to average higher in 2022, as demand continues to improve amid the high-cost environment. The Manager maintains an optimistic outlook for the remainder of FY2023, supported by the growth in retail segment and existing community centric portfolio which provides predominantly essential items. In addition, with the completion of the Proposed Acquisitions of Industrial Properties in FY2023, there will be incremental revenue to KIP REIT.

Nonetheless, the Manager remains cautious of the domestic and global uncertainties which may pose a challenge and add to the country's downside risks.

The Manager will continue to manage the existing portfolio and exercise prudent capital management in order to deliver sustainable DPU to Unitholders and to evaluate growth opportunities in its existing and new asset classes of retail and 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.

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B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

As at 30 September 2022, the status of utilisation of the gross proceeds from the private placement was as follows:

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

B6 TAXATION

Trust Level

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

As KIP REIT intends to distribute more than 90% of its distributable income, which translates to more than 90% of its total taxable income, to its unitholders for the financial year ending 30 June 2023, no provision for taxation has been made for the current quarter.

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Unitholders' Level

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

Resident unitholder:

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

Non-resident unitholder:

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

B7 INVESTMENT OBJECTIVES

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

B8 STRATEGIES AND POLICIES

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

B9 STATUS OF CORPORATE PROPOSAL

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

The Proposed Acquisitions and the Proposed Leases are deemed related party transactions under Paragraph 10.08 of the Listing Requirements in view of the interests of the interested major unitholder of KIP REIT and are subject to the approval of the unitholders of KIP REIT at a general meeting to be convened, consents from the State Authority of Selangor and any other relevant authorities and/or parties if required. As mentioned in A11, unitholders of KIP REIT had at the

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

The Proposed Acquisitions and the Proposed Leases are now pending fulfilment of all the conditional precedents to complete.

B10 BORROWINGS

The Group's borrowings as at 30 September 2022 are as follows:

	As at 30.9.2022 RM'000	As at 30.6.2022 RM'000
Current (secured):		
Medium term notes	1,613	3,840
Unamortised transaction cost	(256)	(256)
	<u>1,357</u>	<u>3,584</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(607)	(671)
	<u>309,393</u>	<u>309,329</u>
Total borrowings	<u>310,750</u>	<u>312,913</u>
Total assets	<u>944,789</u>	<u>889,035</u>
Gearing ratio (%)	32.89%	35.20%

The weighted average interest rate of borrowings as at 30 September 2022 was 4.46% (30 June 2022: 4.25%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

B11 MATERIAL LITIGATION

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

B12 SOFT COMMISSION RECEIVED

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

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B13 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 30 September 2022	Immediate Preceding Quarter ended 30 June 2022
Number of units in issue (units'000)	578,950	505,300
Net realised income (RM'000)	8,793	9,496
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	1.92 ^{N1}	2.16 ^{N2}
- after Manager's fee	1.61 ^{N1}	1.88 ^{N2}
Net Income distribution to unitholders (RM'000)	8,395	10,611
Distribution per unit (DPU) (sen)	1.45	2.10
Net Asset Value (NAV) (RM'000)	611,953	554,526
NAV per unit (RM)	1.0570	1.0974
Market value per unit (RM)	0.890	0.890

^{N1} Based on average number of units in issue. The total number of units issued increased from 505,300,000 units to 578,950,000 units with the issuance and listing of total 73,650,000 new units arising from private placement on 3 and 25 August 2022.

^{N2} Based on total units in issued of 505,300,000 units.

B14 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of KIP REIT as at 30 September 2022 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 26 October 2022.