

KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 2nd quarter of 2018 ended 31 December 2017

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KIP REAL ESTATE INVESTEMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the 2nd Quarter Ended 31 December 2017

	Individual Quarter		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 December 2017 RM '000	31 December 2016 RM '000	31 December 2017 RM '000	31 December 2016 RM '000
Gross rental income	13,242	-	26,293	-
Other income	2,433	-	4,683	-
Gross revenue	15,675	-	30,976	-
Utilities expenses	2,648	-	5,165	-
Maintenance and housekeeping expenses	459	-	1,313	-
Marketing expenses	(6)	-	322	-
Reimbursement costs	993	-	2,202	-
Property manager fee	36	-	72	-
Quit rent and assessment	318	-	637	-
Other operating expenses	412	-	826	-
Property operating expenses	4,860	-	10,537	-
Net property income	10,815	-	20,439	-
Interest income	199	-	405	-
Net investment income	11,014	-	20,844	-
Borrowing costs	1,173	-	2,332	-
Depreciation of plant and equipment	18	-	33	-
Manager's management fee	687	-	1,369	-
Auditors' remuneration	73	-	138	-
Trustees' fee	30	-	65	-
Valuers' fee	37	-	75	-
Other advisor fee	4	-	10	-
Office expenses	239	-	458	-
Profit before taxation	2,261	-	4,480	-
Taxation	8,753	-	16,364	-
Profit after taxation	8,753	-	16,364	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income attributable to unitholders	8,753	-	16,364	-
Profit after taxation is made up as follow:				
- Realised	8,753	-	16,364	-
- Unrealised	-	-	-	-
	8,753	-	16,364	-
Earning Per Unit (sen)	1.73	-	3.24	-

KIP REIT was established on 2 November 2016 and was listed on the Main Board of Bursa Malaysia Securities Berhad on 6 February 2017.

The actual results reported are for the current 2nd quarter of 2018 (1 October 2017 to 31 December 2017) and the cumulative period ended 31 December 2017.

There were no comparative figures available for the 2nd quarter of 2018 financial report ended 31 December 2017 as the acquisition of the properties were completed on 6 February 2017, the date of listing of KIP REIT.

**KIP REAL ESTATE INVESTEMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Unaudited As At End of Current Quarter 31 December 2017 RM ('000)	Audited As At Preceding Year Ended 30 June 2017 RM ('000)
ASSETS		
<i>Non-Current Assets</i>		
Plant and equipment	422	323
Investment properties	580,017	580,000
Total Non-Current Assets	<u>580,439</u>	<u>580,323</u>
<i>Current Assets</i>		
Trade receivables	968	2,533
Other receivables and prepaid expenses	5,579	5,085
Deposit with licensed bank	12,293	11,277
Cash and bank balances	11,981	13,695
Total Current Assets	<u>30,821</u>	<u>32,590</u>
TOTAL ASSETS	<u>611,260</u>	<u>612,913</u>
FINANCED BY UNITHOLDERS' FUND		
Unitholders' capital	492,314	492,264
Retained earnings	11,227	12,134
Total Unitholders' Fund	<u>503,541</u>	<u>504,398</u>
<i>Current Liabilities</i>		
Trade payables	147	535
Other payables and accrued expenses	10,619	11,098
Borrowings	616	616
Total Current Liabilities	<u>11,382</u>	<u>12,249</u>
<i>Non-Current Liabilities</i>		
Other payables and accrued expenses	10,096	10,096
Borrowings	86,241	86,170
Total Non-Current Liabilities	<u>96,337</u>	<u>96,266</u>
TOTAL LIABILITIES	<u>107,719</u>	<u>108,515</u>
TOTAL UNITHOLDERS' FUND AND LIABILITIES	<u>611,260</u>	<u>612,913</u>
Net Asset Value (NAV)		
- before income distribution	520,812	509,451
- after income distribution	<u>503,541</u>	<u>504,398</u>
Number of units in circulation (Units)	505,300	505,300
Net Asset Value per unit (RM)		
- before income distribution	1.0307	1.0082
- after income distribution	<u>0.9965</u>	<u>0.9982</u>

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

KIP REAL ESTATE INVESTMENT TRUST
 CONDENSED STATEMENT OF CHANGES IN NET ASSETS VALUE
 For the 2nd Quarter Ended 31 December 2017

	Unitholders' capital	Retained earnings	Total funds
	RM ('000)	RM ('000)	RM ('000)
As at 1 July 2017	492,264	12,134	504,398
Total comprehensive income for the period attributable to unitholders	-	16,364	16,364
Distribution to unitholders	-	(17,271)	(17,271)
Net total comprehensive income for the period attributable to unitholders	492,264	11,227	503,491
Unitholders' transactions			
Listing expenses	50	-	50
Increase in net asset resulting from unitholders' transactions	50	-	50
As at 31 December 2017	492,314	11,227	503,541
As at 2 November 2016 (Date of establishment of KIP REIT)	-	-	-
Total comprehensive income for the period attributable to unitholders	-	14,660	14,660
Distribution to unitholders	-	(5,053)	(5,053)
Net total comprehensive income for the period attributable to unitholders	-	9,607	9,607
Unitholders' transactions			
Issue of new units	505,300	-	505,300
Valuation of units issued at fair value	(2,527)	-	(2,527)
Total value of units issued	502,774	-	502,774
Effect of fair value adjustment (due to units issued) for acquisition of investment properties	-	2,527	2,527
Listing expenses	(10,509)	-	(10,509)
Increase in net asset resulting from unitholders' transactions	492,264	2,527	494,791
As at 30 June 2017	492,264	12,134	504,398

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

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

	Year To Date	
	Current Year Ended 31 December 2017 RM ('000)	Preceding Year Ended 31 December 2016 RM ('000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,364	-
Adjustment for:		
Borrowing costs	391	-
Interest income	(62)	-
Depreciation of plant and equipment	33	-
Operating income before changes in working capital	<u>16,726</u>	<u>-</u>
Net change in trade and other receivables	1,071	-
Net change in payables and accruals	(746)	-
Cash generated from operations	<u>17,051</u>	<u>-</u>
Taxes paid	-	-
Net cash generated from operating activities	<u>17,051</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	62	-
Placement of short term deposits	(1,016)	-
Purchase of plant and equipment	(132)	-
Capital expenditure on investment properties	(17)	-
Net cash used in investing activities	<u>(1,103)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Income distribution paid to unitholders	(17,271)	-
Interest paid	(391)	-
Net cash used in financing activities	<u>(17,662)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,714)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>13,695</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>11,981</u>	<u>-</u>

KIP REIT was established on 2 November 2016 and was listed on the Main Board of Bursa Malaysia Securities Berhad on 6 February 2017.

The actual results reported are for the current 2nd quarter of 2018 (1 October 2017 to 31 December 2017) and the cumulative period ended 31 December 2017.

There were no comparative figures available for the 2nd quarter of 2018 financial report ended 31 December 2017 as the acquisition of the properties were completed on 6 February 2017, the date of listing of KIP REIT.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 2nd Quarter of 2018 Ended 31 December 2017

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

A1 BASIS OF PREPARATION

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

A2 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENT

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

A3 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

A4 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

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

A5 CHANGES IN ACCOUNTING ESTIMATES

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

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

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

A7 INCOME DISTRIBUTION

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

The income distribution policy for KIP REIT has changed from half-yearly basis to quarterly basis with effect from 31 March 2017 onward, and has been approved by the Trustee and the Manager on 27 April 2017.

On 25 January 2018, the Manager has declared a 2nd interim income distribution of RM8.84 million or 1.75 sen per unit (of which 1.711 sen per unit is subject to withholding tax and 0.039 sen per unit is tax exempt/non-taxable) for 2nd quarter of 2018 ended 31 December 2017 (from 1 October 2017 to 31 December 2017). The 2nd interim income distribution will be paid on 28

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 2nd Quarter of 2018 Ended 31 December 2017

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

February 2018 to the unitholders registered in the Record of Depositors on 14 February 2018 and has not been included as a liability in the current financial quarter under review.

A8 SEGMENT REPORTING

Segmental result for the 2nd quarter of 2018 ended 31 December 2017 is as follows:-

2nd Quarter

	<u>2nd Quarter Ended 31.12.2017</u>		
	<u>KiP Mart</u>	<u>KiP Mall</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
By Business Segments			
Revenue and expenses			
Gross revenue	11,965	3,710	15,676
Net property income	8,041	2,774	10,815
Interest income	154	45	199
Borrowing costs	(910)	(263)	(1,173)
Trust and other expenses	(850)	(238)	(1,088)
Profit before taxation	6,435	2,318	8,753
Taxation	-	-	-
Total comprehensive income attributable to unitholders	6,435	2,318	8,753

Cumulative Quarter

	<u>Cumulative Quarter Ended 31.12.2017</u>		
	<u>KiP Mart</u>	<u>KiP Mall</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
By Business Segments			
Revenue and expenses			
Gross revenue	23,620	7,356	30,976
Net property income	15,301	5,138	20,439
Interest income	314	91	405
Borrowing costs	(1,808)	(524)	(2,332)
Trust and other expenses	(1,683)	(465)	(2,148)
Profit before taxation	12,124	4,240	16,364
Taxation	-	-	-
Total comprehensive income attributable to unitholders	12,124	4,240	16,364

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 2nd Quarter of 2018 Ended 31 December 2017

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

A8 SEGMENT REPORTING (Cont'd)

	<u>Gross Revenue</u>			<u>Net Property Income</u>			<u>Gross Revenue</u>			<u>Net Property Income</u>		
	<u>2nd Quarter</u>			<u>2nd Quarter</u>			<u>Cumulative Quarter</u>			<u>Cumulative Quarter</u>		
	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>Change</u>	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>Change</u>	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>Change</u>	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>Change</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
<u>KiP Mart</u>												
Tampoi	4,046	-	-	3,009	-	-	7,997	-	-	5,794	-	-
Kota Tinggi	1,582	-	-	979	-	-	3,083	-	-	1,864	-	-
Mart Masai	4,139	-	-	3,189	-	-	8,274	-	-	6,217	-	-
Senawang	810	-	-	300	-	-	1,601	-	-	579	-	-
Melaka	1,388	-	-	565	-	-	2,665	-	-	848	-	-
	<u>11,965</u>	<u>-</u>	<u>-</u>	<u>8,041</u>	<u>-</u>	<u>-</u>	<u>23,621</u>	<u>-</u>	<u>-</u>	<u>15,301</u>	<u>-</u>	<u>-</u>
<u>KiP Mall</u>												
Bangi	3,710	-	-	2,774	-	-	7,356	-	-	5,138	-	-
	<u>3,710</u>	<u>-</u>	<u>-</u>	<u>2,774</u>	<u>-</u>	<u>-</u>	<u>7,356</u>	<u>-</u>	<u>-</u>	<u>5,138</u>	<u>-</u>	<u>-</u>
Total Segment	<u>15,675</u>	<u>-</u>	<u>-</u>	<u>10,815</u>	<u>-</u>	<u>-</u>	<u>30,976</u>	<u>-</u>	<u>-</u>	<u>20,439</u>	<u>-</u>	<u>-</u>

KiP REIT comprises the following two business segments:

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

a) Review of 2nd Quarter of 2018

KiP Mart Segment

KiP Mart segment registered a total Revenue of RM11.97 million and Net Property Income of RM8.04 million for the period under review.

After taking the financing cost and other trust expenses totalling RM1.76 million and off-set with the interest income of RM0.16 million, the profit before taxation for the 2nd quarter of 2018 ended 31 December 2017 was RM6.44 million.

KiP Mall Segment

KiP Mall segment registered a total Revenue of RM3.71 million and Net Property Income of RM2.77 million for the period under review.

After taking the financing cost and other trust expenses totalling RM0.50 million and off-set with the interest income of RM0.05 million, the profit before taxation for the 2nd quarter of 2018 ended 31 December 2017 was RM2.32 million.

b) Review of Cumulative Quarter Results ended 31 December 2017

KiP Mart Segment

KiP Mart segment registered a total Revenue of RM23.62 million and Net Property Income of RM15.30 million for the cumulative quarter under review.

After taking the financing cost and other trust expenses totalling RM3.49 million and off-set with the interest income of RM0.31 million, the profit before taxation for the cumulative quarter ended 31 December 2017 was RM12.12 million.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 2nd Quarter of 2018 Ended 31 December 2017

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

A8 SEGMENT REPORTING (Cont'd)

KiP Mall Segment

KiP Mall segment registered a total Revenue of RM7.36 million and Net Property Income of RM5.14 million for the cumulative quarter under review.

After taking the financing cost and other trust expenses totalling RM0.99 million and off-set with the interest income of RM0.09 million, the profit before taxation for the cumulative quarter ended 31 December 2017 was RM4.24 million.

A9 VALUATION OF INVESTMENT PROPERTIES

The valuation of investment properties have been brought forward without amendment from the previous audited financial statements for the period ended 30 June 2017.

A10 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the 2nd quarter of 2018 ended 31 December 2017.

A11 SUBSEQUENT MATERIAL EVENTS

Besides A7, there is no other subsequent material events.

A12 CHANGES IN THE COMPOSITION OF THE TRUST

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

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A14 CAPITAL COMMITMENT

There were no major capital commitment as at 31 December 2017.

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS For the 2ND Quarter FY 2018 Ended 31 December 2017

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

B1 REVIEW OF PERFORMANCE

For the 2nd quarter FY 2018 ("Q2FY2018") ended 31 December 2017, the results as stated in the Statement of Comprehensive Income are from the period from 1 October 2017 to 31 December 2017.

Financial review for current quarter and financial year to date

	<u>Individual Period (2nd quarter)</u>			<u>Cumulative Period</u>		
	<u>Current Year</u> <u>Quarter</u> <u>31.12.2017</u> <u>RM'000</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31.12.2016</u> <u>RM'000</u>		<u>Current Year</u> <u>To Date</u> <u>31.12.2017</u> <u>RM'000</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Period</u> <u>31.12.2016</u> <u>RM'000</u>	
		<u>Changes</u> <u>(%)</u>	<u>Changes</u> <u>(%)</u>		<u>Changes</u> <u>(%)</u>	
	Gross revenue	15,675	-	0.0%	30,976	-
Net property income	10,815	-	0.0%	20,439	-	0.0%
Profit before interest and tax	9,926	-	0.0%	18,696	-	0.0%
Profit before taxation	8,753	-	0.0%	16,364	-	0.0%
Profit after taxation	8,753	-	0.0%	16,364	-	0.0%
Total comprehensive income attributable to unitholders	8,753	-	0.0%	16,364	-	0.0%

KIP REIT registered a total Revenue of RM15.68 million and Net Property Income of RM10.82 million for Q2FY2018. Total Comprehensive Income Attributable to Unitholders for Q2FY2018 and for the current quarter and cumulative period ended 31 December 2017 was RM8.75 million and RM16.36 million respectively.

There was no comparison financial performance for the preceding year corresponding quarter as KIP REIT was listed on Bursa Malaysia on 6 February 2017.

The Manager has declared a 2nd interim income distribution of RM8.84 million or 1.75 sen per unit for Q2FY2018 which will be paid on 28 February 2018.

Financial review for current quarter compared with immediate preceding quarter

	<u>Current</u> <u>Quarter</u> <u>31.12.2017</u> <u>RM'000</u>	<u>Immediate</u> <u>Preceding</u> <u>Quarter</u> <u>30.9.2017</u> <u>RM'000</u>	<u>Changes</u> <u>(%)</u>
Gross revenue	15,675	15,301	2.4%
Net property income	10,815	9,623	12.4%
Profit before interest and tax	9,926	8,770	13.2%
Profit before taxation	8,753	7,611	15.0%
Profit after taxation	8,753	7,611	15.0%
Total comprehensive income attributable to unitholders	8,753	7,611	15.0%

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 2ND Quarter FY 2018 Ended 31 December 2017

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

B1 REVIEW OF PERFORMANCE (CONTINUED)

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

Gross Revenue

Gross revenue for Q2FY2018 was RM15.68 million compared to RM15.30 million for the immediate preceding quarter, an increase of RM0.38 million or 2.5% attributed to the increase in average occupancy from 82.33% to 84.96% in the current quarter. In addition, there is a festival seasons of "Back to School" and mitigated by the increase income from promotion area.

Net Property Income

Net property income ("NPI") for Q2FY2018 was RM10.82 million compared to the immediate preceding quarter of RM9.62 million, an increase of RM1.2 million or 12.4% due to higher gross revenue for current quarter and lower upkeep of building and marketing and advertisement expenses.

Profit Before Interest and Taxation

Profit before interest and taxation for Q2FY2018 was RM8.75 million compared to the immediate preceding quarter of RM7.61 million, an increase of RM1.14 million or 15.0%. This was due to increase in occupancy, festive season and mitigated by lower upkeep of building and marketing and advertisement expenses in current quarter under review.

Total Comprehensive Income Attributable to Unitholders

KIP REIT registered a higher total comprehensive income attributable to unitholders of RM8.75 million for the current quarter compared to RM7.61 million for the immediate preceding quarter resulting by an increase of RM1.14 million or 15.0%. This was due to increase in occupancy, festive season and mitigated by lower upkeep of building and marketing and advertisement expenses in current quarter under review.

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

	Current Quarter Ended 31 December 2017 RM ('000)	Immediate Preceding Quarter Ended 30 September 2017 RM ('000)
Profit before tax	<u>8,753</u>	<u>7,611</u>

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

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 2ND Quarter FY 2018 Ended 31 December 2017

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

B3 PROSPECTS

The retail business in Malaysia will continue to remain challenging as consumer confidence has yet to recover from the current sluggish economy.

KiP Marts and the KiP Mall are community-centric and neighbourhood retail centres, offering a variety of fresh and affordable daily necessity products. The Properties recorded an average occupancy of 84.96% as at 31 December 2017 and will be expected to maintain this occupancy rate despite the current challenging economic situation.

The Manager will continue to ensure that all the existing assets under the portfolio are well maintained and will continue to undertake assets enhancement initiatives ("AEI") to ensure stable rental income and income distribution for KIP REIT to create long term value for its unitholders. The Manager will prioritise and focus on leasing and marketing strategies to increase the occupancy for KiP Mart Lavender Senawang, KiP Mart Melaka as well as KiP Mall Bangi in order to further improve the net rental income from these properties to maximise returns to unitholders.

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

The Manager may also explore the acquisition of properties developed by third parties should they meet the investment criteria and investment objective of KIP REIT.

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

B4 INVESTMENT OBJECTIVES AND STRATEGIES

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

B5 PORTFOLIO COMPOSITON

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

B6 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

B7 TAXATION

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

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 2ND Quarter FY 2018 Ended 31 December 2017

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

B7 TAXATION (CONTINUE)

For the second interim income distribution, the Manager has declared more than 90% of the distributable income as defined in the Malaysian Income Tax Act, 1967 ("ITA") of KIP REIT to unitholders for the current quarter ended 31 December 2017, no provision for taxation has been made for the current quarter ended 31 December 2017.

B8 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during Q2FY2018 ended 31 December 2017 under review.

B9 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during Q2FY2018 ended 31 December 2017 under review.

B10 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no corporate proposals announced during the Q2FY2018 ended 31 December 2017 under review.

B11 BORROWINGS

	As at 31 December 2017 RM ('000)	As at 30 June 2017 RM ('000)
Secured Term Loan:-		
Current	616	616
Non-current	86,241	86,170
Total Borrowing	<u>86,857</u>	<u>86,786</u>

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

B12 TRADE RECEIVABLES

	As at 31 December 2017 RM ('000)	As at 30 June 2017 RM ('000)
Trade Receivables	<u>968</u>	<u>2,533</u>

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

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the 2ND Quarter FY 2018 Ended 31 December 2017

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

B12 TRADE RECEIVABLES (CONTINUE)

As at 31 December 2017, the trade receivables has further improved by 61.78% to RM0.97 million as compare to audited financial period ended 30 June 2017.

B13 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instruments for the 2nd quarter of FY 2018 ended 31 December 2017 under review.

B14 MATERIAL LITIGATION

There was no pending material litigation as at the date of Interim Financial Report ended 31 December 2017.

B15 SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the 2nd quarter of FY 2018 ended 31 December 2017 under review.

B16 SUMMARY OF DPU, EPU AND NAV

	Current Quarter Ended 31 December 2017
Number of units in issue (units'000)	505,300
Earning per unit (EPU) - sen	1.73
Net income distribution to unitholders (RM'000)	8,753
Distribution per unit (DPU) – sen	1.75
Net Asset Value (NAV) – (RM'000)	503,541
NAV per unit (RM)	0.997
Market Value Per Unit (RM)	0.865

B17 MANAGER FEE

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

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

The Manager fees for the 2nd quarter FY 2018 ended 31 December 2017 totalling RM0.69mil consist of provision of base fee (0.4%) and performance fee (1%).

KIP REAL ESTATE INVESTMENT TRUST

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the 2ND Quarter FY 2018 Ended 31 December 2017

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

B18 TRUSTEE FEE

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

B19 RESPONSIBILITY STATEMENT

This quarterly report has been prepared in accordance with FRS134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of KIP REIT as at 31 December 2017 and of its financial performance and cash flows for the period then ended.