



KIP REAL ESTATE INVESTMENT TRUST

Financial Report for the 2nd quarter FY2024 ended 31 December 2023

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	31 Dec 2023	31 Dec 2022	Changes	31 Dec 2023	31 Dec 2022	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Lease income	20,947	18,633	12.4%	41,521	36,539	13.6%
Revenue from contracts with customers	1,658	1,557	6.5%	3,451	3,000	15.0%
Gross revenue	22,605	20,190	12.0%	44,972	39,539	13.7%
Utilities expenses	(2,804)	(2,369)	(18.4%)	(5,693)	(4,680)	(21.6%)
Maintenance and housekeeping expenses	(694)	(633)	(9.6%)	(1,351)	(1,254)	(7.7%)
Marketing expenses	(73)	(41)	(76.4%)	(133)	(80)	(66.8%)
Quit rent and assessment	(496)	(469)	(5.6%)	(991)	(938)	(5.7%)
Reimbursement costs	(1,053)	(866)	(21.6%)	(2,047)	(1,830)	(11.9%)
Property manager fee	(41)	(32)	(28.3%)	(82)	(64)	(28.3%)
Other operating expenses	(666)	(623)	(6.9%)	(1,380)	(1,203)	(14.8%)
Property operating expenses	(5,827)	(5,033)	(15.8%)	(11,677)	(10,049)	(16.2%)
Net property income	16,778	15,157	10.7%	33,295	29,490	12.9%
Interest income	257	461	(44.2%)	536	740	(27.6%)
Net investment income	17,035	15,618	9.1%	33,831	30,230	11.9%
Manager's management fee	(1,670)	(2,431)	31.3%	(3,475)	(4,169)	16.6%
Trustees' fee	(107)	(141)	24.1%	(168)	(190)	11.9%
Auditors' remuneration	(50)	(39)	(29.5%)	(100)	(89)	(12.9%)
Valuers' fee	(82)	(198)	58.7%	(157)	(263)	40.4%
Other trust expenses	(610)	(1,036)	41.2%	(1,186)	(1,490)	20.4%
Borrowing costs	(3,868)	(3,642)	(6.2%)	(7,707)	(7,105)	(8.5%)
	(6,387)	(7,487)	14.7%	(12,793)	(13,306)	3.9%
Profit before taxation^{N1}	10,648	8,131	31.0%	21,038	16,924	24.3%
Taxation	-	-		-	-	
Profit after taxation	10,648	8,131	31.0%	21,038	16,924	24.3%
Total comprehensive income attributable to unitholders	10,648	8,131	31.0%	21,038	16,924	24.3%
Profit after taxation is made up as follows:						
- Realised	10,648	9,907	7.5%	21,038	18,700	12.5%
- One-off exp incidental to the acquisition	-	(1,776)	(100.0%)	-	(1,776)	(100.0%)
	10,648	8,131	31.0%	21,038	16,924	24.3%
Weighted average number of units ('000)	618,630	578,950		607,760	563,212	
Earnings per unit ("EPU") (sen)						
- Realised	1.72	1.40		3.46	3.00	
Total comprehensive income	10,648	8,131		21,038	16,924	
Distribution adjustments	294	250		598	542	
Total current period / year distributable income	10,942	8,381		21,636	17,466	
Distribution per unit (sen)	1.55	1.45		3.10	2.90	
^{N1} Included in profit before taxation are following items:						
Interest income	257	461		536	740	
Amotisation of rental rebate	(56)	(65)		(124)	(143)	
Depreciation of equipments	(139)	(140)		(275)	(287)	
Allowance for impairment on receivable	(28)	21		(12)	21	
Bad debts written off	(7)	-		(59)	-	
Equipments written off	(19)	(2)		-	(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 2023 ("AFS FY2023") and the accompanying notes attached to this Interim Financial Report.

	Quarter			Period-To-Date		
	31 Dec 2023	31 Dec 2022	Changes	31 Dec 2023	31 Dec 2022	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Net property income	16,778	15,157	10.7%	33,295	29,490	12.9%
Interest income	257	461	(44.2%)	536	740	(27.6%)
	17,035	15,618	9.1%	33,831	30,230	11.9%
Less : Expenses	(6,387)	(7,487)	14.7%	(12,793)	(13,306)	3.9%
Total comprehensive income	10,648	8,131	31.0%	21,038	16,924	24.3%
Distribution adjustment						
- Amortisation of transactions costs	64	64		128	128	
- Depreciation of equipment	139	140		275	287	
- Allowance for impairment on receivable	28	(21)		12	(21)	
- Bad debts written off	7	-		59	-	
- Written off of equipment	-	2		-	5	
- Net amortisation of rental rebate for MCO	56	65		124	143	
	294	250		598	542	
Total current period / year distributable income	10,942	8,381	30.6%	21,636	17,466	23.9%
Undistributed distributable income brought forward	10,760	8,191	31.4%	9,465	7,500	26.2%
Distributable income	21,702	16,572	31.0%	31,101	24,966	24.6%
Less: Proposed / declared income distribution	(9,589)	(8,395)	14.2%	(18,988)	(16,789)	13.1%
Undistributed distributable income	12,113	8,177	48.1%	12,113	8,177	48.1%
Distribution per unit (sen)	1.55	1.45	6.9%	3.10	2.90	6.9%

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 2023 ("AFS FY2023") and the accompanying notes attached to this Interim Financial Report.

	Group		Fund	
	Unaudited As At	Audited As At	Unaudited As At	Audited As At
	31 Dec 2023	30 Jun 23	31 Dec 2023	30 Jun 23
	RM '000	RM '000	RM '000	RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	1,551	1,520	1,551	1,520
Investment properties	970,848	964,300	970,848	964,300
Investment in a subsidiary	-	-	-	-*
Total Non-Current Assets	<u>972,399</u>	<u>965,820</u>	<u>972,399</u>	<u>965,820</u>
<u>Current Assets</u>				
Trade receivables	239	1,047	239	1,047
Other receivables and prepayments	34,673	7,763	34,673	7,763
Cash and cash equivalents	26,287	48,761	17,678	40,929
Total Current Assets	<u>61,199</u>	<u>57,571</u>	<u>52,590</u>	<u>49,739</u>
TOTAL ASSETS	<u>1,033,598</u>	<u>1,023,391</u>	<u>1,024,989</u>	<u>1,015,559</u>
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	583,626	573,785	583,626	573,785
Retained earnings	87,214	86,186	87,214	86,186
Total Unitholders' Fund	<u>670,840</u>	<u>659,971</u>	<u>670,840</u>	<u>659,971</u>
<u>Non-Current Liabilities</u>				
Borrowings	309,714	309,586	-	-
Amount due to a subsidiary	-	-	304,740	305,385
Other payables and accruals	20,299	16,167	20,299	16,167
Total Non-Current Liabilities	<u>330,013</u>	<u>325,753</u>	<u>325,039</u>	<u>321,552</u>
<u>Current Liabilities</u>				
Borrowings	23,635	23,631	20,000	20,000
Trade payables	225	549	225	549
Other payables and accruals	8,885	13,487	8,885	13,487
Total Current Liabilities	<u>32,745</u>	<u>37,667</u>	<u>29,110</u>	<u>34,036</u>
TOTAL LIABILITIES	<u>362,758</u>	<u>363,420</u>	<u>354,149</u>	<u>355,588</u>
TOTAL UNITHOLDERS' FUND AND LIABILITIES	<u>1,033,598</u>	<u>1,023,391</u>	<u>1,024,989</u>	<u>1,015,559</u>
Net Asset Value (NAV)				
- before income distribution	690,850	696,770	690,850	696,770
- after income distribution	<u>670,840</u>	<u>659,971</u>	<u>670,840</u>	<u>659,971</u>
Number of units in circulation (Units)	618,630	606,360	618,630	606,360
Net Asset Value per unit (RM)				
- before income distribution	1.1167	1.1491	1.1167	1.1491
- after income distribution	<u>1.0844</u>	<u>1.0884</u>	<u>1.0844</u>	<u>1.0884</u>

* 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 2023 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
Group and Fund			
As at 1 July 2023	573,785	86,186	659,971
Profit for the year	-	21,038	21,038
Total comprehensive income for the period attributable to unitholders	-	21,038	21,038
Unitholders' transactions			
Distribution to unitholders	-	(20,010)	(20,010)
Issuance and placement of units	10,000	-	10,000
Issuing expenses	(159)	-	(159)
Decrease in net asset resulting from unitholders' transactions	9,841	(20,010)	(10,169)
As at 31 December 2023	583,626	87,214	670,840
Group and Fund			
As at 1 July 2022	492,333	62,193	554,526
Profit for the year	-	16,924	16,924
Total comprehensive income for the period attributable to unitholders	-	16,924	16,924
Unitholders' transactions			
Distribution to unitholders	-	(19,006)	(19,006)
Issuance and placement of units	59,923	-	59,923
Issuing expenses	(709)	-	(709)
Increase in net asset resulting from unitholders' transactions	59,214	(19,006)	40,208
As at 31 December 2022	551,547	60,111	611,658

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2023 and the accompanying notes attached to this Interim Financial Report.

	Group		Fund	
	Cumulative Year-To-Date 31 Dec 2023 RM '000	Cumulative Year-To-Date 31 Dec 2022 RM '000	Cumulative Year-To-Date 31 Dec 2023 RM '000	Cumulative Year-To-Date 31 Dec 2022 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	21,038	16,924	21,038	16,924
Adjustment for:				
Interest expenses on borrowings	7,579	6,978	460	136
Interest expenses on advance from a subsidiary	-	-	7,119	6,842
Interest income	(536)	(740)	(536)	(740)
Depreciation of equipment	275	287	275	287
Amortisation of transaction costs	128	128	128	128
Bad debts written off	59	-	59	-
Written off of equipment	-	5	-	5
Allowance for doubtful debts	12	(21)	12	(21)
Operating income before changes in working capital	28,555	23,561	28,555	23,561
Net change in trade and other receivables	(26,137)	818	(26,137)	818
Net change in payables and accruals	(794)	5,542	(794)	5,542
Net cash generated from operating activities	1,624	29,921	1,624	29,921
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	500	743	500	743
Purchase of equipment	(306)	(126)	(306)	(126)
Acquisition of investment properties	-	(78,700)	-	(78,700)
Asset enhancement on investment properties	(6,548)	(3,921)	(6,548)	(3,921)
Net cash used in investing activities	(6,354)	(82,004)	(6,354)	(82,004)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of new units	10,000	59,923	10,000	59,923
Payment of issuing expenses	(159)	(709)	(159)	(709)
Income distribution paid to unitholders	(20,010)	(19,006)	(20,010)	(19,006)
Repayment to a subsidiary company	-	-	(778)	(98)
Interest paid in advance from a subsidiary	-	-	(7,114)	(6,714)
Interest paid on borrowings	(7,575)	(6,813)	(460)	(99)
Proceeds from borrowings	-	20,000	-	20,000
Net cash generated (used in) / from financing activities	(17,744)	53,395	(18,521)	53,297
Net (decrease)/increase in cash and cash equivalents	(22,474)	1,312	(23,251)	1,214
Cash and cash equivalents at beginning of period	48,761	30,994	40,929	23,344
Cash and cash equivalents at end of period	26,287	32,306	17,678	24,558

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

Cash in hand	-	*	-	*	-	-
Bank balances	5,043		814		4,320	797
Short term deposits placed with licensed bank	21,244		31,492		13,358	23,761
	26,287		32,306		17,678	24,558

* Denotes RM2

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2023 and the accompanying notes attached to this Interim Financial Report.



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 KIP REIT 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 2023 ("AFS FY2023") 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 FY2023.

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 2023 was not qualified.

A4. SEASONALITY AND CYCLICALITY OF OPERATIONS

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

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").

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 2024, on a quarterly basis.

For the quarter ended 31 December 2023, the Manager proposed a second income distribution of RM9.6 million or 1.55 sen per unit, which includes a non-taxable portion of approximately 0.70 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 13 February 2024 and 29 February 2024 respectively.

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



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

A9. SEGMENT REPORTING

Segmental result for the second quarter ended 31 December 2023 and 31 December 2022 are as follows:-

	2nd quarter Ended 31 December 2023			2nd quarter Ended 31 December 2022		
	Retail RM'000	Industrial RM'000	Total RM'000	Retail RM'000	Industrial RM'000	Total RM'000
Gross Revenue	21,321	1,284	22,605	19,942	248	20,190
Property operating expenses	(5,818)	(9)	(5,827)	(5,033)	-	(5,033)
Net Property Income	15,503	1,275	16,778	14,909	248	15,157
Interest income	257	-	257	461	-	461
Borrowing costs	(3,643)	(225)	(3,868)	(3,560)	(82)	(3,642)
Trust and other expenses	(2,332)	(187)	(2,519)	(2,034)	(1,811)	(3,845)
Profit before taxation	9,785	863	10,648	9,776	(1,645)	8,131
Taxation	-	-	-	-	-	-
Profit after taxation	9,785	863	10,648	9,776	(1,645)	8,131

Segmental result for year ended 31 December 2023 and 31 December 2022 are as follows:-

	YTD Ended 31 December 2023			YTD Ended 31 December 2022		
	Retail RM'000	Industrial RM'000	Total RM'000	Retail RM'000	Industrial RM'000	Total RM'000
Gross Revenue	42,404	2,568	44,972	39,291	248	39,539
Property operating expenses	(11,659)	(18)	(11,677)	(10,049)	-	(10,049)
Net Property Income	30,745	2,550	33,295	29,242	248	29,490
Interest income	536	-	536	740	-	740
Borrowing costs	(7,247)	(460)	(7,707)	(7,023)	(82)	(7,105)
Trust and other expenses	(4,695)	(391)	(5,086)	(4,390)	(1,811)	(6,201)
Profit before taxation	19,339	1,699	21,038	18,569	(1,645)	16,924
Taxation	-	-	-	-	-	-
Profit after taxation	19,339	1,699	21,038	18,569	(1,645)	16,924

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 EVENT

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 / FUND SIZE OF KIP REIT

KIP REIT's fund size was increased from 606,360,000 units to 618,629,900 units during the quarter with the issuance of 12,269,900 new units on 11 December 2023.

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 31.12.2023 RM'000	As at 30.6.2023 RM'000
Approved and contracted for KIPMall Bangi Facelift	<u><u>5,506</u></u>	<u><u>11,103</u></u>



KIP REAL ESTATE INVESTEMENT TRUST

B1. REVIEW OF PERFORMANCE

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

	Quarter			Year To Date		
	<u>31.12.2023</u>	<u>31.12.2022</u>	<u>Changes</u>	<u>31.12.2023</u>	<u>31.12.2022</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue						
Southern Region	10,445	9,924	5.3%	20,874	19,563	6.7%
Central Region	6,354	5,496	15.6%	12,525	10,721	16.8%
Northern Region	4,522	4,522	0.0%	9,006	9,007	0.0%
Retail segment	21,321	19,942	6.9%	42,405	39,291	7.9%
Industrial segment	1,284	248	416.7%	2,567	248	933.3%
	<u>22,605</u>	<u>20,190</u>	<u>12.0%</u>	<u>44,972</u>	<u>39,539</u>	<u>13.7%</u>
Net property income						
Southern Region	7,870	7,579	3.8%	15,723	14,870	5.7%
Central Region	3,267	2,963	10.3%	6,329	5,677	11.5%
Northern Region	4,366	4,366	0.0%	8,693	8,695	0.0%
Retail segment	15,503	14,908	4.0%	30,745	29,242	5.1%
Industrial segment	1,275	248	413.0%	2,550	248	926.5%
	<u>16,778</u>	<u>15,156</u>	<u>10.7%</u>	<u>33,295</u>	<u>29,490</u>	<u>12.9%</u>
Profit before taxation						
Realised	10,648	9,907	7.5%	21,038	18,700	12.5%
One off expenses	-	(1,776)	(100.0%)	-	(1,776)	(100.0%)
	<u>10,648</u>	<u>8,131</u>	<u>31.0%</u>	<u>21,038</u>	<u>16,924</u>	<u>24.3%</u>
Income available for distribution	10,942	8,381	30.6%	21,636	17,466	23.9%

Quarterly Results

KIP REIT recorded revenue of RM22.6 million in Q2FY24, as compared to RM20.2 million recorded in the preceding year corresponding quarter. The increase in gross revenue split into 2 segment which is 6.9% from Retail and 5.1% from industrial.

The investment properties from retail and industrial segment contributed 94.3% and 5.7% of the KIP REIT total revenue respectively, whilst Southern, central and Northern region contributed 49.0%, 29.8% and 21.2% of the KIP REIT total revenue from retail segment respectively.

The net property income ("NPI") margin for the current quarter stands at 74.2%, in contrast to the 75.1% recorded in Q2FY23. This slight decrease is primarily attributed to an increase in utilities expenses.

KIP REIT's realised profit before tax for Q2FY24 increase 7.5% compared to the corresponding quarter of the preceding year. This notable growth can be primarily attributed to the acquisition of the three industrial properties and a higher occupancy rate for retail spaces.

Year to date Results

Total revenue for year-to-date 31 December 2023 was RM45.0 million, at 13.7% improvement against preceding year-to-date performance, mainly due to improvement in occupancy rate for retail. In addition, there was lease income from the 3 newly acquired industrial properties. The net property income came in higher in tandem with higher revenue at a lower positive variance as compared to preceding year-to-date due to overall higher property expenses such as utilities and sewerage costs.

Year-to-date realised profit before tax and income available for distribution was 12.5% and 23.9% respectively higher against last year mainly due to explanation above.

The total net asset value and net asset value per unit (after income distribution) stood at RM670.8 million (30 June 2023: RM660.0 million) and RM 1.0844 (30 June 2023: RM1.0884) respectively. The increase in the net asset value mainly due to increase in Unitholders' capital upon completion of the first tranche of private placement and net increase in realised profit after tax during the quarter. On the other hand net asset value per unit decrease due to increase in Units causing the dilution.



KIP REAL ESTATE INVESTEMENT TRUST

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

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31.12.2023	30.09.2023	
	RM'000	RM'000	
Gross revenue	22,605	22,367	1.1%
Net property income	16,778	16,516	1.6%
Profit before taxation			
Realised	10,648	10,389	2.5%
Income available for distribution	10,942	10,692	2.3%

KIP REIT's revenue for the current quarter was 1.1% higher than the immediate preceding quarter ended 30 September 2023 mainly contributed by higher occupancy rates.

Net property income increased by 1.6% compared to the immediate preceding quarter mainly due to reduce in property expenses such as utilities and sewerage costs.

The realised profit before taxation was 2.5% higher than the immediate preceding quarter ended 30 September 2023 due to the reason explained above.

Current quarter income available for distribution was 2.3% higher than the immediate preceding quarter ended 30 September 2023 mainly due to the reason explained above.

B3. PROSPECTS

The Manager holds a favorable outlook, considering the positive performance of KIP REIT's existing property portfolio and their strategic endeavors to actively enhance leasing and operational strategies while pursuing investments of high quality. As a result, the manager anticipates the ability to sustain a stable performance throughout fiscal year 2024.

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

B4. PORTFOLIO COMPOSITON

During the financial period under review, the KIP REIT's portfolio consists of total of ten (10) assets. There are three (3) industrial properties added to the existing portfolio of seven (7) retail malls. The seven (7) retail malls, 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

Proposed utilisation	Proposed Amount for Utilisation	Actual utilisation	Balance unutilised	Estimated timeframe for utilisation upon listing
	RM'000	RM'000	RM'000	
Part-settlement of balance purchase price, KIPMall Kota Warisan	9,830	9,830	-	within 1 month
Defrayment of expenses in relation to the private placement	170	159	11	Immediately
	10,000	9,989	11	



KIP REAL ESTATE INVESTEMENT 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 2024, 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. 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 2023 integrated annual report of KIP REIT.

B9. STATUS OF CORPORATE PROPOSAL

On 16 June 2023, the Manager announced that the Trustee to KIP REIT has entered into conditional sale and purchase agreements ("SPAs") with Cahaya Serijaya Sdn Bhd ("Vendor"), for proposed acquisition of KIPMall Kota Warisan ("Properties") for a cash consideration of RM80.0 million ("Proposed Acquisitions"). The Proposed Acquisition is a related party transaction under Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In conjunction with the Proposed Acquisition, the Trustee on recommendation of the Manager, proposes to undertake a private placement to raise gross proceeds of approximately RM10.0 million.

On 4 October 2023, the Manager announced that the unitholders approved the proposed acquisition and the proposed private placement of up to 12,269,900 new units in KIP REIT, at an issue price to be determined later to raise approximately RM10.0million.

On 28 November 2023, the Manager announced that the issue price for the first tranche of the Placement Units in respect of the Proposed Private Placement has been fixed at RM0.815 per Placement Unit. The issue price of RM0.815 represents a discount of RM0.0822 or approximately 9.16% to the 5-day VWAMP of KIP REIT Units up to and including 27 November 2023 of RM0.8972, being the market day immediately preceding the price-fixing date.

On 11 December 2023, the Manager announced that the Placement Units amounting to 12,269,900 new units were listed on 11 December 2023 ("Placement Units") on the Main Market of Bursa Securities. The listing of the Placement Units marks the completion of the Private Placement. Arising therefrom, the Board of the Manager wishes to announce that all the conditions precedent set out in the SPA have been fulfilled. Accordingly, the SPA has become unconditional on 11 December 2023.



KIP REAL ESTATE INVESTEMENT TRUST

B10. BORROWINGS

	<u>Current Quarter</u>	<u>Immediate Preceding Quarter</u>
	31.12.2023	30.09.2023
	RM'000	RM'000
Current (secured):		
Short term revolving credit	20,000	20,000
Medium term notes	3,891	1,561
Unamortised transaction cost	(256)	(256)
	23,635	21,305
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(286)	(350)
	309,714	309,650
Total borrowings	333,349	330,955
Total assets	1,033,598	1,019,466
Gearing ratio (%)	32.25%	32.46%

The weighted average interest rate of borrowings as at 31 December 2023 was 4.65% per annum (30 September 2023: 4.64% per annum) and the percentage proportion of debt that is based on fixed and floating interest rate of 64 : 36, with the drawdown of short term revolving credit of RM20.0 million.

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.

B13. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 31 December 2023	Immediate Preceding Quarter ended 30 September 2023
Number of units in issue (units'000)	618,630	606,360
Net realised income (RM'000)	10,648	10,389
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	1.99	2.01
- after Manager's fee	1.72	1.71
Net Income distribution to unitholders (RM'000)	9,589	9,399
Distribution per unit (DPU) (sen)	1.55	1.55
Net Asset Value (NAV) (RM'000)	670,840	659,749
NAV per unit (RM)	1.0844	1.0880
Market value per unit (RM)	0.8950	0.8900

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 31 December 2023 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 29 January 2024.