

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Quarter		Period-To-Date	
	31 Mar19	31 Mar18	31 Mar19	31 Mar18
	RM '000	RM '000	RM '000	RM '000
Gross rental income	13,146	13,337	39,272	39,630
Other income	2,497	2,333	7,588	7,016
Gross revenue	15,643	15,670	46,860	46,646
Utilities expenses	(2,186)	(2,625)	(7,476)	(7,790)
Maintenance and housekeeping expenses	(957)	(688)	(2,433)	(2,001)
Marketing expenses	(149)	(107)	(485)	(429)
Reimbursement costs	(1,362)	(1,146)	(3,670)	(3,348)
Property manager fee	(38)	(36)	(113)	(108)
Quit rent and assessment	(319)	(319)	(956)	(956)
Other operating expenses	(376)	(385)	(1,084)	(1,211)
Property operating expenses	(5,387)	(5,306)	(16,217)	(15,843)
Net property income	10,256	10,364	30,643	30,803
Interest income	98	204	416	609
Net investment income	10,354	10,568	31,059	31,412
Borrowing costs	(1,439)	(1,082)	(3,938)	(3,414)
Depreciation of plant and equipment	(50)	(20)	(128)	(53)
Manager's management fee	(991)	(248)	(2,956)	(1,617)
Auditors' remuneration	(27)	(61)	(88)	(199)
Trustees' fee	(25)	(31)	(75)	(96)
Valuers' fee	(38)	(38)	(116)	(113)
Other advisor fee (Include internal audit fee)	(58)	(14)	(357)	(24)
Office expenses	(360)	(227)	(879)	(685)
	(2,988)	(1,721)	(8,537)	(6,201)
Profit before taxation	7,366	8,847	22,522	25,211
Taxation	-	-	-	-
Profit after taxation	7,366	8,847	22,522	25,211
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income attributable to unitholders	7,366	8,847	22,522	25,211
Total				
Profit after taxation is made up as follows:				
- Realised	7,366	8,847	22,522	25,211
- Unrealised	-	-	-	-
	7,366	8,847	22,522	25,211
Basic Earnings Per Unit (sen)	1.46	1.75	4.46	4.99

The unaudited Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 ("AFS FY2018") and the accompanying notes attached to this Interim Financial Report.

**KIP REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION**

	Unaudited As At 31 Mar 19 RM '000	Audited As At 30 Jun 18 RM '000
ASSETS		
<u>Non-Current Assets</u>		
Plant and equipment	1,144	1,742
Investment properties	595,435	585,000
Total Non-Current Assets	596,579	586,742
<u>Current Assets</u>		
Trade receivables	373	1,325
Other receivables and prepaid expenses	14,756	4,525
Deposit with licensed bank	1,272	8,433
Cash and bank balances	12,384	15,532
Total Current Assets	28,785	29,815
TOTAL ASSETS	625,364	616,557
FINANCED BY UNITHOLDERS' FUND		
Unitholders' capital	492,315	492,315
Retained earnings	12,904	14,636
Total Unitholders' Fund	505,219	506,951
<u>Non-Current Liabilities</u>		
Borrowings	93,343	86,513
Other payables and accrued expenses	4,283	4,346
Total Non-Current Liabilities	97,626	90,859
<u>Current Liabilities</u>		
Borrowings	6,787	462
Trade payables	243	85
Other payables and accrued expenses	15,489	18,200
Total Current Liabilities	22,519	18,747
TOTAL LIABILITIES	120,145	109,606
TOTAL UNITHOLDERS' FUND AND LIABILITIES	625,364	616,557
Net Asset Value (NAV)		
- before income distribution	529,473	542,058
- after income distribution	505,219	506,951
Number of units in circulation (Units)	505,300	505,300
Net Asset Value per unit (RM)		
- before income distribution	1.0478	1.0727
- after income distribution	0.9998	1.0033

The unaudited Condensed Statement of the Financial Position should be read in conjunction with the AFS FY 2018 and the accompanying notes attached to this Interim Financial Report.

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

	Unitholders' capital	Retained earnings	Total funds
	RM '000	RM '000	RM '000
As at 1 Jul 2018	492,315	14,636	506,951
Total comprehensive income for the year attributable to unitholders	-	22,522	22,522
Distribution to unitholders	-	(24,254)	(24,254)
Net total comprehensive income for the period attributable to unitholders	-	(1,732)	(1,732)
As at 31 Mar 2019	<u>492,315</u>	<u>12,904</u>	<u>505,219</u>
As at 1 Jul 2017	492,264	12,134	504,398
Total comprehensive income for the year attributable to unitholders	-	25,211	25,211
Distribution to unitholders	-	(26,114)	(26,114)
Net total comprehensive income for the period attributable to unitholders	-	(903)	(903)
Unitholders' transactions			
Listing expenses	51	-	51
Increase in net asset resulting from unitholders' transactions	51	-	51
As at 31 Mar 2018	<u>492,315</u>	<u>11,231</u>	<u>503,546</u>

The unaudited condensed Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2018 and the accompanying notes attached to this Interim Financial Report.

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

	Period-To-Date 31 Mar 19 RM '000	Period-To-Date 31 Mar18 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,522	25,211
Adjustment for:		
Borrowing costs	3,938	3,414
Interest income	(416)	(609)
Allowance for doubtful debts	68	-
Depreciation of plant and equipment	128	53
Operating income before changes in working capital	<u>26,240</u>	<u>28,069</u>
Net change in trade and other receivables	(9,347)	1,497
Net change in payables and accruals	<u>(2,616)</u>	<u>(1,568)</u>
Cash generated from operations	14,277	27,998
Taxes paid	-	-
Net cash generated from operating activities	<u>14,277</u>	<u>27,998</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	416	609
Uplift/ (Placement) of short term deposits	7,161	(2,051)
Purchase of plant and equipment	470	(214)
Capital expenditure on investment properties	<u>(10,435)</u>	<u>(17)</u>
Net cash used in investing activities	<u>(2,388)</u>	<u>(1,673)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Income distribution paid to unitholders	(24,254)	(26,114)
Interest paid	(3,938)	(3,414)
Proceeds from drawdown of borrowing	13,155	-
Net cash used in financing activities	<u>(15,037)</u>	<u>(29,528)</u>
Net decrease in cash and cash equivalents	(3,148)	(3,203)
Cash and cash equivalents at beginning of period	<u>15,532</u>	<u>13,695</u>
Cash and cash equivalents at end of period	<u>12,384</u>	<u>10,492</u>

The unaudited condensed Statement of Cash Flow should be read in conjunction with the AFS FY 2018 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 BASIS OF PREPARATION

The condensed interim financial statements is 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 Listing Requirements and the Securities Commission's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

The unaudited condensed interim financial statements should be read in conjunction with the AFS FY2018 and the accompanying explanatory notes attached to the unaudited condensed interim financial statements. The accounting policies and methods of computation adopted in this condensed unaudited interim financial statements are consistent with those disclosed in the AFS FY2018.

A2 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report for FY2018 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.

A4 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.

A5 CHANGES IN ESTIMATES

Not applicable.

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 for the current quarter or cumulative quarter ended 31 March 2019.

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A7 INCOME DISTRIBUTION

The Directors of the Manager have decided to distribute at least 90% of KIP REIT's distributable income on a quarterly basis for the financial year ending 30 June 2019.

For the first quarter ended 30 September 2018, the Manager paid a distribution amounting to RM7.33 million or 1.45 sen per unit (of which 1.414 sen per unit is subject to withholding tax and 0.036 sen per unit is tax exempt/non-taxable) on 13 November 2018, representing approximately 100% of quarterly distributable income.

For the second quarter ended 31 December 2018, the Manager paid a distribution amounting to RM7.83 million or 1.55 sen per unit (of which 1.518 sen per unit is subject to withholding tax and 0.032 sen per unit is tax exempt/non-taxable) on 14 February 2019, representing approximately 98% of quarterly distributable income.

For the third quarter ended 31 March 2019, the Manager will be making a distribution of 98% of KIP REIT's quarterly distributable income amounting to RM7.63 million or 1.51 sen per unit (of which 1.482 sen per unit is subject to withholding tax and 0.028 sen per unit is tax exempt/non-taxable), to be payable on 17 May 2019 to every unitholder who is entitled to receive such distribution as at 4.00 p.m. on 6 May 2019. This amount has not been included in a liability in the current financial quarter under review.

A8 SEGMENT REPORTING

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

	3rd Quarter Ended 31.3.2019		
	<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	12,103	3,540	15,643
Net property income	7,986	2,270	10,256
Interest income	77	21	98
Borrowing costs	(1,124)	(315)	(1,439)
Trust and other expenses	(1,212)	(337)	(1,549)
Profit before taxation	5,727	1,639	7,366
Taxation	-	-	-
Total comprehensive income attributable to unitholders	<u>5,727</u>	<u>1,639</u>	<u>7,366</u>
Assets			
Segment assets	462,820	133,759	596,579
Unallocated assets			
- Deposits with licensed banks			1,272
- Cash and bank balances			12,384
- Trade and other receivables			15,129
Total assets			<u>625,364</u>

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A9 SUBSEQUENT MATERIAL EVENTS

There was 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.

A10 CHANGES IN THE COMPOSITION OF KIP REIT

There was no change in composition of fund size for the current quarter and cumulative quarter ended 31 March 2019.

A11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A12 CAPITAL COMMITMENT

Capital commitment as at 31 March 2019:

	<u>RM'000</u>
Authorised and contracted for	
– within one year	<u>197,600</u>

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PART B - ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

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

Financial review for current quarter and financial year to date

	Quarter			Year To Date		
	<u>31.3.2019</u>	<u>31.3.2018</u>	<u>Changes</u>	<u>31.3.2019</u>	<u>31.3.2018</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	15,643	15,670	-0.2%	46,860	46,646	0.5%
Net property income	10,256	10,364	-1.0%	30,644	30,803	-0.5%
Profit before taxation	7,366	8,847	-16.7%	22,522	25,211	-10.7%
Profit after taxation	7,366	8,847	-16.7%	22,522	25,211	-10.7%
Total comprehensive income attributable to unitholders	7,366	8,847	-16.7%	22,522	25,211	-10.7%

Quarterly Results

KIP REIT recorded revenue of RM15.6 million in Q3FY19, as compared to RM15.7 million recorded in the preceding year corresponding quarter. The marginal decrease was mainly attributable to lower rental per sq ft of RM5.24 in Q3FY19 as compared to RM5.43 in Q3FY18 despite the increase in occupancy rate from 86.2% in corresponding quarter to 88.3% in current quarter.

KIP REIT property operating expenses was RM5.4 million in Q3FY19, a net increase of RM0.1 million or 1.5% mainly attributable to the higher property expenses but partially cushioned by lower electricity bill with solar PV system. Correspondingly, net property income of RM10.3 million was 1% lower than preceding year corresponding quarter.

KIP Mart contributed 77.4% of the KIP REIT total revenue, or RM12.1 million in current quarter vis-à-vis 75.9% in preceding year corresponding quarter. Net property income for KIP Mart was RM8.0 million, 3% higher as compared to corresponding quarter.

KIP Mall contributed 22.6% of the KIP REIT total revenue, or RM3.6 million in current quarter vis-à-vis 24.1% in preceding year corresponding quarter. Net property income for KIP Mall was RM2.3 million, 12% lower as compared to corresponding quarter.

Current quarter total comprehensive income attributable to unitholders was RM7.4 million, 16.7% lower against preceding year corresponding quarter. Lower total comprehensive income mainly due to higher borrowing cost incurred on the back

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of higher bank borrowing to finance solar PV system as well as the Kinta acquisition deposit. On top of that, the higher management fee charged from 0.30% of TAV in corresponding quarter to 0.60% of TAV in current quarter.

Year-to-date Results

Total revenue for year-to-date 31 March 2019 was RM46.9 million, representing an increase of 0.5% against preceding year-to-date performance, which was mainly attributable to the higher occupancy rate at 87.5% as compared to year-to-date 31 March 2018 at 84.5% and higher promotional income generated.

Total property operating expenses was RM0.3 million or 2.4% higher compared to year-to-date 31 March 2018. This was mainly due to higher property expenses but partially cushioned by lower utilities expenses. Correspondingly, net property income of RM30.6 million was 0.5% lower than preceding year-to-date 31 March 2018.

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

	Current Quarter <u>31.3.2019</u> <u>RM'000</u>	Immediate Preceding Quarter <u>31.12.2018</u> <u>RM'000</u>	Changes (%)
Gross revenue	15,643	15,625	0.1%
Net property income	10,256	10,447	-1.8%
Profit before taxation	7,366	7,896	-6.7%
Profit after taxation	7,366	7,896	-6.7%
Total comprehensive income attributable to unitholders	7,366	7,896	-6.7%

KIP REIT revenue for current quarter was 0.1% higher than the immediate preceding quarter ended 31 December 2018 on the back of higher occupancy rate from 87.9% to 88.3%.

The net property income decreased by 2% compared to the preceding quarter mainly due to higher property expenses but partially cushioned by lower utilities expenses.

The profit before taxation decreased by 6.7% attributable to higher borrowing cost and other incidental cost to borrowing compare to the immediate preceding quarter.

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B3 PROSPECTS

The challenges faced by the retail business in Malaysia will continue to remain tough.

The Manager will focus more on the leasing and marketing strategies to further improve the tenant-mix in food & beverage, and daily necessity to improve the overall occupancy and the net income.

The Manager also actively continue to source for good assets for acquisition to further grow the Assets portfolio and create long term value for unitholders.

B4 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.

B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

B6 TAXATION

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 subject 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 proposes to declare more than 90% of its distributable income to its unitholders for the financial year ending 30 June 2019, no provision for taxation has been made for the current quarter.

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B7 GAIN OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There was no disposal of unquoted securities or investment properties during Q3FY19 ended 31 March 2019 under review.

B8 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during Q3FY19 ended 31 March 2019 under review.

B9 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

The proposed acquisition of Aeon Kinta City Mall in Ipoh that was announced on 28 August 2018 and 30 November 2018 is not completed. Unit holders of KIP REIT have approved the proposed acquisition at the Meeting held on 3 April 2019.

B10 BORROWINGS

	As at 31 March 2019 RM ('000)
Secured Term Loan:-	
Current	6,787
Non-current	93,343
Total Borrowings	<u>100,130</u>
Total assets	<u>625,364</u>
Gearing ratio (%)	<u>16.0</u>

B11 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instruments for the Q3FY19 ended 31 March 2019 under review.

B12 MATERIAL LITIGATION

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

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B13 SOFT COMMISSION RECEIVED

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

B14 SUMMARY OF DPU, EPU AND NAV

	Current Quarter Ended 31 March 2019	Immediate Preceding Quarter Ended 31 December 2018
Number of units in issue (units'000)	505,300	505,300
Earning per unit (EPU) - sen	1.46	1.56
Net income distribution to unitholders (RM'000)	7,630	7,832
Distribution per unit (DPU) – sen	1.51	1.55
Net Asset Value (NAV) – (RM'000)	505,219	505,685
NAV per unit (RM)	0.9998	1.0333
Market Value Per Unit (RM)	0.885	0.750

B15 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 year-to-date was RM2.96mil consist of base fee (0.6%) of TAV and performance fee (1%) of net property income.

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B16 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.

B17 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 March 2019 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 18 April 2019.