



KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 3rd quarter FY2021 ended 31 March 2021

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	31 Mar 2021	31 Mar 2020	Changes	31 Mar 2021	31 Mar 2020	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	16,000	17,111	(6.5%)	47,936	50,451	(5.0%)
Revenue from contracts with customers	1,992	2,305	(13.6%)	6,910	7,189	(3.9%)
Gross revenue	17,992	19,416	(7.3%)	54,846	57,640	(4.8%)
Utilities expenses	(1,571)	(1,896)	17.1%	(5,088)	(6,238)	18.4%
Maintenance and housekeeping expenses	(607)	(677)	10.3%	(1,929)	(1,980)	2.6%
Marketing expenses	(77)	(77)	0.7%	(157)	(227)	30.8%
Quit rent and assessment	(451)	(494)	8.6%	(1,440)	(1,343)	(7.3%)
Reimbursement costs	(976)	(1,097)	11.0%	(2,750)	(3,295)	16.5%
Property manager fee	(41)	(48)	15.6%	(122)	(121)	(0.0%)
Other operating expenses	(580)	(570)	(1.8%)	(1,774)	(1,651)	(7.5%)
Property operating expenses	(4,303)	(4,859)	11.4%	(13,260)	(14,855)	10.7%
Net property income	13,689	14,557	(6.0%)	41,586	42,785	(2.8%)
Changes in fair value on investment properties	-	-	0.0%	-	13,187	(100.0%)
Interest income	116	169	(31.2%)	357	455	(21.5%)
Net investment income	13,805	14,726	(6.3%)	41,943	56,427	(25.7%)
Manager's management fee	(1,433)	(1,457)	1.7%	(4,147)	(6,250)	33.6%
Trustees' fee	(45)	(45)	1.3%	(133)	(317)	58.0%
Auditors' remuneration	(30)	(27)	(12.0%)	(91)	(80)	(12.7%)
Valuers' fee	(45)	(60)	25.0%	(145)	(150)	3.1%
Other trust expenses	(513)	(435)	(17.9%)	(1,484)	(2,103)	29.4%
Borrowing costs	(3,296)	(3,595)	8.3%	(9,987)	(10,647)	6.2%
	(5,362)	(5,619)	4.6%	(15,987)	(19,547)	18.2%
Profit before taxation ^{N1}	8,443	9,107	(7.3%)	25,956	36,880	(29.6%)
Taxation	-	-		-	-	
Profit after taxation	8,443	9,107	(7.3%)	25,956	36,880	(29.6%)
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive income attributable to unitholders	8,443	9,107	(7.3%)	25,956	36,880	(29.6%)
Profit after taxation is made up as follows:						
- Realised	8,443	9,107	(7.3%)	25,956	27,175	(4.5%)
- One-off exp incidental to the acquisition	-	-	0.0%	-	(3,482)	100.0%
- Unrealised	-	-	0.0%	-	13,187	(100.0%)
	8,443	9,107	(7.3%)	25,956	36,880	(29.6%)
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
Basic / Diluted earnings per unit (sen)						
- Realised	1.67	1.80		5.14	4.69	
- Unrealised	-	-		-	2.61	
	1.67	1.80		5.14	7.30	
Total comprehensive income	8,443	9,107		25,956	36,880	
Distribution adjustments	513	(869)		2,142	(13,208)	
Total current period / year distributable income	8,956	8,238		28,098	23,672	
Distribution per unit (sen)	1.60	1.52		4.74	4.65	
^{N1} Included in profit before taxation are following items:						
Interest income	116	169		357	455	
Amortisation of rental rebate	(316)	(235)		(1,564)	(235)	
Depreciation of equipments	(128)	(80)		(400)	(229)	
Allowance for impairment on receivable	(3)	7		16	(88)	

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 2020 ("AFS FY2020") and the accompanying notes attached to this Interim Financial Report.

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

	Quarter		Period-To-Date	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM '000	RM '000	RM '000	RM '000
Net property income	13,689	14,557	41,586	42,785
Changes in fair value on investment properties	-	-	-	13,187
Interest income	116	169	357	455
	13,805	14,726	41,943	56,427
Less : Expenses	(5,362)	(5,619)	(15,987)	(19,547)
Total comprehensive (loss) / income	8,443	9,107	25,956	36,880
Distribution adjustment				
- Amortisation of transactions costs	64	64	192	657
- Depreciation of equipment	128	80	400	229
- Changes in fair value on investment properties	-	-	-	(13,187)
- Allowance for impairment on receivable	3	(7)	(16)	88
- Bad debts written off	2	9	2	20
- Rental Rebate during MCO 1	-	(1,250)	-	(1,250)
- Amortisation of rental rebate for MCO	316	235	1,564	235
	513	(869)	2,142	(13,208)
Total current period / year distributable income	8,956	8,238	28,098	23,672
Undistributed distributable income brought forward	4,113	530	840	913
Distributable income	13,069	8,768	28,938	24,585
Less: Proposed / declared income distribution	(8,085)	(7,681)	(23,954)	(23,498)
Undistributed distributable income	4,984	1,087	4,984	1,087
Distribution per unit (sen)	1.60	1.52	4.74	4.65

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
	31 Mar 2021 RM '000	30 Jun 2020 RM '000	31 Mar 2021 RM '000	30 Jun 2020 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	1,980	1,585	1,980	1,585
Investment properties	808,582	807,000	808,582	807,000
Investment in a subsidiary	-	-	- *	-
Total Non-Current Assets	810,562	808,585	810,562	808,585
<u>Current Assets</u>				
Trade receivables	1,037	1,612	1,037	1,612
Other receivables and prepaid expenses	4,209	5,645	4,209	5,645
Cash and bank balances	27,566	25,976	20,084	18,597
Total Current Assets	32,812	33,233	25,330	25,854
TOTAL ASSETS	843,374	841,818	835,892	834,439
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	19,863	17,506	19,863	17,506
Total Unitholders' Fund	512,196	509,839	512,196	509,839
<u>Non-Current Liabilities</u>				
Borrowings	309,009	308,817	-	-
Amount due to subsidiary company	-	-	302,832	305,048
Other payables and accrued expenses	7,506	5,108	7,506	5,108
Total Non-Current Liabilities	316,515	313,925	310,338	310,156
<u>Current Liabilities</u>				
Borrowings	1,305	3,610	-	-
Trade payables	964	744	964	744
Other payables and accrued expenses	12,394	13,700	12,394	13,700
Total Current Liabilities	14,663	18,054	13,358	14,444
TOTAL LIABILITIES	331,178	331,979	323,696	324,600
TOTAL UNITHOLDERS' FUND AND LIABILITIES	843,374	841,818	835,892	834,439
Net Asset Value (NAV)				
- before income distribution	535,794	541,016	535,794	541,016
- after income distribution	512,196	509,839	512,196	509,839
Number of units in circulation (Units)	505,300	505,300	505,300	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.0603	1.0707	1.0603	1.0707
- after income distribution	1.0136	1.0090	1.0136	1.0090

* 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 2020 and the accompanying notes attached to this Interim Financial Report.

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

	Unitholders'	Retained	Total
	RM '000	earnings	RM '000
	RM '000	RM '000	RM '000
<u>Group and Fund</u>			
As at 1 July 2020	492,333	17,506	509,839
Profit for the period	-	25,956	25,956
Total comprehensive income for the period attributable to unitholders	-	25,956	25,956
Unitholders' transactions			
Distribution to unitholders	-	(23,599)	(23,599)
Decrease in net asset resulting from unitholders' transactions	-	(23,599)	(23,599)
As at 31 March 2021	492,333	19,863	512,196
<u>Group and Fund</u>			
As at 1 July 2019	492,333	16,800	509,133
Profit for the period	-	36,880	36,880
Total comprehensive income for the period attributable to unitholders	-	36,880	36,880
Unitholders' transactions			
Distribution to unitholders	-	(23,497)	(23,497)
Decrease in net asset resulting from unitholders' transactions	-	(23,497)	(23,497)
As at 31 March 2020	492,333	30,183	522,516

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Fund	
	Cumulative 31 Mar 2021 RM '000	Period-To-Date 31 Mar 2020 RM '000	Cumulative 31 Mar 2021 RM '000	Period-To-Date 31 Mar 2020 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	25,956	36,880	25,956	36,880
Adjustment for:				
Changes in fair value on investment properties	-	(13,187)	-	(13,187)
Interest expenses on borrowings	9,795	9,989	75	518
Interest expenses on advance from a subsidiary company	-	-	9,720	9,471
Interest income	(357)	(455)	(357)	(455)
Bad debts written off	2	20	2	20
(Reversal) / Allowance for doubtful debts	(16)	88	(16)	88
Amortisation of transaction costs	192	658	192	658
Depreciation of equipment	400	229	400	229
Operating income before changes in working capital	35,972	34,222	35,972	34,222
Net change in trade and other receivables	2,030	528	2,030	528
Net change in payables and accruals	1,313	(705)	1,313	(710)
Cash generated from operations	39,315	34,045	39,315	34,040
Taxes paid	-	-	-	-
Net cash generated from operating activities	39,315	34,045	39,315	34,040
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	352	439	352	439
Pledge deposit	(122)	(7,646)	(17)	(341)
Purchase of equipment	(941)	(859)	(941)	(859)
Acquisition of investment properties	-	(196,413)	-	(196,413)
Asset enhancement on investment properties	(1,437)	(376)	(1,437)	(376)
Net cash used in investing activities	(2,148)	(204,855)	(2,043)	(197,550)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distribution paid to unitholders	(23,598)	(23,496)	(23,598)	(23,496)
(Repayment)/Advances from a subsidiary company	-	-	(105)	301,008
Interest paid on advance from a subsidiary company	-	-	(12,024)	(7,934)
Payment for transaction cost	-	(1,674)	-	-
Interest paid on borrowings	(12,099)	(9,180)	(75)	(1,246)
Repayment of borrowings	-	(99,929)	-	(99,929)
Proceeds from borrowings	-	310,000	-	-
Net (used in) / cash from financing activities	(35,697)	175,721	(35,802)	168,403
Net increase in cash and cash equivalents	1,470	4,911	1,470	4,893
Cash and cash equivalents at beginning of period	16,980	11,579	16,960	11,579
Cash and cash equivalents at end of period	18,450	16,490	18,430	16,472

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

Cash in hand	8	9	8	9
Bank balances	940	2,018	923	2,000
Short term deposits placed with licensed bank	26,618	23,397	19,153	16,092
	27,566	25,424	20,084	18,101
Less: Pledged deposits	(9,116)	(8,934)	(1,654)	(1,629)
	18,450	16,490	18,430	16,472

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2020 and the accompanying notes attached to this Interim Financial Report.

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

A1 CORPORATE INFORMATION

KIP Real Estate Investment Trust ("KIPREIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 November 2016 as amended and restated by the Restated Deed dated 12 December 2019, a 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'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 2020 ("AFS FY2020") 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 FY2020.

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 2020 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 as explained in B1 and B2.

A6 CHANGES IN ESTIMATES

Not applicable as no estimates were previously reported.

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

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

A8 INCOME DISTRIBUTION

The Manager intends to distribute at least 90% of the distributable income to the unitholders of KIP REIT in financial year ending 30 June 2021, on a quarterly basis.

For the quarter ended 31 March 2021, the Manager proposed a third interim income distribution of RM8.08 million or 1.60 sen per unit, which includes a non-taxable portion of approximately 0.60 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 6 May 2021 and 25 May 2021 respectively.

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

KIP REAL ESTATE INVESTMENT TRUST

A9 SEGMENT REPORTING

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

	<u>3rd quarter Ended 31 March 2021</u>				<u>YTD Ended 31 March 2021</u>			
	<u>Southern</u>	<u>Central</u>	<u>Northern</u>	<u>Total</u>	<u>Southern</u>	<u>Central</u>	<u>Northern</u>	<u>Total</u>
	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
By Location Segments								
Revenue and expenses								
Gross revenue	8,760	4,946	4,286	17,992	26,802	15,336	12,708	54,846
Net property income	6,747	2,813	4,129	13,689	20,430	8,920	12,236	41,586
Interest income	54	23	39	116	162	70	125	357
Borrowing costs	(630)	(417)	(2,249)	(3,296)	(1,909)	(1,265)	(6,813)	(9,987)
Trust and other expenses	(987)	(595)	(484)	(2,066)	(2,847)	(1,747)	(1,406)	(6,000)
Profit before taxation	5,184	1,824	1,435	8,443	15,836	5,978	4,142	25,956
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,184	1,824	1,435	8,443	15,836	5,978	4,142	25,956
Assets								
Segment assets					391,884	204,614	218,347	814,845
Unallocated assets								
- Cash and bank balances								27,566
- Trade and other receivables								963
Total assets								<u>843,374</u>
Liabilities								
Segment liabilities					69,628	44,115	208,300	322,043
Unallocated liabilities								
- Payables and accruals								1,641
- Borrowings								7,494
Total liabilities								<u>331,178</u>
Other Segmental information								
Additional to non-current assets:								
- Investment properties					530	164	743	1,437
- Equipment					570	371	-	941
Depreciation					160	240	-	400

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

	3rd quarter Ended 31 March 2020				YTD Ended 31 March 2020			
	Southern Region	Central Region	Northern Region	Total	Southern Region	Central Region	Northern Region	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and expenses								
Gross revenue	9,942	5,395	4,079	19,416	30,118	16,586	10,936	57,640
Net property income	7,577	3,066	3,914	14,557	22,875	9,395	10,515	42,785
Changes in fair value on investment properties	-	-	-	-	-	-	13,187	13,187
Interest income	76	38	55	169	221	115	119	455
Borrowing costs	(686)	(455)	(2,454)	(3,595)	(2,433)	(1,588)	(6,626)	(10,647)
Trust and other expenses	(990)	(556)	(478)	(2,024)	(3,003)	(1,705)	(4,192)	(8,900)
Profit before taxation	5,977	2,093	1,037	9,107	17,660	6,217	13,003	36,880
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,977	2,093	1,037	9,107	17,660	6,217	13,003	36,880
Assets								
Segment assets					389,957	214,629	220,647	825,233
Unallocated assets								
- Cash and bank balances								25,423
- Trade and other receivables								1,696
Total assets								852,352
Liabilities								
Segment liabilities					70,590	44,194	206,714	321,498
Unallocated liabilities								
- Payables and accruals								1,126
- Borrowings								7,212
Total liabilities								329,836
Other Segmental information								
Additional to non-current assets:								
- Investment properties					36	198	196,555	196,789
- Equipment					120	739	-	859
Depreciation					118	111	-	229

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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

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.

A12 CHANGES IN THE COMPOSITION OF KIP REIT

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

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A14 CAPITAL COMMITMENT

There were no capital commitments to be disclosed.

KIP REAL ESTATE INVESTMENT TRUST

PART B - ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MMLR

B1 REVIEW OF PERFORMANCE

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

	Quarter			Year To Date		
	31.3.2021 RM'000	31.3.2020 RM'000	Changes (%)	31.3.2021 RM'000	31.3.2020 RM'000	Changes (%)
Gross revenue						
Southern Region	8,760	9,942	(11.89%)	26,802	30,118	(11.01%)
Central Region	4,946	5,395	(8.34%)	15,336	16,586	(7.54%)
Northern Region	4,286	4,079	5.08%	12,708	10,936	16.20%
	<u>17,992</u>	<u>19,416</u>	(7.33%)	<u>54,846</u>	<u>57,640</u>	(4.85%)
Net property income						
Southern Region	6,747	7,577	(10.95%)	20,430	22,875	(10.69%)
Central Region	2,813	3,066	(8.25%)	8,920	9,395	(5.06%)
Northern Region	4,129	3,914	5.49%	12,236	10,515	16.37%
	<u>13,689</u>	<u>14,557</u>	(5.97%)	<u>41,586</u>	<u>42,785</u>	(2.80%)
Profit before taxation						
Realised	8,443	9,107	(7.29%)	25,956	23,693	9.55%
Unrealised	-	-	N/A	-	13,187	(100.00%)
	<u>8,443</u>	<u>9,107</u>	(7.29%)	<u>25,956</u>	<u>36,880</u>	(29.62%)
Income available for distribution	8,956	8,238	8.71%	28,098	23,672	18.70%

Quarterly Results

KIP REIT recorded revenue of RM18.0 million in Q3FY21, as compared to RM19.4 million recorded in the preceding year corresponding quarter. The drop in revenue was attributed to RM1.6 million lower revenue from both Southern and Central region but partially cushioned by higher revenue from AEON Mall Kinta City ("AMKC") at Northern region. Included in the revenue of Southern and Central region was the amortisation of rental rebates amounting to RM0.3 million offered to non-essential tenants affected by the Movement Control Order ("MCO") and additional rental assistance offered to affected tenants during MCO 2.0 announced on 13 January 2021 amounting to RM0.5 million. The net property income also came in lower in tandem with the lower revenue as compared to preceding year corresponding quarter at a lower negative variance on the back of cost management.

Southern region recorded revenue of RM8.8 million, at -11.9% against Q3FY20 mainly due to amortisation of MCO rental rebates and additional rental assistance for MCO 2.0. The net property income was 11.0% lower against Q3FY20.

Central region saw 8.3% shortfall against preceding year corresponding quarter. On top of the amortisation of rental rebates offered during the MCO and additional rental assistance for MCO 2.0, promotional area also experienced lower events take up rate due to MCO 2.0 control. Correspondingly, net property income was lower against preceding year corresponding quarter at the same rate as revenue.

The investment properties in the Southern region, Central region and Northern region contributed 48.7%, 27.5% and 23.8% of the KIP REIT total revenue respectively.

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KIP REIT's Q3FY21 realised profit before tax was 7.3% lower than Q3FY20 mainly due to the amortisation of rental rebates of RM0.3 million (Q3FY20: RM0.2 million) and additional rental assistance of RM0.5 million during the quarter, stripping out the amortisation of rental rebates and rental assistance, the realised profit before tax would be close to Q3FY20.

Current quarter income available for distribution was 8.7% higher than preceding year corresponding quarter as RM1.3 million rental rebate for MCO 1.0 was adjusted for distribution last year.

Year to date Results

Total revenue for year-to-date 31 March 2021 was RM54.8 million, at 4.8% shortfall against preceding year-to-date performance, mainly due to RM1.6 million amortisation of rental rebates for MCO 1.0 and RM0.5 million additional rental assistance for MCO 2.0 but partially cushioned by one-month additional revenue from AMKC.

Southern region recorded revenue of RM26.8 million, at -11.0% against preceding year-to-date mainly due to amortisation of MCO rental rebates and additional rental assistance for MCO 2.0 and lower promotional area income. Correspondingly, the net property income came in 10.7% lower than last year.

Central region also recorded lower revenue year-on-year against last year. On top of the amortisation of rental rebates offered during the MCO 1.0 and additional rental assistance for MCO 2.0, promotional area continued to experience lower events take up rate due to MCO restrictions. However, the net property income shortfall is at a lower variance % as compared to revenue shortfall attributed to cost management.

Northern region recorded 16.4% better revenue and net property income mainly due to one-month additional revenue from AMKC (acquisition date on 31 July 2019).

Year-to-date realised profit before tax was 9.5% better than last year on the back of last year RM3.5 million one off expenses in relation of AMKC acquisition.

Year-to-date income available for distribution was 18.7% higher than last year mainly due to realised profit before tax as explained earlier.

The total net asset value and net asset value per unit (after income distribution) stood at RM512.2 million (30 June 2020: RM509.8 million) and RM1.0136 (30 June 2020 : RM1.0090) respectively. The increase in the net asset value and net asset value per unit was mainly due to net increase in realised profit after tax during the year.

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

	Current Quarter	Immediate Preceding Quarter	
	<u>31.3.2021</u>	<u>31.12.2020</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	17,992	18,619	(3.37%)
Net property income	13,689	13,896	(1.49%)
Profit before taxation			
Realised	8,443	8,660	(2.50%)
Unrealised	-	-	N/A
	8,443	8,660	(2.50%)
Income available for distribution	8,956	9,361	(4.32%)

KIP REIT's revenue for the current quarter was 3.4% lower than the immediate preceding quarter ended 31 December 2020 mainly attributed to rental assistance offered to affected tenants during MCO 2.0 and lower promo area income due to MCO restrictions.

Net property income came in lower by 1.5%, at lower negative variance compared to the preceding quarter mainly due to cost management in current quarter.

In tandem with lower net property income, realised profit before taxation was 2.5% lower than the immediate preceding quarter ended 31 December 2020, at a higher variance % due to lower interest income recorded in the current quarter and higher other trust expenses.

Current quarter income available for distribution was 4.3% lower than the immediate preceding quarter ended 31 December 2020 mainly due to lower realised profit before taxation.

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B3 PROSPECTS

In light of the rollout of Malaysia's vaccination programme against Covid-19, various financial bodies have initially embraced high expectations of the economic outlook. Most of these bodies have projected positive economic growth in Malaysia following a 5.6% contraction in 2020. The International Monetary Fund and Bank Negara Malaysia' projected economic growth to fall within the range of 6.0% to 7.5% in 2021.

However, growth projections by various parties have undergone volatile shifts in line with the shifts in Covid-19 infections. The World Bank lowered its gross domestic product growth projection for Malaysia for 2021 from 6.7% to 6.0%. The re-implementation of the movement control order earlier this year due to increased infection rates stunted recovery of the retail segment. Independent retail research firm Retail Group Malaysia revised its 2021 sales projection downwards to 4.1% from 4.9% previously. The Malaysia Retailers Association has projected the retail sector to contract by 13.4% for the first quarter of 2021.

While the overall retail landscape has been challenging, the community centric segment has shown relatively stronger resilience during the pandemic as the business model is focussed on catering to localised traffic. As we move forward, we recognise that uncertainties over the economy's health and the Covid-19 pandemic still loom, at the very least for the first half of the year. We are hopeful that the economy will return to pre-pandemic levels by year end. We will continue to monitor the situation closely. As the health and safety of our tenants and shoppers are of precedence, we will adopt quick responses to changes in standard operating procedures where necessary, as the situation evolves.

On the whole, our priority to provide long-term value to our unitholders and support fund growth undoubtedly remain as we continue to explore yield accretive assets for potential acquisitions.

B4 PORTFOLIO COMPOSITON

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

B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

KIP REAL ESTATE INVESTMENT TRUST

B6 TAXATION

Trust Level

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

As KIP REIT intends to distribute more than 90% of its distributable income, which translates to more than 90% of its total taxable income, to its unitholders for the financial year ending 30 June 2021, no provision for taxation has been made for the current quarter.

Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at KIP REIT's level:

Resident unitholder:

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

Non-resident unitholder:

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

B7 STATUS OF CORPORATE PROPOSAL

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

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B8 BORROWINGS

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

	As at 31.3.2021 RM'000	As at 30.6.2020 RM'000
Current (secured):		
Medium term notes	1,561	3,866
Unamortised transaction cost	(256)	(256)
	<u>1,305</u>	<u>3,610</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(991)	(1,183)
	<u>309,009</u>	<u>308,817</u>
Total borrowings	<u>310,314</u>	<u>312,427</u>
Total assets	<u>843,374</u>	<u>841,818</u>
Gearing ratio (%)	36.79%	37.11%

The weighted average interest rate of borrowings as at 31 March 2021 was 4.29% (30 June 2020: 4.52%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

B9 MATERIAL LITIGATION

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

B10 SOFT COMMISSION RECEIVED

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

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B11 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 31 March 2021	Immediate Preceding Quarter ended 31 December 2020
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	8,443	8,660
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	1.95	1.99
- after Manager's fee	1.67	1.71
Net Income distribution to unitholders (RM'000)	8,085	8,035
Distribution per unit (DPU) (sen)	1.60	1.59
Net Asset Value (NAV) (RM'000)	512,196	511,787
NAV per unit (RM)	1.0136	1.0128
Market value per unit (RM)	0.880	0.810

B12 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of KIP REIT as at 31 March 2021 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 20 April 2021.