

KIP REAL ESTATE INVESTMENT TRUST

Financial Report for the 4th quarter FY2022 ended 30 June 2022

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	30 Jun 2022	30 Jun 2021	Changes	30 Jun 2022	30 Jun 2021	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross revenue	19,221	19,404	(0.9%)	73,700	74,249	(0.7%)
Utilities expenses	(2,221)	(1,704)	(30.3%)	(7,069)	(6,792)	(4.1%)
Maintenance and housekeeping expenses	(609)	(565)	(7.9%)	(1,856)	(2,493)	25.5%
Marketing expenses	(85)	(74)	(14.7%)	(173)	(232)	25.5%
Quit rent and assessment	(482)	(451)	(6.9%)	(1,874)	(1,892)	0.9%
Reimbursement costs	(1,021)	(912)	(11.9%)	(3,591)	(3,662)	1.9%
Property manager fee	(32)	(33)	4.4%	(128)	(156)	17.7%
Other operating expenses	(571)	(589)	3.0%	(2,255)	(2,360)	4.4%
Property operating expenses	(5,021)	(4,328)	(16.0%)	(16,946)	(17,587)	3.6%
Net property income	14,200	15,076	(5.8%)	56,754	56,662	0.2%
Changes in fair value on investment properties	39,466	(847)	4759.5%	39,466	(847)	4759.5%
Interest income	98	60	62.6%	349	417	(16.4%)
Net investment income	53,764	14,289	276.3%	96,569	56,232	71.7%
Manager's management fee	(1,412)	(1,394)	(1.2%)	(5,664)	(5,541)	(2.2%)
Trustees' fee	(45)	(45)	(0.5%)	(179)	(179)	0.2%
Auditors' remuneration	(19)	(17)	(11.8%)	(114)	(108)	(6.4%)
Valuers' fee	(25)	(45)	44.3%	(154)	(190)	19.0%
Other trust expenses	33	(215)	115.3%	(1,654)	(1,699)	2.7%
Borrowing costs	(3,334)	(3,307)	(0.8%)	(13,295)	(13,294)	(0.0%)
	(4,802)	(5,023)	4.4%	(21,060)	(21,011)	(0.2%)
Profit before taxation ^{N1}	48,962	9,266	428.4%	75,509	35,221	114.4%
Taxation	-	-		-	-	
Profit after taxation	48,962	9,266	428.4%	75,509	35,221	114.4%
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive income attributable to unitholders	48,962	9,266	428.4%	75,509	35,221	114.4%
Profit after taxation is made up as follows:						
- Realised	9,496	10,113	(6.1%)	36,043	36,068	(0.1%)
- Unrealised	39,466	(847)	4759.5%	39,466	(847)	4759.5%
	48,962	9,266	428.4%	75,509	35,221	114.4%
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
Basic / Diluted earnings per unit (sen)						
- Realised	1.88	2.00		7.13	7.14	
- Unrealised	7.81	(0.17)		7.81	(0.17)	
	9.69	1.83		14.94	6.97	
Total comprehensive income	48,962	9,266		75,509	35,221	
Distribution adjustments	(39,234)	893		(38,180)	3,033	
Total current period / year distributable income	9,728	10,159		37,329	38,254	
Distribution per unit (sen)	2.10	2.10		6.80	6.84	
^{N1} Included in profit before taxation are following items:						
Interest income	98	60		349	417	
Amotisation of rental rebate	(112)	(410)		(715)	(1,974)	
Depreciation of equipments	(128)	(152)		(629)	(552)	
Allowance for impairment on receivable	117	(16)		170	1	
Bad debts written off	(44)	-		(323)	(2)	
Equipments written off	(1)	(2)		(1)	(2)	

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 2021 ("AFS FY2021") and the accompanying notes attached to this Interim Financial Report.

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

	Quarter			Period-To-Date		
	30 Jun 2022	30 Jun 2021	Changes	30 Jun 2022	30 Jun 2021	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Net property income	14,200	15,076	(5.8%)	56,754	56,662	0.2%
Other income	-	-	0.0%	-	-	0.0%
Changes in fair value on investment properties	39,466	(847)	4759.5%	39,466	(847)	4759.5%
Interest income	98	60	62.6%	349	417	(16.4%)
	53,764	14,289	276.3%	96,569	56,232	71.7%
Less : Expenses	(4,802)	(5,023)	4.4%	(21,060)	(21,011)	(0.2%)
Total comprehensive income	48,962	9,266	428.4%	75,509	35,221	114.4%
Distribution adjustment						
- Amortisation of transactions costs	64	64		256	256	
- Depreciation of equipment	128	152		629	552	
- Changes in fair value on investment properties	(39,466)	847		(39,466)	847	
- (Reversal of) / Allowance for impairment on receivable	(117)	16		(170)	(1)	
- Bad debts written off	44	-		323	2	
- Written off of equipment	1	2		1	2	
- Net amortisation of rental rebate for MCO	112	(188)		247	1,375	
	(39,234)	893	4491.3%	(38,180)	3,033	1358.7%
Total current period / year distributable income	9,728	10,159	(4.2%)	37,329	38,254	(2.4%)
Undistributed distributable income brought forward	8,383	4,984	68.2%	4,532	840	439.7%
Distributable income	18,111	15,143	19.6%	41,861	39,094	7.1%
Less: Proposed / declared income distribution	(10,611)	(10,611)	0.0%	(34,361)	(34,562)	(0.6%)
Undistributed distributable income	7,500	4,532	65.5%	7,500	4,532	65.5%
Distribution per unit (sen)	2.10	2.10	0.0%	6.80	6.84	(0.6%)

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 2021 ("AFS FY2021") and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group		Fund	
	Unaudited As At 30 Jun 2022 RM '000	Audited As At 30 Jun 2021 RM '000	Unaudited As At 30 Jun 2022 RM '000	Audited As At 30 Jun 2021 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	1,946	2,574	1,946	2,574
Investment properties	852,000	808,000	852,000	808,000
Investment in a subsidiary	-	-	- *	-
Total Non-Current Assets	853,946	810,574	853,946	810,574
<u>Current Assets</u>				
Trade receivables	528	2,423	528	2,423
Other receivables and prepaid expenses	3,567	3,904	3,567	3,904
Cash and cash equivalents	30,994	29,320	23,344	21,805
Total Current Assets	35,089	35,647	27,439	28,132
TOTAL ASSETS	889,035	846,221	881,385	838,706
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	62,193	21,045	62,193	21,045
Total Unitholders' Fund	554,526	513,378	554,526	513,378
<u>Non-Current Liabilities</u>				
Borrowings	309,329	309,073	-	-
Amount due to subsidiary company	-	-	305,263	305,193
Other payables and accrued expenses	8,144	10,960	8,144	10,960
Total Non-Current Liabilities	317,473	320,033	313,407	316,153
<u>Current Liabilities</u>				
Borrowings	3,584	3,635	-	-
Trade payables	493	435	493	435
Other payables and accrued expenses	12,959	8,740	12,959	8,740
Total Current Liabilities	17,036	12,810	13,452	9,175
TOTAL LIABILITIES	334,509	332,843	326,859	325,328
TOTAL UNITHOLDERS' FUND AND LIABILITIES	889,035	846,221	881,385	838,706
Net Asset Value (NAV)				
- before income distribution	588,887	545,060	588,887	545,060
- after income distribution	554,526	513,378	554,526	513,378
Number of units in circulation (Units)	505,300	505,300	505,300	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.1654	1.0787	1.1654	1.0787
- after income distribution	1.0974	1.0160	1.0974	1.0160

* 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 2021 and the accompanying notes attached to this Interim Financial Report.

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

	Unitholders' capital	Retained earnings	Total
	RM '000	RM '000	RM '000
<u>Group and Fund</u>			
As at 1 July 2021	492,333	21,045	513,378
Profit for the year	-	75,509	75,509
Total comprehensive income for the period attributable to unitholders	-	75,509	75,509
Unitholders' transactions			
Distribution to unitholders	-	(34,361)	(34,361)
Decrease in net asset resulting from unitholders' transactions	-	(34,361)	(34,361)
As at 30 June 2022	<u>492,333</u>	<u>62,193</u>	<u>554,526</u>
<u>Group and Fund</u>			
As at 1 July 2020	492,333	17,506	509,839
Profit for the year	-	35,221	35,221
Total comprehensive income for the period attributable to unitholders	-	35,221	35,221
Unitholders' transactions			
Distribution to unitholders	-	(31,682)	(31,682)
Decrease in net asset resulting from unitholders' transactions	-	(31,682)	(31,682)
As at 30 June 2021	<u>492,333</u>	<u>21,045</u>	<u>513,378</u>

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Fund	
	Cumulative Year-To-Date		Cumulative Year-To-Date	
	30 Jun 2022	30 Jun 2021 (Restated)	30 Jun 2022	30 Jun 2021 (Restated)
	RM '000	RM '000	RM '000	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	75,509	35,221	75,509	35,221
Adjustment for:				
Changes in fair value on investment properties	(39,466)	847	(39,466)	847
Interest expenses on borrowings	13,039	13,038	100	100
Interest expenses on advance from a subsidiary company	-	-	12,939	12,938
Interest income	(349)	(417)	(349)	(417)
Depreciation of equipment	629	552	629	552
Amortisation of transaction costs	256	256	256	256
Bad debts written off	323	2	323	2
Written off of equipment	1	2	1	2
Allowance for doubtful debts	(170)	(1)	(170)	(1)
Operating income before changes in working capital	49,772	49,500	49,772	49,500
Net change in trade and other receivables	2,072	941	2,072	941
Net change in payables and accruals	1,411	575	1,411	575
Cash generated from operations	53,255	51,016	53,255	51,016
Taxes paid	-	-	-	-
Net cash generated from operating activities	53,255	51,016	53,255	51,016
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	356	405	356	405
Purchase of equipment	(2)	(1,543)	(2)	(1,543)
Additions of investment properties	(4,534)	(1,847)	(4,534)	(1,847)
Net cash used in investing activities	(4,180)	(2,985)	(4,180)	(2,985)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distribution paid to unitholders	(34,361)	(31,682)	(34,361)	(31,682)
Repayment to a subsidiary company	-	-	(135)	(137)
Interest paid on advance from a subsidiary company	-	-	(12,990)	(12,912)
Interest paid on borrowings	(13,040)	(13,005)	(50)	(92)
Net cash used in financing activities	(47,401)	(44,687)	(47,536)	(44,823)
Net increase in cash and cash equivalents	1,674	3,344	1,539	3,208
Cash and cash equivalents at beginning of period	29,320	25,976	21,805	18,597
Cash and cash equivalents at end of period	30,994	29,320	23,344	21,805

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

Cash in hand	-	*	-	*	-	-
Bank balances	914		542		897	524
Short term deposits placed with licensed bank	30,080		28,778		22,447	21,281
	<u>30,994</u>		<u>29,320</u>		<u>23,344</u>	<u>21,805</u>

* Denotes RM2.

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST

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

A1 CORPORATE INFORMATION

KIP Real Estate Investment Trust ("KIP REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 November 2016 as amended and restated by the Restated Deed dated 12 December 2019 and the supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017. The unaudited condensed consolidated interim financial statements comprise KIPREIT and its subsidiary (the "Group").

A2 BASIS OF PREPARATION

The condensed consolidated financial statements of the Group are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Deed and the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2021 ("AFS FY2021") 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 FY2021 except the IAS 7 Statement of Cash Flows (refer A15 for detail).

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 2021 was not qualified.

A4 SEASONALITY AND CYCLICALITY OF OPERATIONS

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

KIP REAL ESTATE INVESTMENT TRUST

A5 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flow during the financial period to date under review, except the amortisation of rental rebates during MCO 1.0 offered to non-essential retail tenants and rental assistance offered to affected tenants during MCO 2.0 and Full MCO ("FMCO") as explained in B1 and B2.

A6 CHANGES IN ESTIMATES

Not applicable as no estimates were previously reported.

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

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

A8 INCOME DISTRIBUTION

For the quarter ended 30 June 2022, the Manager proposed a final income distribution of RM10.61 million or 2.10 sen per unit, which includes a non-taxable portion of approximately 0.11 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 12 August 2022 and 25 August 2022 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 30 June 2022 is as follows:-

	4th quarter Ended 30 June 2022				YTD Ended 30 June 2022			
	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
By Location Segments								
Revenue and expenses								
Gross revenue	9,731	5,051	4,439	19,221	35,791	19,994	17,915	73,700
Net property income	7,252	2,665	4,283	14,200	27,574	11,889	17,291	56,754
Changes in fair value on investment properties	6,716	(703)	33,453	39,466	6,716	(703)	33,453	39,466
Interest income	46	15	37	98	156	53	140	349
Borrowing costs	(638)	(422)	(2,274)	(3,334)	(2,543)	(1,683)	(9,069)	(13,295)
Trust and other expenses	(651)	(416)	(401)	(1,468)	(3,823)	(2,091)	(1,851)	(7,765)
Profit before taxation	12,725	1,139	35,098	48,962	28,080	7,465	39,964	75,509
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	12,725	1,139	35,098	48,962	28,080	7,465	39,964	75,509
Assets								
Segment assets					399,534	203,181	254,405	857,120
Unallocated assets								30,994
- Cash and bank balances								921
- Trade and other receivables								889,035
Total assets								
Liabilities								
Segment liabilities					73,581	43,658	206,959	324,198
Unallocated liabilities								218
- Payables and accruals								10,093
- Borrowings								334,509
Total liabilities								
Other Segmental information								
Additional to non-current assets:								
- Investment properties					1,285	2,703	546	4,534
- Equipment					168	(166)	-	2
Depreciation					321	308	-	629

KIP REAL ESTATE INVESTMENT TRUST

Segmental result for the financial period ended 30 June 2021 is as follows:-

	<u>4th quarter Ended 30 June 2021</u>				<u>YTD Ended 30 June 2021</u>			
	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	9,500	5,466	4,439	19,404	36,302	20,801	17,147	74,249
Net property income	7,510	3,283	4,283	15,075	27,940	12,203	16,519	56,661
Changes in fair value on investment properties	1,147	(4,251)	2,257	(847)	1,147	(4,251)	2,257	(847)
Interest income	26	10	23	60	189	80	148	417
Borrowing costs	(633)	(419)	(2,255)	(3,307)	(2,542)	(1,683)	(9,068)	(13,294)
Trust and other expenses	(846)	(463)	(407)	(1,716)	(3,693)	(2,210)	(1,813)	(7,715)
Profit / (loss) before taxation	7,206	(1,840)	3,900	9,266	23,041	4,139	8,042	35,222
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) attributable to unitholders	7,206	(1,840)	3,900	9,266	23,041	4,139	8,042	35,222
Assets								
Segment assets					394,481	200,819	220,555	815,855
Unallocated assets								
- Cash and bank balances								29,320
- Trade and other receivables								1,046
Total assets								846,221
Liabilities								
Segment liabilities					70,000	44,454	207,568	322,022
Unallocated liabilities								
- Payables and accruals								933
- Borrowings								9,888
Total liabilities								332,843
Other Segmental information								
Additional to non-current assets:								
- Investment properties					853	251	743	1,847
- Equipment					706	837	-	1,543
Depreciation					241	311	-	552

KIP REAL ESTATE INVESTMENT TRUST

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.

Investment Properties	Fair value		Increase / (decrease) RM'000
	As at 30 June 2022 RM'000	As at 30 June 2021 RM'000	
<u>Southern Region</u>			
KIPMall Tampoi	167,000	163,000	4,000
KIPMall Kota Tinggi	56,000	56,000	-
KIPMall Masai	174,000	170,000	4,000
	<u>397,000</u>	<u>389,000</u>	<u>8,000</u>
<u>Central Region</u>			
KIPMall Senawang	27,000	25,000	2,000
KIPMall Melaka	50,000	48,000	2,000
KIPMall Bangi	124,000	126,000	(2,000)
	<u>201,000</u>	<u>199,000</u>	<u>2,000</u>
<u>Northern Region</u>			
AEON Mall Kinta City	254,000	220,000	34,000
	<u>254,000</u>	<u>220,000</u>	<u>34,000</u>
Total investment properties	<u>852,000</u>	<u>808,000</u>	<u>44,000</u>
Less : Capital expenditure			(4,534)
Changes in fair value on investment properties			<u>39,466</u>

A11 SUBSEQUENT MATERIAL EVENTS

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

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

KIP REAL ESTATE INVESTMENT TRUST

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

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

	As at 30 June 2022 RM'000	As at 30 June 2021 RM'000
Approved and contracted for	<u>18,116</u>	<u>-</u>

KIP REAL ESTATE INVESTMENT TRUST

A15 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group and Fund have adopted the International Financial Reporting Standard Interpretation Committee (“IFRIC”) agenda decision on IAS 7 Statement of Cash Flows on demand deposits with restrictions on use arising from a contract with a third party resulted in change in accounting policy. The IFRIC in its April 2022 meeting concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7.

In line with the IFRIC agenda decision, the Group and the Fund have as at the reporting date reassessed and determined that the pledged deposits are to be included as a component of cash and cash equivalents in the statements of cash flows. The change in accounting policy has been applied retrospectively where comparatives information have been restated by including the pledged deposits as a component of cash and cash equivalents in the statements of cash flows. The change in accounting policy had no impact on the retained earnings and statement of financial position as at 1 July 2020 and 30 June 2021, statements of comprehensive income and statements of changes in net assets value of the Group and the Fund for the financial year ended 30 June 2021.

The detailed impact of change in accounting policy are set out below:

Impact to Statement of Cash Flows	Group			Fund		
	As previously reported	Effects of change in accounting policy	As restated	As previously reported	Effects of change in accounting policy	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the financial year ended 30 June 2021						
Cash flows from investing activities						
Pledged deposits	(160)	160	-	(23)	23	-
Net cash used in investing activities	(3,145)	160	(2,985)	(3,008)	23	(2,985)
Net increase in cash and cash equivalents	3,184	160	3,344	3,185	23	3,208
Cash and cash equivalents at beginning of year	16,980	8,996	25,976	16,960	1,637	18,597
Cash and cash equivalents at end of year	20,164	9,156	29,320	20,145	1,660	21,805
For the financial year ended 30 June 2022						
Cash flows from investing activities						
Pledged deposits	(54)	54	-	82	(82)	-
Net cash used in investing activities	(4,234)	54	(4,180)	(4,098)	(82)	(4,180)
Net increase in cash and cash equivalents	1,620	54	1,674	1,621	(82)	1,539
Cash and cash equivalents at beginning of year	20,164	9,156	29,320	20,145	1,660	21,805
Cash and cash equivalents at end of year	21,784	9,210	30,994	21,766	1,578	23,344

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

B1 REVIEW OF PERFORMANCE

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

	Quarter			Year To Date		
	30.6.2022 RM'000	30.6.2021 RM'000	Changes (%)	30.6.2022 RM'000	30.6.2021 RM'000	Changes (%)
Gross revenue						
Southern Region	9,731	9,500	2.4%	35,791	36,302	(1.4%)
Central Region	5,051	5,465	(7.6%)	19,994	20,801	(3.9%)
Northern Region	4,439	4,439	0.0%	17,915	17,146	4.5%
	<u>19,221</u>	<u>19,404</u>	(0.9%)	<u>73,700</u>	<u>74,249</u>	(0.7%)
Net property income						
Southern Region	7,252	7,510	(3.4%)	27,574	27,940	(1.3%)
Central Region	2,665	3,283	(18.8%)	11,889	12,203	(2.6%)
Northern Region	4,283	4,283	0.0%	17,291	16,519	4.7%
	<u>14,200</u>	<u>15,076</u>	(5.8%)	<u>56,754</u>	<u>56,662</u>	0.2%
Profit before taxation						
Realised	9,496	10,113	(6.1%)	36,043	36,068	(0.1%)
Unrealised	39,466	(847)	4759.5%	39,466	(847)	4759.5%
	<u>48,962</u>	<u>9,266</u>	428.4%	<u>75,509</u>	<u>35,221</u>	114.4%
Income available for distribution	9,728	10,159	(4.2%)	37,329	38,254	(2.4%)

Quarterly Results

KIP REIT recorded revenue of RM19.2 million in Q4FY22, as compared to RM19.4 million recorded in the preceding year corresponding quarter. The slight decrease in revenue was mainly due to Bangi lower revenue recorded upon anchor tenant lot vacated since end February 2022 in preparation for the new anchor tenant onboarding in July 2022 but cushioned by lower rental rebate amortisation and higher promotional area income with further relaxation of the SOPs. The net property income came in lower in tandem with lower revenue at a higher negative variance as compared to preceding year corresponding quarter due to higher utilities and other property expenses with full force operating during quarter.

Southern region recorded revenue of RM9.7 million, at 2.4% improvement against Q4FY21 mainly due to the same reason mentioned earlier. However, the net property income came in at 3.4% lower against Q4FY21.

Central region recorded lower revenue of 7.6% against preceding year corresponding quarter for the reason explained on Bangi despite higher promotional area income during the quarter from both Melaka and Senawang on top of the increase in occupancy rate at these two malls as compared to Q4FY21. Net property income also came in lower than preceding year corresponding quarter due to higher property expenses.

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

The investment properties in the Southern region, Central region and Northern region contributed 50.6%, 26.3% and 23.1% of the KIP REIT total revenue respectively.

KIP REIT's Q4FY22 realised profit before tax was 6.1% lower than Q4FY21 mainly arising from lower revenue coupled with higher property expenses.

Current quarter income available for distribution was 4.2% lower than preceding year corresponding quarter on the back of lower realised profit before tax.

Year to date Results

Total revenue for year-to-date 30 June 2022 was RM73.7 million, at 0.7% shortfall against preceding year-to-date performance, mainly due to lower promotional income on the back of restrictions on activities and events at Mall level for the first two quarters and average occupancy rate decrease as compared to last year due to Bangi and Tampoi vacated the lots for new tenants onboarding.

Southern region recorded revenue of RM35.8 million, at -1.4% against preceding year-to-date mainly due to lower average occupancy rate and lower promotional income. Correspondingly, the net property income came in 1.3% lower than last year.

Central region also recorded lower revenue year-on-year against last year. On top of the lower promotional area income, Bangi also experienced lower occupancy rate in preparation for facelift commencement in March 2022 for anchor tenants. However, the net property income came in at lower negative variance attributed to cost management.

Northern region recorded 4.5% and 4.7% better revenue and net property income respectively due to step up rent upon renewal of lease agreement effective September 2020.

Year-to-date realised profit before tax was 0.1% lower against last year due to lower revenue recorded during the year.

Year-to-date income available for distribution was 2.4% lower than last year mainly due to additional rental assistance offered amounted to RM0.5 million during Q1FY22 coupled with slightly lower realised profit before tax.

The total net asset value and net asset value per unit (after income distribution) stood at RM554.6 million (30 June 2021: RM513.4 million) and RM1.0974 (30 June 2021 : RM1.0160) respectively. The increase in the net asset value and net asset value per unit was mainly due to increase in profit after tax arising from changes in fair value on investment properties 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>30.6.2022</u>	<u>31.3.2022</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	19,221	18,830	2.1%
Net property income	14,200	14,501	(2.1%)
Profit before taxation			
Realised	9,496	9,126	4.1%
Unrealised	39,466	-	N/A
	48,962	9,126	436.5%
Income available for distribution	9,728	9,582	1.5%

KIP REIT's revenue for the current quarter was 2.1% better than the immediate preceding quarter ended 31 March 2022 mainly attributed to higher rental per sq. ft. during the quarter, lower rental rebate amortisation and higher promotional income as Malaysia transitioned into endemic phase of Covid-19 effective 1 April 2022.

Net property income came in lower by 2.1% compared to the preceding quarter mainly due to higher maintenance cost and reimbursement cost during the quarter.

Contrary to the lower net property income, realised profit before taxation was 4.1% higher than the immediate preceding quarter ended 31 March 2022 due to lower non property expenses during the quarter.

Current quarter unrealised profit before tax was the changes in fair value on investment properties.

Current quarter income available for distribution was 1.5% higher than the immediate preceding quarter ended 31 March 2022 mainly due to better realised profit before taxation.

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B3 PROSPECTS

The Manager remains cautious of the current economic outlook as external headwinds and global uncertainties continue to pose a challenge and add to the country's downside risks.

The Manager will continue to manage the existing portfolio and exercise prudent capital management in order to deliver sustainable DPU to Unitholders. The Manager will continue to work closely together with tenants and stakeholders to navigate post endemic phase, strike an appropriate balance between rental rates and occupancy rates alongside practising fiscal prudence. The Manager will also continue to evaluate growth opportunities in its existing and new asset classes of retail and commercial and industrial assets.

B4 PORTFOLIO COMPOSITON

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

B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

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

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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 proposes 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 ended 30 June 2022, 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 2021 Integrated Annual Report of KIP REIT.

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B9 STATUS OF CORPORATE PROPOSAL

Refer A11 on corporate proposal announced on 12 July 2022.

The Proposed Acquisitions and the Proposed Leases are still pending completion.

B10 BORROWINGS

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

	As at 30.6.2022 RM'000	As at 30.6.2021 RM'000
Current (secured):		
Medium term notes	3,840	3,891
Unamortised transaction cost	(256)	(256)
	<u>3,584</u>	<u>3,635</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(671)	(927)
	<u>309,329</u>	<u>309,073</u>
Total borrowings	<u>312,913</u>	<u>312,708</u>
Total assets	<u>889,035</u>	<u>846,221</u>
Gearing ratio (%)	35.20%	36.95%

The weighted average interest rate of borrowings as at 30 June 2022 was 4.25% (30 June 2021: 4.25%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

B11 MATERIAL LITIGATION

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

B12 SOFT COMMISSION RECEIVED

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

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B13 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 30 June 2022	Immediate Preceding Quarter ended 31 March 2022
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	9,496	9,126
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	2.16	2.09
- after Manager's fee	1.88	1.81
Net Income distribution to unitholders (RM'000)	10,611	8,085
Distribution per unit (DPU) (sen)	2.10	1.60
Net Asset Value (NAV) (RM'000)	554,526	513,649
NAV per unit (RM)	1.0974	1.0165
Market value per unit (RM)	0.890	0.855

B14 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of KIP REIT as at 30 June 2022 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 28 July 2022.