PAVILION

REAL ESTATE INVESTMENT TRUST

2020 ANNUAL REPORT

What's Inside
Overview

Disclaimer : This annual report, prepared by Pavilion REIT Management Sdn Bhd ("the Manager") may contain certain forward-looking statements and is prepared based on the Manager's current view of future events that may involve certain assumptions, risks and uncertainties. Unitholders and investors are advised that past performance does not necessarily signify its future performance.

Vision, Mission and Investment Strategies

The principal investment policy of Pavilion REIT is to invest directly and indirectly, in a diversified portfolio of income producing real estate assets used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region.

Vision

To be the leading and most sought after REIT in Malaysia.

Mission

To provide unitholders with regular and stable distributions as well as to achieve long term growth in net asset value per unit, while maintaining an appropriate capital structure.

Strategies

The Manager intends to achieve the vision and mission of Pavilion REIT through the following strategies:

(a) Actively pursuing acquisition opportunities in accordance with the authorised investments of Pavilion REIT
- acquire yield accretive income-producing properties
- explore repositioning opportunities

(b) Pursuing an efficient capital management strategy
- diversify sources of debt funding
- maintaining a reasonable level of debt service capability
- securing favourable terms of funding
- managing financial obligations
- managing the exposures arising from adverse market interest rates through appropriate hedging strategies
- actively managing the range of maturities to reduce refinancing risk and optimise the cost of capital

(c) Proactively managing the properties and implementing asset enhancement strategies
- maximise quality shopper traffic, especially at Pavilion Kuala Lumpur and Elite Pavilion Malls
- active management of tenant base in order to optimise tenant mix and maintain high occupancy rates
- continued asset enhancement initiatives to increase net lettable area and rental potential
- improving operational efficiency and cost effectiveness
- commitment to sustainability to have positive impact on brand recognition, reputation and lessen environmental impact

CORPORATE INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

Chairman and Non-Independent Executive Director
Tan Sri Lim Siew Choon

Non-Independent Executive Director
Puan Sri Tan Kewi Yong
Dato' Lee Tuck Fook

Non-Independent Non-Executive Director
Ahmed Ali H A Al-Hammadi
Ahmad Mohammed F Q Al-Khanji
Mohd Abdulrazzaq A A Al-Hashmi
Navid Chamdia
Ooi Ah Heong

Independent Non-Executive Director
Dato' Mohzani bin Abdul Wahab
Dato' Maznah binti Abdul Jalil
Dato' Choo Chuo Siong
Syed Mohd Fareed bin Shaikh Alhabshi

MANAGER & ITS PRINCIPAL PLACE OF BUSINESS

Pavilion REIT Management Sdn Bhd
[Company Number: 201101011359 (939490-H)]
Level 10, Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Telephone No. : +603 2118 8888
Facsimile No. : +603 2118 8889
E-mail : info@pavilion-reit.com
Website : www.pavilion-reit.com

MANAGER'S REGISTERED OFFICE

6-2 Level 6 East Wing
Menara Goldstone (Holiday Inn Express)
No. 84 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No. : +603 2166 9818
Facsimile No. : +603 2166 6818

AUDIT COMMITTEE

Dato' Mohzani bin Abdul Wahab *(Chairman)*
Dato' Maznah binti Abdul Jalil
Dato' Choo Chuo Siong
Navid Chamdia

CORPORATE INFORMATION
cont'd

NOMINATING COMMITTEE

Dato' Maznah binti Abdul Jalil *(Chairperson)*
Dato' Mohzani bin Abdul Wahab
Dato' Choo Chuo Siong
Mohd Abdulrazzaq A A Al-Hashmi
Ooi Ah Heong

COMPANY SECRETARY OF THE MANAGER

Lim Mei Yoong (Licensed Secretary No: LS0002201)
6-2 Level 6 East Wing
Menara Goldstone (Holiday Inn Express)
No. 84 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia

TRUSTEE

MTrustee Berhad
[Company Number: 198701004362 (163032-V)]
B-2-9 (2nd Floor)
Pusat Perdagangan Kuchai
No 2 Jalan 1/127
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Telephone No. : +603 7983 1088
Facsimile No. : +603 7984 9612

PROPERTY MANAGER

Henry Butcher Malaysia Sdn Bhd
[Company Number: 198701001968 (160636-P)]
No. 25 Jalan Yap Ah Shak
Off Jalan Dang Wangi
50300 Kuala Lumpur, Malaysia

AUDITOR

KPMG PLT
(LLP0010081-LCA & AF-0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

PRINCIPAL BANKERS

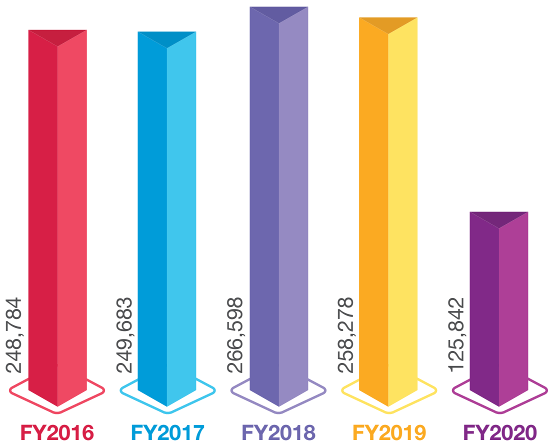
Affin Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Public Bank Berhad

REGISTRAR

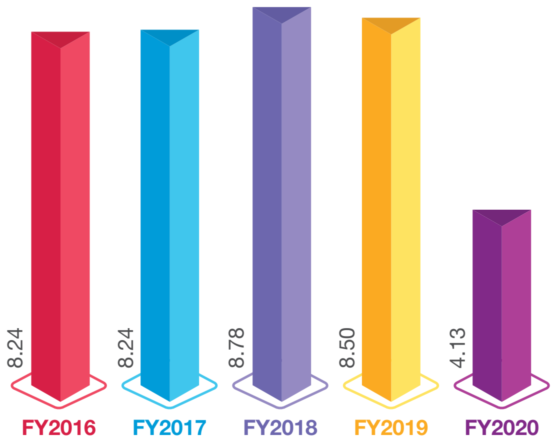
Tricor Investor & Issuing House Services Sdn Bhd
[Company Number: 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Telephone No. : +603 2783 9299
Facsimile No. : +603 2783 9222

HIGHLIGHTS

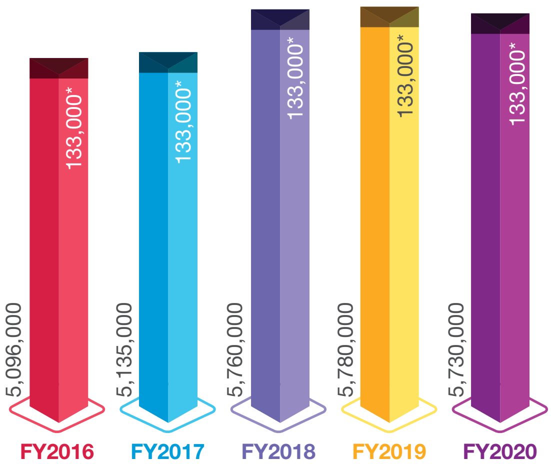
Distributable Income
(RM'000)



Distribution per Unit
(sen)

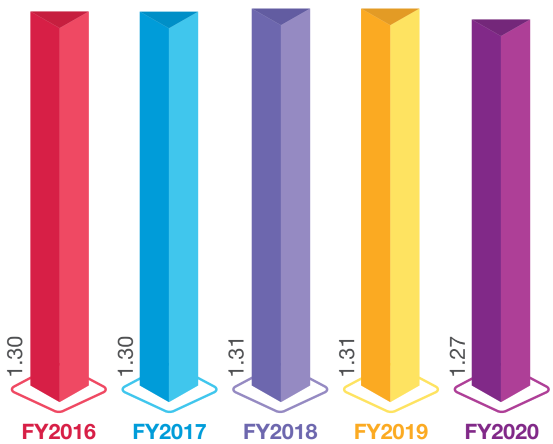


Investment Properties
(RM'000)



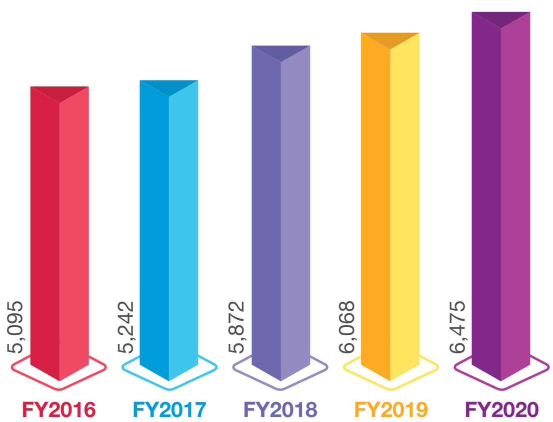
*office sector

Net Asset Value per Unit
(RM)



Market Capitalisation
(RM'000)

No of Unitholders




PAVILION

MESSAGE FROM THE CHAIRMAN

DEAR UNITHOLDERS,

In the 13 years since Pavilion Kuala Lumpur Mall opened and 9 years since this retail mall is listed under a real estate investment trust, Pavilion REIT has never encountered such uncertainty in the retail business and the economy as what was experienced in 2020. But in times like this, we value our unitholders and stakeholders for being patient and our tenants & partners for their support. We are confident that the current pandemic will be under control soon with the current vaccination program on-going all over the world. We will soon expect some borders to re-open for business and travelling. Some form of normality will return to the world in 2021.

INVESTMENT AND ASSET PERFORMANCE

Pavilion REIT started well in 2020 until the government declared lockdown namely MCO, CMCO and RMCO during the year. For Pavilion REIT's loyal tenants to survive, the management and Board had to make drastic decision for the long-term survival of the Fund and its' tenants. During the year under review, the Fund has offered rental assistance similar to its other counterparties in the industry. This affected the Fund's gross revenue, which dropped from RM585.4 million in 2019 to RM510.2 million in 2020. Other income from advertisement, car park, promotion and events were also affected. The distributable income dropped from RM258.3 million in 2019 to RM125.8 million in 2020 even with savings in property operational cost.

Our strategy is a delicate balance between paying a reasonable distribution to Pavilion REIT's unitholders and to consider the survivability of its tenants and retention of good tenants during the pandemic as upmost importance to the long-term survivability of this business.

Currently, with the new phase of MCO implemented in January 2021, we can only be hopeful this time that the MCO will result in the reduction of the Covid-19 cases more effectively in the country.

ECONOMIC REVIEW

Financial year 2020 started well for the year of the rat. But it quickly changed into a global pandemic with lockdown from countries all over the world. This unprecedented situation has never been seen in modern history. Global business travelling, tourism and trade all over the world have to suddenly stop. This effectively shrink the global economic by 4.4% in 2020 (IMF). The world biggest economy United States of America is expected to shrink 4.3% and the world largest trade block, European Union is expected to contract even more at 8.3%. Amongst the major economy, only China is expected to expand at 1.9% in 2020 as they were the first to lockdown and the earliest to reopen their economy.

MESSAGE FROM THE CHAIRMAN
cont'd

The Covid-19 pandemic also started a sharp sell down in world stock markets at the start of the year resulting in US monetary authority reducing rates in the US Federal rates to near zero (0% - 0.25%). Back home in Malaysia, we were no different as Bank Negara Malaysia (BNM) had also taken the bold move of reducing overnight policy rate 4 times during the year with current rate at 1.75%.

The ASEAN region is also expected to contract 3.8% (as per Asian Development Bank (ADB)). Back in Malaysia due to the MCO, CMCO and RMCO, the GDP is expected to contract 4.5% in 2020. More worrying is the unemployment rate have reached a peak of 5.3% during the year. The government has also stepped up to immediately introduce PRIHATIN and PENJANA stimulus packages and economic recovery plans to boost the economy.

MARKET REVIEW

With the Covid-19 pandemic ongoing with no immediate visibility to full recovery, the KLSE index ended the year from 1,588.8 to 1,627.2, closing 38.4 points or 2.4% higher in 2020, supported strongly by glove companies. The REIT index however drop 13.4% as it started the year at 962.8 and ended the year at 834.0, a drop of 128.8 points. M-REIT market capitalization dropped RM5.5 billion or 12.6% in valuation from RM43.8 billion to RM38.3 billion in 2020.

However, the market was relatively active during the year as M-REIT acquisitions for 2020 valued at RM1.9 billion and disposal during the year was RM3.4 million. At year end, the proposed acquisitions still outstanding was RM28.0 million and proposed disposals was at RM45.0 million - a healthy level of transactions.

During this period the 10-year Malaysian Government Securities (MGS) yield – 2019 : 4.4980% against 2020 : 2.651%. This is in line with the overnight policy rate dropping to 1.75%. Pavilion REIT's closing unit price was also in tandem with the market and decrease 13.8% during the year from RM1.74 (2019) to RM1.50 (2020). Although historically, the widened yield spread between M-REIT and MGS bodes well for REIT unit prices, it may not be the case this time because Covid-19-driven restricted movement policies in Malaysia have impaired the retail and hospitality industries, which constitutes a large portion in M-REIT. We can expect REITs' unit prices to remain subdued amid the crisis, with exception of the more defensive sectors.

SUSTAINABILITY EFFORTS

The Sustainability Committee continued with their work during the year to continue with the efforts which they started a year earlier. They continued to maintain the best practises in various areas like reducing environmental impact, good governance practises, health and safety, corporate social responsibility and employee wellness.

During the year under review, the REIT had provided training to all its staff and notified its vendors and business partners on Pavilion REIT's anti-bribery and anti-corruption policy and procedures. We hope to be able to continue its physical internal training on first aid, emergency first responder advance training and basic firefighting, once permitted.

We will continue its efforts in 2021 to safe guard and identify new environment friendly procedures and sustainable project for the properties under its management.

MESSAGE FROM THE CHAIRMAN
cont'd

GOING FORWARD

With the new phase of MCO implemented in early 2021, we are hopeful that containment will result in reduction of Covid-19 cases more effectively throughout the country.

With the Covid-19 vaccine introduction in early 2021, the world economy should come out of this pandemic and grow stronger. IMF projected a global economic growth of 5.5% in 2021. The European Central Bank expects GDP to grow by just 3.9% in 2021 even as some nation in Europe is expecting a second and third pandemic wave to hit the continent. However back to the region, IMF is projecting that China will grow at 8.2% in 2021 as compared to 1.9% in 2020. Developing Asia countries are projected to grow at 6.8% in 2021 by ADB.

Despite the new MCO announcement in January 2021, Malaysia economy is projected to recover and grow within a range of 6.5% to 7.5% by BNM as the government has immediately set about to introduce the PRIHATIN budget to simulate the economy. The outlook for the retail sector will be another challenging year to say the least for 2021, but the worst is over. The retail sector is expected to grow at 4.9% (as per Retail Group Malaysia) as the general industries within the economy starts to reopen resulting in consumers regaining confidence.

ANNUAL GENERAL MEETING (AGM)

Pavilion REIT's Eighth AGM was deferred to June 2020 and was held virtually for the first time. The Board would like to thank all its unitholders that logged in to attend the meeting. The management presented the Pavilion REIT's audited financial statements for the year ended 31 December 2019 and had obtained a general mandate for the allotment and issuance of up to 20% of the existing approved fund size. The Board will seek the renewal of the same mandate in the forthcoming AGM.

ACKNOWLEDGEMENT

As Pavilion REIT heads toward its 10 years of listing on Bursa Malaysia in 2021, on behalf of the Board, I would like to extend my sincere appreciation to members of the Board, the management and its employee for their commitment and diligence during this pandemic period.

Most of all, I would like to thank the Fund's stakeholders, financiers, business associates and tenants for being patient with us during the year. We will work towards delivering better results in the coming year.

Thank you and stay safe.

TAN SRI LIM SIEW CHOON
Chairman
27 January 2021

BOARD OF DIRECTORS

TAN SRI LIM SIEW CHOON
Chairman and Non-Independent Executive Director

Tan Sri Lim Siew Choon, age 60, a Malaysian male, holds a Bachelor of Business Administration degree (majoring in Finance) from the University of Central Oklahoma in the United States.

He has more than 38 years of management experience in property development, construction, retail design, retail development as well as corporate management.

He was appointed to the Board of the Manager on 7 April 2011 and subsequently appointed the Chairman of the Manager on 11 August 2011. He is also an Executive Chairman of WCT Holdings Berhad and also the Non-Independent Non-Executive Chairman of Malton Berhad. His spouse, Puan Sri Tan Kewi Yong is an Executive Director and a major unitholder of Pavilion REIT.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

PUAN SRI TAN KEWI YONG
Non-Independent Executive Director

Puan Sri Tan Kewi Yong, age 64, a Malaysian female, pursued her tertiary education in the United Kingdom majoring in Business and Marketing Studies.

She was instrumental in setting up various successful business ventures since her initial foray into trading and distribution businesses. Having acquired knowledge in diverse range of business and industry sectors she possesses experience ranging from retail, marketing, finance and strategic management. She continues to extend her scope of experience, having been involved actively in the property development and real estate investment sectors.

She was appointed to the Board of the Manager on 7 April 2011. She is currently an Executive Director of Malton Berhad. She is the spouse of Tan Sri Lim Siew Choon.

She has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

DATO' LEE TUCK FOOK
Non-Independent Executive Director

Dato' Lee Tuck Fook, age 66, a Malaysian male, is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He also holds a Master degree in Business Administration from the International Management Centre, Buckingham.

He began his career with KPMG in 1974 under articleship and was subsequently admitted as a partner in 1985 until he left the practice in 1990. From 1990 to 1992, he was appointed the Vice President of Samling Group in Sarawak. He later joined the Renong Berhad group as the Managing Director of Renong Overseas Corporation. Between 1994 and 2000, he was the Chairman of the Executive Committee of the board of Peremba-Kentz Ltd. He was the Managing Director of Cement Industries of Malaysia Bhd from 2001 to 2002.

From 2002 to 2006, he was Managing Director of Paracorp Berhad. In 2003 he was appointed the Executive Director of Malton Berhad and was re-designated as its Managing Director in December 2003. He resigned from the board of Malton Berhad in 2009. On 27 August 2020, he resigned as an Independent Non-Executive Director of SAM Engineering & Equipment (M) Berhad.

He was appointed to the Board of the Manager on 29 July 2011 and a director of Pavilion REIT Bond Capital Berhad. He is also the Independent Non-Executive Chairman of Pesona Metro Holdings Berhad. On 2 November 2016 he was appointed the Non-Independent Non-Executive Director of WCT Holdings Berhad and subsequently re-designated as Group Managing Director on 3 April 2017.

He has no conflict of interest with Pavilion REIT save for the related party transaction as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS
cont'd

AHMED ALI H A AL-HAMMADI
Non-Independent Non-Executive Director

Ahmed Ali H A Al-Hammadi, age 39, a Qatari male, graduated with a Bachelor of Science in Economics (Finance and Accounting) from University of Pennsylvania – The Wharton School in Philadelphia, United States of America and Master in Business Administration from Harvard Business School from Boston, United States of America.

He is currently Chief Investment Officer for Europe, Russia and Turkey, overseeing the QIA's investments in the region.

From 2008 – 2010, he was the Vice President – Asset Management of EFG-Hermes Qatar where he was in charge of the asset management business in Qatar. Prior to that, he was an associate with Booz Allen Hamilton and worked on the restructuring and strategy recommendation for several financial service firms in the Middle East and was a financial reporting analyst from 2003 and 2005.

He was appointed to the Board of the Manager on 14 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

AHMAD MOHAMMED F Q AL-KHANJI
Non-Independent Non-Executive Director

Ahmad Mohammed F Q Al-Khanji, age 36, a Qatari male, graduated with a Bachelor of Law (LLB) with honors from Oxford Brookes University, Oxford United Kingdom and he hold a Masters in Business Administration (MBA) from London Business School, London United Kingdom. He is admitted to practice in New York.

He is currently the General Counsel of QIA.

He was the Head of M&A (Legal) – QIA from March 2014 to September 2018 where he led and monitored the execution of new acquisitions and ensured adequate protections for QIA, and relationship management with external parties. From 2006 to 2010, he was an assistant legal counsel of Qatargas Operating Company Limited and was seconded to the project finance team of Allen & Overy LLP in London from September 2008 to March 2009.

He was appointed to the Board of the Manager on 14 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS
cont'd

MOHD ABDULRAZZAQ A A AL-HASHMI
Non-Independent Non-Executive Director

Mohd Abdulrazzaq A A Al-Hashmi, age 32, a Qatari male, graduated from Qatar University with a major degree in Finance and minor degree in Marketing. He is a Chartered Financial Analyst level 3 candidate.

He is currently the Post Acquisition Director of the Real Estate Department at QIA responsible for the asset management of the real estate portfolio with focus on preserving the capital investments and creating value through value added opportunities by conducting asset valuation, market research, analyzing macro and micro drivers of the economy. He also manages QIA properties and asset managers actively and grow the relationship with existing partners.

He was appointed to the Board of the Manager on 14 June 2016. He was appointed as a member of the Manager's Nominating Committee on 28 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

NAVID CHAMDIA
Non-Independent Non-Executive Director

Navid Chamdia, age 47, a male British national, graduated from University College London with a first class honours degree in Economics. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants from England and Wales. He is also a Chartered Financial Analyst charter holder.

He is currently head of real estate investments at QIA, focusing primarily on direct acquisitions, joint ventures and co-investments in Europe, the United States and emerging markets. Navid is also responsible for real estate fund investments made by QIA.

Prior to joining QIA in 2005, he spent 12 years at Ernst & Young's Project Finance division in London advising on the financing and delivery of global real estate and infrastructure projects.

He was appointed to the Board of the Manager on 10 August 2011. He was appointed as a member of the Audit Committee of the Manager on 28 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

OOI AH HEONG
Non-Independent Non-Executive Director

Ooi Ah Heong, aged 68, a Malaysian male, graduated from the University of Singapore in 1976.

He has over 44 years of experience in the property development business and has years of experience ranging from low-cost housing to high-end condominium development and institutional buildings to shopping and entertainment centres. He is currently the Director of Business Development of Malton Berhad.

He began his career with Yong Dan Mohd Faiz, a quantity surveying firm in Kuala Lumpur in 1976. He joined Tan & Tan Developments as a Project Manager in 1979. He then joined IOI Group as its General Manager. In 1989, he helped to form Pentadel Sdn Bhd. In 1991, he joined Cheras Heights Development, a subsidiary of Perlis Plantation Bhd, as its General Manager. From 1995 to 2002, he acted as an adviser to various property developers on business development opportunities in the property market, including the Khuan Choo Group. He joined Malton Berhad in 2002.

He was appointed to the Board of the Manager on 29 July 2011. He is a member of the Manager's Nominating Committee. He is currently a director of Pavilion REIT Bond Capital Berhad.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS
cont'd

DATO' MOHZANI BIN ABDUL WAHAB
Independent Non-Executive Director

Dato' Mohzani bin Abdul Wahab, age 67, a Malaysian male, graduated with a Bachelor degree in Economics from the University of Malaya, Kuala Lumpur.

He was a former Chairman of Hong Leong Investment Bank Berhad. He served as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd from 2001 and 2005 respectively until his retirement at the end of 2009. He has years of experience in various senior management positions in Shell's Downstream Oil Products sector. Prior to that, he was a Non-Independent Non-Executive Director of Shell Refining Company (FOM) Berhad for eight years and was a board member of Brunei Shell Marketing. His board experience includes serving on Shell Oman Marketing Plc and the joint venture companies between Petronas and Exxon/Mobil, PS Pipeline and PS Terminal, and other Shell downstream subsidiaries. He also served as a director of a multiparty loyalty program company, Bonuskad Loyalty Sdn Bhd.

Currently he is the Chairman of Merchantrade Asia Sdn Bhd. He also sits on the board of Boustead Plantations Berhad and as a Non-Independent Director of Boustead Petroleum Marketing Sdn Bhd.

He was appointed to the Board of the Manager on 29 July 2011. He is the Chairman of the Manager's Audit Committee and a member of the Nominating Committee.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

DATO' MAZNAH BINTI ABDUL JALIL
Independent Non-Executive Director

Dato' Maznah binti Abdul Jalil, age 67, a Malaysian female, graduated with a Bachelor of Science from Northern Illinois University and Masters of Science degree in Business Administration (Finance) from Central Michigan University.

Currently, she is a board member of Boustead Heavy Industries Corporation Bhd, Malayan Flour Mills Bhd and InNature Berhad and other non listed companies such as Lembaga Tabung Angkatan Tentera and Opus Asset Management Sdn Bhd and the Chairman of SCS Global Advisory Sdn Bhd. She was formerly the Chairman of Prestariang Berhad and was a member of the Board of Governors of University Malaysia of Computer Science & Engineering (UniMy), a subsidiary of Prestariang Berhad. She was also formerly a board member of Felcra Berhad.

She joined Master-Carriage (Malaysia) Sdn Bhd as Director of Corporate Affairs in 1992. Prior to that, she was with Amanah Merchant Bank Bhd as a Manager in Corporate Finance and Advisory for 13 years. In 1997 she was appointed as Vice President of DRB-HICOM Berhad Group of Companies. She was formerly Chairman of Uni.Asia General Insurance Berhad and Uni.Asia Life Assurance Berhad. She has also previously served on the Board of UOB Bank (Malaysia) Berhad, Edaran Otomobil Nasional Berhad, EON Capital Berhad, EON Bank Berhad, Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad, Labuan Reinsurance (L) Ltd, Malaysian International Merchant Bankers Berhad and several private limited companies under DRB-HICOM. Thereafter, she joined Hong Leong Financial Group Berhad as Executive Vice President, Corporate Finance & Principal Investment prior to her appointment as Executive Vice President, Investment Banking at Kenanga Investment Bank Berhad where she served until 2011. She was also formerly a Director of Universiti Teknologi Mara (Uitm). In 2013, she was the Executive Director and Chief Financial Officer of Sona Petroleum Berhad, (a Special Purpose Acquisition Company) a company which was voluntarily dissolved by court order.

She was appointed to the Board of the Manager on 29 July 2011. She is a member of the Manager's Audit Committee and the Chairperson of the Nominating Committee.

She has no conflict of interest with Pavilion REIT. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS
cont'd

DATO' CHOO CHUO SIONG
Independent Non-Executive Director

Dato' Choo Chuo Siong, age 55, a Malaysian male, graduated from the London School of Economics, United Kingdom with a Bachelor of Science in Economics (Honours).

He is currently the managing director of the Xiao En Group, a family business specialises as a service provider in memorial parks, memorial centre and bereavement care services in Malaysia. He supervises, moderates the Group's daily management and operations personally, and as the chief decision maker in the daily operations of the Group, including corporate master planning.

Apart from the above, he serves as one of the advisors at the Centre of History & Contemporary Research on China – ASEAN, one of the council members of the Best Wishes Foundation and the INXO Arts & Culture (L) Foundation.

Apart from actively involving in the bereavement care services, he has also ventured himself into the field of aged care and has vast experience in the field of property development projects ranging from both commercial and residential properties.

He was appointed to the Board of the Manager on 19 June 2012. He is a member of the Manager's Audit Committee and Nominating Committee. He also holds directorship in Xiao En Memorial Park Bhd and Memorial Venture Berhad.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

SYED MOHD FAREED BIN SHAIKH ALHABSHI
Independent Non-Executive Director

Syed Mohd Fareed bin Shaikh Alhabshi, age 66, is a Malaysian male.

He is currently the Chairman of Oilfield Supply Centre (M) Sdn Bhd, a company providing logistics support for oil and gas and power generation industries, manufacturing of pressure vessel, heat exchange, fin tube and general fabrication.

He started his career in 1978 by exporting electronic goods from Singapore to Middle East countries, namely Saudi Arabia, Kuwait and the United Arab Emirates. Thereafter, in 1994, he started an investment holding company for a Saudi Arabian family which owns 80% of National Commercial Bank.

He was appointed to the Board of the Manager on 29 July 2011.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

MANAGEMENT TEAM

DATO' PHILIP HO YEW HONG
Chief Executive Officer

Dato' Philip Ho, age 54, a Malaysian male, holds a Master of Business Administration from University of Strathclyde, United Kingdom and a Bachelor of Business in Accounting from Chisholm Institute of Technology, Australia. He is currently a member of the Malaysian Institute of Accountants.

He has over 32 years of experience in corporate planning, mergers & acquisitions, finance, audit, operations management, property development and construction.

Prior to joining Pavilion REIT Management Sdn Bhd, he was the Chief Financial Officer of Urusharta Cemerlang Sdn Bhd, where he was involved in the establishment of Pavilion REIT. During this period, he was also involved in the finance, operations and property investment functions for Urusharta Cemerlang Sdn Bhd's group of companies. Prior to this, he was Chief Operations Officer and Finance Director of Kuala Lumpur Pavilion Sdn Bhd (KLP) during the development and construction stage of the Pavilion Kuala Lumpur Project in 2002.

He was appointed as Chief Executive Officer on 1 December 2011 and has no directorship in other public companies and listed issuers, nor does he have any conviction for offences within the past 5 years, public sanction or penalty imposed by relevant regulatory bodies during the financial year, other than traffic offences, if any.

He has no conflict of interest with Pavilion REIT, save for the interest in Pavilion REIT as disclosed in the analysis of unitholdings. He also does not have any family relationship with any director of Pavilion REIT Management Sdn Bhd and/or major unitholder of Pavilion REIT.

DATO' JOYCE YAP SOH CHING
Asset Manager (Retail)

A Malaysian female, age 63, she was appointed to the position of Asset Manager (Retail) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Business Studies from North East London Polytechnic, London, a Certificate in Centre Management from PPKM and is a registered property manager in Malaysia.

During her 39 years working experience, she has held key positions and handled a variety of responsibilities in the areas of development, sales and marketing, leasing of various types of property development and asset management.

In her role as Chief Executive Officer – Retail of KLP, her key responsibility is to formulate, articulate and prioritise departmental goals in line with KLP's strategic objectives which included mall operations, leasing, marketing and human resources. Her role also involves developing and maintaining effective networking relationships with local, regional and international retailers. Besides being a past president and current advisor of Malaysia Shopping Malls Association, she was also the past Chairman of Malaysia Tourism Committee and Associated Chinese Chambers of Commerce and Industry of Malaysia as well was a member of International Council of Shopping Centre Asia Pacific Advisory Board.

Prior to joining KLP, she worked with Gestetner Manufacturing Co., London, General Corporation Bhd, Lion Properties Sdn Bhd, MBf Properties Sdn Bhd, Berjaya Ditan Sdn Bhd and Sunway Pyramid Sdn Bhd.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

MANAGEMENT TEAM
cont'd

LOVELL HO WAI HOONG
Asset Manager (Leasing)

A Malaysian male, age 52, he was appointed to the position of Asset Manager (Leasing) of the Manager on 1 December 2011. He holds a Bachelor of Business in Marketing from the Royal Melbourne Institute of Technology, Melbourne, Australia. He is also a Certified Marketing Manager by PPKM and a member of PPKM.

He has over 27 years' experiences in shopping mall management particularly in the areas of retail development, leasing and marketing. In the retail industry, he possesses a wide network of both local and international retailers from renowned local brands to international luxury brands and has successfully secured and enhanced the required tenant mix over the years.

He joined KLP in 2002 as Senior Leasing Manager, was promoted to General Manager in 2005 with promotion to Director of Leasing in 2010 and appointment of Senior Director, Retail & Leasing in 2017.

Prior to joining KLP, he was the Marketing Manager of Sunway Pyramid Sdn Bhd and was responsible for setting the strategic marketing plans and implementing marketing and communication plans for the mall. He began his career with the Shopping Centre Management Division of The Lion Group. During his tenure with The Lion Group, he was involved in the overall leasing and marketing functions for the Lion Group Parade of Shopping Centres throughout the country.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

KUNG SUAN AI
Asset Manager (Marketing)

A Malaysian female, aged 49, she was appointed to the position of Asset Manager (Marketing) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Communications from Universiti Kebangsaan Malaysia.

She joined KLP in 2008 as the General Manager of Marketing before being appointed as the Director of Marketing in 2010. Her previous work experience included the integrated Mid Valley City from 2001 to 2008 and Sunway Pyramid from 1996 to 2001

In leading the Marketing Department of Pavilion REIT retail malls, she is responsible for the company's marketing and communications strategies, as well as overall branding and image.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

MANAGEMENT TEAM
cont'd

FRANCIS ONG HENG KHAI
Asset Manager (Facilities Management)

A Singaporean male, age 52, he was appointed to the position of Asset Manager (Facilities Management) of the Manager on 1 December 2011. He holds a Bachelor of Business (Property) from the University of South Australia, Australia and a Diploma in Building Management from Ngee Ann Polytechnic, Singapore.

He has over 27 years of experience in property management covering residential, commercial and industrial properties.

Prior to joining KLP, he was with CapitaMall Asia Ltd for close to seven years and managed one of their shopping malls, Plaza Singapura which is situated in Singapore's shopping belt along Orchard Road. He was seconded to a new development, ION Orchard in 2008 as Head of Facilities. While with ION Orchard, he was involved in the operations planning and recruitment of the facilities team for the new mall, pre-opening preparations and post-opening operations. He was responsible for the daily operations of the mall, preparation of the operations and maintenance budget, implementation of standard operating procedures and was also involved in asset enhancement initiatives of the respective malls that he had managed.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

ONG HUI LING
Head of Corporate Planning

A Malaysian female, age 51, she was appointed to the position of Head of Corporate Planning of the Manager on 1 January 2012. She holds a Master of Business Administration from Victoria University, Melbourne, Australia.

Involved in treasury and investor relation functions, she has over 30 years of experience, mainly in finance of service, manufacturing, construction, development and retail industries. She was attached Urusharta Cemerlang Sdn Bhd, the developer of Pavilion Kuala Lumpur, as its Head of Finance overseeing finance, credit control and treasury function prior to being part of the team that was involved in setting up Pavilion REIT.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

LIM MIAN NYEE
Assistant General Manager (Finance)

A Malaysian female, age 45, she was appointed to the position of Assistant General Manager (Finance) of the Manager on 1 January 2017. She is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Prior to joining Pavilion REIT Management Sdn Bhd on 1 December 2011 as its Finance Manager and thereafter being promoted as Senior Manager (Finance) on 1 January 2014, she was the Finance Manager at The Nomad Hotel Management Sdn Bhd, a subsidiary of The Nomad Group Berhad. She oversaw the finance department for the service residences within the The Nomad Group Berhad with main responsibilities in financial reporting, budgeting and planning.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

MANAGEMENT TEAM
cont'd

CHONG KOK WAI
Senior Manager (Legal and Compliance), Compliance Officer

A Malaysian male, age 46, he holds a Bachelor of Laws (Hons) from University of London and was admitted to the Malaysian Bar in 2001.

Prior to joining Pavilion REIT Management Sdn Bhd on 15 December 2016 to oversee the area of Legal and Compliance, he was a practising lawyer and a partner for 16 years with M/s. J.P. Chong & Co specializing mainly in the area of litigation and conveyancing and also an Associate Member of the Institute of Internal Auditors Malaysia (AIIA). He was also a former member of the Management Committee of Sungei Wang Plaza Management Corporation for the year 2015-2016.

He started his career in Standard Chartered Bank Malaysia Berhad in the Legal, Credit Risk & Loss Prevention – Cards Department and was in charge of monitoring legal action against delinquent and charged off accounts including but not limited to implementation of credit policy and budget planning and was awarded the Best Customer Assistance Officer for the year 1998 during the Consumer Banking Conference.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

ENG HUI YI
Senior Manager (Investment)

A Malaysian female, aged 34, she was appointed to the position of Manager (Investment) of the Manager on 1 July 2015 and subsequently promoted to Senior Manager (Investment) on 1 January 2018. She holds a Bachelor of Arts (Hons) in Accounting and Finance from University of the West of England, Bristol. She has successfully completed 2 levels of the Chartered Financial Analyst in 2008 and 2010 respectively.

She has a mixture of experience in valuation, financial modelling, investment analysis, portfolio management, corporate stakeholder management as well as liquidation and disposal work.

Prior to joining Pavilion REIT Management Sdn Bhd, she was Investment Manager in the Private Equity department of AmInvestment Bank Berhad. She started her career with the Valuation and Business Modelling team of Ernst & Young Kuala Lumpur.

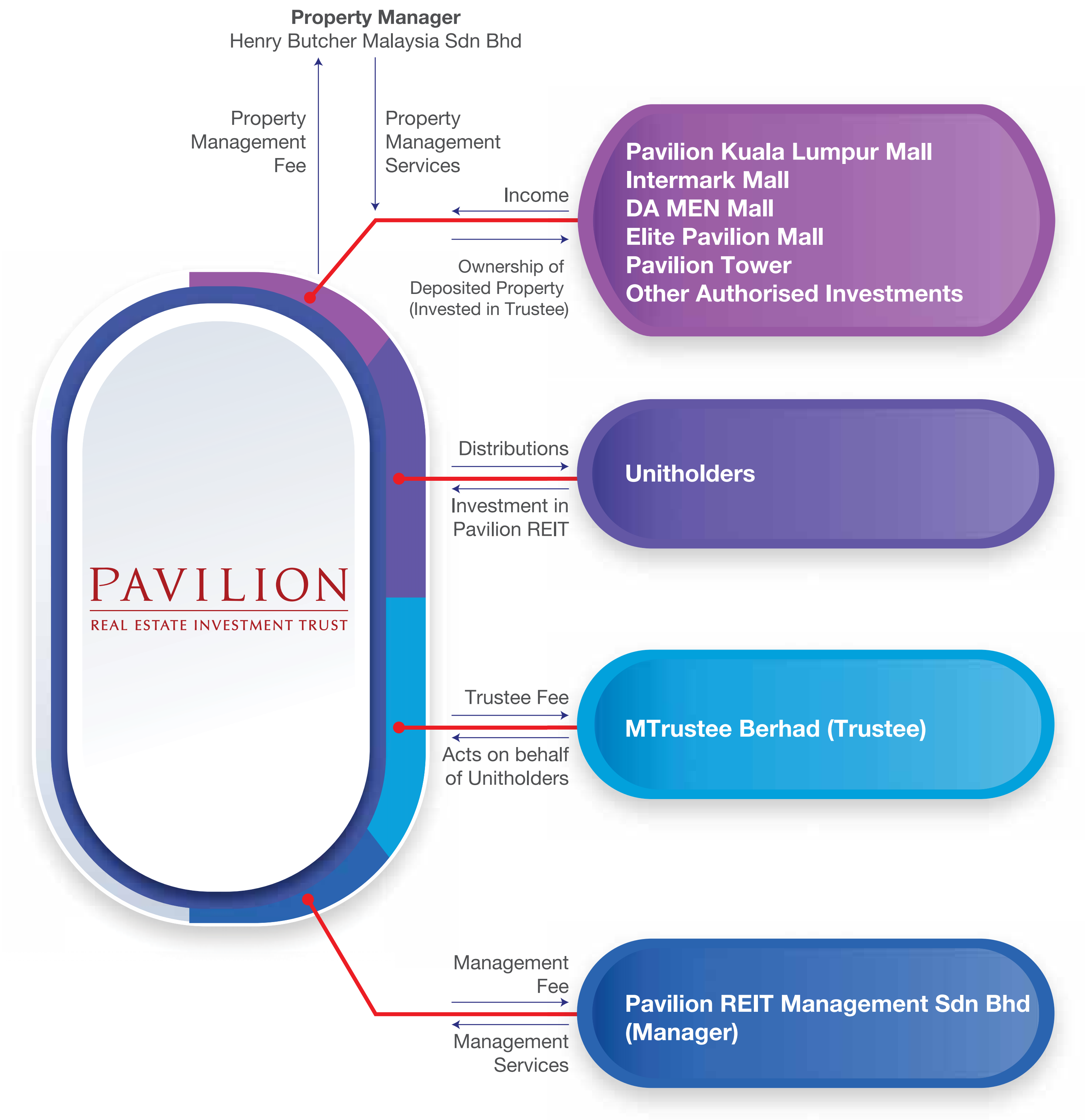
She is also part of the local Malaysian REIT Manager's Association (MRMA) working committee for the MRMA Annual Forum for the last 2 years, helping out on sponsorship matters.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

SALIENT FEATURES OF PAVILION REIT

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Duration of Fund/ Termination Date	The earlier of : • The occurrence of any events listed under Clause 27.2 of the Deed • 999 years falling on 17 October 3010 • the date on which Pavilion REIT is terminated by the Manager under Clause 27.1(b) of the Deed
Investment Objective	To provide unitholders with regular and stable distributions as well as to achieve long-term growth in net asset value per Unit, while maintaining an appropriate capital structure
Distribution Policy	Half yearly distribution of 100% of distributable income for the financial year ended 31 December 2020 with at least 90% of distributable income for each subsequent financial year
Gearing Policy	Up to 50% of the total asset value of the Fund
Revaluation Policy	Annually by independent registered valuers
Financial Year Ending	31 December
Listing Market	Main Market of Bursa Malaysia Securities Berhad
Listing Date	7 December 2011
Board Lot	100 Units per board lot
Initial Public Offering Price per Unit	• Retail – RM0.88 • Institution – RM0.90
Stock Name	PAVREIT
Stock Code	5212

PAVILION REIT STRUCTURE



BUSINESS REVIEW

As the Manager of Pavilion REIT, we are pleased to share with you the performance of the Fund for the financial year ended 31 December 2020

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

REVIEW FOR THE YEAR OF 2020

Early 2020 started well with the preparation for Chinese New Year. However, almost immediately at the start of the Chinese New Year celebration, the Chinese government announced an immediate lock down in Wuhan, China (on 23 January 2020). This resulted in travelling and tourism restrictions as well as uncertainties leading to a massive reduction of tourist arrival in Malaysia during the critical holiday period.

This was followed by the Malaysian government announcement of the first ever Movement Control Order (MCO) in history that started on 18 March to 3 May 2020. This MCO effected the entire Malaysian economy and retail industry was no exceptions, as all businesses were required to close except for essential services. This resulted in 1Q 2020 net property income (NPI) achieving only RM65 million, a drop of 29% over 4Q 2019 even though MCO accounted for only 13 days within the 1st quarter of 2020.

MCO lasted a period of 6 weeks plus before the government announce a 2nd stage plan namely, Conditional Movement Control Order (CMCO) between 4 May to 9 June 2020. With CMCO, certain business sectors were permitted to re-open with proper SOP in place. With the pandemic situation improving, the Manager noticed that traffic within the malls began to return at approximately 30% to 50% of pre-Covid-19. But this recovery was not sufficient to assist Pavilion REIT's tenants' sales for 2Q, resulting in massive rental assistance package being offered to most entitled tenants. This resulted in 2Q 2020 NPI dropping 40% to RM39 million.

Following further improvement, the government announced the 3rd stage plan, Recovery Movement Control Order (RMCO) from 10 June 2020. This clearly resulted in improvement in the economy, which can be seen immediately via human traffic numbers, returning to approximately 60% to 70% of pre-Covid-19. This resulted in a strong comeback in 3Q 2020 NPI numbers of RM61 million or an increase of 56% over 2Q 2020.

Due to the rising Covid-19 cases in early 4Q 2020, the government reintroduced CMCO from 14 October 2020 to 12 January 2021. However, during this holiday season Pavilion Kuala Lumpur Mall managed to launch the biggest reward program for the year in December, which resulted in a massive increase in traffic and sales deriving from the year end seasonal and Christmas sales. This improvement can be seen via Pavilion REIT's 4Q 2020 NPI numbers increasing to RM68 million or 12% over 3Q 2020.

Pavilion REIT ended the year with a gross revenue of RM510 million as compared to RM585 million (2019), a drop of RM75 million or 13%, with NPI reducing to RM234 million as compared to RM375 million a year earlier. This represented a drop of RM141 million or 38%. The drop in NPI was mainly due to rebates and support that was offered to the Fund's tenants during MCO, CMCO and RMCO period, together with decrease in other revenues such as turnover rental, advertisement, car park and events.

Throughout the year, traffic to the malls were partially a reflection of consumer confidence in the economy. This are reflected in the Malaysian Institute of Economic Research's (MIER) consumer sentiments index (CSI) which dropped 31.2 points in 1Q 2020 to 51.1 points (4Q 2019 - 82.3), improving back to 90.1 points in 2Q 2020 and 91.5 points in 3Q 2020 before dipping down to 85.2 points 4Q 2020.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER
cont'd

ASSET AND FINANCIAL PERFORMANCE

During the year, the Manager managed to renew majority of the tenants who were due for renewal at Pavilion Kuala Lumpur Mall resulting in a good occupancy rate at 97%.

The Elite Pavilion Mall occupancy fell to 83% as at the end of the reporting year as some tenants decided against renewal due to the challenging business environment. This partially resulted in a drop in valuation of RM10 million.

As renovation was not allowed during MCO period, the cinema in DA MEN Mall which was anticipated to open during 4Q 2020 was postponed to 1st half of 2021. During the MCO, CMCO and RMCO periods, a few of the tenants in industry like karaoke, gym and education outlets were not allowed to operate for nearly an entire year, resulting in assistance required to be given to these tenants.

Both Intermark Mall and Pavilion Tower maintained its fair value during the year.

The net valuation adjustment of RM70 million, which includes capitalization of enhancement or renovation cost, represents 1% of Pavilion REIT's total assets value.

SUSTAINABILITY ENDEAVOURS

Pavilion REIT is committed to managing its environment impact which is in line with the Fund's strategies. The Manager has been continuously assessing the cost and benefit of existing sustainability initiatives and explore new cost-efficient solutions to manage environment impact. Definite measures have been implemented during the year to address among others water consumptions, waste management and power consumption. The Manager believes that its sustainability commitment and efforts would enhance Pavilion REIT's brand value and recognition within the industry.

EXPECTATION FOR 2021

With the latest MCO together with the massive vaccine immunisation program in Malaysia and the region, the Manager hopes that the pandemic will be contained and bring back business travelling and holidaying within the region soon. With these measures, the Manager is confident that the retail industry will revert to some form of normalisation by 2nd half of 2021.

BNM forecasted a growth between 6.5% to 7.5% in 2021. This is also evidence by MIER business conditional index (BCI) which started the year at 83 points (1Q 2020), dropping to 61 points (2Q 2020) before improving to 86 points (3Q 2020) and expected to end at a high above 100 points for 4Q 2020.

The Manager remain positive that 2021 performance will be better than the previous year.

In closing, the Manager would like to thank Pavilion REIT's stakeholders, tenants, partners, bankers and colleagues for their patience & understanding during the year.

DATO' PHILIP HO YEW HONG
Chief Executive Officer
27 January 2021

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

Financial Results and Key Performance Indicators	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Change (%) FY 2020 vs FY 2019
Gross Revenue (RM'000)	459,701	490,001	554,977	585,353	510,220	(12.84)%
Net Property Income ("NPI") (RM'000)	314,774	322,913	374,787	375,184	233,524	(37.76)%
Distributable Income (RM'000)	248,784	249,683	266,598	258,278	125,842	(51.28)%
Earnings per Unit (sen)	10.33	8.24	9.51	8.64	1.52	(82.41)%
Distribution per Unit (DPU) (sen)	8.24	8.24	8.78	8.50	4.13	(51.41)%
Distribution Yield based on Year End Market Price (%)	4.34	5.12	5.35	4.88	2.75	(43.65)%
Management Expense Ratio ("MER") (%)	0.69	0.72	0.83	0.79	0.71	10.13%
Investment Properties (RM'000)	5,229,000	5,268,000	5,893,000	5,913,000	5,863,000	(0.85)%
Total Asset Value ("TAV") (RM'000)	5,592,418	5,653,164	6,357,724	6,357,015	6,241,907	(1.81)%
Net Asset Value ("NAV") (RM'000)	3,920,849	3,940,277	3,977,956	3,979,738	3,859,317	(3.03)%
NAV per Unit (RM)	1.30	1.30	1.31	1.31	1.27	(3.05)%
Gearing Ratio (%)	25.25	25.87	33.78	33.93	34.66	(2.15)%
Portfolio Turnover Ratio (times)	0.08	0.00	0.15	0.00	0.00	-

FINANCIAL REVIEW

	Gross Revenue				Net Property Income			
	FY 2019		FY 2020		FY 2019		FY 2020	
By Segment	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Pavilion Kuala Lumpur Mall	461,730	78.88	410,174	80.39	315,614	84.12	208,865	89.44
Intermark Mall	26,891	4.59	25,632	5.02	14,405	3.84	11,122	4.76
DA MEN Mall	23,540	4.02	13,213	2.59	581	0.16	(11,234)	(4.81)
Elite Pavilion Mall	61,139	10.45	50,049	9.81	38,755	10.33	18,555	7.95
Retail	573,300	97.94	499,068	97.81	369,355	98.45	227,308	97.34
Pavilion Tower – Office	12,053	2.06	11,152	2.19	5,829	1.55	6,216	2.66
Total	**585,353**	**100.00**	**510,220**	**100.00**	**375,184**	**100.00**	**233,524**	**100.00**

Gross revenue achieved in 2020 was RM510.2 million or 12.8% lower as compared to the immediate preceding year. This change was mainly due to loss of income from lower occupancy for malls because of non-renewal of some expired tenancies. Due to the various MCOs announced by the Government of Malaysia, income from percentage rent, marketing events and advertising income were also badly affected and recorded lower income.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Increase in operating cost for the year under discussion was mainly due to rental relief given to support its tenant and higher provision for doubtful debts. Higher cost incurred was also due to regular sanitisation of the malls, purchase of hygiene equipments and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED lights in the mall and contributions made to the Malaysian Government to support Malaysia's fight against Covid-19 pandemic. These were mitigated by savings in electricity cost, general repair and maintenance, cost for tenancy lots enhancement and lesser spending on marketing expenses.

This resulted in reduction of Pavilion REIT's net property income to RM233.5 million. Pavilion Kuala Lumpur Mall and its seamlessly connected Elite Pavilion Mall collectively contributes to 97.3% of net property income of Pavilion REIT with office sector contribution of 2.7%.

Retail property continues to contribute to approximately 98.0% of Pavilion REIT's total portfolio in terms of gross revenue and net property income. Overall, Pavilion REIT portfolio achieved NPI margin of 45.8% with retail and office achieving a NPI margin of 45.5% and 55.7% respectively.

Change in fair value of investment properties resulted in deficit of RM70.3 million against the immediate preceding year fair value gain of RM15.0 million due to lower valuations for Elite Pavilion and DA MEN malls. Higher other trust expenses for 2020 was due to the reversal for over provision of consultancy fees for evaluating the participation in ownership of Pavilion Bukit Jalil project in 2019. Borrowing cost was reduced due to savings in interest for credit facilities that are on variable rates as Bank Negara Malaysia reduced Malaysia's overnight policy rate from 3.00% to 1.75% in 2020. All these resulted in decrease of 82.4% in income before taxation for the year to RM46.3 million.

DISTRIBUTION PER UNIT ("DPU")

Total DPU for 2020 decreased by 4.37 sen to 4.13 sen from 2019 DPU of 8.50 sen, with additional 4,217,244 Units being issued during the year resulting in 3,045,307,543 Units as at 31 December 2020.

1.61 sen, earned for first half of 2020 was paid on 28 August 2020 with the final distribution of 2.52 sen earned in the second half of 2020 is to be paid on 26 February 2021. This resulted in net asset value per unit (after final income distribution) of RM1.24 and RM1.27 for 2020 and 2019 respectively.

STATEMENT OF FINANCIAL POSITION – ASSETS AND LIABILITIES

Pavilion REIT's total asset value decreased by RM115.1 million to RM6,241.9 million in 2020 mainly due to deficit from valuation of Elite Pavilion and DA MEN malls as well as reduction in its receivables and bank balances. Its total liabilities remain about the same for the year under review and its preceding year at about RM2,400 million. Pavilion REIT's borrowings increased from RM2,157.1 million to RM2,163.3 million in 2020, a 0.3% increase resulting in gearing ratio of 34.7%.

INVESTMENT PROPERTIES AND VALUATION

During the year, there were no changes to the investment objectives set forth during the listing in December 2011 nor any acquisition or disposal of assets.

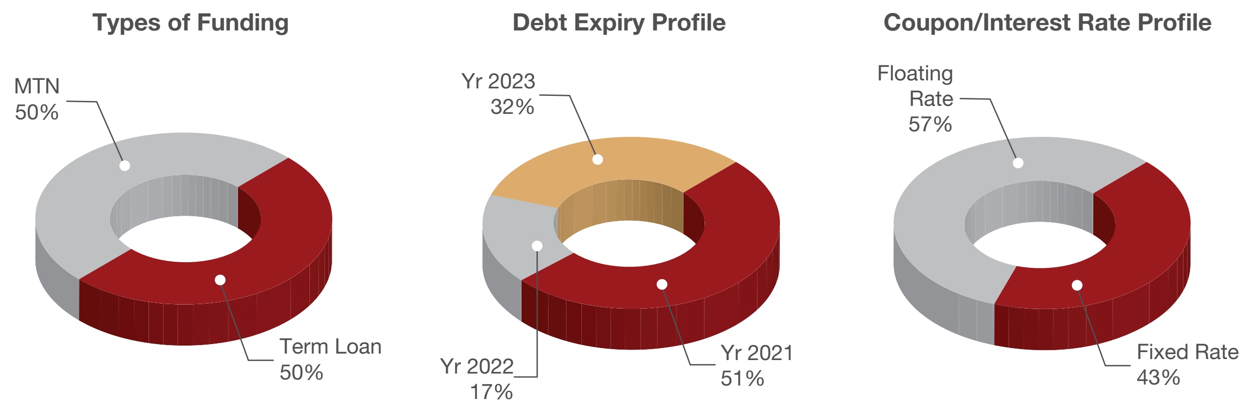
The Manager will continue to put their best effort forward to identify future potential investment, negotiate the most efficient capital strategy and continue to implement improvements to its existing investment properties.

The Fund's investment properties had been re-valued as at the end of the financial year to ensure that its investment properties reflect the current market value and in compliance to Malaysian Financial Reporting Standards 140. This re-valuation resulted in a deficit of RM70.3 million.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Property	Market Value @ 31 Dec 2020 RM'000	Market Value @ 31 Dec 2019 RM'000	Change in Value RM'000	Property Yield 2020 %	Property Yield 2019 %
Retail					
Pavilion Kuala Lumpur Mall	4,800,000	4,800,000	-	4%	7%
Intermark Mall	180,000	180,000	-	6%	8%
DA MEN Mall	180,000	220,000	(40,000)	-6%	0%
Elite Pavilion Mall	570,000	580,000	(10,000)	3%	7%
	5,730,000	5,780,000	(50,000)		
Office					
Pavilion Tower	133,000	133,000	-	5%	4%
Total Portfolio	5,863,000	5,913,000	(50,000)		
Less : Capital Expenditure			(20,321)		
Fair Value Gain / (Deficit)			(70,321)		

CAPITAL MANAGEMENT



With average interest cost of 4.3%, Pavilion REIT's gearing of 34.7% is below the market norm of approximately 35% to 40% or REIT Guidelines of up to the permitted 50% of Total Asset Value.

The Manager will try to optimise its fixed and floating rate funding ratio to maximise from the current low interest rate environment and arrange to fixed its rate when the interest rate environment is anticipated to move up in the future. The Manager will also continue to explore the best available financing options to enable it to have additional options ready for future acquisitions or to re-finance any existing credit facilities when due in the future.

STATEMENT OF CASH FLOWS

Of the net cash available from operating activities of RM250.0 million, RM15.9 million was used for investing activities with RM263.3 million being net cash used in financing activities. This caused the decrease in net cash of RM29.2 million for 2020 resulting in cash and cash equivalents of RM277.3 million against preceding year end cash of RM306.5 million.

UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

OPERATIONS REVIEW

Due to the Covid-19 pandemic that paralyses the worldwide economy, Malaysia declared MCO from 18 March 2020 until 3 May 2020 whereby only essential trades were allowed to open under strict SOP such as shorter trading hours, no dine in for F&B and individuals were restricted in their travel distance. Thereafter, these restrictions were eased under CMCO period whereby almost all economic sectors were allowed to re-open and commence operations with SOP compliance. Due to the containment of Covid-19, the government announced further relaxation under RMCO from 10 June to 31 December 2020. Under this new phase, interstate travel was permitted which allowed domestic tourism to be re-activated as well as re-opening of trades such as gym, hair & beauty salon with social, religious, business and educational activities allowed to resume in stages under strict SOP. However, Klang Valley was imposed with CMCO again from 14 October 2020 due to increase in daily positive Covid-19 cases.

Due to the mandatory closure of businesses and international borders, imposition of strict SOP, physical distancing as well as lower shoppers' visitation during the various MCO periods, most of the reported retail sales by retailers had dropped drastically as shoppers were cautious of their spending besides being concern of Covid-19 infection. Low consumer confidence also affected spending due to worries of wage cut, loss of job and increase in cost of living. These prompted retailers to ask landlords for rebates to sustain their business as survival is key during this challenging market condition. Due to these factors, Pavilion REIT properties reported lower revenue as compared to the preceding year mainly due to lower occupancy rate resulting from non-renewal of some expired tenancies. Sourcing for replacement tenants were also challenging with many retailers putting their expansion plans on hold or asking for much lower rent as compared to the last tenancy rate. The various types of MCO had also impacted percentage rent, income from marketing events as well as advertising income.

Based on the above, Pavilion Kuala Lumpur Mall saw its gross revenue decreased by 11.2% from RM461.7 million to RM410.2 million. Despite this gloom situations, the mall witnessed the opening of new tenants such as Adidas Brand Centre, Bath & Body Works, Chi Cha San Chen, Dior Fashion and Dzi Kingdom. 1st stores in Malaysia that opened in the mall are Bouchon Enfin by Celebrity Chef James Enfin, Calia, Kam Roast Duck Michelin Star Restaurant from Hong Kong and Karl Legerfeld.

Elite Pavilion Mall's occupancy reduced from 95.0% as at 31 December 2019 to 83.2% as at 31 December 2020 as a number of tenants found it challenging to survive due to MCO SOP as well as the lower footfall. Despite moving from Pavilion Kuala Lumpur Mall to Elite Pavilion Mall, Red Box Plus, a karaoke outlet, has yet to open for trading as it falls under non permittable business category as defined by the government. Once Red Box Plus starts operation, footfall to the mall is likely to improve.

Intermark Mall's occupancy has also dropped to 85.7% from 97.1% a year ago as Space Furniture, Savini and The Bowling Club F&B outlets decided against renewal. Skechers opened its 1st Malaysia superstore occupying 6,371 square feet offering a wide range of athleisure collections for men, women and kids. This property's operating expenses has been stable at around RM12.0 million.

Operating DA MEN, the neighbourhood community mall continues to be a challenge during the year under review with its gross revenue dropped by 43.9% to RM13.2 million. Dadi Cinema, which was targeted to open in 3rd quarter of 2020 has been deferred as cinema falls under the non-permittable business category by the government during the RMCO period. Daiso commenced trading in the mall in November 2020 with Autism Café slated for opening during the first quarter of 2021.

Total property operating expenses incurred was higher by RM66.5 million or 31.7% when compared to the preceding year ended 31 December 2019. This was mainly due to rental relief given to support its tenants and higher provision for doubtful debts. This waiver of rental income or also known as rebates given to tenants were accounted for in accordance with MFRS 9 which requires them to be presented as an expense in the statement of profit or loss and other comprehensive income.

Higher cost was also incurred for regular sanitisation of the malls, purchase of hygiene equipment and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED lights in the mall and contributions made to the Malaysian Government to support Malaysia's fight against Covid-19 pandemic. These were mitigated by savings in electricity cost, general repair and maintenance, cost for tenancy lots enhancement and lesser marketing expenses incurred.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Pavilion Tower's occupancy remained the same as per the previous year end, ie at 85.8%. The office market remains soft and challenging with more new office spaces targeted for completion in the next few years and older office buildings trying to retain or capture new tenants by providing more incentives or lowering rent to compete. Good tenant retention with no negative rental reversion will continue to be the strategy for the coming years with continuous upkeep of the building to retain good tenants.

Pavilion REIT remains steadfast in attracting visitors to its malls under safe conditions. As the properties aged with wear and tear, continuous and regular upkeep will be required to refresh and maintain the standard of the respective malls. However, Pavilion REIT will strive to ensure its cost management process is refined to optimise return to unitholders as well as to ensure sustainable practises are adopted where applicable.

ASSET ENHANCEMENT EXERCISES

Asset enhancement exercises incurred during the year under review were mainly for upgrading of hoists at Centre Court, development of a new retail space at the end of Couture precinct at Pavilion Kuala Lumpur Mall as well as landlord provisions for Dadi Cinema at DA MEN Mall.

For 2021, besides setting up of landlord provisions to cater for tenant requirements, capital expenditures are being planned to cater for upgrading of chillers and cooling towers to cater for additional cooling load.

PORTFOLIO SUMMARY

Type	Retail	Office	Total
Appraised Value as at 31 December 2020 (RM million)	5,730	133	5,863
Net Lettable Area (square feet)	2,216,616	163,844	2,380,460

TOP 10 TENANTS

Pavilion REIT has a total combined tenancies list from the retail and office of 807 leases. Its ten largest tenants contributed to 14.7% of gross rental income for the reporting year.

Tenant's Name	Trade Sector	Expiry Year
Apex Excellent Sdn Bhd	Food and Beverage	2022
Gagan (Malaysia) Sdn Bhd	Fashion	2022
H & M Retail Sdn Bhd	Fashion	2022
Hermes Retail (Malaysia) Sdn Bhd	Fashion	2022
JD Sports Fashion Sdn Bhd	Fashion	2021
Legendary Fashion Trading Sdn Bhd	Fashion	2022
Padini Dot Com Sdn Bhd	Fashion	2022
Parkson Corporation Sdn Bhd	Fashion	2022
Ralph Lauren (Malaysia) Sdn Bhd	Fashion	2022
Richmont Luxury (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2023

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

TENANCY PROFILES

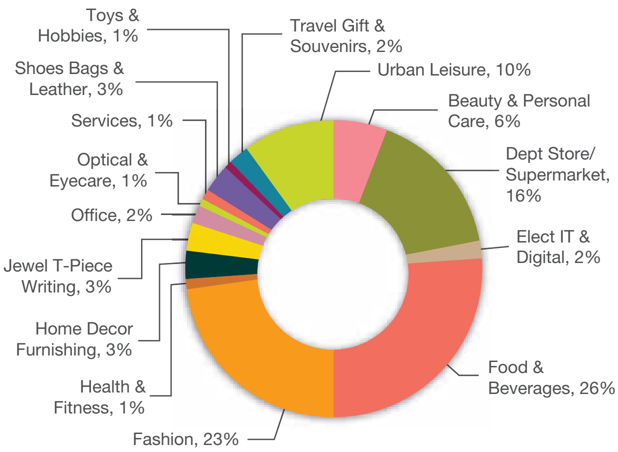
Renewal process has been challenging for 2020 due to Covid-19 pandemic as tenants re-evaluate their position and options with most renewals done at similar to its last committed rental rate. Tenant mix is critical to retail malls located in central business district. Hence, the Manager would not just randomly allow trades to operate to maintain high occupancy in these malls.

Majority of Pavilion REIT's tenancies are for a term of three years each with an option to extend for another term of three years each. Anchor and speciality anchor tenants generally have option for renewal of up to five terms of three years each.

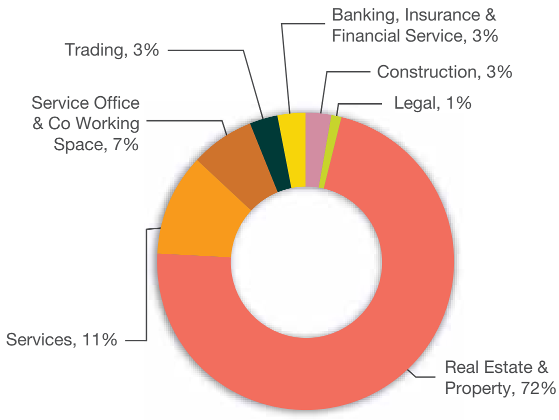
The weighted average lease expiry ("WALE") as at year end has been reduced to 1.46 years against 2019 of 1.62 years, with WALE for retail and office being 1.45 and 1.52 years respectively.

Food & beverages as well as fashion remain the two largest trade category by net lettable area for its retail sector with real estate and property occupying the most spaces in the office sector.

Trade Category by Net Lettable Area - Retail



Trade Category by Net Lettable Area - Office



MANAGEMENT DISCUSSION & ANALYSIS
cont'd

MARKET REVIEW

According to the Ministry of Finance's Economic Outlook 2021 issued in November 2020, Malaysia's GDP is expected to grow between 6.5% and 7.5% in 2021, provided there is successful containment of Covid-19 pandemic and sustained recovery in external demand. The strong rebound in GDP growth is expected be driven by the anticipated improvement in global growth and international trade besides spill-over effect from stimulus packages implemented by the government. The government's Covid-19 stimulus packages of fiscal and non-fiscal measures, totalling RM305 billion will focus on increasing foreign direct investment, enhancing productivity by boosting adoption of technology and re-instilling consumer confidence.

However, due to the resurgence of Covid-19 cases in Malaysia, the government declared MCO 2.0 from 13 January 2021 whereby various forms of MCO were implemented across Malaysia using a tiered restriction approach whereby only essential economic sectors are allowed to operate with interstate travel prohibited and movement of individuals restricted. As Pavilion REIT's properties are all located in Klang Valley where there are high daily cases of Covid-19, the most stringent restrictions on movements and activities had been imposed from 13 January 2021.

In addition, the Yang di-Pertuan Agong had also consented to a Proclamation of Emergency and declared a state of emergency in Malaysia from 12 January 2021 to 1 August 2021 to deal with the healthcare crisis due to the ongoing Covid-19 pandemic. The Prime Minister stated that the emergency declaration is not a coup or curfew and emergency powers would not be invoked to interfere with the judicial system while the country remains open for business. However, Parliament and the State Legislative Assemblies are suspended until such a time as decided by the King.

Despite the pandemic, about 2.7 million square feet of retail mall opened in Klang Valley in 2020 and another 5.5 million square feet are targeted to be ready for trading in 2021. In December 2020, Retail Group Malaysia reported that retail sales growth contracted by 18.4% for the first nine months of 2020 as compared with the same corresponding period in 2019. It also revised its retail growth rate for the 4th quarter downwards further to negative 18.2% because of the prolonged CMCO with forecast of retail sales growth of 4.9% for 2021.

As published by the Malaysian Institute of Economic Research in October 2020, consumer confidence index increased to 91.5 in 3rd quarter of 2020 against 90.1 in the preceding quarter with consumers still remaining in cautious mode and concern on employment prospects as jobs are still scarce. Business conditions index posted a modest recovery of 25.3 points in the 3rd quarter of 2020, settling at 86.3 points as compared with a drop of 22.0 points in the preceding quarter, indicating a boost in manufacturer's confidence level which has remained below the threshold level for the past seven consecutive quarters.

Retail malls in good location and good management that are agile to changing market situation and shopping preferences are expected to be resilient despite retail market remain challenging. Brick and mortar stores will still remain relevant as retailers' wants physical presence as a platform for its customers to interact, discover and experience to build their brand name. Retail also offers social experience that online cannot as human are social creatures that requires physical interaction.

2021 is expected to be another challenging year for the retail industry due to the rising Covid-19 cases. However, with the availability of vaccine and once most of Covid-19 related restrictions are lifted or relaxed and economic activities are on the recovery mode, consumer confidence should improve, leading to more and longer visitations to malls that would result in more spending.

In the meantime, Pavilion REIT malls will focus on intensifying digital and media presences to engage and draw visitors to its malls with welcoming and peace-of mind shopping experiences. Shopper rewards programmes and targeted tenants' activities will also be held to elevate excitement and personalisation of activities. Operating cost will continue to be monitored to optimise efficiency with spending as required to ensure needs, comfort and safety of its stakeholders are balanced and not compromised with stringent cost monitoring. With only 440,066 square feet or 21.1% of the total area of Pavilion REIT properties being due for renewal in 2021, the Manager hopes to retain its good tenants during this tough time as impact of these renewal area are small. Furthermore, tenants now have the bargaining power to be selective on where and when to have their outlets due to the available selections of retail malls or offices in the market.

MANAGEMENT DISCUSSION & ANALYSIS
cont'd

Kuala Lumpur's stock of purpose-built office space increased to about 100 million square feet at the end of 2019 with average occupancy of 77.3% as at 2nd quarter 2020 for privately-owned purpose-built office buildings. As per Henry Butcher Malaysia, 4 privately owned buildings or 1.6 million square feet of office spaces were completed around the city centre of Kuala Lumpur in 2020. Another 11.9 million square feet are under construction in Kuala Lumpur with a number of proposed office developments announced in the pipeline which are pending launch, some which are redevelopment projects. With completion of some huge office buildings undertaken by a few government-linked companies in the future, there will be stress on occupancy and rental rates.

Dated office buildings are expected to undergo repositioning/upgrading works to cater to the needs of occupiers with some owners exploring plans to repurpose for new/alternative uses as future trend of working from home and only going in to office for critical meetings may result in more offices being vacant. Despite some tenants hinting on pre-termination due to no visibility of projects/works to sustain business or downsizing of work force, the strategy for 2021 is to continue to retain good tenants with continuous upkeep of property to maintain and enhance the standard of its facilities.

Distribution policy for 2021 is expected to be maintained as per 2020 with continuous look-out for yield accretive assets. The Manager is committed to improve performance and support its tenants by:

i) sustaining healthy occupancy levels through proactive lease management;
ii) extend its reach to shoppers by leveraging on aggressive marketing strategies, creative initiatives and the use of technology while adopting prudent capital management and
iii) remain focus on operational recovery while staying safe and vigilant in adherance to Government safety guidelines.

RISK MANAGEMENT

Risk forms part and parcel of a business environment. Hencewith, the Board, is committed to establishing risk management processes are embedded into each and every key activities and business processes in all its properties as well as the Fund to ensure that risks are identified and mitigated in achieving Pavilion REIT's objective.

Main risk factors are as follows :-

a) Acquisition and investment risk refers to risk of assets/investments not being yield accretive, affecting the overall performance of the Fund. The Manager is very cautious in its proposed investments and evaluate them (from financial, legal and technical aspects) prior to recommending to the Board for approval. For related party transactions, the relevant Board members of the Manager will declare their interest and abstain from voting, with such related party acquisition being driven by the Audit Committee.

b) Valuation risk refers to risk that valuation of property may not be sustainable, hence affecting the Fund's asset value, profitability and gearing. Main parameters for valuation are rental rate, occupancy rate as well as operational cost. The Manager will closely monitor these factors in each of the Fund's property to ensure they are not compromised/mitigated with appropriate strategies such as tenant mix/concept, continuous engagement with tenant to build relationship for further improvement, cost management and prudent spending with relevant marketing activities. However, as a general guide, newly acquired properties will need time to stabilize as the Manager makes improvement to tenant mix, enhancements and streamlining some of the operational practises.

c) Credit risk and liquidity risk of non-payment by its tenants or counterparties are mitigated by credit evaluation prior to entering into letter of offer or agreement with constant monitoring of outstanding balances to ensure minimum credit exposure is monitored via stringent collection policy. This is to ensure that there are adequate resources to fulfil the requirements of Pavilion REIT's operations and distribution of income to unitholders.

d) Tenant concentration risk of relying on only a handful of tenants are mitigated as the top ten tenants' contribution is 12.7% of the Fund's gross revenue with the main tenant contributing only 5.4% of the Fund's gross revenue as at 31 December 2020.

e) Financing risk refers to risk of not being able to obtain fresh facilities or renew its facilities when due, either from financial institution or debt capital market. The Manager has established a RM8.0 billion medium term note programme of 20 years from 25 March 2016, which can either be rated or unrated and to be on either fixed or floating rate. At the same time, the Manager will also continue to engage with various financial institution as well as potential bond holders to determine the best options in the future. Currently, 50.4%, 17.3% and 32.3% of the Funds borrowings are each due in 2021, 2022 and 2023 respectively.

f) Interest rate risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation. Besides closely monitoring interest rate to possibly convert to them to fixed rate when timing is deemed appropriate, swap line has also being extended by certain financial institutions to be exercised when appropriate. Borrowing on floating rate is RM1.2 billion or 57.3% of total borrowings.

g) Operational risk at property is mitigated by having standard operating procedures that are adopted and being continuously reviewed for all the properties under the Fund which comprises operational guide, control and monitoring procedures. Some examples of reports are :-

   i) management of call centre, preventive maintenance, management of incidents
   ii) inventory control and purchasing procedure
   iii) rental of promotional space, visual merchandising
   iv) sourcing, negotiating with potential / existing tenants, tenancy administration
   v) billing, payment, collection and refund
   vi) staff training and recruitment

h) Legal and regulatory compliance. The Manager has a compliance officer, reporting to the Board who is responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to.

i) Disaster recovery planning. As management information technology plays an important role, the Manager has arranged for daily back-up of information to be housed externally to facilitate recovery in the event of a disaster. All Pavilion REIT properties also have their own emergency response and crisis management plans. Annual fire drills involving all occupants in each property were also held to ensure occupants are kept updated on routes to use and procedures to adhere to in the event of occurrence of disaster. As part of business continuity plan, during 2020 CMCO period, all properties and departments have split their staff into separate teams (and working from different locations where possible) as contingency to enable support in the event of emergency.

j) Currency risk is currently not applicable to the Fund as Pavilion REIT does not have any properties located outside Malaysia, with all collections and borrowings denominated in Ringgit Malaysia. There is only negligible payments to be made in foreign currency.

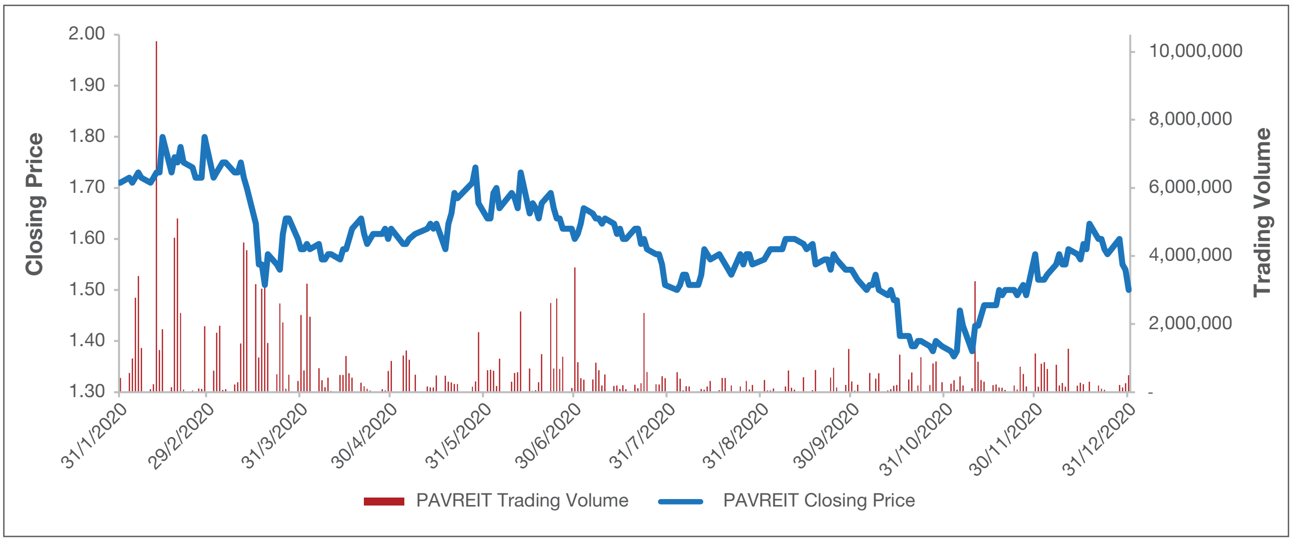
k) Staff resources risk of not being able to attract and retain capable staff are mitigated via staff engagement, periodic staff dialogues, annual review and training with a planned remuneration package that is in line with industry practice.

INVESTORS RELATION AND FUND MANAGEMENT

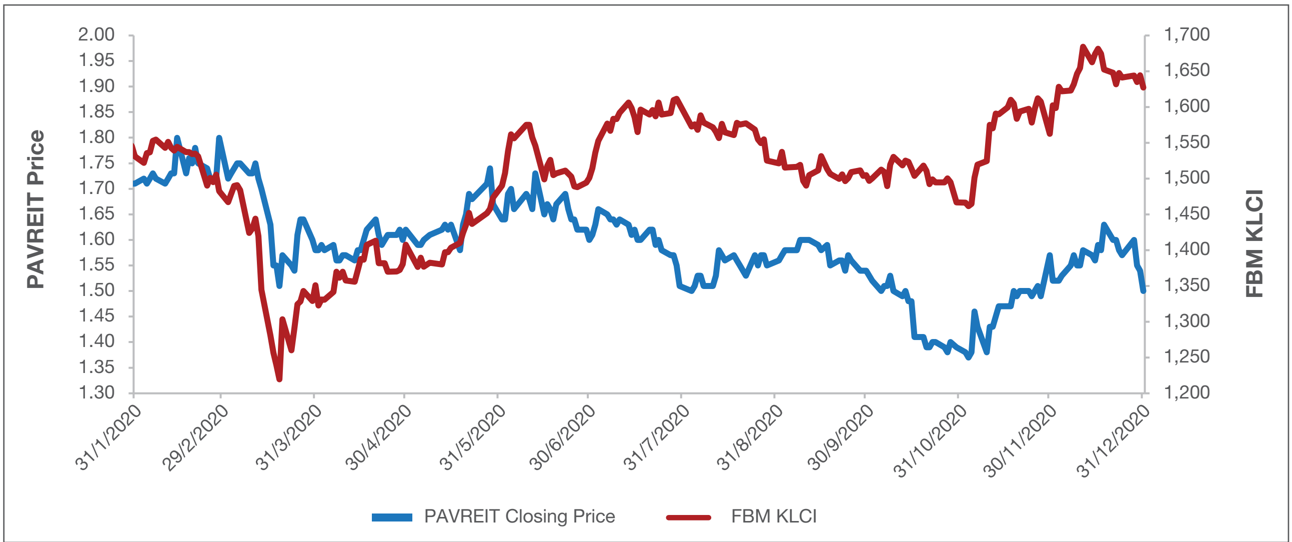
With gathering and travel restrictions imposed due to Covid-19, there was no participation to investors roadshow. However, regular contacts were maintained with analysts and fund managers to keep them abreast with happenings in retail environment.

Pavilion REIT's 8th annual general meeting, which was originally targeted to be held on 26 March 2020 was ultimately held virtually on 24 June 2020 whereby its unitholders were updated on the performance of Pavilion REIT for the financial year ended 31 December 2019.

Pavilion REIT's Monthly Trading Performance



Pavilion REIT's Unit Price Performance against FBM KLCI



INVESTORS RELATION AND FUND MANAGEMENT
cont'd

Trading Summary	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net Asset Value per Unit (RM)					
- As at 31 December	1.30	1.30	1.31	1.31	1.27
- Lowest during the year	1.25	1.27	1.28	1.29	1.27
- Highest during the year	1.30	1.30	1.31	1.31	1.28
Closing unit price (RM) as at 31 December	1.90	1.61	1.64	1.74	1.50
Highest traded price during the year (RM)	1.90	1.93	1.78	1.92	1.82
Lowest traded price during the year (RM)	1.52	1.61	1.32	1.61	1.35
Capital appreciation / (depreciation) (%)[1]	22.58	(15.26)	1.86	6.10	(13.79)
Annual total return (%)[2]	26.92	(10.14)	7.21	10.98	(11.04)
Average total return over 3 years (%)	19.30	9.42	8.00	2.68	2.38
Average total return over 5 years (%)	17.64	9.12	10.99	9.29	4.79
Units in circulation ('000)	3,022,525	3,030,094	3,036,705	3,041,090	3,045,307
Market capitalisation (RM'000)	5,742,798	4,878,451	4,980,196	5,291,497	4,567,961

[1] *Capital appreciation/(depreciation) is calculated based on the difference between opening and closing price for the relevant financial year.*

[2] *Annual total return refers to total of capital appreciation and distribution yield.*

PORTFOLIO DETAILS

(A) RETAIL

	Pavilion Kuala Lumpur Mall
Address	168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	7-storey shopping mall (including 4 split-levels of car parking bays together with a 3-storey retail office block sited atop and annexed with a 4-storey retail/entertainment connection block) and 3 levels of basement car parks
Year of Completion	2007
Age of Building	13 years
Title	HS(D) 120091, PT 80 Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	2,250,684 square feet
Net Lettable Area	1,331,966 square feet
Number of Car Park Bays	2,391
Occupancy Rate as at 31 December 2020	96.5%
Date of Acquisition	7 December 2011
Acquisition Price	RM3,190 million
Appraised Value	RM4,800 million
Date of Latest Valuation	31 December 2020
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM410 million
Net Property Income	RM209 million
Ten Largest Tenants	Adidas, Cartier, Dadi Cinema, Food Republic, Forever 21, Hermes, Padini Concept Store, Parkson Elite, Richard Mille, Zara

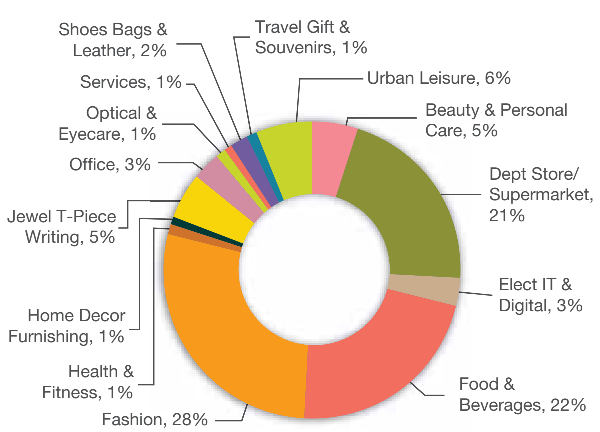
PORTFOLIO DETAILS
cont'd

Tenancy Expiry Profile

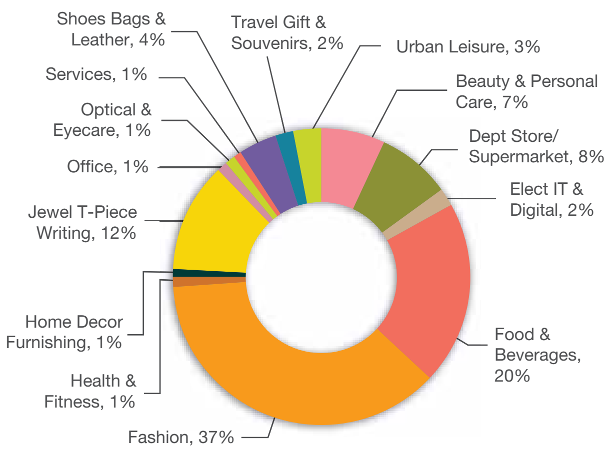
Period	% of Occupied NLA	% of Gross Rental
Monthly	7	6
FY2021	17	20
FY2022	57	53
FY2023 and thereafter	19	21
Total	**100**	**100**

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO DETAILS
cont'd

	Intermark Mall
Address	348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Description	6-storey retail podium with a roof pavilion together with 367 designated car parking bays
Year of Completion	Refurbished in 2012
Age of Building	8 years
Title	Geran 75638/M1/B3/2, Parcel No 2, Storey No B3, Building No M1 on part of parent Lot 20000 Seksyen 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan
Encumbrances	Charged to Public Bank Berhad
Tenure	Interest in perpetuity
Gross Floor Area	337,427 square feet
Net Lettable Area	222,494 square feet
Number of Car Park Bays	367
Occupancy Rate as at 31 December 2020	85.7%
Date of Acquisition	25 March 2016
Acquisition Price	RM160 million
Appraised Value	RM180 million
Date of Latest Valuation	31 December 2020
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM26 million
Net Property Income	RM11 million
Ten Largest Tenants	Hanare, Hua Wei, In Colonial, Jaya Grocer, McDonald's, MST Golf, Oriental Landmark, Primrose Hill Active Learning, Skechers, SportsDirect.com

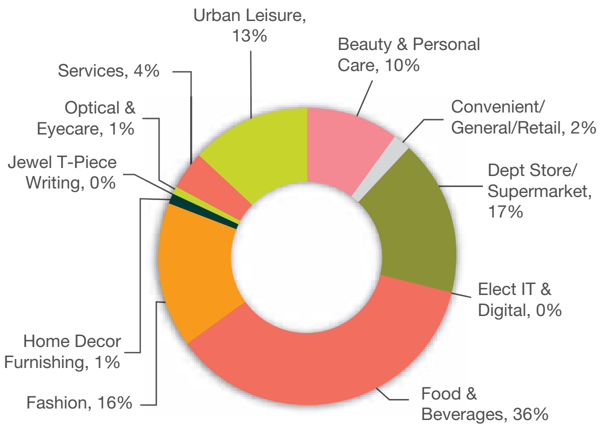
PORTFOLIO DETAILS
cont'd

Tenancy Expiry Profile

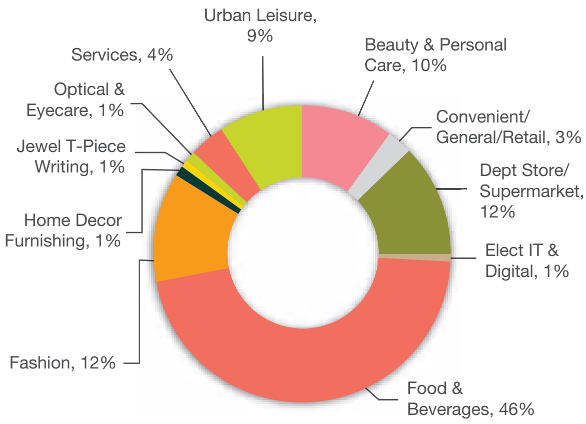
Period	% of Occupied NLA	% of Gross Rental
Monthly	7	6
FY2021	31	33
FY2022	53	50
FY2023 and thereafter	9	11
Total	**100**	**100**

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO DETAILS
cont'd

	DA MEN Mall
Address	Da:men USJ 1, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan
Description	Five storey retail mall together with a lower ground floor and two levels of basement car parks
Year of Completion	2015
Age of Building	5 years
Title	Geran 320023/M1-A/1/1, Building No M1-A, Storey No 1, Parcel No 1 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Geran 320023/M1-A/1/2, Building No M1-A, Storey No 1, Parcel No 2 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor
Encumbrances	Charged to Public Bank Berhad
Tenure	Interest in perpetuity
Gross Floor Area	732,925 square feet
Net Lettable Area	434,371 square feet
Number of Car Park Bays	1,638
Occupancy Rate as at 31 December 2020	68.9%
Date of Acquisition	25 March 2016
Acquisition Price	RM487 million
Appraised Value	RM180 million
Date of Latest Valuation	31 December 2020
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate –Reversionary	6.50 %
Gross Revenue	RM13 million
Net Property Loss	RM11 million
Top Ten Tenants	Chi-X Fitness, Dadi Cinema, Food Arcade, Grand Harbour Restaurant, Jaya Grocer, Mr DIY, Music Box, New Nanyang Food Street, Nam Heong Ipoh, Swensen's

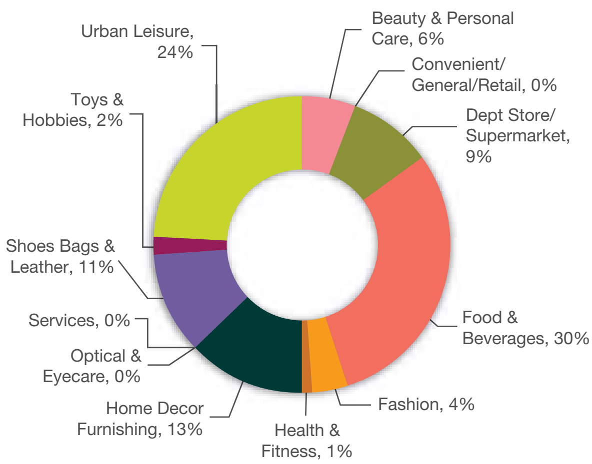
PORTFOLIO DETAILS
cont'd

Tenancy Expiry Profile

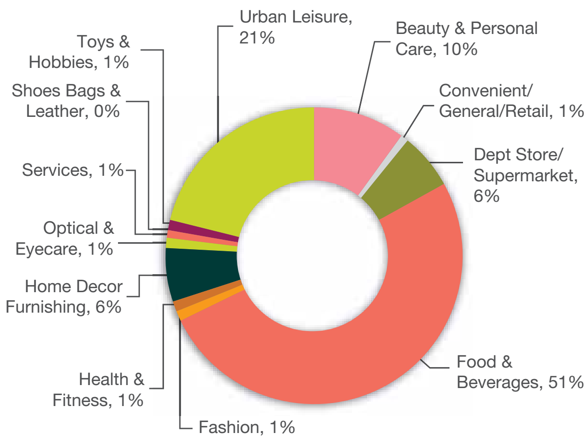
Period	% of Occupied NLA	% of Gross Rental
Monthly	9	1
FY2021	41	56
FY2022	35	28
FY2023 and thereafter	15	15
Total	**100**	**100**

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO DETAILS
cont'd

	Elite Pavilion Mall
Address	166 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	10-storey shopping mall with stratified parcels consisting of car park bays on Level B3 to Level 2 ('Elite Pavilion') interconnected to Pavilion Kuala Lumpur Mall via pedestrian link bridges and seating / retail areas on Level 4 to Level 10 ("Extension-Connections') and an underground pedestrian tunnel with retail outlets which contractual rights will expire on 10 October 2037 ('Subway Linkage')
Year of Completion	2016
Age of Building	4 years
Title	HS(D) 120601, PT 116, Sekysen 57, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL for Elite Pavilion HS(D) 120091, PT 80 Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL for Extension-Connections
Encumbrances	Nil
Tenure	Interest in perpetuity for Elite Pavilion 99-year lease expiring on 26 October 2109 for Extension-Connections
Gross Floor Area	464,689 square feet
Net Lettable Area	227,785 square feet
Number of Car Park Bays	50
Occupancy Rate as at 31 December 2020	83.2%
Date of Acquisition	27 April 2018
Acquisition Price	RM580 million
Appraised Value	RM570 million
Date of Latest Valuation	31 December 2020
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.25% for Elite Pavilion
Gross Revenue	RM50 million
Net Property Income	RM19 million
Ten Largest Tenants	Coach, COS, JD Sports, Haidilao Hotpot, Lukfook Jewellery, Lululemon, Muji & Café, Red Box Plus, Rimowa, Toys 'R' Us

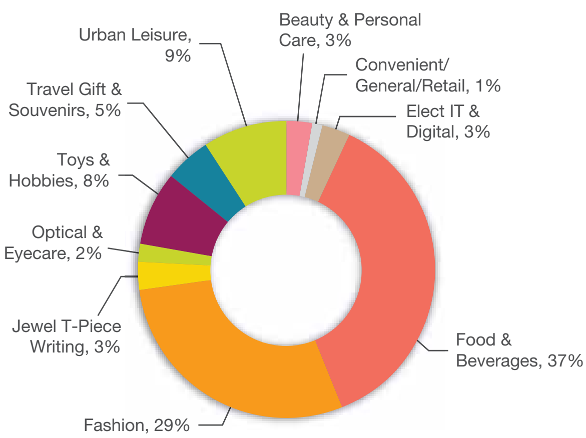
PORTFOLIO DETAILS
cont'd

Tenancy Expiry Profile

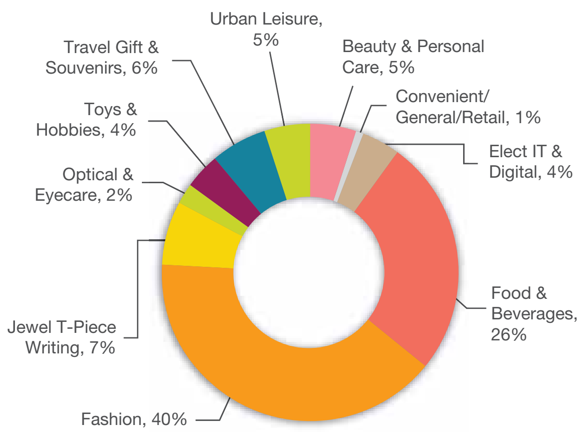
Period	% of Occupied NLA	% of Gross Rental
Monthly	18	17
FY2021	11	8
FY2022	54	66
FY2023 and thereafter	17	9
Total	**100**	**100**

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



PORTFOLIO DETAILS
cont'd

(B) OFFICE

	Pavilion Tower
Address	75 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Description	20-storey office building together with 6 mechanical/ electrical levels
Year of Completion	2007
Age of Building	13 years
Title	HS(D) 120091, PT 80 Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	243,288 square feet
Net Lettable Area	163,844 square feet
Occupancy Rate as at 31 December 2020	85.8%
Date of Acquisition	7 December 2011
Acquisition Price	RM123 million
Appraised Value	RM133 million
Date of Latest Valuation	31 December 2020
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM11 million
Net Property Income	RM6 million
Top Ten Tenants	Clever Eagle Sdn Bhd, Gapadu Development Sdn Bhd, Impian Ekspresi Sdn Bhd, Khuan Choo Development Sdn Bhd, KL Pavilion Design Studio Sdn Bhd, KL Metro Sdn Bhd, KL Metro Property Sdn Bhd, MRails Tram (Melaka) Sdn Bhd, Pan-Asia Property Management Sdn Bhd, Pioneer Haven Sdn Bhd

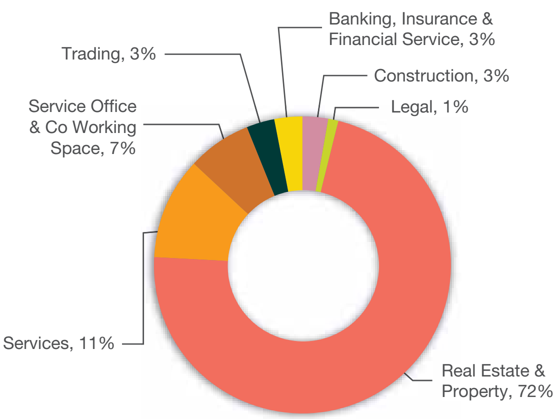
PORTFOLIO DETAILS
cont'd

Tenancy Expiry Profile

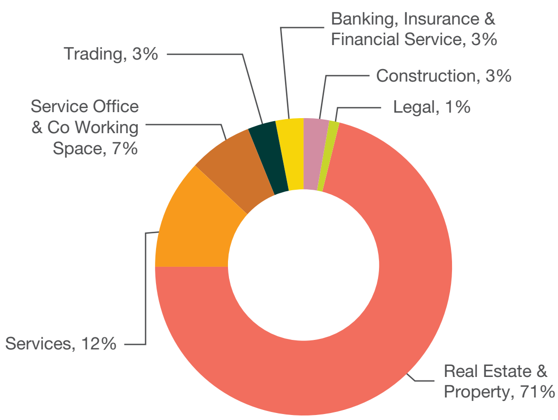
Period	% of Occupied NLA	% of Gross Rental
Monthly	14	14
FY2021	19	19
FY2022	42	42
FY 2023 and thereafter	25	25
Total	**100**	**100**

Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



Sustainability Statement

SUSTAINABILITY STATEMENT

INTRODUCTION

The Manager is pleased to present Pavilion REIT's Sustainability Statement for the financial year ended 31 December 2020. This report covers the progress in adopting sustainable management practices of the fund's properties and tracks the impact from an Economic, Environmental and Social ("EES") perspective to its stakeholders.

About the Business

Pavilion REIT is a real estate investment trust listed on the Main Market of Bursa Malaysia since 7 December 2011 and is managed by Pavilion REIT Management Sdn Bhd ("the Manager"). The core activity of Pavilion REIT is investment in income producing real estate assets used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region with the objective of providing its unitholders with regular and stable distributions while achieving long-term growth in net asset value based on an appropriate capital structure. Pavilion REIT currently has five properties in its portfolio consisting of four retail malls and an office tower. Three of the malls and the office tower are located in the commercial centre of Kuala Lumpur while the remaining mall is in the vibrant Subang Jaya neighbourhood. There were no significant changes in the business as compared to the last financial year. The Fund's investment properties have an aggregate value of RM5.9 billion as at 31 December 2020.

Approach and Commitment to Sustainability

The Manager been applying appropriate strategies and practices centred around good corporate social responsibility and governance in order to enhance long-term values with sustainability objectives as follows:-

- Delivering profitable and sustainable business growth to achieve a long-term growth in net asset value per unit;
- Provide unitholders with regular and stable distributions;
- Be a valued partner to the Fund's tenants and vendors;
- Prioritise health and safety;
- Its employee well-being; and
- Practice responsible environmental stewardship.

Sustainability remains an important part of Pavilion REIT's long-term strategy in guiding decision-making and engagement with stakeholders.

ABOUT THE SUSTAINABILITY STATEMENT

In the preparation of this report, the Manager has been guided by the Global Reporting Initiative (GRI) Standards - Core Option. The reporting period is on an annual basis from 1 January 2020 to 31 December 2020. As Pavilion REIT does not have any employees, the information reported in relation to employees are made in reference to the employees of the Manager. The Manager does not have collective bargaining agreements with its employees. Current year sustainability reporting includes all Pavilion REIT properties with environmental reporting being focused on Pavilion Kuala Lumpur Mall which contributes to about 89% net property income of Pavilion REIT with waste management covering Pavilion Malls (which contributes to about 97% of net property income) with no material restatements from the previous reporting year. Exclusions took into consideration monitoring cost effectiveness and the materiality to Pavilion REIT as a whole.

Property	Segment	Location
Pavilion Kuala Lumpur Mall and Elite Pavilion Mall ("Pavilion Malls")	Retail	Kuala Lumpur
Intermark Mall	Retail	Kuala Lumpur
DA MEN Mall	Retail	Subang Jaya
Pavilion Tower	Office	Kuala Lumpur

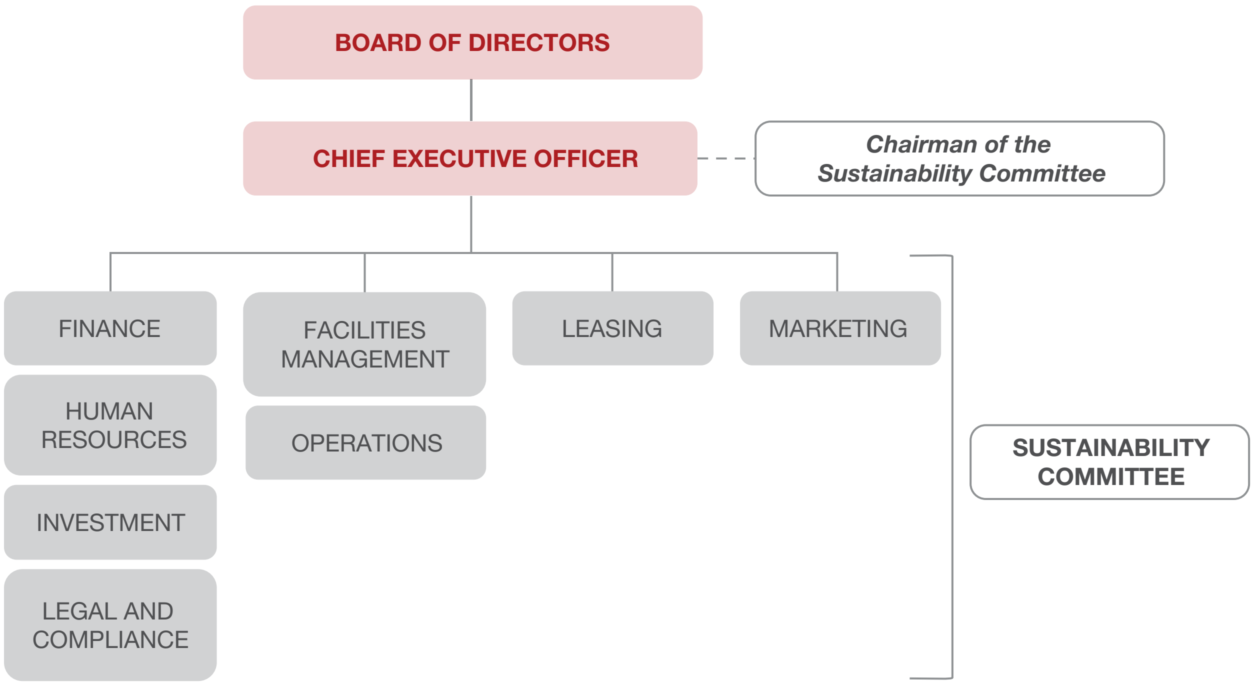
As part of ongoing efforts to improve our ESS reporting, stakeholders could submit any query or comment to info@pavilion-reit.com.

SUSTAINABILITY STATEMENT
cont'd

GOVERNANCE

Governance Structure

As the manager of Pavilion REIT, we are cognisant of the responsibility entrusted on us to act in the interests of the Fund's unitholders, with integrity, due care and diligence. We believe in the importance of adopting an effective corporate governance culture and have therefore established a sustainability committee with representation and participation from the various divisions in the operations. The members of the sustainability committee regularly discuss, initiate, implement and track sustainability initiatives and to ensure alignment with the overall strategy of the Fund. The Sustainability Committee (as detailed in the diagram below) is led by the Chief Executive Officer, acting as the committee chairman, who reports to and updates the Board of Directors on matters in relation to the initiatives and progress of Pavilion REIT's sustainability endeavours.



Risk Management

The key risks identified for Pavilion REIT during the financial year under review are as follows:-

No	Key Risk Type	Risk Description	Sources of Opportunities	Existing Control /Mitigation Plan
1.	Acquisition & investment risk	Risk of non-accretive yield of assets/investments affecting the overall performance of the Fund	Distribution to unitholders will increase as a result of successful acquisition and investment in properties with higher yield	• Cautiously evaluate proposed investment from financial, legal and technical aspects • Related party acquisition has to be evaluated by Audit Committee

SUSTAINABILITY STATEMENT
cont'd

No	Key Risk Type	Risk Description	Sources of Opportunities	Existing Control /Mitigation Plan
2.	Valuation risk	Risk that valuation of property may not be sustainable, hence affecting the Fund's asset value, profitability and gearing	Pavilion Malls form a part of the Bukit Bintang and KLCC ("BB-KLCC") retail hub, representing a vibrant retail and tourism belt with Intermark Mall located about 2 km from Kuala Lumpur City Centre. DA MEN Mall is a neighbourhood mall in a matured integrated township development of UEP Subang Jaya. The malls are well positioned to attract diverse customers and tenants	• Closely monitor investment parameters such as rental rate, occupancy rate as well as operational cost • Maintain appropriate tenant mix/concept • Continuous engagement with tenants • Cost management and prudent spending on promotional activities
3.	Credit risk	Liquidity risk of non-payment by tenants/ customers	Tenants with strong credibility can support the confidence of unitholders	• Conduct credit evaluation on counterparties prior to entering into letter of offer or agreement • Have a stringent collection policy in place
4.	Tenant concentration risk	Risk of relying on only a handful of tenants	A diversified tenant base can cater for requirements and needs of customers with different purchasing power and increase the sales of malls	• The top 10 tenants only contributed to 14.7% of the Fund's total gross rental income for FY2020 • The Manager has established a leasing team which is responsible for monitoring the sales performance of its tenants
5.	Financing risk	Risk of not being able to obtain fresh facilities or renew its facilities when due, either from financial institution or debt capital market	Strong credit service capability and credit rating will attract confidence from financiers for funding support	• Continuous engagement with various financial institutions, potential bondholders and other financiers to determine the appropriate financing options
6.	Interest rate risk	Risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation	Careful management of the debt portfolio between fixed and floating rates	• Closely monitor interest rates and consider funding options • Swap lines have been extended by certain financial institutions
7.	Operational risk	Risk of incurring loss resulting from inadequate procedures or existing system failure	Managing operational risk provides a channel to reinforce discipline within the organisation	• Regularly review standard operating procedures ("SOPs") which comprises operational guide, control and monitoring procedures • Ensure employees are well trained to act according to the SOPs

SUSTAINABILITY STATEMENT
cont'd

No	Key Risk Type	Risk Description	Sources of Opportunities	Existing Control /Mitigation Plan
8.	Legal and regulatory compliance risk	Risk that a non-compliance in required laws, rules and regulation will materially impact the operation of Fund and its stakeholders	Compliance to required laws, rules and regulation will boost confidence of unitholders and other stakeholders in the Fund	• Compliance officer is responsible for providing regulatory guidance and ensuring regulatory compliance
9.	Disaster risk	Risk of loss and damage due to incidents arising from natural disaster	Leveraging on technology for assistance and reinforce discipline within the Fund	• Disaster recovery planning includes daily back-up of information • All properties under Pavilion REIT have their own emergency response and crisis management plans • Business continuity plan was activated during the Covid-19 pandemic
10.	Staff resources risk	Risk of not being able to attract and retain capable staff	Ensuring a skilled and committed workforce can create sustainable value to business	• Remuneration package that is in line with industry practice • Periodic staff engagement and staff dialogues • Annual review and training for staffs

Business Ethics/Core Values

The core values serve as a guiding light to how business is conducted. The Manager adheres to the principles of ethical and responsible business practices and have in place measures against unacceptable behaviour such as fraud and corruption.

Whistle-blowing policy has been setup to provide a safe channel for employees and other person to report potential or actual improprieties within the Manager or the Fund via https://bdoethics.com/v1/r/QxgwQn00Eyx5cz2z6DILFLAGx4xDL6x9.

In addition, the Manager has also put in place its Anti-Bribery & Corruption policy as well as its standard operating procedures that provides detailed guidance on eliminating corrupt practices within the business. The Manager's employee handbook provides guidance on generally accepted procedures and practices for business conduct.

Two whistleblowing cases reported during the year under review were promptly investigated and acted upon with updates provided to the audit committee members. Any shortcomings noted will continuously be reviewed and rectified.

STAKEHOLDER ENGAGEMENT

Of paramount importance to the strategies on sustainability is the engagement with Pavilion REIT's stakeholders. They offer the means in which the Manager can have insights into what matters and measure the effectiveness of the Fund's approaches to sustainability. The Manager has identified Pavilion REIT's key stakeholder groups by the relevance of actual and potential impact that they may have on the Funds operations as well as how any actions affect them.

Stakeholder Engagement Table

The Sustainability Committee undertook a materiality assessment taking into consideration the stakeholder groups we engage with and identified the key stakeholders as well as the methods by which we engage them on their expectations. The table below presents the method and frequency of engagement with our key stakeholders to discuss pertinent issues and the constructive solutions offered to address their concerns:-

Stakeholder	Method of Engagement	Frequency	Stakeholder Expectations	Addressing Expectations
EMPLOYEES	• Performance appraisals • Training programmes • Dialogue with senior management	Annual Ad hoc As required	• Employee welfare • Fair compensation and benefits • Safe and conducive working environment • Training and career development opportunities • Work-life integration	• Fair and transparent appraisals • Equal opportunity for all with no discrimination • Ensure a conducive and safe working environment • Facilitate training programmes and seminars • Respect personal values and ambitions
INVESTMENT COMMUNITY	• Announcements • General meetings • Individual meetings • Investor roadshows • Electronic communication	As required Annual As required As required Ad hoc	• Performance of assets • Business strategy • Stable and sustainable returns • Corporate governance • Timely and transparent reporting • Prudent risk management	• Agile in responding to changes in the business environment in order to enhance the value of the Fund's assets and maintain stable profitability • Focus on providing unitholders with a secure and regular income stream as well as sustainable long-term growth • Ensure timely release of announcements and financial results • Adherence to all applicable regulations and laws
CUSTOMERS/ SHOPPERS	• Festive performances and activities • Promotional events • Customer satisfaction surveys • Information concierge	Seasonal Ad hoc Ad hoc Ad hoc	• Safe and conducive mall environment with good accessibility • Good and diverse retail mix • Promotional campaigns to enhance attraction • Good connectivity to public transport and convenience in transportation	• Respond to feedback from customers • Identifying avenues for improving the shopping experience • Improve access to neighbouring amenities and transportation.

SUSTAINABILITY STATEMENT
cont'd

Stakeholder	Method of Engagement	Frequency	Stakeholder Expectations	Addressing Expectations
TENANTS	• Update of asset activities • Tenant meeting	Annual As required	• Good property maintenance • High shopper traffic • Competitive rental rates • Promotional events to drive traffic • Tenant engagement and support • Conducive operating environment	• Ensure any property maintenance issues or repairs are dealt with expeditiously • Provide a comfortable and safe environment with exciting retail mix to maintain high shopper traffic • Collaborate with tenants on promotional campaigns
VENDORS, CONTRACTORS AND SERVICE PROVIDERS	• Meetings • Safety briefings and workshops	As required Ad hoc	• Fair and transparent • Procurement processes and vendor selection • Compliance with rules and regulations	• Build strong relationships with the Fund's vendors, contractors and service providers through fair treatment in all dealings • Ensure compliance through routine assessments with internally prescribed standards and applicable laws and regulations
REGULATORY AUTHORITIES	• Direct dialogue • Policy briefings • Consultation sessions and conferences	As required Ad hoc Ad hoc	• Compliance with regulatory requirements • Keeping abreast on policy and regulatory changes	• Constant monitoring of economic, environmental, social and governance policies and procedures to ensure alignment with regulatory requirements through regular attestations, compliance monitoring programmes and reporting • Work with professional subject experts
LOCAL COMMUNITIES	• Corporate social responsibility programmes • Relevant authorities to improve mobility and traffic congestion	Ad hoc Ad hoc	• Corporate responsibility to give back to the community and create a positive impact • Strengthen community ties	• Continuously seek to contribute to the communities where the properties are located
MEDIA	• Media launches • Media interviews • Media releases	As required As required As required	• Timely and transparent communication • Market and business performance outlook	• Communicate consistently on developments of interest and business performance in order to propagate the Fund's brand value and ensure transparency in the eyes of the public

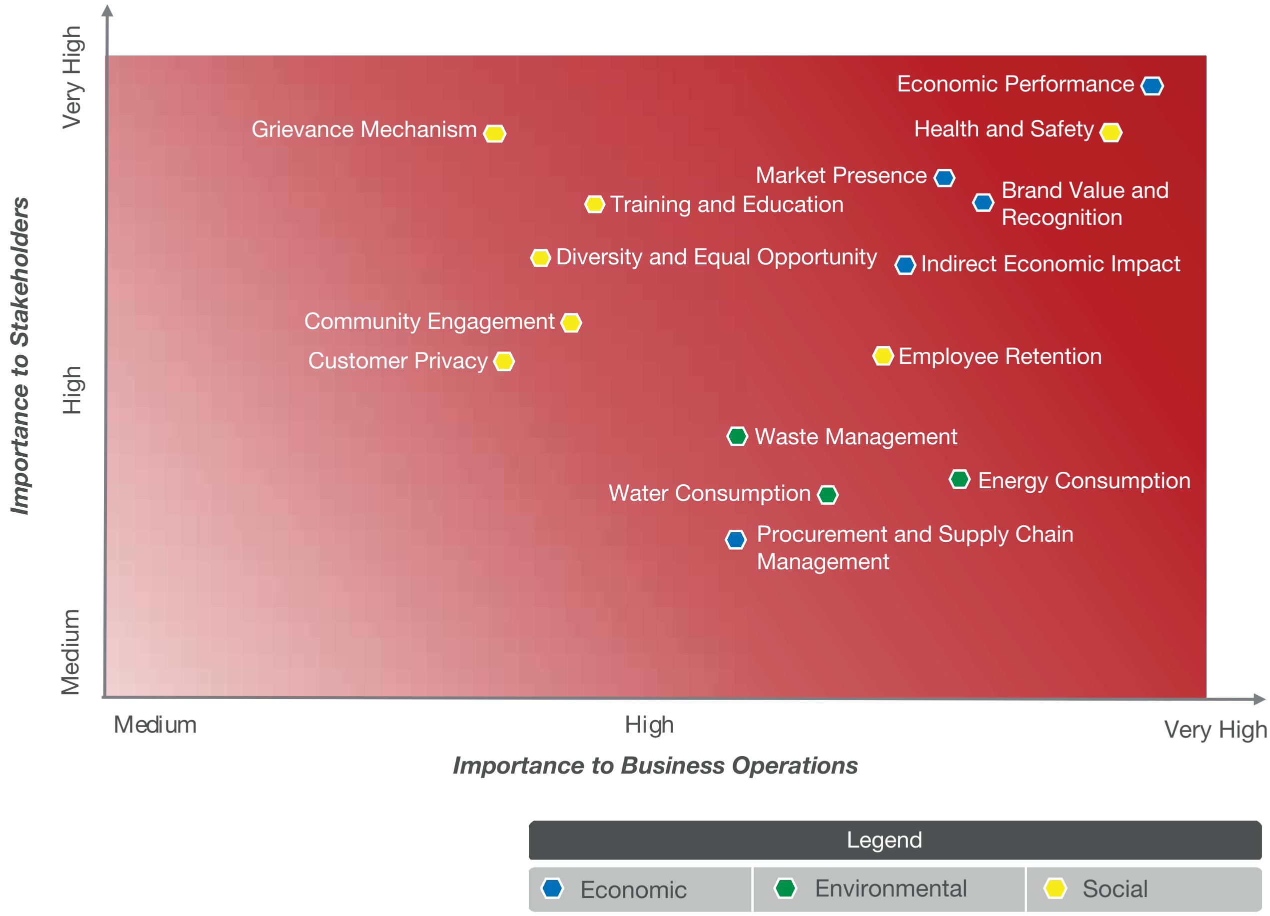
MATERIALITY

The Sustainability Committee conducted the following to derive the materiality matrix:

STEP

1. • Identifying the economic, environmental and social material matters that impact the business and influence the decision-making of key stakeholder groups
2. • Ranking the selected matters on its importance to the different stakeholder groups
3. • Ranking the selected matters on its importance to the fund's business operations

Based on the Manager's review, material matters identified in the previous year have been revisited in order to understand how they have impacted the Fund's operating environment and its stakeholders, taking into consideration any pertinent external influences. Based on assessment, the Manager has deemed the following material matters to be relevant in the current reporting year:-



SUSTAINABILITY STATEMENT
cont'd

Material Matter	Description
Economic Performance	The financial value generated for stakeholders
Health & Safety	Processes and policies for the prevention, detection, risk assessment and reporting of health and safety matters
Grievance Mechanism	Establishment of process for complainants who may be adversely impacted
Market Presence	Contribution to the economic development in the local areas and communities where the Fund operates
Brand Value and Recognition	Strategies to maintain reputation and top-of-mind status among shoppers
Training and Education	Constant development and improvement of employees' skills and competencies
Indirect Economic Impact	Benefits derived from investments that is indirectly converted into public conveniences including infrastructure or complimentary services
Employee Retention	Efforts to reduce employee turnover through providing a rewarding working environment
Diversity and Equal Opportunity	Merit based employment policies that promote diversity and equality at work
Community Engagement	Interaction with those who are within the sphere of property from an economic, social, cultural or environmental perspective
Customer Privacy	Management and care of sensitive and private information of customers
Waste Management	Management of effluents and waste covering the treatment and disposal of waste and toxic substances that can result in adverse health and environmental impacts
Water Consumption	Management of water use such as water recycling and reuse to be eco-friendly
Energy Consumption	Management of energy use such as having energy-efficient installations and equipments to minimise environmental impact
Procurement and Supply Chain	Policies and practices that govern the selection of and transactions with vendors

ECONOMIC

Pavilion REIT is committed to playing its part in contributing to the economy in a sustainable and responsible way. The Fund strives to deliver value to all its stakeholders based on an established culture of care and accountability.

Economic Performance

The property industry has remained as one of the largest contributors to Malaysia's growing economy. Despite the evolving economic and political conditions in the recent years, the real estate industry has maintained its stability. The Manager oversees Pavilion REIT's business operations, including operating cash flows, financing arrangements as well as investment and debt maturity profile to ensure that the expectations of the Fund's stakeholders are met and business operations continues to generates economic value through its performance.

In managing cost effectiveness and financing risks, the Manager maintains investor confidence amidst fluctuating interest rates. We overcome these challenges through prudent business practices, pro-active business strategies and optimal capital management.

In addition, Pavilion REIT proposes to distribute at least 90% of our distributable income to eligible unitholders for the financial year ending 31 December 2021.

Indirect Economic Impact

As a committee member of the Malaysian REIT Managers Association and a member of Persatuan Pengurusan Kompleks Malaysia ("PPKM") (also known as Malaysia Shopping Malls Association) as well as BBKLCC Tourism Association, Pavilion REIT works with the associations to initiate efforts towards economic growth, environmental conservation, good corporate governance and community development. Community messaging and sharing updates with associations for communication to general public are activities that have been undertaken besides holding regular discussions with relevant authorities on matters of importance for the benefit of its stakeholders.

Brand Value and Recognition

The Manager is committed to sustainable development through value creation by managing ESS risks which subsequently enhances brand value and recognition within the REIT industry. Pavilion REIT's brand value proportionally improves with better recognition in the industry, leading to higher tenant engagement and unitholder investments.

Various marketing tools are used to enhance marketing and branding efforts as presented in the illustration below. The Manager believes that rigorous promotions significantly boost the Pavilion Malls' positioning as the defining authority in shopping, dining and urban leisure. The Manager uses both physical and digital avenues to create customer awareness of latest offerings in the malls and tenants' demographic at the building.

To date, Pavilion Kuala Lumpur Mall has achieved 47 accolades from both local and international councils or associations

SUSTAINABILITY STATEMENT
cont'd

Market Presence

The Manager manages market presence from business perspective and human resource perspective. In addition to expanding the Fund's portfolio through acquisition of new investments, the Manager endeavours to extend brand visibility to grow the national economy by ensuring fair and equal remuneration and local hiring. Most of the Manager's senior managers are Malaysians and we practice equal gender wage ratio, thereby emphasising on integrating local culture into our business practices as well as affirming our stance on maintaining equal opportunity regardless of gender, race or religion.

Standard Wage

Complies to Malaysia's Minimum Wages Order 2016

Equal gender ratio (1:1) of standard entry level wage for degree holders

Local Hiring

Most of our senior managers are Malaysians

Employees holding the designation of Assistant General Managers and above are considered senior managers

Procurement and Supply Chain

Pavilion REIT's supply chain comprises all the business partners that contribute to the efficiency of the Fund's business and the maintenance of its assets. These include vendors who offer services such as property management, building maintenance, landscaping, security, marketing and promotions products / services. There are no significant changes in the supply chain as compared to last financial year. The Manager prioritise ethical and transparent behaviour in procurement based on the following policies:-

Quality & Compliance	Assess the quality level of service or product including its technical expertise and specifications and ensure that it is in full compliance with requirements and product certification where applicable.
Price	Evaluation is based on the competitiveness of the pricing taking into consideration the quality of the product or service and potential cost variations.
Prompt Delivery	To maintain efficiency, the Fund requires prompt and reliable delivery from its vendors who are evaluated based on their reaction and delivery timelines.
Service	Services offered by each vendor are evaluated based on requirements and suitability as well as the past experience and track record of the vendor.
Support	The Manager considers vendors as business partners and therefore require them to be able to provide advice and assistance beyond just product or service delivery. Hence the need to evaluate their capability in providing the necessary support.

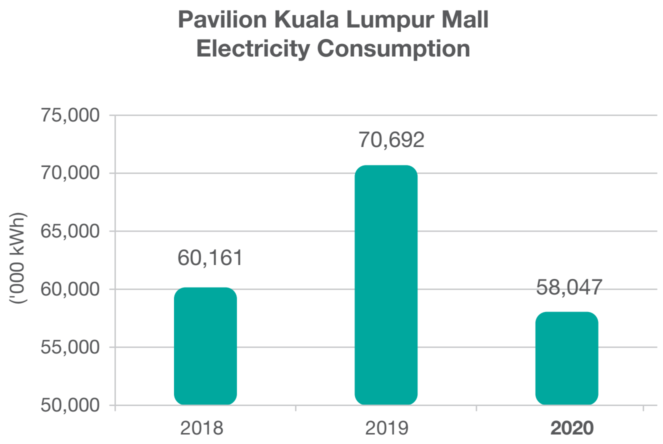
For this reporting year, we are proud to disclose that approximately more than 99% of our vendor services are procured locally and with less than 1% of supplies or services coming from international service providers for marketing and promotional purposes. The Manager's anti-bribery & corruption standard operating procedures have been shared with the Fund's vendors to enhance the value in the supply chain.

SUSTAINABILITY STATEMENT
cont'd

ENVIRONMENTAL

Environmentally sustainable operations requires the management of resources and operations efficiently. The Manager will continue to minimise any adverse impact on the environment by adopting environmentally friendly practices as well as explore new avenues to improve energy, water and waste management.

Energy Consumption

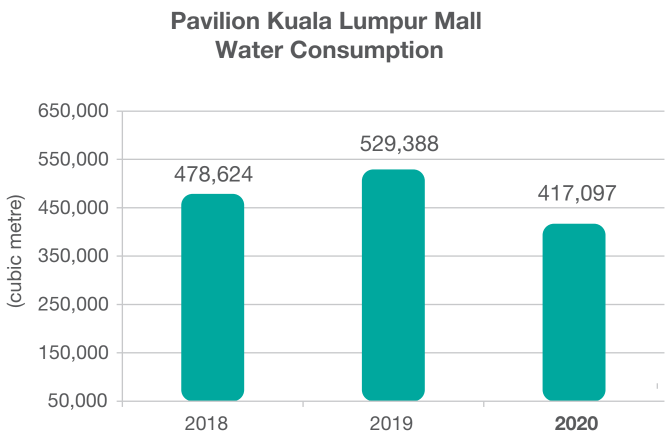


Lower consumption for 2020 was attributed to lower occupancy as well as reduced operation of facilities during the various MCO periods.

The Manager targets to reduce electricity consumption by 3% per annum for the next 3 years.

Water Consumption

Water usage at public restrooms including sanitary facilities constituted the largest portion of water consumption in the mall's daily operation followed by water consumed in operating air conditioning systems, cooling towers and chilled water expansion tanks.



Lower usage of water for 2020 was mainly due to the lower traffic to the mall during the various MCO periods.

The Manager targets to reduce its water consumption by 2% per annum over the next 3 years.

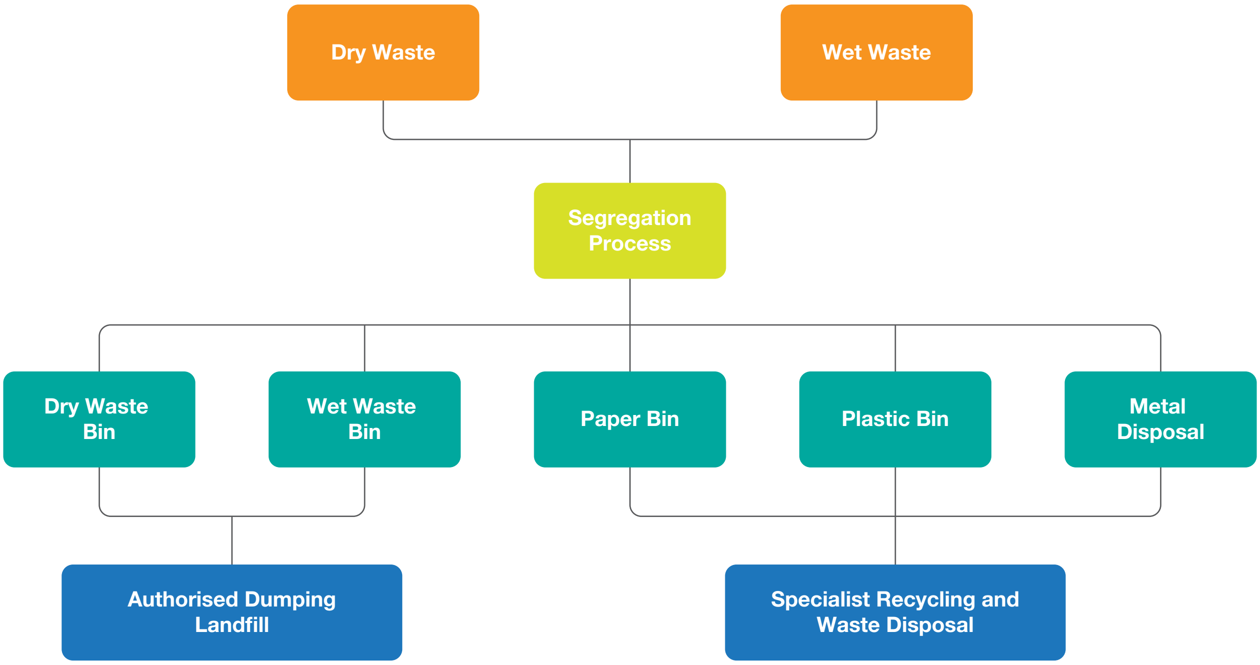
Due to the Covid-19 pandemic, installation of the groundwater harvesting system at Pavilion Kuala Lumpur Mall (identified in late 2019) has been deferred.

Waste Management

With the increasing volume of waste produced by rising population levels, it has become imperative for everyone to practise proper waste management to mitigate the threat posed to our fragile ecosystems. The Manager has always implemented a waste management work flow to address the waste generated from Pavilion REIT properties.

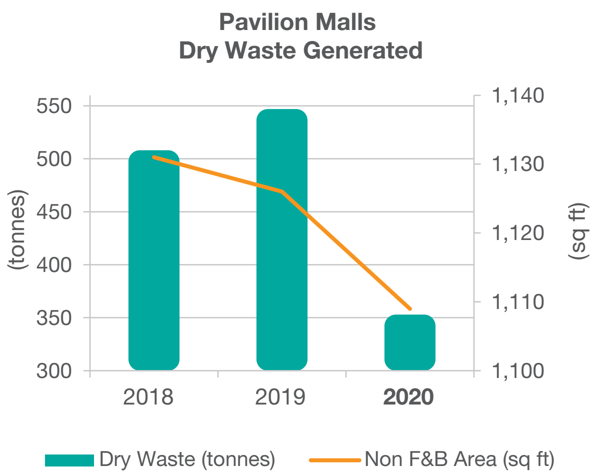
SUSTAINABILITY STATEMENT
cont'd

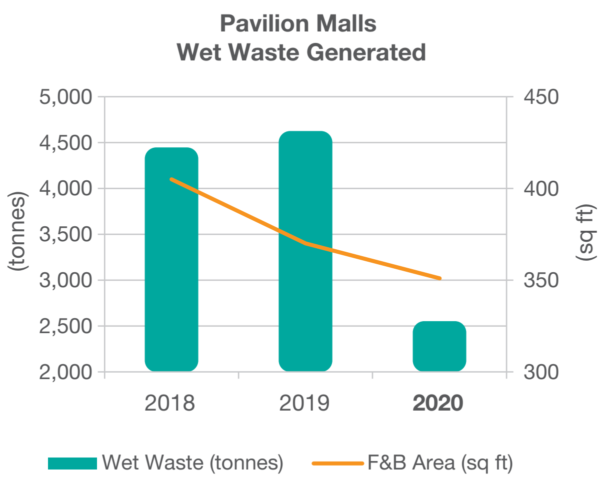
The main categories of waste generated are wet waste or food waste and dry waste, which are managed by the respective properties (as detailed in the diagram below) except for Intermark Mall. Intermark Mall's waste management is undertaken by Intermark Management Corporation, as part of an integrated mixed commercial development that comprises the Intermark Mall, two corporate office towers as well as a hotel. Waste separation are undertaken to ensure they are disposed off legally with recyclable waste being sent to recycling companies by the appointed waste disposal vendors. Generally, the increase in waste is due to increase in tenants or occupiers of the property.



After evaluating the waste composting system identified, it is deemed not viable for adoption in enclosed areas which may cause fire hazard. Hence, the Manager has shelved this plan and will continue to source for other system or partner in the market.

Lower waste generated in 2020 was due to lower activities and shorter operating periods by tenants during the various MCO periods.

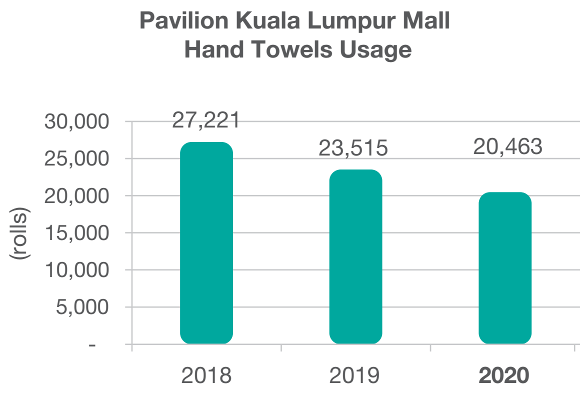




SUSTAINABILITY STATEMENT
cont'd

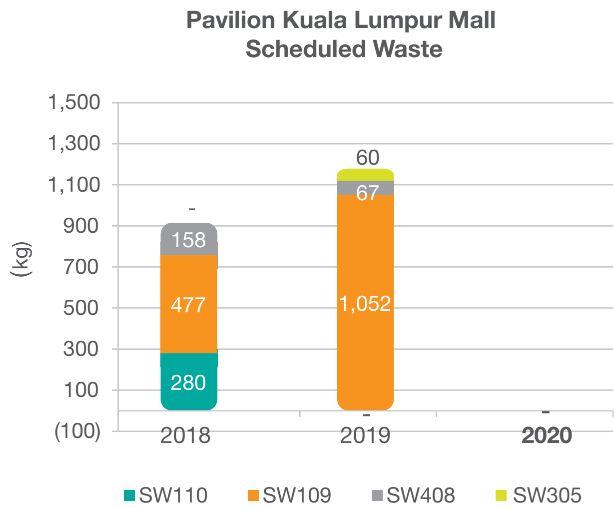
To encourage shoppers and visitors to participate in responsible dry waste segregation, recycle bins are placed on every floor of the malls. To facilitate the waste management work flow, general workers are engaged at Pavilion Kuala Lumpur Mall refuse chamber room for manual segregation of recyclable wastes from Pavilion Kuala Lumpur and Elite Pavilion Malls.

Recycled Waste (kg)	2018	2019	2020
Paper	135,800	191,850	119,900
Plastics	7,700	1,700	200
Metal	7,400	1,700	1,000



Due to the imposition of restrictions during the various MCO periods, usage of hand towels have also reduced due to lower visitations to Pavilion Kuala Lumpur Mall.

Scheduled waste is referred to as waste streams regulated under the Environmental Quality (Scheduled Waste) Regulations, 2005 which is enforced by the Department of Environment ("DOE"), Malaysia. In accordance to the regulation, the Manager engages DOE-licensed contractors occasionally for the disposal of scheduled waste to authorised recycling and/or disposal facilities. The quantity of scheduled waste consisting of computer waste (SW110), spent fluorescent tubes (SW109), saw dust contaminated with oil (SW408) and spent lubricating oil (SW305) that were recycled is as illustrated in the chart with no disposal made in 2020.



SUSTAINABILITY STATEMENT
cont'd

SOCIAL

As an operator of public space, Pavilion REIT is aware of its social role and the impact that can be made to the community. The Manager places great importance on what can be done to enhance the experience for and well-being of its employees as well as Pavilion REIT's shoppers, tenants and vendors as well as the general public.

Community Engagement

The Manager believes in cultivating a responsible, caring and supportive environment in the communities that the properties operate in and understand the need to have the ability to make a difference. By organising events that are geared towards promoting the well-being and social advancement of our communities, the Fund hope to engage with its customers for a mutually beneficial experience.

Due to Covid-19 pandemic, social activities were minimised. However, the neighbourhood DA MEN Mall continued its support of the community by organizing the below :-

- in support of the Government's Buy Malaysian products campaign, 'A Taste of Malaysia' bazaar was held with local entrepreneurs promoting their products that varies from local delicacies, treats and snacks to handmade arts and crafts
- Malaysia Prihatin and Gift-A-Book, in partnership with BookXcess 13th Anniversary where 13,000 books were donated to the B40 community and other pre-selected communities in Subang Jaya
- a charity bazaar for Christmas with Autism Café Project and NGO Kiwanis jointly collecting gifts under a Wishing Tree for the underprivilege children of Buku Jalanan Chow Kit.

Intermark Mall continued with its annual support of 'Embrace Autism' in August together with the 'Sama-Sama Freedom' celebration for Merdeka where local designers face masks were gifted out to shoppers with spending in the mall.

Over 1 million masks were also donated to various frontliners and government agencies such as National Disaster Management Agency, police force and press / reporters in fight against Covid-19 during the 1st half of 2020 as part of its corporate social responsibility.

Diversity and Equal Opportunity

The Manager hires a total of 24 employees, of which 8 are male and 16 are female, representing a percentage breakdown of 1:2. The Manager's recruitment practices and hiring decision are not biased as they are based on meritorious grounds of potential candidates, regardless of their gender, race and religion. The employee distribution graph below illustrates the age distribution of its employees within each employment category. While management category comprises assistant managers and above, the executive category comprises all the executives and senior executives.

SUSTAINABILITY STATEMENT
cont'd

Employee Retention

5 of the Manager's employee resigned during the year with 2 recruitments engaged in FY2020. The Manager maintains a fair and productive work environment for its employees besides encouraging a work-life balance lifestyle by offering various benefit plans.

The benefits offered to all employees include, but not limited to health insurance and medical check-up, subsidies for meals, travelling and mobile phone allowances, different types of leave allowance as well as financial support for education. As part of the emphasis on health and wellbeing of its employees, the Manager also sponsors a variety of fitness classes for its employees which provide an avenue for employees to socialise and reduce work-related stress.

- **Medical**
  - Outpatient
  - Inpatient
- Health Insurance
- Annual Medical Check-Up

- **Allowance**
  - Travel
  - Handphone
  - Car Park
  - Meal
  - Mileage claim

- **Leave**
  - Maternity
  - Paternity
  - Marriage
  - Compassionate
  - Examination

- **Others**
  - Subscription of Professional Membership
  - Sponsorship of Development Programme

Training and Education

The Manager believes that its workforce attractiveness can be enhanced by ability to nurture and develop human capital as continuous learning is essential for any workforce in this rapidly evolving economy. The Manager endeavours to support its employees' educational development and skill improvement, which serve as a means to accommodate current investing trends and management approach in the real estate industry.

Key Programmes and Training Hours

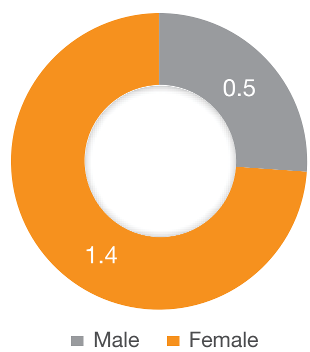
The Manager is cognisant of extensive knowledge required in managing Pavilion REIT, especially with the change in investment trends within the real estate industry in order to attract investment from new unitholders and increase the occupancy rate of the Fund's properties. The training programmes attended by its employees cover topical and current issues related to investment decision, financial matters and human resources aspect, many of which were available virtually without any fees payable due to the Covid-19 pandemic. Official key training programmes that were attended by its employees and recorded by Human Resource are as listed below:-

Training Programme	Hours
Anti-Bribery & Corruption Policy	1
Managing Changes to Our Employment Law	8

With business objectives to remain industry-relevant and achieve sustainable growth, the Manager continuously monitor learning curve of its talent and different types of training are offered to its diverse workforce in order to optimise and further develop their professional skills. As of December 2020, the official recorded average training hours for our male and female employees are 0.5 hours and 1.4 hours respectively.

Average Training Hours by Designation

Average Training Hours by Gender



SUSTAINABILITY STATEMENT
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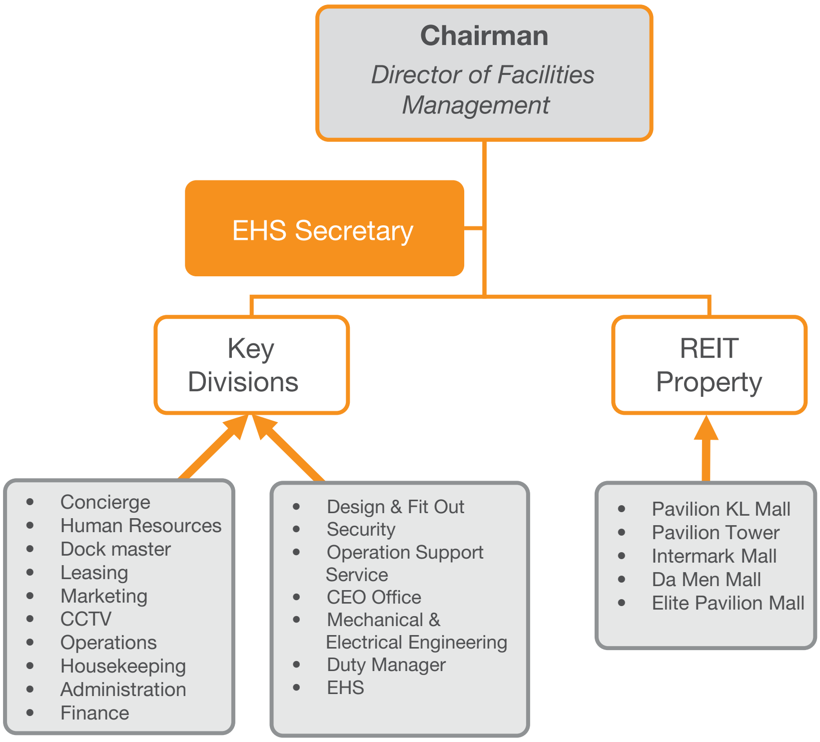
Health and Safety

Creating a Safe and Healthy Environment

Every effort is made to facilitate the health, safety and well-being of the Manager's employees and all other stakeholders. The Manager understands the importance of having a culture of safe work practices and have in place an Environment, Health and Safety ("EHS") committee working together with an Emergency Response Team ("ERT") to ensure full compliance with all applicable occupational health and safety ("OHS") regulations.

To effectively govern OHS performance, EHS committee and ERT which comprise members of workforce from various divisions have been established as illustrated below:-

Environment, Health and Safety Organisation Chart



Quarterly meetings are held to discuss, share and track all reported safety and health matters. Annual fire drills are conducted to familiarise tenants and employees with safety principles, evacuation routes and procedures. One of the precaution measures undertaken by Pavilion REIT to cater for health and safety of its stakeholders is to specially prepare rest areas and canteens for workers at properties covered by the Fund's portfolio so that they are able to obtain sufficient and uninterrupted recharge during working breaks, thereby reducing the occurrence of health and safety issues.

EHS policy, endorsed by the Manager's CEO, has been applied across all of Pavilion REIT properties since its inception to govern safe conduct when carrying out business activities and preserve safety of its stakeholders. The EHS policy encompasses prevention and continuous improvement measures as well as outlines the duty of employees to adhere to OHS requirement at work.

Due to the Covid-19 pandemic, more sanitizing and cleaning activities have been undertaken to provide a safe environment to patrons visiting Pavilion REIT's properties. Contactless temperature scanners and sensors have been procured to minimise physical contact besides only operating selective entrances to ensure there are enough resources to enforce the required compliances. Aqueous ozone water is also being used daily in Pavilion Malls to clean the entire malls. This ozone water also acts as sanitizer to remove dirt, bacteria, virus and mould. Regular reminders and guidance are also given to its tenants with duty manager remain contactable at all times for advise. The Manager had also activated its business continuity plan by dividing its work force into teams and maintaining different work locations to ensure its operations are able to function smoothly in the event staff are infected.

Safety Training

Pavilion REIT Management Environment, Health & Safety Policy

Prevention & Continuous Improvement

- Provide adequate resources for effective environmental, health and safety management
- Prevent workplace accidents, near misses, dangerous occurrences and occupational diseases and occupational poisoning
- Provide adequate environment, health and safety training programmes
- Provide and maintain a safe an healthy workplace and environment

Duty of Employees

- Adhering to the EHS rules and regulations
- Reporting all work-related and environmental incidents
- Assisting in the investigations of accidents, near misses, dangerous occurrences, occupational diseases and occupational poisoning
- Participating in the EHS programmes and actively involved in peer guidance
- Working in a safe and healthy manner through self regulations principles

To ensure that Pavilion REIT properties are constantly kept abreast with the best practices in OSH management, training for emergency preparedness is organised regularly throughout the year for the staff as well as tenants and contractors. Trainings organised are in the categories of first aid, understanding and managing safety, specialist, and fire safety/emergency response. Each category is supported by relevant training programmes that key personnel are required to undertake to maintain their first aid qualifications and create awareness on handling emergency situations, as presented in the table below:

First Aid	Understanding and Managing Safety	Specialist	Fire Safety/Emergency Response
• CPR/AED Refresher • Pavilion Paramedic • Epilepsy	• Safety Committee Inspection Training • Chemical Handling (Hazardous Material) & Personal Protective Equipment • Hazard Identification Risk Assessment and Risk Control & Determination • Trauma Tent (Emergency First Responder) • Working at Height • Food Safety & Hygiene Inspection Training • First Aid Training for Tenant • Communication Protocol • Workplace Threat & Violence • Elevator & Escalator Emergencies • Power Failure • Severe Weather • Water Pipe or Sprinkler Break • Flood Gate Simulation Exercise • Managing Child Birth • Contractor Safety Induction	• GAS Authorise Inspector/OB • Introduction, Safety, Legal, Handling of Weapons (Pistol), Bullets and Shooting Course • Building Lock Down – Tower • Standard Operating Procedure – Handling Bomb, Threat Call and Search Procedure • Bomb Threat • T'Baton Training • Civil Disturbance • Kidnapping • Earthquake • Handling Riot/Hostage	• Fireman, Search & Rescue Training • Fireman Breathing Apparatus Training • Fire Safety Conference • Fire Drill Briefing for Tenant • Fire Training for Fire Marshall/Warden Floor/ Office Security Controller • Mall Fire Drill • Fire Extinguisher Practice • ERT & BOMBA Training • Introduction to Wet Riser & Hose Reel • Introduction to Fireman PPE • Fire Drill Table Talk (Simulation) • Historian, Operator/ Control Room Training • Natural Gas Leak • Medic Training for First Responder

SUSTAINABILITY STATEMENT
cont'd

Due to Covid-19 pandemic, all trainings physical trainings were suspended. Regular updates were and are given via emails and notifications.

There were no injuries and no work-related fatalities among the employees of the Manager during the year. The Manager believes that the zero work-related injury and fatal incident rates among its employees are attributable to stringent OHS governance, compliance with safety procedures as well as regular reminders and OHS training provided within the organisation.

Visitor Health and Safety

The Manager views its visitors' health and safety as top priority and maintains preventive measures to minimise accidents in its properties. In addition to having CCTV surveillance system installed for strategic monitoring, panic buttons are also available in car park and remote public mall areas where there's less patronage. Wheelchairs, walking aids and disable facilities are also available at all Pavilion REIT's retail malls to increase shoppers' comfort.

Prompt investigation will be undertaken immediately followed by corrective action in the event of any threats to its visitor health and safety issues. The Manager is pleased to report that no material accident and injury has happened during the year.

Customer Privacy

The Manager is aware of the potential data privacy and security risks associated with using technology to streamline services and to enhance operational efficiency. The necessary checks and measures performed to prevent such risks are in place and these include:

- implementing in-house standards and policies to deal with confidential data
- educating employees to refrain from visiting suspicious websites
- educating employees to report the receipt of suspicious emails
- educating employees on the knowledge of major security flaw and its implications
- avoiding sub-contracting of IT services to a non-credible third party
- disallowing vendors to access our servers and databases
- only allowing selected staffs to gain access to servers and databases

The Manager has been adopting a transparent shopper data-gathering process which is performed directly by every shopper or assisted by customer service personnel. A shopper is required to acknowledge their authorisation for the collection of pertinent personal data through a privacy statement formulated in accordance with Personal Data Protection Act 2010. The privacy statement will be updated as and when required to incorporate any necessary change to ensure the compliance with regulation.

In 2020, there was no security breach or suspected breach identified as servers' IT systems are diligently monitored to ensure they meet the operational and business requirements of performance, capacity and utilisation.

CONCLUSION

In recognising the impact of material ESS risks and opportunities on the portfolio and stakeholders of Pavilion REIT, the Manager is committed to embedding related ESS consideration into the daily business management to deliver long-term sustainable value to the Fund's stakeholders. The Manager is confident that the decision- making process which factors in ESS risks and opportunities could establish the resilience and credibility of Pavilion REIT in the long term.

SUSTAINABILITY STATEMENT
cont'd

GRI Standard		Reporting Section/Reference
GRI 100 - UNIVERSAL STANDARDS		
GRI 101: Foundation 2016		
101-1	Reporting Principles	Sustainability Statement
101-2	Using the GRI Standards for sustainability reporting	Sustainability Statement
101-3	Making claims related to the use of the GRI Standards	About the Sustainability Statement
GRI 102: General Disclosures 2016		
Organisational Profile		
102-1	Name of the organisation	Introduction
102-2	Activities, brands, products and services	About the Business, Portfolio Details*
102-3	Location of the headquarters	Corporate Information*
102-4	Location of operations	About the Sustainability Statement, Portfolio Details*
102-5	Nature of ownership and legal form	Salient Features of Pavilion REIT*, Pavilion REIT Structure*
102-6	Markets served	Portfolio Details*
102-7	Scale of the organisation	Highlight*, Portfolio Details*, Diversity and Equal Opportunity
102-8	Information on employees and other workers	Market Presence, Diversity and Equal Opportunity, Employee Retention
102-9	Supply chain	Procurement and Supply Chain
102-10	Significant changes to the organisation and its supply chain	Introduction, Procurement and Supply Chain
102-11	Precautionary Principle or approach	Risk Management, Statement of Risk Management and Internal Control*
102-12	External Initiatives	Business Ethics/Core Values
102-13	Membership of associations	Indirect Economic Impact
Strategy		
102-14	Statement from senior decision-maker	Message from the CEO*
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Business Ethics/Core Values
Governance		
102-18	Governance structure	Governance Structure, Corporate Governance Overview Statement*
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement Table
102-41	Collective bargaining agreements	About the Sustainability Statement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement

SUSTAINABILITY STATEMENT
cont'd

GRI Standard		Reporting Section/Reference
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Note 5 to the Financial Statements*, About the Sustainability Statement
102-46	Defining report content and topic boundaries	Introduction, Stakeholder Engagement
102-47	List of material topics	Materiality
102-48	Restatements of information	About the Sustainability Statement
102-49	Changes in reporting	About the Sustainability Statement
102-50	Reporting period	About the Sustainability Statement
102-51	Date of most recent report	About the Sustainability Statement
102-52	Reporting cycle	About the Sustainability Statement
102-53	Contact point for questions regarding the report	About the Sustainability Statement
102-54	Claims of reporting in accordance with the GRI Standards	About the Sustainability Statement
102-55	GRI content index	GRI Standards – Core Option Index
102-56	External assurance	No external assurance has been provided on this Sustainability Statement
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Economic, Conclusion
103-2	The management approach and its components	Economic, Conclusion
103-3	Evaluation of the management approach	Economic, Conclusion
GRI 200 - ECONOMIC		
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	Statement of Profit or Loss and Other Comprehensive Income*
201-2	Financial implications and other risks and opportunities due to climate change	Risk Management
201-3	Defined benefit plan obligations and other retirement plans	-
201-4	Financial assistance received from government	-
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Market Presence
202-2	Proportion of senior management hired from the local community	Market Presence, Diversity and Equal Opportunity
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	Economic Performance, Indirect Economic Impact
203-2	Significant indirect economic impacts	Indirect Economic Impact
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	Procurement and Supply Chain

SUSTAINABILITY STATEMENT
cont'd

GRI Standard		Reporting Section/Reference
GRI 205: Anti-Corruption 2016		
205-1	Operations assessed for risks related to corruption	Business Ethics/Core Values
205-2	Communication and training about anti-corruption policies and procedures	Business Ethics/Core Values
205-3	Confirmed incidents of corruption and actions taken	Business Ethics/Core Values
GRI 300 - ENVIRONMENTAL		
GRI 302: Energy 2016		
302-1	Energy consumption within the organisation	Energy Consumption
302-2	Energy consumption outside of the organisation	-
302-3	Energy intensity	-
302-4	Reduction of energy consumption	Energy Consumption
302-5	Reductions in energy requirements of products and services	-
GRI 303: Water 2016		
303-1	Water withdrawal by source	Water Consumption
303-2	Water sources significantly affected by withdrawal of water	Water Consumption
303-3	Water recycled and reused	Water Consumption
GRI 306: Effluents and Waste 2016		
306-1	Water discharge by quality and destination	-
306-2	Waste by type and disposal method	Waste Management
306-3	Significant spills	-
306-4	Transport of hazardous waste	Waste Management
306-5	Water bodies affected by water discharges and/or runoff	-
GRI 400 - SOCIAL		
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Employee Retention
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employee	Employee Retention
401-3	Parental leave	Employee Retention
GRI 403: Occupational Health and Safety 2016		
403-1	Workers representation in formal joint management–worker health and safety committees	Creating a Safe and Healthy Environment
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Safety Training
403-3	Workers with high incidence or high risk of diseases related to their occupation	-
403-4	Health and safety topics covered in formal agreements with trade unions	-

SUSTAINABILITY STATEMENT
cont'd

GRI Standard		Reporting Section/Reference
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Training and Education
404-2	Programmes for upgrading employee skills and transition assistance programmes	Training and Education
404-3	Percentage of employees receiving regular performance and career development reviews	-
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity
405-2	Ratio of basic salary and remuneration of women to men	Market Presence
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programmes	Community Engagement
413-2	Operations with significant actual and potential negative impacts on local communities	Community Engagement
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Visitor Health and Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Visitor Health and Safety
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy

Note:-

** From other sections of annual report which is not part of this Sustainability Statement*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Pavilion REIT Management Sdn Bhd, the Manager of Pavilion Real Estate Investment Trust, was set-up to manage and administer Pavilion REIT. Licensed by the Securities Commission under the Capital Market Services Act, the Manager in carrying out its responsibilities advocates good corporate governance to retain high values of clarity, responsibility and honesty and be subjected to provisions of the Deed, Listed REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance and any other relevant laws.

The Manager shall, in managing Pavilion REIT, undertake primary management activities in relation to Pavilion REIT, including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deed with proper, diligent and efficient manner with acceptable and efficacious business practices in the real estate investment industry.

Principal A : Board Leadership and Effectiveness

The Board members, with their wide, varied range of expertise, skills and experiences have adopted the primary responsibilities as listed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2017, all of which is to steward Pavilion REIT's business and facilitate the discharge of the Manager's responsibilities with a view to enhance unitholders value and interest and maintaining high standards of transparency, accountability and integrity. The Board Charter was formally approved and adopted by the Board on 1 November 2012.

The Board meets at least once every quarter and focuses on principal matters such as strategic issues and planning, including performance reviews and promoting business sustainability, setting the risk appetite, acquisitions and disposals, financial performance and advocating ethical standards through a code of conduct.

Notices, agenda and meeting papers are circulated to directors in a timely manner to ensure that the directors have sufficient time to review the matters under consideration. All members of the Board have access to the advice and services of the company secretary and compliance officer and are entitled to obtain independent professional advice in discharging their duties.

Members of the Board consists of twelve members, of which three are non-independent executive directors, five non-independent non-executive directors and four independent non-executive directors.

Although the Chairman is an executive director with only one third of its Board being independent non-executive directors, the Board believes that the Chairman, who has significant interest in Pavilion REIT will act in the best interest of the Fund's unitholders.

The Chairman carries out a leadership role in the conduct of the Board and is primarily responsible for ensuring the adequacy and integrity of the governance process besides guiding and mediating the Board's action and maintaining regular dialogues with the CEO.

The CEO, whose position is held separately by a different person, is responsible to ensure the effective implementation of strategic plan and policies established by the Board to manage the daily conduct of its business to ensure the smooth operations, supervision and management of Pavilion REIT. The approved policies and standard operating procedures for level of authority for transactions, maintenance and operations of Pavilion REIT's properties as well as acquisitions and divestments of investments procedures will continuously be reviewed, enhanced and updated in line with changes in the operating environment.

Audit Committee and Nominating Committees, comprising mainly of independent directors have also been setup to assist the Board in discharging its duties and responsibilities via terms and reference approved by the Board members. The Committee members would meet to discuss on matters within their scope and thereafter the Committee Chairman would recommend them to the Board for decision. All Committee and Board meetings are minuted. More details are available under the section of Audit Committee Report and Nominating Report respectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

Any director that has any interest, whether directly or indirectly, in a contract or proposed contract would have to declare his/her interest and not participate in deliberations and shall abstain from casting his/her votes in any matter arising therefrom. Should there be an actual, potential or perceived conflict of interest or a related corporate and a director, or an associate of a director as a spouse or other family members, the director involved shall make full disclosure and act honestly in the best interest of Pavilion REIT. The Audit Committee is responsible to review any related party transactions or conflict of interest situations and the Manager will ensure compliance with the Deed and any other regulatory guidelines.

Directors shall devote sufficient time to carry out their responsibilities. The Board will obtain this commitment from its members at the time of appointment. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment. The remuneration or fees due to its Directors are paid by the Manager and not Pavilion REIT.

The Board met four times during the financial year ended 31 December 2020 with details of attendance as stated below :

Name of Directors	Designation	Number of meetings attended
Tan Sri Lim Siew Choon	Chairman and Non-Independent Executive Director	4/4
Puan Sri Tan Kewi Yong	Non-Independent Executive Director	4/4
Dato' Lee Tuck Fook	Non-Independent Executive Director	4/4
Ahmed Ali H A Al-Hammadi	Non-Independent Non-Executive Director	3/4
Ahmad Mohammed F Q Al-Khanji	Non-Independent Non-Executive Director	3/4
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	4/4
Navid Chamdia	Non-Independent Non-Executive Director	4/4
Ooi Ah Heong	Non-Independent Non-Executive Director	4/4
Dato' Mohzani bin Abdul Wahab	Independent Non-Executive Director	4/4
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	4/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Syed Mohd Fareed bin Shaikh Alhabshi	Independent Non-Executive Director	4/4

During the financial year under review, the Directors had attended various programmes to enhance their knowledge and expertise as well as to keep abreast with the relevant changes in law, regulations and business environment.

Training programmes attended by the Directors during the financial year were :

- Audit Committee Institute Virtual Roundtable 2020
- Digital Transformation and Disruptors
- Industry 4.0 and Its Impact on Malaysian Capital Market
- Key Features of the New Section 17A MACC Act 2009 on Corporate Liability
- MASB Engagement Session on IFRS Foundation's Consultation Paper – Sustainability Reporting
- Property Market Outlook
- The Board Chair – The First Among Equals
- The Malaysian Economic Summit 2020 – Covid-19 : Assessing Financial & Economic Impacts & Its Aftermath
- Unpacking Corporate Liability Section 17A of the MACC Act 2009 and the Guidelines on Adequate Procedures for Practical Application

The Nominating Committee had reviewed and accessed each Board member and concluded that their performance is satisfactory with performance level and qualifications being met and in compliance with requirements. Independent directors are autonomous and can deliver objective judgement for the Board's deliberation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

Principal B : Effective Audit and Risk Management

Audit Committee members, comprising mainly of independent directors, are responsible to evaluate risks, review financial reporting, gauge internal and external audit processes as well as to review related party transactions and conflict of interest situations. Additional information is available under the section of Audit Committee Report and Statement of Risk Management and Internal Control.

The Nominating Committee had determined that Audit Committee and its members have discharged their duties effectively and in accordance with their terms and reference.

Principal C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board acknowledges that providing prompt and accurate disclosure of information to unitholders is critical. Hencewith, disclosures are made via annual report and announcements on Bursa Malaysia, corporate website, roadshows and conferences. Consistent engagement ensures that Pavilion REIT's information are transmitted on timely basis. Annual general meeting is also another platform for unitholders to engage with the Manager to seek clarification, update and feedback.

The CEO, as the official spokesperson for the Fund, meets with analyst and fund managers to provide them with updates or upon request, besides attending investors' roadshows and seminars. Besides timely announcements and disclosures to Bursa Malaysia, its website, www.pavilion-reit.com is also regularly being updated. Please refer to Investors Relation and Fund Performance section for details of roadshows or seminars attended.

The Manager will continue to enhance its communication channels to ensure its unitholders, fund managers and stakeholders obtain information that are timely and relevant.

NOMINATING COMMITTEE REPORT

The Nominating Committee has been established on 24 April 2013 and it comprises exclusively of five Non-Executive Directors with a majority of whom are independent directors.

Name of Directors	Designation	Number of Meetings Attended
Dato' Maznah binti Abdul Jalil (Chairperson)	Independent Non –Executive Director	2/2
Dato' Mohzani bin Abdul Wahab	Independent Non-Executive Director	2/2
Dato' Choo Chuo Siong	Independent Non-Executive Director	2/2
Ooi Ah Heong	Non-Independent Non-Executive Director	2/2
Mohd Abdulrazzaq A A Al-Hashmi	Non-Independent Non-Executive Director	2/2

The Nominating Committee is responsible to conduct the annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each of the Audit Committee member based on the required mix of skills, competence, expertise, knowledge, experience, integrity and other qualities of the Directors to ensure that the Board and Board Committees are functioning effectively and efficiently and to enable the Board to make effective business decisions and recommendations. For the independent directors, they are assessed based on their independence and abilities to discharge their responsibilities and functions with objective judgement.

The Nominating Committee is also tasked with identifying, nominating and orientating and recommending candidature for new directors based on the following criteria:

(a) character, experience, competence, integrity and time;
(b) skills, knowledge, expertise and experience;
(c) professionalism;
(d) integrity; and
(e) for position of independent directors, the candidates' abilities to discharge their responsibilities and functions independently as expected from the independent director.

There were no new appointment of director considered during the financial year ended 31 December 2020.

The Board has not specified any gender policies in its evaluation of candidacy. However, the evaluation will be reviewed and revised from time to time to meet the needs of the Manager.

During the financial year ended 31 December 2020, the Nominating Committee had assessed and reviewed the following aspects:

(i) the performance of the Board and Board Committees;
(ii) the contribution of each of the Directors;
(iii) the independence of the Independent Non-Executive Directors;
(iv) the term of office, performance of Audit Committee and each of its members;
(v) the terms and reference of the Nominating Committee Charter;
(vi) to recommend those Directors retiring be nominated for re-election/re-appointment having regard to the individual's experience, contributions and performance; and
(vii) the retention of the Independent Non-Executive Directors whose tenure as Independent Director will exceed 9 years.

The Nominating Committee is satisfied with the performance of the Board, Board Committees and contribution of each of the Directors. The Independent Non-Executive Directors have maintained their independence and are competent to continue serving as the independent directors. The Audit Committee and its members have discharged their duties effectively and in accordance with their terms of reference.

AUDIT COMMITTEE REPORT

The Audit Committee, formed on 24 October 2012 comprising of 4 members has been entrusted to assess the risks and control environment, oversee financial reporting, evaluate the internal and external audit process as well as to review conflict of interest situations and related party transactions.

Name of Directors	Designation	Number of Meetings Attended
Dato' Mohzani bin Abdul Wahab (Chairman)	Independent Non-Executive Director	4/4
Dato' Maznah binti Abdul Jalil	Independent Non-Executive Director	4/4
Dato' Choo Chuo Siong	Independent Non-Executive Director	4/4
Navid Chamdia	Non-Independent Non-Executive Director	4/4

Summary of work undertaken by Audit Committee during the year under review is as listed below :-

(a) reviewed and deliberated with the Manager's management the quarterly financial results to recommend to the Board for approval and release to Bursa Malaysia. Consideration was given by Audit Committee to understand financial results of each properties with close attention given to update under "Prospects'
(b) reviewed list of related party transactions every quarter to determine whether there has been any material change as compared to the previous quarter and whether the transactions have been established under normal commercial terms that are no less favourable than those arranged with independent parties
(c) reviewed the internal control plan prepared by BDO Governance Advisory Sdn Bhd ("BDO")
(d) On 22 October 2020, a meeting was held by Audit Committee with BDO to assess the internal control review report prepared by them. BDO gave explanation on findings of review, proposed recommendations and corresponding Manager's responses, which were noted by the Audit Committee
(e) reviewed audit plan with external auditor, KPMG PLT by understanding its audit methodology, significant risk areas and accounting policies / disclosures and timing. KPMG PLT were also asked of its succession planning of its key personnel leading the audit and sufficiency of resources.
(f) On 27 January 2021, the Audit Committee were briefed privately by KPMG PLT (without presence of the Manager's management) on status of its audit
(g) reviewed and commented on the audit committee report and statement of risk management and internal control for inclusion into the annual report
(h) evaluated the work scope, approach and fees to outsourced internal auditor and recommended for their engagement
(i) evaluated the approach and fees of external auditor and recommended for their engagement for the following year

For the current year, BDO has been engaged to perform internal audit review for Pavilion REIT. Summary of its work undertaken during the year under review are as listed below :-

(a) presented its work scope and timeframe covering key business processes of procurement to payment of property operating expenses and property enhancements, tenancy management to collection of rentals as well as information technology general controls
(b) understand and evaluate business processes and related business controls from a risk perspective along the entire life cycle
(c) identify control inadequacies within the processes and recommend best practices
(d) consider the effectiveness and efficiency of processes and controls from both integrity and process improvement opportunities
(e) presented findings of internal audit review to Audit Committee members

Audit and Non-Audit Fees

Audit and non-audit fees payable to the external auditor of Pavilion REIT for the current financial year amounted to RM195,000 and RM12,000 respectively.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Manager realises the significance of establishing a sufficient and effective risk management and internal control system, and has attended to this under the Pavilion REIT Operation Manual approved by the Board. Such process has been in place for the past years under review, including up to the date of approval of this statement for inclusion in the annual report.

There is a policy in place pertaining to the level of authority required for transactions and standard operating procedures pertaining to operations and maintenance of Pavilion REIT's properties as well as acquisitions and divestments of property.

The Audit Committee and Board meet at least once every quarter to review the financial performance of Pavilion REIT against the approved budget. The Board also reviews the business risk of Pavilion REIT, where identified by the CEO, internal auditor and external auditor and acts accordingly, where deemed appropriate. Board's approval is required for any proposed acquisition or disposal of investment property, which would be evaluated from the aspect of economic, environment, financial and risks relevant to the property industry / sector. The CEO meets the management regularly to review, monitor and manage risks identified by the management and thereafter, update the Audit Committee as required.

Standard Operating Procedures for management of Pavilion REIT properties have been adopted, which comprise operational guide, control and monitoring procedures / reports.

BDO Governance Advisory Sdn Bhd ("BDO") has been appointed as internal auditor whereby they had performed internal control review of the following areas:-

i) Procurement to payment of property operating expenses and property enhancements;
ii) Tenancy management to collection of rentals; and
iii) Information technology general controls

The execution strategy that BDO adopts is one that is risk-based and process life cycle focused. Risk-based approach allows BDO to prioritise audit on functions or processes that are of the highest concern, or which will have significant impact to Pavilion REIT in the event of control failures.

A process life cycle approach allows BDO to:

- Understand and evaluate business processes and related business controls from a risk perspective along the entire life cycle;
- Identify control, inadequacies within the processes and recommend practical solution; and
- Consider the effectiveness and efficiency of processes and controls, ie not just in terms on integrity but also in terms of process improvement opportunities

The Audit Committee has reviewed the findings presented by BDO during the year. Recommendations made by BDO have been rectified and adhered to and the Board will continue to monitor the recommendations on an on-going basis.

The Board has received assurance from the CEO that the risk management and internal control system is operating sufficiently and effectively, in all material aspects.

The Board is of the view that the risk management and internal control system in place for the year under review is adequate and effective. Nevertheless, it will always be improved and updated in line with changes in the operating environment.

Due to inherent restrictions, the controls which are employed are intended to cope with and are not expected to eliminate all risks of failure to achieve business objectives. Established controls can only provide realistic and not total assurance against material misstatement of management and financial information or against financial losses and fraud.

MANAGER'S REPORT

The Manager is pleased to present its report together with the audited financial statement of Pavilion REIT for the financial year ended 31 December 2020.

Pavilion REIT is a Malaysia-domiciled real estate investment trust constituted pursuant to the Deed and was formally admitted to the Main Market of Bursa Malaysia Securities Berhad on 7 December 2011.

There is no change in the strategy or direction of Pavilion REIT's intention of investing, directly and indirectly in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes with the primary objective to provide the unitholders with regular and stable distributions and achieve long-term growth in NAV per unit, while maintaining an appropriate capital structure.

Directors

Directors of the Manager who served during the financial year until the date of this report are:

Tan Sri Lim Siew Choon
Puan Sri Tan Kewi Yong
Dato' Lee Tuck Fook
Ahmed Ali H A Al-Hammadi
Ahmad Mohammed F Q Al-Khanji
Mohd Abdulrazzaq A A Al-Hashmi
Navid Chamdia
Ooi Ah Heong
Dato' Mohzani Bin Abdul Wahab
Dato' Maznah Binti Abdul Jalil
Dato' Choo Chuo Siong
Syed Mohd Fareed Bin Shaikh Alhabshi

Directors' Interests in Shares

The interests in the unitholdings of a real estate investment trust managed by the Manager and the shareholdings in the Manager and of its related corporations of those who were Directors at the financial year end are as follows:

	Number of units			
	At 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Direct unitholdings in Pavilion REIT:				
Tan Sri Lim Siew Choon	845,425,0000	-	-	845,425,0000
Puan Sri Tan Kewi Yong	281,875,0000	-	-	281,875,0000
Dato' Lee Tuck Fook	100,0000	-	-	100,0000
Navid Chamdia	100,0000	-	-	100,0000
Ooi Ah Heong	100,0000	-	-	100,0000
Dato' Mohzani Bin Abdul Wahab	100,0000	-	(100,000)	-
Dato' Maznah Binti Abdul Jalil	100,0000	-	-	100,0000

MANAGER'S REPORT
cont'd

	Number of ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
Direct interest in the ultimate holding corporation, Pavilion Pacific Ltd:				
Tan Sri Lim Siew Choon	75	-	-	75
Puan Sri Tan Kewi Yong	25	-	-	25
Indirect interest in a related company, Urusharta Cemerlang Sdn Bhd:				
Tan Sri Lim Siew Choon	113,730,000	-	-	113,730,000
Puan Sri Tan Kewi Yong	113,730,000	-	-	113,730,000
Indirect interest in the Manager:				
Tan Sri Lim Siew Choon	2,550,000	-	-	2,550,000
Puan Sri Tan Kewi Yong	2,550,000	-	-	2,550,000

By virtue of their interest in the shares of Pavilion Pacific Ltd, the ultimate holding corporation, Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong are deemed to have interest in the shares of the subsidiaries to the extent that the ultimate holding corporation has an interest.

Except as disclosed above, the other Directors holding office as at 31 December 2020 had no interest in the ordinary shares of the Manager and of its related companies during the financial year.

Directors' Benefit

For the year ended 31 December 2020, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by Pavilion REIT or a related corporation with the Director or with a firm which the Director is a member, or with a company in which the Director has substantial financial interest except as disclosed in the Financial Statements.

There were no arrangements during and at the end of the twelve months period which had the object of enabling Directors of the Manager to acquire benefits by means of acquisition of Units or debentures of Pavilion REIT or any other body corporate except as disclosed in the Financial Statements.

Soft Commission

There was no soft commission received by the Manager during the reporting financial year.

Manager's Fee

Pursuant to the Deed, the Manager is entitled to receive the following :-

i) a base fee ("Base Fee") of up to 1.0% per annum of the total asset value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).

ii) a performance fee ("Performance Fee") of up to 5.0% per annum of net property income of Pavilion REIT.

iii) an incentive fee ("Incentive Fee") receivable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by Pavilion REIT's unitholders being obtained)

Fee Receivable (% per annum of the total asset value of Pavilion REIT)	Criteria – Provided that annual growth in the distributable income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.

v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

The Base Fee, Performance Fee, Acquisition Fee and Divestment Fee shall be receivable in the form of cash, new Units of Pavilion REIT or a combination thereof at the sole discretion of the Manager. The Incentive Fee is receivable in Units only.

Fund management fees in cash are receivable within seven (7) days of the following events:

i) in respect of the Base Fee and Performance Fee, monthly based on monthly management accounts of Pavilion REIT and be reconciled to quarterly and annual audited financial statements;

ii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/divestment.

Fund management fees in units are receivable upon approval from the authority for the listing of and quotation of Pavilion REIT Units. Where approval cannot be obtained, the fees shall be receivable in cash.

Other Information

Before the statement of profit or loss and other comprehensive income and statement of financial position of Pavilion REIT were made out, the Manager took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in Pavilion REIT inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of Pavilion REIT misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Pavilion REIT misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Pavilion REIT misleading.

MANAGER'S REPORT
cont'd

At the date of this report, there does not exist:

i) any charge on the assets of Pavilion REIT that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of Pavilion REIT that has arisen since the end of the financial year.

No contingent liability or other liability of Pavilion REIT has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Manager, will or may substantially affect the ability of Pavilion REIT to meet its obligations as and when they fall due.

In the opinion of the Manager, the financial performance of Pavilion REIT for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Material Litigation

There is no material litigation pending that is not disclosed in this report.

Sanctions and/or Penalties

There is no public sanction and/or penalty imposed on Pavilion REIT, the Manager or Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2020.

Auditor

The auditors of Pavilion REIT, Messrs KPMG PLT, have indicated their willingness to accept re-appointment.

For and on behalf of Pavilion REIT Management Sdn Bhd

TAN SRI LIM SIEW CHOON
Chairman

DATO' LEE TUCK FOOK
Non-Independent Executive Director

Kuala Lumpur
27 January 2021

Financial
Statements

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Plant and equipment	4	1,172	1,105
Investment properties	5	5,863,000	5,913,000
Total non-current assets		5,864,172	5,914,105
Inventories		3,041	2,912
Trade and other receivables	6	33,452	71,076
Cash and bank balances	7	341,242	368,922
Total current assets		377,735	442,910
Total assets		6,241,907	6,357,015
Liabilities			
Borrowings	8	1,074,418	2,157,069
Payables and accruals	9	67,693	73,676
Total non-current liabilities		1,142,111	2,230,745
Borrowings	8	1,088,854	-
Payables and accruals	9	151,625	146,532
Total current liabilities		1,240,479	146,532
Total liabilities		2,382,590	2,377,277
Net asset value		3,859,317	3,979,738
Financed by:			
Unitholders' fund			
Unitholders' capital	10	2,938,844	2,931,927
Accumulated income		920,473	1,047,811
Total unitholders' fund		3,859,317	3,979,738
Net asset value ("NAV")			
Before income distribution		3,859,317	3,979,738
After income distribution*		3,782,575	3,855,053
Number of units in circulation ('000 units)	10	3,045,307	3,041,090
NAV per unit (RM)			
Before income distribution		1.2673	1.3087
After income distribution*		1.2421	1.2677

* *after proposed final income distribution of 2.52 sen per unit (2019: 4.10 sen per unit)*

The notes on pages 84 to 120 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Rental income		464,520	502,653
Revenue from contract customers	11	34,918	56,172
Other income		10,782	26,528
Gross revenue		510,220	585,353
Utilities		(57,438)	(73,272)
Maintenance		(57,098)	(61,950)
Property taxes		(16,390)	(16,354)
Other operating expenses	6	(145,770)	(58,593)
Net property income		233,524	375,184
Fair value (loss)/gain on investment properties		(70,321)	15,005
Interest income		6,385	11,289
Net investment income		169,588	401,478
Manager's management fees	12	(25,731)	(30,327)
Trustee's fees	1(c)	(485)	(485)
Valuation fee		(699)	(686)
Other trust expenses	1(c)	(495)	(90)
Borrowing costs	13	(95,833)	(107,260)
Income before taxation		46,345	262,630
Tax expense	14	-	-
Income after taxation/Total comprehensive income attributable to unitholders		46,345	262,630
Income after taxation is made up as follows:			
Realised		116,666	247,625
Unrealised		(70,321)	15,005
		46,345	262,630
Basic/Diluted earnings per unit (sen)	15	1.52	8.64

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

cont'd

	Note	2020 RM'000	2019 RM'000
Total comprehensive income		46,345	262,630
Distribution adjustments	A	79,497	(4,352)
Distributable income		125,842	258,278
Distribution per unit (sen) - interim		1.61	4.40
Distribution per unit (sen) - final		2.52	4.10

Note A

Distribution adjustments comprise:

	Note	2020 RM'000	2019 RM'000
Amortisation of transaction costs		2,334	2,613
Depreciation	4	409	458
Fair value loss/(gain) of investment properties		70,321	(15,005)
Manager's management fees payable in units	12	6,433	7,582
		79,497	(4,352)

The notes on pages 84 to 120 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE
for the year ended 31 December 2020

	Note	Unitholders' capital RM'000	Accumulated income RM'000	Total funds RM'000
At 1 January 2019		2,924,229	1,053,727	3,977,956
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	262,630	262,630
Unitholders' transactions				
Contributions by and distributions to unitholders				
Issue of new units		7,698	-	7,698
Distribution to unitholders	16	-	(268,546)	(268,546)
Increase/(Decrease) in net assets resulting from unitholders' transactions		7,698	(268,546)	(260,848)
Net assets at 31 December 2019/1 January 2020		2,931,927	1,047,811	3,979,738
Income after taxation/Total comprehensive income for the year attributable to unitholders		-	46,345	46,345
Unitholders' transactions				
Contributions by and distributions to unitholders				
Issue of new units		6,917	-	6,917
Distribution to unitholders	16	-	(173,683)	(173,683)
Increase/(Decrease) in net assets resulting from unitholders' transactions		6,917	(173,683)	(166,766)
Net assets at 31 December 2020		2,938,844	920,473	3,859,317
		Note 10		

The notes on pages 84 to 120 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Income before taxation		46,345	262,630
Adjustments for:			
Borrowing costs	13	95,833	107,260
Depreciation	4	409	458
Fair value loss/(gain) on investment properties		70,321	(15,005)
Impairment loss on trade receivables		17,147	1,937
Interest income		(6,385)	(11,289)
Plant and equipment written off		-	7
Operating income before changes in working capital		223,670	345,998
Changes in inventories		(129)	(828)
Changes in receivables		20,477	8,289
Changes in payables		10,540	(1,384)
Changes in tenants' deposits		(4,513)	(2,645)
Net cash from operating activities		250,045	349,430
Cash flows from investing activities			
Interest received		6,385	11,289
Payment for enhancement of investment properties		(20,321)	(4,995)
Pledged deposit		(1,489)	(2,424)
Purchase of plant and equipment		(476)	-
Net cash (used in)/from investing activities		(15,901)	3,870
Cash flows from financing activities			
Distribution to unitholders		(173,683)	(268,546)
Interest paid		(73,270)	(104,647)
Payment of financing expenses		(260)	(2,418)
Proceed from borrowings		10,000	386,841
Repayment of borrowings		(26,100)	(377,800)
Net cash used in financing activities		(263,313)	(366,570)
Net decrease in cash and cash equivalents		(29,169)	(13,270)
Cash and cash equivalents at 1 January		306,478	319,748
Cash and cash equivalents at 31 December	(i)	277,309	306,478

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020
cont'd

Note to Statement of cash flows

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2020 RM'000	2019 RM'000
Cash and bank balances	7	9,868	12,204
Deposits placed with licensed banks	7	331,374	356,718
		341,242	368,922
Less: Pledged deposits	7	(63,933)	(62,444)
		277,309	306,478

(ii) Cash outflows for leases as a lessee

	2020 RM'000	2019 RM'000
Included in net cash from operating activities		
Payment relating to short-term leases	192	366
Payment relating to leases of low-value assets	95	1,298
Total cash outflows for leases	287	1,664

The notes on pages 84 to 120 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Pavilion Real Estate Investment Trust ("Pavilion REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to the First Amended and Restated Trust Deed dated 18 February 2019 ("the Deed") between Pavilion REIT Management Sdn. Bhd. ("the Manager") and MTrustee Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Pavilion REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 27 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:

Registered office
6-2, Level 6, East Wing
Menara Goldstone
(Holiday Inn Express)
No.84, Jalan Raja Chulan
50200 Kuala Lumpur

Principal place of business
Lot 10.00.00, Level 10
Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur

The financial statements of Pavilion REIT as at and for the financial year ended 31 December 2020 comprise the Pavilion REIT and its wholly-owned special purpose companies, Pavilion REIT Venture Capital Sdn. Bhd. and Pavilion REIT Bond Capital Berhad, companies incorporated in Malaysia, of which their principal activities are to raise financing for and on behalf of Pavilion REIT.

Pavilion REIT is to invest, directly and indirectly in a diversified portfolio of income producing real estate used solely or predominantly for retail purposes with the primary objective to provide the unitholders with regular and stable distributions and achieve long-term growth in net assets value ("NAV") (being the total unitholders' fund) per unit, while maintaining an appropriate capital structure.

Pavilion REIT was formally admitted to the Main Market of Bursa Malaysia Securities Berhad on 7 December 2011.

The financial statements were approved by the Board of Directors of the Manager on 27 January 2021.

Pavilion REIT entered into several service agreements in relation to the management of Pavilion REIT and its property operations. The fee structure of these services is as follows:

(a) Property management fees

The Property Manager, Henry Butcher Malaysia Sdn. Bhd., is entitled to property management fee of RM380,000 (2019: RM380,000) per annum (excluding goods and services tax). In addition, the Property Manager is also entitled to full reimbursement of costs and expenses incurred in the operation, maintenance, management and marketing of the properties held by Pavilion REIT (including but not limited to the cost relating to the employment and remuneration of on-site staff provided) ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager's management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from Pavilion REIT:

(i) a base fee ("Base Fee") of up to 1.0% per annum of the Total Asset Value of Pavilion REIT (excluding cash and bank balances which are held in non-interest bearing accounts).

(ii) a performance fee ("Performance Fee") of up to 5.0% per annum of Net Property Income.

1. **GENERAL (cont'd)**

(b) Manager's management fees (cont'd)

(iii) an incentive fee ("Incentive Fee") payable as follows effective from the second full financial year in which Pavilion REIT has been established and in operation (subject to the relevant approval by unitholders being obtained).

Fee Payable (% per annum of the Total Asset Value of Pavilion REIT)	Criteria – Provided that annual growth in the Distributable Income in a Financial Year (calculated before accounting for Incentive Fee in that Financial Year):
Up to 0.10%	Exceeds 7.5% and up to 10.0%
Up to 0.15%	Exceeds 10.0% and up to 12.5%
Up to 0.20%	Exceeds 12.5%

(iv) an acquisition fee ("Acquisition Fee") of 1.0% of transaction value in relation to an acquisition of any real estate and real estate related assets directly or indirectly acquired.

(v) a divestment fee ("Divestment Fee") of 0.5% of transaction value in relation to disposal of any real estate and real estate related assets directly or indirectly sold or divested.

The Manager shall be paid the Base Fee, Performance Fee, Acquisition Fee and Divestment Fee in the form of cash, new units or a combination thereof at the election of the Manager in its sole discretion. The Incentive Fee is payable in units only.

The payment of the Manager's management fee in the form of new units will be in accordance with the following formula:

$$\text{New Units to be issued as payment of the Management Company's management fee} = \frac{\text{Management Company's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 Market Days preceding the following events:

(i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports;
(ii) in respect of the Incentive Fee, the announcement of the annual financial statements; or
(iii) in respect of the Acquisition Fee and Divestment Fee, the completion of the relevant acquisition/ divestment,

(each a "**Trigger Event**").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new units to be issued and the issue price of the new units when new units are issued as payment for Management Fee. Payment of the Management Fees in units shall also be subjected to Pavilion REIT complying with the public spread requirements stated in the Main Market Listing Requirements and there being no adverse implications under the Malaysian Code on Take-Overs and Mergers 2016.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

1. **GENERAL (cont'd)**

(c) **Trustee's fees**

In accordance to the Deed, an annual trusteeship fee of up to 0.05% per annum of NAV, but limited to RM485,000 for the current financial year (2019: limited to RM485,000), is to be paid to the Trustee.

For the financial year, Pavilion REIT has incurred reimbursed expenses to the Trustee of RM196 (2019: RM1,748) which is part of other trust expenses.

2. **BASIS OF PREPARATION**

(a) **Statement of compliance**

The financial statements of Pavilion REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by Pavilion REIT:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

Pavilion REIT plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.
- from the annual period beginning on 1 January 2023 for the amendment that is effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to Pavilion REIT.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of Pavilion REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of Pavilion REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 5 – investment properties, Note 6 – trade and other receivables and Note 14 – tax expense.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Pavilion REIT, unless otherwise stated:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by Pavilion REIT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Pavilion REIT controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

Pavilion REIT also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in Pavilion REIT's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to Pavilion REIT.

For new acquisitions, Pavilion REIT measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, Pavilion REIT elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that Pavilion REIT incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, Pavilion REIT derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If Pavilion REIT retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these financial statements.

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Pavilion REIT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Pavilion REIT categorises financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless Pavilion REIT changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impairment financial assets (see Note 3 (h)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

Financial liabilities at initial recognition are categorised as amortised cost and are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial instruments (cont'd)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to Pavilion REIT, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative year are as follows:

Furniture and fittings	10 years
IT equipment and software	3 years
Motor vehicles	5 years
Renovation	10 years
Tools and office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the financial year, and adjusted as appropriate.

(d) Investment property

Investment property carried at fair value

Investment properties are properties which are owned or right-of-use held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by Pavilion REIT as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, Pavilion REIT added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year in which the item is derecognised.

External, independent valuation firm(s), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Pavilion REIT's investment properties portfolio every year.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Pavilion REIT assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, Pavilion REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which Pavilion REIT is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

Pavilion REIT recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Pavilion REIT's incremental borrowing rate. Generally, Pavilion REIT use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that Pavilion REIT is reasonably certain to exercise; and
- penalties for early termination of a lease unless Pavilion REIT is reasonably certain not to terminate early.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

Pavilion REIT excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

Pavilion REIT has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Pavilion REIT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When Pavilion REIT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, Pavilion REIT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, Pavilion REIT applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

Pavilion REIT recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Pavilion REIT uses the interest rate implicit in the lease to measure the net investment in the lease.

When Pavilion REIT is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which Pavilion REIT applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in Pavilion REIT's estimate of the amount expected to be payable under a residual value guarantee, or if Pavilion REIT changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(e) **Leases (cont'd)**

(iii) **Subsequent measurement (cont'd)**

(b) **As a lessor**

Pavilion REIT recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "rental income".

Pavilion REIT recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on Pavilion REIT's net investment in the lease. Pavilion REIT aims to allocate finance income over the lease term on a systematic and rational basis. Pavilion REIT applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see note 3(b)).

(f) **Inventories**

Inventories represent general supplies used in the daily operations of Pavilion REIT. Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in-first-out basis, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

(g) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) **Impairment**

(i) **Financial assets**

Pavilion REIT recognised loss allowances for expected credit losses on financial assets measured at amortised costs. Expected credit losses are a probability-weighted estimate of credit losses.

Pavilion REIT measures loss allowances at an amount equal to lifetime expected credit loss except for cash and bank balance for which credit risk has not increased significant since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, Pavilion REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Pavilion REIT's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, Pavilion REIT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospects of recovery. This is generally the case when Pavilion REIT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Pavilion REIT's procedures for recovery of amount due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and investment properties that are measured at fair value) are reviewed at the end of each financial year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(i) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Revenue and other income

(i) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(ii) Other income

Other income consists of provision of facilities and usage of space to customers and other miscellaneous income, and is recognised in the profit or loss when (or as) the customers obtain control of the good or service.

(l) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of Pavilion REIT.

Property management fees are recognised on an accrual basis.

(ii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(c).

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the financial year, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Income tax (cont'd)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(d), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each financial year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Earnings per unit

Pavilion REIT's earnings per unit ("EPU") is presented based on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of Pavilion REIT by the weighted average number of units outstanding during the year.

Diluted EPU is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of units outstanding adjusted for the effects of all dilutive potential units.

(o) Operating segments

An operating segment is a component of Pavilion REIT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Pavilion REIT's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Manager of Pavilion REIT, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete segmental financial information is available.

(p) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, Pavilion REIT uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Pavilion REIT can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

Pavilion REIT recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

4. PLANT AND EQUIPMENT

	Furniture and fittings RM'000	IT equipment and software RM'000	Motor vehicles RM'000	Renovation RM'000	Tools and office equipment RM'000	Total RM'000
Cost						
At 1 January 2019	1,469	982	100	415	2,786	5,752
Write off	(2)	-	-	-	(61)	(63)
At 31 December 2019/ 1 January 2020	1,467	982	100	415	2,725	5,689
Addition	-	429	5	-	42	476
Write off	(1)	(10)	-	-	-	(11)
At 31 December 2020	1,466	1,401	105	415	2,767	6,154
Accumulated depreciation						
At 1 January 2019	936	902	37	87	2,220	4,182
Depreciation for the year	146	75	16	43	178	458
Write off	(2)	-	-	-	(54)	(56)
At 31 December 2019/ 1 January 2020	1,080	977	53	130	2,344	4,584
Depreciation for the year	147	26	17	42	177	409
Write off	(1)	(10)	-	-	-	(11)
At 31 December 2020	1,226	993	70	172	2,521	4,982
Carrying amounts						
At 1 January 2019	533	80	63	328	566	1,570
At 31 December 2019/ 1 January 2020	387	5	47	285	381	1,105
At 31 December 2020	240	408	35	243	246	1,172

5. INVESTMENT PROPERTIES

	2020 RM'000	2019 RM'000
At 1 January	5,913,000	5,893,000
Enhancements/Capital expenditure	20,321	4,995
Change in fair values recognised in profit or loss	(70,321)	15,005
At 31 December	5,863,000	5,913,000

Investment properties are charged as securities for bank borrowings as disclosed in Note 8.

During the year, the variable lease income that do not depend on an index or a rate amount to RM11,158,000 (2019: RM34,696,000).

5. INVESTMENT PROPERTIES (cont'd)

Details of the investment properties are as follows:

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2020	Fair value as at 31.12.2020	Cost as at 31.12.2020	Percentage of fair value to NAV as at 31.12.2020
					%	RM'000	RM'000	%
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2020	Kuala Lumpur	Leasehold*	97	4,800,000	3,531,756	124
Pavilion Tower	7.12.2011	31.12.2020	Kuala Lumpur	Leasehold*	86	133,000	128,000	3
DA MEN Mall	25.3.2016	31.12.2020	Subang Jaya	Interest in perpetuity	69	180,000	511,157	5
Intermark Mall	25.3.2016	31.12.2020	Kuala Lumpur	Interest in perpetuity	86	180,000	164,191	5
Elite Pavilion Mall	27.4.2018	31.12.2020	Kuala Lumpur	Interest in perpetuity#	83	570,000	587,864	15
Investment properties						5,863,000	4,922,968	

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2019	Fair value as at 31.12.2019	Cost as at 31.12.2019	Percentage of fair value to NAV as at 31.12.2019
					%	RM'000	RM'000	%
Pavilion Kuala Lumpur Mall	7.12.2011	31.12.2019	Kuala Lumpur	Leasehold*	98	4,800,000	3,519,748	121
Pavilion Tower	7.12.2011	31.12.2019	Kuala Lumpur	Leasehold*	86	133,000	128,000	3
DA MEN Mall	25.3.2016	31.12.2019	Subang Jaya	Interest in perpetuity	72	220,000	502,846	6
Intermark Mall	25.3.2016	31.12.2019	Kuala Lumpur	Interest in perpetuity	97	180,000	164,191	5
Elite Pavilion Mall	27.4.2018	31.12.2019	Kuala Lumpur	Interest in perpetuity#	95	580,000	587,862	15
Investment properties						5,913,000	4,902,647	

* *The lease has a period of 99 years expiring in 2109.*
\# *The extension-connection of the mall has a period of 99 years expiring in 2109.*
NAV Net asset value

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. INVESTMENT PROPERTIES (cont'd)

5.1 Fair value information

All investment properties are categorised as Level 3 fair value.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Pavilion Kuala Lumpur Mall, Pavilion Tower, Elite Pavilion Mall and Intermark Mall		
The income approach by investment method considers income and expense data relating to the subject property being valued and estimates value through a capitalisation process. Capitalisation relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalisation rates), yield or discount rates (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.	• Risk-adjusted term capitalisation rates ranging from 6.00% to 6.50% (2019: 6.00% to 7.00%). • Risk-adjusted reversion capitalisation rate of 6.25% to 6.50% (2019: 6.25% to 6.50%).	The estimated fair value would increase (decrease) if: • risk-adjusted term capitalisation rates were lower (higher). • risk-adjusted reversion capitalisation rates were lower (higher).
DA MEN Mall		
The income approach by discounted cash flow method uses the estimation of future annual cash flows over 10-year investment horizon from the valuation date by reference to expected revenue growth rates, operating expenses and terminal value. The present value of future cash flow is then determined by the application of an appropriate discount rate to derive a net present value of property. (In 2019, a different valuer applied the income approach using investment method, similar to the one described above for other properties.)	• Capitalisation rates of 6.50%. • Discount rate of 8%. • Average growth rate of rental per square feet over 10-year of 7%.	The estimated fair value would increase (decrease) if: • capitalisation rates were lower (higher). • discount rate were lower (higher). • average growth rate of rental per square feet were higher (lower).

Level 3 fair value

Individual strata titles in respect of the Pavilion Kuala Lumpur Mall, Pavilion Tower and Elite Pavilion Mall have not been issued. The valuation is on the basis/assumption that individual strata titles in respect of the subject properties are forthcoming and when issued, will be free from all encumbrances and restrictive condition over the respective strata floor areas, and Pavilion Kuala Lumpur Mall and Pavilion Tower will convey 99-year leasehold interest expiring in year 2109.

The transfers of the land titles in respect of Pavilion Kuala Lumpur Mall, Pavilion Tower and Elite Pavilion Mall in favour of the Trustee are pending submission by respective land owners to the Land Office.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. INVESTMENT PROPERTIES (cont'd)

5.1 Fair value information (cont'd)

Valuation processes applied by the Manager for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Fair value estimates – caveats by valuers

In relying on the fair values estimated by the valuers, the Manager considered the inclusion by the external valuers of material valuation uncertainty statements in the valuation reports. The uncertainties are arising from the unknown future impacts, if any, of the Covid-19 pandemic might have on the real estate market. Consequently, the fair values as provided require a higher degree of caution to be placed on the valuations.

Highest and best use

Pavilion REIT's investment properties are currently four retail malls and an office building. The properties on their own is the highest and best use, as three of the retail malls are on prime land in the city centre. The other retail mall is within a mix development which consist of residential and shop office. The office building annexed to a retail mall in the city centre has been refurbished in recent years, thus it is not cost effective to convert it to a retail mall at the moment. The office building also complements the retail mall by bringing human traffic to the retail mall, especially during lunch hours.

6. TRADE AND OTHER RECEIVABLES

	Note	2020 RM'000	2019 RM'000
Current			
Trade			
Trade receivables		46,388	30,852
Less: Impairment losses	6.1	(19,241)	(2,094)
		27,147	28,758
Non-trade			
Other receivables	6.2	1,616	35,952
Deposits		2,117	1,953
Prepayments		2,572	4,413
		6,305	42,318
		33,452	71,076

6.1 The increase in impairment losses as compared to the previous year is primarily arising from tenants' higher credit risk as a consequence of COVID-19 pandemic. In order to assist tenants, the Manager has or is considering to waive rental charges or provide rental rebates to certain selected tenants. Included in the other operating expenses for the year ended 31 December 2020 are agreed rental waiver or rebates of RM80,917,000 (2019: Nil) and impairment loss of RM17,147,000 (2019: RM1,937,000).

6.2 Included in other receivables in 2019 was GST receivable amounting of RM33,211,000.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. CASH AND BANK BALANCES

	2020 RM'000	2019 RM'000
Cash and bank balances	9,868	12,204
Deposits placed with licensed banks	331,374	356,718
	341,242	368,922

Included in the deposits placed with licensed banks is an amount of RM63,933,000 (2019: RM62,444,000) which is maintained in Debt Service Reserve Accounts with licensed banks to cover a minimum of six months interest for banking facilities granted to Pavilion REIT (Note 8).

8. BORROWINGS

	Note	2020 RM'000	2019 RM'000
Non-current			
Secured syndicated term loan	8.1	-	660,900
Secured term loan	8.2	-	425,000
Unrated medium term notes	8.3	1,075,000	1,075,000
Less: Unamortised transaction costs		(582)	(3,831)
		1,074,418	2,157,069
Current			
Secured syndicated term loan	8.1	683,267	-
Secured term loan	8.2	406,762	-
Less: Unamortised transaction costs		(1,175)	-
		1,088,854	-
		2,163,272	2,157,069
Average interest rate of borrowings		4.3%	4.8%
Gearing/Borrowings ratio		34.7%	33.9%

8.1 Secured syndicated credit facilities of RM815.9 million

Pavilion REIT entered into a facility agreement and its supplementary facility agreement dated 3 November 2011 and 23 November 2011 respectively ("Facility Agreements") through its wholly owned subsidiary, Pavilion REIT Venture Capital Sdn. Bhd. ("Borrower") for syndicated credit facilities ("Facilities") of up to RM815.9 million with licensed banks ("Lenders") comprising revolving term loan facilities and bank guarantee as follows:

(i) RTL1 - a revolving term loan ("RTL") facility of up to RM705.9 million to part finance the acquisition of investment properties and future acquisitions by Pavilion REIT;

(ii) RTL2 - a revolving term loan facility of up to RM100.0 million to finance general working capital of Pavilion REIT (including acquisition of assets); and

(iii) BG/RTL3 - a bank guarantee ("BG") of up to RM10.0 million for the issuance of performance bonds, bank guarantees, indemnities or undertakings and a revolving term loan facility for the conversion of any amounts paid out under the performance bonds, bank guarantees, indemnities or undertakings issued under bank guarantee.

8. BORROWINGS (cont'd)

8.1 Secured syndicated credit facilities of RM815.9 million (cont'd)

The financing facilities are secured by debenture incorporating fixed and floating charge over all present and future assets of Pavilion REIT Venture Capital Sdn. Bhd..

The tenure of the syndicated credit facilities had been extended to another five years from 7 December 2016 up to a maturity date of 7 December 2021. The Lenders have the option to convert RTL1 to a fixed interest rate at their sole discretion and subject to the consent of all Lenders.

The revolving credit borrowings are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM22,329,000 (2019: RM21,846,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

8.2 Secured term loan facilities of RM450.0 million

Pavilion REIT entered into a facility agreement and its supplementary letter of offer dated 22 March 2016, 23 March 2016 and 11 February 2019 respectively through its Trustee ("Borrower") for credit facilities of up to RM450.0 million with licensed bank (the "Bank") comprising term loan, revolving credit facilities and bank guarantee as follows:

(i) TL - a term loan ("TL") facility of RM425.0 million to part finance the purchase consideration for the acquisition of the DA MEN Mall;

(ii) RC - a revolving credit ("RC") facility of up to RM25.0 million to part finance its working capital requirements; and

(iii) BG - a bank guarantee facility of up to the maximum aggregate principal amount of RM3.0 million subject always to the RC/BG combined limit for the issuance of performance and financial guarantee in respect of the DA MEN Mall.

The secured term loan facilities are secured over DA MEN Mall and Intermark Mall as disclosed in Note 5 and an amount of RM13,908,000 (2019: RM13,585,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

8.3 Medium term notes of RM8.0 billion

On 24 June 2015, the Securities Commission Malaysia had approved and authorised the establishment of a proposed medium term notes ("MTNs") programme of RM8.0 billion in nominal value ("MTN Programme") to be undertaken by Pavilion REIT Bond Capital Berhad ("Issuer"), a company wholly owned by Pavilion REIT. The MTN Programme shall have a tenure of twenty years from the date of the first issuance of MTNs under the MTN Programme. An issuance of MTNs under the MTN Programme may either be rated or unrated, as the Issuer may decide.

The medium term notes are secured over Pavilion Kuala Lumpur Mall and Pavilion Tower as disclosed in Note 5 and an amount of RM27,696,000 (2019: RM27,013,000) maintained in Debt Service Reserve Accounts with licensed banks as disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. BORROWINGS (cont'd)

8.4 Reconciliations of movement of liabilities to cash flows arising from financing activities

	At 1 January RM'000	Net changes from financing cash flows RM'000	Other changes Note 8.4.1 RM'000	At 31 December RM'000
2020				
Secured syndicated term loan	660,900	10,000	12,367	683,267
Secured term loan	425,000	(26,100)	7,862	406,762
Unrated medium term notes	1,075,000	-	-	1,075,000
Less: Unamortised transaction costs	(3,831)	(260)	2,334	(1,757)
	2,157,069	(16,360)	22,563	2,163,272
2019				
Secured syndicated term loan	735,900	(75,000)	-	660,900
Secured term loan	415,959	9,041	-	425,000
Unrated medium term notes	1,000,000	75,000	-	1,075,000
Less: Unamortised transaction costs	(4,026)	(2,418)	2,613	(3,831)
	2,147,833	6,623	2,613	2,157,069

8.4.1 Included in RM22,563,000 is interest charges being capitalised following moratoriums granted by bankers to defer interest payments to maturity of the term loans.

9. PAYABLES AND ACCRUALS

	Note	2020 RM'000	2019 RM'000
Non-current			
Trade			
Tenants' deposits	9.1	67,693	73,676
Current			
Trade			
Trade payables		14,035	16,041
Tenants' deposits	9.1	53,162	51,692
		67,197	67,733
Non-trade			
Other payables and accrued expenses	9.2	84,428	78,799
		151,625	146,532
		219,318	220,208

9. PAYABLES AND ACCRUALS (cont'd)

9.1 Tenants' deposits are in respect of refundable deposits received from tenants for tenancy or marketing agreements. Tenancy agreements tenure are for period between one to three years. The amount is unsecured and interest free.

9.2 Included in other payables and accrued expenses are the following amounts due to:

	2020 RM'000	2019 RM'000
The Manager	4,510	5,688
Trustee	41	41
Urusharta Cemerlang (KL) Sdn. Bhd.	21,432	24,500
	25,983	30,229

Amounts due to the Manager and Trustee are unsecured, interest-free and payable monthly in arrears.

Amount due to Urusharta Cemerlang (KL) Sdn. Bhd. ("UCKL") is the balance of purchase price for the acquisition of Elite Pavilion Mall and it is interest free. It is payable upon the application of subdivision of the building on the land being made to the appropriate authorities for the purpose of issuance of the strata titles and upon the electrical sub-station is constructed in accordance to all applicable planning permissions and approvals and specifications from and required by the appropriate authorities.

10. TOTAL UNITHOLDERS' FUNDS

10.1 Unitholders' capital

	2020 Number of units '000	2019 Number of units '000
Issued and fully paid with no par value		
At 1 January	3,041,090	3,036,705
Manager's management fees paid in units	4,217	4,385
At 31 December	3,045,307	3,041,090

	2020 RM'000	2019 RM'000
Issued and fully paid with no par value		
At 1 January	2,931,927	2,924,229
Manager's management fees paid in units	6,917	7,698
At 31 December	2,938,844	2,931,927

NOTES TO THE FINANCIAL STATEMENTS
cont'd

10. TOTAL UNITHOLDERS' FUNDS (cont'd)

10.2 Unitholdings of substantial unitholders, the Manager and the Manager's Directors

The Manager was issued units in Pavilion REIT as part settlement of Manager's management fees, details of which are as follows:

	Number of units '000	Amount RM'000
2020		
Issued at:		
i) RM1.6829 per unit for entitlement for the 6 months ended 31 December 2019	2,243	3,774
ii) RM1.5915 per unit for entitlement for the 6 months ended 30 June 2020	1,974	3,143
Total Manager's fees paid in units and RM	4,217	6,917
2019		
Issued at:		
i) RM1.6802 per unit for entitlement for the 6 months ended 31 December 2018	2,315	3,891
ii) RM1.8396 per unit for entitlement for the 6 months ended 30 June 2019	2,070	3,807
Total Manager's fees paid in units and RM	4,385	7,698

Pavilion REIT's substantial unitholders, the Manager and the Manager's Directors' direct unitholdings in Pavilion REIT are as follows:

	2020		2019	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Pavilion REIT's substantial unitholders' direct unitholdings in Pavilion REIT:				
Qatar Holding LLC	1,008,900	1,513,350	1,008,900	1,755,486
Tan Sri Lim Siew Choon	845,425	1,268,138	845,425	1,471,040
Puan Sri Tan Kewi Yong	281,875	422,813	281,875	490,463
Employees Provident Fund Board	294,020	441,030	262,393	456,564
Kumpulan Wang Pesaraan (Diperbadankan)	186,054	279,081	185,875	323,422
The Manager's direct unitholdings in Pavilion REIT	5,813	8,720	2,072	3,605

NOTES TO THE FINANCIAL STATEMENTS
cont'd

10. TOTAL UNITHOLDERS' FUNDS (cont'd)

10.2 Unitholdings of substantial unitholders, the Manager and the Manager's Directors (cont'd)

	2020		2019	
	Number of units	Market value	Number of units	Market value
	'000	RM'000	'000	RM'000
The Manager's Directors' direct unitholdings in Pavilion REIT:				
Tan Sri Lim Siew Choon	845,425	1,268,138	845,425	1,471,040
Puan Sri Tan Kewi Yong	281,875	422,813	281,875	490,463
Dato' Lee Tuck Fook	100	150	100	174
Navid Chamdia	100	150	100	174
Ooi Ah Heong	100	150	100	174
Dato' Mohzani Bin Abdul Wahab	-	-	100	174
Dato' Maznah Binti Abdul Jalil	100	150	100	174

Notes:
The market value of the units was computed based on the closing market price as at 31 December 2020 of RM1.50 (2019: RM1.74).

11. REVENUE FROM CONTRACT CUSTOMERS

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Advertisement	Revenue is recognised over time when services are delivered.	Credit period ranging from 30 to 90 days from invoice date.
Electricity		Credit period of 30 days from invoice date.

12. MANAGER'S MANAGEMENT FEES

	2020	2019
	RM'000	RM'000
Base fee	18,726	19,071
Performance fee	7,005	11,256
	25,731	30,327

During the financial year, the Manager received a base fee of 0.3% (2019: 0.3%) per annum of the Total Asset Value of Pavilion REIT, a performance fee of 3.0% (2019: 3.0%) per annum of Net Property Income.

Manager's management fees payable in units amounts to RM6,433,000 (2019: RM7,582,000) which represents 25% (2019: 25%) of the total manager's management fees payable.

NOTES TO THE FINANCIAL STATEMENTS
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13. BORROWING COSTS

	2020 RM'000	2019 RM'000
Interest expense	93,499	104,647
Amortisation of transaction costs	2,334	2,613
	95,833	107,260

14. TAX EXPENSE

14.1 Reconciliation of tax expense

	2020 RM'000	2019 RM'000
Income before taxation	46,345	262,630
Income tax using Malaysian tax rate of 24% (2019: 24%)	11,123	63,031
Non-deductible expenses	23,198	3,244
Non-taxable income	(1,532)	(3,601)
Effect of income exempted from tax	(32,789)	(62,674)
	-	-

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of Pavilion REIT will be exempted from tax provided that at least 90% of its total income (as defined in the Act) is distributed to the investors in the basis period of Pavilion REIT for that year of assessment within two 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 months after the close of Pavilion REIT financial year which forms the basis period for a year of assessment, Pavilion REIT will be subject to income tax at the prevailing tax rate on its total income. Income which has been taxed at the Pavilion REIT level will have tax credits attached when subsequently distributed to unitholders.

As Pavilion REIT proposed to distribute 100% of its distributable income to its unitholders for financial year ended 31 December 2020, no provision for taxation has been made for the current year.

14.2 Significant judgement

In the assessment of provision of deferred tax assets and liabilities on the fair value gain or loss arising from investment properties, the Manager considers the business model and the objective of the Pavilion REIT. No deferred tax assets or liabilities are recognised because Pavilion REIT is expected to consume substantially all economic benefits through generation of rental income and these income will be subjected to income tax at prevailing rate. However, since Pavilion REIT intends to continue to distribute more than 90% of its distributable income, the expected tax rate levied will be zero.

15. EARNINGS PER UNIT – BASIC AND DILUTED

The calculation of earnings per unit is based on income after taxation attributable to unitholders for the year of RM46,345,000 (2019: RM262,630,000) divided by the weighted average number of units in circulation during the year of 3,045,307,543 (2019: 3,039,497,163).

16. DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is from the following sources:

	2020 RM'000	2019 RM'000
Rental income	464,520	502,653
Revenue from contract customers	34,918	56,172
Other income	10,782	26,528
Fair value (loss)/gain on investment properties	(70,321)	15,005
Interest income	6,385	11,289
	446,284	611,647
Less: Total expenses	(399,939)	(349,017)
	46,345	262,630
Distribution adjustments	79,497	(4,352)
Distributable income	125,842	258,278
Distribution to unitholders	173,683	268,546

	2020	2019
Interim distribution per unit (sen)	1.61	4.40
Final distribution per unit (sen)	2.52*	4.10
Net distribution per unit** (sen)	4.13	8.50

* The final distributable income for the 6 months ended 31 December 2020 is proposed to be 2.52 sen per unit or RM76.7 million to be payable on 26 February 2021.

** Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate 2020	Withholding tax rate 2019
Resident corporate	N/A^	N/A^
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

^ to tax at prevailing rate

17. MANAGEMENT EXPENSE RATIO

	2020	2019
Management expense ratio ("MER") (%)	0.71	0.79

The calculation of the MER is based on the total fees of Pavilion REIT incurred during the year, including manager's management fees, trustee's fees, valuation fee and other trust expenses, to the net asset value as at year end.

Comparison of the MER of Pavilion REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

NOTES TO THE FINANCIAL STATEMENTS
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18. OPERATING SEGMENTS

Pavilion REIT has two reportable segments, Retail and Office. For each of the segment, the Manager of Pavilion REIT's Chief Executive Officer reviews internal management reports regularly.

Performance is measured based on segment net property income as management believes that such information is the most relevant in evaluating the results of the segments.

The total of segment asset/liability is measured based on all assets/liabilities of a segment, as included in internal management reports that are reviewed by the Manager of Pavilion REIT's Chief Executive Officer.

	Retail RM'000	Office RM'000	Total RM'000
For the year ended 31 December 2020			
Segment profit	227,308	6,216	233,524
Included in the measure of segment profit are:			
Gross revenue	499,068	11,152	510,220
Property expenses	271,760	4,936	276,696
Net measurement of impairment loss	17,147	-	17,147
At 31 December 2020			
Segment assets and liabilities			
Segment assets	6,058,103	133,779	6,191,882
Segment liabilities	2,342,295	31,232	2,373,527
For the year ended 31 December 2020			
Included in the measure of segment assets and liabilities are:			
Additions to non-current assets	20,792	5	20,797
Fair value loss to non-current assets	(70,321)	-	(70,321)
For the year ended 31 December 2019			
Segment profit	369,355	5,829	375,184
Included in the measure of segment profit are:			
Gross revenue	573,300	12,053	585,353
Property expenses	203,945	6,224	210,169
At 31 December 2019			
Segment assets and liabilities			
Segment assets	6,174,250	133,906	6,308,156
Segment liabilities	2,345,836	31,230	2,377,066
For the year ended 31 December 2019			
Included in the measure of segment assets and liabilities are:			
Additions to non-current assets	4,995	-	4,995
Fair value gain to non-current assets	15,005	-	15,005

18. OPERATING SEGMENTS (cont'd)

Reconciliation of reportable segment profit

	2020 RM'000	2019 RM'000
Total profit for reportable segments	233,524	375,184
Fair value (loss)/gain on investment properties	(70,321)	15,005
Interest income	6,385	11,289
Trust expenses	(27,410)	(31,588)
Borrowing costs	(95,833)	(107,260)
Income before taxation	46,345	262,630
Taxation	-	-
Income after taxation	46,345	262,630

Reconciliation of reportable segment assets and liabilities

	Segment assets RM'000	Segment liabilities RM'000
2020		
Total reportable segments	6,191,882	(2,373,527)
Other non-allocated assets/(liabilities)	50,025	(9,063)
Total assets/(liabilities)	6,241,907	(2,382,590)
2019		
Total reportable segments	6,308,156	(2,377,066)
Other non-allocated assets/(liabilities)	48,859	(211)
Total assets/(liabilities)	6,357,015	(2,377,277)

Geographical information

No geographical segment information has been prepared as all the investment properties of Pavilion REIT are located in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS

19.1 Categories of financial instruments

	Carrying amounts RM'000	Amortised costs RM'000
2020		
Financial assets		
Receivables and deposits	30,880	30,880
Cash and bank balances	341,242	341,242
	372,122	372,122
Financial liabilities		
Payables and accruals	219,318	219,318
Borrowings	2,163,272	2,163,272
	2,382,590	2,382,590
2019		
Financial assets		
Receivables and deposits	66,663	66,663
Cash and bank balances	368,922	368,922
	435,585	435,585
Financial liabilities		
Payables and accruals	220,208	220,208
Borrowings	2,157,069	2,157,069
	2,377,277	2,377,277

19.2 Net gains and losses arising from financial instruments

	2020 RM'000	2019 RM'000
Financial assets at amortised cost	(91,675)	9,352
Financial liabilities at amortised cost	(95,833)	(107,260)
	(187,508)	(97,908)

19.3 Financial risks management

Pavilion REIT has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

19. FINANCIAL INSTRUMENTS (cont'd)

19.4 Credit risk

Credit risk is the risk of a financial loss to Pavilion REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. Pavilion REIT's exposure to credit risk arises principally from trade and other receivables and cash and cash equivalents. Pavilion REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

At the end of the financial year, the maximum exposure to credit risk arising from financial assets are represented by the carrying amount of financial assets in the statement of financial position.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

There are no significant changes as compared to previous year.

Exposure to credit risk and credit quality

As at the end of the financial year, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amount in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Pavilion REIT manages credit risk using credit verification process to ensure credit worthiness and good credit standing before tenancy agreements are entered into with tenants or credit granted to counter parties together with constant monitoring of any outstanding balances to ensure minimum credit risk exposure.

Impairment losses

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2020.

	Gross – carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Not past due	2,362	-	2,362
Past due	44,026	(19,241)	24,785
	46,388	(19,241)	27,147
2019			
Not past due	2,719	-	2,719
Past due	28,133	(2,094)	26,039
	30,852	(2,094)	28,758

NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (cont'd)

19.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

The movements in the allowance for impairment losses of receivables during the financial year were:

	2020 RM'000	2019 RM'000
Balance at 1 January	2,094	1,825
Amount written off	-	(1,668)
Net remeasurement of loss allowance	17,147	1,937
Balance as at 31 December	19,241	2,094

The allowance account in respect of trade receivables is used to record impairment losses. Unless Pavilion REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, Pavilion REIT are of the view that the loss allowance is not material, hence, no allowance is necessary.

19.5 Liquidity risk

Liquidity risk is the risk that Pavilion REIT will not be able to meet its financial obligations as they fall due. Pavilion REIT's exposure to liquidity risk arises principally from its various payables and borrowings.

The Manager maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Pavilion REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trust concerning limits on total borrowings financing.

19. FINANCIAL INSTRUMENTS (cont'd)

19.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of Pavilion REIT's financial liabilities as at the end of the financial year based on undiscounted contractual payments.

	Carrying amount	Contractual interest rate%	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
	RM'000		RM'000	RM'000	RM'000	RM'000
2020						
Financial liabilities						
Borrowings	2,163,272	3.20 - 4.90	2,288,464	1,164,344	413,219	710,901
Payable and accruals	219,318	-	219,318	151,625	48,085	19,608
	2,382,590		2,507,782	1,315,969	461,304	730,509
2019						
Financial liabilities						
Borrowings	2,157,069	4.77 - 5.22	2,352,981	104,397	1,439,679	808,905
Payable and accruals	220,208	-	220,208	146,532	22,879	50,797
	2,377,277		2,573,189	250,929	1,462,558	859,702

19.6 Market risk

Market risk is the risk that changes in market prices such as interest rates that will affect Pavilion REIT's financial position or cash flows.

19.6.1 Interest rate risk

Pavilion REIT's exposure to changes in interest rates relates principally to interest-earning financial assets and interest-bearing financial liabilities.

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of the market interest rates on its financial position and cash flows. Interest rate risk exposure to Pavilion REIT is in respect of short-term deposits and borrowings.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

19. FINANCIAL INSTRUMENTS (cont'd)

19.6 Market risk (cont'd)

19.6.1 Interest rate risk (cont'd)

Exposure to interest rate risk

The interest rate profile of Pavilion REIT's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year are as follows:

	2020 RM'000	2019 RM'000
Fixed rate instrument		
Financial asset - Deposits placed with licensed banks	331,374	356,718
Financial liabilities - Borrowings	(925,000)	(925,000)
	(593,626)	(568,282)
Floating rate instruments		
Financial liabilities - Borrowings	(1,238,272)	(1,232,069)

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

Pavilion REIT does not account for any fixed rate financial assets and liabilities at fair value. Therefore, a change in interest rates at the end of the financial year would not affect profit or loss or equity.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the financial year would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	100bp increase 2020 RM'000	100bp decrease 2020 RM'000	100bp increase 2019 RM'000	100bp decrease 2019 RM'000
Floating rate instruments	9,411	(9,411)	9,364	(9,364)

19. FINANCIAL INSTRUMENTS (cont'd)

19.7 Fair value information

The carrying amounts of cash and bank balances, receivables and deposits, payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value.

	Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
Financial liabilities					
Tenants' deposits	-	-	(117,213)	(117,213)	(120,855)
Borrowings	-	-	(2,170,178)	(2,170,178)	(2,163,272)
	-	-	(2,287,391)	(2,287,391)	(2,284,127)
2019					
Financial liabilities					
Tenants' deposits	-	-	(111,005)	(111,005)	(125,366)
Borrowings	-	-	(2,074,865)	(2,074,865)	(2,157,069)
	-	-	(2,185,870)	(2,185,870)	(2,282,435)

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Tenants' deposits, borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of Pavilion REIT at the reporting date.

The discount rates used above have incorporated credit risk of Pavilion REIT and liquidity risk of the instruments. The inputs for these risks are unobservable because there are no identical or similar instruments to benchmark to.

20. CAPITAL MANAGEMENT

Pavilion REIT's objectives when managing capital is to provide unitholders with regular and stable distributions and achieve long-term growth in NAV per unit, while maintaining an appropriate capital structure.

Pavilion REIT's capital is represented by its unitholders' fund in the statement of financial position. The capital requirements imposed on Pavilion REIT is to ensure it maintains a healthy gearing/borrowings ratio of maximum 50% and meets the minimum interest coverage ratio which is an effective indicator of its financial strengths in addition to complying with the financial covenants prescribed by financial institutions as stated in the Facility Agreements. The Directors of the Manager will monitor and are determined to maintain an optimal gearing/ borrowings ratio that will provide an ideal debt equity ratio that also complies with regulatory requirements.

As at 31 December 2020, Pavilion REIT recorded a gearing/borrowings ratio of 34.7% (2019: 33.9%) and interest coverage ratio in excess of the minimum requirement (2019: in excess of the minimum requirement). The calculation of the gearing/borrowings ratio and interest coverage ratio is based on the definition stated in the Facility Agreements. Pavilion REIT has not breached the financial covenants.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

20. CAPITAL MANAGEMENT (cont'd)

Distribution Policy

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of Pavilion REIT's distributable income. It is the intention of the Manager to distribute at least 90.0% of Pavilion REIT's distributable income on a half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

21. LEASES

21.1 Operating leases as lessor

Pavilion REIT leases out its investment properties (Note 5) under operating leases. The operating lease payments to be received are as follows:

	2020 **RM'000**
Up to one year	388,492
More than one year up to two years	270,960
More than two years up to three years	42,700
	702,152

	2019 **RM'000**
Up to one year	376,610
More than one year up to two years	289,240
More than two years up to three years	184,083
More than three years up to four years	6,134
	856,067

22. CAPITAL COMMITMENTS

Capital expenditure in respect of the following has not been provided for in the financial statements:

	2020 **RM'000**	**2019** **RM'000**
Capital expenditure commitments		
Investment properties		
Authorised and contracted for:		
- Within one year	8,814	2,168

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to Pavilion REIT if Pavilion REIT has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Pavilion REIT and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Pavilion REIT either directly or indirectly. The key management personnel include all the Directors of Pavilion REIT Management Sdn. Bhd. and MTrustee Berhad, and certain members of senior management of Pavilion REIT Management Sdn. Bhd. and MTrustee Berhad.

Significant related party transactions, other than those disclosed elsewhere in the financial statements, are as follows:

Companies related to the Manager	Nature of transactions	Transaction value 2020 RM'000	Transaction value 2019 RM'000	Balance outstanding 2020 RM'000	Balance outstanding 2019 RM'000
Pavilion REIT Management Sdn. Bhd.	Rental income and its related charges	461	468	5	-
Malton Berhad Group *	Rental income and its related charges	3,270	3,411	8	9
Lumayan Indah Sdn. Bhd. ∞	Rental income and its related charges	-	(7)	-	-
	Procurement of hotel related services	(16)	(58)	-	(2)
Impian Ekspresi Sdn. Bhd. ◊	Rental income and its related charges	785	817	64	67
Kuala Lumpur Pavilion Sdn. Bhd. ^	Expenses of MRT station naming rights fee and its related charges	(1,200)	(1,250)	-	-
Urusharta Cemerlang (KL) Sdn. Bhd. Δ	Rental income and its related charges	-	752	-	2
	Reimbursement of electricity supply to Pavilion Suites	1,658	1,281	146	84
Harmoni Perkasa Sdn. Bhd. α	Reimbursement of electricity supply to Pavilion Hotel	2,361	4,739	443	-
	Procurement of hotel related services	(54)	(426)	-	(22)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

23. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Companies related to the Manager	Nature of transactions	Transaction value		Balance outstanding	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Pavilion Management (DTC) Sdn. Bhd. ¤	Rental income and its related charges	250	-	43	-
Makna Mujur Sdn. Bhd. Ω	Rental income and its related charges	(19)	-	-	-

The above transactions have been entered into in the normal course of business and have been established based on negotiated terms and conditions.

The above parties are deemed related as follows:

* Malton Berhad Group are deemed parties related to the Manager by virtue of the directorship and interest of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong, his spouse, in Malton Berhad.

∞ Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Lumayan Indah Sdn. Bhd. ("LISB").

Tan Sri Lim Siew Choon is deemed interested in LISB through his interest in the ultimate holding company and Puan Sri Tan Kewi Yong is his spouse.

◊ Impian Ekspresi Sdn. Bhd. is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Impian Ekspresi Sdn. Bhd. and his spouse, Puan Sri Tan Kewi Yong.

^ Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong and Dato' Lee Tuck Fook are directors of Kuala Lumpur Pavilion Sdn. Bhd.. Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong hold the entire issued and paid up share capital of Kuala Lumpur Pavilion Sdn. Bhd..

Δ Tan Sri Lim Siew Choon, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Urusharta Cemerlang (KL) Sdn. Bhd. ("UCKL").

Tan Sri Lim Siew Choon is deemed interested in UCKL through his interest in the ultimate holding company and Puan Sri Tan Kewi Yong is his spouse.

Ahmad Mohammed F Q Al-Khanji and Mohd Abdulrazzaq A A Al-Hashmi are also directors of a substantial shareholder of the holding company of UCKL.

α Puan Sri Tan Kewi Yong, Dato' Lee Tuck Fook, Ahmad Mohammed F Q Al-Khanji and Navid Chamdia are directors of the Manager and Harmoni Perkasa Sdn. Bhd. ("HPSB"). Tan Sri Lim Siew Choon is the spouse of Puan Sri Tan Kewi Yong. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong is also a director of HPSB.

Tan Sri Lim Siew Choon and Puan Sri Tan Kewi Yong are deemed interest in HPSB through their interest in the ultimate holding company.

Ahmad Mohammed F Q Al-Khanji is also a director of a substantial shareholder of the holding company of HPSB.

On top of that, HPSB provided the hall of Pavilion Hotel or other facilities in Pavilion Hotel to Pavilion REIT for event purpose.

¤ Pavilion Management (DTC) Sdn. Bhd. "PMDTC" is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's deemed interest in PMDTC. Lim Shoo Wenn, the daughter of Tan Sri Lim Siew Choon is also a director of PMDTC. Puan Sri Tan Kewi Yong is the spouse of Tan Sri Lim Siew Choon.

Ω Tan Sri Lim Siew Choon, Dato' Lee Tuck Fook, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Makna Mujur Sdn. Bhd..

Makna Mujur Sdn. Bhd. is deemed a party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Makna Mujur Sdn. Bhd. and Puan Sri Tan Kewi Yong being his spouse is one of the directors of the Manager.

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 78 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of Pavilion Real Estate Investment Trust as at 31 December 2020 and of its financial performance and cash flows for the year ended on that date.

For and on behalf of the Manager,
Pavilion REIT Management Sdn. Bhd.,
Signed in accordance with a resolution of the Directors of the Manager:

Tan Sri Lim Siew Choon
Director

Dato' Lee Tuck Fook
Director

Kuala Lumpur,

Date: 27 January 2021

STATUTORY DECLARATION

I, Dato' Lee Tuck Fook, the Director of Pavilion REIT Management Sdn. Bhd. primarily responsible for the financial management of Pavilion Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 78 to 120 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Lee Tuck Fook, I/C No: 540601-04-5333, MIA CA 3434, at Kuala Lumpur on 27 January 2021.

Dato' Lee Tuck Fook

Before me:

Commissioner of Oaths

TRUSTEE'S REPORT

to the Unitholders of Pavilion Real Estate Investment Trust
(Established in Malaysia)

We have acted as Trustee of Pavilion Real Estate Investment Trust ("Pavilion REIT") for the financial year ended 31 December 2020. In our opinion and to the best of our knowledge, Pavilion REIT Management Sdn. Bhd. ("the Manager") has managed Pavilion REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the First Amended and Restated Trust Deed dated 18 February 2019, the Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of Pavilion REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared during the financial year ended 31 December 2020 are in line with and are reflective of the objectives of Pavilion REIT. Final income distribution of 2.52 sen per unit has been declared for the financial year ended 31 December 2020 and is payable on 26 February 2021.

For and on behalf of the Trustee,
MTrustee Berhad

Nurizan Binti Jalil
Chief Executive Officer

Selangor,

Date: 27 January 2021

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pavilion Real Estate Investment Trust ("Pavilion REIT"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in net assets value and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 120.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pavilion REIT as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of Pavilion REIT in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of Pavilion REIT for the current year. This matter was addressed in the context of our audit of the financial statements of Pavilion REIT as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment properties

Pavilion REIT owns a portfolio of investment properties comprising 4 shopping malls and an office block located in Malaysia. Investment properties represent the single largest category of assets on the statement of financial position.

These investment properties are stated at their fair values, which are estimated by Pavilion REIT Management Sdn. Bhd. ("the Manager") with the assistance of independent external valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied.

The COVID-19 pandemic has also increased the uncertainties in the market conditions of investment properties. This has caused independent external valuers to include material valuation uncertainties declaration in their valuation reports.

This is a key audit matter because some of the key assumptions are unobservable and hence, required significant judgement from us.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust
(Incorporated in Malaysia)
cont'd

Key Audit Matter (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the Manager's processes for the selection of the external valuers and the determination of the scope of work of the valuers. We also read the valuation reports issued by the external valuers.
- We considered the qualifications and competence of the external valuers.
- We compared the valuation methodologies used by the external valuers against those applied by other external valuers for similar property types.
- We test checked the data provided to external valuers to lease agreements.
- We challenged the capitalisation rates used in the valuation by comparing them against historical rates and other internal and external sources.
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.
- We also interviewed the external valuers to understand the implications of COVID-19 pandemic to the valuations.

Information Other than the Financial Statements and Auditors' Report Thereon

The Manager of Pavilion REIT is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of Pavilion REIT and our auditors' report thereon.

Our opinion on the financial statements of Pavilion REIT does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of Pavilion REIT, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of Pavilion REIT or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements of Pavilion REIT

The Manager of Pavilion REIT is responsible for the preparation of financial statements of Pavilion REIT that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of Pavilion REIT that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Pavilion REIT, the Manager is responsible for assessing the ability of Pavilion REIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate Pavilion REIT to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust
(Incorporated in Malaysia)
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Pavilion REIT as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

i) Identify and assess the risks of material misstatement of the financial statements of Pavilion REIT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Pavilion REIT.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

iv) Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Pavilion REIT to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of Pavilion REIT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Pavilion REIT to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements of Pavilion REIT, including the disclosures, and whether the financial statements of Pavilion REIT represent the underlying transactions and events in a manner that gives a true and fair view.

vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Pavilion REIT to express an opinion on the financial statements of Pavilion REIT. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of Pavilion REIT for the current year and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Pavilion Real Estate Investment Trust
(Incorporated in Malaysia)
cont'd

OTHER MATTER

This report is made solely to the unitholders of Pavilion REIT in accordance with the trust deed of Pavilion REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Thong Foo Vung
Approval Number: 02867/08/2022 J
Chartered Accountant

Petaling Jaya

Date: 27 January 2021

ANALYSIS OF UNITHOLDINGS

Distribution of Unitholdings as at 29 January 2021

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Unitholdings
Less than 100	78	1.13	1,040	0.00
100 - 1,000	1,910	27.75	1,205,504	0.04
1,001 - 10,000	3,607	52.41	16,334,490	0.53
10,001 - 100,000	1,088	15.81	34,053,426	1.12
100,001 to less than 5% of issued units	193	2.81	470,738,370	15.46
5% and above of issued units	6	0.09	2,522,974,713	82.85
Total	**6,882**	**100.00**	**3,045,307,543**	**100.00**

Thirty largest unitholders as per record of depositors as at 29 January 2021

No	Name of Unitholders	No. of Units	%
1.	HSBC Nominees (Asing) Sdn Bhd *CS (Switz) for Qatar Holding LLC*	1,008,900,000	33.13
2.	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – CIMB Investment Bank Berhad for Lim Siew Choon (UCDSB-SSCA)*	690,325,000	22.67
3.	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – CIMB Investment Bank Berhad for Tan Kewi Yong (UCDSB-SSCA)*	281,775,000	9.25
4.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	216,029,213	7.09
5.	Kumpulan Wang Persaraan (Diperbadankan)	170,945,500	5.61
6.	UOBM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Siew Choon*	155,000,000	5.09
7.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera*	66,135,400	2.17
8.	Permodalan Nasional Berhad	34,571,800	1.14
9.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt an for AIA Bhd.*	31,840,300	1.05
10.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Affin-HWG)*	25,948,500	0.85
11.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	25,451,600	0.84
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB PRIN)*	24,335,500	0.80
13.	Cartaban Nominees (Asing) Sdn Bhd *Exempt an for State Street Bank & Trust Company (West CLT OD67)*	15,010,000	0.49
14.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 2 - Wawasan*	14,000,000	0.46
15.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life Par)*	13,375,500	0.44
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Great Eastern Life Assurance (Malaysia) Berhad (LSF)*	12,669,700	0.42
17.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	11,437,600	0.38

ANALYSIS OF UNITHOLDINGS
cont'd

Thirty largest unitholders as per record of depositors as at 29 January 2021 (Cont'd)

No	Name of Unitholders	No. of Units	%
18.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (NP-OTHER-REITS)*	11,415,500	0.37
19.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)*	10,265,600	0.34
20.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Total International Stock Index Fund*	9,346,025	0.31
21.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)*	7,553,000	0.25
22.	Pertubuhan Keselamatan Sosial	7,369,400	0.24
23.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 3*	7,001,500	0.23
24.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI-REITS)*	6,389,100	0.21
25.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera 2*	6,020,400	0.20
26.	Pavilion REIT Management Sdn Bhd	5,813,143	0.19
27.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (AP-REITS)*	5,158,600	0.17
28.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Nomura)*	4,445,400	0.15
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd *The Bank of New York Mellon for BNY Mellon Emerging Income Fund*	4,124,500	0.14
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund ZYEF for Vanguard Global Ex-U.S. Real Estate Indexfund*	3,696,200	0.12

Major Unitholders (5% and above) as at 29 January 2021

		Direct Interest		Deemed Interest	
No	Name of Unitholders	No. of Units	%	No. of Units	%
1.	Qatar Holding LLC	1,008,900,000	33.13	-	-
2.	Tan Sri Lim Siew Choon	845,425,000	27.76	-	-
3.	Puan Sri Tan Kewi Yong	281,875,000	9.26	-	-
4.	Employees Provident Fund Board	292,831,813	9.62	-	-
5.	Kumpulan Wang Persaraan (Diperbadankan)	185,896,500	6.10	-	-

ANALYSIS OF UNITHOLDINGS
cont'd

Unitholdings of Directors and Chief Executive Officer as at 29 January 2021

		Direct Interest		Deemed Interest	
No	**Name of Unitholder**	**No. of Units**	**%**	**No. of Units**	**%**
1.	Tan Sri Lim Siew Choon	845,425,000	27.76	-	-
2.	Puan Sri Tan Kewi Yong	281,875,000	9.26	-	-
3.	Dato' Lee Tuck Fook	100,000	*	-	-
4.	Navid Chamdia	100,000	*	-	-
5.	Ooi Ah Heong	100,000	*	-	-
6.	Dato' Maznah binti Abdul Jalil	100,000	*	-	-
7.	Dato' Philip Ho Yew Hong	95,000	*	-	-

*: Negligible

MARKET OVERVIEW

GENERAL ECONOMIC OVERVIEW 2020 & OUTLOOK FOR 2021

2020 was a very abnormal year where countries throughout the world went through several phases of lockdowns in a bid to curb the spread of the Covid-19 coronavirus which has infected more than 83 million people worldwide and caused the deaths of more than 1.8 million by the end of December 2020. Although the pandemic was acknowledged to have started in Wuhan, China, the United States of America, India and Brazil top the list in terms of number of confirmed cases and deaths.

In Malaysia, the confirmed number of Covid-19 positive cases as at 31 December 2020 has exceeded 110,000 with the number of deaths reaching 463. The country went through three months of strict lockdown under a Movement Control Order (MCO) from March to May which was then progressively relaxed but with the emergence of a third wave of the virus, the country was put under a Conditional Movement Controlled Order (CMCO). Under the CMCO, movement of people across states and districts are restricted, entertainment outlets, schools, universities and colleges are closed, weddings and other forms of social gatherings are prohibited and physical distancing standard operating procedures (SOPs) are adhered to at malls, eateries, places of worship as well as wet and night markets although most businesses are still allowed to open and continue to operate. The CMCO has since been extended to 14 January 2020 for Sabah, Selangor and Kuala Lumpur but certain SOPs have been relaxed eg. number of passengers travelling in the same car, number of diners sitting together as well as inter-district and inter-state travel in a bid to boost economic activities and domestic tourism. The Recovery Movement Control Order (RMCO) for the rest of Malaysia has also been extended to 31 March 2021.

The Malaysian economy contracted by 8.3% in the first half of 2020 due to the disruption to businesses during the series of lockdowns implemented to curb the pandemic. In fact, the economy recorded a decline of 17.1% in the second quarter of this year at the height of the lockdowns. Overall, Malaysia's gross domestic product (GDP) is expected to contract by 4.5% for full year 2020 (it was projected to grow by 4.8% during Budget 2020). Nevertheless, the Minister of Finance expects GDP to recover and grow by between 6.5% and 7.5% in 2021 with the measures implemented by the government to help the economy recover from the devastating effects of the pandemic. Malaysia's unemployment rate is also expected to improve to 3.5% in 2021, compared to an estimated 4.2% in 2020.

According to the Economic Outlook 2021 report released by the Ministry of Finance, Malaysia's domestic demand is expected to contract by 3.0% in 2020 but will expand by 6.9% in 2021, underpinned by various economic stimulus packages and the gradual resumption of economic activities disrupted by the Covid-19 pandemic. Private consumption is expected to decline marginally by 0.7% in 2020 and to increase by 7.1% in 2021, supported by the anticipated increase in domestic economic activities, improved export earnings, more accommodative financial policies and a more favorable stock market. Public consumption is expected to grow only marginally by 1.6% in 2020 but will expand by 2.0% in 2021. Private investment is projected to contract by 11.7% in 2020 but will rebound by 6.7% in 2021 whilst public investment on the other hand, is forecast to decline by 9.3% in 2020 and to recover by 16.9% the following year, driven mainly by initiatives undertaken by the government.

In 2020, gross exports are projected to decline by 5.2% in the light of slower global economic growth and supply chain disruptions as a result of the Covid-19 pandemic and the trade war between the USA and China. Nevertheless, exports are expected to recover in 2021 and grow by 2.7%, aided by a recovery in global trade.

Meanwhile, the Malaysian government expects its fiscal deficit to rise to 6.0% of GDP this year, the highest since the 2009 global financial crisis, due to the need to come out with several economic stimulus packages to counter the debilitating effects of the Covid-19 pandemic.

MARKET OVERVIEW
cont'd

Since the start of 2020, crude oil prices have been on a downward trend, no thanks to a drastic decline in oil demand following the lockdowns and travel restrictions imposed as part of efforts by governments worldwide to combat the Covid-19 pandemic. The price of crude oil dropped below US$30 per barrel in May before recovering to close at US$48.42 on 31 December. Industry experts have estimated that it may take until 2022 before a full recovery in oil demand is seen. As oil exports contribute substantially to Malaysia's GDP, economic growth for the country over the next two years will inevitably be affected.

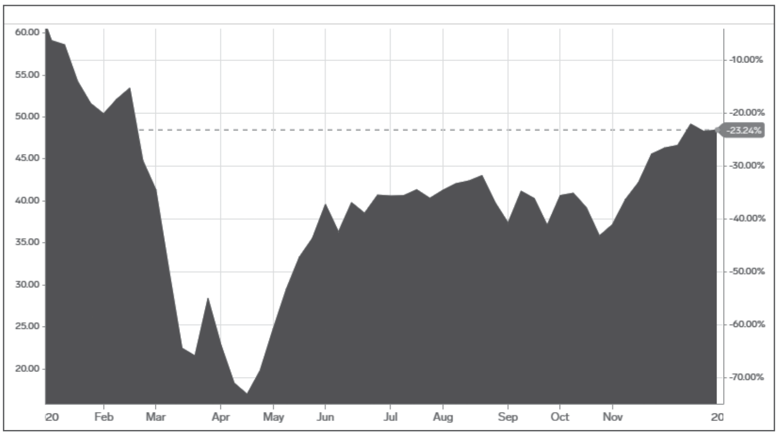


Chart 1: Price Movement of WTI *(Source: Market Insider)*

The Ringgit weakened to its lowest against the US dollar at 4.3636 MYR : 1.00 US$ on 23 May 2020 before recovering to close at 4.0203 MYR : 1.00 US$ on 31 December 2020 (Source: Bloomberg). It recorded a mixed performance against other major currencies. Going forward, the Ministry of Finance, in its Economic Outlook 2021 report, believes that the Ringgit could continue to appreciate on the back of improving global and domestic economic growth. However lingering concerns about when the Covid-19 pandemic can be brought under control as well as the current political uncertainties in the country could lead to some periods of volatility.

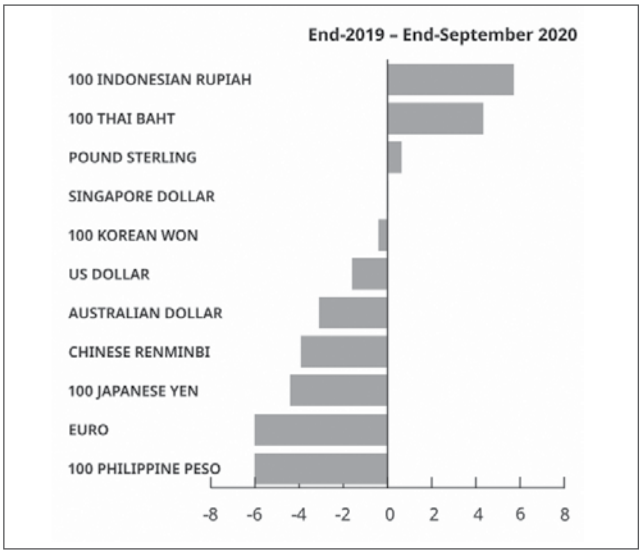


Chart 2: Performance of Ringgit in 2020 Against Major Currencies *(Source: Bank Negara Malaysia)*

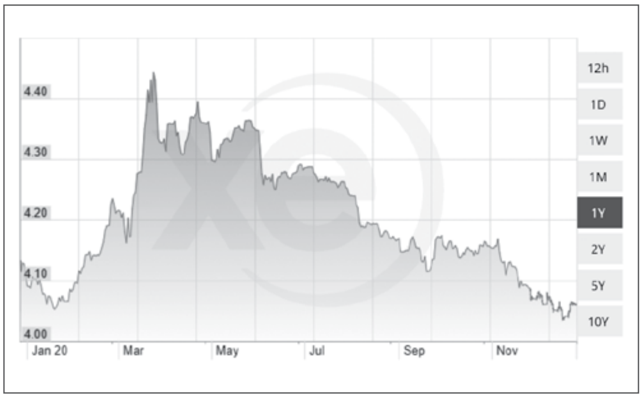


Chart 3: Performance of Ringgit in 2020 Against US$
(Source: Trading Economics)

MARKET OVERVIEW
cont'd

The KLCI was unnerved by the negative impact of the Covid-19 pandemic on the economy and hit a low of 1,239.01 on 18 March before recovering to close at 1,627.21 on 31 December. The positive news of the government confirming the purchase of vaccines from a few suppliers and the vaccine being potentially made available publicly in early 2021 would aid in the recovery of the country's battered economy and provide a lift to the KLCI.

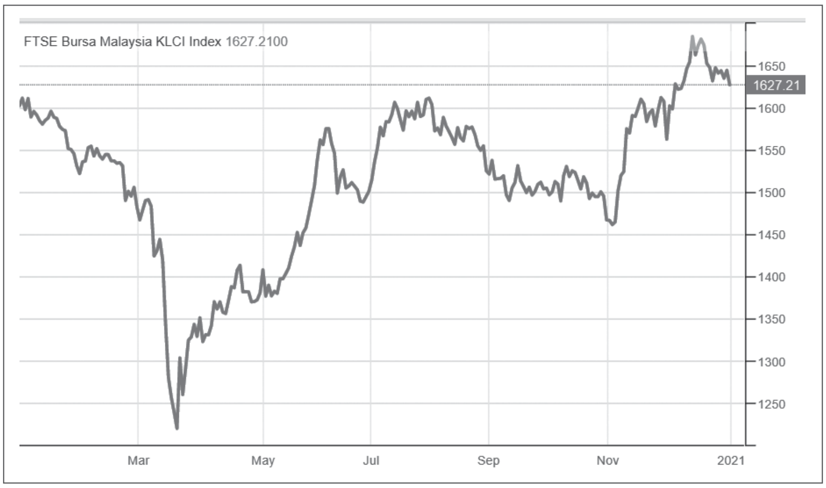


***Chart 4: KLCI 2020** (Source: Bursa Malaysia)*

SECTORAL REVIEW

THE RETAIL SECTOR

Klang Valley - Supply & Demand of Retail Space in 2020

As at December 2020, the Klang Valley (covering Kuala Lumpur, Selangor and Putrajaya) had 284 shopping centres with a total retail supply of more than 80 million square feet.

The supply of retail space in Kuala Lumpur, Selangor and Putrajaya is as detailed out in the table below :

Table 1 : Retail Supply in Klang Valley, 2020

No.	Location	No. of Malls #	Total Nett Floor Area (square feet)	Average Rental Rate (RM per square feet per month)*	Average Occupancy Rate (%)
1	Kuala Lumpur	119	35,704,465	11.68	75.9
2	Selangor	161	42,938,456	9.77	71.0
3	Putrajaya	4	2,318,000	7.59	83.6
	TOTAL	**284**	**80,960,921**	**10.10**	**73.5**

- include hypermarket malls and arcades
* - exclude rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.
Source: Henry Butcher Retail

MARKET OVERVIEW
cont'd

The average occupancy rate of shopping centres in the Klang Valley declined from 78.5% in 2019 to 73.5% in 2020 whilst for Kuala Lumpur itself, the average occupancy rate of shopping centres dropped from 82.9% in 2019 to 75.9% in 2020. This decline was due mainly to the Covid-19 pandemic that took place for almost the entire year of 2020. For Selangor the average occupancy rate of shopping centres decreased from 74.4% in 2019 to 71.0% in 2020. Similar to that of Kuala Lumpur, the decline was due mainly to the pandemic. For the same reason as above, the average occupancy rate of shopping centres in Putrajaya declined slightly from 84.0% in 2019 to 83.6% in 2020.

The average rental rate for retail space in the Klang Valley dropped from RM10.50 per square feet per month in 2019 to RM10.10 per square feet per month in 2020. This average did not include rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley etc. This decline in average rental rate for 2020 also did not take into account the rental waivers by many shopping centre owners during the period of the MCO as well as the rental rebates or rental discounts offered to selected tenants after the MCO ended. During the pandemic, many existing shopping centre owners needed to introduce rental rebates or reduce rental rates in order to retain existing tenants.

New shopping centres which opened in 2020 faced great difficulty to achieve at least 80% occupancy rate when they opened. As a result of the poor business conditions due to the pandemic and uncertain prospects, some confirmed tenants chose to terminate the tenancy agreements, while others negotiated for a delayed opening until 2021.

The pandemic affected all shopping centres in the Klang Valley. During the year, many tenants were not allowed to open for business due to restrictions imposed by the federal government. Many other tenants chose to operate for shorter hours due to reduced shopping traffic.

New Shopping Centre Openings in 2020

A total of eight new shopping centres and two mall extensions were opened in 2020, putting an additional nett floor area of more than 2.7 million square feet onto the existing supply. They included:

Table 2 : New Shopping Centres in Klang Valley for the Year 2020

No.	Name	Location	Nett Floor Area (square feet)
1	Bangsar Village 3	Bangsar	25,000
2	KL East Mall	Taman Melati	384,000
3	Tropicana Gardens Mall	Kota Damansara	1,100,000
4	Skypark Mall	Cyberjaya	150,000
5	Pacific Star	Petaling Jaya	350,000
6	D' Network	Setia Alam	65,000
7	1 Utama E	Bandar Utama	165,000
8	KIP Desa Coalfield	Sungai Buloh	142,000
9	DA Square	Bandar Sri Damansara	43,650
10	Quayside Mall	Kota Kemuning	328,000
	TOTAL		**2,752,650**

Source: Henry Butcher Retail

a) The Bangsar Village extension was completed in January 2020. The majority of its retail space was occupied by Sports Direct.

b) After a year of delay, KL East Mall opened in early December 2020. Its anchor tenants included Jaya Grocer, MBO, an ice skating ring, Toys R Us, Harvey Norman and BookXcess. Many of its retail lots were tenanted by temporary tenants when it opened.

MARKET OVERVIEW
cont'd

c) Tropicana Garden Mall located in Kota Damansara opened in early 2020. Anchor tenants included Village Grocer, MBO, BookXcess, TBM, Sports Direct and a convention centre. As at December 2020, many of its retail lots at the upper floors remained vacant.

d) Skypark shopping centre in Cyberjaya was completed two years ago. Its shopping centre was tenanted by only 2 convenience stores that cater to its immediate residential population.

e) Pacific Star retail mall was completed at the end of 2019. As at December 2020, only a superbike showroom occupied the ground floor of this retail centre.

f) D'Network is the world's first solar-powered hybrid F&B hub. Opened in September 2020, it had eleven tenants including Garden Grocer, Thai Odyssey and seven F&B operators.

g) 1 Utama E is the latest extension of the 1 Utama mega mall. The first phase of this annex building was opened in early 2018 with two sports centres - Air Rider and Flow Rider. Phase 2 of this entertainment block was opened to the public recently with a Sports Direct super store. Other major tenants include District K (a 4-level Korean-themed retail zone) and the Petaling Jaya Performing Arts Centre.

h) KIP Desa Coalfield was opened in November 2020 with 99 retail lots and 40 kiosks. Its major tenants included Econsave, Mr. DIY and a KFC drive-through restaurant. During the month of December, many of its shops were occupied by temporary tenants.

i) DA Square @ Damansara Avenue was opened in December 2020 with the first stand-alone Uniqlo store in Malaysia. Other tenants include Starbucks, The Brew House, 7-Eleven, Fook Yin Lau, Mr. Bento and Victoria 25 Cafe.

j) Quayside Mall is located in twentyfive.7, a 257-acre township in the southern part of Shah Alam. It was opened in December 2020 and its anchor tenants include Jaya Grocer, MBO and Mr. DIY.

Performance of Klang Valley Shopping Centres in 2020

The Covid-19 Pandemic

The coronavirus pandemic disrupted the business of shopping centres in the Klang Valley for the most part of 2020. On average, shopping traffic was down from 40% to 80% during the various periods of lockdown. Shoppers were afraid to visit their favourite and regular shopping centres when there were surges in positive cases to avoid being infected by the virus.

There were a total of 26 shopping centres in the Klang Valley with reported positive Covid-19 cases. The infected individuals included management staff, third-party service providers, tenants' staff, office tenants and residents from high-rise towers located above the shopping centres. 1 Utama in Bandar Utama was ordered to close for seven days for testing and sanitization whilst Gamuda Walk in Kota Kemuning closed for three days for complete sanitization.

Shopping centres with reported Covid-19 cases took longer to recover its shopping traffic as compared to shopping centres that were free from the virus infection.

Lockdown Period

a) The majority of shopping centres in the Klang Valley stayed open during the six weeks of the MCO that was implemented from 18 March 2020. Shops that were opened for business included supermarkets, hypermarkets, convenience stores, pharmacies as well as food & beverages outlets. During this period, shopping traffic dropped by as much as 80%, as compared to the pre Covid-19 period.

MARKET OVERVIEW
cont'd

b) When non-essential retailers were allowed to open during the CMCO period that began on 4 May 2020, shoppers returned to malls gradually. During this period, retail shops were allowed to open on shorter hours. Retailers needed to limit the number of their customers inside the stores whilst food operators were required to restrict the number of diners per table.

c) The Recovery Movement Control Order was implemented from 10 June 2020 and was extended until 31 December 2020. During this period, more social distancing rules were relaxed by the government. Shoppers returned to their favourite shopping centres and ate at their favourite cafes and restaurants.

d) Hair salons and beauty salons were allowed to open from 10 June 2020, followed by fitness centres from 15 June 2020. Cinemas were allowed to open for business from 1 July 2020, while family entertainment centres were given permission to operate from 15 July 2020.

e) The second CMCO was introduced in the Klang Valley on 14 October 2020 when the number of daily positive cases rose at an alarming rate. It has been extended four times until 31 December 2020. Shopping traffic dived by 50% to 60% as compared to shopping traffic during the RMCO period. During this time, shoppers were not allowed to travel between districts. Tourists from other states of Malaysia were also not allowed to enter the Klang Valley.

f) Beginning 7 December 2020, more social distancing rules were relaxed by the government. There was no limit on the number of passengers per car whilst the ban on inter-district and inter-state travel was removed. Almost immediately, shopping traffic returned to all major shopping malls.

Rental Waivers and Rental Rebates

a) The majority of retail landlords in the Klang Valley gave rental waivers to non-essential retailers during the six weeks of MCO which started from 18 March 2020.

b) Rental rebates or rental discounts were given instead of rental waivers to non-essential retailers when they were allowed to open during the CMCO period. Retail sales remained low due to adherence to SOP, shorter operation hours and reduced shopping traffic. Rental waiver was given to tenants that were not allowed to open by the government.

c) Rental rebates were only given to tenants on a case-by-case basis during the implementation of RMCO. Rental defaulters were not alarming due to the government's implementation of wage subsidies and delay of loan repayments to financial institutions. Some retail landlords allowed tenants to pay outstanding rentals on installment basis without interest or penalty.

d) Rental rebates were only given to selected tenants on a case-by-case basis when the CMCO was re-introduced in the Klang Valley on 14 October 2020. Some tenants (including cineplexes, entertainment centres and children play centres) were closed with rental waiver due to the government restriction.

Major Closures and Replacements

There were several major replacements during the year:

a) Jaya Grocer replaced Cold Storage in Sunway Pyramid, Bandar Sunway.

b) Village Grocer replaced Cold Storage in Subang Parade, Subang Jaya.

c) AEON Big replaced Cold Storage in Jaya One, Petaling Jaya.

d) BSC Fine Foods replaced Jason Food Hall in Bangsar Shopping Centre, Bangsar.

e) Glenn's Grocer replaced Sam's Groceria in Utropolis Marketplace, Shah Alam.

MARKET OVERVIEW
cont'd

f) Tangs exited Malaysia in early 2020. The existing stores have been renamed as Galeries VOIR.

g) Decathlon occupied the large retail space formerly occupied by Oversea Restaurant in Plaza Armada, Petaling Jaya

At the same time, there were several major closures during the year:

a) Robinsons shut down in Shoppes @ Four Seasons Place and The Gardens Mall.

b) SKM supermarket closed down in Cheras Sentral, Cheras.

c) Giant hypermarket vacated from CMC Taman Connaught in Cheras.

d) Giant left Star Avenue in Sungai Buloh.

e) BIG supermarket closed down in DC Mall, Damansara Heights.

f) Giant shut down in OUG Plaza, Taman OUG.

g) UO closed down in Galaxy Ampang, Ampang.

h) SK Market left The Square at USJ One City.

Several anchor tenants reduced its floor sizes. Metrojaya in The Curve reduced from 3 floors to 1 floor whilst AEON in Quill City Mall consolidated from 3 floors to 1 floor. AEON Big in 3 Damansara shrunk its hypermarket floor area. The anchor space remained vacant in The Summit (USJ Subang Jaya) after Giant left in 2019.

Sale and Refurbishments

a) Tesco Malaysia was sold to Thailand's CP Group in March. In November, Tesco Malaysian shareholder Sime Darby Bhd announced that it has received approval from the Ministry of Domestic Trade and Consumer Affairs on the sale.

b) Media reported in November that Intermediate Capital Group from United Kingdom bought TF Value Mart for more than RM800 million. TF Value Mart operates 36 hypermarkets in Malaysia.

c) LifeCare Diagnostic Medical Centre bought SSTwo Mall from DK-MY Properties. The earlier plan was to convert the vacant building into a one-stop healthcare lifestyle mall by 2021.

d) Plaza Pelangi Astana in Pelangi Damansara was up for sale at RM42.9 million. Formerly occupied by Houz Depot, it has a floor area of 74,357sf.

e) Life Plaza in Jalan Loke Yew was put up for sale again for RM450 million. It has a gross floor area of 560,000 sq ft.

f) The Suria KLCC former Parkson space over 3 levels has been converted into 60 specialty stores. The new zones over 3 levels were re-opened in 2020. New tenants included Givenchy Beauty, Gucci Beauty, Estee Lauder Cos, History of Whoo, Sisley, BAPE, dUCk, Sofia Iman, Siti Khadijah, etc. The Signature food court was expanded with a larger dining area.

g) Starhill Gallery in Bukit Bintang has been partially closed for a major refurbishment since 2019. It has been renamed as The Starhill with four retail levels. Confirmed new tenants included Balmain, Off-White, Roberto Coin, Tom Ford, Paul & Shark, Stefano Ricci, Mari*Star, etc. Eslite Spectrum will be opening a 70,000 square feet mega bookstore on the entire Level 1 with a F&B outlet on the ground floor.

h) Pearl Point in Old Klang Road completed its refurbishment in 2020.

MARKET OVERVIEW
cont'd

Klang Valley Retail Market

The Year 2020 was the worst period for retailers in Malaysia since 1987. The retail market turned into a bloodbath since the middle of March with the implementation of the MCO.

Quarterly Retail Sales Performances

a) For the first quarter of 2020, the Malaysian retail industry recorded a negative growth rate of 11.4% in retail sales, compared to the same period in 2019. During the second month of the year, retailers began to suffer from declining sales due to the rapid spread of Covid-19 and the drastic drop of foreign tourists. The MCO implemented during the last two weeks of March led to zero revenue for non-essential retailers in the whole country. The Consumer Sentiment Index (CSI) dropped sharply to 51.1 during the first three months of the year. It was the lowest since 1988.

b) For the second quarter of 2020, Malaysia's retail industry suffered a negative growth rate of 30.9%. This result was the worst quarterly result in the history of Malaysia's retail industry. Non-essential retailers remained closed until the MCO ended on 3 May 2020. Shopping traffic returned slowly during the CMCO when it was introduced from 4 May 2020 until 9 June 2020.

Table 3: Malaysia Retail Sale And Other Economic Performances, 2020

Economic Indicator (%)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Whole Year
Retail sales	-11.4	-30.9	-9.7	(e) -18.2	(e) -15.8
GDP	0.7	-17.1	-2.7	NA	(e) -4.5
Private consumption	6.7	-18.5	-2.1	NA	NA
Inflation rate	0.9	-2.6	-1.4	NA	NA

NA - not available
(e) - estimate
Source: Retail Group Malaysia/ Bank Negara Malaysia

c) During the third quarter of 2020, the Malaysian retail industry recorded a poorer-than-expected growth rate of -9.7%. Although most of the retail sub-sectors were allowed to open for business, Malaysian consumers were still wary of being infected by the virus. They travelled to retail shops only for basic necessities and chose not to shop around. The reduced take-home pays also limited the purchasing power of Malaysian consumers.

d) Malaysia's retail industry was expected to report a retail growth rate of -18.2% during the last quarter of 2020. The second CMCO was implemented in the Klang Valley from 14 October 2020 until 31 December 2020. The third-wave of Covid-19 led to the government implementing restrictions on interstate travel and requiring workers to work from home as well as delaying the school opening. This led to a significant reduction in shopping traffic.

e) For the entire year of 2020, Retail Group Malaysia estimated the Malaysian retail industry growth rate to have shrunk by -15.8%.

MARKET OVERVIEW
cont'd

Retailing Trends in the Klang Valley

The Covid-19 pandemic forced many retailers to pay attention to the online shopping platform. After the MCO was lifted in early May 2020, retailers invested more efforts and money into this technology and online shopping has become another major channel of distribution for retail goods and services in Malaysia. However, it is not replacing the role of physical retail stores and this was evident when Malaysian shoppers slowly returned to their favourite retail shops when the first CMCO replaced the MCO. Since the RMCO was implemented, popular retail shops became very crowded on weekends. When the social distancing rules were relaxed from 7 December 2020, even more shoppers returned to their favourite shops and F&B outlets.

When retail stores re-opened and restaurants were allowed to dine-in, there was a significant drop in online shopping as compared to sales achieved during the MCO period. Most Malaysians went back to retail stores and most F&B outlets were getting their customers back although it was still lesser in number due to social distancing measures.

Malaysian consumers have continued shopping when physical retail stores were allowed to open during the first CMCO but due to their reduced purchasing power, they were buying less. Nevertheless, Malaysians have not stopped shopping and have not stopped visiting shopping centres.

Despite this difficult period, several retail brands expanded with more outlets in 2020:

- Wonderlab: Selling Korean beauty products. It opened kiosks and shops in many shopping centres in the Klang Valley as health & beauty products are still in demand.
- Santan: It opened several restaurants and kiosks in shopping centres during the year and is a new revenue stream for AirAsia group.
- Mr. Dollar and Mr. Toy: Both under Mr. DIY group, using the same proven business model to expand the company retail network in shop offices and shopping centres.
- NinjaZ: Handphone accessories shop. Selling through social media during this period and capitalising on the strong demand for small gadgets.
- Uncle Don's: It survived well during the lockdown in March and April and took the opportunity to now expand outside the Klang Valley.
- Parcelhub: Courier delivery and fulfillment service centre. It opened at least a store every week in all parts of Malaysia.
- Mykori Dessert Cafe: Shaved-ice dessert shop. It has been opening new outlets since the RMCO in many cities and towns of Malaysia. As at early December 2020, it had a total of 97 retail outlets.

Opening and Closures of Foreign Retailers in Klang Valley

During the year of 2020, the Klang Valley retail market witnessed the closures of several overseas retailers. They included:

- Esprit
- Laduree
- Home-Fix
- Nyx Cosmetics
- Greyhound Cafe
- Arcova
- We The People Store
- Xin Dau Ji
- Robinsons
- Ben & Jerry's

The drastic reduction in sales due to the Covid-19 pandemic was the main cause of their closures in Malaysia.

MARKET OVERVIEW
cont'd

Nevertheless, during the same period, many overseas retailers chose Klang Valley shopping centres to open their first outlets in Malaysia. They included at least 22 brands from 11 countries as follows:

Table 4: Opening of First Stores in Malaysia by Foreign Retailers

No	Country of Origin	Brand Name	Trade
1	France	Karl Lagerfeld	Fashion & fashion accessories
2		Berluti	Fashion & fashion accessories
3		Delifrance	Foods & beverages
4	Italy	Brunello Cucinelli	Fashion & fashion accessories
5	Germany	A.Lange & Sohne	Fashion & fashion accessories
6	Austria	Swarovski Crystal Studio	Fashion & fashion accessories
7	Australia	Calia	Foods & beverages
8	China	realme	Telecommunication
9		Jipinhe	Foods & beverage
10		Yuanlaosi	Foods & beverage
11		Zhao Ji Chuan Chen	Foods & beverage
12	Hong Kong	Kam Roast	Foods & beverage
13		Bakebe	Learning centre
14		Kam Kee 1967	Foods & beverage
15	Taiwan	Chiji Chicken Cutlet	Foods & beverage
16		Happy Lemon	Foods & beverage
17	South Korea	Myungrang	Foods & beverage
18	Japan	atmos	Fashion & fashion accessories
19		Shabu-Yo	Foods & beverage
20		A Bathing Ape	Fashion & fashion accessories
21		Arabica	Foods & beverage
22	Singapore	Cat & The Fiddle	Foods & beverage

Tourist Arrivals

Visit Malaysia Year 2020 was planned two years ago and Malaysia targeted to attract 30 million tourist arrivals this year. The expected tourism receipt was RM100.0 billion. More than 100 events were lined up throughout the year in conjunction with this largest tourism event. The Covid-19 pandemic however ended this major tourism campaign in March 2020. According to the Ministry of Tourism, Arts and Culture (MOTAC), RM40 million had been spent to promote this major event before it was called off.

Malaysia received a total of 4.2 million tourists from January to September 2020. This was a drop of 78.6% compared to the same period last year. In terms of tourism receipts, it declined by 80.9% to only RM12.6 billion. The huge drop in foreign tourist arrivals was due to the closure of international borders since 18 March 2020.

According to the Malaysian Association of Hotels (MAH), the average occupancy rate of hotels in Malaysia was expected to decline to an average of only 25% in 2020. Occupancy rates of hotels rose when the RMCO started but nosedived when the second CMCO was implemented. Hotel bookings climbed back gradually when interstate travel ban was removed on 7 December 2020.

MARKET OVERVIEW
cont'd

Based on the Companies Commission of Malaysia (SSM), 109 hotel operators and 95 travel-related companies have closed down since March 2020. Notable hotels that were closed permanently include:

- GTower Hotel Kuala Lumpur
- Swiss-Inn Chinatown Kuala Lumpur
- Kinta Riverfront Hotel & Suites Ipoh
- Tower Regency Hotel Ipoh
- Jazz Hotel Penang
- Penaga Hotel Penang
- Jerejak Island Resort Penang
- Holiday-Inn Resort Penang
- Ramada Plaza Melaka
- Berjaya Tioman Resort Tioman
- Swiss-Garden Resort Damai Laut
- Swiss-Inn Sungai Petani
- Four Points by Sheraton Sandakan

Singaporean shoppers were an integral part of Johor Bahru's retail market. When the border was closed to shoppers since the MCO in March, the sales of many retailers in Johor Bahru dropped by as much as 70%, as compared to the previous year.

Rental Rates of Selected Shopping Centres in Klang Valley

The rental rates of selected shopping centres in the Klang Valley are detailed out in the table below. The achieved rental rates excluded temporary rental waivers and rental discounts given to selected tenants during the various stages of lockdowns.

Table 5 : Rental Rates of Selected Shopping Centres in Klang Valley, 2020

Name	Rental Rate (RM per square feet per month)					
	Lower Ground	Ground Floor	First Floor	Second Floor	Third Floor	Fourth Floor
Suria KLCC	42.00 – 223.00	42.00 – 93.00	42.00 – 96.00	36.00 – 88.00	50.00 – 92.00	47.00 – 60.00
Low Yat Plaza	28.00 – 30.00	19.00 – 36.00	22.00 – 32.00	10.00 – 31.00	14.00 – 33.00	11.00 – 22.00
Cheras Leisure Mall	17.00 – 32.00	13.00 – 25.00	10.00 – 28.00	8.00 – 21.00	NA	NA
Mid Valley Megamall	25.00 – 36.00	45.00 – 72.00	33.00 – 38.00	23.00 – 25.00	15.00 – 21.00	NA
3 Damansara	11.00 – 25.00	11.00 – 14.00	7.00 – 12.00	8.00 – 10.00	NA	NA
The Mines	NA	7.00 – 18.00	8.00 – 18.00	5.00 – 24.00	9.00 – 19.00	NA
SACC Mall	2.00 – 7.00	4.50 – 14.00	3.00 – 12.00	2.60 – 10.00	2.00 – 4.50	NA

NA - not applicable
Source: Property Market Report, NAPIC / Henry Butcher Retail

Klang Valley Retail Supply in 2021

At least seven new shopping centres and two mall extensions are expected to open in 2021 with a total nett floor area of 5.5 million square feet. They are located in various parts of the Klang Valley.

The new shopping centres in Klang Valley include the following:

Table 6: New Shopping Centres in Klang Valley for the Year 2021

No.	Name	Location	Nett Floor Area (square feet)
1	Datum Mall	Setiawangsa	319,000
2	8 Conlay	KLCC	130,000
3	Mitsui Shopping Park Lalaport	Bukit Bintang	861,000
4	Pavilion Bukit Jalil	Bukit Jalil	1,800,000
5	Permata Sapura Tower	KLCC	70,000
6	Ecohill Walk Mall	Semenyih	170,000
7	Setia City Mall Phase 2	Setia Alam	450,000
8	KSL Esplanade Mall	Klang	700,000
9	IOI City Mall Phase 2	Putrajaya	1,000,000
	TOTAL		**5,500,000**

Source: Henry Butcher Retail

a) Datum Mall, part of the Datum Jelatek mixed-use development, is at its final stage of construction. Confirmed anchor tenants include Pacific Marketplace, Pacific Concept Store and Pak Tam wedding hall.

b) 8 Conlay's Lifestyle Retail Quarters is a 9-storey boutique mall to be occupied by retail shops and F&B outlets. It is part of a mixed-use development with two residential towers to be managed by Kempinski Hotel as well as a tower block consisting of hotel and service suites.

c) Once ready, Mitsui Shopping Park Lalaport Kuala Lumpur will offer over 300 retail shops and F&B outlets, as well as ZEPP Kuala Lumpur, a concert hall and entertainment hub with 2,500 seats equipped by Sony Music Entertainment.

d) Pavilion Bukit Jalil is part of the 50-acre integrated Bukit Jalil City development. Confirmed anchor tenants include Parkson, Dadi Cinema, Food Republic, The Food Merchant, Harvey Norman and an ice skating ring. It will also offer a 47,000 square feet exhibition hall.

e) Completed at the end of 2020, the 52-storey Permata Sapura Tower office development has 2 levels of retail space.

f) EcoHill Walk Mall will be the first lifestyle retail shopping destination in Semenyih with MBO Cinemas as the first confirmed tenant.

g) Setia City Mall added a new wing to its existing shopping mall and will be ready for opening in early 2021. Lulu hypermarket has been confirmed as its anchor tenant. Once completed, Setia City Mall will be the largest shopping mall in Shah Alam.

h) KSL Esplanade Mall is located at the southern part of Klang. Confirmed anchor tenants include AEON MaxValu Prime, TGV, EnergeXPark, Mr. DIY and Ashley Furniture.

i) Once ready, IOI City Mall Phase 2 will offer a wide selection of retail shops and F&B outlets, a canopy-covered outdoor street retail promenade, a 40,000 square feet exhibition hall, a cineplex with IMAX hall, an edutainment centre, an entertainment centre as well as a rooftop sports centre with gym.

MARKET OVERVIEW
cont'd

Outlook of the Klang Valley Shopping Centre Market in 2021

The future of the Klang Valley shopping centre market is highly dependent on the development and availability of an effective and safe vaccine to curb the spread of the Covid-19 virus as well as the Malaysian government's policies on lockdown and social distancing for the purpose of controlling the spread of the virus.

The Klang Valley Consumer Market

Retail Group Malaysia projects a 4.9% growth rate in retail sales for 2021. This estimate is based on the economic projection by the Ministry of Finance Malaysia which has projected the national economy to grow by between 6.5% and 7.5% next year.

All retail sub-sectors are expected to rebound next year.

However, several factors may affect the retail market performance next year:

- The Klang Valley is a critical retail market for the whole country. A fourth-wave pandemic and additional movement restrictions will hurt the entire retail industry.
- Foreign tourists have been an important sales contributor to Malaysia's retail industry, especially for the Klang Valley retail market. The reopening of selected country borders early is critical for many retail businesses that had been dependent on patronage by foreign tourists.
- A broad-based economic recovery will boost retail spending. More economic activities will lead to higher take-home pay for ordinary Malaysians and a higher income will lead to more purchases of retail goods and services.
- An uncertain political environment will reduce consumers' confidence levels and lower consumers' confidence level will in turn lead to lower spending.

Several monetary incentives have been introduced by the federal government during Budget 2021 to put more cash into the pockets of 8.1 million middle and low-income Malaysians in 2021:

a) Families with monthly household incomes of less than RM2,000 and has up to one child will receive RM1,200, while households with two or more children will receive RM1,800.

b) Families with monthly household incomes of between RM2,501 and RM4,000 with one child will receive RM800 while households with two or more children will receive RM1,200.

c) Families with monthly household incomes of between RM4,001 and RM5,000 with one child will receive RM500, while households with two or more children will receive RM750.

d) Singles earning RM2,500 and below will receive RM350.

e) The minimum employee EPF contribution rate will be reduced from 11% to 9% from January 2021 for a period of twelve months to put more spending money into the pockets of contributors.

f) The Employees Provident Fund (EPF) will also allow its members to withdraw their EPF savings from Account 1 from January 2021. For members with RM100,000 or less in Account 1, they are eligible to withdraw up to RM10,000. For members with more than RM100,000 in Account 1, they are eligible to withdraw up to 10% from their savings subject to a cap of RM60,000.

The Klang Valley Shopping Centre Market

As in previous years, shopping centres which target for opening in 2021 will face challenges to fill up most of their retail lots upon their opening. To attract permanent tenants to open in their shopping centres, retail landlords will need to lower their rental rates and/ or offer longer rent-free periods. At the same time, they need to secure temporary tenants to fill up empty lots, especially in prime locations. The recently opened KL East Mall and KIP Desa Coalfield depended on many temporary tenants to fill up their retail lots.

MARKET OVERVIEW
cont'd

The shopping traffic should return gradually by early 2021. Malaysians will accept the current SOPs as the new normal for months to come.

Online shopping has played a very important role to distribute goods and services to Malaysian consumers during this Covid-19 pandemic. Many Malaysians were 'forced' to learn how to use various apps (including WhatsApp) to order goods and services during this period. However, it is not replacing the role of shopping malls. This is evident as Malaysian shoppers slowly returned to their favourite shopping malls when the first CMCO started. Since the RMCO was implemented, popular shopping malls became very crowded on weekends.

When shopping malls re-opened and restaurants were allowed for dine-in, there was a significant drop in online shopping as compared to during the MCO period. Most Malaysians are now back to the shopping malls and most F&B outlets in shopping malls are getting their customers back although the number of diners are still lesser due to social distancing measures.

In the coming year, retail landlords will likely modify their trade mix of large space users in shopping malls. Prior to Covid-19, entertainment (cineplex, arcade, escape game, VR centre and indoor theme park) and recreational operators (children's play centre and sports centre) were highly demanded. In addition, large space users such as Chinese restaurants with banquet hall and private wedding halls were popular in shopping malls as well. This year, most of these operators remained close most of the time. This has been a big loss in rental income to retail landlords.

The popularity of large-format discount stores during Covid-19 will encourage more retail landlords in the Klang Valley to lure these operators into their shopping centres. ECO-Shop is already a tenant of several AEON malls, M3 Mall and S Park in the Klang Valley. NINSO is found in Kompleks PKNS Shah Alam, GM Klang and Plaza 63. Tatsumaki opened in several AEON Big malls, Tesco malls, Giant malls, Fiesta Mall as well as KIP Desa Coalfield. Supersave can be found in Kompleks PKNS Shah Alam, Amerin Mall, IOI City Mall, IOI Mall as well as TMC Mall. NOKO has just opened in Sunway Putra Mall.

Mega bookstores may be another new trend in the coming year. Despite closures of several MPH, Borders, Times and Popular outlets in the Klang Valley, BookXcess continues to expand their network in Malaysia. In the Klang Valley, they are found in shopping centres such as Fahrenheit 88, The Starling Mall, KL East Mall and Tropicana Gardens Mall.

Furniture and home furnishing retailers are now common tenants in many shopping centres in the Klang Valley, especially shopping centres with excess retail space. Previously located in shop offices and warehouse buildings, these operators are taking advantage of the low rental rates currently offered by many retail landlords in the Klang Valley. These operators prefer to locate their showrooms inside shopping centres because of abundant car parking space, large loading bays and better corporate image.

Target Tourist Arrivals

Under Budget 2021's Tourism Recovery Plan, RM50 million has been allocated for training and placements for 8,000 employees of airline companies in Malaysia; RM50 million for maintenance and repair of tourism facilities; RM20 million to improve the infrastructure in cultural villages and RM20 million for the conservation of national heritage buildings. The Malaysia Healthcare Travel Council has been allocated RM35 million to enhance the local medical tourism industry while companies in the tourism sector has been given Human Resource Development Fund levy exemptions for six months beginning January 2021.

On 23 November 2020, the Ministry of Tourism, Arts and Culture announced a detailed recovery plan in its efforts to revive the Malaysian tourism industry in 2021. Tourism Malaysia will work with airlines, travel-related companies and travel-related associations to offer vouchers, discounts and cash rebates that will encourage Malaysians and people residing in Malaysia to travel around the country to boost domestic tourism.

Tourism Malaysia is also planning for green travel bubbles with immediate ASEAN neighbours by the first half of 2021. Cross border tourism will help to boost tourism spending in Malaysia. Countries considered include Singapore, Brunei, Thailand as well as Indonesia.

MARKET OVERVIEW
cont'd

PURPOSE BUILT OFFICE SECTOR

Existing & Incoming Supply

The supply of purpose-built office space (PBO) in the Klang Valley (both government and privately owned buildings) increased to 170.3 million square feet (15.822 million square metre) as at end 2019. Kuala Lumpur's stock of PBOs increased to approximately 100 million square feet (9.266 million square metre) whilst there is another 15.77 million square feet (1.465 million square metre) in incoming supply which will add substantially to the stock when completed. Putrajaya which has 27.2 million square feet (2.525 million square metre) will add on another 816,000 square feet (75.816 square metre) whilst Selangor will be contributing another approximately 2.24 million square feet (208,391 square metre) to the current stock of 43.4 million square feet (4.03 million square metre).

Table 7: Existing Supply of Office Space (Government & Privately Owned Buildings) in Kuala Lumpur & Selangor as at end 2019

State	Existing Supply (square metre)	Completion (square metre)	Incoming Supply (square metre)	Planned Supply (square metre)	New Planned Supply (square metre)
KL	9,266,687	22,296	1,465,441	216,593	0
Putrajaya	2,525,253	249,430	75,186	31,545	0
Selangor	4,030,791	0	208,391	364,481	354,205
Total	**15,822,731**	**271,726**	**1,749,018**	**612,619**	**354,205**

Source: NAPIC

Table 8: Existing Supply & Occupancy Rates of Privately-Owned Purpose-Built Office Buildings as at Q2 2020

Area	No. of Buildings	Existing Supply (square metre)	% of Supply	Occupancy Rate (%)
Kuala Lumpur City Centre (Seksyen 1-100, Bandar KL)	296	6,869,680	79	77.3
Outside City Centre (Luar Seksyen 1-100, Bandar KL)	105	1,846,920	21	70.1
Total	**401**	**8,716,600**	**100**	**75.8**
WP Putrajaya	**11**	**394,970**	**n.a.**	**39.1**
Selangor	**224**	**3,807,470**	**n.a.**	**69.8**

Source: NAPIC

The bulk of the existing supply of the privately owned PBO (79%) is located within the city centre, identified as Sections 1 to 100, Bandar Kuala Lumpur. There were an additional four buildings added to the supply of privately owned PBOs in the first half of 2020 which brought on an additional 148,000 square feet to the supply of office space in KL city centre.

MARKET OVERVIEW
cont'd

There are quite a number of new office building projects currently under construction and due for completion in 2020 and beyond. These buildings are tabulated below:

Table 9: New Office Buildings Completed in 2020

Building	Location	NLA (square feet)	Completed
YTL HQ	Jalan Bukit Bintang	324,000	2020
Menara TCM	Jalan Stonor, KLCC	370,000	2020
Permata Sapura Tower	Jalan P. Ramlee KLCC	641,000	2020
Menara Hap Seng 3	Jalan Sultan Ismail / P Ramlee	240,000	2020
Tropicana Garden	Kota Damansara	219,000	2020
Sumurwang Tower @ i-City	Shah Alam	280,000	2020
		2,074,000	

Table 10: New Office Buildings Due for Completion from 2020 Onwards

Building	Location	NLA (square feet)	Estimated Completion
Kuala Lumpur			
TS Law Tower	Jalan Tun Razak	500,000	2021
Plaza One	Jalan Conlay, KLCC	606,000	2021
HSBC Tower	TRX	568,000	2021
Oxley Tower	Jalan Ampang, KLCC	346,000	2022
The Exchange 106	TRX	2,650,000	2021
Affin Bank Tower	TRX	823,000	2021
Tower 3	KL Eco City	756,000	2021
UOB Tower 2	Jalan Raja Laut	376,000	2021
The MET Corporate Tower	Dutamas	600,000	2021
The Stride	Bukit Bintang	394,000	2021
Merdeka 118	Changkat Stadium	1,700,000	2022
Pavilion Damansara	Damansara Heights	1,500,000	2022
Menara Felcra	Jalan Semarak	1,122,000	N.A.
Total		**11,941,000**	
Petaling Jaya			
PJ Sentral MyIPO PKNS	Section 52, Petaling Jaya	 294,000 862,000	 2021 TBA
Imazium	Damasara Utama	478,000	2021
Paramount Tower 1 & 2	Jalan Universiti PJ	572,000	End 2021
Fraser Square	Section 13 PJ	240,000	TBA
HCK Tower	Empire City, Damansara Perdana	347,000	2021
PJCC	PJ	290,000	TBA
Petaling Tin redevelopment	PJ	300,000	TBA
One City Phase 3	USJ	1,500,000	2026
Total		**4,883,000**	
Grand Total		**16,824,000**	

Source: Henry Butcher Research

MARKET OVERVIEW
cont'd

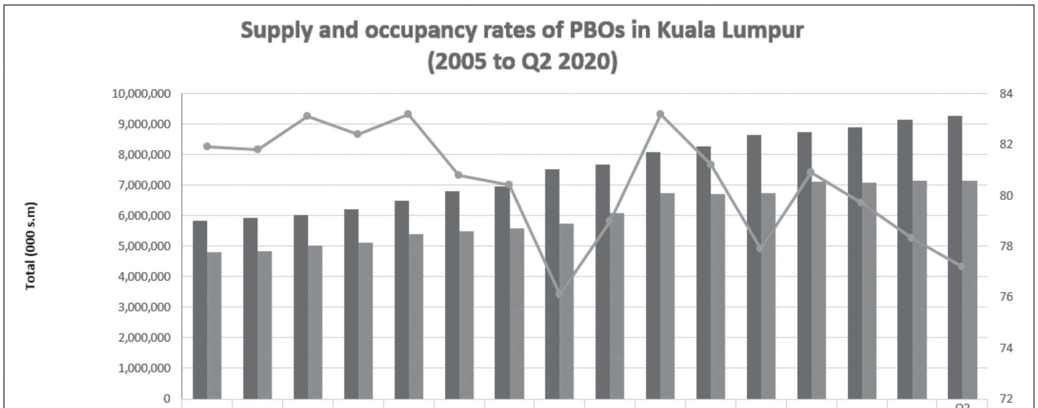
In addition, there are a number of proposed office developments that have been announced which if launched and completed, will add significantly to the future supply of office space in Kuala Lumpur. Some of these are redevelopment projects on sites where the existing buildings have been or will be torn down. Nevertheless, in view of the slowdown in the economy and poor demand for office space especially after businesses have been badly hit by the Covid-19 pandemic as well as the current oversupply situation, some of these projects will very likely not be launched in the immediate future and will be deferred till later when market conditions become more benign.

- Lot 185 KLCC – 500,000 square feet of retail & office space & a hotel
- Bukit Bintang City Centre (BBCC) Signature Tower by Eco World Group
- Former Brickfields District HQ – Seni Nadi
- Tradewinds Square, Jalan Sultan Ismail (redevelopment of Kompleks Antarabangsa & Crowne Plaza Hotel) – proposed 110-storey corporate tower, 61-storey mixed use tower and a retail mall
- Tradewinds Towers – 50- and 26-storey office towers to be built on the former Menara Tun Razak site, Jalan Raja Laut
- New 60-storey office tower to be added to Menara Dayabumi
- Bandar Malaysia

Office Occupancy Rates & Rentals

Privately owned PBOs within KL city centre recorded an occupancy rate of 77.3% as at Q2 2020, down from 81.5% as at Q2 2019 whilst those located outside the city centre have a marginally lower occupancy rate of 70.1%. Putrajaya registered a low occupancy rate of only 39.1% for privately owned PBOs (the majority of the office buildings in Putrajaya are owned and occupied by government departments) whilst Selangor recorded a lower occupancy rate of 69.8%, down from 73.1% in Q2 2019.

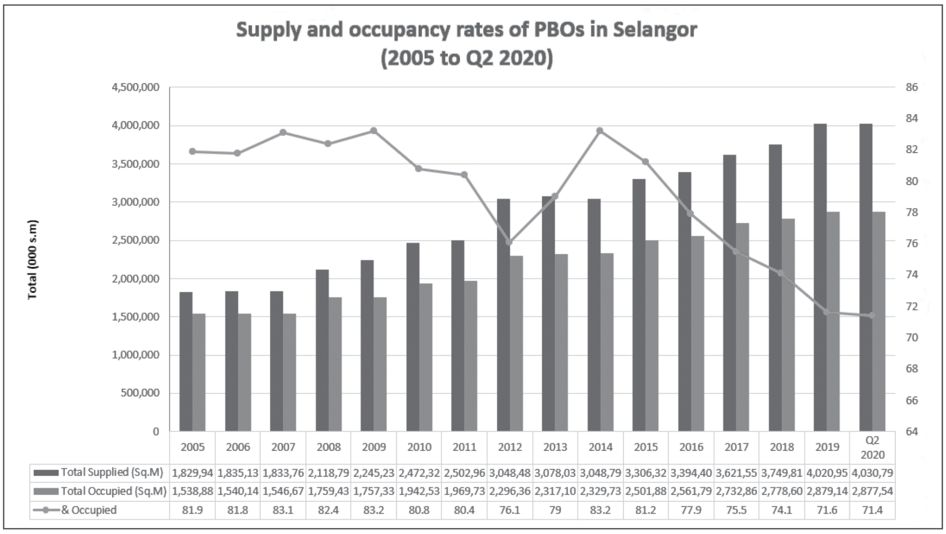
Chart 5: Supply and Occupancy Rates of Privately Owned Office Buildings in Kuala Lumpur (2005 to Q2 2020) *Source: NAPIC*



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q2 2020
Total Supplied (Sq.M)	5,854,98	5,928,25	6,039,11	6,214,63	6,484,85	6,810,67	6,962,47	7,539,83	7,699,63	8,097,64	8,282,67	8,657,57	8,747,24	8,890,15	9,146,27	9,266,68
Total Occupied (Sq.M)	4,796,93	4,849,17	5,016,21	5,122,29	5,393,85	5,501,66	5,598,77	5,735,25	6,079,45	6,739,89	6,722,60	6,747,24	7,127,48	7,088,85	7,161,56	7,153,06
% Occupied	81.9	81.8	83.1	82.4	83.2	80.8	80.4	76.1	79	83.2	81.2	77.9	80.9	79.7	78.3	77.2

MARKET OVERVIEW
cont'd

Chart 6: Supply and Occupancy Rates of Privately Owned Office Buildings in Selangor (2005 to Q2 2020) *Source: NAPIC*



The substantial supply of office space due to come onto the market over the next few years, the bulk of which are supplied by buildings being built by government linked companies / government linked investment companies, is expected to result in a rise in vacancy rates and this will put added pressure on rental rates in the coming years unless demand increases substantially. Nevertheless, in view of the current soft market conditions, weak business sentiments and no signs of any significant new sources of demand for office space, some developers may not start their projects and this may offer some temporary relief to the sector.

Based on Napic's report for the first half of 2020, the rental index for PBOs registered a marginal increase although on the ground, we are aware of landlords offering improved rental terms for tenants who renew their tenancies as well as for new tenants. The salient points in Napic's reports is summarized below:

Chart 7: Purpose Built Office Rental Index Q2 2020

	Q2 2019	Q2 2020 P	Yearly Change (%)
Kuala Lumpur			
Index	139.0	140.1	0.8
Average Rent (p.s.m.)	RM 53.64	RM 54.10	
City Centre (CC)			
Index	139.3	140.9	1.1
Average Rent (p.s.m.)	RM 55.25	RM 55.89	
Outside City Centre (OCC)			
Index	138.0	137.7	-0.2
Average Rent (p.s.m.)	RM 48.92	RM 48.71	

	Q2 2019	Q2 2020 P	Yearly Change (%)
Selangor			
Index	125.2	125.2	
Average Rent (p.s.m.)	RM 46.11	RM 46.11	0
Petaling Jaya (PJ/SJ)			
Index	129.0	130.4	
Average Rent (p.s.m.)	RM 48.68	RM 49.22	1.1
Sham Alam (SA)			
Index	121.5	120.0	
Average Rent (p.s.m.)	RM 45.60	RM 15.01	-1.2
Sri Kembangan (SK)			
Index	125.0	125.2	
Average Rent (p.s.m.)	RM 44.05	RM 44.11	0.2

Source: Napic

a) The national rental index for PBOs improved marginally from 130.6 to 130.9 with average rents going up from RM48.48 per square metre to RM48.59 per square metre

b) In Kuala Lumpur, the PBO rental index went up from 139.0 to 140.1 whilst average rents improved marginally from RM 53.62 per square metre to RM 54.10 per square metre

c) Within KL city centre, the PBO rental index showed a marginal increase from 139.3 to 140.9 (average rents went up from RM 55.25 per square metre to RM 55.89 per square metre)

MARKET OVERVIEW
cont'd

d) Outside the city centre, the PBO rental index softened from 138.0 to 137.7 with average rents coming down from RM 48.82 per square metre to RM 48.71 per square metre

e) In Selangor, the PBO rental index showed that rents held steady in the first half of 2020 with the index remaining at 125.2 with average rents of RM 46.11 per square metre

f) Petaling Jaya recorded a slight increase in the rental index from 129.0 to 130.4 (average rents increased from RM 48.68 per square metre to RM 49,22 per square metre)

g) The PBO rental index for Shah Alam on the other hand declined marginally from 121.5 to 120.0 with average rents coming down from RM 45.60 per square metre to RM 45.01 per square metre

Although there is concern pertaining to the oversupply of office space and the consequential decline in occupancy rates, the PBO rental index did not show any significant change. Nevertheless, with most businesses adopting work from home practices and putting off expansion plans, demand for office space is expected to be affected, especially with increased business closures and staff layoffs resultant from the economic slowdown brought about by the pandemic. The substantial increase in supply of office space over the past few years which will be made worse by the big jump in supply expected with the future completion of a number of mega office projects undertaken by a few government link companies will put added downward pressure on occupancy rates and consequently impact rental rates going forward. The following tables summarise the current rental rates charged by Grade A PBO buildings in various commercial hubs within Kuala Lumpur.

Table 11: Overall Range of Office Rentals (2020)

Location	Rental Range (RM per square feet per month)
KLCC / GT	
Grade A+	9.00 – 14.00
Grade A	7.00 – 9.50
Grade B	4.00 – 6.50
CBD	
Grade A	5.50 – 7.00
Grade B	3.50 – 4.50
WCC	3.50 – 9.00
Suburbs	4.00 – 7.00

Source: HBM Research

Table 12: Rentals of Selected Grade A Purpose Built Office Buildings, KLCC Area

Building	Location	Rental (RM per square feet)
Public Bank Tower 2	Bukit Bintang	6.00 – 6.80
Pavilion Office Tower	Bukit Bintang	6.50 – 8.00
Standard Chartered Tower	Bukit Bintang	6.50 – 8.00
Petronas Twin Tower (Tower 2)	KLCC	12.00 – 14.00
Citibank Tower	KLCC	6.50 – 8.00
Petronas Tower 3	KLCC	12.00 – 13.00
Binjai Tower	KLCC	8.00 – 8.80
Darussalam Tower	KLCC	9.00 – 11.00

MARKET OVERVIEW
cont'd

Table 13: Rentals of Selected Grade A Purpose Built Office Buildings, KL CBD area

Building	Location	Rental (RM per square feet)
Capsquare Office Tower 2	Jalan Munshi Abdullah	5.50 – 6.50
Menara Multi Purpose	Jalan Mushi Abdullah	5.00 – 6.00
Wisma Lee Rubber	Jalan Melaka	5.00 – 5.50
Menara AIA	Jalan Ampang	5.00 – 5.50
Menara Olympia	Jalan Raja Chulan	5.50 – 6.00

Table 14: Rentals of Selected Grade A Purpose Built Office Buildings, WCC Area K

Building	Location	Rental (RM per square feet)
Setia Tower @ KL Eco City	Jalan Bangsar	6.00 – 7.50
Southpoint Tower	MidValley City	7.00 – 9.00
Menara Kembar Bank Rakyat	Brickfields	5.50 – 6.00
Menara CIMB	KL Sentral	7.50 – 8.50
Menara Shell	KL Sentral	7.50 – 8.50

Major Office Openings/Relocations

The table below contains a list of the known major office movements which took place during the year. The major companies which took up new tenancies comprised of co-working space operators, professional firms and companies involved in digital businesses.

Table 15: Major Tenant Movements

Building	Location	Floor Area (square feet)	Tenant
Star Boulevard	KLCC	19,000	Colony
The Garden South Tower	Mid Valley City	33,000	NEC Corporation
Southpoint Tower	Mid Valley City	37,300	Agoda
Mercu 3	KL Eco City	14,500 13,700	Russell Bedford Malaysia GFK Malaysia
The Pillar	KL Eco City	44,600	GFK Malaysia Nexagate Sdn Bhd Chartered Institute of Islamic Finance (CIIF) Colony
Etiqa Tower	Bangsar	39,000	Adnan Sundra & Low
Symphony Square	Petaling Jaya	6,800 32,000 16,000	Mary Kay Malaysia Boardroom Corporate Services (KL) Sdn Bhd Eppendorf Malaysia
1 Powerhouse	Bandar Utama	40,100	Tigerlab Sdn Bhd Arup Juruunding Sdn Bhd
1 First Avenue	Bandar Utama	26,000	Grab
KYM Tower	Mutiara Damansara	27,000 19,700	Storehub Sdn Bhd Colony

Source: Henry Butcher Research

MARKET OVERVIEW
cont'd

Major Office Sales Transactions

There were not many transactions of office buildings recorded in Kuala Lumpur in 2020. The following were the major transactions that were noted and a number of them involved Malaysian REITs.

Table 16: Major Office Transactions in 2020

Building	Location	Date	Built Up (square feet)	RM per Square Feet	Price (RM)	Buyer
Menara Guoco	Damansara City KL	Mar 2020	232,000	1,043	242,100,000	Tower REIT
UOA Corporate Tower	Bangsar South	Sep 2020	733,000	955	700,000,000	UOA REIT
The Pinnacle	Bandar Sunway	June 2020	577,000	780	450,000,000	Sunway REIT
Quill 5	Cyberjaya	Nov 2020	81,000	551	45,000,000	Deriv Services

Source: Henry Butcher Research

Outlook for the Office Sector

The Covid-19 pandemic has had a big impact on the office sector. Firstly, the lockdowns imposed by the government led to a slowdown in business activities and this resulted in most companies deferring business expansion plans whilst those who were badly affected by the drop in business volume either closed down or reduced headcount in order to bring down operating costs. Companies also implemented work from home (WFH) practices whereby staff were not required to report to the office or were required to come in only on certain days of the week, usually on a rotational basis so as to reduce the number of people working in the office at any point in time to comply with the SOPs implemented by the government. This has led to a reduction in demand for office space and an increase in vacancy rates, especially in older buildings which have not upgraded their technical specifications. As newer, more sophisticated buildings with better quality infrastructure and facilities are completed, tenants may be attracted to relocate and this flight to quality at the same or more attractive rental terms will lead to a drop in occupancy rates of older buildings unless they are able to upgrade and / or offer even more attractive terms to retain tenants.

The completion of a number of mega office building projects undertaken by a couple of government linked companies / government linked investment companies over the next few years will see a substantial jump in the supply of office space and this is expected to lead to a drop in overall occupancy rates and put pressure on rental rates. Nevertheless, if the government's projection of an economic recovery in 2021 is achieved, this may benefit the office sector as the improvement in business activities would prevent a further deterioration in occupancy and rental rates and set the stage for a recovery in the sector, provided the economic recovery globally as well as in Malaysia is sustained. A key factor will be when an effective mass-produced vaccine will be made available to the public in Malaysia. The reduction in risks of infection will allow life to go back to normal and businesses to recover and grow again. This could then lead to a recovery of the demand for office space and help stabilize occupancy and rental rates. Nevertheless, with the experience of the pandemic, companies may change the way they operate and design their office layout. Whilst work from home practices may not be permanently adopted once the pandemic is over, some companies may find WFH a viable option and implement a hybrid system of WFH and work in physical offices. Office layouts may become less cramped to cater to social distancing regulations. To control costs, some companies may also adopt a hub and spoke concept whereby the size of the core head office located within the more expensive prime city centre locations is reduced and some staff relocated to cheaper sub offices located outside the city and closer to where the staff live. These trends will have an impact on future demand for office space as well as designs for office buildings and floor layouts.

THE MALAYSIAN REITS (M-REITS) MARKET OVERVIEW 2020

The Covid-19 pandemic has affected the office as well as retail sectors badly. In particular, the three months of full lockdown under the MCO from March to May resulted in the closure of malls and entertainment outlets as only businesses offering essential goods and services were allowed to continue to operate. Most mall owners had to offer rent rebates to help their tenants' tide through this difficult period. The government, through the Prihatin and Penjana programmes also offered various incentives to help small medium enterprises to survive the tough business environment. Although the lockdown has now been eased under the CMCO, the SOPs drawn up by the government put various constraints on business operators. Large gatherings are no longer permitted and restaurants which draw a big part of their business from corporate events and wedding dinners are unable to depend on this lucrative part of their business. Further, the restriction on the number of diners sharing a table has led to a reduction in business earnings for eateries. Cinemas had to close whilst entertainment outlets were not able to operate optimally. Footfalls at the malls saw a significant drop as shoppers stayed away to avoid being infected by the virus, especially during periods when the number of infected cases in certain areas saw a spike. Retailers which also conduct business via online platforms were however able to make up for part of the business that they lost via physical store sales. The difficult business environment certainly poses a challenge to REITs which are focused on retail or offices. Nevertheless, REITs were fairly active in acquisitions with four office buildings acquired by REITs during the year whilst there was one disposal.

The number of REITs listed on Bursa Malaysia remains unchanged at 18. The largest REIT by market capitalization as at end 2020 is still KLCCP which maintained its top position at RM12.8 billion followed by IGB REIT at RM6.1 billion, Sunway REIT at RM5.1 billion and Pavilion REIT at RM4.6 billion. There are only three other REITs (four in 2019) which have market capitalizations of above RM1.0 billion viz., Capitaland Malaysia Mall Trust, YTL Hospitality and Axis Real Estate. Overall, the market capitalisation of Malaysian REITs declined compared to the year before due to the impact of the pandemic on the office, retail and hospitality sectors. The number of REITS which declared dividends of above 6% declined in number in 2020 with only nine (eleven in 2019) out of the eighteen REITS which had dividend yields of above 6%. Nevertheless, the dividend yields of a few of the REITs were actually higher than the previous year, with the. highest up at 12.3% (Hektar) and the second at 10.0% (Capitaland). There were only three other REITS which generated dividend yields of 8% and more (AmFirst, Al-Salam and AmanahRaya). The performance of the 18 REITs for 2020 are summarized in the table overleaf.

The business slowdown suffered especially by the leisure, tourism and retail sectors resultant from the lockdowns and SOPs implemented by the government to curb and control the Covid-19 pandemic as well as the oversupply situation faced by the retail and office sectors weighed down on the REITs market as most of the REITs asset portfolios comprise office buildings and malls. REITs which own industrial properties, especially warehouses and logistics facilities appear to be doing better due to the rise of online shopping during this period.

MARKET OVERVIEW
cont'd

Malaysian REITs – Performance as at 31 December 2020

No	Company	Property Portfolio	Market Capital (RM)	Last Unit Price	P/E Ratio	Dividend Yield (%)	ROE (%)
1	AHP	Office Shops	217.80	0.99	38.82	5.81	2.03
2	Alaqar	Health Care	964.14m	1.31	14.07	5.92	7.07
3	Al-Salam	Islamic diversified	319.00m	0.55	n.a	8.64	0.00
4	AmFirst	Office/Retail	284.86m	0.42	13.61	8.07	2.49
5	Amanah Raya	Diversified	378.33m	0.66	45.21	9.39	1.08
6	Atrium	Industrial	235.32m	1.15	19.56	5.77	4.56
7	Axis	Offices/Industrial/Retail	2.928b	2.03	13.29	4.56	10.30
8	Capitaland	Retail	1.290b	0.63	19.11	10.00	2.64
9	Hektar	Retail	291.03m	0.63	n.a	12.33	-0.96
10	IGB	Retail	6.124b	1.72	25.52	5.33	6.31
11	KIP	Retail	409.29m	0.81	18.45	7.63	4.34
12	KLCCP	Office/Retail	12.782b	7.08	17.79	5.37	5.44
13	MRCB-Quill	Office/Retail	937.81m	0.88	26.04	7.77	2.79
14	Pavilion	Office/Retail	4.568b	1.50	30.18	5.67	3.93
15	Sunway	Diversified	5.137b	1.50	n.a	4.89	n.a
16	Tower	Office	162.69m	0.58	22.39	4.19	1.37
17	UOA	Office	763.43m	1.13	43.97	7.47	1.53
18	YTL Hospitality	Hotels	1.551b	0.91	n.a	7.38	-0.52

NB: As most REITS have not yet completed its financial year for 2020, the dividends declared in 2020 were in respect of FY 2019.

Source: Bursa Malaysia & Malaysian Stock Biz

MARKET OVERVIEW
cont'd

CONCLUSION

The outlook for both the retail and office property sectors in 2021 continues to be challenging although the announcement of the start of vaccination programmes in various countries and the likely availability of Covid-19 vaccines to the public in Malaysia early 2021 could lead a recovery in economic activities which could then result in positive economic growth and a return of investor and consumer confidence. The improvement in overall sentiments and recovery of the business sector would then provide a boost to the retail, hospitality and office property sectors although there are other factors which may hamper a full-scale recovery such as the political uncertainties still grappling the country as well as issues of oversupply and declining occupancy rates in both the retail and office property sectors.

Nevertheless, it can be safely concluded that despite the challenging retail environment, established shopping centres which are well-located, professionally-managed and which are attuned to the changing market environment and shopping preferences of their customers and which can speedily react to changes in market conditions will be able to comfortably ride out the current tough market conditions. In this regard, proper adherence to SOPs drawn up to prevent the spread of the Covid-19 virus, regular sanitization and prompt attendance to any reported cases of infections will go a long way to allay the concerns of shoppers and encourage them to return and patronise the malls.

The office market has been affected by a business slowdown and is plagued by concerns of an oversupply situation. The sector will continue to face pressure on both occupancy rates and rentals. Designs of new office buildings will have to address changing business conditions and trends such as social distancing, temperature scanning, touch safe and touch free lift operations as well as lower staffing requirements by businesses arising from work from home practices, use of co-working space and the increasing use of artificial intelligence and adoption of 5G telecommunications technologies. Older buildings which fail to upgrade or reduce rentals will not only find it hard to attract new tenants but also to hold onto existing ones.

Office and retail-based REITs will have to contend with issues of reduced demand and oversupply of space over the next few years whilst hotel based REITs will have to hope that the restrictions on inbound travel from overseas will be lifted soon and the tourism industry will be able to recover speedily. On the back of a projected recovery in the country's economy next year, the office and retail sector may see better prospects and REITS may then see stability in both occupancy and rental rates of the assets that they own. REITs which focus on industrial and health care assets have fared better. REITs which own assets of impeccable quality situated in prime and popular locations will nevertheless be able to survive better and continue to stand out from its peers amidst the challenging market conditions. REITS with their stable and attractive yields, in any case, offer a safer and more viable alternative to investors who are turned off by the very low returns on their bank fixed deposits or are averse to the volatility of the equities market.

GLOSSARY

BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of the Manager
Bursa Malaysia	:	Bursa Malaysia Securities Berhad
Company	:	Pavilion REIT Management Sdn Bhd
CEO	:	Chief Executive Officer
CMCO	:	Conditional Movement Control Order
CPI	:	Consumer Price Index
CSR	:	Corporate social responsibility
Deed	:	The First Amended and Restated Deed dated 18 February 2019 entered into between the Trustee and the Manager constituting Pavilion REIT
DPU	:	Distribution per Unit
EES	:	Economic, Environmental and Social
EPU	:	Earnings per Unit
Fund	:	Pavilion Real Estate Investment Trust
FBM KLCI	:	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FY	:	Financial year from 1 January to 31 December
GDP	:	Gross Domestic Product
KLP	:	Kuala Lumpur Pavilion Sdn Bhd
Manager	:	Pavilion REIT Management Sdn Bhd
MCO	:	Movement Control Order
MER	:	Management expense ratio - ratio of trust expenses incurred in operating Pavilion REIT to its NAV
M-REIT	:	Malaysian Real Estate Investment Trust
Pavilion REIT	:	Pavilion Real Estate Investment Trust
Prospectus	:	Pavilion REIT's prospectus dated 14 November 2011
PPKM	:	Persatuan Pengurusan Kompleks Malaysia / Malaysia Shopping Malls Association
QIA	:	Qatar Investment Authority
REIT	:	Real Estate Investment Trust
RMCO	:	Recovery Movement Control Order
SOP	:	Standard operating procedures
Trustee	:	MTrustee Berhad
TAV	:	Total asset value
Unit	:	An undivided interest in Pavilion REIT as provided for in the Deed
WALE	:	Weighted average lease expiry

NOTICE OF ANNUAL GENERAL MEETING

PAVILION
REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)]

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting ("9th AGM") of Pavilion Real Estate Investment Trust ("Pavilion REIT") will be conducted online through live streaming from the broadcast venue at The Crescent, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Thursday, 25 March 2021 at 10.00 a.m. to transact the following businesses:-

ORDINARY BUSINESS

1. To lay the Audited Financial Statements of Pavilion REIT for the year ended 31 December 2020 together with the Trustee's Report to the Unitholders issued by MTrustee Berhad, as trustee of Pavilion REIT and the Report and Statement by the Manager issued by Pavilion REIT Management Sdn Bhd, as the manager of Pavilion REIT and the Auditors' Report thereon. ***(Please refer Explanatory Note I)***

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following Resolutions:

2. **PROPOSED AUTHORITY TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED UNITS (PROPOSED AUTHORITY)** ***Ordinary Resolution 1 (Please refer Explanatory Note II)***

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, authority be and is hereby given to Directors of Pavilion REIT Management Sdn Bhd ("the Manager") to allot and issue new units in Pavilion REIT ("New Units") from time to time to such persons and for such purposes as the Directors of the Manager may in its absolute discretion deem fit and in the best interest of Pavilion REIT, provided that the aggregate number of New Units issued pursuant to this resolution, when aggregated with the number of units in Pavilion REIT issued during the preceding 12 months, must not exceed 20% of the total number of units issued of Pavilion REIT for the time being comprising of 3,047,723,507 Units;

AND THAT the Proposed Authority shall be effective and continue to be in force from the date of receipt of all relevant authorities' approval or the date the Unitholders pass this resolution, whichever may be the later, until:

(a) the conclusion of the next annual general meeting ("AGM") of the Unitholders, at which time it shall lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Unitholders is required by law to be held; or

(c) the Proposed Authority is revoked or varied by the Unitholders in a Unitholders' meeting;

whichever occurs first ("Validity Period");

AND THAT the New Units to be issued pursuant to the Proposed Authority shall, upon allotment and issuance, rank pari passu in all respects with the existing Units except that the New Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the date of allotment and issuance of such New Units;

NOTICE OF ANNUAL GENERAL MEETING
cont'd

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to give effect to the aforesaid Proposed Authority with full powers to assent to any condition, variation, modification and/or amendment in any manner as the Manager and the Trustee may deem fit and in the best interest of Pavilion REIT and/or as may be imposed by the relevant authorities, and to deal with all matters relating thereto;

AND FURTHER THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT, to take all such steps and do all acts, deeds and things in any manner (including the execution of such documents as may be required) as they may deem necessary or expedient to implement, finalise, complete and give full effect to the Proposed Authority."

3. **ENHANCED GENERAL MANDATE FOR RIGHTS ISSUE OF UP TO 50% OF THE TOTAL NUMBER OF ISSUED UNITS IN PAVILION REIT ON PRO RATA BASIS ("ENHANCED RIGHTS ISSUE MANDATE')** ***Ordinary Resolution 2 (Please refer Explanatory Note III)***

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, authority be and is hereby given to Directors of Pavilion REIT Management Sdn Bhd ("the Manager") for the following:

(a) to provisionally or otherwise to allot and issue new units in Pavilion REIT by way of a rights issue of up to 50% of the total number of issued units of Pavilion REIT for the time being comprising of 1,523,861,753 Units ("Rights Units") on pro rata basis to the unitholders of Pavilion REIT whose names appear on the Record of Depositors of Pavilion REIT as at the close of business on an entitlement date to be determined and announced later by the Directors of the Manager;

(b) to determine the issue price of the Rights Units, which shall not be priced at more than a 30% discount to the theoretical ex-rights price of the units;

(c) to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the Rights Units;

THAT the Enhanced Rights Issue Mandate shall be effective and continue to be in force from the date the unitholders pass this resolution until 31 December 2021;

THAT any Rights Units which are not taken up shall be made available for excess applications to the entitled unitholders who have applied for the excess Rights Units; and are intended to be allocated on a fair and equitable basis to be determined by the Directors of the Manager;

THAT any fractional entitlements of the Rights Units arising from the rights issue, if any, shall be disregarded and dealt with in such manner as the Directors of the Manager shall in its absolute discretion deem fit and expedient, and is in the best interest of Pavilion REIT;

THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT to utilise the proceeds of the rights issue pursuant to the Enhanced Rights Issue Mandate and be authorised with full power to vary the manner and/or purposes of utilisation of such proceeds in such manner as the Directors of the Manager and the Trustee, may at their absolute discretion, deem fit, necessary, expedient and/or in the best interest of Pavilion REIT, subject to the approval of the relevant authorities, where required;

NOTICE OF ANNUAL GENERAL MEETING
cont'd

THAT the Rights Units will, upon allotment and issuance, be of the same class and rank pari passu in all respects with each other and the then existing Units, save and except that the Rights Units will not be entitled to any distributable income, rights, allotments and/or any other distributions which may be declared, made or paid to the unitholders of Pavilion REIT, the entitlement date of which is prior to or on the date of allotment of the Rights Units;

AND FURTHER THAT the Directors of the Manager and the Trustee, acting for and on behalf of Pavilion REIT be and are hereby authorised to sign and execute all documents, enter into any arrangements, agreements and/or undertakings with any party or parties, do all things as may be required to give effect to the Enhanced Rights Issue Mandate with full powers to assent to any conditions, variations, modifications and/or amendments including to vary the manner and/or the purpose of the utilisation of proceeds arising from the Enhanced Rights Issue Mandate, if necessary, in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Enhanced Rights Issue Mandate in the best interest of Pavilion REIT."

BY ORDER OF THE BOARD OF
Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)]
(as the Manager of Pavilion Real Estate Investment Trust)

Lim Mei Yoong (LS0002201)
SSM PC No. 201908003397
Company Secretary

Kuala Lumpur
26 February 2021

Notes:

1. As part of the safety measures to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of unitholders of Pavilion REIT ("Unitholders"), the 9th AGM of Pavilion REIT will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV"). Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the 9th AGM in person at the broadcast venue on the day of the meeting.

   Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 9th AGM via Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at https://tiih.online. Please refer to the Procedure for RPV set out in the Administrative Guide for the Unitholders of Pavilion REIT on the 9th AGM.

2. A unitholder who is entitled to attend via RPV at the meeting is entitled to appoint not more than 2 proxies to participate instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend via RPV at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.

4. Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.

5. The proxy form shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

6. The proxy form must be deposited at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than **Tuesday, 23 March 2021 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.

7. Only unitholders registered in the Record of Depositors as at 18 March 2021 shall be entitled to participate in the meeting via RPV or appointed proxies to participate and/or vote via online remote voting on his/her behalf.

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolutions set out in the Notice of 9th AGM will be put to vote by way of poll.

Explanatory Notes on Ordinary Business:

(I) The Audited Financial Statements are laid before the unitholders for discussion only pursuant to the provision of the Guidelines on Listed Real Estate Investment Trusts ("Listed REITs Guidelines"). The Audited Financial Statements do not require formal approval of the unitholders. Hence, this matter will not be put forward for voting.

Explanatory Notes on Special Business:

(II) Proposed Authority to Allot and Issue New Units of up to 20% of the Total Number of Issued Units

The Proposed Ordinary Resolution 1, if passed, would enable the Directors of the Manager to allot and issue New Units from time to time provided that the aggregate number of the New Units to be issued during the Validity Period, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the total number of units issued of Pavilion REIT for the time being comprising of 3,047,723,507 Units.

The Proposed Authority will allow the Manager the flexibility to allot and issue New Units to raise funds to finance future investments, acquisitions and/or capital expenditure to enhance the value of Pavilion REIT and/or to refinance existing debt as well as for working capital purposes, subject to the relevant laws and regulations. With the Proposed Authority, delays and further costs involved in convening separate general meetings to approve such issue of New Units to raise funds can be avoided.

The Manager may, subject to relevant laws and regulations, use the net proceeds from the issuance of New Units under the Proposed Authority as its absolute discretion for other purposes as permitted for under the Listed REITs Guidelines.

Any allotment and issuance of New Units pursuant to the Proposed Authority will be subject to the relevant approvals of Securities Commission Malaysia and Bursa Malaysia Securities Berhad.

(III) Enhanced General Mandate for Rights Issue of up to 50% of the Total Number of Issued Units in Pavilion REIT on Pro Rata Basis

The Securities Commission Malaysia and Bursa Malaysia Securities Berhad had on 10 November 2020 introduced a temporary relief measure allowing listed issuers to undertake secondary fund raising via an enhanced general mandate for a rights issue of shares or units of up to 50% of the total number of issued shares (excluding treasury shares) or issued units, as the case may be, on a pro rata basis. The enhanced general mandate for rights issue is subject to certain conditions including, inter-alia, that the issue price of the shares or units shall not be priced at more than a 30% discount to the theoretical ex-rights price of the shares or units, and the eligible listed issuer must procure irrevocable letter(s) of undertaking from its existing controlling shareholders or unitholders, as the case may be, to subscribe for their full entitlements under the rights issue exercise. The enhanced general mandate may be utilised by an eligible listed issuer to issue new rights shares or units until 31 December 2021.

The Directors of the Manager, having considered the current economic climate affected by the COVID-19 pandemic and future financial needs of Pavilion REIT, is of the opinion that the Enhanced Rights Issue Mandate is in the best interest of Pavilion REIT and its unitholders as the Enhanced Rights Issue Mandate provides flexibility to Pavilion REIT in terms of fund raising options to meet Pavilion REIT's funding needs for future acquisitions, working capital and/or repay borrowings; and enables Pavilion REIT to raise funds via a rights issue in an expeditious manner without delay and incurring additional costs to convene a separate general meeting to seek unitholders' approval for a rights issue of units.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM

PAVILION
REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)]

ADMINISTRATIVE GUIDE FOR THE UNITHOLDERS OF PAVILION REIT ON THE NINTH ANNUAL GENERAL MEETING ("9TH AGM")

Day & Date of 9th AGM	:	Thursday, 25 March 2021
Time of 9th AGM	:	10.00 a.m.
Meeting Platform	:	https://tiih.online
Broadcast Venue	:	The Crescent, Level 7 Pavilion Hotel Kuala Lumpur Managed by Banyan Tree 170, Jalan Bukit Bintang 55100 Kuala Lumpur Malaysia

1. MODE OF MEETING

As part of the safety measures to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of unitholders of Pavilion REIT ("Unitholders"), the 9th AGM of Pavilion REIT will be conducted on a virtual basis through live streaming from broadcast venue and online remote voting. This is also in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, as revised or amended from time to time.

Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the 9th AGM in person at the broadcast venue on the day of the meeting.

Unitholders are advised to check the Management Company's website at http://www.pavilion-reit.com/Web/Home.aspx and announcements from time to time for any changes to the administration of the 9th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, Securities Commission Malaysia and/or other relevant authorities.

2. REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

Unitholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 9th AGM via RPV provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at https://tiih.online. Please refer to the Procedure for RPV set out below.

A unitholder who has appointed a proxy(ies) or corporate representative(s) or attorney(s) at this 9th AGM via RPV must request his/her proxy(ies) or attorney(s) or corporate representative(s) to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please refer to Procedure for RPV set out below.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM
cont'd

3. PROCEDURES FOR RPV

Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) who wish to participate in the 9th AGM remotely via RPV are to follow the requirements and procedures as summarized below:

	Procedure	Action
BEFORE THE 9TH AGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one working day and you will be notified via email. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b)	Submit your registration for RPV	• Registration is open from Friday, 26 February 2021 until the day of 9th AGM on Thursday, 25 March 2021. Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 9th AGM to ascertain their eligibility to participate the 9th AGM using the RPV. • Login with your user ID and password and select the corporate event: "**(REGISTRATION) PAVILION REIT 9TH AGM**" • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors dated 18 March 2021, the system will send you an e-mail to approve your registration for remote participation and the procedures to use the RPV are detailed therein. In the event your registration is not approved, you will also be notified via email. *(Note: Please ensure to allow sufficient time required for the approval as a new user of TIIH Online as well as the registration for RPV in order that you can login to TIIH Online and participate the 9th AGM remotely).*
ON THE DAY OF THE AGM		
(c)	Login to TIIH Online	Login with your user ID and password for remote participation at the 9th AGM at any time from 9.30 a.m. i.e. 30 minutes before the commencement of the AGM on Thursday, 25 March 2021 at 10.00 a.m.
(d)	Participate through Live Streaming	• Select the corporate event: "**(LIVE STREAM MEETING) PAVILION REIT 9TH AGM**" to engage in the proceedings of the 9th AGM remotely. If you have any question for the Chairman/ Board, you may use the query box to transmit your question. The Chairman/ Board will endeavor to respond to questions submitted by you during the 9th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM
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	Procedure	Action
ON THE DAY OF THE AGM (Cont'd)		
(e)	Online Remote Voting	• Voting session commences from 10.00 a.m. on Thursday, 25 March 2021 until a time when the Chairman announces the end of the session. Select the corporate event: "**(REMOTE VOTING) PAVILION REIT 9TH AGM**" or if you are on the live stream meeting page, you can select "**GO TO REMOTE VOTING PAGE**" button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
(f)	End of remote participation	Upon the announcement by the Chairman on the closure of the 9th AGM, the live streaming will end.

Note to users of the RPV facilities:

1. Should your registration for RPV be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

4. GENERAL MEETING OF RECORD OF DEPOSITORS

Only unitholders registered in the Record of Depositors as at 18 March 2021 shall be entitled to participate in the 9th AGM via RPV or appointed proxy(ies) or corporate representative(s) or attorney(s) to participate and/or vote via online remote voting on his/her behalf.

5. APPOINTMENT OF PROXY OR CORPORATE REPRESENTATIVE OR ATTORNEY

The proxy form must be deposited at the Registered Office of the manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than **Tuesday, 23 March 2021 at 10.00 a.m.** being 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Please ensure ALL particulars as required in the proxy form are completed, signed and dated accordingly.

If a unitholder is not able to participate the 9th AGM via RPV, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instruction in the Proxy Form.

A unitholder who is entitled to attend via RPV at the 9th AGM is entitled to appoint not more than 2 proxies to participate instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM

cont'd

If the unitholder has submitted his/her proxy form and subsequently decided to personally participate in the 9th AGM via RPV, the unitholder shall proceed to contact the officer of Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") with the details set out in item 9 below to revoke the appointment of his/her proxy not later than Tuesday, 23 March 2021 at 10.00 a.m.

Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.

In respect of nominee companies registered as unitholders, the beneficiary of the units held under a Nominee Company's CDS account who wishes to participate the 9th AGM via RPV can request his/her Nominee Company to appoint him/her as a proxy to participate and vote remotely at the 9th AGM. The Nominee Company must deposit the proxy form at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than Tuesday, 23 March 2021 at 10.00 a.m.

Corporate unitholders (through Corporate Representatives and excluding nominee companies) that wish to appoint a representative (whether a unitholder or not) as its proxy to participate the 9th AGM via RPV must deposit their original certificate of appointment of corporate representative at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than Tuesday, 23 March 2021 at 10.00 a.m.

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Registered Office of the manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than Tuesday, 23 March 2021 at 10.00 a.m. to participate via RPV in the 9th AGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

6. POLL VOTING

The voting at the 9th AGM will be conducted by poll in accordance with Paragraph 8.29A(1) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Pavilion REIT has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and Asia Securities Sdn Berhad as Scrutineers to verify the poll results.

Unitholders or proxy(ies) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from 10.00 am on Thursday, 25 March 2021 and before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (e) of the above procedures for RPV for guidance on how to vote remotely from TIIH Online website at https://tiih.online.

Upon completion of the voting session for the 9th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

7. PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

Unitholders may submit questions for the Board in advance of the 9th AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically not later than **Tuesday, 23 March 2021 at 10.00 a.m.**. The Board will endeavour to answer the questions received at the 9th AGM.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM
cont'd

8. DOOR GIFT/FOOD VOUCHER

There will be no door gifts or food vouchers for attending the 9th AGM.

9. ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General Line	:	+603-2783 9299
Fax Number	:	+603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com
Contact persons	:	En. Amier Arief Hamdan +603-27839160 (Amier.Arief@my.tricorglobal.com)
		Mr Eric Low +603-2783 9267 (Eric.Low@my.tricorglobal.com)

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PAVILION
REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under the First Amended and Restated Deed dated 18 February 2019 entered into between MTrustee Berhad [198701004362 (163032-V)] and Pavilion REIT Management Sdn Bhd [201101011359 (939490-H)]

No. of Units Held	CDS Account No.

PROXY FORM

I/We ____ (name of unitholder as per NRIC, in capital letters)

NRIC No./Passport No./Company No. __________________________ Tel./Mobile No. ____________________

of ____

(full address) being a unitholder of PAVILION REAL ESTATE INVESTMENT TRUST ("Pavilion REIT") and entitled to vote hereby appoint:-

1st PROXY 'A'

Full name :		**Proportion of unitholdings represented**	
		No. of Units	**%**
Address :	**NRIC No./Passport No.**		

and

2nd PROXY 'B'

Full name :		**Proportion of unitholdings represented**	
		No. of Units	**%**
Address :	**NRIC No./Passport No.**		

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Ninth Annual General Meeting ("9th AGM") of Pavilion REIT to be held as a fully virtual meeting though live streaming and online remote voting from the Broadcast Venue at The Crescent, Level 7, Pavilion Hotel Kuala Lumpur Managed by Banyan Tree, 170 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Thursday, 25 March 2021 at 10.00 a.m. and any adjournment thereof.

** Strike out whichever not applicable*

Please indicate with an "X" in the space below how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote or abstain from voting on the resolutions at his/her/their discretion.

Ordinary Resolution – Special Business	**For**	**Against**
Ordinary Resolution 1 - Proposed Authority to Allot and Issue New Units		
Ordinary Resolution 2 – Enhanced Rights Issue Mandate		

Dated this __________ day ____________________________ 2021

____
Signature of Unitholder/Common Seal

Fold This Flap For Sealing

Notes :

1. *As part of the safety measures to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of unitholders of Pavilion REIT ("Unitholders"), the 9th AGM of Pavilion REIT will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV"). Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) WILL NOT BE ALLOWED to attend the 9th AGM in person at the broadcast venue on the day of the meeting.*

   Unitholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 9th AGM via Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its TIIH Online website at https://tiih.online. Please refer to the Procedure for RPV set out in the Adminstrative Guide for the Unitholders of Pavilion REIT on the 9th AGM

2. *A unitholder who is entitled to attend via RPV at the meeting is entitled to appoint not more than 2 proxies to participate instead of him. A proxy need not be a unitholder. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holding (expressed as a percentage of the whole) to be represented by each proxy.*

3. *Where a unitholder is a corporation, its duly authorised representative shall be entitled to attend via RPV at the meeting and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend.*

4. *Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account. Where a unitholder appoints 2 proxies, the appointments shall be invalid unless it specifies the proportions of its holdings (expressed as a percentage of the whole) to be represented by each proxy.*

5. *The proxy form shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.*

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AFFIX
STAMP

The Manager of Pavilion Real Estate Investment Trust

PAVILION REIT MANAGEMENT SDN BHD
[201101011359 (939490-H)]

6-2, Level 6, East Wing
Menara Goldstone (Holiday Inn Express)
No. 84, Jalan Raja Chulan
50200 Kuala Lumpur

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6. *The proxy form must be deposited at the Registered Office of the Manager of Pavilion REIT i.e. Pavilion REIT Management Sdn Bhd either by hand or by post at 6-2, Level 6, East Wing, Menara Goldstone (Holiday Inn Express), No. 84, Jalan Raja Chulan, 50200 Kuala Lumpur not later than* ***Tuesday, 23 March 2021 at 10.00 a.m.*** *being 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Only unitholders registered in the Record of Depositors as at 18 March 2021 shall be entitled to attend to participate in the meeting via RPV or appointed proxies to participate and/or vote via online remote voting on his/her behalf.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Ordinary Resolutions set out in the Notice of 9th AGM will be put to vote by way of poll.*

Pavilion REIT Management Sdn. Bhd.
[201101011359 (939490-H)]

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