

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 31 March 2018 (Unaudited) <b>RM'000</b>	As at 31 December 2017 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	1,987	2,129
Investment properties	5,268,434	5,268,000
Other non-current assets	58,000	58,000
Total non-current assets	<u>5,328,421</u>	<u>5,328,129</u>
Inventories	1,650	1,554
Trade and other receivables	46,557	48,098
Cash and bank balances	233,053	275,383
Total current assets	<u>281,260</u>	<u>325,035</u>
<b>TOTAL ASSETS</b>	<b>5,609,681</b>	<b>5,653,164</b>
<b>LIABILITIES</b>		
Borrowings	1,275,660	1,462,681
Payables and accruals	76,454	73,107
Total non-current liabilities	<u>1,352,114</u>	<u>1,535,788</u>
Borrowings	225,000	-
Payables and accruals	149,789	177,099
Total current liabilities	<u>374,789</u>	<u>177,099</u>
<b>TOTAL LIABILITIES</b>	<b>1,726,903</b>	<b>1,712,887</b>
<b>NET ASSET VALUE</b>	<u><b>3,882,778</b></u>	<u><b>3,940,277</b></u>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,920,689	2,913,849
Accumulated income	962,089	1,026,428
<b>TOTAL UNITHOLDERS' FUND</b>	<u><b>3,882,778</b></u>	<u><b>3,940,277</b></u>
Number of units in circulation ('000 units)	3,034,503	3,030,094
Net asset value per unit (RM)		
- Before income distribution	1.2795	1.3004
- After income distribution	1.2795	1.3004

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Current Quarter 31 March		Year to Date 31 March	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Rental Income	104,397	97,341	104,397	97,341
Other Income	27,113	21,600	27,113	21,600
<b>GROSS REVENUE</b>	<b>131,510</b>	<b>118,941</b>	<b>131,510</b>	<b>118,941</b>
Utilities	(13,969)	(14,527)	(13,969)	(14,527)
Maintenance	(13,650)	(10,942)	(13,650)	(10,942)
Property Taxes	(3,172)	(3,211)	(3,172)	(3,211)
Other operating expenses	(11,716)	(11,288)	(11,716)	(11,288)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(42,507)</b>	<b>(39,968)</b>	<b>(42,507)</b>	<b>(39,968)</b>
<b>NET PROPERTY INCOME</b>	<b>89,003</b>	<b>78,973</b>	<b>89,003</b>	<b>78,973</b>
Interest income	2,151	2,193	2,151	2,193
Change in fair value of investment properties	-	-	-	-
<b>NET INVESTMENT INCOME</b>	<b>91,154</b>	<b>81,166</b>	<b>91,154</b>	<b>81,166</b>
Manager's management fee	(6,820)	(6,442)	(6,820)	(6,442)
Trustee's fee	(116)	(116)	(116)	(116)
Other trust expenses	(365)	(309)	(365)	(309)
Borrowings cost	(18,504)	(17,278)	(18,504)	(17,278)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(25,805)</b>	<b>(24,145)</b>	<b>(25,805)</b>	<b>(24,145)</b>
<b>INCOME BEFORE TAXATION</b>	<b>65,349</b>	<b>57,021</b>	<b>65,349</b>	<b>57,021</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>65,349</b>	<b>57,021</b>	<b>65,349</b>	<b>57,021</b>
Income after taxation comprises the followings:-				
Realised	65,349	57,021	65,349	57,021
Unrealised	-	-	-	-
	<u>65,349</u>	<u>57,021</u>	<u>65,349</u>	<u>57,021</u>
Earnings per unit – basic (sen) #	2.16	1.89	2.16	1.89
Earnings per unit – diluted (sen) #	2.16	1.89	2.16	1.89

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

# Earnings per unit is derived based on income after taxation divided by the weighted average number of units in issue.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

	Current Quarter 31 March		Year to Date 31 March	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Total comprehensive income for the period</b>	<b>65,349</b>	<b>57,021</b>	<b>65,349</b>	<b>57,021</b>
Distribution adjustments <sup>1</sup>	4,395	4,181	4,395	4,181
<b>Distributable income</b>	<b>69,744</b>	<b>61,202</b>	<b>69,744</b>	<b>61,202</b>

<sup>1</sup> Included in the distribution adjustments are the followings:-

	Current Quarter 31 March		Year to Date 31 March	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of borrowing transaction costs	843	847	843	847
Depreciation	142	113	142	113
Manager's management fee payable in units	3,410	3,221	3,410	3,221
	<b>4,395</b>	<b>4,181</b>	<b>4,395</b>	<b>4,181</b>

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
<b>As at 1 January 2017</b>	2,900,708	1,020,141	3,920,849
Total comprehensive income for the period	-	57,021	57,021
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>			
- Manager's management fee paid in units	6,656	-	6,656
- Distribution to unitholders	-	(123,319)	(123,319)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,656	(123,319)	(116,663)
<b>As at 31 March 2017 (unaudited)</b>	<b>2,907,364</b>	<b>953,843</b>	<b>3,861,207</b>
<b>As at 1 January 2018</b>	2,913,849	1,026,428	3,940,277
Total comprehensive income for the period	-	65,349	65,349
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>			
- Manager's management fee paid in units	6,840	-	6,840
- Distribution to unitholders	-	(129,688)	(129,688)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,840	(129,688)	(122,848)
<b>As at 31 March 2018 (unaudited)</b>	<b>2,920,689</b>	<b>962,089</b>	<b>3,882,778</b>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

<sup>2</sup> Issue of new units consists of the followings:-

	31 March 2017	
	Units 000	Amount RM'000
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.7707 per unit for entitlement for the 6 months period ended 31 December 2016	3,759	6,656
Total Manager's fee paid	<u>3,759</u>	<u>6,656</u>

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

	31 March 2018	
	Units	Amount
	<b>000</b>	<b>RM'000</b>
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.5511 per unit for entitlement for the 6 months period ended 31 December 2017	4,408	6,838
- at RM1.5851 per unit for entitlement to disposal fees	<u>1</u>	<u>2</u>
Total Manager's fee paid	<u>4,409</u>	<u>6,840</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year to Date 31 March 2018 RM'000	Preceding Year to Date 31 March 2017 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	65,349	57,021
<i>Adjustments for :-</i>		
Borrowing cost	18,504	17,278
Interest income	(2,151)	(2,193)
Depreciation	142	113
Gain on disposal of plant and equipment	(24)	-
(Reversal of)/Impairment loss on trade receivables	(14)	209
<b>Operating income before changes in working capital</b>	<b>81,806</b>	<b>72,428</b>
Inventories	(96)	(80)
Trade and other receivables	1,555	6,256
Trade and other payables	(16,882)	(22,331)
Tenants deposits	(241)	913
<b>Net cash from operating activities</b>	<b>66,142</b>	<b>57,186</b>
<b>Cash Flow From Investing Activities</b>		
Acquisition of investment properties	-	-
Interest received	2,151	2,193
Payment for enhancement of investment properties	(434)	(1,113)
Pledged deposit	(332)	(330)
Proceed from disposal of plant and equipment	24	-
Purchase of plant and equipment	-	(87)
<b>Net cash from investing activities</b>	<b>1,409</b>	<b>663</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(129,688)	(123,319)
Interest paid	(17,661)	(16,431)
Payment of financing expenses	(64)	(64)
Proceeds from borrowings	37,200	-
<b>Net cash used in financing activities</b>	<b>(110,213)</b>	<b>(139,814)</b>
Net decrease in cash and cash equivalents	(42,662)	(81,965)
Cash and cash equivalents as at the beginning of the year	234,395	277,353
Cash and cash equivalents as at the end of the period	191,733	195,388
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	28,654	18,426
Deposits placed with licensed banks	204,399	217,010
	233,053	235,436
Pledged deposit	(41,320)	(40,048)
	191,733	195,388

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**Part A – Disclosure Requirement Pursuant to Malaysian Financial Reporting Standard (MFRS) 134 and International Accounting Standard (IAS) 34**

**A1 Basis of Preparation**

The condensed interim financial statements as at and for the three months ended 31 March 2018 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the trust deed dated 13 October 2011 (“the Trust Deed”), the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”) and the accounting standards, amendments and interpretations where applicable to Pavilion REIT that are effective for annual periods beginning on or after 1 January 2018. They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**A2 Audit Report of Preceding Financial Year**

There was no qualification to the Pavilion REIT’s audit report for the preceding financial year ended 31 December 2017, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**A3 Significant accounting policies**

The accounting policies applied in these condensed interim financial statements are the same as those applied in its consolidated annual financial statements as at and for the year ended 31 December 2017.

**A4 Estimates**

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

In preparing these condensed interim financial statements, the significant judgements made by the Manager in applying the accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2017, except as disclosed below.

The accounting policy of investment properties as adopted by Pavilion REIT requires investments properties to be stated at fair value. In estimating the fair value of the investment properties, the Manager will rely on professionally qualified valuers at annual reporting dates. However, for interim financial reporting, the fair values of the investment properties are not updated. Asset improvement initiatives undertaken by the management, the economic environment and other factors may change the fair values of the investment properties. When the fair values are updated as at 31 December 2018, the fair values could be materially different from the current carrying value.

**A5 Seasonality or Cyclicity of Operations**

The business operations of Pavilion REIT are not affected by material seasonal or cyclical factors.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

A6 Exceptional or Unusual Item

There were no exceptional or unusual items to be disclosed for the quarter under review.

A7 Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter.

A8 Debt and Equity Securities

There were no issuance, cancellation, repurchase, sale and payment of debt and equity securities for the current quarter and year to date except for payment of 50% Manager's management fee paid in Pavilion REIT units, with details as disclosed below.

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
4,408,472	RM1.5511	14 February 2018	Based on the 5-day volume weighted average price of the units up to but excluding 25 January 2018 (as management fee)
1,387	RM1.5851	14 February 2018	Based on the 5-day volume weighted average price of the units up to but excluding 30 November 2017 (as disposal fee)

A9 Segmental Reporting

Segmental results for the period ended 31 March 2018 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	128,285	3,225	131,510
Net Property Income	86,841	2,162	89,003
Interest Income			2,151
Net Investment Income			91,154
Trust Expenses			(7,301)
Borrowings Cost			(18,504)
Income Before Taxation			65,349
Taxation			-
Income After Taxation			65,349
Segment assets	5,446,968	134,189	5,581,157
Other non-allocated assets			28,524
			5,609,681
Segment liabilities	1,695,733	30,259	1,725,992
Other non-allocated liabilities			911
			1,726,903

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

A10 Valuation of Investment Properties

The investment properties are to be valued annually based on valuation by independent registered valuer. Any differences between the valuation and the book value of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. For investment properties acquired under equity-settled share-based payment transactions, the investment properties are initially measured at fair value, with corresponding increase in equity.

A11 Material Events Subsequent to Period End

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustments to the unaudited interim financial statement.

A12 Changes in the Composition of Pavilion REIT

The movement to the composition of Pavilion REIT during the period is as follows:-

	Units
Balance as at 1 January 2018	3,030,093,605
Units issued as payment of Manager's management fee	4,409,859
Total units issued	<u>3,034,503,464</u>

A13 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets to be disclosed during the quarter under review.

A14 Capital Commitments

	RM'000
Investment Properties:	
Authorised and contract for	522,069

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**Part B – Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad**

B1 Review of Performance

	Current Quarter		Year to Date	
	31 Mar		31 Mar	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	112,988	100,499	112,988	100,499
Intermark Mall	7,367	6,059	7,367	6,059
DA MEN Mall	7,930	9,347	7,930	9,347
	<u>128,285</u>	<u>115,905</u>	<u>128,285</u>	<u>115,905</u>
Office:				
Pavilion Tower	3,225	3,036	3,225	3,036
<b>Total Gross Revenue</b>	<u>131,510</u>	<u>118,941</u>	<u>131,510</u>	<u>118,941</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	33,199	29,894	33,199	29,894
Intermark Mall	3,284	3,267	3,284	3,267
DA MEN Mall	4,961	5,751	4,961	5,751
	<u>41,444</u>	<u>38,912</u>	<u>41,444</u>	<u>38,912</u>
Office:				
Pavilion Tower	1,063	1,056	1,063	1,056
<b>Total Property Operating Expenses</b>	<u>42,507</u>	<u>39,968</u>	<u>42,507</u>	<u>39,968</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	79,789	70,605	79,789	70,605
Intermark Mall	4,083	2,792	4,083	2,792
DA MEN Mall	2,969	3,596	2,969	3,596
	<u>86,841</u>	<u>76,993</u>	<u>86,841</u>	<u>76,993</u>
Office:				
Pavilion Tower	2,162	1,980	2,162	1,980
<b>Total Net Property Income</b>	<u>89,003</u>	<u>78,973</u>	<u>89,003</u>	<u>78,973</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

	Current Quarter		Year to Date	
	31 Mar		31 Mar	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
<b>Total Net Property Income</b>	89,003	78,973	89,003	78,973
Interest Income	2,151	2,193	2,151	2,193
<b>Net Investment Income</b>	<u>91,154</u>	<u>81,166</u>	<u>91,154</u>	<u>81,166</u>
Manager's Management Fee	6,820	6,442	6,820	6,442
Other Trust Expenses	481	425	481	425
Borrowings Cost	<u>18,504</u>	<u>17,278</u>	<u>18,504</u>	<u>17,278</u>
Total Trust Expenses	<u>25,805</u>	<u>24,145</u>	<u>25,805</u>	<u>24,145</u>
<b>Income Before Taxation</b>	65,349	57,021	65,349	57,021
Taxation	-	-	-	-
<b>Income After Taxation</b>	<u>65,349</u>	<u>57,021</u>	<u>65,349</u>	<u>57,021</u>
Distribution Adjustments	<u>4,395</u>	<u>4,181</u>	<u>4,395</u>	<u>4,181</u>
<b>Distributable Income</b>	<u><u>69,744</u></u>	<u><u>61,202</u></u>	<u><u>69,744</u></u>	<u><u>61,202</u></u>

Quarterly/Year to Date Results

Pavilion REIT recognised total gross revenue of RM131.5 million in Q1 2018, an increase of RM12.6 million or 11% compared to Q1 2017 of RM118.9 million. The increase was mainly contributed by rental income from Pavilion Kuala Lumpur Mall's tenants after the repositioning exercise and higher occupancy rate at the Intermark Mall. Increased in other income was mainly due to higher revenue rent from Pavilion Kuala Lumpur Mall and fees received from DA MEN's electricity provider to Pavilion REIT for collecting the electricity charges incurred by tenants in DA MEN Mall.

Total property operating expenses was higher by RM2.5 million or 6% compared to Q1 2017 mainly due to the incurrence of repairs and preventive maintenance works at Pavilion Kuala Lumpur Mall. This is mitigated by lower electricity cost at DA MEN Mall.

These have resulted in higher total net property income by RM10.0 million or 13% in Q1 2018 compared to Q1 2017.

Manager's management fee incurred for the Q1 2018 was higher by RM0.4 million compared to Q1 2017. This was in line with the increased in the total assets value and net property income. Borrowing cost incurred during the quarter was higher by RM1.2 million compared to Q1 2017 mainly due drawdown of additional borrowings for acquisition of investment properties and working capital purposes.

Income before taxation for the current quarter under review was higher by RM8.3 million or 15% compared to Q1 2017 mainly due to higher net property income, offset by increased in borrowing cost.

Distributable income for the quarter under review was RM69.7 million or 2.29 sen per unit, consisting of income after tax of RM65.3 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.9 million and 50% of Manager's management fee payable in units amounting to RM3.4 million.

Pavilion REIT has expended approximately RM0.4 million of its capital commitment during the year, mainly for landscaping, signage improvements and tenancy lots enhancement at DA MEN Mall.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**B2 Material Changes in Quarterly Results**

There is no material change in the income before taxation for the current quarter under review as compared to the last immediate quarter excluding the fair value gain of RM17.0 million arising from valuation in December 2017.

**B3 Prospects**

Retail environment continues to be challenging. Marketing efforts will persist to drive traffic to retail malls and encourage spending. Overall, Pavilion Kuala Lumpur Mall has shown improvement in its results after the re-positioning exercise of the tenants.

**B4 Investment Objectives**

The Manager's key objective is to provide unitholders with regular and stable distributions and achieve long term growth in net asset value per unit, while maintaining an appropriate capital structure.

**B5 Strategies and Policies**

The Manager's strategies and policies as reported in the latest annual report remain unchanged, ie to increase the income and consequently, the value of its investment properties and continue Pavilion REIT's growth through the following strategies:-

- a) proactively managing its investment properties and implementing asset enhancement strategies;
- b) actively pursuing acquisition opportunities in accordance with the authorised investments of Pavilion REIT stated in the Trust Deed; and
- c) pursuing an efficient capital management strategy.

**B6 Income Distribution**

Pursuant to Section 61A of the Income Tax Act 1967, the withholding tax rate applicable on the recipients of income distribution is as follows :-

*Resident Unitholder*

- |  |   |
|--|---|
| a) Resident company:                       | Tax flow through, thus no withholding tax |
| b) Unitholder other than resident company: | Withholding tax at 10%                    |

*Non-Resident Unitholder*

- |  |                        |
|--|------------------------|
| a) Non-resident company:   | Withholding tax at 24% |
| b) Non-resident institutional investor:                          | Withholding tax at 10% |
| c) Non-resident, other than company and institutional investors: | Withholding tax at 10% |

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ending 31 December 2018, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.28 sen per unit or RM129.7 million earned for 2<sup>nd</sup> half of 2017 was distributed on 28 February 2018.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**B7 Portfolio Composition**

There was no change to the number of properties held by Pavilion REIT since the last reporting quarter, ie its portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN Mall and Intermark Mall.

**B8 Taxation**

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 proposes to declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2018, no provision for taxation has been made for the current quarter.

**B9 Status of Corporate Proposal**

Corporate proposals announced but not completed as at the latest practicable date from the issuance of this report are as follows:-

On 27 July 2017, the Board of Directors of the Manager, CIMB Investment Bank Berhad and Maybank Investment Bank Berhad announced that MTrustee Berhad, as trustee of Pavilion REIT (“Trustee”), had entered into the following agreements in relation to the “Proposed Acquisition”:

- a) Conditional sale and purchase agreement with Urusharta Cemerlang (KL) Sdn Bhd (“UCKL”) for the acquisition of Elite Pavilion Mall comprising the followings, for a total purchase consideration of RM580,000,000 (“Elite SPA”):
  - (i) Level B3, Level B2, Level B1, Level 1 – Level 10 (inclusive), Level 10M, Level 10MM, Level 11 (including roof) and Level 52 (including the external façade of Level 52 up to roof level) of the building, and the stratified parcels comprising, amongst others, 50 car park bays located at Level B3 to Level 2 within the building. The strata floor area is approximately 437,585 square feet;
  - (ii) The assignment of all benefits, rights and entitlements to an underground pedestrian tunnel with strata floor area of approximately 8,697 square feet together with retail outlets and other relevant spaces that interconnects Elite Pavilion Mall with Fahrenheit 88 shopping mall across Jalan Bukit Bintang, Kuala Lumpur (“Subway Linkage”);
  - (iii) The transfer of tenancies within Elite Pavilion Mall and the Subway Linkage under the transfer agreements (“Transferred Agreements”).
- b) An agreement with Urusharta Cemerlang Sdn Bhd (“UCSB”) and UCKL for UCSB to vest to the Trustee of all rights, title, interest, benefits, and entitlement to and ownership of amongst others, the pedestrian link bridges on Levels 4 to 7 with seating and/or retail areas located on Levels 4 to 10 that interconnect Elite Pavilion Mall with Pavilion KL Mall (with strata floor area of approximately 18,407 square feet) together with the transfer of all rights, benefits and entitlement to the on-going tenancies on these areas to the Trustee (“Vesting Agreement”).

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

The Elite SPA and Vesting Agreement are inter-conditional upon each other and are to be completed concurrently.

In conjunction with the Proposed Acquisition, The Board proposes to undertake the Proposed Placement of up to 218,000,000 new units in Pavilion REIT (“Unit”) of the total units in circulation, by way of bookbuilding to partly fund the Proposed Acquisition and also defray the expenses relating to the Proposals.

On 17 October 2017, Securities Commission had approved the issuance of up to 218,000,000 new Units under the Proposed Placement, listing and quotation of up to 218,000,000 new Units under the Proposed Placement on the Main Market of Bursa Securities. On 30 November 2017, Bursa Securities had approved the listing and quotation of up to 218,000,000 new Units to be issued pursuant to the Proposed Placement on the Main Market of Bursa Securities. The Proposed Acquisition was duly approved by the unitholders of Pavilion REIT at the unitholders’ meeting held on 16 January 2018.

Pursuant to an application on 16 March 2018, the Securities Commission had on 27 March 2018 approved the application for an extension of 6 months from 16 April 2018 to 16 October 2018 to complete the issuance and listing of the Placement Units on the Main Market of Bursa Securities.

However, on the 30 March 2018, the Board decided not to proceed with the Proposed Placement after taking into consideration the prevailing market price performance of the units as well as the debt funding option and capacity available to Pavilion REIT. In light of that, the Proposed Acquisition will be fully funded via borrowings.

**B10 Borrowings and Debt Securities**

	As at 31 March 2018
	RM’000
<b>Borrowings:</b>	
Secured Revolving Term Loan	1,206,260
Unrated Medium Term Notes	300,000
Less: Unamortised Borrowings Transaction Cost	(5,600)
	<b>1,500,660</b>
Gearing	26.8%
Average interest cost	4.8%
<b>Composition of borrowings:</b>	
Fixed Rate	19.9%
Floating Rate	80.1%

48.7% of borrowings will be due for repayment in 2019 with the balance in 2021.

**B11 Off Balance Sheet Financial Instruments**

Pavilion REIT does not have any financial instruments with off balance sheet risk as at the latest practicable date from the issuance of this report.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**B12 Material Litigation**

There is no pending material litigation as at the latest practicable date from the date of issuance of this report.

**B13 Soft Commission Received**

There was no soft commission received by the Manager and/or its delegates during the period under review.

**B14 Summary of DPU, EPU, NAV and Market Price**

	Current quarter ended 31 March 2018	Immediate preceding quarter ended 31 December 2017
Number of units in issue (units)	3,034,503,464	3,030,093,605
Net Asset Value ("NAV") (RM'000)	3,882,778	3,940,277
NAV per unit (RM)	1.2795	1.3004
Total comprehensive income (RM'000)	65,349	82,619
Weighted average number of units in issue – year to date (units)	3,032,347,533	3,027,333,368
Earnings per Unit after Manager's management fee (Sen)	2.16	2.73
Proposes/Declared Distribution per Unit ("DPU") (Sen)	2.29	2.32
Market Price (RM)	1.37	1.61
Distribution Yield (%) <sup>3</sup>	6.78	5.12

<sup>3</sup> Distribution yield of year to date DPU divided by the Market Price (as at the end of the period) has been annualised.

**B15 Manager's Management Fee**

The Manager's fee for the current quarter and year to date is as follows:-

Type RM'000	Current Quarter 31 March 2018	Year to Date 31 March 2018	Basis
Base Fee	4,150	4,150	0.3% per annum on total asset value
Performance Fee	2,670	2,670	3.0% per annum on net property income
Total	6,820	6,820	

50% of the total Manager's management fee would be payable in units.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

**B16 Trustee's Fees**

In accordance to the Trust Deed, an annual trusteeship fee of up to 0.05% per annum of NAV is to be paid to the Trustee.

**B17 Significant related party transactions**

Significant related party transactions, other than Manager's management fee for the quarter ended 31 March 2018 is as follows:-

Companies related to the Manger/ director's interest	Nature of Transactions	Transaction Value Year to Date: 31 March		Balance Outstanding As at	
		2018 RM'000	2017 RM'000	31 Mar 2018 RM'000	31 Dec 2017 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	115	112	-	-
Malton Berhad group #	Rental income and its related charges	816	763	7	8
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	176	289	1	-
	Purchase of product	-	117	-	-
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	46	-	-	1
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	618	191	144	64
Urusharta Cemerlang (KL) Sdn Bhd α	Rental income and its related charges	193	194	3	-
	Reimbursement of electricity supply to Elite Pavilion Mall	1,736	-	538	1,214
Urusharta Cemerlang Sdn Bhd Δ	Disposal of part area in Pavilion Kuala Lumpur Mall	-	-	-	792

# 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.

\* Crabtree & Evelyn (Malaysia) Sdn Bhd is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's interest in Crabtree & Evelyn (Malaysia) Sdn Bhd and his spouse, Puan Sri Tan Kewi Yong.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2018 (UNAUDITED)**

- ^ 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.
- ◇ 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.
- α 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.

- Δ 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 and Navid Chamdia are directors of the Manager and Urusharta Cemerlang Sdn Bhd ("UCSB").

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

Ahmad Mohammed F Q Al-Khanji and Mohd Abdulrazzaq A A Al-Hashmi are also directors of a company which is a substantial shareholder of UCSB.

**B18 Responsibility Statement**

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 31 March 2018 and of its financial performance and cash flows for the period ended on that date and duly authorised for release by the Board of the Manager.

**BY ORDER OF THE BOARD**

Pavilion REIT Management Sdn Bhd (939490-H)  
(as the Manager of Pavilion Real Estate Investment Trust)

Lim Mei Yoong  
Company Secretary (Licensed Secretary Number: LS 02201)

Kuala Lumpur  
26 April 2018