

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2018 (Unaudited) RM'000	As at 31 December 2017 (Audited) RM'000
ASSETS		
Plant and equipment	1,845	2,129
Investment properties	5,857,597	5,268,000
Other non-current assets	-	58,000
Total non-current assets	<u>5,859,442</u>	<u>5,328,129</u>
Inventories	1,713	1,554
Trade and other receivables	73,590	48,098
Cash and bank balances	352,131	275,383
Total current assets	<u>427,434</u>	<u>325,035</u>
TOTAL ASSETS	6,286,876	5,653,164
LIABILITIES		
Borrowings	1,816,218	1,462,681
Payables and accruals	88,158	73,107
Total non-current liabilities	<u>1,904,376</u>	<u>1,535,788</u>
Borrowings	300,000	-
Payables and accruals	138,914	177,099
Total current liabilities	<u>438,914</u>	<u>177,099</u>
TOTAL LIABILITIES	2,343,290	1,712,887
NET ASSET VALUE	<u>3,943,586</u>	<u>3,940,277</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,920,689	2,913,849
Accumulated Income	1,022,897	1,026,428
TOTAL UNITHOLDERS' FUND	<u>3,943,586</u>	<u>3,940,277</u>
Number of units in circulation ('000 units)	3,034,503	3,030,094
Net asset value per unit (RM)		
- Before income distribution	1.2996	1.3004
- After income distribution	1.2996	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 30 JUNE 2018 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 June		Year to Date 30 June	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Rental Income	111,859	98,778	216,256	196,119
Other Income	23,201	21,478	50,314	43,078
GROSS REVENUE	135,060	120,256	266,570	239,197
Utilities	(15,738)	(13,996)	(29,707)	(28,523)
Maintenance	(14,260)	(14,517)	(27,910)	(25,459)
Property taxes	(3,772)	(3,244)	(6,944)	(6,455)
Other operating expenses	(10,666)	(11,780)	(22,382)	(23,068)
PROPERTY OPERATING EXPENSES	(44,436)	(43,537)	(86,943)	(83,505)
NET PROPERTY INCOME	90,624	76,719	179,627	155,692
Interest income	2,988	2,014	5,139	4,207
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	93,612	78,733	184,766	159,899
Manager's management fee	(7,340)	(6,528)	(14,160)	(12,970)
Trustee's fee	(117)	(117)	(233)	(233)
Other trust expenses	(290)	(239)	(655)	(548)
Borrowings cost	(25,057)	(17,449)	(43,561)	(34,727)
TOTAL TRUST EXPENDITURE	(32,804)	(24,333)	(58,609)	(48,478)
INCOME BEFORE TAXATION	60,808	54,400	126,157	111,421
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	60,808	54,400	126,157	111,421
Income after taxation comprises the followings:-				
Realised	60,808	54,400	126,157	111,421
Unrealised	-	-	-	-
	<u>60,808</u>	<u>54,400</u>	<u>126,157</u>	<u>111,421</u>
Earnings per unit – basic (sen) #	2.00	1.80	4.16	3.68
Earnings per unit – diluted (sen) #	2.00	1.80	4.16	3.68

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 30 JUNE 2018 (UNAUDITED)

	Current Quarter 30 June		Year to Date 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period	60,808	54,400	126,157	111,421
Distribution adjustments ¹	1,157	4,248	5,552	8,429
Distributable income	61,965	58,648	131,709	119,850

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 30 June		Year to Date 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	885	856	1,728	1,703
Depreciation	142	128	284	241
Manager's management fee payable in units	130	3,264	3,540	6,485
	1,157	4,248	5,552	8,429

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 2017	2,900,708	1,020,141	3,920,849
Total comprehensive income for the period	-	111,421	111,421
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	6,656	-	6,656
- Distribution to unitholders	-	(123,319)	(123,319)
Increase in net assets resulting from unitholders' transactions	6,656	(123,319)	(123,319)
As at 30 June 2017 (unaudited)	2,907,364	1,008,243	3,915,607
As at 1 January 2018	2,913,849	1,026,428	3,940,277
Total comprehensive income for the period	-	126,157	126,157
Unitholders' transactions			
- Issue of new units ²			
- Manager's management fee paid in units	6,840	-	6,840
- Distribution to unitholders	-	(129,688)	(129,688)
Increase in net assets resulting from unitholders' transactions	6,840	(129,688)	(122,848)
As at 30 June 2018 (unaudited)	2,920,689	1,022,897	3,943,586

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.

² Issue of new units consists of the followings:-

	30 June 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 30 JUNE 2018 (UNAUDITED)

	30 June 2018	
	Units 000	Amount RM'000
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 30 JUNE 2018 (UNAUDITED)

CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 June 2018 RM'000	Preceding Year to Date 30 June 2017 RM'000
Cash Flows From Operating Activities		
Income before taxation	126,157	111,421
<i>Adjustments for :-</i>		
Borrowing cost	43,561	34,727
Interest income	(5,139)	(4,207)
Depreciation	284	241
Gain on disposal of plant and equipment	(24)	(1)
(Reversal of)/Impairment loss on trade receivables	(588)	1,838
Operating income before changes in working capital	164,251	144,019
Inventories	(159)	(165)
Trade and other receivables	(24,904)	(5,168)
Trade and other payables	(52,390)	(10,324)
Tenants deposits	11,596	2,312
Net cash from operating activities	98,394	130,674
Cash Flow From Investing Activities		
Acquisition of investment properties	(505,133)	-
Interest received	5,139	4,207
Payment for enhancement of investment properties	(1,964)	(6,220)
Pledged deposit	(17,963)	(636)
Proceed from disposal of plant and equipment	24	1
Purchase of plant and equipment	-	(323)
Net cash used in investing activities	(519,897)	(2,971)
Cash Flow from Financing Activities		
Distribution to unitholders	(129,688)	(123,319)
Interest paid	(42,760)	(33,024)
Payment of financing expenses	(64)	(64)
Proceeds from borrowings	700,000	5,000
Repayment of borrowings	(47,200)	-
Net cash from/(used in) financing activities	480,288	(151,407)
Net increase/(decrease) in cash and cash equivalents	58,785	(23,704)
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	293,180	253,649
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	4,547	16,726
Deposits placed with licensed banks	347,584	277,277
	352,131	294,003
Pledged deposit	(58,951)	(40,354)
	293,180	253,649

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 30 JUNE 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 six months ended 30 June 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 managers 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 30 JUNE 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 30 June 2018 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	260,082	6,488	266,570
Net Property Income	175,307	4,320	179,627
Interest Income			5,139
Net Investment Income			184,766
Trust Expenses			(15,048)
Borrowings Cost			(43,561)
Income Before Taxation			126,157
Taxation			-
Income After Taxation			126,157
Segment assets	6,107,040	133,793	6,240,833
Other non-allocated assets			46,043
			6,286,876
Segment liabilities	2,312,846	30,229	2,343,075
Other non-allocated liabilities			215
			2,343,290

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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

Authorised and contracted for 92

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 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 30 June		Year to Date 30 June	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	105,785	101,898	218,773	202,397
Intermark Mall	7,113	6,230	14,480	12,289
DA MEN Mall	7,027	9,076	14,957	18,423
Elite Pavilion Mall	11,872	-	11,872	-
	<u>131,797</u>	<u>117,204</u>	<u>260,082</u>	<u>233,109</u>
Office:				
Pavilion Tower	3,263	3,052	6,488	6,088
Total Gross Revenue	<u>135,060</u>	<u>120,256</u>	<u>266,570</u>	<u>239,197</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	30,715	30,942	63,914	60,836
Intermark Mall	3,676	4,112	6,960	7,379
DA MEN Mall	5,237	7,359	10,198	13,110
Elite Pavilion Mall	3,703	-	3,703	-
	<u>43,331</u>	<u>42,413</u>	<u>84,775</u>	<u>81,325</u>
Office:				
Pavilion Tower	1,105	1,124	2,168	2,180
Total Property Operating Expenses	<u>44,436</u>	<u>43,537</u>	<u>86,943</u>	<u>83,505</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	75,070	70,956	154,859	141,561
Intermark Mall	3,437	2,118	7,520	4,910
DA MEN Mall	1,790	1,717	4,759	5,313
Elite Pavilion Mall	8,169	-	8,169	-
	<u>88,466</u>	<u>74,791</u>	<u>175,307</u>	<u>151,784</u>
Office:				
Pavilion Tower	2,158	1,928	4,320	3,908
Total Net Property Income	<u>90,624</u>	<u>76,719</u>	<u>179,627</u>	<u>155,692</u>

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

	Current Quarter		Year to Date	
	30 June		30 June	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Total Net Property Income	90,624	76,719	179,627	155,692
Interest Income	2,988	2,014	5,139	4,207
Net Investment Income	<u>93,612</u>	<u>78,733</u>	<u>184,766</u>	<u>159,899</u>
Manager's Management Fee	7,340	6,528	14,160	12,970
Other Trust Expenses	407	356	888	781
Borrowings Cost	<u>25,057</u>	<u>17,449</u>	<u>43,561</u>	<u>34,727</u>
Total Trust Expenses	<u>32,804</u>	<u>24,333</u>	<u>58,609</u>	<u>48,478</u>
Income Before Taxation	60,808	54,400	126,157	111,421
Taxation	-	-	-	-
Income After Taxation	<u>60,808</u>	<u>54,400</u>	<u>126,157</u>	<u>111,421</u>
Distribution Adjustments	<u>1,157</u>	<u>4,248</u>	<u>5,552</u>	<u>8,429</u>
Distributable Income	<u><u>61,965</u></u>	<u><u>58,648</u></u>	<u><u>131,709</u></u>	<u><u>119,850</u></u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM135.1 million in Q2 2018, an increase of RM14.8 million or 12% compared to Q2 2017 of RM120.3 million. The increase was mainly contributed by rental income from the new property, Elite Pavilion Mall that was acquired at the end of April 2018, higher rental income from Pavilion Kuala Lumpur Mall after the repositioning exercise and higher occupancy rate at Intermark Mall.

Total property operating expenses was higher by RM0.9 million or 2% compared to Q2 2017 mainly due to the operating expenses incurred for the new property. This was mitigated by lower maintenance cost incurred for DA MEN and Intermark Mall. The maintenance cost was higher in Q2 2017 for these two properties mainly due to the cost incurred for improvement of light fittings and tenancy cost incurred for landlord provisions.

These have resulted in higher total net property income by RM13.9 million or 18% in Q2 2018 compared to Q2 2017.

Manager's management fee incurred for the Q2 2018 was higher by RM0.8 million compared to Q2 2017. This was in line with the increase in the total assets value. Borrowing cost incurred during the quarter has increased by RM7.6 million compared to Q2 2017 due to the drawdown of additional borrowing for acquisition of Elite Pavilion Mall and working capital purposes.

Distributable income for the quarter under review was RM62.0 million or 2.05 sen per unit, consisting of income after tax of RM60.8 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowing transaction cost of RM0.9 million and 25% of Manager's management fee payable in units amounting to RM0.2 million.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

Year-to-date Results

Total revenue for year-to-date 30 June 2018 was RM266.6 million. It was higher by RM27.4 million or 11% compared to preceding year-to-date 30 June 2017's performance. The achievement was mainly contributed by rental income from the newly acquired property, higher rental income from Pavilion Kuala Lumpur Mall after the repositioning exercise and higher occupancy rate at Intermark Mall. Increase in other income was mainly due to higher revenue rent from Pavilion Kuala Lumpur Mall.

Total property operating expenses incurred was higher by RM3.4 million or 4% compared to year-to-date 30 June 2017. This was mainly due to the operating cost incurred for the new property and preventive maintenance works at Pavilion Kuala Lumpur Mall. This was mitigated by lower electricity cost at DA MEN Mall.

Manager's management fee incurred for the Q2 2018 was higher by RM1.2 million compared to Q2 2017. This was in line with the increase in the total assets value and net property income. Borrowing cost was higher by RM8.8 million due to drawdown of additional borrowing for acquisition of investment property and working capital purposes.

These resulted in higher income before taxation by RM14.7 million or 13% compared to preceding year-to-date 30 June 2017.

Distributable income for the six months ended 30 June 2018 was RM131.7 million or 4.34 sen per unit, consisting of income before taxation of RM126.2 million and non-cash adjustments for depreciation of RM0.3 million, amortisation of borrowings transaction cost of RM1.7 million and 25% of manager's management fee payable in units amounting to RM3.5 million.

Pavilion REIT has expended approximately RM2.0 million of its capital commitment during the year, mainly for landscaping, signage improvements and tenancy lots enhancement at DA MEN Mall.

B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was lower than the last immediate quarter by RM4.5 million or 7% mainly due to the decrease in revenue rent from Pavilion Kuala Lumpur Mall and the increase in borrowing cost from drawdown of additional borrowing to facilitate the acquisition. This was mitigated by net property income generated from the newly acquired property.

B3 Prospects

With improved consumer sentiment post general election and GST removed to be replaced with Sales and Service Tax to be implemented in September 2018, retail performance has and is expected to improve as compared to Q1 2018.

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.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

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 2nd half of 2017 was distributed on 28 February 2018. The proposed interim income distribution for the six months ended 30 June 2018 is 4.34 sen per unit or RM131.6 million. The proposed interim income distribution will be payable on the 5 September 2018.

B7 Portfolio Composition

During the quarter under review, Pavilion REIT has completed its acquisition of Elite Pavilion Mall. As at 30 June 2018, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, Damen Mall, Intermark Mall and Elite Pavilion Mall.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

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

There were no corporate proposals announced but not completed as at the latest practicable date from the issuance of this report.

B10 Borrowings and Debt Securities

As at 30 June 2018	Long Term Borrowings	Short Term Borrowings	Total
	RM'000	RM'000	RM'000
Secured Revolving Term Loans	1,121,860	-	1,121,860
Unrated Medium Term Notes	700,000	300,000	1,000,000
Unamortised Borrowings Transaction Costs	(5,642)	-	(5,642)
	1,816,218	300,000	2,116,218
Gearing			33.7%
Average interest cost			4.6%
Composition of borrowings:			
Fixed Rate			47.1%
Floating Rate			52.9%

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.

B12 Material Litigation

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

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

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 30 June 2018	Immediate preceding quarter ended 31 March 2018
Number of units in issue (units)	3,034,503,464	3,034,503,464
Net Asset Value (“NAV”) (RM’000)	3,943,586	3,882,778
NAV per unit (RM)	1.2996	1.2795
Total comprehensive income (RM’000)	60,808	65,349
Weighted average number of units in issue – year to date (units)	3,033,431,454	3,032,347,533
Earnings per Unit after Manager’s management fee (Sen)	2.00	2.16
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	2.05	2.29
Market Price (RM)	1.78	1.37
Distribution Yield (%) ³	4.92	6.78

³ 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 30 June 2018	Year to Date 30 June 2018	Basis
Base Fee	4,621	8,771	0.3% per annum on total asset value
Performance Fee	2,719	5,389	3.0% per annum on net property income
Total	7,340	14,160	

25% of the total Manager’s fee would be payable in units.

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.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)

B17 Significant related party transactions

Significant related party transactions, other than Manager's management fee for the quarter ended 30 June 2018 is as follows:-

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 30 June		Balance Outstanding As at	
		2018 RM'000	2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	232	225	-	-
Malton Berhad group #	Rental income and its related charges	1,617	1,528	8	8
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	337	512	-	-
	Purchase of product	14	259	-	-
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	95	54	2	1
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	850	383	127	64
Urusharta Cemerlang (KL) Sdn Bhd α	Rental income and its related charges	387	387	4	-
	Reimbursement of electricity supply to Elite Pavilion Mall	2,881	3,081	-	1,214
Urusharta Cemerlang Sdn Bhd Δ	Disposal of part area in Pavilion Kuala Lumpur Mall	-	-	-	792
Kuala Lumpur Pavilion Sdn Bhd ∞	Reimbursement of MRT station naming rights fee and its related charges	66	-	-	-

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.

^ 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.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2018 (UNAUDITED)**

◇ 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.

∞ 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.

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 30 June 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 July 2018