

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2020 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
ASSETS		
Plant and equipment	956	1,105
Investment properties	5,921,364	5,913,000
Total non-current assets	<u>5,922,320</u>	<u>5,914,105</u>
Inventories	2,681	2,912
Trade and other receivables	136,565	71,076
Cash and bank balances	270,059	368,922
Total current assets	<u>409,305</u>	<u>442,910</u>
TOTAL ASSETS	6,331,625	6,357,015
LIABILITIES		
Borrowings	1,750,460	2,157,069
Payables and accruals	76,031	73,676
Total non-current liabilities	<u>1,826,491</u>	<u>2,230,745</u>
Borrowings	402,393	-
Payables and accruals	199,323	146,532
Total current liabilities	<u>601,716</u>	<u>146,532</u>
TOTAL LIABILITIES	2,428,207	2,377,277
NET ASSET VALUE	<u>3,903,418</u>	<u>3,979,738</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,935,701	2,931,927
Accumulated income	967,717	1,047,811
TOTAL UNITHOLDERS' FUND	<u>3,903,418</u>	<u>3,979,738</u>
Number of units in circulation ('000 units)	3,043,333	3,041,090
Net asset value per unit (RM)		
- Before income distribution	1.2826	1.3087
- After income distribution*	1.2665	1.2677

*after proposed income distribution of 1.61 sen per unit (2019: after final income distribution of 4.10 sen per unit)

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 June		Year to Date 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Rental income	78,615	122,409	180,971	253,463
Revenue from contract customers	5,948	15,602	16,846	29,286
Other income	2,168	6,108	5,323	12,292
GROSS REVENUE	86,731	144,119	203,140	295,041
Utilities	(11,776)	(18,980)	(29,627)	(36,151)
Maintenance	(14,999)	(15,707)	(26,413)	(31,927)
Property taxes	(4,098)	(4,095)	(8,195)	(8,189)
Other operating expenses	(16,790)	(13,985)	(34,717)	(25,914)
PROPERTY OPERATING EXPENSES	(47,663)	(52,767)	(98,952)	(102,181)
NET PROPERTY INCOME	39,068	91,352	104,188	192,860
Interest income	1,486	2,992	3,878	5,919
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	40,554	94,344	108,066	198,779
Manager's management fee	(5,939)	(7,475)	(12,571)	(15,231)
Trustee's fee	(120)	(121)	(241)	(241)
Other trust expenses	(349)	(382)	(676)	(809)
Borrowings cost	(24,156)	(27,137)	(49,987)	(54,038)
TOTAL TRUST EXPENDITURE	(30,564)	(35,115)	(63,475)	(70,319)
INCOME BEFORE TAXATION	9,990	59,229	44,591	128,460
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	9,990	59,229	44,591	128,460
Income after taxation comprises the followings:-				
Realised	9,990	59,229	44,591	128,460
Unrealised	-	-	-	-
	<u>9,990</u>	<u>59,229</u>	<u>44,591</u>	<u>128,460</u>
Earnings per unit – basic (sen) #	0.33	1.95	1.47	4.23
Earnings per unit – diluted (sen) #	0.33	1.95	1.47	4.23

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 2019 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.

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	Current Quarter 30 June		Year to Date 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
	Total comprehensive income for the period ¹	9,990	59,229	44,591
Distribution adjustments ²	2,163	2,568	4,500	5,494
Distributable income	12,153	61,797	49,091	133,954

¹ Total comprehensive income is derived after charging:-

	Current Quarter 30 June		Year to Date 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
	Depreciation	98	119	196
Foreign exchange loss	9	6	13	6
Impairment loss on/(Write back of) trade receivables	6,456	(40)	6,924	(59)

Other than the above, items listed under Appendix 9B Note 16 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

² Included in the distribution adjustments are the followings:-

	Current Quarter 30 June		Year to Date 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
	Amortisation of borrowing transaction costs	580	580	1,161
Depreciation	98	119	196	246
Manager's management fee payable in units	1,485	1,869	3,143	3,808
	2,163	2,568	4,500	5,494

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CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 2019	2,924,229	1,053,727	3,977,956
Total comprehensive income for the period	-	128,460	128,460
Unitholders' transactions			
- Issue of new units ³			
- Manager's management fee paid in units	3,891	-	3,891
- Distribution to unitholders	-	(134,829)	(134,829)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,891	(134,829)	(130,938)
As at 30 June 2019 (unaudited)	2,928,120	1,047,358	3,975,478
As at 1 January 2020	2,931,927	1,047,811	3,979,738
Total comprehensive income for the period	-	44,591	44,591
Unitholders' transactions			
- Issue of new units ³			
- Manager's management fee paid in units	3,774	-	3,774
- Distribution to unitholders	-	(124,685)	(124,685)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,774	(124,685)	(120,911)
As at 30 June 2020 (unaudited)	2,935,701	967,717	3,903,418

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

³ Issue of new units consists of the followings:-

	30 June 2019	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.6802 per unit for entitlement for the 6 months period ended 31 December 2018	2,315	3,891
Total Manager's fee paid	2,315	3,891

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	30 June 2020	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.6829 per unit for entitlement for the 6 months period ended 31 December 2019	2,243	3,774
Total Manager's fee paid	<u>2,243</u>	<u>3,774</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 June 2020 RM'000	Preceding Year to Date 30 June 2019 RM'000
Cash Flows From Operating Activities		
Income before taxation	44,591	128,460
<i>Adjustments for :-</i>		
Borrowing cost	49,987	54,038
Interest income	(3,878)	(5,919)
Depreciation	196	246
Impairment loss on/(Reversal of) trade receivables	6,924	(59)
Operating income before changes in working capital	97,820	176,766
Inventories	231	126
Trade and other receivables	(72,413)	1,041
Trade and other payables	57,821	(6,481)
Tenants deposits	1,099	(4,242)
Net cash from operating activities	84,558	167,210
Cash Flow From Investing Activities		
Interest received	3,878	5,919
Payment for enhancement of investment properties	(8,364)	(476)
Pledged deposit	(885)	(1,405)
Purchase of plant and equipment	(47)	-
Net cash (used in)/from investing activities	(5,418)	4,038
Cash Flow from Financing Activities		
Distribution to unitholders	(124,685)	(134,829)
Interest paid	(48,826)	(52,598)
Interest capitalised	10,783	-
Payment of financing expenses	(60)	(2,218)
Proceeds from borrowings	10,000	386,840
Repayment of borrowings	(26,100)	(377,800)
Net cash used in financing activities	(178,888)	(180,605)
Net decrease in cash and cash equivalents	(99,748)	(9,357)
Cash and cash equivalents as at the beginning of the year	306,478	319,748
Cash and cash equivalents as at the end of the period	206,730	310,391
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	8,812	9,970
Deposits placed with licensed banks	261,247	361,846
	270,059	371,816
Pledged deposit	(63,329)	(61,425)
	206,730	310,391

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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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 2020 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 First Amended and Restated Trust Deed dated 18 February 2019 (“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 2020. 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 2019 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 2019, 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 2019.

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 2019, 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 Manager, 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 2020, 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.

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A6 Exceptional or Unusual Item

There were no exceptional or unusual items to be disclosed for the quarter under review other than the Malaysian Government imposing mandatory control order effective from 18 March 2020.

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 25% 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
2,242,506	RM1.6829	12 February 2020	Based on the 5-day volume weighted average price of the units up to but excluding 23 January 2020 (as management fee)

A9 Segmental Reporting

Segmental results for the period ended 30 June 2020 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	198,353	4,787	203,140
Net Property Income	101,380	2,808	104,188
Interest Income			3,878
Net Investment Income			108,066
Trust Expenses			(13,488)
Borrowings Cost			(49,987)
Income Before Taxation			44,591
Taxation			-
Income After Taxation			44,591
Segment assets	6,147,377	134,693	6,282,070
Other non-allocated assets			49,555
			6,331,625
Segment liabilities	2,397,071	31,020	2,428,091
Other non-allocated liabilities			116
			2,428,207

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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 2020	3,041,090,299
Units issued as payment of Manager's management fee	2,242,506
Total units issued	<u>3,043,332,805</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 contract for	
- Within one year	686

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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	
	30 June		30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	68,277	113,294	161,446	234,032
Intermark Mall	5,321	6,487	10,906	13,754
DA MEN Mall	2,852	5,862	6,018	11,004
Elite Pavilion Mall	7,857	15,406	19,983	30,083
	<u>84,307</u>	<u>141,049</u>	<u>198,353</u>	<u>288,873</u>
Office:				
Pavilion Tower	2,424	3,070	4,787	6,168
Total Gross Revenue	<u>86,731</u>	<u>144,119</u>	<u>203,140</u>	<u>295,041</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	31,339	36,724	68,066	71,316
Intermark Mall	2,445	3,491	5,374	6,415
DA MEN Mall	6,049	6,238	11,181	10,986
Elite Pavilion Mall	6,878	5,103	12,352	11,124
	<u>46,711</u>	<u>51,556</u>	<u>96,973</u>	<u>99,841</u>
Office:				
Pavilion Tower	952	1,211	1,979	2,340
Total Property Operating Expenses	<u>47,663</u>	<u>52,767</u>	<u>98,952</u>	<u>102,181</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	36,938	76,570	93,380	162,716
Intermark Mall	2,876	2,996	5,532	7,339
DA MEN Mall	(3,197)	(376)	(5,163)	18
Elite Pavilion Mall	979	10,303	7,631	18,959
	<u>37,596</u>	<u>89,493</u>	<u>101,380</u>	<u>189,032</u>
Office:				
Pavilion Tower	1,472	1,859	2,808	3,828
Total Net Property Income	<u>39,068</u>	<u>91,352</u>	<u>104,188</u>	<u>192,860</u>

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	Current Quarter		Year to Date	
	30 June		30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Total Net Property Income	39,068	91,352	104,188	192,860
Interest Income	1,486	2,992	3,878	5,919
Net Investment Income	<u>40,554</u>	<u>94,344</u>	<u>108,066</u>	<u>198,779</u>
Manager's Management Fee	5,939	7,475	12,571	15,231
Other Trust Expenses	469	503	917	1,050
Borrowings Cost	24,156	27,137	49,987	54,038
Total Trust Expenses	<u>30,564</u>	<u>35,115</u>	<u>63,475</u>	<u>70,319</u>
Income Before Taxation	9,990	59,229	44,591	128,460
Taxation	-	-	-	-
Income After Taxation	<u>9,990</u>	<u>59,229</u>	<u>44,591</u>	<u>128,460</u>
Distribution Adjustments	2,163	2,568	4,500	5,494
Distributable Income	<u>12,153</u>	<u>61,797</u>	<u>49,091</u>	<u>133,954</u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM86.7 million in Q2 2020, a decrease of RM57.4 million or 40% compared to Q2 2019 of RM144.1 million. The decrease was mainly due to further rent rebates from April 2020 to Jun 2020 given to tenants that were not providing essential services and supplies. These tenants were not allowed to conduct their usual business following the Malaysian Government's Movement Control Order (MCO) and Conditional Movement Control Order (CMCO) that started from 18 March 2020 and extended until 9 June 2020. Percentage rent and advertising revenue were also affected and recorded lower amount as compared to Q2 2019.

Total property operating expenses was lower by RM5.1 million or 10% compared to Q2 2019. This was mainly due to lower maintenance cost, lesser marketing cost incurred as physical promotions were barred and electricity saving during the period. This was off-set by higher provision for doubtful debts.

These have resulted in lower total net property income by RM52.3 million or 57% in Q2 2020 compared to Q2 2019.

Manager's management fee incurred for the Q2 2020 was lower by RM1.5 million compared to Q2 2019 due to lower total assets value and net property income. Borrowing cost incurred during the quarter was lower by RM3 million compared to Q2 2019 due to the decrease in interest rate for term loan.

Distributable income for the quarter under review was RM12.2 million or 0.40 sen per unit, consisting of income after tax of RM10 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowing transaction cost of RM0.6 million and 25% of Manager's management fee payable in units amounting to RM1.5 million.

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Year-to-Date Results

Total revenue for year-to-date 30 June 2020 was RM203.1 million. It was lower by RM91.9 million or 31% compared to preceding year-to-date 30 June 2019's performance. The decrease was mainly due to rent rebates given to tenants that were not providing essential services and supplies. Percentage rent and advertising revenue were also affected and recorded lower income as compared to preceding year-to-date June 2019.

Total property operating expenses incurred was lower by RM3.2 million or 3% compared to year-to-date 30 June 2019. This was mainly due to lower maintenance cost and electricity saving because of MCO and CMCO. Higher other operating expenses were mainly due to contributions made to the Malaysian Government to support Malaysia's fight against Covid-19 pandemic and higher provision for doubtful debts.

These have resulted in lower total net property income by RM88.7 million or 46% for year-to-date 30 June 2020 compared to preceding year-to-date 30 June 2019.

Manager's management fee incurred was lower by RM2.7 million compared to year-to-date June 2019. This was in line with the decrease in the total asset value and net property income. Borrowing cost was lower by RM4.1 million due to decrease in interest rate for term loan.

Distributable income for the six months ended 30 June 2020 was RM49.1 million or 1.61 sen per unit, consisting of income before taxation of RM44.6 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM1.2 million and 25% of manager's management fee payable in units amounting to RM3.1 million.

Pavilion REIT has expended approximately RM8.4 million of its capital commitment during the year mainly for upgrading of hoists at Pavilion Kuala Lumpur Mall's Centre Court and DA MEN Mall's Dadi Cinema's landlord provisions.

B2 Material Changes in Quarterly Results

	Quarter Ended 30 Jun 2020 (unaudited) RM'000	Quarter Ended 31 Mar 2020 (unaudited) RM'000	Change %
Gross revenue	86,731	116,409	-25.5
Property operating expenses	(47,663)	(51,289)	7.1
Net property income	39,068	65,120	-40.0
Interest income	1,486	2,392	-37.9
Net investment income	40,554	67,512	-39.9
Total trust expenses	(6,408)	(7,080)	9.5
Borrowing cost	(24,156)	(25,831)	6.5
Income before taxation	9,990	34,601	-71.1

The income before taxation for the current quarter under review was lower by RM24.6 million as compared to the last immediate quarter mainly due to further rent rebates given to tenants that were not providing essential services and supplies during the MCO and CMCO period as well as lower percentage rent and advertising income. This was mitigated by lower marketing expenses and electricity saving because of MCO and CMCO.

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B3 Prospects

Retail Group Malaysia expects the country's retail industry sales to shrink by 8.7% this year. The first quarter retail sales recorded a fall of 11.4% against the same quarter in 2019 with fashion and fashion accessories recorded a plunge of 30.5% making it the worst performing retail sub-sector with second quarter retail sales expected to decline by 28.8%.

Patrons are slowing coming back to retail malls during recovery MCO period. However, its conversion to retail sales are still slow as consumers are still concern of potential spike of uncontained Covid-19 cases and low consumer sentiment. Pavilion REIT malls are supporting its retailers with rebates, digital marketing promotion and engaging consumers with community messages and essential business updates. Social medias are actively use as a key platform for contest offering shopping and dining vouchers.

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 2020, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.10 sen per unit or RM124.7 million earned for 2nd half of 2019 was distributed on 28 February 2020. The proposed interim income distribution for the six months ended 30 June 2020 is 1.61 sen per unit or RM48.9 million. The proposed interim income distribution will be payable on the 28 August 2020.

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Statement of Income Distribution

	Current Quarter 30 June		Year to Date 30 June	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Rental income	78,615	122,409	180,971	253,463
Revenue from contract customers	5,948	15,602	16,846	29,286
Interest income	1,486	2,992	3,878	5,919
Other income	2,168	6,108	5,323	12,292
	<u>88,217</u>	<u>147,111</u>	<u>207,018</u>	<u>300,960</u>
Less: Expenses	<u>(78,227)</u>	<u>(87,882)</u>	<u>(162,427)</u>	<u>(172,500)</u>
Total comprehensive income for the period	9,990	59,229	44,591	128,460
Distribution adjustment	<u>2,163</u>	<u>2,568</u>	<u>4,500</u>	<u>5,494</u>
Realised income for the period	<u>12,153</u>	<u>61,797</u>	<u>49,091</u>	<u>133,954</u>
Previous period/year's undistributed realised income	<u>279</u>	<u>406</u>	<u>151</u>	<u>274</u>
Total realised income available for distribution	<u>12,432</u>	<u>62,203</u>	<u>49,242</u>	<u>134,228</u>
Less: Proposed/declared income distribution	<u>(12,188)</u>	<u>(61,692)</u>	<u>(48,998)</u>	<u>(133,717)</u>
Balance undistributed realised income	<u><u>244</u></u>	<u><u>511</u></u>	<u><u>244</u></u>	<u><u>511</u></u>
Distribution per unit (sen)	0.40	2.03	1.61	4.40

B7 Portfolio Composition

As at 30 June 2020, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN Mall, Intermark Mall and Elite Pavilion 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 2020, no provision for taxation has been made for the current quarter.

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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 2020	Total
Secured	RM'000
Secured Revolving Term Loans	1,080,583
Unrated Medium Term Notes	1,075,000
Unamortised Borrowings Transaction Costs	(2,730)
	2,152,853
Gearing	34.0%
Average interest cost	4.6%
Composition of borrowings:	
Fixed Rate	42.9%
Floating Rate	57.1%

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.

B13 Soft Commission Received

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

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B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 June 2020	Immediate preceding quarter ended 31 March 2020
Number of units in issue (units)	3,043,332,805	3,043,332,805
Net Asset Value (“NAV”) (RM’000)	3,903,418	3,893,428
NAV per unit (RM)	1.2826	1.2793
Total comprehensive income (RM’000)	9,990	34,601
Weighted average number of units in issue – year to date (units)	3,042,815,304	3,042,297,802
Earnings per Unit after Manager’s management fee (Sen)	0.33	1.14
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	0.40	1.21
Market Price (RM)	1.60	1.58
Distribution Yield (%) ³	2.02	3.08

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 2020	Year to Date 30 June 2020	Basis
Base Fee	4,767	9,445	0.3% per annum on total asset value
Performance Fee	1,172	3,126	3.0% per annum on net property income
Total	5,939	12,571	

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.

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B17 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 2020 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: LS0002201)

Kuala Lumpur
23 July 2020