

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2023 (Unaudited) RM'000	As at 31 December 2022 (Audited) RM'000
ASSETS		
Plant and equipment	3,228	553
Investment properties	8,242,317	6,045,000
Total non-current assets	<u>8,245,545</u>	<u>6,045,553</u>
Inventories	2,993	2,873
Trade and other receivables	48,439	42,410
Pledged deposits with licensed banks	85,552	59,425
Cash and cash equivalents	290,490	332,915
Total current assets	<u>427,474</u>	<u>437,623</u>
TOTAL ASSETS	8,673,019	6,483,176
LIABILITIES		
Borrowings	3,119,773	1,394,039
Payables and accruals	602,398	44,313
Total non-current liabilities	<u>3,722,171</u>	<u>1,438,352</u>
Borrowings	100,000	800,000
Payables and accruals	194,554	184,817
Total current liabilities	<u>294,554</u>	<u>984,817</u>
TOTAL LIABILITIES	4,016,725	2,423,169
NET ASSET VALUE	<u>4,656,294</u>	<u>4,060,007</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	3,658,334	2,952,256
Accumulated income	997,960	1,107,751
TOTAL UNITHOLDERS' FUND	<u>4,656,294</u>	<u>4,060,007</u>
Number of units in circulation ('000 units)	3,648,920	3,055,722
Net asset value per unit (RM)		
- Before income distribution	1.2761	1.3287
- After income distribution*	1.2685	1.2858

*after proposed income distribution of 0.76 sen per unit (2022: after final income distribution of 4.29 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 2022 and the accompanying explanatory notes attached to the interim financial statements.

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FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 June		Year to Date 30 June	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Rental income	145,423	123,980	289,369	246,028
Revenue from contract customers ¹	9,608	9,689	18,423	18,784
Other income ¹	4,934	3,045	8,585	6,474
GROSS REVENUE	159,965	136,714	316,377	271,286
Utilities ¹	(18,767)	(13,225)	(33,214)	(24,548)
Maintenance	(19,062)	(15,875)	(35,272)	(32,073)
Property taxes	(4,599)	(4,092)	(8,665)	(8,130)
Other operating expenses	(16,524)	(20,413)	(36,113)	(29,437)
PROPERTY OPERATING EXPENSES	(58,952)	(53,605)	(113,264)	(94,188)
NET PROPERTY INCOME	101,013	83,109	203,113	177,098
Interest income	2,495	1,178	5,192	2,385
Net fair value changes on investment properties	-	-	-	-
NET INVESTMENT INCOME	103,508	84,287	208,305	179,483
Manager's management fee	(8,384)	(7,245)	(16,212)	(14,675)
Trustee's fee	(127)	(121)	(247)	(240)
Other trust expenses	(497)	(524)	(1,045)	(892)
Borrowings cost	(31,608)	(21,421)	(57,857)	(43,458)
TOTAL TRUST EXPENDITURE	(40,616)	(29,311)	(75,361)	(59,265)
INCOME BEFORE TAXATION	62,892	54,976	132,944	120,218
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	62,892	54,976	132,944	120,218
Income after taxation comprises the followings:-				
Realised	62,892	54,976	132,944	120,218
Unrealised	-	-	-	-
	62,892	54,976	132,944	120,218
Earnings per unit – basic (sen) #	1.93	1.80	4.21	3.94
Earnings per unit – diluted (sen) #	1.93	1.80	4.21	3.94

¹As the REIT sells utilities as an agent to tenants, utilities income and cost is presented on a net basis. Comparatives are also restated to reflect the presentation.

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 2022 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	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
	Total comprehensive income for the period ²	62,892	54,976	132,944
Distribution adjustments ³	4,077	2,250	6,454	4,569
Distributable income	66,969	57,226	139,398	124,787

² Total comprehensive income is derived after charging:-

	Current Quarter 30 June		Year to Date 30 June	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
	Depreciation	122	80	193
Foreign exchange loss	30	3	30	3
Impairment loss on trade receivables	2,673	7,387	5,934	4,120

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.

³ Included in the distribution adjustments are the followings:-

	Current Quarter 30 June		Year to Date 30 June	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
	Amortisation of borrowing transaction costs	448	358	797
Depreciation	122	80	193	159
Accounting adjustment on interest - Present Value	1,410	-	1,410	-
Manager's management fee payable in units	2,097	1,812	4,054	3,669
	4,077	2,250	6,454	4,569

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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 2022	2,945,255	913,198	3,858,453
Total comprehensive income for the period	-	120,218	120,218
Unitholders' transactions			
- Issue of new units ⁴			
- Manager's management fee paid in units	3,332	-	3,332
- Distribution to unitholders	-	(78,692)	(78,692)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,332	(78,692)	(75,360)
As at 30 June 2022 (unaudited)	2,948,587	954,724	3,903,311
As at 1 January 2023	2,952,256	1,107,751	4,060,007
Total comprehensive income for the period	-	132,944	132,944
Unitholders' transactions			
- Issue of new units ⁴			
- Manager's management fee paid in units	3,925	-	3,925
- Funding for the acquisition of investment property	720,000	-	720,000
- Expenses incurred for placement exercise	(17,847)	-	(17,847)
- Distribution to unitholders	-	(242,735)	(242,735)
Increase/(Decrease) in net assets resulting from unitholders' transactions	706,078	(242,735)	463,343
As at 30 June 2023 (unaudited)	3,658,334	997,960	4,656,294

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

⁴ Issue of new units consists of the following:-

	30 June 2022	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.2113 per unit for entitlement for the 6 months period ended 31 December 2021	2,751	3,332
	2,751	3,332

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	30 June 2023	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.2934 per unit for entitlement for the 6 months period ended 31 December 2022	3,034	3,925
Issuance of new units at RM1.2200 per unit to fund the acquisition of new investment property on 1 June 2023	590,164	720,000
	<u>593,198</u>	<u>723,925</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 June 2023 RM'000	Preceding Year to Date 30 June 2022 RM'000
Cash Flows From Operating Activities		
Income before taxation	132,944	120,218
<i>Adjustments for :-</i>		
Borrowing cost	57,857	43,458
Interest income	(5,192)	(2,385)
Depreciation	193	159
Fixed asset written off	-	3
Gain on disposal of plant and equipment	(1)	(1)
Impairment loss on trade receivables	5,934	4,120
Operating income before changes in working capital	191,735	165,572
Inventories	(120)	(149)
Trade and other receivables	(11,963)	991
Trade and other payables	20,979	2,754
Tenants' deposits	34,465	(364)
Net cash from operating activities	235,096	168,804
Cash Flow from Investing Activities		
Acquisition of investment property	(1,676,699)	-
Interest received	5,192	2,385
Payment for enhancement of investment properties	(5,724)	(8,736)
Pledged deposit	(26,127)	(516)
Purchase of plant and equipment	(2,868)	(14)
Proceed from disposal of plant and equipment	1	4
Net cash used in investing activities	(1,706,225)	(6,877)
Cash Flow from Financing Activities		
Distribution to unitholders	(242,735)	(78,692)
Interest paid	(55,650)	(42,717)
Payment of financing expenses	(5,064)	(524)
Payment of placement expenses	(17,847)	-
Proceeds from borrowings	1,925,000	180,000
Proceeds from issue of units	720,000	-
Repayment of borrowings	(895,000)	(170,000)
Net cash from/(used) in financing activities	1,428,704	(111,933)
Net (decrease)/increase in cash and cash equivalents	(42,425)	49,994
Cash and cash equivalents as at the beginning of the year	332,915	254,005
Cash and cash equivalents as at the end of the period	290,490	303,999

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

PAVILION REAL ESTATE INVESTMENT TRUST
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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 period ended 30 June 2023 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 2023. 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 2022 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 2022, 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 2022.

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 2022, 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 2023, 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.

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 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 and the placement of new units to fund the acquisition of investment property through bookbuilding exercise, with details as disclosed below.

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
3,034,792	RM1.2934	20 February 2023	Based on the 5-day volume weighted average price of the units up to but excluding 31 January 2023 (as management fee)
590,163,900	RM1.2200	1 June 2023	A discount of 6.6% to the 5-day volume weighted average price of the units up to and including 16 May 2023 of RM1.3068

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A9 Segmental Reporting

Segmental results for the period ended 30 June 2023 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	311,918	4,459	316,377
Net Property Income	201,686	1,427	203,113
Interest Income			5,192
Net Investment Income			208,305
Trust Expenses			(17,504)
Borrowings Cost			(57,857)
Income Before Taxation			132,944
Taxation			-
Income After Taxation			132,944
Segment assets	8,456,199	131,268	8,587,467
Other non-allocated assets			85,552
			8,673,019
Segment liabilities	3,985,100	31,478	4,016,578
Other non-allocated liabilities			147
			4,016,725

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 2023	3,055,721,661
Units issued as payment of Manager's management fees	3,034,792
Units issued to fund the acquisition of investment property	590,163,900
Total units issued	<u>3,648,920,353</u>

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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	334

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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 Jun		30 Jun	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	116,312	109,576	243,828	217,182
Pavilion Bukit Jalil Mall	14,257	-	14,257	-
Intermark Mall	6,186	5,809	12,501	11,752
DA MEN Mall	3,495	3,030	6,896	6,487
Elite Pavilion Mall	17,563	15,948	34,436	31,034
	<u>157,813</u>	<u>134,363</u>	<u>311,918</u>	<u>266,455</u>
Office:				
Pavilion Tower	2,152	2,351	4,459	4,831
	<u>159,965</u>	<u>136,714</u>	<u>316,377</u>	<u>271,286</u>
Total Gross Revenue				
	<u>159,965</u>	<u>136,714</u>	<u>316,377</u>	<u>271,286</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	34,013	35,510	70,116	62,743
Pavilion Bukit Jalil Mall	6,970	-	6,970	-
Intermark Mall	3,738	4,666	7,236	7,669
DA MEN Mall	5,732	5,935	11,642	9,712
Elite Pavilion Mall	7,266	6,147	14,268	11,594
	<u>57,719</u>	<u>52,258</u>	<u>110,232</u>	<u>91,718</u>
Office:				
Pavilion Tower	1,233	1,347	3,032	2,470
	<u>58,952</u>	<u>53,605</u>	<u>113,264</u>	<u>94,188</u>
Total Property Operating Expenses				
	<u>58,952</u>	<u>53,605</u>	<u>113,264</u>	<u>94,188</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	82,299	74,066	173,712	154,439
Pavilion Bukit Jalil Mall	7,287	-	7,287	-
Intermark Mall	2,448	1,143	5,265	4,083
DA MEN Mall	(2,237)	(2,905)	(4,746)	(3,225)
Elite Pavilion Mall	10,297	9,801	20,168	19,440
	<u>100,094</u>	<u>82,105</u>	<u>201,686</u>	<u>174,737</u>
Office:				
Pavilion Tower	919	1,004	1,427	2,361
	<u>101,013</u>	<u>83,109</u>	<u>203,113</u>	<u>177,098</u>
Total Net Property Income				
	<u>101,013</u>	<u>83,109</u>	<u>203,113</u>	<u>177,098</u>

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	Current Quarter		Year to Date	
	30 Jun		30 Jun	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Total Net Property Income	101,013	83,109	203,113	177,098
Interest Income	2,495	1,178	5,192	2,385
Net Investment Income	103,508	84,287	208,305	179,483
Manager's Management Fee	8,384	7,245	16,212	14,675
Other Trust Expenses	624	645	1,292	1,132
Borrowings Cost	31,608	21,421	57,857	43,458
Total Trust Expenses	40,616	29,311	75,361	59,265
Income Before Taxation	62,892	54,976	132,944	120,218
Taxation	-	-	-	-
Income After Taxation	62,892	54,976	132,944	120,218
Distribution Adjustments	4,077	2,250	6,454	4,569
Distributable Income	66,969	57,226	139,398	124,787

Quarterly Results

Pavilion REIT recognised total gross revenue of RM160.0 million in Q2 2023, an increase of RM23.3 million or 17% as compared to Q2 2022 of RM136.7 million. The increase was mainly contributed by income from the new property, Pavilion Bukit Jalil that was acquired on the 1 June 2023, higher occupancy rate and higher revenue rent for existing retail malls. Income from advertising and marketing events also increased as compared to Q2 2022.

Total property operating expenses were higher by RM5.3 million or 10% as compared to Q2 2022 mainly due to operating expenses incurred for the new property and increase of electricity tariff surcharge by the government from 3.7 sen to 20 sen per kilowatt hour (kWh) from 1 January 2023, mitigated by higher doubtful debts provision in Q2 2022.

These have resulted in higher net property income by RM17.9 million or 22% in Q2 2023 as compared to Q2 2022.

Manager's management fee incurred for Q2 2023 was higher by RM1.1 million as compared to the same quarter last year. This was in line with the increased in total asset value and net property income. Borrowing cost incurred during the quarter has increased by RM10.2 million as compared to Q2 2022 due to the drawdown of additional borrowings for acquisition of investment property. RM1.4 million was also recognised in borrowing cost as present value adjustment to deferred acquisition payments.

These have resulted in income before taxation being higher by RM7.9 million or 14% as compared to Q2 2022.

Distributable income for the quarter under review was RM66.9 million, consisting of income after tax of RM62.9 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.4 million, Manager's management fee payable in units amounting to RM2.1 million and present value adjustment on deferred acquisition payments of RM1.4 million.

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Year-to-Date Results

Total revenue for year-to-date 30 June 2023 was RM316.4 million. It was higher by RM45.1 million or 17% as compared to preceding year-to-date 30 June 2022's performance. The increase was mainly contributed by income from the new property, Pavilion Bukit Jalil that was acquired on the 1 June 2023, higher occupancy rate and higher revenue rent for existing retail malls. Income from advertising and marketing events also increased as compared to preceding year-to-date 30 June 2022.

Total property operating expenses incurred was higher by RM19.1 million or 20% as compared to year-to-date 30 June 2022. This was mainly due to operating expenses incurred for the new property, increase of electricity tariff surcharge by the government from 3.7 sen to 20 sen per kilowatt hour (kWh) from 1 January 2023, cost incurred for marketing campaigns for Chinese New Year and celebration of Pavilion Kuala Lumpur Mall 15th anniversary.

These have resulted in higher net property income by RM26.0 million or 15% for year-to-date 30 June 2023 as compared to preceding year-to-date 30 June 2022.

Higher manager's management fee by RM1.5 million was in line with the increased in total asset value and net property income. Borrowing cost increased by RM14.4 million due to Bank Negara Malaysia raising the overnight policy rate by 25 basis point each in May, July, September and November 2022, and drawdown of additional borrowings for acquisition of investment property. RM1.4 million was also recognised in borrowing cost as present value adjustment to deferred acquisition payments.

These resulted in income before taxation being higher by RM12.7 million or 11% as compared to preceding year-to-date 30 June 2022.

Distributable income for year-to-date 30 June 2023 was RM139.4 million, consisting of income after tax of RM132.9 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.8 million and Manager's management fee payable in units amounting to RM4.1 million and present value adjustment on deferred acquisition payments of RM1.4 million.

Pavilion REIT has expended approximately RM5.7 million of its capital commitment during the period, mainly for reconfiguring tenancy lots at Fashion Avenue and Elite Pavilion Mall.

B2 Material Changes in Quarterly Results

	Quarter Ended 30 Jun 2023 (unaudited) RM'000	Quarter Ended 31 Mar 2023 (unaudited) RM'000	Change %
Gross revenue	159,965	156,412	2.3
Property operating expenses	(58,952)	(54,312)	(8.5)
Net property income	101,013	102,100	(1.1)
Interest income	2,495	2,697	(7.5)
Net investment income	103,508	104,797	(1.2)
Total trust expenses	(9,008)	(8,496)	(6.0)
Borrowing cost	(31,608)	(26,249)	(20.4)
Income before taxation	62,892	70,052	(10.2)

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The income before taxation for the current quarter under review was lower by RM7.2 million as compared to the last immediate quarter mainly due to lower revenue rent in Q2 2023, mitigated by net income generated from the newly acquired property.

B3 Prospects

Retail Group Malaysia has revised Malaysia's annual retail industry growth rate for 2023 to 4.8% from 4.0%. The rationale is that the recovery of Malaysia's retail industry has been sustainable since the end of 2021. Shopping traffic has returned to all major shopping malls and commercial centres located across the country with consumers buying non-essential goods and dining in good quality café and restaurants.

Retail sales is expected to undergo a normalisation path for the remainder of the year due to moderation in spending after a strong recovery in 2022 besides concerns of higher cost of living. Other than supporting tenants as a continuous marketing strategy, building loyalty and pro-actively organizing captivating events and activities remains key priority to drive shoppers and visitors to Pavilion REIT malls.

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.

whilst balancing other stakeholder needs with commitment to sustainability and community engagement.

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% |

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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 2023, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.29 sen per unit or RM131.1 million earned for second half of 2022 was distributed on 28 February 2023. An advance interim distribution of 3.65 sen per unit or RM111.6 million for period from 1 Jan 2023 to 29 May 2023 was distributed on 20 June 2023.

The proposed balance interim income distribution for the six months ended 30 June 2023 is 0.76 sen per unit or RM27.7 million will be payable on 4 September 2023.

Statement of Income Distribution

	Current Quarter 30 June		Year to Date 30 June	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Rental income	145,423	123,980	289,369	246,028
Revenue from contract customers	9,608	9,689	18,423	18,784
Interest income	2,495	1,178	5,192	2,385
Other income	4,934	3,045	8,585	6,474
	<u>162,460</u>	<u>137,892</u>	<u>321,569</u>	<u>273,671</u>
Less: Expenses	<u>(99,568)</u>	<u>(82,916)</u>	<u>(188,625)</u>	<u>(153,453)</u>
Total comprehensive income for the period/year	62,892	54,976	132,944	120,218
Distribution adjustment	<u>4,077</u>	<u>2,250</u>	<u>6,454</u>	<u>4,569</u>
Realised income for the period/year	<u>66,969</u>	<u>57,226</u>	<u>139,398</u>	<u>124,787</u>
Previous period/year's undistributed realised income	554	545	617	451
Total realised income available for distribution	<u>67,523</u>	<u>57,771</u>	<u>140,015</u>	<u>125,238</u>
Less: Proposed/declared income distribution	<u>(66,884)</u>	<u>(57,088)</u>	<u>(139,376)</u>	<u>(124,555)</u>
Balance undistributed realised income	<u>639</u>	<u>683</u>	<u>639</u>	<u>683</u>
Distribution per unit (sen)		1.87		4.08
Advance distribution per unit (sen) - paid				
- based on 3,058,756,453 units	1.28		3.65	
Balance interim distribution per unit (sen)				
- based on 3,648,920,353 units	0.76		0.76	

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B7 Portfolio Composition

As at 30 June 2023, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Mall, Pavilion Tower, DA MEN Mall, Intermark Mall, Elite Pavilion Mall and Pavilion Bukit Jalil.

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 2023, no provision for taxation has been made for the current quarter.

B9 Status of Corporate Proposal

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

On 22 November 2022, the Board of Directors of Pavilion REIT Management Sdn Bhd ("Board"), the management company of Pavilion REIT ("Manager"), CIMB Investment Bank Berhad ("CIMB") and Maybank Investment Bank Berhad ("Maybank IB") announced that MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, had on 22 November 2022 entered into a conditional sale and purchase agreement ("SPA") with Regal Path Sdn Bhd for the acquisition of Pavilion Bukit Jalil ("PBJ Mall") together with the related assets and rights for an aggregate purchase consideration of RM2,200 million ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board also proposes to undertake proposed placements of new units in Pavilion REIT ("Units") to raise gross proceeds of up to RM1,270 million at an issue price to be determined later by way of bookbuilding ("Proposed Placements") to partly fund the Proposed Acquisition and also defray the expenses relating to the Proposals.

The Proposed Acquisition and Proposed Placements were approved by the unitholders of Pavilion REIT at the Unitholders' Meeting held on 22 March 2023.

All the conditions precedent as set out in the SPA have been fulfilled. Accordingly, the SPA has become unconditional as at 15 May 2023.

Tranche 1 placement has been completed following the listing of and quotation for 590,163,900 placement units on the Main Market of Bursa Securities on 1 June 2023. Based on the placement issue price of RM1.22 per placement unit, the gross proceeds raised from the Tranche 1 placement are approximately RM720 million.

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B10 Utilisation of Proceeds Raised from Issuance of New Units

Pursuant to Tranche 1 placement, utilisation of expenses are as below:-

RM (million)	Estimated	Incurred to Date
Placement fee	38.1	17.1
Manager's fee	22.0	22.0
Professional fees	6.0	5.4
Miscellaneous expense	3.9	0.1
Repay borrowings	-	16.5

B11 Borrowings and Debt Securities

As at 30 June 2023	Total
	RM'000
Secured Revolving Term Loans	673,267
Unrated Medium Term Notes	2,555,000
Unamortised Borrowings Transaction Costs	(8,494)
Borrowings	3,219,773
Deferred Payment for Acquisition	516,304
Total Debt	3,736,077
Gearing on Borrowings	37.1%
Gearing on Total Debt	43.1%
Average Interest Cost on Borrowings	4.6%
Composition of Borrowings:	
Fixed Rate	13.2%
Floating Rate	86.8%

B12 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.

B13 Material Litigation

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

B14 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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B15 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 June 2023	Immediate preceding quarter ended 31 March 2023
Number of units in issue (units)	3,648,920,353	3,058,756,453
Net Asset Value (“NAV”) (RM’000)	4,656,294	4,002,894
NAV per unit (RM)	1.2761	1.3087
Total comprehensive income (RM’000)	62,892	70,052
Weighted average number of units in issue – year to date (units)	3,155,735,334	3,057,070,457
Earnings per Unit after Manager’s management fee (sen)	1.93	2.29
Proposes/Declared Distribution per Unit (“DPU”) (sen)		
- Paid	1.28	2.37
- Proposed	0.76	
Market Price (RM)	1.24	1.34
Distribution Yield (%) ⁵	7.17	7.17

⁵ Distribution yield of year to date DPU divided by the Market Price (as at the end of the period) has been annualised.

B16 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 2023	Year to Date 30 June 2023	Basis
Base Fee	5,354	10,119	0.3% per annum on total asset value
Performance Fee	3,030	6,093	3.0% per annum on net property income
Acquisition Fee	8,384	16,212	1.0% on the purchase price of Pavilion Bukit Jalil ⁶
	22,000	22,000	
Total	30,384	38,212	

25% of the base fee and performance fee would be payable in units. 100% of the acquisition fee was paid in cash.

⁶ Acquisition fee was capitalised as part of investment property cost of Pavilion Bukit Jalil.

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B17 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.

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 2023 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
27 July 2023