

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

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2018 (Unaudited) <b>RM'000</b>	As at 31 December 2017 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	1,705	2,129
Investment properties	5,858,717	5,268,000
Other non-current assets	-	58,000
Total non-current assets	<u>5,860,422</u>	<u>5,328,129</u>
Inventories	1,804	1,554
Trade and other receivables	76,525	48,098
Cash and bank balances	286,395	275,383
Total current assets	<u>364,724</u>	<u>325,035</u>
<b>TOTAL ASSETS</b>	<b>6,225,146</b>	<b>5,653,164</b>
<b>LIABILITIES</b>		
Borrowings	1,817,126	1,462,681
Payables and accruals	62,739	73,107
Total non-current liabilities	<u>1,879,865</u>	<u>1,535,788</u>
Borrowings	300,000	-
Payables and accruals	167,605	177,099
Total current liabilities	<u>467,605</u>	<u>177,099</u>
<b>TOTAL LIABILITIES</b>	<b>2,347,470</b>	<b>1,712,887</b>
<b>NET ASSET VALUE</b>	<b><u>3,877,676</u></b>	<b><u>3,940,277</u></b>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,924,229	2,913,849
Accumulated Income	953,447	1,026,428
<b>TOTAL UNITHOLDERS' FUND</b>	<b><u>3,877,676</u></b>	<b><u>3,940,277</u></b>
Number of units in circulation ('000 units)	3,036,705	3,030,094
Net asset value per unit (RM)		
- Before income distribution	1.2769	1.3004
- After income distribution	1.2769	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 SEPTEMBER 2018 (UNAUDITED)**

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

	Current Quarter 30 September		Year to Date 30 September	
	2018 (Unaudited) <b>RM'000</b>	2017 (Unaudited) <b>RM'000</b>	2018 (Unaudited) <b>RM'000</b>	2017 (Unaudited) <b>RM'000</b>
Rental Income	114,106	100,818	330,362	296,937
Other Income	27,242	20,538	77,556	63,616
<b>GROSS REVENUE</b>	<b>141,348</b>	<b>121,356</b>	<b>407,918</b>	<b>360,553</b>
Utilities	(17,173)	(15,392)	(46,880)	(43,915)
Maintenance	(14,645)	(13,486)	(42,555)	(38,945)
Property taxes	(4,246)	(3,148)	(11,190)	(9,603)
Other operating expenses	(11,108)	(11,168)	(33,490)	(34,236)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(47,172)</b>	<b>(43,194)</b>	<b>(134,115)</b>	<b>(126,699)</b>
<b>NET PROPERTY INCOME</b>	<b>94,176</b>	<b>78,162</b>	<b>273,803</b>	<b>233,854</b>
Interest income	3,013	2,117	8,152	6,324
Change in fair value of investment properties	-	-	-	-
<b>NET INVESTMENT INCOME</b>	<b>97,189</b>	<b>80,279</b>	<b>281,955</b>	<b>240,178</b>
Manager's management fees	(7,433)	(6,510)	(21,593)	(19,480)
Trustee's fees	(121)	(119)	(354)	(352)
Other trust expenses	(266)	(243)	(921)	(791)
Borrowings costs	(27,122)	(18,000)	(70,683)	(52,727)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(34,942)</b>	<b>(24,872)</b>	<b>(93,551)</b>	<b>(73,350)</b>
<b>INCOME BEFORE TAXATION</b>	<b>62,247</b>	<b>55,407</b>	<b>188,404</b>	<b>166,828</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>62,247</b>	<b>55,407</b>	<b>188,404</b>	<b>166,828</b>
Income after taxation comprises the followings:-				
Realised	62,247	55,407	188,404	166,828
Unrealised	-	-	-	-
	<u>62,247</u>	<u>55,407</u>	<u>188,404</u>	<u>166,828</u>
Earnings per unit – basic (sen) #	2.05	1.83	6.21	5.51
Earnings per unit – diluted (sen) #	2.05	1.83	6.21	5.51

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.

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	Current Quarter 30 September		Year to Date 30 September	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Total comprehensive income for the period</b>	<b>62,247</b>	<b>55,407</b>	<b>188,404</b>	<b>166,828</b>
Distribution adjustments <sup>1</sup>	2,907	4,250	8,459	12,679
<b>Distributable income</b>	<b>65,154</b>	<b>59,657</b>	<b>196,863</b>	<b>179,507</b>

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

	Current Quarter 30 September		Year to Date 30 September	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amortisation of borrowing transaction costs	909	866	2,637	2,569
Depreciation	140	129	424	370
Manager's management fees payable in units	1,858	3,255	5,398	9,740
	<u>2,907</u>	<u>4,250</u>	<u>8,459</u>	<u>12,679</u>

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

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
<b>As at 1 January 2017</b>	2,900,708	1,020,141	3,920,849
Total comprehensive income for the period	-	166,828	166,828
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>			
- Manager's management fees paid in units	13,141	-	13,141
- Distribution to unitholders	-	(243,160)	(243,160)
Increase/(Decrease) in net assets resulting from unitholders' transactions	13,141	(243,160)	(230,019)
<b>As at 30 September 2017 (unaudited)</b>	<b><u>2,913,849</u></b>	<b><u>943,809</u></b>	<b><u>3,857,658</u></b>
<b>As at 1 January 2018</b>	2,913,849	1,026,428	3,940,277
Total comprehensive income for the period	-	188,404	188,404
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>			
- Manager's management fees paid in units	10,380	-	10,380
- Distribution to unitholders	-	(261,385)	(261,385)
Increase/(Decrease) in net assets resulting from unitholders' transactions	10,380	(261,385)	(251,005)
<b>As at 30 September 2018 (unaudited)</b>	<b><u>2,924,229</u></b>	<b><u>953,447</u></b>	<b><u>3,877,676</u></b>

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

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

	30 September 2017	
	Units 000	Amount RM'000
Issuance of new units pursuant to 50% Manager's management fees paid in units :-		
- at RM1.7707 per unit for entitlement for the 6 months period ended 31 December 2016	3,759	6,656
Issuance of new units pursuant to 50% Manager's management fees paid in units :-		
- at RM1.7024 per unit for entitlement for the 6 months period ended 30 June 2017	3,809	6,485
Total Manager's fees paid	<u>7,568</u>	<u>13,141</u>

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	30 September 2018	
	Units <b>000</b>	Amount <b>RM'000</b>
Issuance of new units pursuant to 50% Manager's management fees 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	1	2
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.6080 per unit for entitlement for the 6 months period ended 30 June 2018	2,202	3,540
Total Manager's fees paid	<u>6,611</u>	<u>10,380</u>

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**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year to Date 30 September 2018 RM'000	Preceding Year to Date 30 September 2017 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	188,404	166,828
<i>Adjustments for :-</i>		
Borrowing cost	70,683	52,727
Interest income	(8,152)	(6,324)
Depreciation	424	370
Gain on disposal of plant and equipment	(24)	(1)
(Reversal of)/Impairment loss on trade receivables	(532)	1,959
<b>Operating income before changes in working capital</b>	<b>250,803</b>	<b>215,559</b>
Inventories	(250)	(118)
Trade and other receivables	(27,895)	(10,545)
Trade and other payables	(44,745)	(1,571)
Tenants' deposits	10,763	2,840
<b>Net cash from operating activities</b>	<b>188,676</b>	<b>206,165</b>
<b>Cash Flow From Investing Activities</b>		
Acquisition of investment properties	(505,362)	-
Deposit for acquisition of investment properties	-	(58,000)
Interest received	8,152	6,324
Payment for enhancement of investment properties	(2,855)	(12,153)
Pledged deposit	(18,497)	(948)
Proceed from disposal of plant and equipment	24	1
Purchase of plant and equipment	-	(323)
<b>Net cash used in investing activities</b>	<b>(518,538)</b>	<b>(65,099)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(261,385)	(243,160)
Interest paid	(68,024)	(50,158)
Payment of financing expenses	(1,014)	(64)
Proceeds from borrowings	770,000	35,000
Repayment of borrowings	(117,200)	-
<b>Net cash from/(used in) financing activities</b>	<b>322,377</b>	<b>(258,382)</b>
Net decrease in cash and cash equivalents	(7,485)	(117,316)
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	226,910	160,037
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	4,314	13,751
Deposits placed with licensed banks	282,081	186,952
	286,395	200,703
Pledged deposit	(59,485)	(40,666)
	226,910	160,037

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**  
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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 nine months ended 30 September 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”) and 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.

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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 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 for the 6 months period ended 31 December 2017 and 25% Manager's management fee for the 6 months period ended 30 June 2018 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)
2,201,461	RM1.6080	14 August 2018	Based on the 5-day volume weighted average price of the units up to but excluding 26 July 2018 (as management fee)

A9 Segmental Reporting

Segmental results for the period ended 30 September 2018 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	398,151	9,767	407,918
Net Property Income	267,309	6,494	273,803
Interest Income			8,152
Net Investment Income			281,955
Trust Expenses			(22,868)
Borrowings Cost			(70,683)
Income Before Taxation			188,404
Taxation			-
Income After Taxation			188,404
Segment assets	6,044,546	134,138	6,178,684
Other non-allocated assets			46,462
			6,225,146
Segment liabilities	2,316,587	30,515	2,347,102
Other non-allocated liabilities			368
			2,347,470



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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 2018	3,030,093,605
Units issued as payment of Manager's management fees	6,611,320
Total units issued	<u>3,036,704,925</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	1,099

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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 30 September		Year to Date 30 September	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	109,696	104,465	328,469	306,862
Intermark Mall	7,264	6,273	21,744	18,562
DA MEN Mall	7,131	7,442	22,088	25,865
Elite Pavilion Mall	13,978	-	25,850	-
	<u>138,069</u>	<u>118,180</u>	<u>398,151</u>	<u>351,289</u>
Office:				
Pavilion Tower	3,279	3,176	9,767	9,264
<b>Total Gross Revenue</b>	<u>141,348</u>	<u>121,356</u>	<u>407,918</u>	<u>360,553</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	31,810	32,862	95,724	93,698
Intermark Mall	3,234	3,300	10,194	10,679
DA MEN Mall	5,671	5,884	15,869	18,994
Elite Pavilion Mall	5,352	-	9,055	-
	<u>46,067</u>	<u>42,046</u>	<u>130,842</u>	<u>123,371</u>
Office:				
Pavilion Tower	1,105	1,148	3,273	3,328
<b>Total Property Operating Expenses</b>	<u>47,172</u>	<u>43,194</u>	<u>134,115</u>	<u>126,699</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	77,886	71,603	232,745	213,164
Intermark Mall	4,030	2,973	11,550	7,883
DA MEN Mall	1,460	1,558	6,219	6,871
Elite Pavilion Mall	8,626	-	16,795	-
	<u>92,002</u>	<u>76,134</u>	<u>267,309</u>	<u>227,918</u>
Office:				
Pavilion Tower	2,174	2,028	6,494	5,936
<b>Total Net Property Income</b>	<u>94,176</u>	<u>78,162</u>	<u>273,803</u>	<u>233,854</u>

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	Current Quarter		Year to Date	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
<b>Total Net Property Income</b>	94,176	78,162	273,803	233,854
Interest Income	3,013	2,117	8,152	6,324
<b>Net Investment Income</b>	<u>97,189</u>	<u>80,279</u>	<u>281,955</u>	<u>240,178</u>
Manager's Management Fees	7,433	6,510	21,593	19,480
Other Trust Expenses	387	362	1,275	1,143
Borrowings Costs	<u>27,122</u>	<u>18,000</u>	<u>70,683</u>	<u>52,727</u>
Total Trust Expenses	<u>34,942</u>	<u>24,872</u>	<u>93,551</u>	<u>73,350</u>
<b>Income Before Taxation</b>	62,247	55,407	188,404	166,828
Taxation	-	-	-	-
<b>Income After Taxation</b>	<u>62,247</u>	<u>55,407</u>	<u>188,404</u>	<u>166,828</u>
Distribution Adjustments	<u>2,907</u>	<u>4,250</u>	<u>8,459</u>	<u>12,679</u>
<b>Distributable Income</b>	<u><u>65,154</u></u>	<u><u>59,657</u></u>	<u><u>196,863</u></u>	<u><u>179,507</u></u>

#### Quarterly Results

Pavilion REIT recognised total gross revenue of RM141.3 million in Q3 2018, an increase of RM19.9 million or 16% compared to Q3 2017 of RM121.4 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 RM4.0 million or 9% compared to Q3 2017 mainly due to the operating expenses incurred for the new property. This was mitigated by lower operating expenses from Pavilion Kuala Lumpur Mall. The operating expenses for Pavilion Kuala Lumpur Mall was higher in Q3 2017 due to the sponsorship of 2017 Sea Games.

These have resulted in higher total net property income by RM16.0 million or 20% in Q3 2018 compared to Q3 2017.

Manager's management fees incurred for Q3 2018 were higher by RM0.9 million compared to the same quarter last year. This was in line with the increased in total asset value and net property income. Borrowing costs incurred during the quarter have increased by RM9.1 million compared to Q3 2017 due to the drawdown of additional borrowings for acquisition of Elite Pavilion Mall and working capital purposes.

Distributable income for the quarter under review was RM65.1 million or 2.14 sen per unit, consisting of income after tax of RM62.2 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.9 million and 25% of Manager's management fees payable in units amounting to RM1.9 million.

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Year-to-date Results

Total revenue for year-to-date 30 September 2018 was RM407.9 million. It was higher by RM47.3 million or 13% compared to preceding year-to-date 30 September 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.

Total property operating expenses incurred was higher by RM7.4 million or 6% compared to year-to-date 30 September 2017. This was mainly due to the operating cost incurred for the new property and preventive maintenance works at Pavilion Kuala Lumpur Mall, mitigated by lower electricity cost at DA MEN Mall.

Manager's management fee incurred for the Q3 2018 was higher by RM2.1 million compared to Q3 2017. This was in line with the increase in the total assets value and net property income. Borrowing cost was higher by RM18.0 million due to drawdown of additional borrowing for acquisition of investment property and working capital purposes.

These resulted in higher income before taxation by RM21.6 million or 13% compared to preceding year-to-date 30 September 2017.

Distributable income for the nine months ended 30 September 2018 was RM196.8 million or 6.48 sen per unit, consisting of income before taxation of RM188.4 million and non-cash adjustments for depreciation of RM0.4 million, amortisation of borrowings transaction cost of RM2.6 million and 25% of manager's management fees payable in units amounting to RM5.4 million.

Pavilion REIT has expended approximately RM2.9 million of its capital commitment during the year, mainly for road enhancement, landscaping, signage improvements and tenancy lots enhancement at DA MEN Mall.

**B2 Material Changes in Quarterly Results**

There was no material change in the income before taxation for the current quarter under review as compared to the last immediate quarter.

**B3 Prospects**

Even though the retail market reported higher sales growth from June to August 2018 due to zero GST, retail spending is expected to pick up only during the year end seasonal holidays. Nevertheless, the Manager will continue to explore improvement to its tenant mix, cost management and bring shopping experiences to attract shoppers to ensure Pavilion REIT results are sustainable.

**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  
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**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 4.34 sen per unit or RM131.6 million earned for 1<sup>st</sup> half of 2018 was distributed on 5 September 2018. Distribution for the quarter ended 30 September 2018 would be payable together with the distribution for the quarter ending 31 December 2018.

**B7 Portfolio Composition**

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

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**B8 Taxation**

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 (“Act”), income of Pavilion REIT will be exempted from tax provided that at least 90% of its total income (as defined in the Act) is distributed to the investors in the basis period of Pavilion REIT for that year of assessment within two months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two months after the close of Pavilion REIT financial year which forms the basis period for a year of assessment, Pavilion REIT will be subject to income tax at the prevailing tax rate on its total income. Income which has been taxed at the Pavilion REIT level will have tax credits attached when subsequently distributed to unitholders.

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

**B9 Status of Corporate Proposal**

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

On 13 August 2018, the Board of Directors of the Manager announced that Pioneer Haven Sdn Bhd, a wholly-owned subsidiary of Malton Berhad, had on 8 August 2018 formally invited Pavilion REIT to participate in the ownership of an on-going development comprising one block of retail mall with five (5) levels of retail spaces and two (2) levels of basement parking to be provisionally known as Pavilion Bukit Jalil (“Invitation”).

MTrustee Berhad, as trustee for Pavilion REIT had on 13 August 2018 accepted the Invitation for both parties to enter into a non-disclosure agreement to commence due diligence, discussion on method of participation and negotiate relevant terms and conditions. The due diligence is on-going.

**B10 Borrowings and Debt Securities**

As at 30 September 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	(4,734)	-	(4,734)
	1,817,126	300,000	2,117,126
Gearing			34.0%
Average interest cost			4.7%
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.

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**B12 Material Litigation**

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

**B13 Soft Commission Received**

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

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

	Current quarter ended 30 September 2018	Immediate preceding quarter ended 30 June 2018
Number of units in issue (units)	3,036,704,925	3,034,503,464
Net Asset Value ("NAV") (RM'000)	3,877,676	3,943,586
NAV per unit (RM)	1.2769	1.2996
Total comprehensive income (RM'000)	62,247	60,808
Weighted average number of units in issue – year to date (units)	3,034,179,787	3,033,431,454
Earnings per Unit after Manager's management fees (Sen)	2.05	2.00
Proposes / Declared Distribution per Unit ("DPU") (Sen)	2.14	2.05
Market Price (RM)	1.60	1.78
Distribution Yield (%) <sup>3</sup>	5.41	4.92

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

**B15 Manager's Management Fees**

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

Type RM'000	Current Quarter 30 September 2018	Year to Date 30 September 2018	Basis
Base Fee	4,608	13,379	0.3% per annum on total asset value
Performance Fee	2,825	8,214	3.0% per annum on net property income
Total	7,433	21,593	

25% of the total Manager's fees would be payable in units.

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B16 Trustee's Fees

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

B17 Significant related party transactions

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

Companies related to the Manager / director's interest	Nature of Transactions	Transaction Value Year to Date: 30 Sep		Balance Outstanding As at	
		2018 RM'000	2017 RM'000	30 Sep 2018 RM'000	31 Dec 2017 RM'000
Pavilion REIT Management Sdn Bhd	Rental income and its related charges	350	341	5	-
Malton Berhad group #	Rental income and its related charges	2,436	2,294	9	8
Crabtree & Evelyn (Malaysia) Sdn Bhd *	Rental income and its related charges	498	674	-	-
	Purchase of product	112	280	-	-
Lumayan Indah Sdn Bhd ^	Rental income and its related charges	127	72	4	1
Impian Ekspresi Sdn Bhd ◇	Rental income and its related charges	1,051	574	67	64
Urusharta Cemerlang (KL) Sdn Bhd α	Rental income and its related charges	581	582	4	-
	Reimbursement of electricity supply to Elite Pavilion Mall	2,881	4,178	4	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	1,316	250	1,250	-

# 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.



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- ^ Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Lumayan Indah Sdn Bhd.
- ◇ Impian Ekspresi Sdn Bhd is deemed party related to the Manager by virtue of Tan Sri Lim Siew Choon's directorship and deemed interest in Impian Ekspresi Sdn Bhd and his spouse, Puan Sri Tan Kewi Yong.
- α Tan Sri Lim Siew Choon, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Urusharta Cemerlang (KL) Sdn Bhd ("UCKL").

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

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

- Δ Tan Sri Lim Siew Choon, Puan Sri Tan Kewi Yong, Dato' Lee Tuck Fook, Ahmed Ali H A Al-Hammadi, Ahmad Mohammed F Q Al-Khanji, Mohd Abdulrazzaq A A Al-Hashmi and Navid Chamdia are directors of the Manager and Urusharta Cemerlang Sdn Bhd ("UCSB").

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

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

- ∞ 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.

**B19 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 September 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  
25 October 2018