

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2021 (Unaudited) RM'000	As at 31 December 2020 (Audited) RM'000
ASSETS		
Plant and equipment	880	1,172
Investment properties	5,886,461	5,863,000
Total non-current assets	<u>5,887,341</u>	<u>5,864,172</u>
Inventories	3,612	3,041
Trade and other receivables	46,588	33,452
Cash and bank balances	277,202	341,242
Total current assets	<u>327,402</u>	<u>377,735</u>
TOTAL ASSETS	6,214,743	6,241,907
LIABILITIES		
Borrowings	1,099,071	1,074,418
Payables and accruals	50,777	67,693
Total non-current liabilities	<u>1,149,848</u>	<u>1,142,111</u>
Borrowings	1,078,090	1,088,854
Payables and accruals	181,918	151,625
Total current liabilities	<u>1,260,008</u>	<u>1,240,479</u>
TOTAL LIABILITIES	2,409,856	2,382,590
NET ASSET VALUE	<u>3,804,887</u>	<u>3,859,317</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,945,255	2,938,844
Accumulated income	859,632	920,473
TOTAL UNITHOLDERS' FUND	<u>3,804,887</u>	<u>3,859,317</u>
Number of units in circulation ('000 units)	3,050,059	3,045,307
Net asset value per unit (RM)		
- Before income distribution	1.2475	1.2673
- After income distribution*	1.2402	1.2421

*after distributable income of 0.73 sen per unit (2020: after final income distribution of 2.52 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 2020 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 September		Year to Date 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Rental income	107,742	108,458	337,390	346,996
Revenue from contract customers	3,988	7,710	20,504	24,556
Other income	1,588	2,551	6,421	7,874
GROSS REVENUE	113,318	118,719	364,315	379,426
Utilities	(9,211)	(12,926)	(35,020)	(42,553)
Maintenance	(12,901)	(21,562)	(41,331)	(47,975)
Property taxes	(4,062)	(4,098)	(12,183)	(12,293)
Other operating expenses ¹	(39,674)	(19,257)	(121,847)	(111,541)
PROPERTY OPERATING EXPENSES	(65,848)	(57,843)	(210,381)	(214,362)
NET PROPERTY INCOME	47,470	60,876	153,934	165,064
Interest income	1,179	1,233	3,593	5,111
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	48,649	62,109	157,527	170,175
Manager's management fee	(6,076)	(6,614)	(18,563)	(19,185)
Trustee's fee	(122)	(122)	(362)	(363)
Other trust expenses	(275)	(250)	(815)	(926)
Borrowings cost	(22,169)	(23,087)	(66,113)	(73,074)
TOTAL TRUST EXPENDITURE	(28,642)	(30,073)	(85,853)	(93,548)
INCOME BEFORE TAXATION	20,007	32,036	71,674	76,627
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	20,007	32,036	71,674	76,627
Income after taxation comprises the followings:-				
Realised	20,007	32,036	71,674	76,627
Unrealised	-	-	-	-
	<u>20,007</u>	<u>32,036</u>	<u>71,674</u>	<u>76,627</u>
Earnings per unit – basic (sen) #	0.65	1.05	2.35	2.52
Earnings per unit – diluted (sen) #	0.65	1.05	2.35	2.52

¹ The waiver of rental income or also known as rebates given to tenants are accounted for in accordance with MFRS 9 and the total of waivers or rebates is presented as an expense in the statement of profit or loss and other comprehensive income.

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 2020 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	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Total comprehensive income for the period ²	20,007	32,036	71,674	76,627
Distribution adjustments ³	2,076	2,335	6,433	6,835
Distributable income	22,083	34,371	78,107	83,462

² Total comprehensive income is derived after charging:-

	Current Quarter 30 September		Year to Date 30 September	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Depreciation	137	96	394	292
Foreign exchange loss	1	4	10	17
Impairment loss on trade receivables	1,336	5,316	2,392	12,240

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 September		Year to Date 30 September	
	2021	2020	2021	2020
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	420	586	1,398	1,747
Depreciation	137	96	394	292
Manager's management fee payable in units	1,519	1,653	4,641	4,796
	2,076	2,335	6,433	6,835

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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 2020	2,931,927	1,047,811	3,979,738
Total comprehensive income for the period	-	76,627	76,627
Unitholders' transactions			
- Issue of new units ⁴	6,917	-	6,917
- Manager's management fee paid in units	-	(173,683)	(173,683)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,917	(173,683)	(166,766)
As at 30 September 2020 (unaudited)	<u>2,938,844</u>	<u>950,755</u>	<u>3,889,599</u>
As at 1 January 2021	2,938,844	920,473	3,859,317
Total comprehensive income for the period	-	71,674	71,674
Unitholders' transactions			
- Issue of new units ⁴	6,411	-	6,411
- Distribution to unitholders	-	(132,515)	(132,515)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,411	(132,515)	(126,104)
As at 30 September 2021 (unaudited)	<u>2,945,255</u>	<u>859,632</u>	<u>3,804,887</u>

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

⁴ Issue of new units consists of the followings:-

	30 September 2020	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.6829 per unit for entitlement for the 6 months period ended 31 December 2019	2,243	3,774
- at RM1.5915 per unit for entitlement for the 6 months period ended 30 June 2020	1,974	3,143
Total Manager's fees paid	<u>4,217</u>	<u>6,917</u>

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	30 September 2021	
	Units	Amount
	000	RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.3618 per unit for entitlement for the 6 months period ended 31 December 2020	2,416	3,290
- at RM1.3366 per unit for entitlement for the 6 months period ended 30 June 2021	2,336	3,121
Total Manager's fees paid	4,752	6,411

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 September 2021 RM'000	Preceding Year to Date 30 September 2020 RM'000
Cash Flows From Operating Activities		
Income before taxation	71,674	76,627
<i>Adjustments for :-</i>		
Borrowing cost	66,113	73,074
Interest income	(3,593)	(5,111)
Depreciation	394	292
Impairment loss on trade receivables	2,392	12,239
Operating income before changes in working capital	136,980	157,121
Inventories	(571)	126
Trade and other receivables	(15,528)	(11,551)
Trade and other payables	22,854	75,512
Tenants deposits	(3,066)	(4,150)
Net cash from operating activities	140,669	217,058
Cash Flow From Investing Activities		
Interest received	3,593	5,111
Payment for enhancement of investment properties	(23,461)	(22,948)
Uplifted/(Pledged) deposit	5,960	(1,204)
Purchase of plant and equipment	(102)	(47)
Net cash used in investing activities	(14,010)	(19,088)
Cash Flow from Financing Activities		
Distribution to unitholders	(132,515)	(173,683)
Interest paid	(64,715)	(50,996)
Payment of financing expenses	(747)	(60)
Proceeds from borrowings	420,000	10,000
Repayment of borrowings	(406,762)	(26,100)
Net cash used in financing activities	(184,739)	(240,839)
Net decrease in cash and cash equivalents	(58,080)	(42,869)
Cash and cash equivalents as at the beginning of the year	277,309	306,478
Cash and cash equivalents as at the end of the period	219,229	263,609
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	24,680	17,492
Deposits placed with licensed banks	252,522	309,765
	277,202	327,257
Pledged deposit	(57,973)	(63,648)
	219,229	263,609

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2020 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 nine months ended 30 September 2021 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 2021. 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 2020 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 2020, 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 2020.

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 2020, 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 2021, 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 various type of 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
2,415,964	RM1.3618	17 February 2021	Based on the 5-day volume weighted average price of the units up to but excluding 27 January 2021 (as management fee)
2,335,574	RM1.3366	25 August 2021	Based on the 5-day volume weighted average price of the units up to but excluding 5 August 2021 (as management fee)

A9 Segmental Reporting

Segmental results for the period ended 30 September 2021 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	355,971	8,344	364,315
Net Property Income	150,045	3,889	153,934
Interest Income			3,593
Net Investment Income			157,527
Trust Expenses			(19,740)
Borrowings Cost			(66,113)
Income Before Taxation			71,674
Taxation			-
Income After Taxation			71,674
Segment assets	6,022,694	134,076	6,156,770
Other non-allocated assets			57,973
			6,214,743
Segment liabilities	2,378,825	30,959	2,409,784
Other non-allocated liabilities			72
			2,409,856

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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 2021	3,045,307,543
Units issued as payment of Manager's management fee	4,751,538
Total units issued	<u>3,050,059,081</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	115

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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	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	91,750	94,372	297,007	304,137
Intermark Mall	5,740	6,398	17,790	19,221
DA MEN Mall	2,634	3,026	8,414	10,242
Elite Pavilion Mall	10,425	12,120	32,760	37,472
	<u>110,549</u>	<u>115,916</u>	<u>355,971</u>	<u>371,072</u>
Office:				
Pavilion Tower	2,769	2,803	8,344	8,354
Total Gross Revenue	<u>113,318</u>	<u>118,719</u>	<u>364,315</u>	<u>379,426</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	46,916	39,967	153,839	156,352
Intermark Mall	4,136	3,485	11,840	10,776
DA MEN Mall	5,883	6,396	16,533	18,775
Elite Pavilion Mall	7,899	6,828	23,714	24,549
	<u>64,834</u>	<u>56,676</u>	<u>205,926</u>	<u>210,452</u>
Office:				
Pavilion Tower	1,014	1,167	4,455	3,910
Total Property Operating Expenses	<u>65,848</u>	<u>57,843</u>	<u>210,381</u>	<u>214,362</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	44,834	54,405	143,168	147,785
Intermark Mall	1,604	2,913	5,950	8,445
DA MEN Mall	(3,249)	(3,370)	(8,119)	(8,533)
Elite Pavilion Mall	2,526	5,292	9,046	12,923
	<u>45,715</u>	<u>59,240</u>	<u>150,045</u>	<u>160,620</u>
Office:				
Pavilion Tower	1,755	1,636	3,889	4,444
Total Net Property Income	<u>47,470</u>	<u>60,876</u>	<u>153,934</u>	<u>165,064</u>

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	Current Quarter		Year to Date	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Total Net Property Income	47,470	60,876	153,934	165,064
Interest Income	1,179	1,233	3,593	5,111
Net Investment Income	<u>48,649</u>	<u>62,109</u>	<u>157,527</u>	<u>170,175</u>
Manager's Management Fee	6,076	6,614	18,563	19,185
Other Trust Expenses	397	372	1,177	1,289
Borrowings Cost	22,169	23,087	66,113	73,074
Total Trust Expenses	<u>28,642</u>	<u>30,073</u>	<u>85,853</u>	<u>93,548</u>
Income Before Taxation	20,007	32,036	71,674	76,627
Taxation	-	-	-	-
Income After Taxation	<u>20,007</u>	<u>32,036</u>	<u>71,674</u>	<u>76,627</u>
Distribution Adjustments	2,076	2,335	6,433	6,835
Distributable Income	<u><u>22,083</u></u>	<u><u>34,371</u></u>	<u><u>78,107</u></u>	<u><u>83,462</u></u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM113.3 million in Q3 2021, a decrease of RM5.4 million or 4.5% compared to Q3 2020 of RM118.7 million. The decrease was mainly due to lower revenue rent and advertising income from Pavilion Kuala Lumpur Mall. Elite Pavilion Mall's gross revenue was lower mainly due to loss of advertising and rental income from the various Movement Control Orders (MCOs) and National Recovery Plan (NRP) imposed by the Government.

Total property operating expenses was higher by RM8.0 million or 13.8% compared to Q3 2020 mainly due to the rent rebates given to tenants who were not allowed to operate during the MCO period. This was mitigated by utilities savings, lower property upkeep cost and lesser marketing expenses incurred during the period.

These has resulted in net property income reducing by RM13.4 million or 22.0% in Q3 2021 as compared to Q3 2020.

Manager's management fees incurred for Q3 2021 was lower by RM0.5 million compared to the same quarter last year. This was in line with the decrease in net property income. Borrowing costs incurred during the quarter was lower by RM0.9 million compared to Q3 2020 due to lower interest rate for borrowings.

Distributable income for the quarter under review was RM22.0 million or 0.73 sen per unit, consisting of income after tax of RM20.0 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.4 million and 25% of Manager's management fees payable in units amounting to RM1.5 million.

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Year-to-Date Results

Total revenue for year-to-date 30 September 2021 was RM364.3 million. It was lower by RM15.1 million or 4.0% compared to preceding year-to-date 30 September 2020's performance. The decrease was mainly due to lower occupancy rate for shopping malls because of non-renewal of some expired tenancies and deferment of rent commencement date for some tenants due to various MCOs and NRP. Income from revenue rent, marketing events and advertising were also affected.

Total property operating expenses incurred was lower by RM4.0 million or 1.9% compared to year-to-date 30 September 2020 mainly due to utilities savings and lesser mall maintenance and marketing expenses incurred during the period. This was off-set by higher rent rebate given to tenants who were not allowed to operate during the MCO and/or NRP periods.

Manager's management fee incurred was lower by RM0.6 million compared to year to date September 2020 due to lower net property income and total assets value. Borrowing cost was lower by RM7.0 million due to decrease in interest rates for borrowings.

These have resulted in lower income before taxation by RM5.0 million or 6.5% compared to preceding year-to-date 30 September 2020.

Distributable income for the nine months ended 30 September 2021 was RM78.1 million or 2.56 sen per unit, consisting of income before taxation of RM71.7 million and non-cash adjustments for depreciation of RM0.4 million, amortisation of borrowings transaction cost of RM1.4 million and 25% of manager's management fees payable in units amounting to RM4.6 million.

Pavilion REIT has expended approximately RM23.5 million of its capital commitment during the year mainly for development of a new retail space at the end of the Couture precinct, glass kiosks outside Fashion Avenue and upgrading of cooling tower at Pavilion Kuala Lumpur Mall.

B2 Material Changes in Quarterly Results

	Quarter Ended 30 Sep 2021 (unaudited) RM'000	Quarter Ended 30 Jun 2021 (unaudited) RM'000	Change %
Gross revenue	113,318	124,783	-9.2
Property operating expenses	(65,848)	(77,166)	14.7
Net property income	47,470	47,617	-0.3
Interest income	1,179	1,181	-0.2
Net investment income	48,649	48,798	-0.3
Total trust expenses	(6,473)	(6,523)	0.8
Borrowing cost	(22,169)	(21,866)	-1.4
Income before taxation	20,007	20,409	-2.0

The income before taxation for the current quarter under review was lower by RM0.4 million as compared to the last immediate quarter mainly due to lower revenue rent and income from advertising. This was mitigated by savings from utilities and lower rebates for tenants in Q3 2021.

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B3 Prospects

As Klang Valley transit into Phase 4 of the National Recover Plan on 18 October 2021, the lifting of interstate and overseas travel restriction with relaxation of quarantine measures is set to revive tourism, hospitality and the retail industry which will bring positive economic outcomes and augur well for businesses.

Barring unforeseen circumstances of new and/or more potent strain of virus that will stretch the healthcare service, the Manager is confident that the retail industry will recover and grow in the year ahead as Malaysia and countries globally transits from pandemic to endemic phase. The Manager is committed to continue to improve performance and support its tenants by sustaining healthy occupancy levels through proactive lease management, leveraging on aggressive marketing strategies and initiatives to welcome back shoppers to its malls with peace of mind shopping experiences while remaining focused on operational recovery by staying vigilant in compliance with strict standard operating procedures to ensure safety of its shoppers, tenants and staffs.

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% |

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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's distributable income on a half yearly basis. For the financial year ending 31 December 2021, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 1.83 sen per unit or RM55.7 million earned for 1st half of 2021 was distributed on 10 September 2021. Distribution for the quarter ended 30 September 2021 would be payable together with the distribution for the quarter ending 31 December 2021.

Statement of Income Distribution

	Current Quarter 30 September		Year to Date 30 September	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
Rental income	107,742	108,458	337,390	346,996
Revenue from contract customers	3,988	7,710	20,504	24,556
Interest income	1,179	1,233	3,593	5,111
Other income	1,588	2,551	6,421	7,874
	<u>114,497</u>	<u>119,952</u>	<u>367,908</u>	<u>384,537</u>
Less: Expenses	<u>(94,490)</u>	<u>(87,916)</u>	<u>(296,234)</u>	<u>(307,910)</u>
Total comprehensive income for the period	20,007	32,036	71,674	76,627
Distribution adjustment	<u>2,076</u>	<u>2,335</u>	<u>6,433</u>	<u>6,835</u>
Realised income for the period	<u>22,083</u>	<u>34,371</u>	<u>78,107</u>	<u>83,462</u>
Previous period/year's undistributed realised income	504	244	253	151
Total realised income available for distribution	<u>22,587</u>	<u>34,615</u>	<u>78,360</u>	<u>83,613</u>
Less: Proposed/declared income distribution	<u>(22,265)</u>	<u>(34,412)</u>	<u>(78,038)</u>	<u>(83,410)</u>
Balance undistributed realised income	<u>322</u>	<u>203</u>	<u>322</u>	<u>203</u>
Distribution per unit (sen)	0.73	1.13	2.56	2.74

B7 Portfolio Composition

As at 30 September 2021, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN 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 2021, no provision for taxation has been made for the current quarter.

B9 Status of Corporate Proposal

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

B10 Borrowings and Debt Securities

As at 30 September 2021	Total
	RM'000
Secured Revolving Term Loans	683,267
Unrated Medium Term Notes	1,495,000
Unamortised Borrowings Transaction Costs	(1,106)
	2,177,161
Gearing	35.0%
Average interest cost	4.0%
Composition of borrowings:	
Fixed Rate	42.5%
Floating Rate	57.5%

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.

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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 2021	Immediate preceding quarter ended 30 June 2021
Number of units in issue (units)	3,050,059,081	3,047,723,507
Net Asset Value (“NAV”) (RM’000)	3,804,887	3,837,532
NAV per unit (RM)	1.2475	1.2591
Total comprehensive income (RM’000)	20,007	20,409
Weighted average number of units in issue – year to date (units)	3,047,624,115	3,047,096,157
Earnings per Unit after Manager’s management fee (Sen)	0.65	0.67
Achieved / Declared Distribution per Unit (“DPU”) (Sen)	0.73	0.73
Market Price (RM)	1.42	1.36
Distribution Yield (%) ⁵	2.41	2.71

⁵ 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 September 2021	Year to Date 30 September 2021	Basis
Base Fee	4,652	13,945	0.3% per annum on total asset value
Performance Fee	1,424	4,618	3.0% per annum on net property income
Total	6,076	18,563	

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 September 2021 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
28 October 2021