

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2022 (Unaudited) <b>RM'000</b>	As at 31 December 2021 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	588	740
Investment properties	5,887,570	5,880,000
Total non-current assets	<u>5,888,158</u>	<u>5,880,740</u>
Inventories	2,904	3,068
Trade and other receivables	38,032	42,656
Cash and bank balances	329,996	312,231
Total current assets	<u>370,932</u>	<u>357,955</u>
<b>TOTAL ASSETS</b>	<b>6,259,090</b>	<b>6,238,695</b>
<b>LIABILITIES</b>		
Borrowings	1,393,877	1,778,298
Payables and accruals	37,496	81,677
Total non-current liabilities	<u>1,431,373</u>	<u>1,859,975</u>
Borrowings	800,000	395,000
Payables and accruals	184,125	125,267
Total current liabilities	<u>984,125</u>	<u>520,267</u>
<b>TOTAL LIABILITIES</b>	<b>2,415,498</b>	<b>2,380,242</b>
<b>NET ASSET VALUE</b>	<u><b>3,843,592</b></u>	<u><b>3,858,453</b></u>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,952,256	2,945,255
Accumulated income	891,336	913,198
<b>TOTAL UNITHOLDERS' FUND</b>	<u><b>3,843,592</b></u>	<u><b>3,858,453</b></u>
Number of units in circulation ('000 units)	3,055,722	3,050,059
Net asset value per unit (RM)		
- Before income distribution	1.2578	1.2650
- After income distribution*	1.2370	1.2392

\*after distributable income of 2.08 sen per unit (2021: after final income distribution of 2.58 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 2021 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (UNAUDITED)**

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

	Current Quarter 30 September		Year to Date 30 September	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Rental income	127,618	107,742	373,646	337,390
Revenue from contract customers	11,751	3,988	39,201	20,504
Other income	4,253	1,588	11,046	6,421
<b>GROSS REVENUE</b>	<b>143,622</b>	<b>113,318</b>	<b>423,893</b>	<b>364,315</b>
Utilities	(17,612)	(9,211)	(51,145)	(35,020)
Maintenance	(17,151)	(12,901)	(49,224)	(41,331)
Property taxes	(4,067)	(4,062)	(12,197)	(12,183)
Other operating expenses <sup>1</sup>	(14,575)	(39,674)	(44,012)	(121,847)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(53,405)</b>	<b>(65,848)</b>	<b>(156,578)</b>	<b>(210,381)</b>
<b>NET PROPERTY INCOME</b>	<b>90,217</b>	<b>47,470</b>	<b>267,315</b>	<b>153,934</b>
Interest income	2,000	1,179	4,385	3,593
Net fair value changes on investment properties	-	-	-	-
<b>NET INVESTMENT INCOME</b>	<b>92,217</b>	<b>48,649</b>	<b>271,700</b>	<b>157,527</b>
Manager's management fee	(7,389)	(6,076)	(22,064)	(18,563)
Trustee's fee	(122)	(122)	(362)	(362)
Other trust expenses	(235)	(275)	(1,127)	(815)
Borrowings cost	(23,305)	(22,169)	(66,763)	(66,113)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(31,051)</b>	<b>(28,642)</b>	<b>(90,316)</b>	<b>(85,853)</b>
<b>INCOME BEFORE TAXATION</b>	<b>61,166</b>	<b>20,007</b>	<b>181,384</b>	<b>71,674</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>61,166</b>	<b>20,007</b>	<b>181,384</b>	<b>71,674</b>
Income after taxation comprises the followings:-				
Realised	61,166	20,007	181,384	71,674
Unrealised	-	-	-	-
	<u>61,166</u>	<u>20,007</u>	<u>181,384</u>	<u>71,674</u>
Earnings per unit – basic (sen) #	2.00	0.65	5.94	2.35
Earnings per unit – diluted (sen) #	2.00	0.65	5.94	2.35

<sup>1</sup> 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 2021 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	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
<b>Total comprehensive income for the period <sup>2</sup></b>	<b>61,166</b>	<b>20,007</b>	<b>181,384</b>	<b>71,674</b>
Distribution adjustments <sup>3</sup>	2,297	2,076	6,866	6,433
<b>Distributable income</b>	<b>63,463</b>	<b>22,083</b>	<b>188,250</b>	<b>78,107</b>

<sup>2</sup> Total comprehensive income is derived after charging:-

	Current Quarter 30 September		Year to Date 30 September	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Depreciation	88	137	247	394
Foreign exchange loss	-	1	3	10
Impairment loss of trade receivables	638	1,336	4,758	2,392

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.

<sup>3</sup> Included in the distribution adjustments are the followings:-

	Current Quarter 30 September		Year to Date 30 September	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	362	420	1,103	1,398
Depreciation	88	137	247	394
Manager's management fee payable in units	1,847	1,519	5,516	4,641
	2,297	2,076	6,866	6,433

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

	Unitholders' Capital	Income / (Deficit)	Total Funds
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>As at 1 January 2021</b>	2,938,844	920,473	3,859,317
Total comprehensive income for the period	-	71,674	71,674
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>	-	-	-
- Manager's management fee paid in units	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)
<b>As at 30 September 2021 (unaudited)</b>	<b><u>2,945,255</u></b>	<b><u>859,632</u></b>	<b><u>3,804,887</u></b>
<b>As at 1 January 2022</b>	2,945,255	913,198	3,858,453
Total comprehensive income for the period	-	181,384	181,384
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>	-	-	-
- Manager's management fee paid in units	7,001	-	7,001
- Distribution to unitholders	-	(203,246)	(203,246)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,001	(203,246)	(196,245)
<b>As at 30 September 2022 (unaudited)</b>	<b><u>2,952,256</u></b>	<b><u>891,336</u></b>	<b><u>3,843,592</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 2021 and the accompanying explanatory notes attached to the interim financial statements.

<sup>4</sup> Issue of new units consists of the following:-

	30 September 2021	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fees 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
<b>Total Manager's fees paid</b>	<b><u>4,752</u></b>	<b><u>6,411</u></b>

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	30 September 2022	
	Units <b>000</b>	Amount <b>RM'000</b>
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
- at RM1.2599 per unit for entitlement for the 6 months period ended 30 June 2022	2,912	3,669
Total Manager's fees paid	5,663	7,001

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year to Date 30 September 2022 RM'000	Preceding Year to Date 30 September 2021 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	181,384	71,674
<i>Adjustments for :-</i>		
Borrowing cost	66,763	66,113
Interest income	(4,385)	(3,593)
Depreciation	247	394
Fixed asset written off	3	-
Gain on disposal of plant and equipment	(1)	-
Impairment loss on trade receivables	4,758	2,392
<b>Operating income before changes in working capital</b>	<b>248,769</b>	<b>136,980</b>
Inventories	164	(571)
Trade and other receivables	(134)	(15,528)
Trade and other payables	19,701	22,854
Tenants' deposits	1,977	(3,066)
<b>Net cash from operating activities</b>	<b>270,477</b>	<b>140,669</b>
<b>Cash Flow from Investing Activities</b>		
Interest received	4,385	3,593
Payment for enhancement of investment properties (Pledged)/Uplifted deposit	(7,570)	(23,461)
	(831)	5,960
Purchase of plant and equipment	(101)	(102)
Proceed from disposal of plant and equipment	4	-
<b>Net cash used in investing activities</b>	<b>(4,113)</b>	<b>(14,010)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(203,246)	(132,515)
Interest paid	(65,660)	(64,715)
Payment of financing expenses	(524)	(747)
Proceeds from borrowings	190,000	420,000
Repayment of borrowings	(170,000)	(406,762)
<b>Net cash used in financing activities</b>	<b>(249,430)</b>	<b>(184,739)</b>
Net increase/(decrease) in cash and cash equivalents	16,934	(58,080)
Cash and cash equivalents as at the beginning of the year	254,005	277,309
Cash and cash equivalents as at the end of the period	270,939	219,229
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	154,564	24,680
Deposits placed with licensed banks	175,432	252,522
	329,996	277,202
Pledged deposit	(59,057)	(57,973)
	270,939	219,229

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2021 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 September 2022 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 2022. 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 2021 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 2021, 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 2021.

**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 2021, 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 2022, the fair values could be materially different from the current carrying value.

**A5 Seasonality or Cyclicity of Operations**

The business operations of Pavilion REIT are not affected by material seasonal or cyclical factors.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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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 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
2,750,725	RM1.2113	18 February 2022	Based on the 5-day volume weighted average price of the units up to but excluding 27 January 2022 (as management fee)
2,911,855	RM1.2599	15 August 2022	Based on the 5-day volume weighted average price of the units up to but excluding 28 July 2022 (as management fee)

A9 Segmental Reporting

Segmental results for the period ended 30 September 2022 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	416,540	7,353	423,893
Net Property Income	263,985	3,330	267,315
Interest Income			4,385
Net Fair Value Changes on Investment Properties			-
Net Investment Income			271,700
Trust Expenses			(23,553)
Borrowings Cost			(66,763)
Income Before Taxation			181,384
Taxation			-
Income After Taxation			181,384
Segment assets	6,068,934	131,099	6,200,033
Other non-allocated assets			59,057
			6,259,090
Segment liabilities	2,383,787	31,559	2,415,346
Other non-allocated liabilities			152
			2,415,498



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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 2022	3,050,059,081
Units issued as payment of Manager's management fees	<u>5,662,580</u>
Total units issued	<u>3,055,721,661</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	1,586

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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 Sep		30 Sep	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	115,271	91,750	341,161	297,007
Intermark Mall	6,070	5,740	17,881	17,790
DA MEN Mall	3,417	2,634	9,948	8,414
Elite Pavilion Mall	16,453	10,425	47,550	32,760
	<u>141,211</u>	<u>110,549</u>	<u>416,540</u>	<u>355,971</u>
Office:				
Pavilion Tower	2,411	2,769	7,353	8,344
	<u>143,622</u>	<u>113,318</u>	<u>423,893</u>	<u>364,315</u>
<b>Total Gross Revenue</b>				
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	36,466	46,916	107,917	153,839
Intermark Mall	3,777	4,136	11,505	11,840
DA MEN Mall	6,104	5,883	15,860	16,533
Elite Pavilion Mall	5,616	7,899	17,273	23,714
	<u>51,963</u>	<u>64,834</u>	<u>152,555</u>	<u>205,926</u>
Office:				
Pavilion Tower	1,442	1,014	4,023	4,455
	<u>53,405</u>	<u>65,848</u>	<u>156,578</u>	<u>210,381</u>
<b>Total Property Operating Expenses</b>				
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	78,805	44,834	233,244	143,168
Intermark Mall	2,293	1,604	6,376	5,950
DA MEN Mall	(2,687)	(3,249)	(5,912)	(8,119)
Elite Pavilion Mall	10,837	2,526	30,277	9,046
	<u>89,248</u>	<u>45,715</u>	<u>263,985</u>	<u>150,045</u>
Office:				
Pavilion Tower	969	1,755	3,330	3,889
	<u>90,217</u>	<u>47,470</u>	<u>267,315</u>	<u>153,934</u>
<b>Total Net Property Income</b>				

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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	Current Quarter		Year to Date	
	30 Sep		30 Sep	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Total Net Property Income</b>	90,217	47,470	267,315	153,934
Interest Income	2,000	1,179	4,385	3,593
<b>Net Investment Income</b>	<u>92,217</u>	<u>48,649</u>	<u>271,700</u>	<u>157,527</u>
Manager's Management Fee	7,389	6,076	22,064	18,563
Other Trust Expenses	357	397	1,489	1,177
Borrowings Cost	23,305	22,169	66,763	66,113
Total Trust Expenses	<u>31,051</u>	<u>28,642</u>	<u>90,316</u>	<u>85,853</u>
<b>Income Before Taxation</b>	61,166	20,007	181,384	71,674
Taxation	-	-	-	-
<b>Income After Taxation</b>	<u>61,166</u>	<u>20,007</u>	<u>181,384</u>	<u>71,674</u>
Distribution Adjustments	2,297	2,076	6,866	6,433
<b>Distributable Income</b>	<u><u>63,463</u></u>	<u><u>22,083</u></u>	<u><u>188,250</u></u>	<u><u>78,107</u></u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM143.6 million in Q3 2022, an increase of RM30.3 million or 27% as compared to Q3 2021 of RM113.3 million. The increase was mainly contributed by higher revenue rent, income from advertising and marketing events after all economic sectors and businesses were allowed to reopen.

Total property operating expenses decreased by RM12.4 million or 19% as compared to Q3 2021. This was mainly due to no pandemic rebates given to tenants during the quarter, offset by higher utility cost in Q3 2022 as the 10% electricity rebate given by the government ended in December 2021 as well as the imposition of electricity tariff surcharge of 3.7 sen per kilowatt hour (kWh) to non-domestic sector from 1 February 2022. Increase in maintenance cost was mainly due to remobilizing ad-hoc upkeeps, installation of rain harvesting and air handling condensate water recycling systems and adjustment to contract sum of labour-intensive services due to the minimum wage requirements. Marketing expenses also increased due to the resumption of marketing activities and events with the reopening of the economy.

These have resulted in higher net property income by RM42.7 million or 90% in Q3 2022 as compared to Q3 2021.

Manager's management fee incurred for the Q3 2022 was higher by RM1.3 million as compared to Q3 2021 due to higher net property income. Borrowing cost increased due to Bank Negara Malaysia raising the overnight policy rate by 25 basis points each in July and September 2022.

Distributable income for the quarter under review was RM63.5 million or 2.08 sen per unit, consisting of income after tax of RM61.2 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowing transaction cost of RM0.4 million and 25% of Manager's management fee payable in units amounting to RM1.8 million.

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Year-to-Date Results

Total revenue for year-to-date 30 September 2022 was RM423.9 million. It was higher by RM59.6 million or 16% as compared to the preceding year-to-date 30 September 2021's performance. The increase was mainly contributed by higher revenue rent, income from advertising and marketing events after all economic sectors and businesses were allowed to reopen.

Total property operating expenses incurred were lower by RM53.8 million or 26% as compared to year-to-date 30 September 2021. This was mainly due to no pandemic rebates given to tenants this year, offset by higher utility cost as the 10% electricity rebate given by the government ended in December 2021 as well as the imposition of electricity tariff surcharge of 3.7 sen per kilowatt hour (kWh) to non-domestic sector from 1 February 2022. Increase in maintenance cost was mainly due to remobilizing ad-hoc upkeeps, installation of rain harvesting and air handling condensate water recycling systems and adjustment to contract sum of labour-intensive services due to the minimum wage requirements. Marketing expenses also increased with the resumption of marketing activities and events with the reopening of the economy.

These have resulted in higher net property income by RM113.4 million or 74% for year-to-date 30 September 2022 as compared to preceding year-to-date 30 September 2021.

Higher manager's management fee by RM3.5 million mainly due to the increase in net property income. Higher other trust expenses were incurred for the development of environmental, social and governance roadmap and business continuity management framework.

These resulted in income before taxation being higher by RM109.7 million or 153% as compared to preceding year-to-date 30 September 2021.

Distributable income for the quarter under review was RM188.2 million or 6.16 sen per unit, consisting of income after tax of RM181.4 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM1.1 million and Manager's management fee payable in units amounting to RM5.5 million.

Pavilion REIT has expended approximately RM7.6 million of its capital commitment during the year, mainly for development of 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 2022 (unaudited) <b>RM'000</b>	Quarter Ended 30 Jun 2022 (unaudited) <b>RM'000</b>	Change %
Gross revenue	143,622	141,493	1.5
Property operating expenses	<u>(53,405)</u>	<u>(58,384)</u>	8.5
Net property income	90,217	83,109	8.6
Interest income	2,000	1,178	69.8
Net investment income	<u>92,217</u>	<u>84,287</u>	9.4
Total trust expenses	(7,746)	(7,890)	1.8
Borrowing cost	<u>(23,305)</u>	<u>(21,421)</u>	-8.8
Income before taxation	<u>61,166</u>	<u>54,976</u>	11.3

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The property operating expenses for the current quarter under review was lower by RM5.0 million as compared to the last immediate quarter due to lower provision for doubtful debts. Increase in borrowing cost was due to Bank Negara Malaysia raising the overnight policy rate by 25 basis point each in July and September 2022.

**B3 Prospects**

According to Retail Group Malaysia (“RGM”), all retail sub-sectors achieved positive growth rates during the 2<sup>nd</sup> quarter of 2022, surpassing market expectations. Taking into consideration the firm recovery of the industry since the beginning of this year, RGM is revising up its Malaysia retail industry growth forecast for the whole year of 2022 to 31.7% from its previous estimate of 13.1%.

However, numerous world-wide and local economists as well as international financial institutions and major financial agencies such as The World Bank, International Monetary Fund as well as the Malaysia’s finance minister had cautioned that Malaysia will not be spared from the expected global economic slowdown in 2023 as the world’s major economic drivers are either expected to grow at a slower rate or be in recession.

Although the Manager is confident that the growth momentum of the retail sector is expected to remain strong, purchasing power of consumers have been affected by inflation and other economic factors and there may be some scale back on discretionary spending. With year-end around the corner, Pavilion REIT malls are all gear up for the World Cup and its annual celebrations. The Manager will continue to enhance its properties occupancy and tenant mix through proactive lease management and manage its operating cost.

**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 as stated in the Trust Deed; and
- c) pursuing an efficient capital management strategy,

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

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**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 2022, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.08 sen per unit or RM124.6 million earned for 1<sup>st</sup> half of 2022 was distributed on 2 September 2022. Distribution for the quarter ended 30 September 2022 would be payable together with the distribution for the quarter ending 31 December 2022.

**Statement of Income Distribution**

	Current Quarter 30 September		Year to Date 30 September	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Rental income	127,618	107,742	373,646	337,390
Revenue from contract customers	11,751	3,988	39,201	20,504
Interest income	2,000	1,179	4,385	3,593
Other income	4,253	1,588	11,046	6,421
	<u>145,622</u>	<u>114,497</u>	<u>428,278</u>	<u>367,908</u>
Less: Expenses	(84,456)	(94,490)	(246,894)	(296,234)
Total comprehensive income for the period/year	61,166	20,007	181,384	71,674
Distribution adjustment	2,297	2,076	6,866	6,433
Realised income for the period/year	63,463	22,083	188,250	78,107
Previous period/year's undistributed realised income	683	504	451	253
Total realised income available for distribution	64,146	22,587	188,701	78,360
Less: Proposed/declared income distribution	(63,559)	(22,265)	(188,114)	(78,038)
Balance undistributed realised income	<u>587</u>	<u>322</u>	<u>587</u>	<u>322</u>
Distribution per unit (sen)	2.08	0.73	6.16	2.56

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**B7 Portfolio Composition**

As at 30 September 2022, the properties under Pavilion REIT’s portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN Mall, Intermark Mall and Elite Pavilion Mall.

**B8 Taxation**

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2022, 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 14 July 2022, the Board of Directors of the Manager announced that the due diligence exercise in connection with the potential acquisition of Pavilion Bukit Jalil is currently at an advance stage and discussions on the terms of the sale and purchase agreement are still on-going with Regal Path Sdn Bhd (a subsidiary of Malton Berhad).

**B10 Borrowings and Debt Securities**

As at 30 September 2022	Total
	RM’000
Secured Revolving Term Loans	723,267
Unrated Medium Term Notes	1,475,000
Unamortised Borrowings Transaction Costs	(4,390)
	2,193,877
Gearing	35.1%
Average interest cost	4.0%
Composition of borrowings:	
Fixed Rate	35.3%
Floating Rate	64.7%

**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 2022	Immediate preceding quarter ended 30 June 2022
Number of units in issue (units)	3,055,721,661	3,052,809,806
Net Asset Value (“NAV”) (RM’000)	3,843,592	3,903,311
NAV per unit (RM)	1.2578	1.2786
Total comprehensive income (RM’000)	61,166	54,976
Weighted average number of units in issue – year to date (units)	3,052,827,470	3,052,080,332
Earnings per Unit after Manager’s management fee (sen)	2.00	1.80
Proposes / Declared Distribution per Unit (“DPU”) (sen)	2.08	1.87
Market Price (RM)	1.26	1.32
Distribution Yield (%) <sup>5</sup>	6.54	6.23

<sup>5</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 Fee**

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

Type RM’000	Current Quarter 30 September 2022	Year to Date 30 September 2022	Basis
Base Fee	4,682	14,044	0.3% per annum on total asset value
Performance Fee	2,707	8,020	3.0% per annum on net property income
Total	7,389	22,064	

25% of the total Manager’s manager fee 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 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 2022 and of its financial performance and cash flows for the year 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 October 2022