

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2018 (Unaudited) RM'000	As at 31 December 2017 (Audited) RM'000
ASSETS		
Plant and equipment	1,570	2,129
Investment properties	5,893,000	5,268,000
Other non-current assets	-	58,000
Total non-current assets	<u>5,894,570</u>	<u>5,328,129</u>
Inventories	2,084	1,554
Trade and other receivables	81,302	48,098
Cash and bank balances	379,768	275,383
Total current assets	<u>463,154</u>	<u>325,035</u>
TOTAL ASSETS	6,357,724	5,653,164
LIABILITIES		
Borrowings	1,431,874	1,462,681
Payables and accruals	46,987	73,107
Total non-current liabilities	<u>1,478,861</u>	<u>1,535,788</u>
Borrowings	715,959	-
Payables and accruals	184,948	177,099
Total current liabilities	<u>900,907</u>	<u>177,099</u>
TOTAL LIABILITIES	2,379,768	1,712,887
NET ASSET VALUE	<u>3,977,956</u>	<u>3,940,277</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,924,229	2,913,849
Accumulated income	1,053,727	1,026,428
TOTAL UNITHOLDERS' FUND	<u>3,977,956</u>	<u>3,940,277</u>
Number of units in circulation ('000 units)	3,036,705	3,030,094
Net asset value per unit (RM)		
- Before income distribution	1.3100	1.3004
- After income distribution*	1.2656	1.2576

*after proposed final income distribution of 4.44 sen per unit (2017: 4.28 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 2017 and the accompanying explanatory notes attached to the interim financial statements.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 31 December		Year to Date 31 December	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Audited) RM'000
Rental income	125,792	107,277	486,239	429,313
Revenue from contract customers	14,618	9,890	44,677	32,662
Other income	6,649	12,281	24,061	28,026
GROSS REVENUE	147,059	129,448	554,977	490,001
Utilities	(17,868)	(14,044)	(64,748)	(57,959)
Maintenance	(7,333)	(10,836)	(49,888)	(49,781)
Property taxes	(4,087)	(3,190)	(15,277)	(12,793)
Other operating expenses	(16,787)	(12,319)	(50,277)	(46,555)
PROPERTY OPERATING EXPENSES	(46,075)	(40,389)	(180,190)	(167,088)
NET PROPERTY INCOME	100,984	89,059	374,787	322,913
Interest income	2,712	1,841	10,864	8,165
Gain on disposal of investment property	-	274	-	274
Change in fair value of investment properties	33,618	17,028	33,618	17,028
NET INVESTMENT INCOME	137,314	108,202	419,269	348,380
Manager's management fee	(8,129)	(7,171)	(29,722)	(26,651)
Trustee's fee	(116)	(118)	(470)	(470)
Other trust expenses	(1,725)	(287)	(2,646)	(1,078)
Borrowings cost	(27,064)	(18,007)	(97,747)	(70,734)
TOTAL TRUST EXPENDITURE	(37,034)	(25,583)	(130,585)	(98,933)
INCOME BEFORE TAXATION	100,280	82,619	288,684	249,447
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	100,280	82,619	288,684	249,447
Income after taxation comprises the followings:-				
Realised	66,662	65,591	255,066	232,419
Unrealised	33,618	17,028	33,618	17,028
	<u>100,280</u>	<u>82,619</u>	<u>288,684</u>	<u>249,447</u>
Earnings per unit – basic (sen) #	3.30	2.73	9.51	8.24
Earnings per unit – diluted (sen) #	3.30	2.73	9.51	8.24

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.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

	Current Quarter 31 December		Year to Date 31 December	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Audited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period	100,280	82,619	288,684	249,447
Distribution adjustments ¹	(30,545)	(12,443)	(22,086)	236
Distributable income	69,735	70,176	266,598	249,683

¹ Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Audited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	906	866	3,543	3,435
Depreciation	135	134	559	504
Fair value gain of investment properties	(33,618)	(17,028)	(33,618)	(17,028)
Manager's management fee payable in units	2,032	3,585	7,430	13,325
	(30,545)	(12,443)	(22,086)	236

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 2017	2,900,708	1,020,141	3,920,849
Total comprehensive income for the period	-	249,447	249,447
Unitholders' transactions			
- Issue of new units ²	-	-	-
- Manager's management fee 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)
As at 31 December 2017 (audited)	<u>2,913,849</u>	<u>1,026,428</u>	<u>3,940,277</u>
As at 1 January 2018	2,913,849	1,026,428	3,940,277
Total comprehensive income for the period	-	288,684	288,684
Unitholders' transactions			
- Issue of new units ²	-	-	-
- Manager's management fee 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)
As at 31 December 2018 (unaudited)	<u>2,924,229</u>	<u>1,053,727</u>	<u>3,977,956</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 2017 and the accompanying explanatory notes attached to the interim financial statements.

² Issue of new units consists of the followings:-

	31 December 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 to management fees for the 6 months period ended 30 June 2017	3,810	6,485
Total Manager's fees paid	<u>7,569</u>	<u>13,141</u>

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

	31 December 2018	
	Units 000	Amount RM'000
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>

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

CONDENSED STATEMENT OF CASH FLOWS

	Current Year Ended 31 December 2018 RM'000	Preceding Year Ended 31 December 2017 RM'000
Cash Flows From Operating Activities		
Income before taxation	288,684	249,447
<i>Adjustments for :-</i>		
Borrowing cost	97,747	70,734
Interest income	(10,864)	(8,165)
Depreciation	559	504
Gain on disposal of plant and equipment	(24)	(1)
Plant and equipment written off	-	14
Impairment loss on trade receivables	407	1,459
Gain on disposal of investment property	-	(274)
Fair value gain of investment properties	(33,618)	(17,028)
Operating income before changes in working capital	342,891	296,690
Inventories	(530)	(239)
Trade and other receivables	(33,611)	(5,691)
Trade and other payables	(43,824)	1,905
Tenants' deposits	11,433	2,186
Net cash from operating activities	276,359	294,851
Cash Flow From Investing Activities		
Acquisition of investment properties	(505,362)	-
Deposit for acquisition of investment properties	-	(58,000)
Interest received	10,864	8,165
Payment for enhancement of investment properties	(3,520)	(22,540)
Pledged deposit	(19,032)	(1,270)
Proceed from disposal of plant and equipment	24	1
Deposit received from disposal of investment property	-	88
Purchase of plant and equipment	-	(689)
Net cash used in investing activities	(517,026)	(74,245)
Cash Flow from Financing Activities		
Distribution to unitholders	(261,385)	(243,160)
Interest paid	(94,204)	(67,299)
Payment of financing expenses	(1,191)	(276)
Proceeds from borrowings	800,000	47,171
Repayment of borrowings	(117,200)	-
Net cash from/(used) in financing activities	326,020	(263,564)
Net increase/(decrease) in cash and cash equivalents	85,353	(42,958)
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 year	319,748	234,395
Cash and cash equivalents as at the end of the year comprise :-		
Cash and bank balances	36,116	18,706
Deposits placed with licensed banks	343,652	256,677
	379,768	275,383
Pledged deposit	(60,020)	(40,988)
	319,748	234,395

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
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

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 year ended 31 December 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.

A5 Seasonality or Cyclicity of Operations

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

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.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

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 year ended 31 December 2018 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	542,088	12,889	554,977
Net Property Income	366,753	8,034	374,787
Interest Income			10,864
Changes in Fair Value of Investment Properties			33,618
Net Investment Income			419,269
Trust Expenses			(32,838)
Borrowings Cost			(97,747)
Income Before Taxation			288,684
Taxation			-
Income After Taxation			288,684
Segment assets	6,176,860	133,982	6,310,842
Other non-allocated assets			46,882
			6,357,724
Segment liabilities	2,339,330	30,643	2,369,973
Other non-allocated liabilities			9,795
			2,379,768

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

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.

Property	Market Value @ 31 Dec 2018 RM'000	Market Value @ 31 Dec 2017 RM'000	Change in Value RM'000
Retail			
Pavilion Kuala Lumpur Mall	4,700,000	4,550,000	150,000
Intermark Mall	170,000	169,000	1,000
DA MEN Mall	310,000	416,000	(106,000)
Elite Pavilion Mall	580,000	-	580,000
	5,760,000	5,135,000	625,000
Office			
Pavilion Tower	133,000	133,000	-
Total Portfolio	5,893,000	5,268,000	625,000
Less: Capital Expenditure			(3,520)
Less: Acquisition			(587,862)
Fair Value Gain			33,618

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:-

Balance as at 1 January 2018	Units 3,030,093,605
Units issued as payment of Manager's management fee	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	
- within one year	-

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

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	
	31 Dec		31 Dec	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	112,122	105,992	440,591	412,854
Intermark Mall	7,440	6,191	29,184	24,753
DA MEN Mall	7,673	14,072	29,761	39,937
Elite Pavilion Mall	16,702	-	42,552	-
	<u>143,937</u>	<u>126,255</u>	<u>542,088</u>	<u>477,544</u>
Office:				
Pavilion Tower	3,122	3,193	12,889	12,457
Total Gross Revenue	<u>147,059</u>	<u>129,448</u>	<u>554,977</u>	<u>490,001</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	31,492	32,987	127,216	126,685
Intermark Mall	1,690	2,105	11,884	12,784
DA MEN Mall	5,281	4,174	21,150	23,168
Elite Pavilion Mall	6,030	-	15,085	-
	<u>44,493</u>	<u>39,266</u>	<u>175,335</u>	<u>162,637</u>
Office:				
Pavilion Tower	1,582	1,123	4,855	4,451
Total Property Operating Expenses	<u>46,075</u>	<u>40,389</u>	<u>180,190</u>	<u>167,088</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	80,630	73,005	313,375	286,169
Intermark Mall	5,750	4,086	17,300	11,969
DA MEN Mall	2,392	9,898	8,611	16,769
Elite Pavilion Mall	10,672	-	27,467	-
	<u>99,444</u>	<u>86,989</u>	<u>366,753</u>	<u>314,907</u>
Office:				
Pavilion Tower	1,540	2,070	8,034	8,006
Total Net Property Income	<u>100,984</u>	<u>89,059</u>	<u>374,787</u>	<u>322,913</u>

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000	2018 (Unaudited) RM'000	2017 (Unaudited) RM'000
Total Net Property Income	100,984	89,059	374,787	322,913
Interest Income	2,712	1,841	10,864	8,165
Gain on disposal of investment property	0	274	0	274
Change in fair value of investment properties	33,618	17,028	33,618	17,028
Net Investment Income	<u>137,314</u>	<u>108,202</u>	<u>419,269</u>	<u>348,380</u>
Manager's Management Fee	8,129	7,171	29,722	26,651
Other Trust Expenses	1,841	405	3,116	1,548
Borrowings Cost	27,064	18,007	97,747	70,734
Total Trust Expenses	<u>37,034</u>	<u>25,583</u>	<u>130,585</u>	<u>98,933</u>
Income Before Taxation	100,280	82,619	288,684	249,447
Taxation	-	-	-	-
Income After Taxation	<u>100,280</u>	<u>82,619</u>	<u>288,684</u>	<u>249,447</u>
Distribution Adjustments	(30,545)	(12,443)	(22,086)	236
Distributable Income	<u><u>69,735</u></u>	<u><u>70,176</u></u>	<u><u>266,598</u></u>	<u><u>249,683</u></u>

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM147.0 million in Q4 2018, an increase of RM17.6 million or 14% as compared to Q4 2017 of RM129.4 million. The increase was mainly contributed by 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. This revenue was offset by lower occupancy rate at DA MEN Mall. Higher Q4 2017 gross revenue in DA MEN Mall was mainly due to recognition of fees received from DA MEN's electricity provider for collecting the electricity charges incurred by the mall's tenants.

Total property operating expenses was higher by RM5.7 million or 14% compared to Q4 2017 mainly due to the operating expenses incurred for the new property.

These have resulted in higher total net property income by RM11.9 million or 13% in Q4 2018 as compared to Q4 2017.

Fair value gain of RM33.6 million arising from the valuation of investment properties as at 31 December 2018 was recognised in the current quarter, mainly contributed by Pavilion Kuala Lumpur Mall. The fair value gain for 2017 recognised in Q4 2017 was RM17.0 million.

Manager's management fee incurred for Q4 2018 was higher by RM1.0 million compared to same quarter last year. This was in line with the increased in total asset value and net property income. Higher other trust expenses is due to consultancy fees incurred for evaluating the participation in ownership of Pavilion Bukit Jalil. Borrowing cost incurred during the quarter has increased by RM9.1 million compared to Q4 2017 due to the drawdown of additional borrowings for acquisition of investment property and working capital purposes.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)

Income before taxation for the current quarter under review was higher by RM17.7 million or 21% compared to Q4 2017 mainly due to higher fair value gain of investment properties being recognised in the current quarter. Excluding the fair value gain, income before taxation for current quarter was slightly higher by RM1.1 million or 2% compared to Q4 2017.

Distributable income for the quarter under review was RM69.7 million or 2.30 sen per unit, consisting of income after tax of RM100.3 million and non-cash adjustments for fair value gain of investment properties of RM33.6 million, depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.9 million and Manager's management fee payable in units amounting to RM2.0 million.

Full Year Results:

Total revenue for the year ended 31 December 2018 was RM555.0 million. It was higher by RM65.0 million or 13% compared to preceding year ended 31 December 2017's performance. The achievement was mainly contributed by 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. This was offset by lower revenue mainly from lower occupancy rate at DA MEN Mall.

Total property operating expenses incurred was higher by RM13.1 million or 8% compared to preceding year ended 31 December 2017. This was mainly due to the operating cost incurred for the new property.

Fair value gain of RM33.6 million arising from the valuation of investment properties as at 31 December 2018 was recognised in the current quarter, mainly contributed by Pavilion Kuala Lumpur Mall. The fair value gain for 2017 recognised in Q4 2017 was RM17.0 million.

Higher Manager's management fee was in line with the higher achievement of net property income and increased in total asset value. Higher other trust expenses is due to consultancy fees incurred for evaluating the participation in ownership of Pavilion Bukit Jalil. Borrowing cost was higher by RM27.0 million due to drawdown of additional borrowings for acquisition of investment property and working capital purposes.

The income before taxation for year ended 31 December 2018 was RM288.7 million, RM39.2 million or 16% higher compared to preceding year ended 31 December 2017. This was mainly due to the higher fair value gain of investment properties being recognised in Q4 2018. Excluding the fair value gain, income before taxation for the year ended 31 December 2018 was higher by RM22.6 million or 10% compared preceding year ended 31 December 2017 mainly contributed by Pavilion Kuala Lumpur Mall.

Distributable income for the year ended 31 December 2018 was RM266.6 million or 8.78 sen per unit, consisting of income before taxation of RM288.7 million and non-cash adjustments for fair value gain of investment property of RM33.6 million, depreciation of RM0.6 million, amortisation of borrowings transaction cost of RM3.5 million and Manager's management fee payable in units amounting to RM7.4 million.

Pavilion REIT has expended approximately RM3.5 million of its capital commitment during the year, mainly for road enhancement, tenancy lots enhancement at DA MEN Mall and toilet upgrading at Pavilion Kuala Lumpur Mall.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

B2 Material Changes in Quarterly Results

The income before taxation for the current quarter under review was higher by RM38.0 million compared to the last immediate quarter mainly due to the fair value gain of RM33.6 million arising from the valuation of investment properties as at 31 December 2018. Other changes were due to the higher income from the Pavilion Kuala Lumpur Mall and Elite Pavilion Mall, offset by higher other trust expenses due to consultancy fees incurred for evaluating the participation in ownership of Pavilion Bukit Jalil.

B3 Prospects

Overall the retail market conditions are flattish for the 1st half of 2019 due to geopolitical tension, uncertain investment activities, volatile commodity prices as well as a lack of positive catalysts. 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.

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%

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

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 ended 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 first half of 2018 was distributed on 5 September 2018. The distributable income for the second half of 2018 is proposed to be 4.44 sen per unit or RM134.8 million payable on 28 February 2019.

B7 Portfolio Composition

As at 31 December 2018, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, Damen Mall, Intermark Mall and Elite Pavilion Mall.

B8 Taxation

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ended 31 December 2018, 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 31 December 2018	Long Term Borrowings	Short Term Borrowings	Total
	RM'000	RM'000	RM'000
Secured Revolving Term Loans	735,900	415,959	1,151,859
Unrated Medium Term Notes	700,000	300,000	1,000,000
Unamortised Borrowings Transaction Costs	(4,026)	-	(4,026)
	1,431,874	715,959	2,147,833
Gearing			33.8%
Average interest cost			4.8%
Composition of borrowings:			
Fixed Rate			46.5%
Floating Rate			53.5%

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

B11 Off Balance Sheet Financial Instruments

Pavilion REIT does not have any financial instruments with off balance sheet risk as at the latest practicable date from the issuance of this report.

B12 Material Litigation

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

B13 Soft Commission Received

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

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 31 December 2018	Immediate preceding quarter ended 30 September 2018
Number of units in issue (units)	3,036,704,925	3,036,704,925
Net Asset Value ("NAV") (RM'000)	3,977,956	3,877,676
NAV per unit (RM)	1.3100	1.2769
Total comprehensive income (RM'000)	100,280	62,247
Weighted average number of units in issue – year to date (units)	3,034,816,261	3,034,179,787
Earnings per Unit after Manager's management fee (Sen)	3.30	2.05
Proposes / Declared Distribution per Unit ("DPU") (Sen)	2.30	2.14
Market Price (RM)	1.64	1.60
Distribution Yield (%) ³	5.35	5.41

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

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018 (UNAUDITED)**

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 31 December 2018	Year to Date 31 December 2018	Basis
Base Fee	5,099	18,478	0.3% per annum on total asset value
Performance Fee	3,030	11,244	3.0% per annum on net property income
Total	8,129	29,722	

25% of the total Manager's manager 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.

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 31 December 2018 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: LS 02201)

Kuala Lumpur
29 January 2019