

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2019 (Unaudited) RM'000	As at 31 December 2018 (Audited) RM'000
ASSETS		
Plant and equipment	1,105	1,570
Investment properties	5,913,000	5,893,000
Total non-current assets	<u>5,914,105</u>	<u>5,894,570</u>
Inventories	2,912	2,084
Trade and other receivables	71,076	81,302
Cash and bank balances	368,922	379,768
Total current assets	<u>442,910</u>	<u>463,154</u>
TOTAL ASSETS	6,357,015	6,357,724
LIABILITIES		
Borrowings	2,157,069	1,431,874
Payables and accruals	73,676	46,987
Total non-current liabilities	<u>2,230,745</u>	<u>1,478,861</u>
Borrowings	-	715,959
Payables and accruals	146,532	184,948
Total current liabilities	<u>146,532</u>	<u>900,907</u>
TOTAL LIABILITIES	2,377,277	2,379,768
NET ASSET VALUE	<u>3,979,738</u>	<u>3,977,956</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,931,927	2,924,229
Accumulated income	1,047,811	1,053,727
TOTAL UNITHOLDERS' FUND	<u>3,979,738</u>	<u>3,977,956</u>
Number of units in circulation ('000 units)	3,041,090	3,036,705
Net asset value per unit (RM)		
- Before income distribution	1.3087	1.3100
- After income distribution*	1.2677	1.2656

*after proposed final income distribution of 4.10 sen per unit (2018: 4.44 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 2018 and the accompanying explanatory notes attached to the interim financial statements.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 31 December		Year to Date 31 December	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Audited)
	RM'000	RM'000	RM'000	RM'000
Rental income	123,963	125,792	502,653	486,239
Revenue from contract customers	14,352	14,618	56,172	44,677
Other income	7,647	6,649	26,528	24,061
GROSS REVENUE	145,962	147,059	585,353	554,977
Utilities	(17,960)	(17,868)	(73,272)	(64,748)
Maintenance	(12,876)	(7,333)	(61,950)	(49,888)
Property taxes	(4,072)	(4,087)	(16,354)	(15,277)
Other operating expenses	(19,806)	(16,787)	(58,593)	(50,277)
PROPERTY OPERATING EXPENSES	(54,714)	(46,075)	(210,169)	(180,190)
NET PROPERTY INCOME	91,248	100,984	375,184	374,787
Interest income	2,567	2,712	11,289	10,864
Change in fair value of investment properties	15,005	33,618	15,005	33,618
NET INVESTMENT INCOME	108,820	137,314	401,478	419,269
Manager's management fee	(7,694)	(8,129)	(30,327)	(29,722)
Trustee's fee	(122)	(116)	(485)	(470)
Other trust expenses	299	(1,725)	(776)	(2,646)
Borrowings cost	(26,581)	(27,064)	(107,260)	(97,747)
TOTAL TRUST EXPENDITURE	(34,098)	(37,034)	(138,848)	(130,585)
INCOME BEFORE TAXATION	74,722	100,280	262,630	288,684
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	74,722	100,280	262,630	288,684
Income after taxation comprises the followings:-				
Realised	59,717	66,662	247,625	255,066
Unrealised	15,005	33,618	15,005	33,618
	<u>74,722</u>	<u>100,280</u>	<u>262,630</u>	<u>288,684</u>
Earnings per unit – basic (sen) #	2.46	3.30	8.64	9.51
Earnings per unit – diluted (sen) #	2.46	3.30	8.64	9.51

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 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 2019 (UNAUDITED)

	Current Quarter 31 December		Year to Date 31 December	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Audited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period ¹	74,722	100,280	262,630	288,684
Distribution adjustments ²	(12,394)	(30,545)	(4,352)	(22,086)
Distributable income	62,328	69,735	258,278	266,598

¹ Total comprehensive income is derived after charging:-

	Current Quarter 31 December		Year to Date 31 December	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Audited)
	RM'000	RM'000	RM'000	RM'000
Depreciation	101	135	458	559
Foreign exchange (gain)/loss	10	14	15	11
Impairment loss and write off of trade receivables	1,801	939	1,937	407

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.

² Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Audited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	586	906	2,613	3,543
Depreciation	101	135	458	559
Fair value gain of investment properties	(15,005)	(33,618)	(15,005)	(33,618)
Manager's management fee payable in units	1,924	2,032	7,582	7,430
	(12,394)	(30,545)	(4,352)	(22,086)

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (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 2018	2,913,849	1,026,428	3,940,277
Total comprehensive income for the year	-	288,684	288,684
Unitholders' transactions			
- Issue of new units ³			
- 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 (audited)	2,924,229	1,053,727	3,977,956
As at 1 January 2019	2,924,229	1,053,727	3,977,956
Total comprehensive income for the year	-	262,630	262,630
Unitholders' transactions			
- Issue of new units ³			
- Manager's management fee paid in units	7,698	-	7,698
- Distribution to unitholders	-	(268,546)	(268,546)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,698	(268,546)	(260,848)
As at 31 December 2019 (unaudited)	2,931,927	1,047,811	3,979,738

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

³ Issue of new units consists of the followings:-

	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 2019 (UNAUDITED)

	31 December 2019	
	Units	Amount
	000	RM'000
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.6802 per unit for entitlement for the 6 months period ended 31 December 2018	2,315	3,891
- at RM1.8396 per unit for entitlement for the 6 months period ended 30 June 2019	2,070	3,807
Total Manager's fees paid	<u>4,385</u>	<u>7,698</u>

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

CONDENSED STATEMENT OF CASH FLOWS

	Current Year Ended 31 December 2019 RM'000	Preceding Year Ended 31 December 2018 RM'000
Cash Flows From Operating Activities		
Income before taxation	262,630	288,684
<i>Adjustments for :-</i>		
Borrowing cost	107,260	97,747
Interest income	(11,289)	(10,864)
Depreciation	458	559
Gain on disposal of plant and equipment	-	(24)
Plant and equipment written off	7	-
Impairment loss on trade receivables	1,937	407
Fair value gain of investment properties	(15,005)	(33,618)
Operating income before changes in working capital	345,998	342,891
Inventories	(828)	(530)
Trade and other receivables	8,289	(33,611)
Trade and other payables	(1,384)	(43,824)
Tenants' deposits	(2,645)	11,433
Net cash from operating activities	349,430	276,359
Cash Flow From Investing Activities		
Acquisition of investment properties	-	(505,362)
Interest received	11,289	10,864
Payment for enhancement of investment properties	(4,995)	(3,520)
Pledged deposit	(2,424)	(19,032)
Proceed from disposal of plant and equipment	-	24
Net cash from/(used in) investing activities	3,870	(517,026)
Cash Flow from Financing Activities		
Distribution to unitholders	(268,546)	(261,385)
Interest paid	(104,647)	(94,204)
Payment of financing expenses	(2,418)	(1,191)
Proceeds from borrowings	386,841	800,000
Repayment of borrowings	(377,800)	(117,200)
Net cash (used in)/from financing activities	(366,570)	326,020
Net (decrease)/increase in cash and cash equivalents	(13,270)	85,353
Cash and cash equivalents as at the beginning of the year	319,748	234,395
Cash and cash equivalents as at the end of the year	306,478	319,748
Cash and cash equivalents as at the end of the year comprise :-		
Cash and bank balances	12,204	36,116
Deposits placed with licensed banks	356,718	343,652
Pledged deposit	(62,444)	(60,020)
	306,478	319,748

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (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 2019 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 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 2019. 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 2018 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 2018, 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 2018.

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 2018.

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 2019 (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 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
2,315,511	RM1.6802	20 February 2019	Based on the 5-day volume weighted average price of the units up to but excluding 29 January 2019 (as management fee)
2,069,863	RM1.8396	14 August 2019	Based on the 5-day volume weighted average price of the units up to but excluding 25 July 2019 (as management fee)

A9 Segmental Reporting

Segmental results for the year ended 31 December 2019 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	573,300	12,053	585,353
Net Property Income	369,355	5,829	375,184
Interest Income			11,289
Changes in Fair Value of Investment Properties			15,005
Net Investment Income			401,478
Trust Expenses			(31,588)
Borrowings Cost			(107,260)
Income Before Taxation			262,630
Taxation			-
Income After Taxation			262,630
Segment assets	6,174,250	133,906	6,308,156
Other non-allocated assets			48,859
			6,357,015
Segment liabilities	2,345,836	31,230	2,377,066
Other non-allocated liabilities			211
			2,377,277

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (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 2019 RM'000	Market Value @ 31 Dec 2018 RM'000	Change in Value RM'000
Retail			
Pavilion Kuala Lumpur Mall	4,800,000	4,700,000	100,000
Intermark Mall	180,000	170,000	10,000
DA MEN Mall	220,000	310,000	(90,000)
Elite Pavilion Mall	580,000	580,000	-
	5,780,000	5,760,000	20,000
Office			
Pavilion Tower	133,000	133,000	-
Total Portfolio	5,913,000	5,893,000	20,000
Less: Capital Expenditure			(4,995)
Fair Value Gain			15,005

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 2019	3,036,704,925
Units issued as payment of Manager's management fee	4,385,374
Total units issued	<u>3,041,090,299</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	2,168

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (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	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	113,080	112,122	461,730	440,591
Intermark Mall	6,855	7,440	26,891	29,184
DA MEN Mall	6,774	7,673	23,540	29,761
Elite Pavilion Mall	16,258	16,702	61,139	42,552
	<u>142,967</u>	<u>143,937</u>	<u>573,300</u>	<u>542,088</u>
Office:				
Pavilion Tower	2,995	3,122	12,053	12,889
Total Gross Revenue	<u>145,962</u>	<u>147,059</u>	<u>585,353</u>	<u>554,977</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	37,727	31,492	146,116	127,216
Intermark Mall	2,773	1,690	12,486	11,884
DA MEN Mall	6,296	5,281	22,959	21,150
Elite Pavilion Mall	5,502	6,030	22,384	15,085
	<u>52,298</u>	<u>44,493</u>	<u>203,945</u>	<u>175,335</u>
Office:				
Pavilion Tower	2,416	1,582	6,224	4,855
Total Property Operating Expenses	<u>54,714</u>	<u>46,075</u>	<u>210,169</u>	<u>180,190</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	75,353	80,630	315,614	313,375
Intermark Mall	4,082	5,750	14,405	17,300
DA MEN Mall	478	2,392	581	8,611
Elite Pavilion Mall	10,756	10,672	38,755	27,467
	<u>90,669</u>	<u>99,444</u>	<u>369,355</u>	<u>366,753</u>
Office:				
Pavilion Tower	579	1,540	5,829	8,034
Total Net Property Income	<u>91,248</u>	<u>100,984</u>	<u>375,184</u>	<u>374,787</u>

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Total Net Property Income	91,248	100,984	375,184	374,787
Interest Income	2,567	2,712	11,289	10,864
Change in fair value of investment properties	15,005	33,618	15,005	33,618
Net Investment Income	<u>108,820</u>	<u>137,314</u>	<u>401,478</u>	<u>419,269</u>
Manager's Management Fee	7,694	8,129	30,327	29,722
Other Trust Expenses	(177)	1,841	1,261	3,116
Borrowings Cost	26,581	27,064	107,260	97,747
Total Trust Expenses	<u>34,098</u>	<u>37,034</u>	<u>138,848</u>	<u>130,585</u>
Income Before Taxation	74,722	100,280	262,630	288,684
Taxation	-	-	-	-
Income After Taxation	<u>74,722</u>	<u>100,280</u>	<u>262,630</u>	<u>288,684</u>
Distribution Adjustments	(12,394)	(30,545)	(4,352)	(22,086)
Distributable Income	<u><u>62,328</u></u>	<u><u>69,735</u></u>	<u><u>258,278</u></u>	<u><u>266,598</u></u>

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM146.0 million in Q4 2019, a decrease of RM1.0 million or 1% as compared to Q4 2018 of RM147.0 million. The decrease was mainly due to lower occupancy and rental rate at DA MEN Mall.

Total property operating expenses was higher by RM8.6 million or 19% compared to Q4 2018. This was mainly due to the costs incurred for tenancy lots enhancement at Pavilion Kuala Lumpur Mall and DA MEN Mall, preventive maintenance of lift doors as well as upgrading of some common areas in Pavilion Tower, marketing expenses incurred for Deepavali and Christmas events, upgrading of advertising medias as well as writing off of non-recoverable debts.

These have resulted in lower total net property income by RM9.7 million or 10% in Q4 2019 as compared to Q4 2018.

Fair value gain of RM15.0 million arising from the valuation of investment properties as at 31 December 2019 was recognised in the current quarter, mainly contributed by Pavilion Kuala Lumpur Mall. The fair value gain for 2018 recognised in Q4 2018 was RM33.6 million.

Manager's management fee incurred for Q4 2019 was lower by RM0.4 million compared to same quarter last year. This was mainly due to the decreased in net property income. Higher other trust expenses in Q4 last year was due to consultancy fees incurred for evaluating the participation in ownership of Pavilion Bukit Jalil with reversal of overprovision in current quarter as participation did not proceed. Borrowing cost incurred during the quarter has decreased by RM0.5 million compared to Q4 2018 due to lower interest rate for term loan.

Income before taxation for the current quarter under review was lower by RM25.6 million or 25% compared to Q4 2018. Excluding the fair value gain, income before taxation for current quarter was decreased by RM6.9 million or 10% compared to Q4 2018.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

Distributable income for the quarter under review was RM62.3 million or 2.06 sen per unit, consisting of income after tax of RM74.7 million and non-cash adjustments for fair value gain of investment properties of RM15.0 million, depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.6 million and Manager's management fee payable in units amounting to RM1.9 million.

Full Year Results:

Total revenue for the year ended 31 December 2019 was RM585.4 million. It was higher by RM30.4 million or 5% compared to preceding year ended 31 December 2018'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 revenue rent and electricity income from Pavilion Kuala Lumpur Mall for supplying electricity to Pavilion Hotel and Pavilion Suites. This was offset by lower rental income from DA MEN Mall due to lower occupancy and rental rate.

Total property operating expenses incurred was higher by RM30.0 million or 17% compared to preceding year ended 31 December 2018. This was mainly due to higher operating cost incurred for the Elite Pavilion Mall that was acquired at the end of April 2018, higher electricity cost incurred for providing electricity supply to Pavilion Hotel and Pavilion Suites as well as the increase in electricity adjusted rate for imbalance cost pass-through (ICPT) approved by the government that took effect from 1 July 2018 and 1 March 2019 onwards, cost incurred for repairing air conditioning system, tenancy lots enhancement at Pavilion Kuala Lumpur Mall and DA MEN Mall, preventive maintenance for lift doors as well as upgrading of some common areas at Pavilion Tower, higher marketing and promotional expenses incurred for branding and to attract more shoppers, upgrading of advertising medias as well as writing off of non-recoverable debts.

Fair value gain of RM15.0 million arising from the valuation of investment properties as at 31 December 2019 was recognised in the current quarter, mainly contributed by Pavilion Kuala Lumpur Mall. The fair value gain for 2018 recognised in Q4 2018 was RM33.6 million.

Manager's management fee was higher by RM0.6 million. Higher other trust expenses for 2018 was due to consultancy fees incurred for evaluating the participation in ownership of Pavilion Bukit Jalil with reversal of overprovision in current year as participation did not proceed. Borrowing cost was higher by RM9.5 million due to drawdown of additional borrowing for acquisition of Elite Pavilion Mall and for working capital purposes.

Income before taxation for the year ended 31 December 2019 was RM262.6 million, RM26.1 million or 9% lower compared to preceding year ended 31 December 2018. Excluding the fair value gain, income before taxation for the year ended 31 December 2019 was lower by RM7.4 million or 3% compared to the preceding year ended 31 December 2018.

Distributable income for the year ended 31 December 2019 was RM258.3 million or 8.50 sen per unit, consisting of income before taxation of RM262.6 million and non-cash adjustments for fair value gain of investment property of RM15.0 million, depreciation of RM0.5 million, amortisation of borrowings transaction cost of RM2.6 million and Manager's management fee payable in units amounting to RM7.6 million.

Pavilion REIT has expended approximately RM5.0 million of its capital commitment during the year, mainly for toilet refurbishment, enhancement work to gourmet emporium as well as landlord provisions for tenancy lots at DA MEN Mall.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

B2 Material Changes in Quarterly Results

	Quarter Ended 31 Dec 2019 (unaudited) RM'000	Quarter Ended 30 Sep 2019 (unaudited) RM'000	Change %
Gross revenue	145,962	144,350	1.1
Property operating expenses	<u>(54,714)</u>	<u>(53,274)</u>	<u>-2.7</u>
Net property income	91,248	91,076	0.2
Interest income	2,567	2,803	-8.4
Change in fair value of investment properties	15,005	-	100.0
Net investment income	<u>108,820</u>	<u>93,879</u>	<u>15.9</u>
Total trust expenses	(7,516)	(7,790)	3.5
Borrowing cost	<u>(26,582)</u>	<u>(26,641)</u>	<u>0.2</u>
Income before taxation	<u><u>74,722</u></u>	<u><u>59,448</u></u>	<u><u>25.7</u></u>

The income before taxation for the current quarter under review was higher by RM15.3 million compared to the last immediate quarter mainly due to the fair value gain of RM15.0 million arising from the valuation of investment properties as at 31 December 2019.

B3 Prospects

Retail Group Malaysia had estimated retail sales growth rate of 4.6% for 2020. Their views are due to on-going external trade disputes that are unlikely to end soon with internal economic policies that can stimulate consumers' spending being limited in the near term. Despite the low consumer sentiment, economist expects healthy consumer spending to be sustained on the back of a steady labour market and steady inflation despite projecting private consumption growth in the range of 6.7% – 6.9%, which is lower than the average of 7.0% over the past five years.

Nevertheless, the government is trying to boost 2020 local consumer spending via Budget 2020 initiatives, allocation of RM1.0 billion for the Tourism Infrastructure Fund to promote Visit Malaysia 2020 and by holding more major sporting events. The target is to achieve 30 million tourist arrival with tourism revenue of RM100 billion. The 1st nine months of 2019 recorded an increase in spending by international tourists of RM4.3 billion or 6.9% to RM66.1 billion as compared to the same period of the preceding year.

However, as consumers are being cautious and selective in their spending, Pavilion REIT malls intend to be prudent in its spending to create experiential and differentiation to attract and retain shoppers' loyalty. Operating cost will continue to be monitored to optimise efficiency with spending as required to ensure needs, comfort and safety of its stakeholders are balanced and not compromised.

B4 Investment Objectives

The Manager's key objective is to provide unitholders with regular and stable distributions and achieve long term growth in net asset value per unit, while maintaining an appropriate capital structure.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)**

B5 Strategies and Policies

The Manager's strategies and policies as reported in the latest annual report remain unchanged, ie to increase the income and consequently, the value of its investment properties and continue Pavilion REIT's growth through the following strategies:-

- a) proactively managing its investment properties and implementing asset enhancement strategies;
- b) actively pursuing acquisition opportunities in accordance with the authorised investments of Pavilion REIT stated in the Trust Deed; and
- c) pursuing an efficient capital management strategy.

B6 Income Distribution

Pursuant to Section 61A of the Income Tax Act 1967, the withholding tax rate applicable on the recipients of income distribution is as follows :-

Resident Unitholder

- a) Resident company: Tax flow through, thus no withholding tax
- b) Unitholder other than resident company: Withholding tax at 10%

Non-Resident Unitholder

- a) Non-resident company: Withholding tax at 24%
- b) Non-resident institutional investor: Withholding tax at 10%
- c) Non-resident, other than company and institutional investors: Withholding tax at 10%

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ended 31 December 2019, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.40 sen per unit or RM133.7 million earned for first half of 2019 was distributed on 30 August 2019. The distributable income for the second half of 2019 is proposed to be 4.10 sen per unit or RM124.7 million payable on 28 February 2020.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

Statement of Income Distribution

	Current Quarter 31 December		Year to Date 31 December	
	2019	2018	2019	2018
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
Rental income	123,963	125,792	502,653	486,239
Revenue from contract customers	14,352	14,618	56,172	44,677
Interest income	2,567	2,712	11,289	10,864
Change in fair value of investment properties	15,005	33,618	15,005	33,618
Other income	7,647	6,649	26,528	24,061
	<u>163,534</u>	<u>183,389</u>	<u>611,647</u>	<u>599,459</u>
Less: Expenses	<u>(88,812)</u>	<u>(83,109)</u>	<u>(349,017)</u>	<u>(310,775)</u>
Total comprehensive income for the period/year	74,722	100,280	262,630	288,684
Distribution adjustment	<u>(12,394)</u>	<u>(30,545)</u>	<u>(4,352)</u>	<u>(22,086)</u>
Realised income for the period/year	62,328	69,735	258,278	266,598
Previous period/year's undistributed realised income	469	383	274	203
Total realised income available for distribution	62,797	70,118	258,552	266,801
Less: Proposed/declared income distribution	<u>(62,646)</u>	<u>(69,844)</u>	<u>(258,401)</u>	<u>(266,527)</u>
Balance undistributed realised income	<u>151</u>	<u>274</u>	<u>151</u>	<u>274</u>
Distribution per unit (sen)	2.06	2.30	8.50	8.78

B7 Portfolio Composition

As at 31 December 2019, 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. 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 2019, 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.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)**

B10 Borrowings and Debt Securities

As at 31 December 2019	Total
Secured	RM'000
Revolving Term Loans	1,085,900
Unrated Medium Term Notes	1,075,000
Unamortised Borrowings Transaction Costs	(3,831)
	2,157,069
Gearing	33.9%
Average interest cost	4.8%
Composition of borrowings:	
Fixed Rate	42.8%
Floating Rate	57.2%

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.

**PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)**

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 31 December 2019	Immediate preceding quarter ended 30 September 2019
Number of units in issue (units)	3,041,090,299	3,041,090,299
Net Asset Value (“NAV”) (RM’000)	3,979,738	3,905,016
NAV per unit (RM)	1.3087	1.2841
Total comprehensive income (RM’000)	74,722	59,448
Weighted average number of units in issue – year to date (units)	3,039,497,163	3,038,960,282
Earnings per Unit after Manager’s management fee (Sen)	2.46	1.95
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	2.06	2.04
Market Price (RM)	1.74	1.81
Distribution Yield (%) ³	4.88	4.76

³ 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 31 December 2019	Year to Date 31 December 2019	Basis
Base Fee	4,956	19,071	0.3% per annum on total asset value
Performance Fee	2,738	11,256	3.0% per annum on net property income
Total	7,694	30,327	

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.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

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 2019 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
23 January 2020