

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
ASSETS		
Plant and equipment	1,172	1,105
Investment properties	5,863,000	5,913,000
Total non-current assets	<u>5,864,172</u>	<u>5,914,105</u>
Inventories	3,041	2,912
Trade and other receivables	33,452	71,076
Cash and bank balances	341,242	368,922
Total current assets	<u>377,735</u>	<u>442,910</u>
TOTAL ASSETS	6,241,907	6,357,015
LIABILITIES		
Borrowings	1,074,418	2,157,069
Payables and accruals	67,693	73,676
Total non-current liabilities	<u>1,142,111</u>	<u>2,230,745</u>
Borrowings	1,088,854	-
Payables and accruals	151,625	146,532
Total current liabilities	<u>1,240,479</u>	<u>146,532</u>
TOTAL LIABILITIES	2,382,590	2,377,277
NET ASSET VALUE	<u>3,859,317</u>	<u>3,979,738</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,938,844	2,931,927
Accumulated income	920,473	1,047,811
TOTAL UNITHOLDERS' FUND	<u>3,859,317</u>	<u>3,979,738</u>
Number of units in circulation ('000 units)	3,045,307	3,041,090
Net asset value per unit (RM)		
- Before income distribution	1.2673	1.3087
- After income distribution*	1.2421	1.2677

*after proposed final income distribution of 2.52 sen per unit (2019: 4.10 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 2019 and the accompanying explanatory notes attached to the interim financial statements.

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 31 December		Year to Date 31 December	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Audited) RM'000
Rental income	117,524	123,963	464,520	502,653
Revenue from contract customers	10,362	14,352	34,918	56,172
Other income	2,908	7,647	10,782	26,528
GROSS REVENUE	130,794	145,962	510,220	585,353
Utilities	(14,885)	(17,960)	(57,438)	(73,272)
Maintenance	(9,123)	(12,876)	(57,098)	(61,950)
Property taxes	(4,097)	(4,072)	(16,390)	(16,354)
Other operating expenses ¹	(34,229)	(19,806)	(145,770)	(58,593)
PROPERTY OPERATING EXPENSES	(62,334)	(54,714)	(276,696)	(210,169)
NET PROPERTY INCOME	68,460	91,248	233,524	375,184
Interest income	1,274	2,567	6,385	11,289
Change in fair value of investment properties	(70,321)	15,005	(70,321)	15,005
NET INVESTMENT INCOME	(587)	108,820	169,588	401,478
Manager's management fee	(6,546)	(7,694)	(25,731)	(30,327)
Trustee's fee	(122)	(122)	(485)	(485)
Other trust expenses	(268)	299	(1,194)	(776)
Borrowings cost	(22,759)	(26,581)	(95,833)	(107,260)
TOTAL TRUST EXPENDITURE	(29,695)	(34,098)	(123,243)	(138,848)
INCOME BEFORE TAXATION	(30,282)	74,722	46,345	262,630
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	(30,282)	74,722	46,345	262,630
Income after taxation comprises the followings:-				
Realised	40,039	59,717	116,666	247,625
Unrealised	(70,321)	15,005	(70,321)	15,005
	<u>(30,282)</u>	<u>74,722</u>	<u>46,345</u>	<u>262,630</u>
Earnings per unit – basic (sen) #	(1.00)	2.46	1.52	8.64
Earnings per unit – diluted (sen) #	(1.00)	2.46	1.52	8.64

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

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2019 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 31 December		Year to Date 31 December	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Audited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period ²	(30,282)	74,722	46,345	262,630
Distribution adjustments ³	72,662	(12,394)	79,497	(4,352)
Distributable income	42,380	62,328	125,842	258,278

² Total comprehensive income is derived after charging:-

	Current Quarter 31 December		Year to Date 31 December	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Audited)
	RM'000	RM'000	RM'000	RM'000
Depreciation	117	101	409	458
Foreign exchange loss	1	10	18	15
Impairment loss and write off of trade receivables	85,820	1,801	98,060	1,937

Other than the above, items listed under Appendix 9B Note 16 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

³ Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Audited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	587	586	2,334	2,613
Depreciation	117	101	409	458
Fair value loss/(gain) of investment properties	70,321	(15,005)	70,321	(15,005)
Manager's management fee payable in units	1,637	1,924	6,433	7,582
	72,662	(12,394)	79,497	(4,352)

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CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 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 ⁴			
- 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 (audited)	2,931,927	1,047,811	3,979,738
As at 1 January 2020	2,931,927	1,047,811	3,979,738
Total comprehensive income for the year	-	46,345	46,345
Unitholders' transactions			
- Issue of new units ⁴			
- Manager's management fee paid in units	6,917	-	6,917
- Distribution to unitholders	-	(173,683)	(173,683)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,917	(173,683)	(166,766)
As at 31 December 2020 (unaudited)	2,938,844	920,473	3,859,317

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

⁴ Issue of new units consists of the following:-

	31 December 2019	
	Units 000	Amount 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	4,385	7,698

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

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year Ended 31 December 2020 RM'000	Preceding Year Ended 31 December 2019 RM'000
Cash Flows From Operating Activities		
Income before taxation	46,345	262,630
<i>Adjustments for :-</i>		
Borrowing cost	95,833	107,260
Interest income	(6,385)	(11,289)
Depreciation	409	458
Plant and equipment written off	-	7
Impairment loss on trade receivables	17,147	1,937
Fair value loss/(gain) of investment properties	70,321	(15,005)
Operating income before changes in working capital	223,670	345,998
Inventories	(129)	(828)
Trade and other receivables	20,477	8,289
Trade and other payables	10,540	(1,384)
Tenants' deposits	(4,513)	(2,645)
Net cash from operating activities	250,045	349,430
Cash Flow from Investing Activities		
Interest received	6,385	11,289
Payment for enhancement of investment properties	(20,321)	(4,995)
Pledged deposit	(1,489)	(2,424)
Purchase of plant and equipment	(476)	-
Net cash (used in)/ from investing activities	(15,901)	3,870
Cash Flow from Financing Activities		
Distribution to unitholders	(173,683)	(268,546)
Interest paid	(73,270)	(104,647)
Payment of financing expenses	(260)	(2,418)
Proceeds from borrowings	10,000	386,841
Repayment of borrowings	(26,100)	(377,800)
Net cash used in financing activities	(263,313)	(366,570)
Net decrease in cash and cash equivalents	(29,169)	(13,270)
Cash and cash equivalents as at the beginning of the year	306,478	319,748
Cash and cash equivalents as at the end of the year	277,309	306,478
Cash and cash equivalents as at the end of the year comprise :-		
Cash and bank balances	9,868	12,204
Deposits placed with licensed banks	331,374	356,718
	341,242	368,922
Pledged deposit	(63,933)	(62,444)
	277,309	306,478

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Part A – Disclosure Requirement Pursuant to Malaysian Financial Reporting Standard (MFRS) 134 and International Accounting Standard (IAS) 34

A1 Basis of Preparation

The condensed interim financial statements as at and for the year ended 31 December 2020 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 2020. 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 2019 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 2019, 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 2019.

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 2019.

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 other than the Malaysian Government imposing various type of mandatory control orders effective from 18 March 2020.

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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
2,242,506	RM1.6829	12 February 2020	Based on the 5-day volume weighted average price of the units up to but excluding 23 January 2020 (as management fee)
1,974,738	RM1.5915	12 August 2020	Based on the 5-day volume weighted average price of the units up to but excluding 23 July 2020 (as management fee)

A9 Segmental Reporting

Segmental results for the year ended 31 December 2020 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	499,068	11,152	510,220
Net Property Income	227,308	6,216	233,524
Interest Income			6,385
Changes in Fair Value of Investment Properties			(70,321)
Net Investment Income			169,588
Trust Expenses			(27,410)
Borrowings Cost			(95,833)
Income Before Taxation			46,345
Taxation			-
Income After Taxation			46,345
Segment assets	6,058,103	133,779	6,191,882
Other non-allocated assets			50,025
			6,241,907
Segment liabilities	2,342,295	31,232	2,373,527
Other non-allocated liabilities			9,063
			2,382,590

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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.

Property	Market Value @ 31 Dec 2020 RM'000	Market Value @ 31 Dec 2019 RM'000	Change in Value RM'000
Retail			
Pavilion Kuala Lumpur Mall	4,800,000	4,800,000	-
Intermark Mall	180,000	180,000	-
DA MEN Mall	180,000	220,000	(40,000)
Elite Pavilion Mall	570,000	580,000	(10,000)
	5,730,000	5,780,000	(50,000)
Office			
Pavilion Tower	133,000	133,000	-
Total Portfolio	5,863,000	5,913,000	(50,000)
Less: Capital Expenditure			(20,321)
Fair Value Loss			(70,321)

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 2020	3,041,090,299
Units issued as payment of Manager's management fees	4,217,244
Total units issued	<u>3,045,307,543</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	8,814

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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	
	31 Dec		31 Dec	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	106,037	113,080	410,174	461,730
Intermark Mall	6,410	6,855	25,632	26,891
DA MEN Mall	2,972	6,774	13,213	23,540
Elite Pavilion Mall	12,577	16,258	50,049	61,139
	<u>127,996</u>	<u>142,967</u>	<u>499,068</u>	<u>573,300</u>
Office:				
Pavilion Tower	2,798	2,995	11,152	12,053
Total Gross Revenue	<u>130,794</u>	<u>145,962</u>	<u>510,220</u>	<u>585,353</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	44,957	37,727	201,309	146,116
Intermark Mall	3,733	2,773	14,510	12,486
DA MEN Mall	5,673	6,296	24,447	22,959
Elite Pavilion Mall	6,945	5,502	31,494	22,384
	<u>61,308</u>	<u>52,298</u>	<u>271,760</u>	<u>203,945</u>
Office:				
Pavilion Tower	1,026	2,416	4,936	6,224
Total Property Operating Expenses	<u>62,334</u>	<u>54,714</u>	<u>276,696</u>	<u>210,169</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	61,080	75,353	208,865	315,614
Intermark Mall	2,677	4,082	11,122	14,405
DA MEN Mall	(2,701)	478	(11,234)	581
Elite Pavilion Mall	5,632	10,756	18,555	38,755
	<u>66,688</u>	<u>90,669</u>	<u>227,308</u>	<u>369,355</u>
Office:				
Pavilion Tower	1,772	579	6,216	5,829
Total Net Property Income	<u>68,460</u>	<u>91,248</u>	<u>233,524</u>	<u>375,184</u>

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	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Total Net Property Income	68,460	91,248	233,524	375,184
Interest Income	1,274	2,567	6,385	11,289
Change in fair value of investment properties	(70,321)	15,005	(70,321)	15,005
Net Investment Income	<u>(587)</u>	<u>108,820</u>	<u>169,588</u>	<u>401,478</u>
Manager's Management Fee	6,546	7,694	25,731	30,327
Other Trust Expenses	390	(177)	1,679	1,261
Borrowings Cost	22,759	26,581	95,833	107,260
Total Trust Expenses	<u>29,695</u>	<u>34,098</u>	<u>123,243</u>	<u>138,848</u>
Income Before Taxation	(30,282)	74,722	46,345	262,630
Taxation	-	-	-	-
Income After Taxation	<u>(30,282)</u>	<u>74,722</u>	<u>46,345</u>	<u>262,630</u>
Distribution Adjustments	72,662	(12,394)	79,497	(4,352)
Distributable Income	<u><u>42,380</u></u>	<u><u>62,328</u></u>	<u><u>125,842</u></u>	<u><u>258,278</u></u>

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM130.8 million in Q4 2020, a decrease of RM15.2 million or 10% as compared to Q4 2019 of RM145.9 million. This was mainly due to lower occupancy rate for shopping malls because of non-renewal of some expired tenancies. Due to the Movement Control Order (MCO), Conditional Movement Control Order (CMCO) and Recovery Movement Control Order (RMCO) imposed by the Government, the percentage rent, income from marketing events and advertising were also badly affected.

Total property operating expenses was higher by RM7.6 million or 14% compared to Q4 2019. This was mainly due to additional rent rebates given to tenants as continuous CMCO was imposed by the Government from October 2020 and higher provision for doubtful debts. This was mitigated by saving in electricity cost, lower cost incurred for tenancy lots enhancement and lower marketing expenses.

These have resulted in lower total net property income by RM22.8 million or 25% in Q4 2020 as compared to Q4 2019.

Fair value loss of RM70.3 million arising from the valuation of investment properties as at 31 December 2020 was recognised in the current quarter. The fair value gain for 2019 recognised in Q4 2019 was RM15.0 million.

Manager's management fee incurred for Q4 2020 was lower by RM1.1 million compared to same quarter last year. This was mainly due to the decreased in net property income and total assets value. Higher other trust expenses in Q4 this year was due to the reversal for over provision of consultancy fees. Borrowing cost incurred during the quarter has decreased by RM3.8 million compared to Q4 2019 due to lower interest rate for term loan.

Income before taxation for the current quarter under review was lower by RM105.0 million or 141% compared to Q4 2019. Excluding the fair value of investment, income before taxation for current quarter was decreased by RM19.7 million or 33% compared to Q4 2019.

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Distributable income for the quarter under review was RM42.3 million or 1.39 sen per unit, consisting of loss after tax of RM30.3 million and non-cash adjustments for fair value loss of investment properties of RM70.3 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 RM1.6 million.

Full Year Results:

Total revenue for the year ended 31 December 2020 was RM510.2 million. It was lower by RM75.1 million or 13% compared to preceding year ended 31 December 2019's performance. The decrease was mainly due to lower occupancy for malls because of non-renewal of some expired tenancies. Due to the movement control orders, percentage rent, marketing events and advertising income were also badly affected and recorded lower income as compared to preceding year-to-date 31 December 2019.

Total property operating expenses incurred was higher by RM66.5 million or 32% compared to preceding year ended 31 December 2019. This was mainly due to rent rebates given to tenants that were not providing essential services and supplies during the MCO, further rebates given to tenants during RMCO and CMCO and higher provision for doubtful debts. Higher cost was also due to regular sanitisation of the malls, purchase of hygiene equipment and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED lights in the mall and contributions made to the Malaysian Government to support Malaysia's fight against Covid-19 pandemic. These were mitigated by saving in electricity cost, general repair and maintenance, cost for tenancy lots enhancement and lesser marketing expenses.

Fair value loss of RM70.3 million arising from the valuation of investment properties as at 31 December 2020 was recognised in the current quarter. The fair value gain for 2019 recognised in Q4 2019 was RM15.0 million.

Manager's management fee was lower by RM4.6 million due to the decreased in net property income and total assets value. Higher other trust expenses for 2020 was due to the reversal for over provision of consultancy fees. Borrowing cost was lower by RM11.4 million due to lower interest rate for term loans.

Income before taxation for the year ended 31 December 2020 was RM46.3 million, RM216.3 million or 82% lower compared to preceding year ended 31 December 2019. Excluding the fair value of investment, income before taxation for the year ended 31 December 2020 was lower by RM130.9 million or 53% compared to the preceding year ended 31 December 2019.

Distributable income for the year ended 31 December 2020 was RM125.8 million or 4.13 sen per unit, consisting of income before taxation of RM46.3 million and non-cash adjustments for fair value loss of investment property of RM70.3 million, depreciation of RM0.4 million, amortisation of borrowings transaction cost of RM2.4 million and Manager's management fee payable in units amounting to RM6.4 million.

Pavilion REIT has expended approximately RM20.3 million of its capital commitment during the year, mainly for upgrading of hoists at Centre Court, development of a new retail space at the end of Couture precinct at Pavilion Kuala Lumpur Mall as well as landlord provisions for Dadi Cinema at DA MEN Mall.

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B2 Material Changes in Quarterly Results

	Quarter Ended 31 Dec 2020 (unaudited) RM'000	Quarter Ended 30 Sep 2020 (unaudited) RM'000	Change %
Gross revenue	130,794	118,718	10.2
Property operating expenses	<u>(62,334)</u>	<u>(57,842)</u>	<u>-7.8</u>
Net property income	68,460	60,876	12.5
Interest income	1,274	1,233	3.3
Change in fair value of investment properties	<u>(70,321)</u>	<u>-</u>	<u>100.0</u>
Net investment income	(587)	62,109	-100.9
Total trust expenses	(6,936)	(6,986)	0.7
Borrowing cost	<u>(22,759)</u>	<u>(23,087)</u>	<u>1.4</u>
Income before taxation	<u>(30,282)</u>	<u>32,036</u>	<u>-194.5</u>

The income before taxation for the current quarter under review was lower by RM62.3 million compared to the last immediate quarter mainly due to the fair value loss of RM70.3 million arising from the valuation of investment properties as at 31 December 2020. Increase in net property income was mainly due to lower repair and maintenance cost incurred for Q4 2020.

B3 Prospects

The retail industry is anticipated to be challenging in 2021. However, once the vaccine is introduced to Malaysia, the Manager anticipate the economy to recover and improve leading to revival of consumer confidence. This would result in more and longer visitations to malls.

Pavilion REIT malls will focus on intensifying digital and media presences to engage and draw visitors to its malls with welcoming and peace-of mind shopping experiences. Shopper rewards programmes and targeted tenants' activities will also be held to elevate excitement and personalisation of activities. 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.

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:-

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

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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 ended 31 December 2020, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 1.61 sen per unit or RM48.9 million earned for 1st half of 2020 was distributed on 28 August 2020. The distributable income for the second half of 2020 is proposed to be 2.52 sen per unit or RM76.7 million payable on 26 February 2021.

Statement of Income Distribution

	Current Quarter		Year to Date	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Rental income	117,524	123,963	464,520	502,653
Revenue from contract customers	10,362	14,352	34,918	56,172
Interest income	1,274	2,567	6,385	11,289
Change in fair value of investment properties	(70,321)	15,005	(70,321)	15,005
Other income	2,908	7,647	10,782	26,528
	<u>61,747</u>	<u>163,534</u>	<u>446,284</u>	<u>611,647</u>
Less: Expenses	(92,029)	(88,812)	(399,939)	(349,017)
Total comprehensive income for the period/year	(30,282)	74,722	46,345	262,630
Distribution adjustment	<u>72,662</u>	<u>(12,394)</u>	<u>79,497</u>	<u>(4,352)</u>
Realised income for the period/year	42,380	62,328	125,842	258,278
Previous period/year's undistributed realised income	203	469	151	274
Total realised income available for distribution	42,583	62,797	125,993	258,552
Less: Proposed/declared income distribution	(42,330)	(62,646)	(125,740)	(258,401)
Balance undistributed realised income	<u>253</u>	<u>151</u>	<u>253</u>	<u>151</u>
Distribution per unit (sen)	1.39	2.06	4.13	8.50

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B7 Portfolio Composition

As at 31 December 2020, 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 2020, 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 2020	Total
Secured	RM’000
Revolving Term Loans	1,090,029
Unrated Medium Term Notes	1,075,000
Unamortised Borrowings Transaction Costs	(1,757)
	2,163,272
Gearing	34.7%
Average interest cost	4.3%
Composition of borrowings:	
Fixed Rate	42.7%
Floating Rate	57.3%

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 31 December 2020	Immediate preceding quarter ended 30 September 2020
Number of units in issue (units)	3,045,307,543	3,045,307,543
Net Asset Value (“NAV”) (RM’000)	3,859,317	3,889,599
NAV per unit (RM)	1.2673	1.2772
Total comprehensive income / (loss) (RM’000)	(30,282)	32,036
Weighted average number of units in issue – year to date (units)	3,043,841,623	3,043,349,417
Earnings per Unit after Manager’s management fee (Sen)	(1.00)	1.05
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	1.39	1.13
Market Price (RM)	1.50	1.54
Distribution Yield (%) ⁵	2.75	2.38

⁵ Distribution yield of year to date DPU divided by the Market Price (as at the end of the period) has been annualised.

B15 Manager’s Management Fee

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

Type RM’000	Current Quarter 31 December 2020	Year to Date 31 December 2020	Basis
Base Fee	4,493	18,726	0.3% per annum on total asset value
Performance Fee	2,053	7,005	3.0% per annum on net property income
Total	6,546	25,731	

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 31 December 2020 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 January 2021