

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 31 December 2021 (Unaudited) <b>RM'000</b>	As at 31 December 2020 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	740	1,172
Investment properties	5,880,000	5,863,000
Total non-current assets	<u>5,880,740</u>	<u>5,864,172</u>
Inventories	3,068	3,041
Trade and other receivables	42,656	33,452
Cash and bank balances	312,231	341,242
Total current assets	<u>357,955</u>	<u>377,735</u>
<b>TOTAL ASSETS</b>	<b>6,238,695</b>	<b>6,241,907</b>
<b>LIABILITIES</b>		
Borrowings	1,778,298	1,074,418
Payables and accruals	81,677	67,693
Total non-current liabilities	<u>1,859,975</u>	<u>1,142,111</u>
Borrowings	395,000	1,088,854
Payables and accruals	125,267	151,625
Total current liabilities	<u>520,267</u>	<u>1,240,479</u>
<b>TOTAL LIABILITIES</b>	<b>2,380,242</b>	<b>2,382,590</b>
<b>NET ASSET VALUE</b>	<u><b>3,858,453</b></u>	<u><b>3,859,317</b></u>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,945,255	2,938,844
Accumulated income	913,198	920,473
<b>TOTAL UNITHOLDERS' FUND</b>	<u><b>3,858,453</b></u>	<u><b>3,859,317</b></u>
Number of units in circulation ('000 units)	3,050,059	3,045,307
Net asset value per unit (RM)		
- Before income distribution	1.2650	1.2673
- After income distribution*	1.2392	1.2421

\*after proposed final income distribution of 2.58 sen per unit (2020: 2.52 sen per unit)

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021 (UNAUDITED)**

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

	Current Quarter 31 December		Year to Date 31 December	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Audited) RM'000
Rental income	110,467	117,524	447,857	464,520
Revenue from contract customers	10,964	10,362	31,468	34,918
Other income	2,845	2,908	9,266	10,782
<b>GROSS REVENUE</b>	<b>124,276</b>	<b>130,794</b>	<b>488,591</b>	<b>510,220</b>
Utilities	(13,262)	(14,885)	(48,282)	(57,438)
Maintenance	(9,858)	(9,123)	(51,189)	(57,098)
Property taxes	(4,062)	(4,097)	(16,245)	(16,390)
Other operating expenses <sup>1</sup>	(14,406)	(34,229)	(136,253)	(145,770)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(41,588)</b>	<b>(62,334)</b>	<b>(251,969)</b>	<b>(276,696)</b>
<b>NET PROPERTY INCOME</b>	<b>82,688</b>	<b>68,460</b>	<b>236,622</b>	<b>233,524</b>
Interest income	1,079	1,274	4,672	6,385
Net fair value changes on investment properties	(627)	(70,321)	(627)	(70,321)
<b>NET INVESTMENT INCOME</b>	<b>83,140</b>	<b>(587)</b>	<b>240,667</b>	<b>169,588</b>
Manager's management fee	(7,252)	(6,546)	(25,815)	(25,731)
Trustee's fee	(123)	(122)	(485)	(485)
Other trust expenses	(108)	(268)	(923)	(1,194)
Borrowings cost	(22,091)	(22,759)	(88,204)	(95,833)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(29,574)</b>	<b>(29,695)</b>	<b>(115,427)</b>	<b>(123,243)</b>
<b>INCOME BEFORE TAXATION</b>	<b>53,566</b>	<b>(30,282)</b>	<b>125,240</b>	<b>46,345</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>53,566</b>	<b>(30,282)</b>	<b>125,240</b>	<b>46,345</b>
Income after taxation comprises the followings:-				
Realised	54,193	40,039	125,867	116,666
Unrealised	(627)	(70,321)	(627)	(70,321)
	<u>53,566</u>	<u>(30,282)</u>	<u>125,240</u>	<u>46,345</u>
Earnings per unit – basic (sen) #	1.76	(1.00)	4.11	1.52
Earnings per unit – diluted (sen) #	1.76	(1.00)	4.11	1.52

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

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

# Earnings per unit is derived based on income after taxation divided by the weighted average number of units in issue.

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	Current Quarter 31 December		Year to Date 31 December	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
	RM'000	RM'000	RM'000	RM'000
<b>Total comprehensive income for the period <sup>2</sup></b>	<b>53,566</b>	<b>(30,282)</b>	<b>125,240</b>	<b>46,345</b>
Distribution adjustments <sup>3</sup>	2,989	72,662	9,422	79,497
<b>Distributable income</b>	<b>56,555</b>	<b>42,380</b>	<b>134,662</b>	<b>125,842</b>

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

	Current Quarter 31 December		Year to Date 31 December	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
	RM'000	RM'000	RM'000	RM'000
Depreciation	132	117	526	409
Foreign exchange loss	-	1	10	18
Impairment loss and write off of trade receivables	92,709	85,820	95,101	98,060

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

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

	Current Quarter 31 December		Year to Date 31 December	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	417	587	1,815	2,334
Depreciation	132	117	526	409
Net fair value changes on investment properties	627	70,321	627	70,321
Manager's management fee payable in units	1,813	1,637	6,454	6,433
	2,989	72,662	9,422	79,497

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021 (UNAUDITED)**

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
<b>As at 1 January 2020</b>	2,931,927	1,047,811	3,979,738
Total comprehensive income for the year	-	46,345	46,345
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- 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)
<b>As at 31 December 2020 (audited)</b>	<b>2,938,844</b>	<b>920,473</b>	<b>3,859,317</b>
<b>As at 1 January 2021</b>	2,938,844	920,473	3,859,317
Total comprehensive income for the year	-	125,240	125,240
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- Manager's management fee paid in units	6,411	-	6,411
- Distribution to unitholders	-	(132,515)	(132,515)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,411	(132,515)	(126,104)
<b>As at 31 December 2021 (unaudited)</b>	<b>2,945,255</b>	<b>913,198</b>	<b>3,858,453</b>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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

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

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

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**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year Ended 31 December 2021 RM'000	Preceding Year Ended 31 December 2020 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	125,240	46,345
<i>Adjustments for :-</i>		
Borrowing cost	88,204	95,833
Interest income	(4,672)	(6,385)
Depreciation	526	409
Impairment loss on trade receivables	2,458	17,147
Net fair value changes on investment properties	627	70,321
<b>Operating income before changes in working capital</b>	<b>212,383</b>	<b>223,670</b>
Inventories	(27)	(129)
Trade and other receivables	(11,662)	20,477
Trade and other payables	1,015	10,540
Tenants' deposits	(6,978)	(4,513)
<b>Net cash from operating activities</b>	<b>194,731</b>	<b>250,045</b>
<b>Cash Flow from Investing Activities</b>		
Interest received	4,672	6,385
Payment for enhancement of investment properties	(17,627)	(20,321)
Pledged deposit	5,707	(1,489)
Purchase of plant and equipment	(94)	(476)
<b>Net cash used in investing activities</b>	<b>(7,342)</b>	<b>(15,901)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(132,515)	(173,683)
Interest paid	(86,389)	(73,270)
Payment of financing expenses	(5,027)	(260)
Proceeds from borrowings	420,000	10,000
Repayment of borrowings	(406,762)	(26,100)
<b>Net cash used in financing activities</b>	<b>(210,693)</b>	<b>(263,313)</b>
Net decrease in cash and cash equivalents	(23,304)	(29,169)
Cash and cash equivalents as at the beginning of the year	277,309	306,478
Cash and cash equivalents as at the end of the year	<u>254,005</u>	<u>277,309</u>
Cash and cash equivalents as at the end of the year comprise :-		
Cash and bank balances	18,306	9,868
Deposits placed with licensed banks	293,925	331,374
	<u>312,231</u>	<u>341,242</u>
Pledged deposit	(58,226)	(63,933)
	<u>254,005</u>	<u>277,309</u>

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021 (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 2021 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the First Amended and Restated Trust Deed dated 18 February 2019 (“the Trust Deed”), the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”) and the accounting standards, amendments and interpretations where applicable to Pavilion REIT that are effective for annual periods beginning on or after 1 January 2021. They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

**A2 Audit Report of Preceding Financial Year**

There was no qualification to the Pavilion REIT’s audit report for the preceding financial year ended 31 December 2020, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**A3 Significant accounting policies**

The accounting policies applied in these condensed interim financial statements are the same as those applied in its consolidated annual financial statements as at and for the year ended 31 December 2020.

**A4 Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by the Manager in applying the accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2020.

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

A9 Segmental Reporting

Segmental results for the year ended 31 December 2021 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	477,552	11,039	488,591
Net Property Income	231,137	5,485	236,622
Interest Income			4,672
Net Fair Value Changes on Investment Properties			(627)
Net Investment Income			240,667
Trust Expenses			(27,223)
Borrowings Cost			(88,204)
Income Before Taxation			125,240
Taxation			-
Income After Taxation			125,240
Segment assets	6,049,458	131,011	6,180,469
Other non-allocated assets			58,226
			6,238,695
Segment liabilities	2,339,879	31,264	2,371,143
Other non-allocated liabilities			9,099
			2,380,242



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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 2021 RM'000	Market Value @ 31 Dec 2020 RM'000	Change in Value RM'000
<b>Retail</b>			
Pavilion Kuala Lumpur Mall	4,850,000	4,800,000	50,000
Intermark Mall	180,000	180,000	-
DA MEN Mall	180,000	180,000	-
Elite Pavilion Mall	540,000	570,000	(30,000)
	5,750,000	5,730,000	20,000
<b>Office</b>			
Pavilion Tower	130,000	133,000	(3,000)
Total Portfolio	5,880,000	5,863,000	17,000
Less: Capital Expenditure			(17,627)
Net Fair Value Changes			(627)

A11 Material Events Subsequent to Period End

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustments to the unaudited interim financial statement.

A12 Changes in the Composition of Pavilion REIT

The movement to the composition of Pavilion REIT during the period is as follows:-

	Units
Balance as at 1 January 2021	3,045,307,543
Units issued as payment of Manager's management fees	4,751,538
Total units issued	<u>3,050,059,081</u>

A13 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets to be disclosed during the quarter under review.

A14 Capital Commitments

	RM'000
Authorised and contract for:	
- Within one year	6,583

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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	
	2021 (Unaudited) <b>RM'000</b>	2020 (Unaudited) <b>RM'000</b>	2021 (Unaudited) <b>RM'000</b>	2020 (Unaudited) <b>RM'000</b>
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	99,408	106,037	396,415	410,174
Intermark Mall	5,661	6,410	23,451	25,632
DA MEN Mall	2,967	2,972	11,381	13,213
Elite Pavilion Mall	13,545	12,577	46,305	50,049
	<u>121,581</u>	<u>127,996</u>	<u>477,552</u>	<u>499,068</u>
Office:				
Pavilion Tower	2,695	2,798	11,039	11,152
<b>Total Gross Revenue</b>	<u>124,276</u>	<u>130,794</u>	<u>488,591</u>	<u>510,220</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	29,585	44,957	183,424	201,309
Intermark Mall	2,743	3,733	14,583	14,510
DA MEN Mall	4,031	5,673	20,564	24,447
Elite Pavilion Mall	4,130	6,945	27,844	31,494
	<u>40,489</u>	<u>61,308</u>	<u>246,415</u>	<u>271,760</u>
Office:				
Pavilion Tower	1,099	1,026	5,554	4,936
<b>Total Property Operating Expenses</b>	<u>41,588</u>	<u>62,334</u>	<u>251,969</u>	<u>276,696</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	69,823	61,080	212,991	208,865
Intermark Mall	2,918	2,677	8,868	11,122
DA MEN Mall	(1,064)	(2,701)	(9,183)	(11,234)
Elite Pavilion Mall	9,415	5,632	18,461	18,555
	<u>81,092</u>	<u>66,688</u>	<u>231,137</u>	<u>227,308</u>
Office:				
Pavilion Tower	1,596	1,772	5,485	6,216
<b>Total Net Property Income</b>	<u>82,688</u>	<u>68,460</u>	<u>236,622</u>	<u>233,524</u>

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	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000
<b>Total Net Property Income</b>	82,688	68,460	236,622	233,524
Interest Income	1,079	1,274	4,672	6,385
Change in fair value of investment properties	(627)	(70,321)	(627)	(70,321)
<b>Net Investment Income</b>	<u>83,140</u>	<u>(587)</u>	<u>240,667</u>	<u>169,588</u>
Manager's Management Fee	7,252	6,546	25,815	25,731
Other Trust Expenses	231	390	1,408	1,679
Borrowings Cost	22,091	22,759	88,204	95,833
<b>Total Trust Expenses</b>	<u>29,574</u>	<u>29,695</u>	<u>115,427</u>	<u>123,243</u>
<b>Income Before Taxation</b>	53,566	(30,282)	125,240	46,345
Taxation	-	-	-	-
<b>Income After Taxation</b>	<u>53,566</u>	<u>(30,282)</u>	<u>125,240</u>	<u>46,345</u>
Distribution Adjustments	2,989	72,662	9,422	79,497
<b>Distributable Income</b>	<u><u>56,555</u></u>	<u><u>42,380</u></u>	<u><u>134,662</u></u>	<u><u>125,842</u></u>

**Quarterly Results:**

Pavilion REIT recognised total gross revenue of RM124.3 million in Q4 2021, a decrease of RM6.5 million or 5% as compared to Q4 2020 of RM130.8 million. This was mainly due to lower occupancy rate because of non-renewal of expired tenancies and deferment of rent commencement date of some tenants.

Total property operating expenses were lower by RM20.7 million or 33% compared to Q4 2020. This was mainly due to utilities savings and lower rent rebates given to tenants, offset by higher marketing expenses incurred during the period for festive seasons setup and gift campaigns.

These have resulted in higher net property income by RM14.2 million or 21% in Q4 2021 as compared to Q4 2020.

Fair value loss of RM0.6 million arising from the valuation of investment properties as at 31 December 2021 was recognised in the current quarter. The fair value loss for 2020 recognised in Q4 2020 was RM70.3 million.

Manager's management fee incurred for Q4 2021 was higher by RM0.7 million compared to the same quarter last year. This was mainly due to the increase in net property income. Borrowing cost incurred during the quarter has decreased by RM0.7 million compared to Q4 2020 due to lower average interest rate for borrowings.

Income before taxation for the current quarter under review was higher by RM83.8 million or 277% compared to Q4 2020. Excluding the fair value loss of investment properties, income before taxation for current quarter was increased by RM14.2 million or 35% compared to Q4 2020.

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Distributable income for the quarter under review was RM56.5 million or 1.85 sen per unit, consisting of income after tax of RM53.6 million and non-cash adjustments for fair value loss of investment properties of RM0.6 million, depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.4 million and Manager's management fee payable in units amounting to RM1.8 million.

**Full Year Results:**

Total revenue for the year ended 31 December 2021 was RM488.6 million. It was lower by RM21.6 million or 4% compared to the preceding year ended 31 December 2020's performance. The decrease was mainly due to lower occupancy rate for shopping malls because of non-renewal of some expired tenancies and deferment of rent commencement date for some tenants due to various Movement Control Orders (MCOs) and National Recovery Plan (NRP). Income from revenue rent, marketing events and advertising were also affected.

Total property operating expenses incurred were lower by RM24.7 million or 9% compared to preceding year ended 31 December 2020 mainly due to utilities savings, lesser mall maintenance and marketing expenses incurred as well as lower doubtful debts provision during the period.

Fair value loss of RM0.6 million arising from the valuation of investment properties as at 31 December 2021 was recognised in the current quarter. The fair value loss for 2020 recognised in Q4 2020 was RM70.3 million.

Manager's management fee was consistent with 2020. Borrowing cost was lower by RM7.6 million due to lower average interest rate for borrowings.

Income before taxation for the year ended 31 December 2021 was RM125.2 million, RM78.9 million or 170% higher compared to preceding year ended 31 December 2020. Excluding the fair value loss of investment properties, income before taxation for the year ended 31 December 2021 was higher by RM9.2 million or 8% compared to the preceding year ended 31 December 2020.

Distributable income for the year ended 31 December 2021 was RM134.6 million or 4.41 sen per unit, consisting of income before taxation of RM125.2 million and non-cash adjustments for fair value loss of investment property of RM0.6 million, depreciation of RM0.5 million, amortisation of borrowings transaction cost of RM1.8 million and Manager's management fee payable in units amounting to RM6.5 million.

Pavilion REIT has expended approximately RM17.6 million of its capital commitment during the year, mainly for development of a new retail space at the end of the Couture precinct, glass kiosks outside Fashion Avenue and upgrading of cooling tower at Pavilion Kuala Lumpur Mall.

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**B2 Material Changes in Quarterly Results**

	Quarter Ended 31 Dec 2021 (unaudited) <b>RM'000</b>	Quarter Ended 30 Sep 2021 (unaudited) <b>RM'000</b>	Change %
Gross revenue	124,276	113,318	9.7
Property operating expenses	<u>(41,588)</u>	<u>(65,848)</u>	<u>36.8</u>
Net property income	82,688	47,470	74.2
Interest income	1,079	1,179	-8.5
Net fair value changes on investment properties	(627)	-	-100.0
Net investment income	<u>83,140</u>	<u>48,649</u>	<u>70.9</u>
Total trust expenses	(7,483)	(6,473)	-15.6
Borrowing cost	<u>(22,091)</u>	<u>(22,169)</u>	<u>0.4</u>
Income before taxation	<u><u>53,566</u></u>	<u><u>20,007</u></u>	<u><u>167.7</u></u>

The income before taxation for the current quarter under review was higher by RM33.6 million compared to the last immediate quarter. RM0.6 million fair value loss arising from the valuation of investment properties was recognised in Q4 2021. The increase in net property income was mainly due to higher revenue from advertising, lesser mall maintenance cost and lower rent rebates given to tenants, offset by higher utilities charges.

**B3 Prospects**

Retail Group Malaysia is projecting a 6% growth in Malaysia's retail sales for 2022 as Malaysia's retail industry looks forward to recovery following the re-opening of the economy, high vaccination coverage with the ongoing booster rollout. The Manager is cautiously optimistic that this momentum is sustainable. Fear of new variants emerging may affect discretionary spending.

The Manager is committed to stay resilient and continue to improve performance and support its tenants by sustaining healthy occupancy levels through proactive lease management, leveraging on digital and media presences to engage and draw visitors to its malls. Operating cost will continue to be monitored to optimise efficiency in adherence to Government's standard operating procedures.

**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.

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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 2021, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 1.83 sen per unit or RM55.7 million earned for 1<sup>st</sup> half of 2021 was distributed on 10 September 2021. The distributable income for the second half of 2021 is proposed to be 2.58 sen per unit or RM78.7 million payable on 28 February 2022.

**Statement of Income Distribution**

	Current Quarter		Year to Date	
	31 December		31 December	
	2021 (Unaudited) RM'000	2020 (Unaudited) RM'000	2021 (Unaudited) RM'000	2020 (Audited) RM'000
Rental income	110,467	117,524	447,857	464,520
Revenue from contract customers	10,964	10,362	31,468	34,918
Interest income	1,079	1,274	4,672	6,385
Net fair value changes on investment properties	(627)	(70,321)	(627)	(70,321)
Other income	2,845	2,908	9,266	10,782
	<u>124,728</u>	<u>61,747</u>	<u>492,636</u>	<u>446,284</u>
Less: Expenses	<u>(71,162)</u>	<u>(92,029)</u>	<u>(367,396)</u>	<u>(399,939)</u>
Total comprehensive income for the period/year	53,566	(30,282)	125,240	46,345
Distribution adjustment	<u>2,989</u>	<u>72,662</u>	<u>9,422</u>	<u>79,497</u>
Realised income for the period/year	<u>56,555</u>	<u>42,380</u>	<u>134,662</u>	<u>125,842</u>
Previous period/year's undistributed realised income	<u>322</u>	<u>203</u>	<u>253</u>	<u>151</u>
Total realised income available for distribution	<u>56,877</u>	<u>42,583</u>	<u>134,915</u>	<u>125,993</u>
Less: Proposed/declared income distribution	<u>(56,426)</u>	<u>(42,330)</u>	<u>(134,464)</u>	<u>(125,740)</u>
Balance undistributed realised income	<u>451</u>	<u>253</u>	<u>451</u>	<u>253</u>
Distribution per unit (sen)	1.85	1.39	4.41	4.13

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**B7 Portfolio Composition**

As at 31 December 2021, the properties under Pavilion REIT’s portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN Mall, Intermark Mall and Elite Pavilion Mall.

**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 2021, no provision for taxation has been made for the current quarter.

**B9 Status of Corporate Proposal**

Corporate proposal announced but not completed as at the latest practicable date from the issuance of this report is as follows:-

On 24 December 2021, the Board of Directors of the Manager announced that Pavilion REIT has accepted an invitation from Regal Path Sdn Bhd (a subsidiary of Malton Berhad) to commence discussions for the potential acquisition of Pavilion Bukit Jalil Mall.

**B10 Borrowings and Debt Securities**

As at 31 December 2021	Total
	RM’000
Secured Revolving Term Loans	683,267
Unrated Medium Term Notes	1,495,000
Unamortised Borrowings Transaction Costs	(4,969)
	2,173,298
Gearing	34.8%
Average interest cost	4.0%
Composition of borrowings:	
Fixed Rate	42.5%
Floating Rate	57.5%

**B11 Off Balance Sheet Financial Instruments**

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

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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 2021	Immediate preceding quarter ended 30 September 2021
Number of units in issue (units)	3,050,059,081	3,050,059,081
Net Asset Value (“NAV”) (RM’000)	3,858,453	3,804,887
NAV per unit (RM)	1.2650	1.2475
Total comprehensive income / (loss) (RM’000)	53,566	20,007
Weighted average number of units in issue – year to date (units)	3,048,237,859	3,047,624,115
Earnings per Unit after Manager’s management fee (Sen)	1.76	0.65
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	1.85	0.73
Market Price (RM)	1.25	1.42
Distribution Yield (%) <sup>5</sup>	3.53	2.41

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

**B15 Manager’s Management Fee**

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

Type RM’000	Current Quarter 31 December 2021	Year to Date 31 December 2021	Basis
Base Fee	4,771	18,716	0.3% per annum on total asset value
Performance Fee	2,481	7,099	3.0% per annum on net property income
Total	7,252	25,815	

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 2021 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 2022