

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 31 December 2022 (Unaudited) <b>RM'000</b>	As at 31 December 2021 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	553	740
Investment properties	6,045,000	5,880,000
Total non-current assets	<u>6,045,553</u>	<u>5,880,740</u>
Inventories	2,873	3,068
Trade and other receivables	42,410	42,656
Pledged deposits with licensed banks	59,425	58,226
Cash and cash equivalents	332,915	254,005
Total current assets	<u>437,623</u>	<u>357,955</u>
<b>TOTAL ASSETS</b>	<b>6,483,176</b>	<b>6,238,695</b>
<b>LIABILITIES</b>		
Borrowings	1,394,039	1,778,298
Payables and accruals	44,313	81,677
Total non-current liabilities	<u>1,438,352</u>	<u>1,859,975</u>
Borrowings	800,000	395,000
Payables and accruals	184,817	125,267
Total current liabilities	<u>984,817</u>	<u>520,267</u>
<b>TOTAL LIABILITIES</b>	<b>2,423,169</b>	<b>2,380,242</b>
<b>NET ASSET VALUE</b>	<b><u>4,060,007</u></b>	<b><u>3,858,453</u></b>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,952,256	2,945,255
Accumulated income	1,107,751	913,198
<b>TOTAL UNITHOLDERS' FUND</b>	<b><u>4,060,007</u></b>	<b><u>3,858,453</u></b>
Number of units in circulation ('000 units)	3,055,722	3,050,059
Net asset value per unit (RM)		
- Before income distribution	1.3287	1.2650
- After income distribution*	1.2858	1.2392

\* after proposed final income distribution of 4.29 sen per unit (2021: 2.58 sen per unit).

The unaudited condensed statement of financial position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 (UNAUDITED)**

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

	Current Quarter 31 December		Year to Date 31 December	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Rental income	125,268	110,467	498,914	447,857
Revenue from contract customers	16,666	10,964	55,867	31,468
Other income	3,864	2,845	14,910	9,266
<b>GROSS REVENUE</b>	<b>145,798</b>	<b>124,276</b>	<b>569,691</b>	<b>488,591</b>
Utilities	(17,326)	(13,262)	(68,471)	(48,282)
Maintenance	(12,676)	(9,858)	(61,900)	(51,189)
Property taxes	(4,066)	(4,062)	(16,263)	(16,245)
Other operating expenses <sup>1</sup>	(14,844)	(14,406)	(58,856)	(136,253)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(48,912)</b>	<b>(41,588)</b>	<b>(205,490)</b>	<b>(251,969)</b>
<b>NET PROPERTY INCOME</b>	<b>96,886</b>	<b>82,688</b>	<b>364,201</b>	<b>236,622</b>
Interest income	2,138	1,079	6,523	4,672
Net fair value changes on investment properties	151,381	(627)	151,381	(627)
<b>NET INVESTMENT INCOME</b>	<b>250,405</b>	<b>83,140</b>	<b>522,105</b>	<b>240,667</b>
Manager's management fee	(8,311)	(7,252)	(30,375)	(25,815)
Trustee's fee	(123)	(123)	(485)	(485)
Other trust expenses	(333)	(108)	(1,460)	(923)
Borrowings cost	(25,223)	(22,091)	(91,986)	(88,204)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(33,990)</b>	<b>(29,574)</b>	<b>(124,306)</b>	<b>(115,427)</b>
<b>INCOME BEFORE TAXATION</b>	<b>216,415</b>	<b>53,566</b>	<b>397,799</b>	<b>125,240</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>216,415</b>	<b>53,566</b>	<b>397,799</b>	<b>125,240</b>
Income after taxation comprises the followings:-				
Realised	65,034	54,193	246,418	125,867
Unrealised	151,381	(627)	151,381	(627)
	<u>216,415</u>	<u>53,566</u>	<u>397,799</u>	<u>125,240</u>
Earnings per unit – basic (sen) #	7.09	1.76	13.03	4.11
Earnings per unit – diluted (sen) #	7.09	1.76	13.03	4.11

<sup>1</sup> The waiver of rental income or also known as rebates given to tenants were 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 in prior year.

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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

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	Current Quarter 31 December		Year to Date 31 December	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
<b>Total comprehensive income for the period <sup>2</sup></b>	<b>216,415</b>	<b>53,566</b>	<b>397,799</b>	<b>125,240</b>
Distribution adjustments <sup>3</sup>	(148,854)	2,989	(141,988)	9,422
<b>Distributable income</b>	<b>67,561</b>	<b>56,555</b>	<b>255,811</b>	<b>134,662</b>

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

	Current Quarter 31 December		Year to Date 31 December	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Depreciation	87	132	334	526
Foreign exchange loss	3	-	6	10
Impairment loss and write off of trade receivables	20	66	4,778	2,458

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	
	2022	2021	2022	2021
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	362	417	1,465	1,815
Depreciation	87	132	334	526
Net fair value changes on investment properties	(151,381)	627	(151,381)	627
Manager's management fee payable in units	2,078	1,813	7,594	6,454
	(148,854)	2,989	(141,988)	9,422

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 (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 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 (audited)</b>	<b>2,945,255</b>	<b>913,198</b>	<b>3,858,453</b>
<b>As at 1 January 2022</b>	2,945,255	913,198	3,858,453
Total comprehensive income for the year	-	397,799	397,799
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- Manager's management fee paid in units	7,001	-	7,001
- Distribution to unitholders	-	(203,246)	(203,246)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,001	(203,246)	(196,245)
<b>As at 31 December 2022 (unaudited)</b>	<b>2,952,256</b>	<b>1,107,751</b>	<b>4,060,007</b>

The unaudited condensed statement of changes in net asset value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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

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

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	31 December 2022	
	Units	Amount
	<b>000</b>	<b>RM'000</b>
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.2113 per unit for entitlement for the 6 months period ended 31 December 2021	2,751	3,332
- at RM1.2599 per unit for entitlement for the 6 months period ended 30 June 2022	2,912	3,669
Total Manager's fees paid	<u><b>5,663</b></u>	<u><b>7,001</b></u>

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

	Current Year Ended 31 December 2022 RM'000	Preceding Year Ended 31 December 2021 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	397,799	125,240
<i>Adjustments for :-</i>		
Borrowing cost	91,986	88,204
Interest income	(6,523)	(4,672)
Depreciation	334	526
Plant and equipment written off	3	-
Gain on disposal of plant and equipment	(1)	-
Impairment loss on trade receivables	4,778	2,458
Net fair value changes on investment properties	(151,381)	627
<b>Operating income before changes in working capital</b>	<b>336,995</b>	<b>212,383</b>
Inventories	195	(27)
Trade and other receivables	(4,532)	(11,662)
Trade and other payables	26,480	1,015
Tenants' deposits	2,707	(6,978)
<b>Net cash from operating activities</b>	<b>361,845</b>	<b>194,731</b>
<b>Cash Flow from Investing Activities</b>		
Interest received	6,523	4,672
Payment for enhancement of investment properties (Pledged)/Uplifted deposit	(13,619)	(17,627)
	(1,199)	5,707
Purchase of plant and equipment	(153)	(94)
Proceed from disposal of plant and equipment	4	-
<b>Net cash used in investing activities</b>	<b>(8,444)</b>	<b>(7,342)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(203,246)	(132,515)
Interest paid	(90,521)	(86,389)
Payment of financing expenses	(724)	(5,027)
Proceeds from borrowings	190,000	420,000
Repayment of borrowings	(170,000)	(406,762)
<b>Net cash used in financing activities</b>	<b>(274,491)</b>	<b>(210,693)</b>
Net increase/(decrease) in cash and cash equivalents	78,910	(23,304)
Cash and cash equivalents as at the beginning of the year	254,005	277,309
Cash and cash equivalents as at the end of the year	<u>332,915</u>	<u>254,005</u>

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 (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 2022 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the First Amended and Restated Trust Deed dated 18 February 2019 (“the Trust Deed”), the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”) and the accounting standards, amendments and interpretations where applicable to Pavilion REIT that are effective for annual periods beginning on or after 1 January 2022. They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

A2 Audit Report of Preceding Financial Year

There was no qualification to the Pavilion REIT’s audit report for the preceding financial year ended 31 December 2021, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

A3 Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in its consolidated annual financial statements as at and for the year ended 31 December 2021.

A4 Estimates

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

In preparing these condensed interim financial statements, the significant judgements made by the Manager in applying the accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2021.

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.

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A8 Debt and Equity Securities

There were no issuance, cancellation, repurchase, sale and payment of debt and equity securities for the current quarter and year to date except for payment of 25% Manager's management fee paid in Pavilion REIT units, with details as disclosed below.

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
2,750,725	RM1.2113	18 February 2022	Based on the 5-day volume weighted average price of the units up to but excluding 27 January 2022 (as management fee)
2,911,855	RM1.2599	15 August 2022	Based on the 5-day volume weighted average price of the units up to but excluding 28 July 2022 (as management fee)

A9 Segmental Reporting

Segmental results for the year ended 31 December 2022 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	559,955	9,736	569,691
Net Property Income	360,121	4,080	364,201
Interest Income			6,523
Net Fair Value Changes on Investment Properties			151,381
Net Investment Income			522,105
Trust Expenses			(32,320)
Borrowings Cost			(91,986)
Income Before Taxation			397,799
Taxation			-
Income After Taxation			397,799
Segment assets	6,292,464	131,287	6,423,751
Other non-allocated assets			59,425
			6,483,176
Segment liabilities	2,383,651	31,869	2,415,520
Other non-allocated liabilities			7,649
			2,423,169



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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 2022 RM'000	Market Value @ 31 Dec 2021 RM'000	Change in Value RM'000
<b>Retail</b>			
Pavilion Kuala Lumpur Mall	5,000,000	4,850,000	150,000
Intermark Mall	185,000	180,000	5,000
DA MEN Mall	180,000	180,000	-
Elite Pavilion Mall	550,000	540,000	10,000
	5,915,000	5,750,000	165,000
<b>Office</b>			
Pavilion Tower	130,000	130,000	-
Total Portfolio	6,045,000	5,880,000	165,000
Less: Capital Expenditure			(13,619)
Net Fair value changes			151,381

A11 Material Events Subsequent to Period End

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

A12 Changes in the Composition of Pavilion REIT

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

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

A13 Contingent Liabilities or Contingent Assets

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

A14 Capital Commitments

Authorised and contract for:	RM'000
- Within one year	399

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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	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	117,090	99,408	458,251	396,415
Intermark Mall	6,287	5,661	24,168	23,451
DA MEN Mall	3,302	2,967	13,250	11,381
Elite Pavilion Mall	16,736	13,545	64,286	46,305
	<u>143,415</u>	<u>121,581</u>	<u>559,955</u>	<u>477,552</u>
Office:				
Pavilion Tower	2,383	2,695	9,736	11,039
	<u>2,383</u>	<u>2,695</u>	<u>9,736</u>	<u>11,039</u>
<b>Total Gross Revenue</b>	<u>145,798</u>	<u>124,276</u>	<u>569,691</u>	<u>488,591</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	33,898	29,585	141,815	183,424
Intermark Mall	2,742	2,743	14,247	14,583
DA MEN Mall	4,488	4,031	20,348	20,564
Elite Pavilion Mall	6,151	4,130	23,424	27,844
	<u>47,279</u>	<u>40,489</u>	<u>199,834</u>	<u>246,415</u>
Office:				
Pavilion Tower	1,633	1,099	5,656	5,554
	<u>1,633</u>	<u>1,099</u>	<u>5,656</u>	<u>5,554</u>
<b>Total Property Operating Expenses</b>	<u>48,912</u>	<u>41,588</u>	<u>205,490</u>	<u>251,969</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	83,192	69,823	316,436	212,991
Intermark Mall	3,545	2,918	9,921	8,868
DA MEN Mall	(1,186)	(1,064)	(7,098)	(9,183)
Elite Pavilion Mall	10,585	9,415	40,862	18,461
	<u>96,136</u>	<u>81,092</u>	<u>360,121</u>	<u>231,137</u>
Office:				
Pavilion Tower	750	1,596	4,080	5,485
	<u>750</u>	<u>1,596</u>	<u>4,080</u>	<u>5,485</u>
<b>Total Net Property Income</b>	<u>96,886</u>	<u>82,688</u>	<u>364,201</u>	<u>236,622</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Total Net Property Income</b>	96,886	82,688	364,201	236,622
Interest Income	2,138	1,079	6,523	4,672
Change in fair value of investment properties	151,381	(627)	151,381	(627)
<b>Net Investment Income</b>	250,405	83,140	522,105	240,667
Manager's Management Fee	8,311	7,252	30,375	25,815
Other Trust Expenses	456	231	1,945	1,408
Borrowings Cost	25,223	22,091	91,986	88,204
Total Trust Expenses	33,990	29,574	124,306	115,427
<b>Income Before Taxation</b>	216,415	53,566	397,799	125,240
Taxation	-	-	-	-
<b>Income After Taxation</b>	216,415	53,566	397,799	125,240
Distribution Adjustments	(148,854)	2,989	(141,988)	9,422
<b>Distributable Income</b>	67,561	56,555	255,811	134,662

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM145.8 million in Q4 2022, an increase of RM21.5 million or 17% as compared to Q4 2021 of RM124.3 million. The increase was mainly due to higher rental billings, increase in revenue rent and income from advertising after all economic sectors and businesses resume their businesses post pandemic.

Total property operating expenses increased by RM7.3 million or 18% as compared to Q4 2021. This was mainly due to higher utility cost in Q4 2022 as the 10% electricity rebate given by the government ended in December 2021 as well as the imposition of electricity tariff surcharge of 3.7 sen per kilowatt hour (kWh) to non-domestic sector from 1 February 2022. Increase in maintenance cost was mainly due to remobilizing ad-hoc upkeeps and adjustment to contract sum of labour-intensive services due to the minimum wage requirements.

These have resulted in higher net property income by RM14.2 million or 17% in Q4 2022 as compared to Q4 2021.

Fair value gain of RM151.4 million arising from the valuation of investment properties as at 31 December 2022 was recognised in the current quarter. The fair value loss for 2021 recognised in Q4 2021 was RM0.6 million.

Manager's management fee incurred for Q4 2022 was higher by RM1.1 million as compared to Q4 2021 due to higher net property income and total asset value. Borrowing cost increased due to Bank Negara Malaysia raising the overnight policy rate by 25 basis point each in September and November 2022.

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Distributable income for the quarter under review was RM67.6 million or 2.21 sen per unit, consisting of income after tax of RM216.4 million and non-cash adjustments for fair value gain of investment properties of RM151.4 million, depreciation of RM0.1 million, amortisation of borrowing transaction cost of RM0.4 million and 25% of Manager's management fee payable in units amounting to RM2.1 million.

**Full Year Results:**

Total revenue for the year ended 31 December 2022 was RM569.7 million. It was higher by RM81.1 million or 17% as compared to the preceding year ended 31 December 2021's performance. The increase was mainly contributed by higher rental billings, increase in revenue rent and income from advertising and marketing events after all economic sectors and businesses resume their businesses post pandemic.

Total property operating expenses incurred were lower by RM46.5 million or 18% as compared to the preceding year. This was mainly due to rent rebates given to tenants in the preceding year, offset by higher utility cost as the 10% electricity rebate given by the government ended in December 2021 as well as the imposition of electricity tariff surcharge of 3.7 sen per kilowatt hour (kWh) to non-domestic sector from 1 February 2022. Increase in maintenance cost was mainly due the remobilizing ad-hoc upkeeps, installation of rain harvesting and air handling condensate water recycling systems and adjustment to contract sum of labour-intensive services due to the minimum wage requirements. Marketing expenses also increased with the resumption of marketing activities and events post pandemic.

Fair value gain of RM151.4 million arising from the valuation of investment properties as at 31 December 2022 was recognised in Q4 2022. The fair value loss of RM0.6 million was recognised in Q4 2021.

Higher manager's management fee by RM4.6 million mainly due to the increase in net property income and total asset value. Higher other trust expenses were incurred for the development of environmental, social and governance roadmap and business continuity management framework. Borrowing cost increased due to Bank Negara Malaysia raising the overnight policy rate by 25 basis point each in May, July, September and November 2022.

These have resulted in income before taxation being higher by RM272.6 million or 218% as compared to preceding year ended 31 December 2021.

Distributable income for the year under review was RM255.8 million, consisting of income after tax of RM397.8 million and non-cash adjustments for fair value gain of investment property of RM151.4 million, depreciation of RM0.3 million, amortisation of borrowings transaction cost of RM1.5 million and Manager's management fee payable in units amounting to RM7.6 million.

Pavilion REIT has expended approximately RM13.6 million of its capital commitment during the year, mainly for development of glass kiosks outside Fashion Avenue, reconfiguration for a new food hall at Level 1 as well as upgrading of cooling towers at Pavilion Kuala Lumpur Mall.

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**B2 Material Changes in Quarterly Results**

	Quarter Ended 31 Dec 2022 (unaudited) <b>RM'000</b>	Quarter Ended 30 Sep 2022 (unaudited) <b>RM'000</b>	Change <b>%</b>
Gross revenue	145,798	143,622	1.5
Property operating expenses	(48,912)	(53,405)	8.4
Net property income	96,886	90,217	7.4
Interest income	2,138	2,000	6.9
Change in fair value of investment properties	151,381	-	100.0
Net investment income	250,405	92,217	171.5
Total trust expenses	(8,767)	(7,746)	(13.2)
Borrowing cost	(25,223)	(23,305)	(8.2)
Income before taxation	216,415	61,166	253.8

The income before taxation for the current quarter under review was higher by RM155.2 million as compared to the last immediate quarter. RM151.4 million fair value gain arising from the valuation of investment properties was recognised in Q4 2022. The increase in net property income was mainly due to higher revenue from advertising and lower mall maintenance costs. Higher total trust expenses were mainly due to higher manager's management fee. Increase in borrowing cost was due to Bank Negara Malaysia raising the overnight policy rate by another 25 basis point in November 2022.

**B3 Prospects**

After a strong economic recovery in 2022, Malaysia's economic growth is expected to be in the range of 4% to 5% in 2023 with Retail Group Malaysia forecasting a growth rate of 3.5% for the retail industry. Consumers in Malaysia continues to be cautious in their spending due to the uncertainties in the domestic and global economy of inflationary pressures, rising cost of living besides the projected slowdown in the international economy. However, despite these challenges, it is expected that domestic demand will anchor the economy amid a steady recovery in the labour market as well as further strengthening in the tourism-related sectors leading to an increase in corporate earnings. The reopening of China's borders will also attract Chinese tourists that would spur the local economy and tourism business.

Retail sales is expected to normalise. Pavilion REIT malls will continue to elevate retail mix, create immersive experiences and encourage shoppers interaction with targeted campaigns

**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.

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**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.

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

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

Distribution of 4.08 sen per unit or RM124.6 million earned for 1<sup>st</sup> half of 2022 was distributed on 02 September 2022. The distributable income for the second half of 2022 is proposed to be 4.29 sen per unit or RM131.0 million payable on 28 February 2023.

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Statement of Income Distribution

	Current Quarter		Year to Date	
	31 December		31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Rental income	125,268	110,467	498,914	447,857
Revenue from contract customers	16,666	10,964	55,867	31,468
Interest income	2,138	1,079	6,523	4,672
Net fair value changes on investment properties	151,381	(627)	151,381	(627)
Other income	3,864	2,845	14,910	9,266
	<u>299,317</u>	<u>124,728</u>	<u>727,595</u>	<u>492,636</u>
Less: Expenses	<u>(82,902)</u>	<u>(71,162)</u>	<u>(329,796)</u>	<u>(367,396)</u>
Total comprehensive income for the period/year	216,415	53,566	397,799	125,240
Distribution adjustment	<u>(148,854)</u>	<u>2,989</u>	<u>(141,988)</u>	<u>9,422</u>
Realised income for the period/year	<u>67,561</u>	<u>56,555</u>	<u>255,811</u>	<u>134,662</u>
Previous period/year's undistributed realised income	<u>587</u>	<u>322</u>	<u>451</u>	<u>253</u>
Total realised income available for distribution	<u>68,148</u>	<u>56,877</u>	<u>256,262</u>	<u>134,915</u>
Less: Proposed/declared income distribution	<u>(67,531)</u>	<u>(56,426)</u>	<u>(255,645)</u>	<u>(134,464)</u>
Balance undistributed realised income	<u><u>617</u></u>	<u><u>451</u></u>	<u><u>617</u></u>	<u><u>451</u></u>
Distribution per unit (sen)	2.21	1.85	8.37	4.41

B7 Portfolio Composition

As at 31 December 2022, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur 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 2022, no provision for taxation has been made for the current quarter.

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**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 22 November 2022, the Board of Directors of Pavilion REIT Management Sdn Bhd (“Board”), the management company of Pavilion REIT (“Manager”), CIMB Investment Bank Berhad (“CIMB”) and Maybank Investment Bank Berhad (“Maybank IB”) announced that MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, had on 22 November 2022 entered into a conditional sale and purchase agreement with Regal Path Sdn Bhd for the acquisition of Pavilion Bukit Jalil (“PBJ Mall”) together with the related assets and rights for an aggregate purchase consideration of RM2,200 million (“Proposed Acquisition”).

In conjunction with the Proposed Acquisition, the Board also proposes to undertake proposed placements of new units in Pavilion REIT (“Units”) to raise gross proceeds of up to RM1,270 million at an issue price to be determined later by way of bookbuilding (“Proposed Placements”) to partly fund the Proposed Acquisition and also defray the expenses relating to the Proposals.

**B10 Borrowings and Debt Securities**

As at 31 December 2022	Total
	RM'000
Secured Revolving Term Loans	723,267
Unrated Medium Term Notes	1,475,000
Unamortised Borrowings Transaction Costs	(4,228)
	2,194,039
Gearing	33.8%
Average interest cost	4.1%
Composition of borrowings:	
Fixed Rate	35.3%
Floating Rate	64.7%

**B11 Off Balance Sheet Financial Instruments**

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

**B12 Material Litigation**

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



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**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 2022	Immediate preceding quarter ended 30 September 2022
Number of units in issue (units)	3,055,721,661	3,055,721,661
Net Asset Value (“NAV”) (RM’000)	4,060,007	3,843,592
NAV per unit (RM)	1.3287	1.2578
Total comprehensive income (RM’000)	216,415	61,166
Weighted average number of units in issue – year to date (units)	3,053,556,965	3,052,827,470
Earnings per Unit after Manager’s management fee (sen)	7.09	2.00
Proposes / Declared Distribution per Unit (“DPU”) (sen)	2.21	2.08
Market Price (RM)	1.21	1.26
Distribution Yield (%) <sup>5</sup>	6.92	6.54

<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 2022	Year to Date 31 December 2022	Basis
Base Fee	5,405	19,449	0.3% per annum on total asset value 3.0% per annum on net property income
Performance Fee	2,906	10,926	
Total	8,311	30,375	

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.

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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 2022 and of its financial performance and cash flows for the year ended on that date and duly authorised for release by the Board of the Manager.

**BY ORDER OF THE BOARD**

Pavilion REIT Management Sdn Bhd (939490-H)  
(as the Manager of Pavilion Real Estate Investment Trust)

Lim Mei Yoong  
Company Secretary (Licensed Secretary Number: LS0002201)

Kuala Lumpur  
31 January 2023