

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 30 June 2019 (Unaudited) <b>RM'000</b>	As at 31 December 2018 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	1,324	1,570
Investment properties	5,893,476	5,893,000
Total non-current assets	<u>5,894,800</u>	<u>5,894,570</u>
Inventories	1,958	2,084
Trade and other receivables	80,320	81,302
Cash and bank balances	371,816	379,768
Total current assets	<u>454,094</u>	<u>463,154</u>
<b>TOTAL ASSETS</b>	<b>6,348,894</b>	<b>6,357,724</b>
<b>LIABILITIES</b>		
Borrowings	2,156,095	1,431,874
Payables and accruals	57,300	46,987
Total non-current liabilities	<u>2,213,395</u>	<u>1,478,861</u>
Borrowings	-	715,959
Payables and accruals	160,021	184,948
Total current liabilities	<u>160,021</u>	<u>900,907</u>
<b>TOTAL LIABILITIES</b>	<b>2,373,416</b>	<b>2,379,768</b>
<b>NET ASSET VALUE</b>	<b><u>3,975,478</u></b>	<b><u>3,977,956</u></b>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,928,119	2,924,229
Accumulated income	1,047,359	1,053,727
<b>TOTAL UNITHOLDERS' FUND</b>	<b><u>3,975,478</u></b>	<b><u>3,977,956</u></b>
Number of units in circulation ('000 units)	3,039,020	3,036,705
Net asset value per unit (RM)		
- Before income distribution	1.3081	1.3100
- After income distribution*	1.2641	1.2656

\*after proposed income distribution of 4.40 sen per unit (2018: after final income distribution of 4.44 sen per unit)

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

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

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

	Current Quarter 30 June		Year to Date 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Rental income	122,409	118,821	253,463	236,124
Revenue from contract customers	15,602	11,049	29,286	19,091
Other income	6,108	5,190	12,292	11,355
<b>GROSS REVENUE</b>	<b>144,119</b>	<b>135,060</b>	<b>295,041</b>	<b>266,570</b>
Utilities	(18,980)	(15,738)	(36,151)	(29,707)
Maintenance	(15,707)	(14,260)	(31,927)	(27,910)
Property taxes	(4,095)	(3,772)	(8,189)	(6,944)
Other operating expenses	(13,985)	(10,666)	(25,914)	(22,382)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(52,767)</b>	<b>(44,436)</b>	<b>(102,181)</b>	<b>(86,943)</b>
<b>NET PROPERTY INCOME</b>	<b>91,352</b>	<b>90,624</b>	<b>192,860</b>	<b>179,627</b>
Interest income	2,992	2,988	5,919	5,139
Change in fair value of investment properties	-	-	-	-
<b>NET INVESTMENT INCOME</b>	<b>94,344</b>	<b>93,612</b>	<b>198,779</b>	<b>184,766</b>
Manager's management fee	(7,475)	(7,340)	(15,231)	(14,160)
Trustee's fee	(121)	(117)	(241)	(233)
Other trust expenses	(382)	(290)	(809)	(655)
Borrowings cost	(27,137)	(25,057)	(54,038)	(43,561)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(35,115)</b>	<b>(32,804)</b>	<b>(70,319)</b>	<b>(58,609)</b>
<b>INCOME BEFORE TAXATION</b>	<b>59,229</b>	<b>60,808</b>	<b>128,460</b>	<b>126,157</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>59,229</b>	<b>60,808</b>	<b>128,460</b>	<b>126,157</b>
Income after taxation comprises the followings:-				
Realised	59,229	60,808	128,460	126,157
Unrealised	-	-	-	-
	<u>59,229</u>	<u>60,808</u>	<u>128,460</u>	<u>126,157</u>
Earnings per unit – basic (sen) #	1.95	2.00	4.23	4.16
Earnings per unit – diluted (sen) #	1.95	2.00	4.23	4.16

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

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	Current Quarter 30 June		Year to Date 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
	<b>Total comprehensive income for the period <sup>1</sup></b>	<b>59,229</b>	<b>60,808</b>	<b>128,460</b>
Distribution adjustments <sup>2</sup>	2,568	1,157	5,494	5,552
<b>Distributable income</b>	<b>61,797</b>	<b>61,965</b>	<b>133,954</b>	<b>131,709</b>

<sup>1</sup> Total comprehensive income is derived after charging:-

	Current Quarter 30 June		Year to Date 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
	Depreciation	119	142	246
Foreign exchange (gain)/loss	6	-	6	(3)
Write back of impairment loss on trade receivables	(40)	(574)	(59)	(588)

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>2</sup> Included in the distribution adjustments are the followings:-

	Current Quarter 30 June		Year to Date 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
	Amortisation of borrowing transaction costs	580	885	1,440
Depreciation	119	142	246	284
Manager's management fee payable in units	1,869	130	3,808	3,540
	2,568	1,157	5,494	5,552

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

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

	Unitholders' Capital	Income / (Deficit)	Total Funds
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>As at 1 January 2018</b>	2,913,849	1,026,428	3,940,277
Total comprehensive income for the period	-	126,157	126,157
<b>Unitholders' transactions</b>			
- Issue of new units <sup>2</sup>	6,840	-	6,840
- Manager's management fee paid in units	-	(129,688)	(129,688)
- Distribution to unitholders	-	(129,688)	(129,688)
Increase in net assets resulting from unitholders' transactions	6,840	(129,688)	(122,848)
<b>As at 30 June 2018 (unaudited)</b>	<b><u>2,920,689</u></b>	<b><u>1,022,897</u></b>	<b><u>3,943,586</u></b>
<b>As at 1 January 2019</b>	2,924,229	1,053,727	3,977,956
Total comprehensive income for the period	-	128,460	128,460
<b>Unitholders' transactions</b>			
- Issue of new units <sup>3</sup>	3,891	-	3,891
- Manager's management fee paid in units	-	(134,829)	(134,829)
- Distribution to unitholders	-	(134,829)	(134,829)
Increase in net assets resulting from unitholders' transactions	3,891	(134,829)	(130,938)
<b>As at 30 June 2019 (unaudited)</b>	<b><u>2,928,120</u></b>	<b><u>1,047,358</u></b>	<b><u>3,975,478</u></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 2018 and the accompanying explanatory notes attached to the interim financial statements.

<sup>3</sup> Issue of new units consists of the followings:-

	30 June 2018	
	Units <b>000</b>	Amount <b>RM'000</b>
Issuance of new units pursuant to 50% Manager's management fee paid in units :-		
- at RM1.5511 per unit for entitlement for the 6 months period ended 31 December 2017	4,408	6,838
- at RM1.5851 per unit for entitlement to disposal fees	<u>1</u>	<u>2</u>
Total Manager's fee paid	<u>4,409</u>	<u>6,840</u>

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

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

	Current Year to Date 30 June 2019 <b>RM'000</b>	Preceding Year to Date 30 June 2018 <b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Income before taxation	128,460	126,157
<i>Adjustments for :-</i>		
Borrowing cost	54,038	43,561
Interest income	(5,919)	(5,139)
Depreciation	246	284
Gain on disposal of plant and equipment	-	(24)
Write back of impairment loss on trade receivables	(59)	(588)
<b>Operating income before changes in working capital</b>	<b>176,766</b>	<b>164,251</b>
Inventories	126	(159)
Trade and other receivables	1,041	(24,904)
Trade and other payables	(6,481)	(52,390)
Tenants deposits	(4,242)	11,596
<b>Net cash from operating activities</b>	<b>167,210</b>	<b>98,394</b>
<b>Cash Flow From Investing Activities</b>		
Acquisition of investment properties	-	(505,133)
Interest received	5,919	5,139
Payment for enhancement of investment properties	(476)	(1,964)
Pledged deposit	(1,405)	(17,963)
Proceed from disposal of plant and equipment	-	24
<b>Net cash from/(used in) investing activities</b>	<b>4,038</b>	<b>(519,897)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(134,829)	(129,688)
Interest paid	(52,598)	(42,760)
Payment of financing expenses	(2,218)	(64)
Proceeds from borrowings	386,840	700,000
Repayment of borrowings	(377,800)	(47,200)
<b>Net cash (used in)/from financing activities</b>	<b>(180,605)</b>	<b>480,288</b>
Net (decrease)/increase in cash and cash equivalents	(9,357)	58,785
Cash and cash equivalents as at the beginning of the year	319,748	234,395
Cash and cash equivalents as at the end of the period	<b>310,391</b>	<b>293,180</b>
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	9,970	4,547
Deposits placed with licensed banks	361,846	347,584
	<b>371,816</b>	<b>352,131</b>
Pledged deposit	(61,425)	(58,951)
	<b>310,391</b>	<b>293,180</b>

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

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2019 (UNAUDITED)**

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

**A1 Basis of Preparation**

The condensed interim financial statements as at and for the six months ended 30 June 2019 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the amended and restated trust deed dated 18 February 2019 (“the Trust Deed”), the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”) and the accounting standards, amendments and interpretations where applicable to Pavilion REIT that are effective for annual periods beginning on or after 1 January 2019. They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**A2 Audit Report of Preceding Financial Year**

There was no qualification to the Pavilion REIT’s audit report for the preceding financial year ended 31 December 2018, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**A3 Significant accounting policies**

The accounting policies applied in these condensed interim financial statements are the same as those applied in its consolidated annual financial statements as at and for the year ended 31 December 2018.

**A4 Estimates**

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

In preparing these condensed interim financial statements, the significant judgements made by the Manager in applying the accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2018, except as disclosed below.

The accounting policy of investment properties as adopted by Pavilion REIT requires investments properties to be stated at fair value. In estimating the fair value of the investment properties, the Manager will rely on professionally qualified valuers at annual reporting dates. However, for interim financial reporting, the fair values of the investment properties are not updated. Asset improvement initiatives undertaken by the Manager, the economic environment and other factors may change the fair values of the investment properties. When the fair values are updated as at 31 December 2019, the fair values could be materially different from the current carrying value.

**A5 Seasonality or Cyclicity of Operations**

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

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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.

A8 Debt and Equity Securities

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

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
2,315,511	RM1.6802	20 February 2019	Based on the 5-day volume weighted average price of the units up to but excluding 29 January 2019 (as management fee)

A9 Segmental Reporting

Segmental results for the period ended 30 June 2019 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	288,873	6,168	295,041
Net Property Income	189,032	3,828	192,860
Interest Income			5,919
Net Investment Income			198,779
Trust Expenses			(16,281)
Borrowings Cost			(54,038)
Income Before Taxation			128,460
Taxation			-
Income After Taxation			128,460
Segment assets	6,166,924	133,909	6,300,833
Other non-allocated assets			48,061
			6,348,894
Segment liabilities	2,342,679	30,380	2,373,059
Other non-allocated liabilities			357
			2,373,416



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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.

A11 Material Events Subsequent to Period End

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

A12 Changes in the Composition of Pavilion REIT

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

	Units
Balance as at 1 January 2019	3,036,704,925
Units issued as payment of Manager's management fee	2,315,511
Total units issued	<u>3,039,020,436</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
Investment Properties:	
Authorised and contract for	1,971

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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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 30 June		Year to Date 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	113,294	105,785	234,032	218,773
Intermark Mall	6,487	7,113	13,754	14,480
DA MEN Mall	5,862	7,027	11,004	14,957
Elite Pavilion Mall	15,406	11,872	30,083	11,872
	<u>141,049</u>	<u>131,797</u>	<u>288,873</u>	<u>260,082</u>
Office:				
Pavilion Tower	3,070	3,263	6,168	6,488
<b>Total Gross Revenue</b>	<u>144,119</u>	<u>135,060</u>	<u>295,041</u>	<u>266,570</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	36,724	30,715	71,316	63,914
Intermark Mall	3,491	3,676	6,415	6,960
DA MEN Mall	6,238	5,237	10,986	10,198
Elite Pavilion Mall	5,103	3,703	11,124	3,703
	<u>51,556</u>	<u>43,331</u>	<u>99,841</u>	<u>84,775</u>
Office:				
Pavilion Tower	1,211	1,105	2,340	2,168
<b>Total Property Operating Expenses</b>	<u>52,767</u>	<u>44,436</u>	<u>102,181</u>	<u>86,943</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	76,570	75,070	162,716	154,859
Intermark Mall	2,996	3,437	7,339	7,520
DA MEN Mall	(376)	1,790	18	4,759
Elite Pavilion Mall	10,303	8,169	18,959	8,169
	<u>89,493</u>	<u>88,466</u>	<u>189,032</u>	<u>175,307</u>
Office:				
Pavilion Tower	1,859	2,158	3,828	4,320
<b>Total Net Property Income</b>	<u>91,352</u>	<u>90,624</u>	<u>192,860</u>	<u>179,627</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
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	Current Quarter		Year to Date	
	30 June		30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
<b>Total Net Property Income</b>	91,352	90,624	192,860	179,627
Interest Income	2,992	2,988	5,919	5,139
<b>Net Investment Income</b>	<u>94,344</u>	<u>93,612</u>	<u>198,779</u>	<u>184,766</u>
Manager's Management Fee	7,475	7,340	15,231	14,160
Other Trust Expenses	503	407	1,050	888
Borrowings Cost	27,137	25,057	54,038	43,561
Total Trust Expenses	<u>35,115</u>	<u>32,804</u>	<u>70,319</u>	<u>58,609</u>
<b>Income Before Taxation</b>	59,229	60,808	128,460	126,157
Taxation	-	-	-	-
<b>Income After Taxation</b>	<u>59,229</u>	<u>60,808</u>	<u>128,460</u>	<u>126,157</u>
Distribution Adjustments	2,568	1,157	5,494	5,552
<b>Distributable Income</b>	<u><u>61,797</u></u>	<u><u>61,965</u></u>	<u><u>133,954</u></u>	<u><u>131,709</u></u>

**Quarterly Results**

Pavilion REIT recognised total gross revenue of RM144.1 million in Q2 2019, an increase of RM9.0 million or 7% compared to Q2 2018 of RM135.1 million. The increase was mainly contributed by higher revenue rent and electricity income from Pavilion Kuala Lumpur Mall for supplying electricity to Pavilion Hotel and Pavilion Suites as well as income from Elite Pavilion Mall that was acquired at the end of April 2018. This was offset by lower rental income from DA MEN Mall due to lower occupancy and rental rate.

Total property operating expenses was higher by RM8.3 million or 19% compared to Q2 2018 mainly due to higher operating cost incurred for the Elite Pavilion Mall that was acquired at the end of April 2018, higher electricity cost incurred for providing electricity supply to Pavilion Hotel and Pavilion Suites as well as the increase in electricity adjusted rate for imbalance cost pass-through (ICPT) approved by the government that took effect from 1 July 2018 onwards, higher marketing and promotional expenses incurred at DA MEN Mall to attract more shoppers with higher write back of impairment loss on trade receivables in Q2 2018.

These have resulted in higher total net property income by RM0.7 million or 1% in Q2 2019 compared to Q2 2018.

Manager's management fee incurred for the Q2 2019 was higher by RM0.1 million compared to Q2 2018. This was in line with the increase in the net property income. Borrowing cost incurred during the quarter has increased by RM2.1 million compared to Q2 2018 due to the drawdown of additional borrowing for working capital purposes.

Distributable income for the quarter under review was RM61.8 million or 2.03 sen per unit, consisting of income after tax of RM59.2 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowing transaction cost of RM0.6 million and 25% of Manager's management fee payable in units amounting to RM1.9 million.

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Year-to-date Results

Total revenue for year-to-date 30 June 2019 was RM295.0 million. It was higher by RM28.5 million or 11% compared to preceding year-to-date 30 June 2018's performance. The increase was mainly contributed by income from Elite Pavilion Mall that was acquired at the end of April 2018, higher revenue rent and electricity income from Pavilion Kuala Lumpur Mall for supplying electricity to Pavilion Hotel and Pavilion Suites. This was offset by lower rental income from DA MEN Mall due to lower occupancy and rental rate.

Total property operating expenses incurred was higher by RM15.2 million or 17% compared to year-to-date 30 June 2018. This was mainly due to higher operating cost incurred for the Elite Pavilion Mall that was acquired at the end of April 2018, higher electricity cost incurred for providing electricity supply to Pavilion Hotel and Pavilion Suites as well as the increase in electricity adjusted rate for imbalance cost pass-through (ICPT) approved by the government that took effect from 1 July 2018 onwards, higher marketing and promotional expenses incurred at DA MEN Mall to attract more shoppers with higher write back of impairment loss on trade receivables in Q2 2018.

These have resulted in higher total net property income by RM13.3 million or 7% in Q1 2019 compared to preceding year-to-date 30 June 2018.

Manager's management fee incurred for the Q2 2019 was higher by RM1.1 million compared to Q2 2018. This was in line with the increase in the net property income. Borrowing cost was higher by RM10.5 million due to drawdown of additional borrowing for acquisition of investment property and working capital purposes.

Distributable income for the six months ended 30 June 2019 was RM134.0 million or 4.40 sen per unit, consisting of income before taxation of RM128.5 million and non-cash adjustments for depreciation of RM0.3 million, amortisation of borrowings transaction cost of RM1.4 million and 25% of manager's management fee payable in units amounting to RM3.8 million.

Pavilion REIT has expended approximately RM0.5 million of its capital commitment during the year mainly for toilets refurbishment works.

B2 Material Changes in Quarterly Results

	Quarter Ended 30 Jun 2019 (unaudited) RM'000	Quarter Ended 31 Mar 2019 (unaudited) RM'000	Change %
Gross revenue	144,119	150,922	-4.5
Property operating expenses	(52,767)	(49,414)	-6.8
Net property income	91,352	101,508	-10.0
Interest income	2,992	2,927	2.2
Net investment income	94,344	104,435	-9.7
Total trust expenses	(7,978)	(8,303)	3.9
Borrowing cost	(27,137)	(26,901)	-0.9
Income before taxation	59,229	69,231	-14.4

The income before taxation for the current quarter under review was lower than the immediate preceding quarter by RM10.0 million or 14% mainly due to the decrease in revenue rent from Pavilion Kuala Lumpur Mall, further increase in electricity adjusted rate for imbalance cost pass-through (ICPT) approved by the government that took effect from 1 March 2019 onwards as well as higher marketing and promotional expenses incurred at DA MEN Mall to attract more shoppers.

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**B3 Prospects**

The retail market is expected to have modest growth in 2019 as consumer confidence stabilises. This is based on Nielson Malaysia's latest findings in collaboration with The Conference Board Global Consumer Confidence Survey which also notes that Malaysians have always been financially prudent. To ensure Pavilion REIT results are sustainable, the Manager will continue to explore enhancement to its tenant mix, cost management and enhance shopping experiences to attract shoppers.

**B4 Investment Objectives**

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

**B5 Strategies and Policies**

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

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

**B6 Income Distribution**

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

*Resident Unitholder*

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

*Non-Resident Unitholder*

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

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 ending 31 December 2019, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.44 sen per unit or RM134.8 million earned for 2<sup>nd</sup> half of 2018 was distributed on 28 February 2019. The proposed interim income distribution for the six months ended 30 June 2019 is 4.40 sen per unit or RM133.7 million. The proposed interim income distribution will be payable on the 30 August 2019.

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Statement of Income Distribution

	Current Quarter 30 June		Year to Date 30 June	
	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000	2019 (Unaudited) RM'000	2018 (Unaudited) RM'000
Rental income	122,409	118,821	253,463	236,124
Revenue from contract customers	15,602	11,049	29,286	19,091
Interest income	2,992	2,988	5,919	5,139
Other income	6,108	5,190	12,292	11,355
	<u>147,111</u>	<u>138,048</u>	<u>300,960</u>	<u>271,709</u>
Less: Expenses	<u>(87,882)</u>	<u>(77,240)</u>	<u>(172,500)</u>	<u>(145,552)</u>
Total comprehensive income for the period	59,229	60,808	128,460	126,157
Distribution adjustment	<u>2,568</u>	<u>1,157</u>	<u>5,494</u>	<u>5,552</u>
Realised income for the period	<u>61,797</u>	<u>61,965</u>	<u>133,954</u>	<u>131,709</u>
Previous period/year's undistributed realised income	<u>406</u>	<u>457</u>	<u>274</u>	<u>203</u>
Total realised income available for distribution	62,203	62,422	134,228	131,912
Less: Proposed/declared income distribution	<u>(61,692)</u>	<u>(62,207)</u>	<u>(133,717)</u>	<u>(131,697)</u>
Balance undistributed realised income	<u><u>511</u></u>	<u><u>215</u></u>	<u><u>511</u></u>	<u><u>215</u></u>
Distribution per unit (sen)	2.03	2.05	4.40	4.34

B7 Portfolio Composition

As at 30 June 2019, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN Mall, Intermark Mall and Elite Pavilion Mall.

B8 Taxation

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2019, no provision for taxation has been made for the current quarter.

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**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 30 June 2019	Total
Secured	RM'000
Revolving Term Loans	1,085,900
Unrated Medium Term Notes	1,075,000
Unamortised Borrowings Transaction Costs	(4,805)
	2,156,095
Gearing	34.0%
Average interest cost	4.8%
Composition of borrowings:	
Fixed Rate	42.8%
Floating Rate	57.2%

**B11 Off Balance Sheet Financial Instruments**

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

**B12 Material Litigation**

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

**B13 Soft Commission Received**

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

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B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 June 2019	Immediate preceding quarter ended 31 March 2019
Number of units in issue (units)	3,039,020,436	3,039,020,436
Net Asset Value (“NAV”) (RM’000)	3,975,478	3,916,249
NAV per unit (RM)	1.3081	1.2887
Total comprehensive income (RM’000)	59,229	69,231
Weighted average number of units in issue – year to date (units)	3,038,380,792	3,037,734,041
Earnings per Unit after Manager’s management fee (Sen)	1.95	2.28
Proposes / Declared Distribution per Unit (“DPU”) (Sen)	2.03	2.37
Market Price (RM)	1.83	1.82
Distribution Yield (%) <sup>4</sup>	4.85	5.28

<sup>4</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 30 June 2019	Year to Date 30 June 2019	Basis
Base Fee	4,734	9,445	0.3% per annum on total asset value
Performance Fee	2,741	5,786	3.0% per annum on net property income
Total	7,475	15,231	

25% of the total Manager’s 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 30 June 2019 and of its financial performance and cash flows for the period 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  
25 July 2019