

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 30 June 2022 (Unaudited) <b>RM'000</b>	As at 31 December 2021 (Audited) <b>RM'000</b>
<b>ASSETS</b>		
Plant and equipment	589	740
Investment properties	5,888,736	5,880,000
Total non-current assets	<u>5,889,325</u>	<u>5,880,740</u>
Inventories	3,217	3,068
Trade and other receivables	37,545	42,656
Cash and bank balances	362,741	312,231
Total current assets	<u>403,503</u>	<u>357,955</u>
<b>TOTAL ASSETS</b>	<b>6,292,828</b>	<b>6,238,695</b>
<b>LIABILITIES</b>		
Borrowings	1,383,515	1,778,298
Payables and accruals	29,541	81,677
Total non-current liabilities	<u>1,413,056</u>	<u>1,859,975</u>
Borrowings	800,000	395,000
Payables and accruals	176,461	125,267
Total current liabilities	<u>976,461</u>	<u>520,267</u>
<b>TOTAL LIABILITIES</b>	<b>2,389,517</b>	<b>2,380,242</b>
<b>NET ASSET VALUE</b>	<u><b>3,903,311</b></u>	<u><b>3,858,453</b></u>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	2,948,587	2,945,255
Accumulated income	954,724	913,198
<b>TOTAL UNITHOLDERS' FUND</b>	<u><b>3,903,311</b></u>	<u><b>3,858,453</b></u>
Number of units in circulation ('000 units)	3,052,810	3,050,059
Net asset value per unit (RM)		
- Before income distribution	1.2786	1.2650
- After income distribution*	1.2378	1.2392

\*after proposed income distribution of 4.08 sen per unit (2021: after final income distribution of 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 30 JUNE 2022 (UNAUDITED)**

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

	Current Quarter 30 June		Year to Date 30 June	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Rental income	123,980	112,987	246,028	229,648
Revenue from contract customers	14,267	9,157	27,450	16,516
Other income	3,246	2,639	6,793	4,833
<b>GROSS REVENUE</b>	<b>141,493</b>	<b>124,783</b>	<b>280,271</b>	<b>250,997</b>
Utilities	(18,004)	(13,705)	(33,533)	(25,809)
Maintenance	(15,875)	(13,841)	(32,073)	(28,430)
Property taxes	(4,092)	(4,041)	(8,130)	(8,121)
Other operating expenses <sup>1</sup>	(20,413)	(45,579)	(29,437)	(82,173)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(58,384)</b>	<b>(77,166)</b>	<b>(103,173)</b>	<b>(144,533)</b>
<b>NET PROPERTY INCOME</b>	<b>83,109</b>	<b>47,617</b>	<b>177,098</b>	<b>106,464</b>
Interest income	1,178	1,181	2,385	2,414
Net fair value changes on investment properties	-	-	-	-
<b>NET INVESTMENT INCOME</b>	<b>84,287</b>	<b>48,798</b>	<b>179,483</b>	<b>108,878</b>
Manager's management fee	(7,245)	(6,118)	(14,675)	(12,487)
Trustee's fee	(121)	(120)	(240)	(240)
Other trust expenses	(524)	(285)	(892)	(540)
Borrowings cost	(21,421)	(21,866)	(43,458)	(43,944)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(29,311)</b>	<b>(28,389)</b>	<b>(59,265)</b>	<b>(57,211)</b>
<b>INCOME BEFORE TAXATION</b>	<b>54,976</b>	<b>20,409</b>	<b>120,218</b>	<b>51,667</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>54,976</b>	<b>20,409</b>	<b>120,218</b>	<b>51,667</b>
Income after taxation comprises the followings:-				
Realised	54,976	20,409	120,218	51,667
Unrealised	-	-	-	-
	<u>54,976</u>	<u>20,409</u>	<u>120,218</u>	<u>51,667</u>
Earnings per unit – basic (sen) #	1.80	0.67	3.94	1.70
Earnings per unit – diluted (sen) #	1.80	0.67	3.94	1.70

<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 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.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

	Current Quarter 30 June		Year to Date 30 June	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
	<b>Total comprehensive income for the period <sup>2</sup></b>	<b>54,976</b>	<b>20,409</b>	<b>120,218</b>
Distribution adjustments <sup>3</sup>	2,250	2,074	4,569	4,357
<b>Distributable income</b>	<b>57,226</b>	<b>22,483</b>	<b>124,787</b>	<b>56,024</b>

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

	Current Quarter 30 June		Year to Date 30 June	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
	Depreciation	80	129	159
Foreign exchange loss	3	8	3	9
Impairment loss/(Write back) of trade receivables	7,387	(454)	4,120	1,056

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 30 June		Year to Date 30 June	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
	Amortisation of borrowing transaction costs	358	415	741
Depreciation	80	129	159	257
Manager's management fee payable in units	1,812	1,530	3,669	3,122
	2,250	2,074	4,569	4,357

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (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 2021</b>	2,938,844	920,473	3,859,317
Total comprehensive income for the period	-	51,667	51,667
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- Manager's management fee paid in units	3,290	-	3,290
- Distribution to unitholders	-	(76,742)	(76,742)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,290	(76,742)	(73,452)
<b>As at 30 June 2021 (unaudited)</b>	<b><u>2,942,134</u></b>	<b><u>895,398</u></b>	<b><u>3,837,532</u></b>
<b>As at 1 January 2022</b>	2,945,255	913,198	3,858,453
Total comprehensive income for the period	-	120,218	120,218
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- Manager's management fee paid in units	3,332	-	3,332
- Distribution to unitholders	-	(78,692)	(78,692)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,332	(78,692)	(75,360)
<b>As at 30 June 2022 (unaudited)</b>	<b><u>2,948,587</u></b>	<b><u>954,724</u></b>	<b><u>3,903,311</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 2021 and the accompanying explanatory notes attached to the interim financial statements.

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

	30 June 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
Total Manager's fees paid	<u>2,416</u>	<u>3,290</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

	30 June 2022	
	Units <b>000</b>	Amount <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
Total Manager's fees paid	<u>2,751</u>	<u>3,332</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year to Date 30 June 2022 RM'000	Preceding Year to Date 30 June 2021 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	120,218	51,667
<i>Adjustments for :-</i>		
Borrowing cost	43,458	43,944
Interest income	(2,385)	(2,414)
Depreciation	159	257
Fixed asset written off	3	-
Gain on disposal of plant and equipment	(1)	-
Impairment loss on trade receivables	4,120	1,056
<b>Operating income before changes in working capital</b>	<b>165,572</b>	<b>94,510</b>
Inventories	(149)	(470)
Trade and other receivables	991	780
Trade and other payables	2,754	18,614
Tenants' deposits	(364)	(2,250)
<b>Net cash from operating activities</b>	<b>168,804</b>	<b>111,184</b>
<b>Cash Flow from Investing Activities</b>		
Interest received	2,385	2,414
Payment for enhancement of investment properties (Pledged)/Uplifted deposit	(8,736)	(23,409)
	(516)	6,212
Purchase of plant and equipment	(14)	(93)
Proceed from disposal of plant and equipment	4	-
<b>Net cash used in investing activities</b>	<b>(6,877)</b>	<b>(14,876)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(78,692)	(76,742)
Interest paid	(42,717)	(42,966)
Payment of financing expenses	(524)	(747)
Proceeds from borrowings	180,000	420,000
Repayment of borrowings	(170,000)	(406,762)
<b>Net cash used in financing activities</b>	<b>(111,933)</b>	<b>(107,217)</b>
Net increase/(decrease) in cash and cash equivalents	49,994	(10,909)
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 period	<u>303,999</u>	<u>266,400</u>
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	174,506	22,544
Deposits placed with licensed banks	188,235	301,577
	<u>362,741</u>	<u>324,121</u>
Pledged deposit	(58,742)	(57,721)
	<u>303,999</u>	<u>266,400</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 30 JUNE 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 period ended 30 June 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, 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 management, 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 2022, 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.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

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
2,750,725	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)

A9 Segmental Reporting

Segmental results for the period ended 30 June 2022 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	275,329	4,942	280,271
Net Property Income	174,737	2,361	177,098
Interest Income			2,385
Net Fair Value Changes on Investment Properties			-
Net Investment Income			179,483
Trust Expenses			(15,807)
Borrowings Cost			(43,458)
Income Before Taxation			120,218
Taxation			-
Income After Taxation			120,218
Segment assets	6,101,698	132,388	6,234,086
Other non-allocated assets			58,742
			6,292,828
Segment liabilities	2,358,087	31,272	2,389,359
Other non-allocated liabilities			158
			2,389,517



**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

A10 Valuation of Investment Properties

The investment properties are to be valued annually based on valuation by independent registered valuer. Any differences between the valuation and the book value of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. For investment properties acquired under equity-settled share-based payment transactions, the investment properties are initially measured at fair value, with corresponding increase in equity.

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 2022	3,050,059,081
Units issued as payment of Manager's management fees	<u>2,750,725</u>
Total units issued	<u>3,052,809,806</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	47

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

**Part B – Additional Information Pursuant to Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad**

B1 Review of Performance

	Current Quarter		Year to Date	
	30 Jun		30 Jun	
	2022 (Unaudited) <b>RM'000</b>	2021 (Unaudited) <b>RM'000</b>	2022 (Unaudited) <b>RM'000</b>	2021 (Unaudited) <b>RM'000</b>
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	114,218	101,565	225,890	205,257
Intermark Mall	5,836	6,199	11,811	12,050
DA MEN Mall	3,052	2,636	6,531	5,780
Elite Pavilion Mall	15,979	11,588	31,097	22,335
	<u>139,085</u>	<u>121,988</u>	<u>275,329</u>	<u>245,422</u>
Office:				
Pavilion Tower	2,408	2,795	4,942	5,575
<b>Total Gross Revenue</b>	<u>141,493</u>	<u>124,783</u>	<u>280,271</u>	<u>250,997</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	40,152	57,231	71,451	106,923
Intermark Mall	4,693	3,904	7,728	7,704
DA MEN Mall	5,957	5,259	9,756	10,650
Elite Pavilion Mall	6,178	8,650	11,657	15,815
	<u>56,980</u>	<u>75,044</u>	<u>100,592</u>	<u>141,092</u>
Office:				
Pavilion Tower	1,404	2,122	2,581	3,441
<b>Total Property Operating Expenses</b>	<u>58,384</u>	<u>77,166</u>	<u>103,173</u>	<u>144,533</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	74,066	44,334	154,439	98,334
Intermark Mall	1,143	2,295	4,083	4,346
DA MEN Mall	(2,905)	(2,623)	(3,225)	(4,870)
Elite Pavilion Mall	9,801	2,938	19,440	6,520
	<u>82,105</u>	<u>46,944</u>	<u>174,737</u>	<u>104,330</u>
Office:				
Pavilion Tower	1,004	673	2,361	2,134
<b>Total Net Property Income</b>	<u>83,109</u>	<u>47,617</u>	<u>177,098</u>	<u>106,464</u>

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

	Current Quarter		Year to Date	
	30 Jun		30 Jun	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
<b>Total Net Property Income</b>	83,109	47,617	177,098	106,464
Interest Income	1,178	1,181	2,385	2,414
<b>Net Investment Income</b>	<u>84,287</u>	<u>48,798</u>	<u>179,483</u>	<u>108,878</u>
Manager's Management Fee	7,245	6,118	14,675	12,487
Other Trust Expenses	645	405	1,132	780
Borrowings Cost	21,421	21,866	43,458	43,944
Total Trust Expenses	<u>29,311</u>	<u>28,389</u>	<u>59,265</u>	<u>57,211</u>
<b>Income Before Taxation</b>	54,976	20,409	120,218	51,667
Taxation	-	-	-	-
<b>Income After Taxation</b>	<u>54,976</u>	<u>20,409</u>	<u>120,218</u>	<u>51,667</u>
Distribution Adjustments	2,250	2,074	4,569	4,357
<b>Distributable Income</b>	<u><u>57,226</u></u>	<u><u>22,483</u></u>	<u><u>124,787</u></u>	<u><u>56,024</u></u>

#### Quarterly Results

Pavilion REIT recognised total gross revenue of RM141.5 million in Q2 2022, an increase of RM16.7 million or 13% as compared to Q2 2021 of RM124.8 million. The increase was mainly contributed by higher revenue rent and income from advertising after all economic sectors and businesses were allowed to be reopened.

Total property operating expenses decreased by RM18.8 million or 24% as compared to Q2 2021. This was mainly due to higher rent rebates given to tenants in Q2 2021, offset by higher provision for doubtful debts and utility cost in Q2 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. Maintenance and marketing expenses also increased due to the resumption of marketing activities and events with the reopening of the economy.

These have resulted in higher net property income by RM35.5 million or 75% in Q2 2022 as compared to Q2 2021.

Manager's management fee incurred for the Q2 2022 was higher by RM1.1 million as compared to Q2 2021 due to higher net property income. Higher other trust expenses were incurred for the development of environmental, social and governance roadmap and business continuity management framework.

Distributable income for the quarter under review was RM57.2 million or 1.87 sen per unit, consisting of income after tax of RM55.0 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowing transaction cost of RM0.3 million and 25% of Manager's management fee payable in units amounting to RM1.8 million.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

Year-to-Date Results

Total revenue for year-to-date 30 June 2022 was RM280.3 million. It was higher by RM29.3 million or 12% as compared to preceding year-to-date 30 June 2021's performance. The increase was mainly contributed by higher revenue rent and income from advertising after all economic sectors and businesses were allowed to be reopened.

Total property operating expenses incurred was lower by RM41.4 million or 29% as compared to year-to-date 30 June 2021. This was mainly due to rent rebates given to tenants in preceding year-to-date 30 June 2021, offset by higher provision for doubtful debts, 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. Maintenance and marketing expenses also increased with the resumption of marketing activities and events with the reopening of the economy.

These have resulted in higher net property income by RM70.6 million or 66% for year-to-date 30 June 2022 as compared to preceding year-to-date 30 June 2021.

Higher manager's management fee by RM2.2 million mainly due to the increase in net property income. Higher other trust expenses were incurred for the development of environmental, social and governance roadmap and business continuity management framework.

These resulted in income before taxation being higher by RM68.6 million or 133% as compared to preceding year-to-date 30 June 2021.

Distributable income for the quarter under review was RM124.8 million or 4.08 sen per unit, consisting of income after tax of RM120.2 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.7 million and Manager's management fee payable in units amounting to RM3.7 million.

Pavilion REIT has expended approximately RM8.7 million of its capital commitment during the year, mainly for development of glass kiosks outside Fashion Avenue and upgrading of cooling tower at Pavilion Kuala Lumpur Mall.

**B2 Material Changes in Quarterly Results**

	Quarter Ended 30 Jun 2022 (unaudited) RM'000	Quarter Ended 31 Mar 2022 (unaudited) RM'000	Change %
Gross revenue	141,493	138,778	2.0
Property operating expenses	(58,384)	(44,789)	-30.4
Net property income	83,109	93,989	-11.6
Interest income	1,178	1,207	-2.4
Net investment income	84,287	95,196	-11.5
Total trust expenses	(7,890)	(7,917)	0.3
Borrowing cost	(21,421)	(22,037)	2.8
Income before taxation	54,976	65,242	-15.7

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

The income before taxation for the current quarter under review was lower by RM10.3 million as compared to the last immediate quarter due to higher provision for doubtful debts and 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.

**B3 Prospects**

According to Retail Group Malaysia (“RGM”), the retail industry recorded a growth rate of 18.3% in the first quarter of 2022, spurred by better economic conditions and further easing of movement restrictions. With estimated growth of 25.7% for the second quarter of this year, RGM has revised its 2022 retail industry growth forecast upwards to 13.1% from 6.3%.

The Manager is optimistic that the retail sector recovery will be sustainable. Shopping traffic has returned to pre-Covid levels. However, inflation and rising interest rates will affect the discretionary spendings and purchasing power of consumers. Engagements had been held with tourism agencies to boost tourism programmes with more activities and events being planned for the year. The Manager will continue to increase its properties occupancy through proactive lease management and control its operating cost.

**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% |

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

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

Distribution of 2.58 sen per unit or RM78.7 million earned for 2<sup>nd</sup> half of 2021 was distributed on 28 February 2022. The proposed interim income distribution for the six months ended 30 June 2022 is 4.08 sen per unit or RM124.6 million. The proposed interim income distribution will be payable on the 2 September 2022.

Statement of Income Distribution

	Current Quarter		Year to Date	
	30 June		30 June	
	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000	2022 (Unaudited) RM'000	2021 (Unaudited) RM'000
Rental income	123,980	112,987	246,028	229,648
Revenue from contract customers	14,267	9,157	27,450	16,516
Interest income	1,178	1,181	2,385	2,414
Other income	3,246	2,639	6,793	4,833
	<u>142,671</u>	<u>125,964</u>	<u>282,656</u>	<u>253,411</u>
Less: Expenses	<u>(87,695)</u>	<u>(105,555)</u>	<u>(162,438)</u>	<u>(201,744)</u>
Total comprehensive income for the period/year	54,976	20,409	120,218	51,667
Distribution adjustment	<u>2,250</u>	<u>2,074</u>	<u>4,569</u>	<u>4,357</u>
Realised income for the period/year	<u>57,226</u>	<u>22,483</u>	<u>124,787</u>	<u>56,024</u>
Previous period/year's undistributed realised income	545	286	451	253
Total realised income available for distribution	<u>57,771</u>	<u>22,769</u>	<u>125,238</u>	<u>56,277</u>
Less: Proposed/declared income distribution	<u>(57,088)</u>	<u>(22,265)</u>	<u>(124,555)</u>	<u>(55,773)</u>
Balance undistributed realised income	<u><u>683</u></u>	<u><u>504</u></u>	<u><u>683</u></u>	<u><u>504</u></u>
Distribution per unit (sen)	1.87	0.73	4.08	1.83

B7 Portfolio Composition

As at 30 June 2022, 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.

**PAVILION REAL ESTATE INVESTMENT TRUST**  
**FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2022, 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 14 July 2022, the Board of Directors of the Manager announced that the due diligence exercise in connection with the potential acquisition of Pavilion Bukit Jalil is currently at an advance stage and discussions on the terms of the sale and purchase agreement are still on-going with Regal Path Sdn Bhd (a subsidiary of Malton Berhad).

**B10 Borrowings and Debt Securities**

As at 30 June 2022	Total
	RM'000
Secured Revolving Term Loans	713,267
Unrated Medium Term Notes	1,475,000
Unamortised Borrowings Transaction Costs	(4,752)
	2,183,515
Gearing	34.7%
Average interest cost	3.9%
Composition of borrowings:	
Fixed Rate	35.4%
Floating Rate	64.6%

**B11 Off Balance Sheet Financial Instruments**

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

**B12 Material Litigation**

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

**B13 Soft Commission Received**

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

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 June 2022	Immediate preceding quarter ended 31 March 2022
Number of units in issue (units)	3,052,809,806	3,052,809,806
Net Asset Value (“NAV”) (RM’000)	3,903,311	3,848,335
NAV per unit (RM)	1.2786	1.2606
Total comprehensive income (RM’000)	54,976	65,242
Weighted average number of units in issue – year to date (units)	3,052,080,332	3,051,342,753
Earnings per Unit after Manager’s management fee (sen)	1.80	2.14
Proposes / Declared Distribution per Unit (“DPU”) (sen)	1.87	2.21
Market Price (RM)	1.32	1.32
Distribution Yield (%) <sup>5</sup>	6.23	6.79

<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 30 June 2022	Year to Date 30 June 2022	Basis
Base Fee	4,752	9,362	0.3% per annum on total asset value
Performance Fee	2,493	5,313	3.0% per annum on net property income
Total	7,245	14,675	

25% of the total Manager’s manager fee would be payable in units.

B16 Trustee’s Fees

In accordance to the Trust Deed, an annual trusteeship fee of up to 0.05% per annum of NAV is to be paid to the Trustee.



**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022 (UNAUDITED)**

B17 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 30 June 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  
28 July 2022