

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
ASSETS		
Plant and equipment	860	1,105
Investment properties	5,935,948	5,913,000
Total non-current assets	<u>5,936,808</u>	<u>5,914,105</u>
Inventories	2,786	2,912
Trade and other receivables	70,388	71,076
Cash and bank balances	327,257	368,922
Total current assets	<u>400,431</u>	<u>442,910</u>
TOTAL ASSETS	6,337,239	6,357,015
LIABILITIES		
Borrowings	1,756,614	2,157,069
Payables and accruals	70,849	73,676
Total non-current liabilities	<u>1,827,463</u>	<u>2,230,745</u>
Borrowings	406,373	-
Payables and accruals	213,804	146,532
Total current liabilities	<u>620,177</u>	<u>146,532</u>
TOTAL LIABILITIES	2,447,640	2,377,277
NET ASSET VALUE	<u>3,889,599</u>	<u>3,979,738</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,938,844	2,931,927
Accumulated income	950,755	1,047,811
TOTAL UNITHOLDERS' FUND	<u>3,889,599</u>	<u>3,979,738</u>
Number of units in circulation ('000 units)	3,045,307	3,041,090
Net asset value per unit (RM)		
- Before income distribution	1.2772	1.3087
- After income distribution*	1.2659	1.2677

*after distributable income of 1.13 sen per unit (2019: after final income distribution of 4.10 sen per unit)

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

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter 30 September		Year to Date 30 September	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Rental Income	105,973	125,227	286,944	378,690
Revenue from contract customers	7,710	12,534	24,556	41,820
Other Income	2,551	6,589	7,874	18,881
GROSS REVENUE	116,234	144,350	319,374	439,391
Utilities	(12,926)	(19,161)	(42,553)	(55,312)
Maintenance	(21,562)	(17,147)	(47,975)	(49,074)
Property taxes	(4,098)	(4,093)	(12,293)	(12,282)
Other operating expenses	(16,772)	(12,873)	(51,489)	(38,787)
PROPERTY OPERATING EXPENSES	(55,358)	(53,274)	(154,310)	(155,455)
NET PROPERTY INCOME	60,876	91,076	165,064	283,936
Interest income	1,233	2,803	5,111	8,722
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	62,109	93,879	170,175	292,658
Manager's management fees	(6,614)	(7,402)	(19,185)	(22,633)
Trustee's fees	(122)	(122)	(363)	(363)
Other trust expenses	(250)	(266)	(926)	(1,075)
Borrowings costs	(23,087)	(26,641)	(73,074)	(80,679)
TOTAL TRUST EXPENDITURE	(30,073)	(34,431)	(93,548)	(104,750)
INCOME BEFORE TAXATION	32,036	59,448	76,627	187,908
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	32,036	59,448	76,627	187,908
Income after taxation comprises the followings:-				
Realised	32,036	59,448	76,627	187,908
Unrealised	-	-	-	-
	<u>32,036</u>	<u>59,448</u>	<u>76,627</u>	<u>187,908</u>
Earnings per unit – basic (sen) #	1.05	1.95	2.52	6.18
Earnings per unit – diluted (sen) #	1.05	1.95	2.52	6.18

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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

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	Current Quarter 30 September		Year to Date 30 September	
	2020	2019	2020	2019
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Total comprehensive income for the period ¹	32,036	59,448	76,627	187,908
Distribution adjustments ²	2,335	2,548	6,835	8,042
Distributable income	34,371	61,996	83,462	195,950

¹ Total comprehensive income is derived after charging:-

	Current Quarter 30 September		Year to Date 30 September	
	2020	2019	2020	2019
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Depreciation	96	111	292	357
Foreign exchange loss/(gain)	4	(1)	17	5
Impairment loss on trade receivables	5,316	195	12,240	136

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.

² Included in the distribution adjustments are the followings:-

	Current Quarter 30 September		Year to Date 30 September	
	2020	2019	2020	2019
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	586	587	1,747	2,027
Depreciation	96	111	292	357
Manager's management fees payable in units	1,653	1,850	4,796	5,658
	2,335	2,548	6,835	8,042

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CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	Income / (Deficit)	Total Funds
	RM'000	RM'000	RM'000
As at 1 January 2019	2,924,229	1,053,727	3,977,956
Total comprehensive income for the period	-	187,908	187,908
Unitholders' transactions			
- Issue of new units ³	-	-	-
- Manager's management fees paid in units	7,698	-	7,698
- Distribution to unitholders	-	(268,546)	(268,546)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,698	(268,546)	(260,848)
As at 30 September 2019 (unaudited)	2,931,927	973,089	3,905,016
As at 1 January 2020	2,931,927	1,047,811	3,979,738
Total comprehensive income for the period	-	76,627	76,627
Unitholders' transactions			
- Issue of new units ³	-	-	-
- Manager's management fees paid in units	6,917	-	6,917
- Distribution to unitholders	-	(173,683)	(173,683)
Increase/(Decrease) in net assets resulting from unitholders' transactions	6,917	(173,683)	(166,766)
As at 30 September 2020 (unaudited)	2,938,844	950,755	3,889,599

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

³ Issue of new units consists of the followings:-

	30 September 2019	
	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.6802 per unit for entitlement for the 6 months period ended 31 December 2018	2,315	3,891
- at RM1.8396 per unit for entitlement for the 6 months period ended 30 June 2019	2,070	3,807
Total Manager's fees paid	4,385	7,698

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

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 30 September 2020 RM'000	Preceding Year to Date 30 September 2019 RM'000
Cash Flows From Operating Activities		
Income before taxation	76,627	187,908
<i>Adjustments for :-</i>		
Borrowing cost	73,074	80,679
Interest income	(5,111)	(8,722)
Depreciation	292	357
Impairment loss on trade receivables	12,239	136
Operating income before changes in working capital	157,121	260,358
Inventories	126	175
Trade and other receivables	(11,551)	1,923
Trade and other payables	75,512	4,953
Tenants' deposits	(4,150)	(356)
Net cash from operating activities	217,058	267,053
Cash Flow From Investing Activities		
Interest received	5,111	8,722
Payment for enhancement of investment properties	(22,948)	(3,799)
Pledged deposit	(1,204)	(1,920)
Purchase of plant and equipment	(47)	-
Net cash (used in)/from investing activities	(19,088)	3,003
Cash Flow from Financing Activities		
Distribution to unitholders	(173,683)	(268,546)
Interest paid	(71,327)	(78,652)
Interest capitalised	20,331	-
Payment of financing expenses	(60)	(2,218)
Proceeds from borrowings	10,000	386,840
Repayment of borrowings	(26,100)	(377,800)
Net cash used in financing activities	(240,839)	(340,376)
Net decrease in cash and cash equivalents	(42,869)	(70,320)
Cash and cash equivalents as at the beginning of the year	306,478	319,748
Cash and cash equivalents as at the end of the period	263,609	249,428
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	17,492	14,276
Deposits placed with licensed banks	309,765	297,092
	327,257	311,368
Pledged deposit	(63,648)	(61,940)
	263,609	249,428

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

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

A1 Basis of Preparation

The condensed interim financial statements as at and for the nine months ended 30 September 2020 comprise Pavilion REIT and its subsidiaries. The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Listing Requirements of Bursa Securities, provision of the First Amended and Restated Trust Deed dated 18 February 2019 (“the Trust Deed”), the Securities Commission’s Guidelines on Real Estate Investment Trusts (“the REITs Guidelines”) and the accounting standards, amendments and interpretations where applicable to Pavilion REIT that are effective for annual periods beginning on or after 1 January 2020. They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the Audited Financial Report for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

A2 Audit Report of Preceding Financial Year

There was no qualification to the Pavilion REIT’s audit report for the preceding financial year ended 31 December 2019, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

A3 Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in its consolidated annual financial statements as at and for the year ended 31 December 2019.

A4 Estimates

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

In preparing these condensed interim financial statements, the significant judgements made by the Manager in applying the accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2019, except as disclosed below.

The accounting policy of investment properties as adopted by Pavilion REIT requires investment 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 2020, 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 other than the Malaysian Government imposing mandatory control orders effective from 18 March 2020.

A7 Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter.

A8 Debt and Equity Securities

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

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
2,242,506	RM1.6829	12 February 2020	Based on the 5-day volume weighted average price of the units up to but excluding 23 January 2020 (as management fee)
1,974,738	RM1.5915	12 August 2020	Based on the 5-day volume weighted average price of the units up to but excluding 23 July 2020 (as management fee)

A9 Segmental Reporting

Segmental results for the period ended 30 September 2020 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	311,330	8,044	319,374
Net Property Income	160,620	4,444	165,064
Interest Income			5,111
Net Investment Income			170,175
Trust Expenses			(20,474)
Borrowings Cost			(73,074)
Income Before Taxation			76,627
Taxation			-
Income After Taxation			76,627
Segment assets	6,153,258	134,176	6,287,434
Other non-allocated assets			49,805
			6,337,239
Segment liabilities	2,416,153	31,377	2,447,530
Other non-allocated liabilities			110
			2,447,640

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

A13 Contingent Liabilities or Contingent Assets

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

A14 Capital Commitments

	RM'000
Authorised and contract for:	
- Within one year	180

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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 September		Year to Date 30 September	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	91,856	114,618	253,302	348,650
Intermark Mall	6,307	6,282	17,213	20,036
DA MEN Mall	2,972	5,762	8,990	16,766
Elite Pavilion Mall	11,842	14,798	31,825	44,881
	<u>112,977</u>	<u>141,460</u>	<u>311,330</u>	<u>430,333</u>
Office:				
Pavilion Tower	3,257	2,890	8,044	9,058
Total Gross Revenue	<u>116,234</u>	<u>144,350</u>	<u>319,374</u>	<u>439,391</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	37,451	37,073	105,517	108,389
Intermark Mall	3,394	3,298	8,768	9,713
DA MEN Mall	6,342	5,677	17,523	16,663
Elite Pavilion Mall	6,550	5,758	18,902	16,882
	<u>53,737</u>	<u>51,806</u>	<u>150,710</u>	<u>151,647</u>
Office:				
Pavilion Tower	1,621	1,468	3,600	3,808
Total Property Operating Expenses	<u>55,358</u>	<u>53,274</u>	<u>154,310</u>	<u>155,455</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	54,405	77,545	147,785	240,261
Intermark Mall	2,913	2,984	8,445	10,323
DA MEN Mall	(3,370)	85	(8,533)	103
Elite Pavilion Mall	5,292	9,040	12,923	27,999
	<u>59,240</u>	<u>89,654</u>	<u>160,620</u>	<u>278,686</u>
Office:				
Pavilion Tower	1,636	1,422	4,444	5,250
Total Net Property Income	<u>60,876</u>	<u>91,076</u>	<u>165,064</u>	<u>283,936</u>

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	Current Quarter		Year to Date	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Total Net Property Income	60,876	91,076	165,064	283,936
Interest Income	1,233	2,803	5,111	8,722
Net Investment Income	<u>62,109</u>	<u>93,879</u>	<u>170,175</u>	<u>292,658</u>
Manager's Management Fees	6,614	7,402	19,185	22,633
Other Trust Expenses	372	388	1,289	1,438
Borrowings Costs	23,087	26,641	73,074	80,679
Total Trust Expenses	<u>30,073</u>	<u>34,431</u>	<u>93,548</u>	<u>104,750</u>
Income Before Taxation	32,036	59,448	76,627	187,908
Taxation	-	-	-	-
Income After Taxation	<u>32,036</u>	<u>59,448</u>	<u>76,627</u>	<u>187,908</u>
Distribution Adjustments	2,335	2,548	6,835	8,042
Distributable Income	<u>34,371</u>	<u>61,996</u>	<u>83,462</u>	<u>195,950</u>

Quarterly Results

Pavilion REIT recognised total gross revenue of RM116.2 million in Q3 2020, a decrease of RM28.1 million or 19% compared to Q3 2019 of RM144.3 million. The decrease was mainly due to lower gross revenue from Pavilion Kuala Lumpur Mall and Elite Pavilion Mall. Malls' occupancy was lower due to non-renewal of some expired tenancies and also deferment of rent commencement date for some tenants due to the Movement Control Order (MCO), Conditional Movement Control Order (CMCO) and Recovery Movement Control Order (RMCO) imposed by the Government. The revenue rent and advertising income were also badly affected.

Total property operating expenses was higher by RM2.1 million or 4% compared to Q3 2019 mainly due to cost incurred for regular sanitisation of the malls, purchase of hygiene equipment and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED light in the mall as well as higher provision for doubtful debts. This was mitigated by electricity saving and lesser marketing expenses incurred during the period.

Net property income reduced by RM30.2 million or 33% in Q3 2020 compared to Q3 2019.

Manager's management fees incurred for Q3 2020 was lower by RM0.8 million compared to the same quarter last year. This was in line with the decrease in net property income. Borrowing costs incurred during the quarter was lower by RM3.6 million compared to Q3 2019 due to lower interest rate for term loan.

Distributable income for the quarter under review was RM34.4 million or 1.13 sen per unit, consisting of income after tax of RM32.0 million and non-cash adjustments for depreciation of RM0.1 million, amortisation of borrowings transaction cost of RM0.6 million and 25% of Manager's management fees payable in units amounting to RM1.7 million.

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Year-to-Date Results

Total revenue for year-to-date 30 September 2020 was RM319.4 million. It was lower by RM120.0 million or 27% compared to preceding year-to-date 30 September 2019's performance. The decrease was mainly due to rent rebates given to tenants that were not providing essential services and supplies during the MCO and CMCO. The occupancy for malls was lower due to non-renewal of some expired tenancies and also deferment of rent commencement date for some tenants. Percentage rent and advertising revenue were also badly affected and recorded lower income as compared to preceding year-to-date 30 September 2020.

Total property operating expenses incurred was lower by RM1.1 million or 1% compared to year-to-date 30 September 2019 mainly due to electricity saving and lesser marketing expenses incurred during the period. This was off-set by cost incurred for regular sanitisation of the malls, purchase of hygiene equipment and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED light in the mall, contributions made to the Malaysian Government to support Malaysia's fight against Covid-19 pandemic and higher provision for doubtful debts.

Manager's management fee incurred was lower by RM3.4 million compared to year to date September 2019 due to lower net property income. Borrowing cost was lower by RM7.6 million due to decrease in interest rates for term loans.

These have resulted in lower income before taxation by RM111.3 million or 59% compared to preceding year-to-date 30 September 2019.

Distributable income for the nine months ended 30 September 2020 was RM83.4 million or 2.74 sen per unit, consisting of income before taxation of RM76.6 million and non-cash adjustments for depreciation of RM0.3 million, amortisation of borrowings transaction cost of RM1.7 million and 25% of manager's management fees payable in units amounting to RM4.8 million.

Pavilion REIT has expended approximately RM22.9 million of its capital commitment during the year, mainly for upgrading of hoists at Centre Court, development of a new retail space at the end of Couture precinct at Pavilion Kuala Lumpur Mall as well as landlord provisions for Dadi Cinema at DA MEN Mall.

B2 Material Changes in Quarterly Results

	Quarter Ended 30 Sep 2020 (unaudited) RM'000	Quarter Ended 30 Jun 2020 (unaudited) RM'000	Change %
Gross revenue	116,234	86,731	34.0
Property operating expenses	(55,358)	(47,663)	-16.1
Net property income	60,876	39,068	55.8
Interest income	1,233	1,486	-17.0
Net investment income	62,109	40,554	53.2
Total trust expenses	(6,986)	(6,408)	-9.0
Borrowing cost	(23,087)	(24,156)	4.4
Income before taxation	32,036	9,990	220.7

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The income before taxation for the current quarter under review was higher by RM22.0 million as compared to the immediate preceding quarter mainly due to rent rebates for tenants that were not providing essential services and supplies as their business were affected due to the MCO implemented.

Total property operating expenses was higher mainly due to cost incurred for regular sanitisation of the malls, purchase of hygiene equipment and tools, consultancy costs incurred for evaluating the cooling tower system, replacement of LED light in the mall as well as cost incurred to reinstate and upgrade tenancy lots.

B3 Prospects

As per Nielsen Malaysia, Malaysians had cut their non-essential expenses in the 2nd quarter this year and this consumer pattern would persist as long as Malaysians continue to face job uncertainty and insecurity. Their survey showed that consumers are spending less on new clothes (53% vs 48% in Q1 2020), out-of-home entertainment (50% vs 43%) and vacations (44% vs 38%).

With the latest resurgence of Covid-19 cases in the country as well as announcement of cases in some shopping malls, the number of patrons visiting malls have reduced immediately. Hence, gross revenue for the next quarter is likely to be affected. The Manager will continue to be vigilant due to the uncertainties surrounding the economic recovery and is dedicated to remain resilient to drive long term value for its stakeholders.

B4 Investment Objectives

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

B5 Strategies and Policies

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

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

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B6 Income Distribution

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

Resident Unitholder

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

Non-Resident Unitholder

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

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ending 31 December 2020, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 1.61 sen per unit or RM48.9 million earned for 1st half of 2020 was distributed on 28 August 2020. Distribution for the quarter ended 30 September 2020 would be payable together with the distribution for the quarter ending 31 December 2020.

Statement of Income Distribution

	Current Quarter 30 September		Year to Date 30 September	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Rental income	105,973	125,227	286,944	378,690
Revenue from contract customers	7,710	12,534	24,556	41,820
Interest income	1,233	2,803	5,111	8,722
Other income	2,551	6,589	7,874	18,881
	<u>117,467</u>	<u>147,153</u>	<u>324,485</u>	<u>448,113</u>
Less: Expenses	(85,431)	(87,705)	(247,858)	(260,205)
Total comprehensive income for the period	32,036	59,448	76,627	187,908
Distribution adjustment	2,335	2,548	6,835	8,042
Realised income for the period	<u>34,371</u>	<u>61,996</u>	<u>83,462</u>	<u>195,950</u>
Previous period/year's undistributed realised income	244	511	151	274
Total realised income available for distribution	34,615	62,507	83,613	196,224
Less: Proposed/declared income distribution	(34,412)	(62,038)	(83,410)	(195,755)
Balance undistributed realised income	<u>203</u>	<u>469</u>	<u>203</u>	<u>469</u>
Distribution per unit (sen)	1.13	2.04	2.74	6.44

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B7 Portfolio Composition

As at 30 September 2020, the properties under Pavilion REIT’s portfolio comprises Pavilion Kuala Lumpur Retail Mall, Pavilion Tower, DA MEN Mall, Intermark Mall and Elite Pavilion Mall.

B8 Taxation

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ending 31 December 2020, no provision for taxation has been made for the current quarter.

B9 Status of Corporate Proposal

There were no corporate proposals announced but not completed as at the latest practicable date from the issuance of this report.

B10 Borrowings and Debt Securities

As at 30 September 2020	Total
Secured	RM’000
Secured Revolving Term Loans	1,090,131
Unrated Medium Term Notes	1,075,000
Unamortised Borrowings Transaction Costs	(2,144)
	2,162,987
Gearing	34.1%
Average interest cost	4.4%
Composition of borrowings:	
Fixed Rate	42.7%
Floating Rate	57.3%

B11 Off Balance Sheet Financial Instruments

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

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B12 Material Litigation

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

B13 Soft Commission Received

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

B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 30 September 2020	Immediate preceding quarter ended 30 June 2020
Number of units in issue (units)	3,045,307,543	3,043,332,805
Net Asset Value ("NAV") (RM'000)	3,889,599	3,903,418
NAV per unit (RM)	1.2772	1.2826
Total comprehensive income (RM'000)	32,036	9,990
Weighted average number of units in issue – year to date (units)	3,043,349,417	3,042,815,304
Earnings per Unit after Manager's management fees (Sen)	1.05	0.33
Proposes / Declared Distribution per Unit ("DPU") (Sen)	1.13	0.40
Market Price (RM)	1.54	1.60
Distribution Yield (%) ⁴	2.38	2.02

⁴Distribution 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 Fees

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

Type RM'000	Current Quarter 30 September 2020	Year to Date 30 September 2020	Basis
Base Fee	4,788	14,233	0.3% per annum on total asset value
Performance Fee	1,826	4,952	3.0% per annum on net property income
Total	6,614	19,185	

25% of the total Manager's fees would be payable in units.

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B16 Trustee's Fees

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

B17 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 30 September 2020 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
22 October 2020