

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (UNAUDITED)**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2023 (Unaudited) RM'000	As at 31 December 2022 (Audited) RM'000
<b>ASSETS</b>		
Plant and equipment	3,128	553
Investment properties	8,243,349	6,045,000
Total non-current assets	<u>8,246,477</u>	<u>6,045,553</u>
Inventories	3,415	2,873
Trade and other receivables	63,466	42,410
Pledged deposits with licensed banks	86,150	59,425
Cash and cash equivalents	328,301	332,915
Total current assets	<u>481,332</u>	<u>437,623</u>
<b>TOTAL ASSETS</b>	<b>8,727,809</b>	<b>6,483,176</b>
<b>LIABILITIES</b>		
Borrowings	3,120,377	1,394,039
Payables and accruals	612,879	44,313
Total non-current liabilities	<u>3,733,256</u>	<u>1,438,352</u>
Borrowings	100,000	800,000
Payables and accruals	191,353	184,817
Total current liabilities	<u>291,353</u>	<u>984,817</u>
<b>TOTAL LIABILITIES</b>	<b>4,024,609</b>	<b>2,423,169</b>
<b>NET ASSET VALUE</b>	<b><u>4,703,200</u></b>	<b><u>4,060,007</u></b>
<b>FINANCED BY</b>		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	3,662,387	2,952,256
Accumulated income	1,040,813	1,107,751
<b>TOTAL UNITHOLDERS' FUND</b>	<b><u>4,703,200</u></b>	<b><u>4,060,007</u></b>
Number of units in circulation ('000 units)	3,652,338	3,055,722
Net asset value per unit (RM)		
- Before income distribution	1.2877	1.3287
- After income distribution*	1.2662	1.2858

\*after distributable income of 2.15 sen per unit (2022: after final income distribution of 4.29 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 2022 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (UNAUDITED)**

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

	Current Quarter 30 September		Year to Date 30 September	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Rental income	179,470	127,618	468,839	373,646
Revenue from contract customers <sup>1</sup>	12,467	7,278	30,890	26,062
Other income <sup>1</sup>	7,275	4,040	15,860	10,514
<b>GROSS REVENUE</b>	<b>199,212</b>	<b>138,936</b>	<b>515,589</b>	<b>410,222</b>
Utilities <sup>1</sup>	(24,455)	(12,926)	(57,669)	(37,474)
Maintenance	(24,590)	(17,151)	(59,862)	(49,224)
Property taxes	(5,804)	(4,067)	(14,469)	(12,197)
Other operating expenses	(23,009)	(14,575)	(59,122)	(44,012)
<b>PROPERTY OPERATING EXPENSES</b>	<b>(77,858)</b>	<b>(48,719)</b>	<b>(191,122)</b>	<b>(142,907)</b>
<b>NET PROPERTY INCOME</b>	<b>121,354</b>	<b>90,217</b>	<b>324,467</b>	<b>267,315</b>
Interest income	3,017	2,000	8,209	4,385
Net fair value changes on investment properties	-	-	-	-
<b>NET INVESTMENT INCOME</b>	<b>124,371</b>	<b>92,217</b>	<b>332,676</b>	<b>271,700</b>
Manager's management fee	(10,298)	(7,389)	(26,510)	(22,064)
Trustee's fee	(141)	(122)	(388)	(362)
Other trust expenses	(453)	(235)	(1,498)	(1,127)
Borrowings cost	(42,894)	(23,305)	(100,751)	(66,763)
<b>TOTAL TRUST EXPENDITURE</b>	<b>(53,786)</b>	<b>(31,051)</b>	<b>(129,147)</b>	<b>(90,316)</b>
<b>INCOME BEFORE TAXATION</b>	<b>70,585</b>	<b>61,166</b>	<b>203,529</b>	<b>181,384</b>
Taxation	-	-	-	-
<b>INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME</b>	<b>70,585</b>	<b>61,166</b>	<b>203,529</b>	<b>181,384</b>
Income after taxation comprises the followings:-				
Realised	70,585	61,166	203,529	181,384
Unrealised	-	-	-	-
	<b>70,585</b>	<b>61,166</b>	<b>203,529</b>	<b>181,384</b>
Earnings per unit – basic (sen) #	1.91	2.00	6.13	5.94
Earnings per unit – diluted (sen) #	1.91	2.00	6.13	5.94

<sup>1</sup>As the REIT sells utilities as an agent to tenants, utilities income and cost is presented on a net basis. Comparatives are also restated to reflect the presentation.

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 2022 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 SEPTEMBER 2023 (UNAUDITED)**

	Current Quarter 30 September		Year to Date 30 September	
	2023	2022	2023	2022
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
<b>Total comprehensive income for the period <sup>2</sup></b>	<b>70,585</b>	<b>61,166</b>	<b>203,529</b>	<b>181,384</b>
Distribution adjustments <sup>3</sup>	7,727	2,297	14,181	6,866
<b>Distributable income</b>	<b>78,312</b>	<b>63,463</b>	<b>217,710</b>	<b>188,250</b>

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

	Current Quarter 30 September		Year to Date 30 September	
	2023	2022	2023	2022
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Depreciation	227	88	420	247
Foreign exchange loss	16	-	46	3
Impairment loss on trade receivables	2,552	638	8,486	4,758

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 September		Year to Date 30 September	
	2023	2022	2023	2022
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Amortisation of borrowing transaction costs	604	362	1,401	1,103
Depreciation	227	88	420	247
Accounting adjustment on interest - Present Value	4,322	-	5,732	-
Manager's management fee payable in units	2,574	1,847	6,628	5,516
	<b>7,727</b>	<b>2,297</b>	<b>14,181</b>	<b>6,866</b>

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (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 2022</b>	2,945,255	913,198	3,858,453
Total comprehensive income for the period	-	181,384	181,384
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- Manager's management fee paid in units	7,001	-	7,001
- Distribution to unitholders	-	(203,246)	(203,246)
Increase/(Decrease) in net assets resulting from unitholders' transactions	7,001	(203,246)	(196,245)
<b>As at 30 September 2022 (unaudited)</b>	<b>2,952,256</b>	<b>891,336</b>	<b>3,843,592</b>
<b>As at 1 January 2023</b>	2,952,256	1,107,751	4,060,007
Total comprehensive income for the year	-	203,529	203,529
<b>Unitholders' transactions</b>			
- Issue of new units <sup>4</sup>			
- Manager's management fee paid in units	7,978	-	7,978
- Funding for the acquisition of investment property	720,000	-	720,000
- Expenses incurred for placement exercise	(17,847)	-	(17,847)
- Distribution to unitholders	-	(270,467)	(270,467)
Increase/(Decrease) in net assets resulting from unitholders' transactions	710,131	(270,467)	439,664
<b>As at 30 September 2023 (unaudited)</b>	<b>3,662,387</b>	<b>1,040,813</b>	<b>4,703,200</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 2022 and the accompanying explanatory notes attached to the interim financial statements.

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

	30 September 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
- at RM1.2599 per unit for entitlement for the 6 months period ended 30 June 2022	2,912	3,669
Total Manager's fees paid	<u><b>5,663</b></u>	<u><b>7,001</b></u>

	30 September 2023	
	Units <b>000</b>	Amount <b>RM'000</b>
Issuance of new units pursuant to 25% Manager's management fees paid in units :-		
- at RM1.2934 per unit for entitlement for the 6 months period ended 31 December 2022	3,034	3,925
Issuance of new units at RM1.2200 per unit to fund the acquisition of new investment property on 1 June 2023	590,164	720,000
- at RM1.1859 per unit for entitlement for the 6 months period ended 30 June 2023	3,418	4,053
Total Manager's fees paid	<u><b>596,616</b></u>	<u><b>727,978</b></u>

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (UNAUDITED)**

**CONDENSED STATEMENT OF CASH FLOWS**

	Current Year to Date 30 September 2023 RM'000	Preceding Year to Date 30 September 2022 RM'000
<b>Cash Flows From Operating Activities</b>		
Income before taxation	203,529	181,384
<i>Adjustments for :-</i>		
Borrowing cost	100,751	66,763
Interest income	(8,209)	(4,385)
Depreciation	420	247
Fixed asset written off	-	3
Gain on disposal of plant and equipment	(1)	(1)
Impairment loss on trade receivables	8,486	4,758
<b>Operating income before changes in working capital</b>	<b>304,976</b>	<b>248,769</b>
Inventories	(542)	164
Trade and other receivables	(29,542)	(134)
Trade and other payables	22,769	19,701
Tenants' deposits	39,685	1,977
<b>Net cash from operating activities</b>	<b>337,346</b>	<b>270,477</b>
<b>Cash Flow from Investing Activities</b>		
Acquisition of investment property	(1,677,775)	-
Interest received	8,209	4,385
Payment for enhancement of investment properties	(5,680)	(7,570)
Pledged deposit	(26,725)	(831)
Purchase of plant and equipment	(2,995)	(101)
Proceed from disposal of plant and equipment	1	4
<b>Net cash used in investing activities</b>	<b>(1,704,965)</b>	<b>(4,113)</b>
<b>Cash Flow from Financing Activities</b>		
Distribution to unitholders	(270,467)	(203,246)
Interest paid	(93,617)	(65,660)
Payment of financing expenses	(5,064)	(524)
Payment of placement expenses	(17,847)	-
Proceeds from issue of units	720,000	-
Proceeds from borrowings	1,925,000	190,000
Repayment of borrowings	(895,000)	(170,000)
<b>Net cash from/(used in) financing activities</b>	<b>1,363,005</b>	<b>(249,430)</b>
Net (decrease)/increase in cash and cash equivalents	(4,614)	16,934
Cash and cash equivalents as at the beginning of the year	332,915	254,005
Cash and cash equivalents as at the end of the period	328,301	270,939

The unaudited condensed statement of cash flows should be read in conjunction with the Audited Financial Report for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (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 September 2023 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 2023. 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 2022 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 2022, 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 2022.

**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 2022, 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 2023, 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 SEPTEMBER 2023 (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 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 and the placement of new units to fund the acquisition of investment property through bookbuilding exercise, with details as disclosed below.

Units issued	Price per Unit	Listed on Main Market of Bursa Securities on	Remark
3,034,792	RM1.2934	20 February 2023	Based on the 5-day volume weighted average price of the units up to but excluding 31 January 2023 (as management fee)
590,163,900	RM1.2200	1 June 2023	A discount of 6.6% to the 5-day volume weighted average price of the units up to and including 16 May 2023 of RM1.3068
3,417,748	RM1.1859	15 August 2023	Based on the 5-day volume weighted average price of the units up to but excluding 27 July 2023 (as management fee)

**PAVILION REAL ESTATE INVESTMENT TRUST  
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A9 Segmental Reporting

Segmental results for the period ended 30 September 2023 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	509,023	6,566	515,589
Net Property Income	322,536	1,931	324,467
Interest Income			8,209
Net Fair Value Changes on Investment Properties			-
Net Investment Income			332,676
Trust Expenses			(28,396)
Borrowings Cost			(100,751)
Income Before Taxation			203,529
Taxation			-
Income After Taxation			203,529
Segment assets	8,509,617	132,042	8,641,659
Other non-allocated assets			86,150
			8,727,809
Segment liabilities	3,992,644	31,672	4,024,316
Other non-allocated liabilities			293
			4,024,609

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 2023	3,055,721,661
Units issued as payment of Manager's management fees	6,452,540
Units issued to fund the acquisition of investment property	590,163,900
Total units issued	<u>3,652,338,101</u>

**PAVILION REAL ESTATE INVESTMENT TRUST  
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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	304

**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		Year to Date	
	30 Sep		30 Sep	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
<b>Gross Revenue</b>				
Retail:				
Pavilion Kuala Lumpur Mall	122,940	110,732	366,768	327,914
Pavilion Bukit Jalil Mall	45,012	-	59,269	-
Intermark Mall	6,420	6,036	18,921	17,788
DA MEN Mall	3,506	3,395	10,402	9,882
Elite Pavilion Mall	19,227	16,418	53,663	47,452
	<u>197,105</u>	<u>136,581</u>	<u>509,023</u>	<u>403,036</u>
Office:				
Pavilion Tower	2,107	2,355	6,566	7,186
	<u>199,212</u>	<u>138,936</u>	<u>515,589</u>	<u>410,222</u>
<b>Total Gross Revenue</b>				
	<u>199,212</u>	<u>138,936</u>	<u>515,589</u>	<u>410,222</u>
<b>Property Operating Expenses</b>				
Retail:				
Pavilion Kuala Lumpur Mall	37,333	31,927	107,449	94,670
Pavilion Bukit Jalil Mall	22,865	-	29,835	-
Intermark Mall	3,659	3,743	10,895	11,412
DA MEN Mall	5,487	6,082	17,129	15,794
Elite Pavilion Mall	6,911	5,581	21,179	17,175
	<u>76,255</u>	<u>47,333</u>	<u>186,487</u>	<u>139,051</u>
Office:				
Pavilion Tower	1,603	1,386	4,635	3,856
	<u>77,858</u>	<u>48,719</u>	<u>191,122</u>	<u>142,907</u>
<b>Total Property Operating Expenses</b>				
	<u>77,858</u>	<u>48,719</u>	<u>191,122</u>	<u>142,907</u>
<b>Net Property Income</b>				
Retail:				
Pavilion Kuala Lumpur Mall	85,607	78,805	259,319	233,244
Pavilion Bukit Jalil Mall	22,147	-	29,434	-
Intermark Mall	2,761	2,293	8,026	6,376
DA MEN Mall	(1,981)	(2,687)	(6,727)	(5,912)
Elite Pavilion Mall	12,316	10,837	32,484	30,277
	<u>120,850</u>	<u>89,248</u>	<u>322,536</u>	<u>263,985</u>
Office:				
Pavilion Tower	504	969	1,931	3,330
	<u>121,354</u>	<u>90,217</u>	<u>324,467</u>	<u>267,315</u>
<b>Total Net Property Income</b>				
	<u>121,354</u>	<u>90,217</u>	<u>324,467</u>	<u>267,315</u>

**PAVILION REAL ESTATE INVESTMENT TRUST  
FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (UNAUDITED)**

	Current Quarter		Year to Date	
	30 Sep		30 Sep	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
<b>Total Net Property Income</b>	121,354	90,217	324,467	267,315
Interest Income	3,017	2,000	8,209	4,385
<b>Net Investment Income</b>	124,371	92,217	332,676	271,700
Manager's Management Fee	10,298	7,389	26,510	22,064
Other Trust Expenses	594	357	1,886	1,489
Borrowings Cost	42,894	23,305	100,751	66,763
Total Trust Expenses	53,786	31,051	129,147	90,316
<b>Income Before Taxation</b>	70,585	61,166	203,529	181,384
Taxation	-	-	-	-
<b>Income After Taxation</b>	70,585	61,166	203,529	181,384
Distribution Adjustments	7,727	2,297	14,181	6,866
<b>Distributable Income</b>	78,312	63,463	217,710	188,250

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM199.2 million in Q3 2023, an increase of RM60.3 million or 43% as compared to Q3 2022 of RM138.9 million. The increase was mainly contributed by income from new property, Pavilion Bukit Jalil that was acquired on 1 June 2023, higher occupancy rates and higher revenue rent from existing retail malls. Income from advertising and marketing events also increased as compared to Q3 2022.

Total property operating expenses were higher by RM29.1 million or 60% as compared to Q3 2022 mainly due to operating expenses incurred for the new property and increase of electricity tariff surcharge by the government from 3.7 sen to 17 sen per kilowatt hour (kWh) from 1 July 2023.

These have resulted in higher net property income by RM31.1 million or 35% in Q3 2023 as compared to Q3 2022.

Manager's management fee incurred for Q3 2023 was higher by RM2.9 million compared to the same quarter last year. This was in line with the increased in total asset value and net property income. Borrowing cost incurred during the quarter has increased by RM19.6 million as compared to Q3 2022 due to the drawdown of additional borrowings for acquisition of investment property and Bank Negara Malaysia raising the overnight policy rate by 25 basis point each in September 2022, November 2022 and May 2023. RM4.3 million was also recognised in borrowing cost as present value adjustment to deferred acquisition payments.

These have resulted in income before taxation being higher by RM9.4 million or 15% as compared to Q3 2022.

Distributable income for the quarter under review was RM78.3 million, consisting of income after tax of RM70.6 million and non-cash adjustments for depreciation of RM0.2 million, amortisation of borrowings transaction cost of RM0.6 million, Manager's management fee payable in units amounting to RM2.6 million and present value adjustment on deferred acquisition payments of RM4.3 million.

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Year-to-Date Results

Total revenue for year-to-date 30 September 2023 was RM515.6 million. It was higher by RM105.4 million or 26% as compared to preceding year-to-date 30 September 2022's performance. The increase was contributed by new property acquired, Pavilion Bukit Jalil that was acquired on 1 June 2023, higher occupancy rates and higher revenue rent from existing retail malls. Income from advertising and marketing events also increased as compared to preceding year-to-date 30 September 2022.

Total property operating expenses incurred was higher by RM48.2 million or 34% as compared to year-to-date 30 September 2022. This was mainly due to the operating expenses incurred for the new property, increase of electricity tariff surcharge by the government from 3.7 sen to 20 sen per kilowatt hour (kWh) from 1 January 2023 and 17 sen per kilowatt hour (kWh) from 1 July 2023.

These have resulted in higher net property income by RM57.2 million or 21% for year-to-date 30 September 2023 as compared to preceding year-to-date 30 September 2022.

Higher manager's management fee by RM4.4 million was in line with the increased in total asset value and net property income. Borrowing cost increased by RM34.0 million due to Bank Negara Malaysia raising the overnight policy rate by 25 basis point each in September 2022, November 2022 and May 2023 and drawdown of additional borrowings for acquisition of investment property. RM5.7 million was also recognised in borrowing cost as present value adjustment to deferred acquisition payments.

These resulted in income before taxation being higher by RM22.1 million or 12% as compared to preceding year-to-date 30 September 2022.

Distributable income for the year-to-date 30 September 2023 was RM217.7 million, consisting of income after tax of RM203.5 million and non-cash adjustments for depreciation of RM0.4 million, amortisation of borrowings transaction cost of RM1.4 million and Manager's management fee payable in units amounting to RM6.6 million and present value adjustment on deferred acquisition payments of RM5.8 million.

Pavilion REIT has expended approximately RM5.7 million of its capital commitment during the period, mainly for reconfiguring tenancy lots at Fashion Avenue and Elite Pavilion Mall.

B2 Material Changes in Quarterly Results

	Quarter Ended 30 Sep 2023 (unaudited) <b>RM'000</b>	Quarter Ended 30 Jun 2023 (unaudited) <b>RM'000</b>	Change %
Gross revenue	199,212	159,965	24.5
Property operating expenses	<u>(77,858)</u>	<u>(58,952)</u>	<u>(32.1)</u>
Net property income	121,354	101,013	20.1
Interest income	<u>3,017</u>	<u>2,495</u>	<u>20.9</u>
Net investment income	124,371	103,508	20.2
Total trust expenses	(10,892)	(9,008)	(20.9)
Borrowing cost	<u>(42,894)</u>	<u>(31,608)</u>	<u>(35.7)</u>
Income before taxation	<u><u>70,585</u></u>	<u><u>62,892</u></u>	<u><u>12.2</u></u>

The income before taxation for the current quarter under review was higher by RM7.7 million as compared to the last immediate quarter mainly due to higher revenue rent in Q3 2023 and net income generated from the newly acquired property.

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**B3 Prospects**

Malaysia's economy is expected to remain resilient and will continue to be supportive moving into 2024, anchored by domestic activities and recovery in exports with GDP growth of between 4% and 5%. Retail Group Malaysia has revised Malaysia's annual retail industry growth rate for 2023 from 4.8% to 2.7% due to weaker results from the second quarter of lower sales during Hari Raya period and high base effect. Consumer confidence in the second quarter of 2023 averaged 90.8, a drop from 99.2 in the first quarter of 2023 and the lowest consumer confidence since second quarter of 2022. However, according to Malaysia's department of statistics, shopping had contributed about RM25 billion to local tourism receipts total of RM64 billion recorded in 2022.

Hence, retail sales are expected to normalize moving forward due to moderation in spending after a robust recovery in 2022 as well as concerns of higher cost of living. Pavilion REIT malls will continue to elevate retail mix, create immersive experiences and encourage shoppers' interaction with targeted campaigns.

**B4 Investment Objectives**

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

**B5 Strategies and Policies**

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

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

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

**B6 Income Distribution**

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

*Resident Unitholder*

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

*Non-Resident Unitholder*

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

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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 2023, Pavilion REIT proposes to distribute 100% of its distributable income.

Distribution of 4.29 sen per unit or RM131.1 million earned for second half of 2022 was distributed on 28 February 2023. An advance interim distribution of 3.65 sen per unit or RM111.6 million for period from 1 Jan 2023 to 29 May 2023 was distributed on 20 June 2023.

The balance interim income distribution for the six months ended 30 June 2023 of 0.76 sen per unit or RM27.7 million was distributed on 4 September 2023. Distribution for the quarter ended 30 September 2023 would be payable together with the distribution for the quarter ending 31 December 2023.

Statement of Income Distribution

	Current Quarter		Year to Date	
	30 September		30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Rental income	179,470	127,618	468,839	373,646
Revenue from contract customers	12,467	7,278	30,890	26,062
Interest income	3,017	2,000	8,209	4,385
Other income	7,275	4,040	15,860	10,514
	<u>202,229</u>	<u>140,936</u>	<u>523,798</u>	<u>414,607</u>
Less: Expenses	(131,644)	(79,770)	(320,269)	(233,223)
Total comprehensive income for the period/year	70,585	61,166	203,529	181,384
Distribution adjustment	7,727	2,297	14,181	6,866
Realised income for the period/year	<u>78,312</u>	<u>63,463</u>	<u>217,710</u>	<u>188,250</u>
Previous period/year's undistributed realised income	639	683	617	451
Total realised income available for distribution	78,951	64,146	218,327	188,701
Less: Proposed/declared income distribution	(78,526)	(63,559)	(217,902)	(188,114)
Balance undistributed realised income	<u>425</u>	<u>587</u>	<u>425</u>	<u>587</u>
Distribution per unit (sen)	2.15	2.08	6.56	6.16

B7 Portfolio Composition

As at 30 September 2023, the properties under Pavilion REIT's portfolio comprises Pavilion Kuala Lumpur Mall, Pavilion Tower, DA MEN Mall, Intermark Mall, Elite Pavilion Mall and Pavilion Bukit Jalil.

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**B8 Taxation**

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

As Pavilion REIT proposes to declare 100% of its distributable income to its unitholders for the financial year ended 31 December 2023, 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 22 November 2022, the Board of Directors of Pavilion REIT Management Sdn Bhd (“Board”), the management company of Pavilion REIT (“Manager”), CIMB Investment Bank Berhad (“CIMB”) and Maybank Investment Bank Berhad (“Maybank IB”) announced that MTrustee Berhad, acting as the trustee for and on behalf of Pavilion REIT, had on 22 November 2022 entered into a conditional sale and purchase agreement (“SPA”) with Regal Path Sdn Bhd for the acquisition of Pavilion Bukit Jalil (“PBJ Mall”) together with the related assets and rights for an aggregate purchase consideration of RM2,200 million (“Proposed Acquisition”).

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

The Proposed Acquisition and Proposed Placements were approved by the unitholders of Pavilion REIT at the Unitholders' Meeting held on 22 March 2023.

All the conditions precedent as set out in the SPA have been fulfilled. Accordingly, the SPA has become unconditional as at 15 May 2023.

Tranche 1 placement has been completed following the listing of and quotation for 590,163,900 placement units on the Main Market of Bursa Securities on 1 June 2023. Based on the placement issue price of RM1.22 per placement unit, the gross proceeds raised from the Tranche 1 placement were approximately RM720 million.

**B10 Utilisation of Proceeds Raised from Issuance of New Units**

Pursuant to Tranche 1 placement, utilisation of expenses are as below:-

RM (million)	Estimated	Incurred to Date
Placement fee	38.1	17.1
Manager’s fee	22.0	22.0
Professional fees	6.0	5.4
Miscellaneous expense	3.9	1.1
Repay borrowings	-	16.5

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B11 Borrowings and Debt Securities

As at 30 September 2023	Total
	RM'000
Secured Revolving Term Loans	673,267
Unrated Medium Term Notes	2,555,000
Unamortised Borrowings Transaction Costs	(7,890)
Borrowings	3,220,377
Deferred Payment for Acquisition	520,626
Total Debt	3,741,003
Gearing on Borrowings	36.9%
Gearing on Total Debt	42.9%
Average interest cost	4.7%
Composition of borrowings:	
Fixed Rate	13.2%
Floating Rate	86.8%

B12 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.

B13 Material Litigation

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

B14 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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**B15 Summary of DPU, EPU, NAV and Market Price**

	Current quarter ended 30 September 2023	Immediate preceding quarter ended 30 June 2023
Number of units in issue (units)	3,652,338,101	3,648,920,353
Net Asset Value (“NAV”) (RM’000)	4,703,200	4,656,294
NAV per unit (RM)	1.2877	1.2761
Total comprehensive income (RM’000)	70,585	62,892
Weighted average number of units in issue – year to date (units)	3,322,525,282	3,155,735,334
Earnings per Unit after Manager’s management fee (sen)	1.91	1.93
Propose / Declared Distribution per Unit (“DPU”) (sen)		
- Paid	-	1.28
- Propose	2.15	0.76
Market Price (RM)	1.22	1.24
Distribution Yield (%) <sup>5</sup>	7.19	7.17

<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.

**B16 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 September 2023	Year to Date 30 September 2023	Basis
Base Fee	6,657	16,776	0.3% per annum on total asset value 3.0% per annum on net property income
Performance Fee	3,641	9,734	
Acquisition Fee	10,298	26,510	1.0% on the purchase price of Pavilion Bukit Jalil <sup>6</sup>
	-	22,000	
Total	10,298	48,510	

25% of the base fee and performance fee would be payable in units. 100% of the acquisition fee was paid in cash.

<sup>6</sup> Acquisition fee was capitalised as part of investment property cost of Pavilion Bukit Jalil.

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**B17 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.

**B18 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 2023 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  
26 October 2023