

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2023 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2023 (Unaudited) RM'000	As at 31 December 2022 (Audited) RM'000
ASSETS		
Plant and equipment	2,973	553
Investment properties	8,390,000	6,045,000
Total non-current assets	<u>8,392,973</u>	<u>6,045,553</u>
Inventories	3,907	2,873
Trade and other receivables	55,186	42,410
Pledged deposits with licensed banks	90,922	59,425
Cash and cash equivalents	455,501	332,915
Total current assets	<u>605,516</u>	<u>437,623</u>
TOTAL ASSETS	8,998,489	6,483,176
LIABILITIES		
Borrowings	3,290,949	1,394,039
Payables and accruals	84,448	44,313
Total non-current liabilities	<u>3,375,397</u>	<u>1,438,352</u>
Borrowings	100,000	800,000
Payables and accruals	591,626	184,817
Total current liabilities	<u>691,626</u>	<u>984,817</u>
TOTAL LIABILITIES	4,067,023	2,423,169
NET ASSET VALUE	<u>4,931,466</u>	<u>4,060,007</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	3,662,387	2,952,256
Accumulated income	1,269,079	1,107,751
TOTAL UNITHOLDERS' FUND	<u>4,931,466</u>	<u>4,060,007</u>
Number of units in circulation ('000 units)	3,652,338	3,055,722
Net asset value per unit (RM)		
- Before income distribution	1.3502	1.3287
- After income distribution*	1.3042	1.2858

* after proposed final income distribution of 4.60 sen per unit (2022: 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 31 DECEMBER 2023 (UNAUDITED)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter		Year to Date	
	31 December		31 December	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Audited) RM'000
Rental income	182,585	125,268	651,424	498,914
Revenue from contract customers ¹	15,720	12,207	46,610	38,269
Other income ¹	9,917	3,652	25,777	14,166
GROSS REVENUE	208,222	141,127	723,811	551,349
Utilities ¹	(23,942)	(12,655)	(81,611)	(50,129)
Maintenance	(23,240)	(12,676)	(83,102)	(61,900)
Property taxes	(5,754)	(4,066)	(20,223)	(16,263)
Other operating expenses	(20,642)	(14,844)	(79,764)	(58,856)
PROPERTY OPERATING EXPENSES	(73,578)	(44,241)	(264,700)	(187,148)
NET PROPERTY INCOME	134,644	96,886	459,111	364,201
Interest income	3,196	2,138	11,405	6,523
Net fair value changes on investment properties	146,534	151,381	146,534	151,381
NET INVESTMENT INCOME	284,374	250,405	617,050	522,105
Manager's management fee	(11,415)	(8,311)	(37,925)	(30,375)
Trustee's fee	(141)	(123)	(529)	(485)
Other trust expenses	(720)	(333)	(2,218)	(1,460)
Borrowings cost	(43,832)	(25,223)	(144,583)	(91,986)
TOTAL TRUST EXPENDITURE	(56,108)	(33,990)	(185,255)	(124,306)
INCOME BEFORE TAXATION	228,266	216,415	431,795	397,799
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	228,266	216,415	431,795	397,799
Income after taxation comprises the followings:-				
Realised	81,732	65,034	285,261	246,418
Unrealised	146,534	151,381	146,534	151,381
	<u>228,266</u>	<u>216,415</u>	<u>431,795</u>	<u>397,799</u>
Earnings per unit – basic (sen) #	6.55	7.09	12.68	13.03
Earnings per unit – diluted (sen) #	6.55	7.09	12.68	13.03

¹As 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.

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	Current Quarter 31 December		Year to Date 31 December	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Audited) RM'000
	Total comprehensive income for the period ²	228,266	216,415	431,795
Distribution adjustments ³	(138,573)	(148,854)	(124,392)	(141,988)
Distributable income	89,693	67,561	307,403	255,811

² Total comprehensive income is derived after charging:-

	Current Quarter 31 December		Year to Date 31 December	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
	Depreciation	213	87	633
Foreign exchange loss	1	3	47	6
Impairment loss on/(Write back of) trade receivables	(685)	20	7,801	4,778

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.

³ Included in the distribution adjustments are the followings:-

	Current Quarter 31 December		Year to Date 31 December	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Audited) RM'000
	Amortisation of borrowing transaction costs	572	362	1,973
Depreciation	213	87	633	334
Accounting adjustment on interest - Present Value	4,323	-	10,055	-
Net fair value changes on investment properties	(146,534)	(151,381)	(146,534)	(151,381)
Manager's management fee payable in units	2,853	2,078	9,481	7,594
	(138,573)	(148,854)	(124,392)	(141,988)

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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 2022	2,945,255	913,198	3,858,453
Total comprehensive income for the year	-	397,799	397,799
Unitholders' transactions			
- Issue of new units ⁴			
- 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)
As at 31 December 2022 (audited)	2,952,256	1,107,751	4,060,007
As at 1 January 2023	2,952,256	1,107,751	4,060,007
Total comprehensive income for the year	-	431,795	431,795
Unitholders' transactions			
- Issue of new units ⁴			
- 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
As at 31 December 2023 (unaudited)	3,662,387	1,269,079	4,931,466

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.

⁴ Issue of new units consists of the following:-

	31 December 2022	
	Units '000	Amount RM'000
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	5,663	7,001

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	31 December 2023	
	Units '000	Amount RM'000
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
- 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>6,452</u>	<u>7,978</u>
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
	<u>596,616</u>	<u>727,978</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year Ended 31 December 2023 RM'000	Preceding Year Ended 31 December 2022 RM'000
Cash Flows From Operating Activities		
Income before taxation	431,795	397,799
<i>Adjustments for :-</i>		
Borrowing cost	144,583	91,986
Interest income	(11,405)	(6,523)
Depreciation	633	334
Plant and equipment written off	-	3
Gain on disposal of plant and equipment	(1)	(1)
Impairment loss on trade receivables	7,801	4,778
Net fair value changes on investment properties	(146,534)	(151,381)
Operating income before changes in working capital	426,872	336,995
Inventories	(1,034)	195
Trade and other receivables	(20,577)	(4,532)
Trade and other payables	27,501	26,480
Tenants' deposits	42,472	2,707
Net cash from operating activities	475,234	361,845
Cash Flow from Investing Activities		
Acquisition of investment property	(1,817,805)	-
Interest received	11,405	6,523
Payment for enhancement of investment properties	(5,767)	(13,619)
Pledged deposit	(31,497)	(1,199)
Purchase of plant and equipment	(3,053)	(153)
Proceed from disposal of plant and equipment	1	4
Net cash used in investing activities	(1,846,716)	(8,444)
Cash Flow from Financing Activities		
Distribution to unitholders	(270,467)	(203,246)
Interest paid	(132,555)	(90,521)
Payment of financing expenses	(5,063)	(724)
Payment of placement expenses	(17,847)	-
Proceeds from issuance of units	720,000	-
Proceeds from borrowings	2,095,000	190,000
Repayment of borrowings	(895,000)	(170,000)
Net cash from/(used in) financing activities	1,494,068	(274,491)
Net increase in cash and cash equivalents	122,586	78,910
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 year	455,501	332,915

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 31 DECEMBER 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 year ended 31 December 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.

A5 Seasonality or Cyclicity of Operations

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

A6 Exceptional or Unusual Item

There were no exceptional or unusual items to be disclosed for the quarter under review.

A7 Changes in Estimates

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

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A8 Debt and Equity Securities

There were no cancellation, repurchase, sale and payment of debt and equity securities for the current quarter and financial year 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)

A9 Segmental Reporting

Segmental results for the year ended 31 December 2023 was as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	714,576	9,235	723,811
Net Property Income	456,152	2,959	459,111
Interest Income			11,405
Net Fair Value Changes on Investment Properties			146,534
Net Investment Income			617,050
Trust Expenses			(40,672)
Borrowings Cost			(144,583)
Income Before Taxation			431,795
Taxation			-
Income After Taxation			431,795
Segment assets	8,776,458	131,109	8,907,567
Other non-allocated assets			90,922
			8,998,489
Segment liabilities	4,025,837	32,221	4,058,058
Other non-allocated liabilities			8,965
			4,067,023

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A10 Valuation of Investment Properties

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

Property	Market Value @ 31 Dec 2023 RM'000	Market Value @ 31 Dec 2022 RM'000	Change in Value RM'000
Retail			
Pavilion Kuala Lumpur Mall	5,150,000	5,000,000	150,000
Intermark Mall	190,000	185,000	5,000
DA MEN Mall	160,000	180,000	(20,000)
Elite Pavilion Mall	550,000	550,000	-
Pavilion Bukit Jalil	2,210,000	-	2,210,000
	8,260,000	5,915,000	2,345,000
Office			
Pavilion Tower	130,000	130,000	-
Total Portfolio	8,390,000	6,045,000	2,345,000
Less: Capital Expenditure			(5,767)
Less: Acquisition			(2,192,699)
Net Fair Value Changes			<u>146,534</u>

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	<u>590,163,900</u>
Total units issued	<u>3,652,338,101</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	386

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

B1 Review of Performance

	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	129,127	112,560	495,895	440,474
Pavilion Bukit Jalil Mall	45,706	-	104,975	-
Intermark Mall	6,297	6,261	25,218	24,049
DA MEN Mall	2,810	3,279	13,212	13,161
Elite Pavilion Mall	21,613	16,701	75,276	64,153
	<u>205,553</u>	<u>138,801</u>	<u>714,576</u>	<u>541,837</u>
Office:				
Pavilion Tower	2,669	2,326	9,235	9,512
	<u>208,222</u>	<u>141,127</u>	<u>723,811</u>	<u>551,349</u>
Total Gross Revenue				
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	34,706	29,368	142,155	124,038
Pavilion Bukit Jalil Mall	22,627	-	52,462	-
Intermark Mall	3,501	2,716	14,396	14,128
DA MEN Mall	4,405	4,465	21,534	20,259
Elite Pavilion Mall	6,698	6,116	27,877	23,291
	<u>71,937</u>	<u>42,665</u>	<u>258,424</u>	<u>181,716</u>
Office:				
Pavilion Tower	1,641	1,576	6,276	5,432
	<u>73,578</u>	<u>44,241</u>	<u>264,700</u>	<u>187,148</u>
Total Property Operating Expenses				
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	94,421	83,192	353,740	316,436
Pavilion Bukit Jalil Mall	23,079	-	52,513	-
Intermark Mall	2,796	3,545	10,822	9,921
DA MEN Mall	(1,595)	(1,186)	(8,322)	(7,098)
Elite Pavilion Mall	14,915	10,585	47,399	40,862
	<u>133,616</u>	<u>96,136</u>	<u>456,152</u>	<u>360,121</u>
Office:				
Pavilion Tower	1,028	750	2,959	4,080
	<u>134,644</u>	<u>96,886</u>	<u>459,111</u>	<u>364,201</u>
Total Net Property Income				

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	Current Quarter		Year to Date	
	31 Dec		31 Dec	
	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000	2023 (Unaudited) RM'000	2022 (Unaudited) RM'000
Total Net Property Income	134,644	96,886	459,111	364,201
Interest Income	3,196	2,138	11,405	6,523
Change in fair value of investment properties	146,534	151,381	146,534	151,381
Net Investment Income	<u>284,374</u>	<u>250,405</u>	<u>617,050</u>	<u>522,105</u>
Manager's Management Fee	11,415	8,311	37,925	30,375
Other Trust Expenses	861	456	2,747	1,945
Borrowings Cost	43,832	25,223	144,583	91,986
Total Trust Expenses	<u>56,108</u>	<u>33,990</u>	<u>185,255</u>	<u>124,306</u>
Income Before Taxation	228,266	216,415	431,795	397,799
Taxation	-	-	-	-
Income After Taxation	<u>228,266</u>	<u>216,415</u>	<u>431,795</u>	<u>397,799</u>
Distribution Adjustments	<u>(138,573)</u>	<u>(148,854)</u>	<u>(124,392)</u>	<u>(141,988)</u>
Distributable Income	<u><u>89,693</u></u>	<u><u>67,561</u></u>	<u><u>307,403</u></u>	<u><u>255,811</u></u>

Quarterly Results:

Pavilion REIT recognised total gross revenue of RM208.2 million in Q4 2023, an increase of RM67.1 million or 48% as compared to Q4 2022 of RM141.1 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 Q4 2022.

Total property operating expenses were higher by RM29.3 million or 66% as compared to Q4 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 RM37.8 million or 39% in Q4 2023 as compared to Q4 2022.

Fair value gain of RM146.5 million arising from the valuation of investment properties as at 31 December 2023 was recognised in the current quarter. The fair value gain for 2022 recognised in Q4 2022 was RM151.4 million.

Higher manager's management fee by RM3.1 million was in line with the increased in total asset value and net property income. Borrowing cost increased by RM18.6 million 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 in 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 RM11.9 million or 5% as compared to Q4 2022.

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Distributable income for the quarter under review was RM89.7 million or 2.45 sen per unit, consisting of income after tax of RM228.3 million and non-cash adjustments for fair value gain of investment properties of RM146.5 million, depreciation of RM0.2 million, amortisation of borrowing transaction cost of RM0.6 million, Manager's management fee payable in units amounting to RM2.8 million and present value adjustment on deferred acquisition payments of RM4.3 million.

Full Year Results:

Total revenue for the year ended 31 December 2023 was RM723.8 million. It was higher by RM172.5 million or 31% as compared to the preceding year ended 31 December 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 ended 31 December 2022.

Total property operating expenses incurred was higher by RM77.6 million or 41% as compared to preceding year ended 31 December 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 revised to 17 sen per kilowatt hour (kWh) from 1 July 2023.

These have resulted in higher net property income by RM94.9 million or 26% for year ended 31 December 2023 as compared to preceding year ended 31 December 2022.

Fair value gain of RM146.5 million arising from the valuation of investment properties as at 31 December 2023 was recognised in the current quarter. The fair value gain for 2022 recognised in Q4 2022 was RM151.4 million.

Higher manager's management fee by RM7.6 million was in line with the increased in total asset value and net property income. Borrowing cost increased by RM52.6 million 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. RM10.1 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 RM34.0 million or 9% as compared to preceding year ended 31 December 2022.

Distributable income for the year ended 31 December was RM307.4 million, consisting of income after tax of RM431.8 million and non-cash adjustments for fair value gain of investment property of RM146.5 million, depreciation of RM0.6 million, amortisation of borrowings transaction cost of RM2.0 million, Manager's management fee payable in units amounting to RM9.5 million and present value adjustment on deferred acquisition payments of RM10.1 million.

Pavilion REIT has expended approximately RM5.8 million of its capital commitment during the year, mainly for reconfiguring tenancy lots at Fashion Avenue and Elite Pavilion Mall.

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B2 Material Changes in Quarterly Results

	Quarter Ended 31 Dec 2023 (Unaudited) RM'000	Quarter Ended 30 Sep 2023 (Unaudited) RM'000	Change %
Gross revenue	208,222	199,212	4.5
Property operating expenses	<u>(73,578)</u>	<u>(77,858)</u>	5.5
Net property income	134,644	121,354	11.0
Interest income	3,196	3,017	5.9
Change in fair value of investment properties	<u>146,534</u>	<u>-</u>	<u>>100.0</u>
Net investment income	284,374	124,371	128.6
Total trust expenses	(12,276)	(10,892)	(12.7)
Borrowing cost	<u>(43,832)</u>	<u>(42,894)</u>	(2.2)
Income before taxation	<u><u>228,266</u></u>	<u><u>70,585</u></u>	<u><u>223.4</u></u>

The income before taxation for the current quarter under review was higher by RM157.7 million as compared to the last immediate quarter. RM146.5 million fair value gain arising from the valuation of investment properties was recognised in Q4 2023. The increase in net property income was mainly due to higher rental and advertising income and income generated from Pavilion Bukit Jalil exhibition centre. Higher total trust expenses were mainly due to higher manager's management fee.

B3 Prospects

In December 2023, Retail Group Malaysia increased its current year forecast growth for the retail industry to 2.8% with 3.5% growth rate for 2024. Private consumption is expected to moderate in 2024 as compared to the previous year amid ongoing cost inflationary pressures, driven by new taxes and targeted subsidy rationalisation. Despite this, Malaysia's 2024 gross domestic product growth is forecasted to be between 4% – 5% supported by resilient domestic demand and turnaround in external demand.

Cost management will continuously be adopted to optimise efficiency with spending as required to ensure needs, comfort and safety of its stakeholders are balanced and not compromised. Pavilion REIT malls intends to have more dynamic and engaging experiences for its visitors with more regional tourism efforts to be introduced to boost tourism arrivals and spending.

B4 Investment Objectives

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

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B5 Strategies and Policies

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

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

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

B6 Income Distribution

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

Resident Unitholder

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

Non-Resident Unitholder

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

As per the distribution policy stated in the Trust Deed, the Manager intends to distribute at least 90% of Pavilion REIT distributable income on a half yearly basis. For the financial year ended 31 December 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. The distributable income for the second half of 2023 is proposed to be 4.60 sen per unit or RM168.0 million payable on 29 February 2024.

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Statement of Income Distribution

	Current Quarter		Year to Date	
	31 December		31 December	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Rental income	182,585	125,268	651,424	498,914
Revenue from contract customers	15,720	12,207	46,610	38,269
Interest income	3,196	2,138	11,405	6,523
Net fair value changes on investment properties	146,534	151,381	146,534	151,381
Other income	9,917	3,652	25,777	14,166
	<u>357,952</u>	<u>294,646</u>	<u>881,750</u>	<u>709,253</u>
Less: Expenses	<u>(129,686)</u>	<u>(78,231)</u>	<u>(449,955)</u>	<u>(311,454)</u>
Total comprehensive income for the period/year	228,266	216,415	431,795	397,799
Distribution adjustment	<u>(138,573)</u>	<u>(148,854)</u>	<u>(124,392)</u>	<u>(141,988)</u>
Realised income for the period/year	<u>89,693</u>	<u>67,561</u>	<u>307,403</u>	<u>255,811</u>
Previous period/year's undistributed realised income	425	587	617	451
Total realised income available for distribution	<u>90,118</u>	<u>68,148</u>	<u>308,020</u>	<u>256,262</u>
Less: Proposed/declared income distribution	<u>(89,482)</u>	<u>(67,531)</u>	<u>(307,384)</u>	<u>(255,645)</u>
Balance undistributed realised income	<u><u>636</u></u>	<u><u>617</u></u>	<u><u>636</u></u>	<u><u>617</u></u>
Distribution per unit (sen)	2.45	2.21	9.01	8.37

B7 Portfolio Composition

As at 31 December 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 year.

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.

As requirements has been met, payment for strata title of RM100 million has been made together with RM40 million as defects rectification payment in December 2023 to Regal Path Sdn Bhd.

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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	5.3
Miscellaneous expense	3.9	1.3
Repay borrowings	-	16.5

B11 Borrowings and Debt Securities

As at 31 December 2023	Total
	RM'000
Secured Revolving Term Loans	673,267
Unrated Medium Term Notes	2,725,000
Unamortised Borrowings Transaction Costs	(7,318)
Borrowings	3,390,949
Deferred Payment for Acquisition	374,949
Total Debt	3,765,898
Gearing on Borrowings	37.7%
Gearing on Total Debt	41.9%
Average interest cost	4.7%
Composition of borrowings:	
Fixed Rate	12.5%
Floating Rate	87.5%

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 31 December 2023	Immediate preceding quarter ended 30 September 2023
Number of units in issue (units)	3,652,338,101	3,652,338,101
Net Asset Value (“NAV”) (RM’000)	4,931,466	4,703,200
NAV per unit (RM)	1.3502	1.2877
Total comprehensive income (RM’000)	228,266	70,585
Weighted average number of units in issue – year to date (units)	3,405,656,184	3,322,525,282
Earnings per Unit after Manager’s management fee (sen)	6.55	1.91
Proposes / Declared Distribution per Unit (“DPU”) (sen)		
- Paid	-	-
- Propose	2.45	2.15
Market Price (RM)	1.21	1.22
Distribution Yield (%) ⁵	7.45	7.19

⁵ 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 31 December 2023	Year to Date 31 December 2023	Basis
Base Fee	7,375	24,151	0.3% per annum on total asset value 3.0% per annum on net property income
Performance Fee	4,040	13,774	
Acquisition Fee	11,415	37,925	1.0% on the purchase price of Pavilion Bukit Jalil ⁶
	-	22,000	
Total	11,415	59,925	

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

⁶ Acquisition fee was capitalised as part of investment property cost of Pavilion Bukit Jalil.

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.

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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 31 December 2023 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
24 January 2024