

PAVILION REAL ESTATE INVESTMENT TRUST
FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2020 (UNAUDITED)

CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 (Unaudited) RM'000	As at 31 December 2019 (Audited) RM'000
ASSETS		
Plant and equipment	1,054	1,105
Investment properties	5,914,114	5,913,000
Total non-current assets	<u>5,915,168</u>	<u>5,914,105</u>
Inventories	3,085	2,912
Trade and other receivables	78,571	71,076
Cash and bank balances	275,226	368,922
Total current assets	<u>356,882</u>	<u>442,910</u>
TOTAL ASSETS	6,272,050	6,357,015
LIABILITIES		
Borrowings	2,141,490	2,157,069
Payables and accruals	73,993	73,676
Total non-current liabilities	<u>2,215,483</u>	<u>2,230,745</u>
Payables and accruals	163,139	146,532
Total current liabilities	<u>163,139</u>	<u>146,532</u>
TOTAL LIABILITIES	2,378,622	2,377,277
NET ASSET VALUE	<u>3,893,428</u>	<u>3,979,738</u>
FINANCED BY		
UNITHOLDERS' FUND		
Unitholders' capital	2,935,701	2,931,927
Accumulated income	957,727	1,047,811
TOTAL UNITHOLDERS' FUND	<u>3,893,428</u>	<u>3,979,738</u>
Number of units in circulation ('000 units)	3,043,333	3,041,090
Net asset value per unit (RM)		
- Before income distribution	1.2793	1.3087
- After income distribution*	1.2672	1.2677

*after distributable income of 1.21 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		Year to Date	
	31 March		31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Rental income	102,356	131,054	102,356	131,054
Revenue from contract customers	10,898	13,684	10,898	13,684
Other income	3,155	6,184	3,155	6,184
GROSS REVENUE	116,409	150,922	116,409	150,922
Utilities	(17,851)	(17,171)	(17,851)	(17,171)
Maintenance	(11,414)	(16,220)	(11,414)	(16,220)
Property taxes	(4,097)	(4,094)	(4,097)	(4,094)
Other operating expenses	(17,927)	(11,929)	(17,927)	(11,929)
PROPERTY OPERATING EXPENSES	(51,289)	(49,414)	(51,289)	(49,414)
NET PROPERTY INCOME	65,120	101,508	65,120	101,508
Interest income	2,392	2,927	2,392	2,927
Change in fair value of investment properties	-	-	-	-
NET INVESTMENT INCOME	67,512	104,435	67,512	104,435
Manager's management fee	(6,632)	(7,756)	(6,632)	(7,756)
Trustee's fee	(121)	(120)	(121)	(120)
Other trust expenses	(327)	(427)	(327)	(427)
Borrowings cost	(25,831)	(26,901)	(25,831)	(26,901)
TOTAL TRUST EXPENDITURE	(32,911)	(35,204)	(32,911)	(35,204)
INCOME BEFORE TAXATION	34,601	69,231	34,601	69,231
Taxation	-	-	-	-
INCOME AFTER TAXATION / TOTAL COMPREHENSIVE INCOME	34,601	69,231	34,601	69,231
Income after taxation comprises the followings:-				
Realised	34,601	69,231	34,601	69,231
Unrealised	-	-	-	-
	<u>34,601</u>	<u>69,231</u>	<u>34,601</u>	<u>69,231</u>
Earnings per unit – basic (sen) #	1.14	2.28	1.14	2.28
Earnings per unit – diluted (sen) #	1.14	2.28	1.14	2.28

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 31 March		Year to Date 31 March	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income for the period ¹	34,601	69,231	34,601	69,231
Distribution adjustments ²	2,337	2,926	2,337	2,926
Distributable income	36,938	72,157	36,938	72,157

¹ Total comprehensive income is derived after charging:-

	Current Quarter 31 March		Year to Date 31 March	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Depreciation	98	127	98	127
Foreign exchange loss	4	-	4	-
Impairment loss on/(Write back of) trade receivables	468	(19)	468	(19)

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 31 March		Year to Date 31 March	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
Amortisation of borrowing transaction costs	581	860	581	860
Depreciation	98	127	98	127
Manager's management fee payable in units	1,658	1,939	1,658	1,939
	<u>2,337</u>	<u>2,926</u>	<u>2,337</u>	<u>2,926</u>

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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	-	69,231	69,231
Unitholders' transactions			
- Issue of new units ³			
- Manager's management fee paid in units	3,891	-	3,891
- Distribution to unitholders	-	(134,829)	(134,829)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,891	(134,829)	(130,938)
As at 31 March 2019 (unaudited)	2,928,120	988,129	3,916,249
As at 1 January 2020	2,931,927	1,047,811	3,979,738
Total comprehensive income for the period	-	34,601	34,601
Unitholders' transactions			
- Issue of new units ³			
- Manager's management fee paid in units	3,774	-	3,774
- Distribution to unitholders	-	(124,685)	(124,685)
Increase/(Decrease) in net assets resulting from unitholders' transactions	3,774	(124,685)	(120,911)
As at 31 March 2020 (unaudited)	2,935,701	957,727	3,893,428

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:-

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

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31 March 2020

	Units 000	Amount RM'000
Issuance of new units pursuant to 25% Manager's management fee paid in units :-		
- at RM1.6829 per unit for entitlement for the 6 months period ended 31 December 2019	2,243	3,774
Total Manager's fee paid	<u>2,243</u>	<u>3,774</u>

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CONDENSED STATEMENT OF CASH FLOWS

	Current Year to Date 31 March 2020 RM'000	Preceding Year to Date 31 March 2019 RM'000
Cash Flows From Operating Activities		
Income before taxation	34,601	69,231
<i>Adjustments for :-</i>		
Borrowing cost	25,831	26,901
Interest income	(2,392)	(2,927)
Depreciation	98	127
Impairment loss on/(Reversal of) trade receivables	468	(19)
Operating income before changes in working capital	58,606	93,313
Inventories	(173)	143
Trade and other receivables	(7,963)	(5,455)
Trade and other payables	21,721	8,371
Tenants deposits	(1,023)	(6,679)
Net cash from operating activities	71,168	89,693
Cash Flow From Investing Activities		
Interest received	2,392	2,927
Payment for enhancement of investment properties	(1,114)	(460)
Pledged deposit	(478)	(525)
Purchase of plant and equipment	(47)	-
Net cash from investing activities	753	1,942
Cash Flow from Financing Activities		
Distribution to unitholders	(124,685)	(134,829)
Interest paid	(25,250)	(26,041)
Payment of financing expenses	(60)	(1,800)
Proceeds from borrowings	10,000	300,000
Repayment of borrowings	(26,100)	(225,000)
Net cash used in financing activities	(166,095)	(87,670)
Net (decrease)/increase in cash and cash equivalents	(94,174)	3,965
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	<u>212,304</u>	<u>323,713</u>
Cash and cash equivalents as at the end of the period comprise :-		
Cash and bank balances	16,986	10,921
Deposits placed with licensed banks	258,240	373,337
	<u>275,226</u>	<u>384,258</u>
Pledged deposit	(62,922)	(60,545)
	<u>212,304</u>	<u>323,713</u>

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 three months ended 31 March 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 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 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 order 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)

A9 Segmental Reporting

Segmental results for the period ended 31 March 2020 is as follows:-

Business Segment	Retail RM'000	Office RM'000	Total RM'000
Gross Revenue	114,046	2,363	116,409
Net Property Income	63,784	1,336	65,120
Interest Income			2,392
Net Investment Income			67,512
Trust Expenses			(7,080)
Borrowings Cost			(25,831)
Income Before Taxation			34,601
Taxation			-
Income After Taxation			34,601
Segment Assets	6,088,330	134,486	6,222,816
Other Non-allocated Assets			49,234
			6,272,050
Segment Liabilities	2,347,804	30,596	2,378,400
Other Non-allocated Liabilities			222
			2,378,622

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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 fee	2,242,506
Total units issued	<u>3,043,332,805</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	7,224

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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 Mar		31 Mar	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Gross Revenue				
Retail:				
Pavilion Kuala Lumpur Mall	93,169	120,738	93,169	120,738
Intermark Mall	5,585	7,267	5,585	7,267
DA MEN Mall	3,166	5,142	3,166	5,142
Elite Pavilion Mall	12,126	14,677	12,126	14,677
	<u>114,046</u>	<u>147,824</u>	<u>114,046</u>	<u>147,824</u>
Office:				
Pavilion Tower	2,363	3,098	2,363	3,098
Total Gross Revenue	<u>116,409</u>	<u>150,922</u>	<u>116,409</u>	<u>150,922</u>
Property Operating Expenses				
Retail:				
Pavilion Kuala Lumpur Mall	36,727	34,592	36,727	34,592
Intermark Mall	2,929	2,924	2,929	2,924
DA MEN Mall	5,132	4,748	5,132	4,748
Elite Pavilion Mall	5,474	6,021	5,474	6,021
	<u>50,262</u>	<u>48,285</u>	<u>50,262</u>	<u>48,285</u>
Office:				
Pavilion Tower	1,027	1,129	1,027	1,129
Total Property Operating Expenses	<u>51,289</u>	<u>49,414</u>	<u>51,289</u>	<u>49,414</u>
Net Property Income				
Retail:				
Pavilion Kuala Lumpur Mall	56,442	86,146	56,442	86,146
Intermark Mall	2,656	4,343	2,656	4,343
DA MEN Mall	(1,966)	394	(1,966)	394
Elite Pavilion Mall	6,652	8,656	6,652	8,656
	<u>63,784</u>	<u>99,539</u>	<u>63,784</u>	<u>99,539</u>
Office:				
Pavilion Tower	1,336	1,969	1,336	1,969
Total Net Property Income	<u>65,120</u>	<u>101,508</u>	<u>65,120</u>	<u>101,508</u>

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	Current Quarter		Year to Date	
	31 Mar		31 Mar	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Total Net Property Income	65,120	101,508	65,120	101,508
Interest Income	2,392	2,927	2,392	2,927
Net Investment Income	<u>67,512</u>	<u>104,435</u>	<u>67,512</u>	<u>104,435</u>
Manager's Management Fee	6,632	7,756	6,632	7,756
Other Trust Expenses	448	547	448	547
Borrowings Cost	<u>25,831</u>	<u>26,901</u>	<u>25,831</u>	<u>26,901</u>
Total Trust Expenses	<u>32,911</u>	<u>35,204</u>	<u>32,911</u>	<u>35,204</u>
Income Before Taxation	34,601	69,231	34,601	69,231
Taxation	-	-	-	-
Income After Taxation	<u>34,601</u>	<u>69,231</u>	<u>34,601</u>	<u>69,231</u>
Distribution Adjustments	<u>2,337</u>	<u>2,926</u>	<u>2,337</u>	<u>2,926</u>
Distributable Income	<u><u>36,938</u></u>	<u><u>72,157</u></u>	<u><u>36,938</u></u>	<u><u>72,157</u></u>

Quarterly/Year to Date Results

Pavilion REIT recognised total gross revenue of RM116.4 million in Q1 2020, a decrease of RM34.5 million or 23% as compared to Q1 2019 of RM150.9 million. The decrease was mainly due to the 14 days rent free period from 18 March 2020 to 31 March 2020 given to tenants that were not providing essential services and supplies. These tenants were not allowed to conduct their usual business following the Malaysian Government's Movement Control Order (MCO) enforcement. Lower income was also recognised from percentage rent and advertising revenue during this quarter with Intermark mall recognizing the final instalment of RM1.25 million income support in 2019.

Total property operating expenses was higher by RM1.9 million or 4% as compared to Q1 2019 mainly due to the contribution of face masks to Malaysian Government to support Malaysia's fight against Covid-19 pandemic and higher costs incurred for Chinese New Year promotional campaigns. This was offset by lower maintenance costs incurred during the MCO period in March 2020.

These have resulted in lower total net property income by RM36.4 million or 36% in Q1 2020 as compared to Q1 2019.

Manager's management fee incurred for the Q1 2020 was lower by RM1.1 million compared to Q1 2019. This was in line with the decreased in the total assets value and net property income. Borrowing cost incurred during the quarter was lower by RM1.1 million compared to Q1 2019 due to lower interest rate for term loan.

Income before taxation for the current quarter under review was lower by RM34.6 million or 50% as compared to Q1 2019 mainly due to lower net property income.

Distributable income for the quarter under review was RM36.9 million or 1.21 sen per unit, consisting of income after tax of RM34.6 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 fee payable in units amounting to RM1.6 million.

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Pavilion REIT has expended approximately RM1.1 million of its capital commitment during the year mainly for upgrading of hoists at Pavilion Kuala Lumpur Mall's Centre Court.

B2 Material Changes in Quarterly Results

	Quarter Ended 31 Mar 2020 (unaudited) RM'000	Quarter Ended 31 Dec 2019 (unaudited) RM'000	Change %
Gross revenue	116,409	145,962	-20.2
Property operating expenses	(51,289)	(54,714)	6.3
Net property income	65,120	91,248	-28.6
Interest income	2,392	2,567	-6.8
Change in fair value of investment properties	-	15,005	-100.0
Net investment income	67,512	108,820	-38.0
Total trust expenses	(7,080)	(7,517)	5.8
Borrowing cost	(25,831)	(26,581)	2.8
Income before taxation	34,601	74,722	-53.7

The income before taxation for the current quarter under review was lower by RM40.1 million compared to the last immediate quarter mainly due to lower revenue from the 14 days rent free period from 18 March 2020 to 31 March 2020 given to tenants that are not providing essential services and supplies, lower income from percentage rent and advertising revenue. Fair value gain of RM15.0 million arising from the valuation of investment properties was recognised for the quarter ended 31 December 2019. This was offset by lower maintenance costs as malls were only partially open from 18 March 2020.

B3 Prospects

The Malaysian Government imposed movement control order (MCO) on 18 March 2020 to stem the spread Covid-19 as World Health Organisation declared it a pandemic on 11 March 2020. During the MCO, non-essential public and private organisations and schools were shut while domestic and international travel were prohibited. From 4 May 2020, under the conditional MCO (CMCO), certain regulations were relaxed with standard operating procedures being imposed or required to be adhered to. This resulted in offices and non-essential businesses gradually resuming their operations.

However, consumer sentiment is expected to remain cautious due to concerns of inflation, unemployment, wage cut etc as consumer sentiment index dropped to a 32 year low of 51.1 in Q12020. There are also concerns of MCO being re-imposed if non-contained Covid-19 cases increases. Therefore, in the short term, spending will be discretionary and focusing on necessities and less on big-ticket items. Spending behaviour may also change as consumer got use to e-commerce and online grocery shopping during the MCO period.

Bank Negara Malaysia sees Malaysia's gross domestic product being projected at between -2.0% to 0.5% in 2020 against a highly challenging global economic outlook. Thus, it is expected that the economy will be facing a sharp slowdown in the near future. It is because the biggest impact of MCO will be felt in 2Q2020 despite transitioning from MCO to CMCO.

Retail Group Malaysia revised its current year retail sales growth forecast to -5.5% from 4.6% projected in December 2019. It also predicts that about 15% of the total retail supply or at least 51,000 stores to close down or wound up in Malaysia within the next six to eight months.

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Retail mall businesses are one of the main casualty of Covid-19 pandemic. Hence, this will impact Pavilion REIT's financial performance for 2020 due to its rental support initiatives, potential increase in doubtful debts as well as potential loss on revaluation on its properties as a result of lower net property income. However, Pavilion REIT is committed to remain resilient throughout this pandemic period and is dedicated to create long term value for its stakeholders.

Pavilion REIT will pass on electricity discount it obtains to its eligible tenants. As a responsible corporate citizen, Pavilion REIT had granted 14 days rental rebate in March 2020 to its non-essential service tenants in the mall to assist in their cost and cash flow management. Further initiatives to be considered in sustainable ways to assist eligible tenants in the retail malls to navigate through this tough time.

B4 Investment Objectives

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

B5 Strategies and Policies

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

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

B6 Income Distribution

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

Resident Unitholder

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

Non-Resident Unitholder

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

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

Distribution of 4.10 sen per unit or RM124.7 million earned for 2nd half of 2019 was distributed on 28 February 2020.

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Statement of Income Distribution

	Current Quarter		Year to Date	
	31 March		31 March	
	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000	2020 (Unaudited) RM'000	2019 (Unaudited) RM'000
Rental income	102,356	131,054	102,356	131,054
Revenue from contract customers	10,898	13,684	10,898	13,684
Interest income	2,392	2,927	2,392	2,927
Other income	3,155	6,184	3,155	6,184
	<u>118,801</u>	<u>153,849</u>	<u>118,801</u>	<u>153,849</u>
Less: Expenses	(84,200)	(84,618)	(84,200)	(84,618)
Total comprehensive income for the period/year	34,601	69,231	34,601	69,231
Distribution adjustment	2,337	2,926	2,337	2,926
Realised income for the period/year	<u>36,938</u>	<u>72,157</u>	<u>36,938</u>	<u>72,157</u>
Previous period/year's undistributed realised income	151	274	151	274
Total realised income available for distribution	37,089	72,431	37,089	72,431
Less: Proposed/declared income distribution	(36,810)	(72,025)	(36,810)	(72,025)
Balance undistributed realised income	<u>279</u>	<u>406</u>	<u>279</u>	<u>406</u>
Distribution per unit (sen)	1.21	2.37	1.21	2.37

B7 Portfolio Composition

As at 31 March 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.

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B10 Borrowings and Debt Securities

As at 31 March 2020	Total
	RM'000
Secured Revolving Term Loans	1,069,800
Unrated Medium Term Notes	1,075,000
Unamortised Borrowings Transaction Costs	(3,310)
	2,141,490
Gearing	34.1%
Average interest cost	4.7%
Composition of borrowings:	
Fixed Rate	43.1%
Floating Rate	56.9%

B11 Off Balance Sheet Financial Instruments

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

B12 Material Litigation

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

B13 Soft Commission Received

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

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B14 Summary of DPU, EPU, NAV and Market Price

	Current quarter ended 31 March 2020	Immediate preceding quarter ended 31 December 2019
Number of units in issue (units)	3,043,332,805	3,041,090,299
Net Asset Value (“NAV”) (RM’000)	3,893,428	3,979,738
NAV per unit (RM)	1.2793	1.3087
Total comprehensive income (RM’000)	34,601	74,722
Weighted average number of units in issue – year to date (units)	3,042,297,802	3,039,497,163
Earnings per Unit after Manager’s management fee (Sen)	1.14	2.46
Proposes/Declared Distribution per Unit (“DPU”) (Sen)	1.21	2.06
Market Price (RM)	1.58	1.74
Distribution Yield (%) ³	3.08	4.88

³ Distribution yield of year to date DPU divided by the Market Price (as at the end of the period) has been annualised.

B15 Manager’s Management Fee

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

Type RM’000	Current Quarter 31 March 2020	Year to Date 31 March 2020	Basis
Base Fee	4,678	4,678	0.3% per annum on total asset value
Performance Fee	1,954	1,954	3.0% per annum on net property income
Total	6,632	6,632	

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

B16 Trustee’s Fees

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

**PAVILION REAL ESTATE INVESTMENT TRUST
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B17 Responsibility Statement

In the opinion of the Directors of the Manager, this quarterly financial report has been prepared in accordance with MFRS 134: *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Pavilion REIT as at 31 March 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
11 June 2020