



PAVILION  
REAL ESTATE INVESTMENT TRUST

## 2018 ANNUAL REPORT





# What's Inside Overview

- 1 Vision, Mission and Investment Strategies
- 2 Corporate Information
- 4 Highlights
- 6 Message from the Chairman
- 9 Board of Directors
- 14 Management Team
- 18 Salient Features of Pavilion REIT
- 19 Pavilion REIT Structure

## Business Review

- 21 Message from the Chief Executive Officer
- 22 Management Discussion & Analysis
- 32 Investors Relation and Fund Management
- 34 Portfolio Details

## Sustainability

- 44 Sustainability Statement

## Corporate Governance and Financial Statements

- 63 Corporate Governance Overview Statement
- 66 Nominating Committee Report
- 67 Audit Committee Report
- 68 Statement of Risk Management and Internal Control
- 69 Manager's Report
- 73 Financial Statements

## Others

- 120 Analysis of Unitholdings
- 123 Market Overview
- 141 Glossary
- 142 Notice of Annual General Meeting  
Enclosed Proxy Form

**Disclaimer :** This annual report, prepared by Pavilion REIT Management Sdn Bhd ("the Manager") may contain certain forward-looking statements and is prepared based on the Manager's current view of future events that may involve certain assumptions, risks and uncertainties. Unitholders and investors are advised that past performance does not necessarily signify its future performance.



The principal investment policy of Pavilion REIT is to invest directly and indirectly, in a diversified portfolio of income producing real estate assets used solely or predominantly for retail purposes (including mixed-use developments with a retail component) in Malaysia and other countries within the Asia-Pacific region.

## Vision, Mission and Investment Strategies

### Vision

To be the leading and most sought after REIT in Malaysia.

### Mission

To provide unitholders with regular and stable distributions as well as to achieve long term growth in net asset value per unit, while maintaining an appropriate capital structure.

## Strategies

The Manager intends to achieve the vision and mission of Pavilion REIT through the following strategies:

- (a) Actively pursuing acquisition opportunities in accordance with the authorised investments of Pavilion REIT
  - acquire yield accretive income-producing properties
  - explore repositioning opportunities
- (b) Pursuing an efficient capital management strategy
  - diversify sources of debt funding
  - maintaining a reasonable level of debt service capability
  - securing favourable terms of funding
  - managing financial obligations
  - managing the exposures arising from adverse market interest rates through appropriate hedging strategies
  - actively managing the range of maturities to reduce refinancing risk and optimise the cost of capital
- (c) Proactively managing the properties and implementing asset enhancement strategies
  - maximise quality shopper traffic, especially at Pavilion Kuala Lumpur and Elite Pavilion malls
  - active management of tenant base in order to optimise tenant mix and maintain high occupancy rates
  - continued asset enhancement initiatives to increase net lettable area and rental potential
  - improving operational efficiency and cost effectiveness
  - commitment to sustainability to have positive impact on brand recognition, reputation and lessen environmental impact

## CORPORATE INFORMATION

### BOARD OF DIRECTORS OF THE MANAGER

*Chairman and Non-Independent Executive Director*  
**Tan Sri Lim Siew Choon**

*Non-Independent Executive Director*  
**Puan Sri Tan Kewi Yong**  
**Dato' Lee Tuck Fook**

*Non-Independent Non-Executive Director*  
**Ahmed Ali H A Al-Hammadi**  
**Ahmad Mohammed F Q Al-Khanji**  
**Mohd Abdulrazzaq A A Al-Hashmi**  
**Navid Chamdia**  
**Ooi Ah Heong**

*Independent Non-Executive Director*  
**Dato' Mohzani bin Abdul Wahab**  
**Dato' Maznah binti Abdul Jalil**  
**Dato' Choo Chuo Siong**  
**Syed Mohd Fareed bin Shaikh Alhabshi**

### MANAGER & ITS PRINCIPAL PLACE OF BUSINESS

Pavilion REIT Management Sdn Bhd  
(Company Number: 939490-H)  
Level 10, Pavilion Kuala Lumpur  
168, Jalan Bukit Bintang  
55100 Kuala Lumpur, Malaysia

Telephone No.: +603 2118 8888  
Facsimile No.: +603 2118 8889  
E-mail: [info@pavilion-reit.com](mailto:info@pavilion-reit.com)  
Website: [www.pavilion-reit.com](http://www.pavilion-reit.com)

### MANAGER'S REGISTERED OFFICE

6-2 Level 6 East Wing  
Menara Goldstone (Holiday Inn Express)  
No. 84 Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia

Telephone No.: +603 2166 9818  
Facsimile No.: +603 2166 6818





## Corporate Information (cont'd)

### AUDIT COMMITTEE

Dato' Mohzani bin Abdul Wahab (Chairman)  
Dato' Maznah binti Abdul Jalil  
Dato' Choo Chuo Siong  
Navid Chamdia

### NOMINATING COMMITTEE

Dato' Maznah binti Abdul Jalil (Chairperson)  
Dato' Mohzani bin Abdul Wahab  
Dato' Choo Chuo Siong  
Mohd Abdulrazzaq A A Al-Hashmi  
Ooi Ah Heong

### COMPANY SECRETARY OF THE MANAGER

Lim Mei Yoong  
(Licensed Secretary No: LS 02201)  
6-2 Level 6 East Wing  
Menara Goldstone (Holiday Inn Express)  
No. 84 Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia

### TRUSTEE

MTrustee Berhad (Company Number: 163032-V)  
B-2-9 (2<sup>nd</sup> Floor)  
Pusat Perdagangan Kuchai  
No 2 Jalan 1/127  
Off Jalan Kuchai Lama  
58200 Kuala Lumpur

Telephone No.: +603 7983 1088  
Facsimile No.: +603 7984 9612

### PROPERTY MANAGER

Henry Butcher Malaysia Sdn Bhd  
(Company Number: 160636-P)  
No. 25 Jalan Yap Ah Shak  
Off Jalan Dang Wangi  
50300 Kuala Lumpur, Malaysia

### AUDITOR

KPMG PLT  
(LLP0010081-LCA & AF-0758)  
Chartered Accountants  
KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

### PRINCIPAL BANKERS

Affin Bank Berhad  
Alliance Bank Malaysia Berhad  
AmBank (M) Berhad  
CIMB Bank Berhad  
Hong Leong Bank Berhad  
Malayan Banking Berhad  
Public Bank Berhad

### REGISTRAR

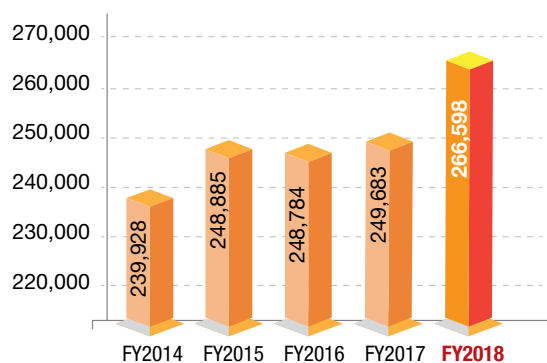
Tricor Investor & Issuing House Services Sdn Bhd  
(Company Number: 11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar South  
No 8 Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia

Telephone No.: +603 2783 9299  
Facsimile No.: +603 2783 9222

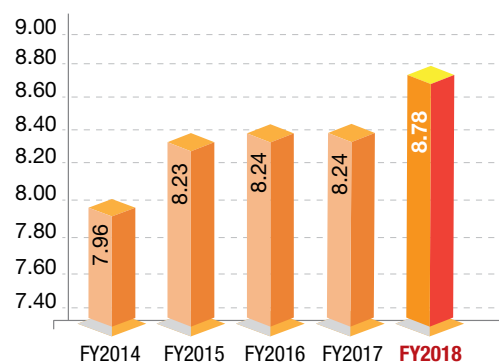


## HIGHLIGHTS

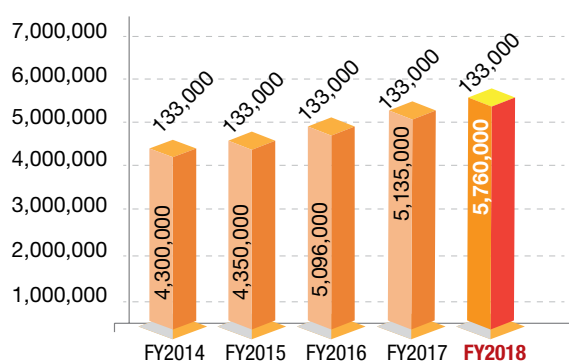
**Distributable Income  
(RM'000)**



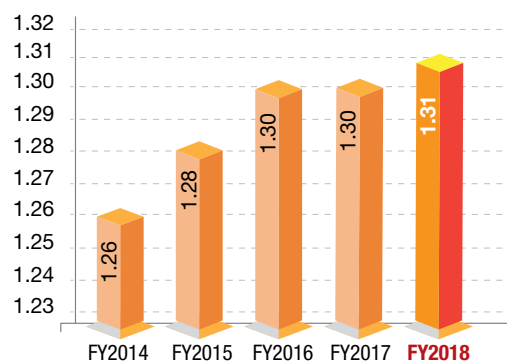
**Distribution per Unit  
(sen)**



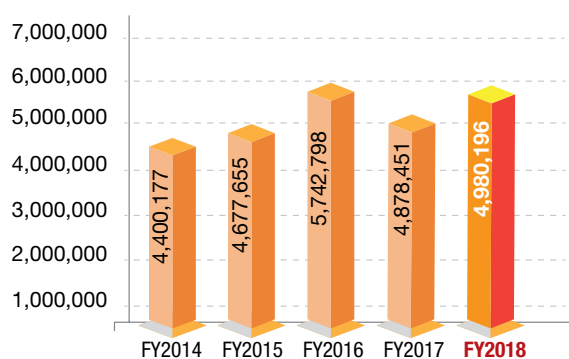
**Investment Properties  
(RM'000)**



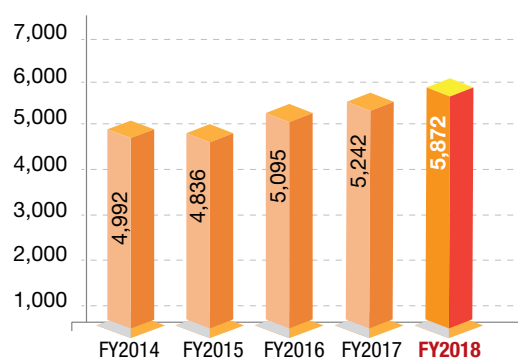
**Net Asset Value per Unit  
(RM)**



**Market Capitalisation  
(RM'000)**



**No of Unitholders**









## MESSAGE FROM THE CHAIRMAN



### Economic Review

Global economy growth was positive in early 2018, with the United States (US) leading the charge with low unemployment rates and strong indicators of growth. However, this was disrupted by United States introducing tariff for China imported products, which started a trade war with China, thus affecting the world till year end.

The European Union (EU) have also shown signs of slowing down due to the uncertainty of Brexit and the tariff issue they had with the US, which was subsequently resolved. EU was forecasting a GDP growth of 2.0 to 2.1% for 2018.

In China, due to the trade war with US it also forecast to close 2018 with only 6.6% GDP growth, one of its slowest paces since 1990.

Back in Malaysia, the real GDP for 2018 was revised down to 4.7%, slightly lower than the original forecast due to concerns over interest rates hikes and uncertainty arising from the change of government.

### Market Review

The market has seen Malaysian REIT (M-REIT) index closed lower than the previous year at 924.87 (2017 – 1,057.35) a drop of 12.5%. Total market capitalisation of the M-REIT industry dropped from RM46.0 billion to RM41.4 billion, a drop of RM4.6 billion or 10.0%. The M-REIT market is down due to interest rate increases in US, which reached an unprecedented 4 times hike during 2018 resulting in interest rate of 2.25% - 2.50%.

During this period, FBM KLCI opened at 1,796.81 at the beginning of 2018 and by year end, the market dropped to 1,690.58, a drop of 106.34 or 5.9%.

A total amount of RM1.89 billion worth of acquisitions were completed by M-REIT and a total of RM0.26 billion of assets were disposed in 2018. In addition to this, an amount of RM1.05 billion of acquisition were announced but have yet to be completed before the year end. This represented a healthy amount of transactions for the industry, compared to only RM1.16 billion in 2017.

2018 was also the year where we saw the introduction of the much anticipated changes on rules to the REIT industry by Securities Commission and Bursa Malaysia Securities Berhad. The new guidelines and the updated main market listing requirements allow the market to be more progressive with further opportunity for the M-REIT industry to expand their future pipelines by allowing them the opportunity to participate in the development stage of a project. We hope this will allow M-REIT to be more competitive within the regional markets.

M-REIT market has also been very volatile in 2018 and in the case of Pavilion REIT, its unit price dropped to as low as RM1.32 per unit as at 21 February 2018. However, it again outperformed the market at the year-end by closing at 2.1% higher than the previous year and its market capitalisation increased from RM4.88 billion to RM4.98 billion, an increase of RM100.00 million. Pavilion REIT unit closed the year at RM1.65 as compared to RM1.61 a year earlier.

### Investment and Asset Performance

In 2018, Pavilion REIT completed the acquisition of the Elite Pavilion Mall together with its related assets and rights (Pavilion Kuala Lumpur Mall extension) consisting of 10 levels of retail mall, subway linkages and the extension-connections for the amount of RM580.0 million on 27 April 2018. This addition culminated to over RM5.90 billion of investment properties as compared to RM5.3 billion a year earlier.

During the year, Pavilion REIT's gross revenue have increase to RM555.0 million as compared to RM490.0 million achieved in 2017. An increase of RM65.0 million was mainly contributed by RM42.5 million from the Elite Pavilion Mall acquisition during the year. This showed a collective respectable growth of RM22.5 million or 4.6% from other existing properties.

We are proud to announce that in 2018, Pavilion Kuala Lumpur Mall have won two additional awards, bringing the total awards won to date at 44. The new awards won were

- Best Shopping Mall – Going Places Readers' Choice Award and
- Gold Award, Best Experiential Marketing – Dream Garden of Prosperity PPK Malaysia Shopping Mall Association Award 2018.



## Message from The Chairman (cont'd)

### Environment and Sustainability

In 2018, we have made a giant step forward by formalising a committee to push ahead with sustainability agenda. The team, headed by the Chief Executive Officer have since met periodically and developed a framework for a commitment to sustainability. We continuously lay emphasis on best practices such as corporate social responsibilities, good governance practices, health and safety practices, training, education and quality, all of which are built on values that promote sustainability.

We are actively working with the team to improve on power efficiency, recycle and reuse products and ensure that all wastages are disposed of to the proper authorised sites.

A few ecological risks we have managed to improve on this year in Pavilion Kuala Lumpur Mall are: -

- Energy consumption dropped by 3.9% when compared to total energy consumption in 2017. This was achieved by use of newer technology for lighting and chiller efficiency.
- Consumption of water has also been reduced by 9.9% this year as compared to previous year mainly due to the installation of automated sanitary fittings and conducting regular maintenance checks with prompt reporting for corrective action.
- Waste management is under constant monitoring due to increase in waste that are due to increase in visitors as well as tenants in the mall. As segregation is a fundamental step in managing waste, steps have been taken to sort out the recyclable items, wet and dry wastes for proper disposal.

We are committed to long-term sustainability of the environment and society without compromising on value creation for our unitholders.

### Market Outlook

Malaysian GDP is estimated to be in the region of 4.7% for 2019. Meanwhile global economy is also forecasted to be softer at 2.9%, a drop from 3.0%. The local economy is affected due to slower demand, lower public investment, completion of several major projects in the previous year, prudent approach towards new projects and policy uncertainties.

Malaysian Institute of Economic Research Business Conditions Index reached an all-time high level for the past 13 quarters at 116.3 points (2Q 2018). And since then have dropped slightly to 108.8 point in 3Q 2018. This is an indication that business confidence is still good. The consumer's sentiments index is a reflexion of individual Malaysian sentiments of the market. It soared to the highest in 21 years at 132.9 as at 2Q 2018 after the election and above 100.0, the base line for the first time in over 3 years (4Q 2014 to 1Q 2018). Since then, the index has dropped back to 107.5 in 3Q 2018.

With Bank Negara Malaysia's recent announcement of overnight policy rates being maintained at 3.25% per annum and softer worldwide view, economists are predicting that its rates may be reduced in 2019.

However, the government does acknowledge that tourism industry is a key contributor to GDP at 14.9% or RM201.4 billion in 2017. Given this importance, the authorities will pay closer attention to ensure the target for tourist arrival will be achieve. The government have allocated RM100.0 million for the promotion and marketing campaigns to increase tourists to the country. In addition, medical tourism will also get an allocation of RM20.0 million to collaborate with local private hospitals and a 2% subsidy interest for RM500.0 million of loan facilities will be provided to handicraft and homestay operators to expand their business.

We anticipate the economy to progress with caution and the retail industry to be facing a stronger headwind in 2019 compared to the previous years, due to uncertain outcome in the US China trade war, softer global outlook and pending formalization of policies, directions and actions to improve on Malaysia's business and consumer sentiments.

### Annual General Meeting (AGM)

Pavilion REIT 6th Annual General Meeting held on 29 March 2018 to present the Pavilion REIT's Audited Financial Statement for the year ended 31 December 2017 together with the approved general mandate for allotment and issuance of up to 20% of the existing approved fund size went on smoothly.





## Message from The Chairman (cont'd)

The Board intends to seek a similar approval in the forthcoming AGM.

### Acknowledgement

I would like to thank the Board members, management team and staff for their commitment, dedication and hard work during the year.

And to our stakeholders, tenants, financiers, trustee and business partners, thank you for your continuous support you have given to the Fund during the year.

### TAN SRI LIM SIEW CHOON

Chairman

29 January 2019





## BOARD OF DIRECTORS

---

**Tan Sri Lim Siew Choon** *Chairman and Non-Independent Executive Director*

---

Tan Sri Lim Siew Choon, age 58, a Malaysian male, holds a Bachelor of Business Administration degree (majoring in Finance) from the University of Central Oklahoma in the United States.

He has more than 36 years of management experience in property development, construction, retail design, retail development as well as corporate management.

He was appointed to the Board of the Manager on 7 April 2011 and subsequently appointed the Chairman of the Manager on 11 August 2011. He is also an Executive Chairman of WCT Holdings Berhad and also the Non-Independent Non-Executive Chairman of Malton Berhad. His spouse, Puan Sri Tan Kewi Yong is a Non-Independent Executive Director and a major unitholder of Pavilion REIT.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

---

**Puan Sri Tan Kewi Yong** *Non-Independent Executive Director*

---

Puan Sri Tan Kewi Yong, age 62, a Malaysian female, pursued her tertiary education in the United Kingdom specialising in Business and Marketing Studies.

She has over 35 years of management experience in marketing, advertising, finance and human resource management and has been instrumental in setting up various successful business ventures. Her initial involvement was trading and distribution line and over the years, her scope of involvement has extended to cover many other industries.

She was appointed to the Board of the Manager on 7 April 2011. She is currently an Executive Director of Malton Berhad. She is the spouse of Tan Sri Lim Siew Choon.

She has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

---

**Dato' Lee Tuck Fook** *Non-Independent Executive Director*

---

Dato' Lee Tuck Fook, age 64, a Malaysian male, is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He also holds a Master degree in Business Administration from the International Management Centre, Buckingham.

He began his career with KPMG in 1974 under articleship, was subsequently admitted as a partner in 1985 until he left the practice in 1990. From 1990 to 1992, he was appointed the Vice President of Samling Group in Sarawak. He later joined the Renong Berhad group as the Managing Director of Renong Overseas Corporation. Between 1994 and 2000, he was the Chairman of the Executive Committee of the board of Peremba-Kentz Ltd. He was the Managing Director of Cement Industries of Malaysia Bhd from 2001 to 2002.

From 2002 to 2006, he was Managing Director of Paracorp Berhad. In 2003 he was appointed the Executive Director of Malton Berhad and was re-designated as its Managing Director in December 2003. He resigned from the board of Malton Berhad in 2009.

He was appointed to the Board of the Manager on 29 July 2011 and a director of Pavilion REIT Bond Capital Berhad. He is also an Independent Non-Executive Director of SAM Engineering & Equipment (M) Berhad, the Independent Non-Executive Chairman of Pesona Metro Holdings Berhad. On 2 November 2016 he was appointed the Non-Independent Non-Executive Director of WCT Holdings Berhad and subsequently re-designated as Group Managing Director on 3 April 2017.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

## Board of Directors (cont'd)

### **Ahmed Ali H A Al-Hammadi** *Non-Independent Non-Executive Director*

Ahmed Ali H A Al-Hammadi, age 37, a Qatari male, graduated with a Bachelor of Science in Economics (Finance and Accounting) from University of Pennsylvania – The Wharton School in Philadelphia, United States of America and Master in Business Administration from Harvard Business School from Boston, United States of America.

He is currently the Head of Active Investments within QIA.

He oversees the active investment portfolios including sector portfolios, managed portfolios and fund investments which represent the majority of the QIA's international investments and is responsible for fund investments in private equity, equity, hedge funds and real estate.

He was previously an Associate in the Asset Management Department from 2010 – 2014 and was responsible to review and recommend investments for QIA Hedge Fund portfolio, the venture capital program and to initiate the attraction of asset managers to Qatar. From 2008 – 2010, he was the Vice President – Asset Management of EFG-Hermes Qatar where he was in charge of the asset management business in Qatar. Prior to that, he was an associate with Booz Allen Hamilton and worked on the restructuring and strategy recommendation for several financial service firms in the Middle East and was a financial reporting analyst from 2003 and 2005.

He was appointed to the Board of the Manager on 14 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transaction as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

### **Ahmad Mohammed F Q Al-Khanji** *Non-Independent Non-Executive Director*

Ahmad Mohammed F Q Al-Khanji, age 34, a Qatari male, graduated with a Bachelor of Law (LLB) with honors from Oxford Brookes University, Oxford United Kingdom and he hold a Masters in Business Administration (MBA) from London Business School, London United Kingdom.

He is currently the Acting Director of Legal Department of QIA.

He was the Head of M&A (Legal – QIA) from March 2014 to September 2018 where he led and monitored the execution of new acquisitions and ensured adequate protections for QIA, and relationship management with external parties. From 2006 – 2010, he was an assistant legal counsel of Qatargas Operating Company Limited and was seconded to the project finance team of Allen & Overy LLP in London from September 2008 to March 2009.

He was appointed to the Board of the Manager on 14 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.



## Board of Directors (cont'd)

### **Mohd Abdulrazzaq A A Al-Hashmi** *Non-Independent Non-Executive Director*

Mohd Abdulrazzaq A A Al-Hashmi, age 30, a Qatari male, graduated from Qatar University with a major degree in Finance and minor degree in Marketing. He is a Chartered Financial Analyst level 3 candidate.

He is currently a Senior Associate at QIA focusing primarily on direct and co-investments in the real estate sector in Europe and America. He is responsible for the appraisal, evaluation on acquisition of key real estate transactions including property valuation, financial feasibility study, and technical and financial due diligence on the target asset/company.

He was appointed to the Board of the Manager on 14 June 2016. He was appointed as a member of the Manager's Nominating Committee on 28 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

### **Navid Chamdia** *Non-Independent Non-Executive Director*

Navid Chamdia, age 45, a male British national, graduated from University College London with a first class honours degree in Economics. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants from England and Wales. He is also a Chartered Financial Analyst charter holder.

He is currently head of real estate investments at QIA, focusing primarily on direct acquisitions, joint ventures and co-investments in Europe, the United States and emerging markets. Navid is also responsible for real estate fund investments made by the QIA.

Prior to joining QIA in 2005, he spent 12 years at Ernst & Young's Project Finance division in London advising on the financing and delivery of global real estate and infrastructure projects.

He was appointed to the Board of the Manager on 10 August 2011. He was appointed as a member of the Audit Committee of the Manager on 28 June 2016. He does not hold any directorship in any public or public listed company.

He has no conflict of interest with Pavilion REIT save for the related party transactions as disclosed in the Financial Statements. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

### **Ooi Ah Heong** *Non-Independent Non-Executive Director*

Ooi Ah Heong, aged 66, a Malaysian male, graduated from the University of Singapore in 1976.

He has over 42 years of experience in the property development business and has years of experience ranging from low-cost housing to high-end condominium development and institutional buildings to shopping and entertainment centres. He is currently the Director of Business Development of Malton Berhad.

He began his career with Yong Dan Mohd Faiz, a quantity surveying firm in Kuala Lumpur in 1976. He joined Tan & Tan Developments as a Project Manager in 1979. He then joined IOI Group as its General Manager. In 1989, he helped to form Pentadel Sdn Bhd. In 1991, he joined Cheras Heights Development, a subsidiary of Perlis Plantation Bhd, as its General Manager. From 1995 to 2002, he acted as an adviser to various property developers on business development opportunities in the property market, including the Khuan Choo Group. He joined Malton Berhad in 2002.

He was appointed to the Board of the Manager on 29 July 2011. He is a member of the Manager's Nominating Committee. He is currently a director of Pavilion REIT Bond Capital Berhad.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

## Board of Directors (cont'd)

### **Dato' Mohzani bin Abdul Wahab** *Independent Non-Executive Director*

Dato' Mohzani bin Abdul Wahab, age 65, a Malaysian male, graduated with a Bachelor degree in Economics from the University of Malaya, Kuala Lumpur.

He served as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd from 2001 and 2005 respectively until his retirement at the end of 2009. He has years of experience in various senior management positions in Shell's Downstream Oil Products sector. Prior to that, he was a Non-Independent Non-Executive Director of Shell Refining Company (FOM) Berhad for eight years and was a board member of Brunei Shell Marketing. His board experience includes serving on Shell Oman Marketing Plc and the joint venture companies between Petronas and Exxon/Mobil, PS Pipeline and PS Terminal, and other Shell downstream subsidiaries. He also served as a director of a multiparty loyalty program company, Bonuskad Loyalty Sdn Bhd.

Currently he is Chairman of Hong Leong Investment Bank Berhad, TH Properties Sdn Bhd, Merchantrade Asia Sdn Bhd, TH Alam Management Sdn Bhd and TH Marine Holding (L) Inc and he sits on the board of Boustead Plantations Berhad.

He was appointed to the Board of the Manager on 29 July 2011. He is the Chairman of the Manager's Audit Committee and a member of the Nominating Committee.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

### **Dato' Maznah binti Abdul Jalil** *Independent Non-Executive Director*

Dato' Maznah binti Abdul Jalil, age 65, a Malaysian female, graduated with a Bachelor of Science from Northern Illinois University and Masters of Science degree in Business Administration (Finance) from Central Michigan University.

Currently, she is a board member of Felcra Berhad, Lembaga Tabung Angkatan Tentera and Opus Asset Management Sdn Bhd and the Chairman of SCS Global Advisory Sdn Bhd. She is also the Independent Director of Prestariang Berhad and a member of the Board of Governors of University Malaysia of Computer Science & Engineering (UniMy), a subsidiary of Prestariang Berhad.

She joined Master-Carriage (Malaysia) Sdn Bhd as Director of Corporate Affairs in 1992. Prior to that, she was with Amanah Merchant Bank Bhd as a Manager in Corporate Finance and Advisory for 13 years. In 1997 she was appointed as Vice President of DRB-HICOM Berhad Group of Companies. She was formerly Chairman of Uni.Asia General Insurance Berhad and Uni.Asia Life Assurance Berhad. She has also previously served on the Board of UOB Bank (Malaysia) Berhad, Edaran Otomobil Nasional Berhad, EON Capital Berhad, EON Bank Berhad, Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad, Labuan Reinsurance (L) Ltd, Malaysian International Merchant Bankers Berhad and several private limited companies under DRB-HICOM. Thereafter, she joined Hong Leong Financial Group Berhad as Executive Vice President, Corporate Finance & Principal Investment prior to her appointment as Executive Vice President, Investment Banking at Kenanga Investment Bank Berhad where she served until 2011. She was also formerly a Director of Universiti Teknologi Mara (Uitm). In 2013, she was the Executive Director and Chief Financial Officer of Sona Petroleum Berhad, (a Special Purpose Acquisition Company) a company which is in the process of liquidation by court order.

She was appointed to the Board of the Manager on 29 July 2011. She is a member of the Manager's Audit Committee and the Chairman of the Nominating Committee.

She has no conflict of interest with Pavilion REIT. She has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.



## Board of Directors (cont'd)

### **Dato' Choo Chuo Siong** *Independent Non-Executive Director*

Dato' Choo Chuo Siong, age 53, a Malaysian male, graduated from the London School of Economics, UK with a Bachelor of Science in Economics (Honours).

He is currently the managing director of the Xiao En Group, a family business specialises as a service provider in memorial parks, memorial centre and bereavement care services in Malaysia. He supervises, moderates the Group's daily management and operations personally, and as the chief decision maker in the daily operations of the Group, including corporate master planning.

Apart from the above, he serves as one of the advisors at the Centre of History & Contemporary Research on China – ASEAN, one of the council members of the Best Wishes Foundation and the INXO Arts & Culture (L) Foundation.

Apart from actively involving in the bereavement care services, he has also ventured himself into the field of aged care and has vast experience in the field of property development projects ranging from both commercial and residential properties.

He was appointed to the Board of the Manager on 19 June 2012. He is a member of the Manager's Audit Committee and Nominating Committee. He also holds directorship in Xiao En Memorial Park Bhd and Memorial Venture Berhad.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

### **Syed Mohd Fareed bin Shaikh Alhabshi** *Independent Non-Executive Director*

Syed Mohd Fareed bin Shaikh Alhabshi, age 64, is a Malaysian male.

He is currently the Chairman of Oilfield Supply Centre (M) Sdn Bhd, a company providing logistics support for oil and gas and power generation industries, manufacturing of pressure vessel, heat exchange, fin tube and general fabrication.

He started his career in 1978 by exporting electronic goods from Singapore to Middle East countries, namely Saudi Arabia, Kuwait and the United Arab Emirates. Thereafter, in 1994, he started an investment holding company for a Saudi Arabian family which owns 80% of National Commercial Bank. In 2002, he started his own interior contracting company, Dragoni International LLC in Dubai. He later sold majority of his interest to Depa Ltd, a public listed company in Dubai.

In 1998, he was appointed the Director of the International Relations of His Royal Highness Prince Khalid bin Abdullah bin Abdul Aziz of Saudi Arabia and subsequently resigned in 2018. He was also appointed as the Advisor (Middle East) to the Albukhary Foundation from 2000 to 2013 and was a Representative of the Middle East to the East Coast Economic Region Development Council since August 2010 until 2012.

He was appointed to the Board of the Manager on 29 July 2011. He is also a director and shareholder of National Gas Berhad and Jalur Lebar Nasional Sdn Bhd.

He has no conflict of interest with Pavilion REIT. He has not been convicted of any offences and is not aware of any public sanction or penalty imposed by relevant regulatory bodies during the past 5 years, other than traffic offences, if any.

## MANAGEMENT TEAM

### **Philip Ho Yew Hong** *Chief Executive Officer*

Philip Ho, age 52, a Malaysian male, holds a Master of Business Administration from University of Strathclyde, United Kingdom and a Bachelor of Business in Accounting from Chisholm Institute of Technology, Australia. He is currently a member of the Malaysian Institute of Accountants.

He has over 30 years of experience in corporate planning, mergers & acquisitions, finance, audit, operations management, property development and construction.

Prior to joining Pavilion REIT Management Sdn Bhd, he was the Chief Financial Officer of Urusharta Cemerlang Sdn Bhd, where he was involved in the establishment of Pavilion REIT. During this period, he was also involved in the finance, operations and property investment functions for Urusharta Cemerlang Sdn Bhd's group of companies. Prior to this, he was Chief Operations Officer and Finance Director of Kuala Lumpur Pavilion Sdn Bhd (KLP) during the development and construction stage of the Pavilion Kuala Lumpur Project in 2002.

He was appointed as Chief Executive Officer on 1 December 2011 and has no directorship in other public companies and listed issuers, nor does he have any conviction for offences within the past 5 years, public sanction or penalty imposed by relevant regulatory bodies during the financial year, other than traffic offences, if any.

He has no conflict of interest with Pavilion REIT, save for the interest in Pavilion REIT as disclosed in the analysis of unitholdings. He also does not have any family relationship with any director of Pavilion REIT Management Sdn Bhd and/or major unitholder of Pavilion REIT.

### **Dato' Joyce Yap Soh Ching** *Asset Manager (Retail)*

A Malaysian female, age 61, she was appointed to the position of Asset Manager (Retail) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Business Studies from North East London Polytechnic, London, a Certificate in Centre Management from PPKM and is a registered property manager in Malaysia.

During her 37 years working experience, she has held key positions and handled a variety of responsibilities in the areas of development, sales and marketing, leasing of various types of property development and asset management.

In her role as Chief Executive Officer – Retail of KLP, her key responsibility is to formulate, articulate and prioritise departmental goals in line with KLP's strategic objectives which included mall operations, leasing, marketing and human resources. Her role also involves developing and maintaining effective networking relationships with local, regional and international retailers. Besides being a past president and current advisor of Malaysia Shopping Malls Association, she is also currently the Chairman of Malaysia Tourism Committee, a member of the Associated Chinese Chambers of Commerce and Industry of Malaysia as well as a member of International Council of Shopping Centre Asia Pacific Advisory Board.

Prior to joining KLP, she worked with Gestetner Manufacturing Co., London, General Corporation Bhd, Lion Properties Sdn Bhd, MBf Properties Sdn Bhd, Berjaya Ditan Sdn Bhd and Sunway Pyramid Sdn Bhd.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.



## Management Team (cont'd)

### **Lovell Ho Wai Hoong** *Asset Manager (Leasing)*

---

A Malaysian male, age 50, he was appointed to the position of Asset Manager (Leasing) of the Manager on 1 December 2011. He holds a Bachelor of Business in Marketing from the Royal Melbourne Institute of Technology, Melbourne, Australia. He is also a Certified Marketing Manager by PPKM and a member of PPKM.

He has over 25 years' experiences in shopping mall management particularly in the areas of leasing and marketing. In the retail industry, he possesses a wide network of both local and international retailers from renowned local brands to international luxury brands and has successfully secured the required tenant mix.

He joined KLP in 2002 as Senior Leasing Manager, was promoted to General Manager in 2005 with promotion to Director of Leasing in 2010 and appointment of Senior Director, Retail & Leasing in 2017.

Prior to joining KLP, he was the Marketing Manager of Sunway Pyramid Sdn Bhd and was responsible for setting the strategic marketing plans and implementing marketing and communication plans for the mall. He began his career with the Shopping Centre Management Division of The Lion Group. During his tenure with The Lion Group, he was involved in the overall leasing and marketing functions for the Lion Group Parade of Shopping Centres throughout the country.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

### **Kung Suan Ai** *Asset Manager (Marketing)*

---

A Malaysian female, aged 47, she was appointed to the position of Asset Manager (Marketing) of the Manager on 1 December 2011. She holds a Bachelor of Arts (Hons) in Communications from Universiti Kebangsaan Malaysia.

She joined KLP in 2008 as General Manager, Marketing before being appointed Director of Marketing in 2010. In this position, she oversees the Marketing Department in enhancing the value and positioning of the Pavilion REIT retail malls through effective brand strategy and service experience.

Her passion for the mall industry began in Sunway Pyramid in 1996 when Malaysia's first themed mall was introduced. Dedicated in her quest to acquire mass marketing experience, she joined Mid Valley City in 2001 as the Assistant Marketing Manager. She was promoted to Director of Marketing for Mid Valley City in 2008, involved in the strategic brand development for the integrated city.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

## Management Team (cont'd)

---

### **Francis Ong Heng Khai** *Asset Manager (Facilities Management)*

---

A Singaporean male, age 50, he was appointed to the position of Asset Manager (Facilities Management) of the Manager on 1 December 2011. He holds a Bachelor of Business (Property) from the University of South Australia, Australia and a Diploma in Building Management from Ngee Ann Polytechnic, Singapore.

He has over 25 years of experience in property management covering residential, commercial and industrial properties.

Prior to joining KLP, he was with CapitaMall Asia Ltd for close to seven years and managed one of their shopping malls, Plaza Singapura which is situated in Singapore's shopping belt along Orchard Road. He was seconded to a new development, ION Orchard in 2008 as Head of Facilities. While with ION Orchard, he was involved in the operations planning and recruitment of the facilities team for the new mall, pre-opening preparations and post-opening operations. He was responsible for the daily operations of the mall, preparation of the operations and maintenance budget, implementation of standard operating procedures and was also involved in asset enhancement initiatives of the respective malls that he had managed.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

---

### **Ong Hui Ling** *Head of Corporate Planning*

---

A Malaysian female, age 49, she was appointed to the position of Head of Corporate Planning of the Manager on 1 January 2012. She holds a Master of Business Administration from Victoria University, Melbourne, Australia.

Involved in treasury and investor relation functions, she has over 28 years of experience, mainly in finance of service, manufacturing, construction, development and retail industries. She was attached Urusharta Cemerlang Sdn Bhd, the developer of Pavilion Kuala Lumpur, as its Head of Finance overseeing finance, credit control and treasury function prior to being part of the team that was involved in setting up Pavilion REIT.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

---

### **Lim Mian Nyee** *Assistant General Manager (Finance)*

---

A Malaysian female, age 43, she was appointed to the position of Assistant General Manager (Finance) of the Manager on 1 January 2017. She is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Prior to joining Pavilion REIT Management Sdn Bhd on 1 December 2011 as its Finance Manager and thereafter being promoted as Senior Manager (Finance) on 1 January 2014, she was the Finance Manager at The Nomad Hotel Management Sdn Bhd, a subsidiary of The Nomad Group Berhad. She oversaw the finance department for the service residences within the The Nomad Group Berhad with main responsibilities in financial reporting, budgeting and planning.

She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

## Management Team (cont'd)

### **Chong Kok Wai** *Senior Manager (Legal and Compliance)*

---

A Malaysian male, age 44, he holds a Bachelor of Laws (Hons) from University of London and was admitted to the Malaysian Bar in 2001.

Prior to joining Pavilion REIT Management Sdn Bhd on 15 December 2016 to oversee the area of legal and compliance, he was a practising lawyer and partner for 16 years with M/s. J.P. Chong & Co specializing mainly in the area of litigation and conveyancing. He was also a former member of the Management Committee of Sungei Wang Plaza Management Corporation for the year 2015-2016.

He started his career in Standard Chartered Bank Malaysia Berhad in the Legal, Credit Risk & Loss Prevention – Cards Department and was in charge of monitoring legal action against delinquent and charged off accounts including but not limited to implementation of credit policy and budget planning and was awarded the Best Customer Assistance Officer for the year 1998 during the Consumer Banking Conference.

He does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), he also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.

### **Eng Hui Yi** *Senior Manager (Investment)*

---

A Malaysian female, aged 32, she was appointed to the position of Manager (Investment) of the Manager on 1 July 2015 and subsequently promoted to Senior Manager (Investment) on 1 January 2018. She holds a Bachelor of Arts (Hons) in Accounting and Finance from University of the West of England, Bristol.

She has a mixture of experience in valuation, financial modelling, investment analysis, portfolio management, corporate stakeholder management as well as liquidation and disposal work.

Prior to joining Pavilion REIT Management Sdn Bhd, she was Investment Manager in the Private Equity department of AmInvestment Bank Berhad. She started her career with the Valuation and Business Modelling team of Ernst & Young Kuala Lumpur.

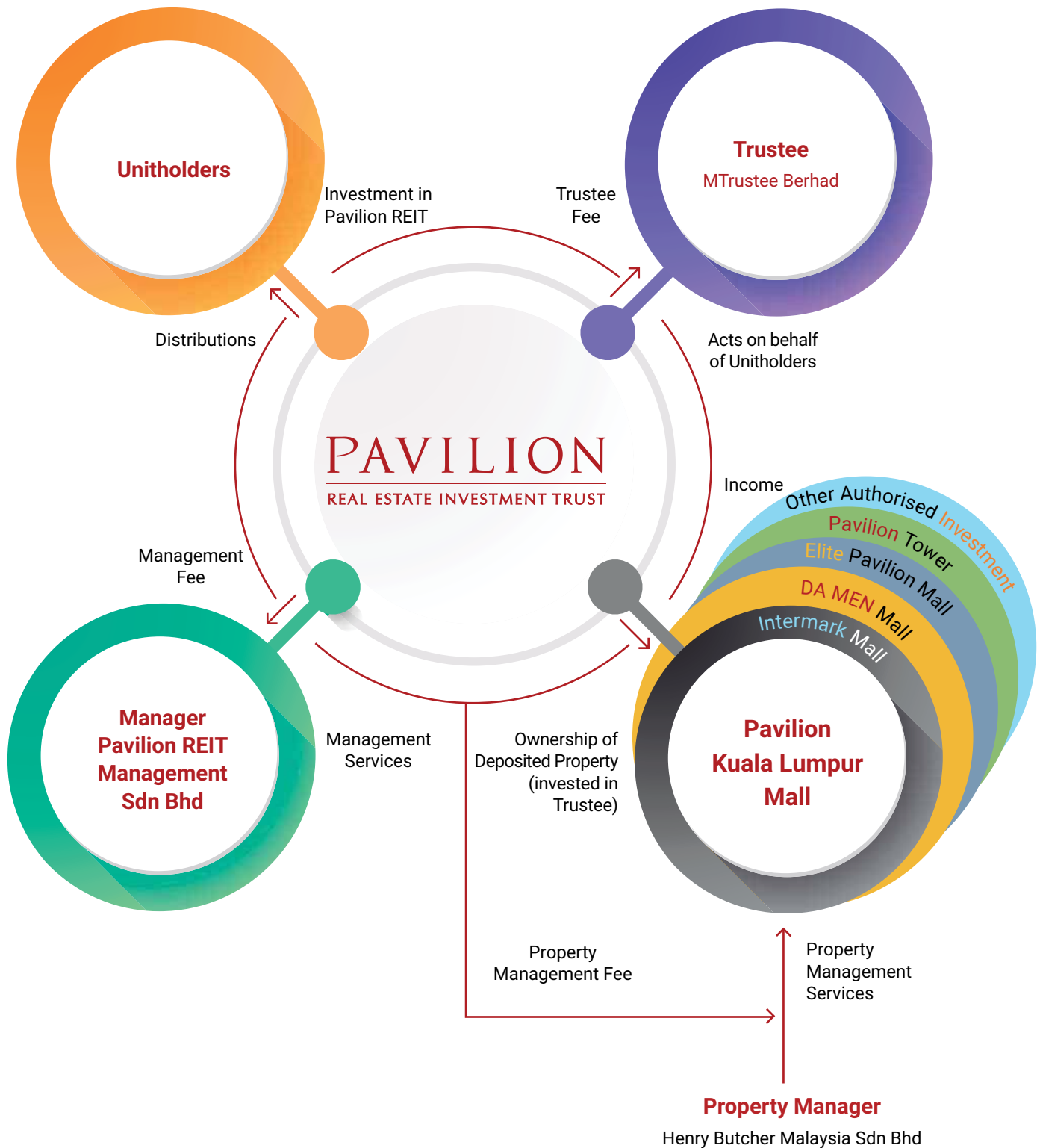
She does not hold any directorship in any public companies and listed issuers nor have any family relationship with any director and / or major unitholder of Pavilion REIT. There is no conflict of interest with Pavilion REIT. Other than traffic offence (if any), she also does not have any convictions for offences within the past 5 years or any public sanctions or penalty imposed by relevant regulatory bodies during the financial year.



## SALIENT FEATURES OF PAVILION REIT

Category of Fund	Real Estate Investment Trust
Type of Fund	Income and growth
Duration of Fund/ Termination Date	<p>The earlier of :</p> <ul style="list-style-type: none"> <li>• The occurrence of any events listed under Clause 26.2 of the Deed</li> <li>• 999 years falling on 17 October 3010</li> <li>• the date on which Pavilion REIT is terminated by the Manager under Clause 26.1(b) of the Deed</li> </ul>
Investment Objective	To provide unitholders with regular and stable distributions as well as to achieve long-term growth in net asset value per Unit, while maintaining an appropriate capital structure
Distribution Policy	Half yearly distribution of 100% of distributable income for the financial year ended 31 December 2018 with at least 90% of distributable income for each subsequent financial year
Gearing Policy	Up to 50% of the total asset value of the Fund
Revaluation Policy	Annually by independent registered valuers
Financial Year Ending	31 December
Listing Market	Main Market of Bursa Malaysia Securities Berhad
Listing Date	7 December 2011
Board Lot	100 Units per board lot
Price per Unit	<ul style="list-style-type: none"> <li>• Retail – RM0.88</li> <li>• Institution – RM0.90</li> </ul>
Stock Name	PAVREIT
Stock Code	5212

## PAVILION REIT STRUCTURE







## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

### Financial Performance

Pavilion REIT have achieved a new milestone with its total revenue exceeding RM555.0 million for the first time in 2018. This represented a growth of RM65.0 million or 13.3% as compared to the previous year of RM490.0 million. The higher gross turnover was achieved with the completion of acquisition of Elite Pavilion during the year together with stable and higher average occupancy from its investment properties. Valuation of its investment properties increased from RM5.3 billion to RM5.9 billion.

Net property income increased to RM374.8 million as compared to RM322.9 million, representing an increase of RM51.9 million or 16.1% with total distributable income increased by a healthy 6.8% from RM249.7 million to RM266.6 million.

The Manager had announced the full year distribution of 8.78 cents per unit compared to 8.24 cent per unit in 2017 which represents an increase of 6.6% which have yet to be completed as at year end. However, it is anticipated that in 2018, the asset under management will increase by approximately RM589.0 million or 10% upon completion of the acquisition, Pavilion Kuala Lumpur Mall Extension.

### Performance of the Investment Properties

We have during the year formalized a Sustainability Committee and identified material sustainability matters. Strategies are being developed to ensure continuous positive impact on Pavilion REIT's branding, reputation, employee wellbeing, operational efficiency, investor attractiveness and costeffectiveness while lessening the environmental burden, where possible.

With the completion of major repositioning of its tenant mix in Pavilion Kuala Lumpur Mall, we continued to concentrate effort to improve on energy efficiency, reduces wastages and manage waste management.



For DA MEN Mall, we have worked with the authorities to change the directions of the internal drive way. With the new direction which allows traffic to enter and egress / exit to Jalan Kewajipan, our shoppers and visitors will find it easier, faster and time saving if exit during peak hours as compared to only the previous options / routes.

### New Acquisition

In 2018, Pavilion REIT completed the acquisition of the Elite Pavilion Mall together with the related assets and rights for a total consideration of RM580.0 million. This acquisition was financed via debt as opposed to its earlier proposal to finance the acquisition via a placement of up to 218,000,000 new units as Pavilion REIT's price in early 2018 was not conducive for raising funds from the equity market against the debt funding option.

### Outlook

In 2019, we will consolidate our investment portfolio and concentrate on improving their performances and maintain overall expenses.

**PHILIP HO YEW HONG**  
Chief Executive Officer  
29 January 2019



# MANAGEMENT DISCUSSION & ANALYSIS

## Financial Highlights

Financial Results and Key Performance Indicators	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Change (%)
						FY 2018 vs FY 2017
Gross Revenue (RM'000)	402,092	413,932	459,701	490,001	554,977	13.26%
Net Property Income ("NPI") (RM'000)	282,739	291,535	314,774	322,913	374,787	16.06%
Distributable Income (RM'000)	239,928	248,885	248,784	249,683	266,598	6.77%
Earnings per Unit (sen)	16.94	9.36	10.33	8.24	9.51	15.41%
Distribution per Unit (DPU) (sen)	7.96	8.23	8.24	8.24	8.78	6.55%
Distribution Yield (%) :-						
– based on retail IPO price of RM0.88	9.05	9.35	9.36	9.36	9.98	6.62%
– based on market price as at 31 December	5.45	5.31	4.34	5.12	5.35	4.49%
Management Expense Ratio ("MER") (%)	0.66	0.64	0.69	0.72	0.83	15.28%
Investment Properties (RM'000)	4,433,000	4,483,000	5,229,000	5,268,000	5,893,000	11.86%
Total Asset Value ("TAV") (RM'000)	4,649,931	4,750,753	5,592,418	5,653,164	6,357,724	12.46%
Net Asset Value ("NAV") (RM'000)	3,811,016	3,851,607	3,920,849	3,940,277	3,977,956	0.96%
NAV per Unit (RM)	1.26	1.28	1.30	1.30	1.31	0.77%
Gearing Ratio (%)	15.22	15.88	25.25	25.87	33.78	30.58%
Portfolio Turnover Ratio (times)	0.00	0.00	0.08	0.00	0.15	-

## Financial Review

By Segment	Gross Revenue				Net Property Income			
	FY 2017		FY 2018		FY 2017		FY 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pavilion Kuala Lumpur Mall	412,854	84.26	440,591	79.39	286,169	88.62	313,375	83.61
Intermark Mall	24,753	5.05	29,184	5.26	11,969	3.71	17,300	4.62
DA MEN Mall	39,937	8.15	29,761	5.36	16,769	5.19	8,611	2.30
Elite Pavilion Mall	0	-	42,552	7.67	0	-	27,467	7.33
Retail	477,544	97.46	542,088	97.68	314,907	97.52	366,753	97.86
Pavilion Tower – Office	12,457	2.54	12,889	2.32	8,006	2.48	8,034	2.14
<b>Total</b>	<b>490,001</b>	<b>100.00</b>	<b>554,977</b>	<b>100.00</b>	<b>322,913</b>	<b>100.00</b>	<b>374,787</b>	<b>100.00</b>

## Management Discussion & Analysis (cont'd)

Gross revenue achieved in 2018 was RM555.0 million or 13.3% higher when compared to the immediate preceding year. This change was contributed by income from the new property, Elite Pavilion Mall that was acquired on 27 April 2018, higher rental income from Pavilion Kuala Lumpur Mall after the repositioning exercise and higher occupancy at Intermark Mall. Lower gross revenue from DA MEN Mall was due to drop in occupancy and average rental rate.

Increase in operating cost was due to cost incurred by Elite Pavilion Mall with other properties operating cost having nominal changes as compared to the previous year. This resulted in 16.1% or RM51.9 million increase in Pavilion REIT's net operating income. Pavilion Kuala Lumpur Mall and its seamlessly connected Elite Pavilion Mall collectively contributes to 90.9% of net property income of Pavilion REIT with office sector contribution of 2.1%.

Retail property continues to contribute to approximately 98.0% of Pavilion REIT's total portfolio in terms of gross revenue and net property income. Overall, Pavilion REIT portfolio achieved NPI margin of 67.5% with retail and office achieving a NPI margin of 67.7% and 62.3% respectively.

Change in fair value of investment properties was RM33.6 million against the immediate preceding year fair value gain of RM17.0 million. Higher other trust expenses was due to consultancy fees incurred for evaluating the participation in ownership of Pavilion Bukit Jalil. As the acquisition of Elite Pavilion Mall was finance by borrowings, this resulted in higher borrowing cost incurred as compared to the previous year. All these resulted in increase of 15.7% in income before taxation for the year to RM288.7 million.

### Distribution per Unit ("DPU")

Total DPU for 2018 increased by 0.54 sen to 8.78 sen from 2017 DPU of 8.24 sen, with additional 6,611,320 Units being issued during the year resulting in 3,036,704,925 Units as at 31 December 2018.

4.34 sen earned for first half of 2018 was paid on 5 September 2018 with the final distribution of 4.44 sen earned in second half of 2018 is to be paid on 28 February 2019 resulting in NAV per unit of RM1.30 and RM1.31 for 2017 and 2018 respectively.

### Statement of Financial Position – Assets and Liabilities

Pavilion REIT's total asset value increased by RM704.6 million to RM6,357.7 million for current year. The increase was mainly due to acquisition of Elite Pavilion Mall as well as revaluation gain of RM33.6 million. With the acquisition of Elite Pavilion Mall being financed by debt and to meet working capital requirements, Pavilion REIT's borrowings increased from RM1,462.7 million to RM2,147.8 million, resulting in gearing ratio of 33.8% against previous year end of 25.9%. Despite acquisition of a new mall, there is only minimal change in Pavilion REIT's net asset value mainly due to devaluation of DA MEN Mall.

### Investment Properties and Valuation

During the year, there were no changes to the investment objectives set forth during the listing in December 2011.

Elite Pavilion Mall acquisition became unconditional during the year and was completed on 27 April 2018.

The Manager will continue to put their best effort forward to identify future potential investment, negotiate the most efficient capital strategy and continue to implement improvements to its existing investment properties.

The Fund's investment properties had been re-valued as at the end of the financial year to ensure that its investment properties reflect the current market value and in compliance to Malaysian Financial Reporting Standards 140. This revaluation resulted in gain of RM33.6 million.



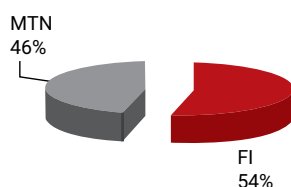
## Management Discussion & Analysis (cont'd)

Property	Market Value @ 31 Dec 2018	Market Value @ 31 Dec 2017	Change in Value	Property Yield 2018	Property Yield 2017
	RM'000	RM'000	RM'000	%	%
<b>RETAIL</b>					
Pavilion Kuala Lumpur Mall	4,700,000	4,450,000	150,000	7%	6%
Intermark Mall	170,000	169,000	1,000	10%	7%
DA MEN Mall	310,000	416,000	(106,000)	3%	4%
Elite Pavilion Mall	580,000	-	580,000	7%*	
	5,760,000	5,135,000	625,000		
<b>OFFICE</b>					
Pavilion Tower	133,000	133,000	-	6%	6%
Total Portfolio	5,893,000	5,268,000	625,000		
Less Capital Expenditure			(3,520)		
Less Acquisition			(587,862)		
Fair Value Gain			33,618		

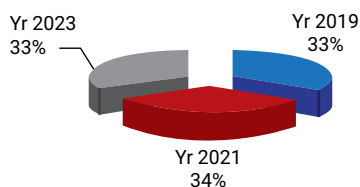
\*Annualized

### Capital Management

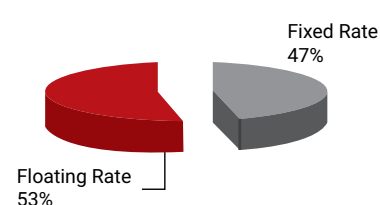
Sources of Funding



Debt Expiry Profile



Coupon / Interest Rate Profile



With average interest cost of 4.8%, Pavilion REIT's gearing of 33.8% is below the market norm of approximately 30% to 40% or REIT Guidelines of up to the permitted 50% of Total Asset Value.

In view of the potential increasing funding cost, the Manager will continue to explore the best available financing options to enable it to have additional options ready for future acquisitions or to re-finance any existing credit facilities when due in the future.

### Statement of Cash Flows

Of the net cash available from operating activities of RM276.4 million, RM517.0 million was used for investing activities with RM326.0 million being net cash from financing activities. This caused the increase in net cash of RM85.3 million in the current year resulting in cash and cash equivalents of RM319.7 million against preceding year end cash of RM234.4 million.

Proceeds from borrowings of RM800.0 million was used for acquisition of Elite Pavilion Mall and as working capital for primarily road and tenancy lots enhancement at DA MEN Mall as well as toilet upgrading at Pavilion Kuala Lumpur Mall.

### Utilisation of Proceeds

There were no proceeds raised from corporate proposals during the financial year.

## Management Discussion & Analysis (cont'd)

### Operations Review

Pavilion Kuala Lumpur Mall saw its gross revenue hike up from RM412.8 million to RM440.6 million as retail outlets commence operation after the major tenant repositioning exercise. 1st store in Malaysia that commenced business in the mall are Aori Ramen, Emperor Jewellery, Henry Jacques, Lush Fresh Handmade Cosmetics, Nerd Unit and Wing Wing Krispy Chicken. Other notable tenants that commenced trading are 3INA Make Up, Asics, Christian Dior & Cle De Peau Beaute, Dune London, Origani, Royce, Putien and Tokyo Milk Cheese Factory. 4.4% positive rental reversion was achieved for current year renewals with replacement and relocated tenants achieving average upside double digit reversion against the previous tenancy.

Elite Pavilion Mall which is seamlessly connected to Pavilion Kuala Lumpur Mall also has high tenant occupancy with a number of flagship outlet such as ABC Cooking Studio, JDSports (King of Trainers), HuaWei, Lego, Muji and The Planet Traveller. Unfortunately, as pedestrian traffic to the higher floors are still not up to mark, more effort is being put to secure tenants that will attract shoppers / patron. Acquisition of Elite Pavilion Mall on 27 April 2018 resulted in an increase in Pavilion REIT's total property operating expenses by 7.8% in the current year as compared to the preceding year end. Elite Pavilion Mall's property expenses are also expected to increase as the mall's warranty on equipment expires in early 2019.

Intermark Mall's occupancy has further improved to 94.4% as at 31 December 2018 from 90.0% as at last year end with new tenants secured such as Paul, The Bowling Club and a Chinese restaurant. This would result in its net property income yield of about 7.0% annually.

Despite continuous activities to promote the DA MEN Mall, a number of tenants have decided against renewal upon expiration of their tenancy as visitation to the neighbourhood mall still remains challenging. In December 2018, a new road has been created and opened to enable vehicles to exit directly into the main road of Jalan Kewajipan, instead of exiting to the side or back road leading to Giant supermarket. It is also hoped that with an insurance agency and its agents and staff moving into the commercial shop offices by middle of 2019, the mall will be livelier and thereby able to attract better tenants. More niche and community activities will continue to be held to raise awareness of DA MEN Mall being a place to gather.

As the properties are aging, continuous and regular upkeep will be sustained to continue to refresh and maintain the standard of the respective malls. However, Pavilion REIT will ensure its cost management process is further refined to optimise return to unitholders as well as to ensure sustainable practises are adopted where applicable.

Pavilion Tower's occupancy remains above 90% for current year although office market remains soft and challenging with more new office spaces targeted for completion in the next few years and older office buildings trying to retain or capture new tenants by providing more incentives or lowering rent to compete. Good tenant retention with no negative rental reversion will be the strategy for the coming years with continuous upkeep of the building for tenant retention.

### Asset Enhancement Exercises

During the period under review, a new exit for vehicles to the main road of Jalan Kewajipan together with internal road enhancement and route change layout was undertaken at DA MEN Mall to enable automobiles to exit the development more easily rather than depart to the side or behind road that leads to Giant hypermarket. Enhancement of tenant lots were also incurred at DA MEN Mall with toilet upgrading exercise at Pavilion Kuala Lumpur Mall.

For 2019, besides setting up of landlord provision to cater for tenant requirements, capital expenditures are being planned to cater for improvements to mall facilities or architectural related.

## Management Discussion & Analysis (cont'd)

### Portfolio Summary

Type	Retail	Office	Total
Appraised Value as at 31 December 2018 (RM million)	5,760	133	5,893
Net Lettable Area (square feet)	2,231,665	163,844	2,395,509

### Top 10 Tenants

Pavilion REIT has a total combined tenancies list from the retail and office of 867 leases. Its ten largest tenants contributed to 12.0% of gross rental income for the reporting year.

Tenant's Name	Trade Sector	Expiry Period
Apex Excellent Sdn Bhd	Food and Beverage	2019 Q3
Hermes Retail (Malaysia) Sdn Bhd	Fashion	2019 Q4
Gagan (Malaysia) Sdn Bhd	Fashion	2019 Q4
Golden Screen Cinemas Sdn Bhd	Urban Leisure	2019 Q4
GCH Retail (Malaysia) Sdn Bhd	Supermarket	2019 Q3
Padini Dot Com Sdn Bhd	Fashion	2019 Q3
Parkson Corporation Sdn Bhd	Fashion	2019 Q3
Richmont Luxury (Malaysia) Sdn Bhd	Jewellery, Timepiece & Writing Instrument	2020 Q1
Royal Selangor Marketing Sdn Bhd	Gift and Souvenir	2019 Q3
Legendary Fashion Trading Sdn Bhd	Fashion	2019 Q3

### Tenancy Profiles

In Pavilion Kuala Lumpur Mall positive rental reversion of 4.4% was achieved for 159,023 square feet while relocated tenants and replacement tenants contributed to double digit growth for another 22,301 square feet of the net lettable area. Intermark Mall's positive rental reversion of 6.2% was achieved for 31,709 square feet with neighbourhood DA MEN Mall being challenging to attract and retain tenants.

Majority of Pavilion REIT's tenancies are for a term of three years each with an option to extend for another term of three years each. Anchor and speciality anchor tenants generally have option for renewal of up to five terms.

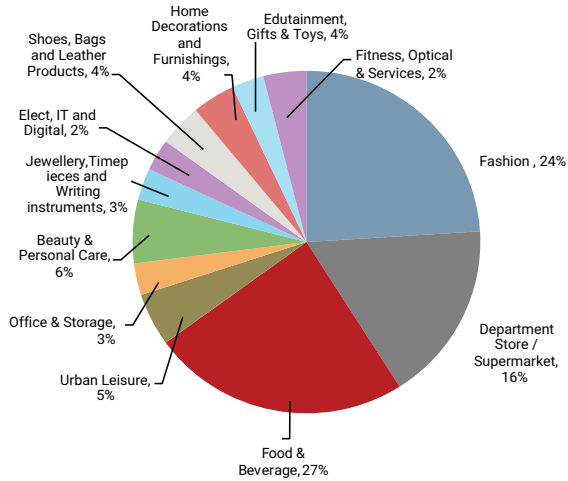
The weighted average lease expiry ("WALE") as at year end has been reduced to 1.15 years against 2017 of 1.56 years, with WALE for retail and office being 1.15 and 1.21 years respectively.

Fashion and food & beverages remains largest trade category by net lettable area for its retail sector with property and consultancy services occupying the most spaces in the office sector.

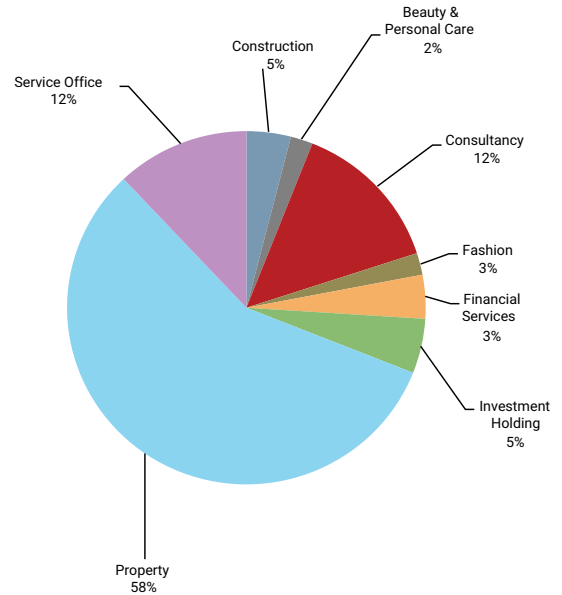


## Management Discussion & Analysis (cont'd)

Trade Category by Net Lettable Area - Retail



Trade Category by Net Lettable Area - Office



## Management Discussion & Analysis (cont'd)

### Highlights of Malls Marketing Activities

Visit Pavilion 2018, the 10<sup>th</sup> Anniversary 'Celebration of Dreams' at Pavilion Kuala Lumpur Mall was a year filled with experiences, rewards and indulgences. The overarching 'dream' theme was reflected in key festival and campaigns throughout the year and it delivered the promise of high excitement and engagement to visitors and the community.

Partnership was a key strategy for Visit Pavilion 2018 to elevate the standards of Pavilion Kuala Lumpur Mall as a dream destination. Maybank's year-long partnership provided gifting and shopping privileges to their premium card members whilst brand partners adopted decoration ambience and performances, achieving higher brand engagement and creativity.

The first time synergistic partnership with Disney by Pavilion REIT malls for the 'Celebrate the Magic' Christmas at Pavilion Kuala Lumpur together with Elite Pavilion, Intermark and DA MEN malls drew high consumer interest and media attention, particularly Intermark and DA MEN malls which saw a surge in activity participation, in-mall redemption and social media interaction.

For **Pavilion Kuala Lumpur Mall**, 2019 will be a year to focus on generating quality consumerism, innovation and regional partnerships. As we advance into the realm of digital, mobile and loyalty marketing, such advancements will be integrated into campaigns, in line with the global marketing trends and the consumer lifestyle.

#### ● Festive Celebrations

**Visit Pavilion 2018** started the year with 111 lions and two 27 metre long dragons performed by over 1,000 members of various troupes. This led to the Chinese New Year '**Dream Garden of Prosperity**', which won the gold award for best experiential marketing from PPK Malaysia Shopping Mall Association. Its '**Wishes in the Air**' of the 'Most Number of Hanging Fabric Petal Flowers' was showcased in Malaysia Book of Records feat. '**Raya Seribu Impian**' was held in collaboration Media Prima with decoration by Swarovski. '**Dream Diwali**' reflected the dream kolam of a giant peacock, positioned as a tourist attraction. '**Dream Christmas**' featured a 20 feet giant Mickey sculpture, 1,000 mini Miceys on a revolving Christmas tree, showcase of 100 artistic Mickey figurines decorated by luxury and lifestyle tenants.

#### ● Fashion Events

April's spring summer fashion '**Love Spring**' showed case over 20 celebrity wedding gowns on display, the first in Malaysia. The social media was bursting with images of designers and celebrities spotted at Pavilion Kuala Lumpur's annual '**KL Fashion Week Ready to Wear**' held in August 2018 which showcases young and upcoming Malaysian designers and the creation of opportunities for them to thrive in the mall and retail world.

#### ● Celebrities, Events and Collaborations

Korean fans had their dreams fulfilled when IN2IT K-pop group performed at the mall for their Asian Tour while Korean actress Lee Sung-Kyoung and actor Park Bo Gum launched the new Laneige beauty and Samsung S9 respectively in March 2018. Chinese New Year also saw seven Hong Kong TVB stars had a Big Big Star Party with Hong Kong stars Loiusa So and Johnson Lee launching their 'Staycation' movie. April started strong with footballer Ronaldinho drawing in the crowds for the Heineken Champions League.

'**Raya Seribu Impian**' was made merrier when Dato' Syafinaz hosted orphanages at its launch with Faizal Tahir surprising orphans with gifts. At the same time, Vivvy Yusof also launched the DUCK scarf collection with Pelangi Cinta's top local actors meeting their fans in the mall. In July, '**Dream Goals**' was an exciting showcase of World Cup with the Hublot launch, Hugo Boss and Carlsberg pop-ups, Wes Brown ex-Manchester United player appearance at JD Sports and the Celcom Finals Party on 15 July. The Bukit Bintang road was closed for the live viewing on the mega Elite LED screen. '**Dream Japan**' festival that celebrates Tokyo Street's 7th Anniversary saw the return of viral sensation Pikotaro who launched his new song at Japan Expo in July.

#### ● National Events

Pavilion Kuala Lumpur Mall was chosen for the Merdeka music video #KitaPunyaMalaysia performed by Bunkface along with a social experiment for the 61st National Day celebration. The experiment by MediaPrima went viral and generated brand goodwill for the mall, as it demonstrated the high level of unity amongst mall visitors of all races.

Other than holding lifestyle and property fairs besides and car roadshow, **Intermark Mall** celebrated the cultural diversity of festivals with '**Streams of Harmony**' for Chinese New Year and Hari Raya's '**Shining Shawal**' in collaboration with Taylors International School KL to provide a platform for performing arts. '**Delightful Diwali**' showcased the unique handwoven kolam created by students of Raffles College from recycle fabrics, each dyed using natural ingredients to raise social awareness of recycling and repurposing. With '**Merry Mickey Christmas**' the mall celebrated 90 years of Mickey and transformed the mall into a dazzling display of Mickey Mouse and Minnie Mouse in their best Christmas outfits over the glittering 90 years.

## Management Discussion & Analysis (cont'd)

Malaysia's first O2O Taiwan Street Online-to-Offline Marketplace for Lunar New Year was held in the neighbourhood **DA MEN Mall** with the mall's theme of **'Sweet Happiness'**. The **'Riuhnya Raya'** strategy was aligned towards creating fun and interactive school holiday activities. The strategy of community and non-government organisation partnerships continued with INTI and SEGI College coming together to present **'Harmony Diwali'** flower kolams at mall entrances to bless visitors with prosperity. A Harmony Garden using paper flowers was created by the community before the mall was transformed into a Disney **'Tsumtastic Christmas'** celebration.

In line with the strategy of raising DA MEN Mall as community friendly, more interactive & family driven, activities were consistently held during the year. Some of the more notable events held were **'Women Lifestyle Market'** to retail homegrown products, Japan cultural activities of **'Moshi Moshi Japan Festival'**, **'Festival Anak Merdeka'** a collaboration with Art Market, a platform for disable and OKU artists to thrive. The Breastfeeding Advocates Network organized the **'Gift of Love'** campaign in September with a merchandise bazaar, activities and an attempt at a new Malaysia Book of Records for the largest breastfeeding gathering. **'Halloween Cosmart'**, a collaboration with Comic Fiesta attracted over 5,000 visitors with internal cosplayers, competitions, talks and workshops.

Support and promotion of education community continued with Science, Technology, Engineering and Mathematics ('STEM') activities and carnivals in March, April and November which includes drone flying, micro drone and virtual reality. Sri KL International Table Tennis Competition, Smart Reader Spelling Challenge Grand Final and Global Maths Calculation Competition were all held in DA MEN Mall with INTI College continued its support by hosting the fashion and design students' graduation exhibition and the World Wildlife Fund **'Save the Tiger'** origami exhibition.

### Awards

Pavilion Kuala Lumpur Mall has achieved 44 accolades to date with the current year additions being the followings :-

- **'Gold Award, Best Experiential Marketing – Dream Garden of Prosperity'** : PPK Malaysia Shopping Mall Association Awards 2018
- **'Best Shopping Mall'** : Going Places Readers' Choice Awards 2017

### Market Review

The Ministry of Finance anticipates Malaysia's economy to grow at a gentler pace of 4.8% and 4.9% for 2018 and 2019 respectively as compared to the 5.9% growth achieved in 2017. The World Bank also lowered Malaysia's 2018 GDP forecast to 4.7% due to lower spending and investment by government as well as slowdown in spending by both private and public sectors, external trade tension and market volatility. With private sector as the key economic driver, the World Bank forecast Malaysia to also achieve GDP growth of 4.7% in 2019 and is able to withstand external encounters despite high amount of integration financial and trade linkages in the world economy. RAM Rating Services Bhd expects inflation to average 1.0% and 2.7% for 2018 and 2019 respectively.

With about 2.9 million square feet of retail mall opened in Klang Valley in 2018 (about 50% opened in Kuala Lumpur with the balance in Selangor) and another 3.8 million square feet targeted to be ready for trading in 2019, retailers would have more options to be selective on which mall would provide them with better opportunities. In general, the newer malls would be more affected as competition would be more intense to lure tenants and it will be tough for any new malls to reach or secure the same level as those of established malls. Well-established malls will continue to perform well but may face the challenge of lower pace in rental growth and occupancies. Besides higher operational cost, other challenges for landlord include lower consumer traffic, reducing retail sales and pre-termination by tenants. Despite the growth of e-commerce retailing, brick and mortar retailers will continue to survive as they are already introducing online facilities as an alternative distribution channel for their customers. Some e-commerce players have also opened physical stores as showcase and to tap on to wider market.

Retail Group Malaysia had estimated retail sales growth rate of 4.4% and 4.5% for 2018 and 2019 respectively with inflation expected to increase. This is due to implementation of service tax and minimum wages of RM1,100 per month that may lead to retailers charging higher retail prices that will eventually be absorbed by consumers. However, we believe that consumer sentiment is sustainable due to the government's consumer friendly programmes such as re-introduction of petrol subsidy, capping of electricity tariff and the introduction of public transport support will encourage spending.



## Management Discussion & Analysis (cont'd)

As published by the Malaysian Institute of Economic Research, consumer confidence index increased from 77.1 points a year ago to 107.5 points for third quarter ended 2018. However, there is only a slight increase in year on year business conditions index from 103.1 points to 116.3 points as at the end of 3rd quarter 2018. Unfortunately, according to RAM's Business Confidence Index issued in early January 2019, weak economic condition has been cited as the main factor reflecting low business confidence. Hencewith, the retail market is expected to be flat for the first half of 2019.

Nevertheless, with tourism as a key growth driver and the third highest contributor to Malaysia's foreign exchange receipt, 30 million foreign tourists contributing RM100 billion in receipts is targeted by 2020. In the 2019 Budget, RM100 million grant has been allocated to private sector for running promotional and marketing campaigns overseas to increase the number of visitors to the country. Besides supporting local made retail goods and services, the government's 'Buy Malaysia Products' campaign this year with a budget of RM20 million will also draw exhibition events to be held all over the country.

Retail malls in good location and with good management are expected to be resilient despite possibility of slower growth. Niche market or differentiation has to be considered for malls that are not performing up to standard bearing in mind 'experiential requirement' and latest customer culture, i.e. moving with times to cater to needs of customer / consumer.

However, as consumers are being cautious and selective in spending, Pavilion REIT malls intend to be prudent in its spending to create experiential and differentiation to attract and retain shoppers' loyalty with operating cost being monitored to optimise efficiency. Hencewith, the Manager expects a modest increase in rental reversion for 2019 with tenants having more options / selections with bargaining power given that there are more retail malls to choose from.

As per Knight Frank Malaysia's 2nd half 2018 Real Estate Highlights, with the recent completion of Menara Khuan Choo and Equatorial Plaza, the cumulative supply of purpose built office space in the KL City increased to 52.35 million square feet while in KL Fringe, the completion of Menara Etiqa and Menara Southpoint, brought its cumulative supply to 29.50 million square feet. Overall, the occupancy of Klang Valley office market recorded marginal decline during the review period following completion of more new office space while the average rental continued to hold steady as new buildings command higher rentals. Dated office buildings in the city are expected to undergo repositioning / upgrading works to cater to the needs of occupiers. Co-working and shared services facilities continues to gain momentum. However, corporate office will still be relevant as it serves as an important place for people to integrate for business and work. Therefore, the strategy for 2019 is to try to retain good tenants with continuous upkeep of property to maintain and enhance the standard of its facilities.

Distribution policy for 2019 is expected to be maintained as per 2018 with continuous look-out for yield accretive assets. Keeping malls experiential and evolving with times is the current focus to build shopping experience to attract and retain shoppers' loyalty to retail malls. Operating cost will be monitored to optimise efficiency.

### Risk Management

Risk forms part and parcel of a business environment. Hencewith, the Board, is committed to establishing risk management processes are embedded into each and every key activities and business processes in all its properties as well as the Fund to ensure that risks are identified and mitigated in achieving Pavilion REIT's objective.

Main risk factors are as follows :-

- a) Acquisition and investment risk refers to risk of assets / investments not being yield accretive, affecting the overall performance of the Fund. The Manager is very cautious in its proposed investments and evaluate them (from financial, legal and technical aspects) prior to recommending to the Board for approval. For related party transactions, the relevant Board members of the Manager will declare their interest and abstain from voting, with such related party acquisition being driven by the Audit Committee.
- b) Valuation risk refers to risk that valuation of property may not be sustainable, hence affecting the Fund's asset value, profitability and gearing. Main parameters for valuation are rental rate, occupancy rate as well as operational cost. The Manager will closely monitor these factors in each of the Fund's property to ensure they are not compromised/ mitigated with appropriate strategies such as tenant mix / concept, continuous engagement with tenant to build relationship for further improvement, cost management and prudent spending with relevant marketing activities. However, as a general guide, newly acquired properties will need time to stabilize as the Manager makes improvement to tenant mix, enhancements and streamlining some of this operational practises.

## Management Discussion & Analysis (cont'd)

- c) Credit risk and liquidity risk of non-payment by its tenants or counterparties are mitigated by credit evaluation prior to entering into letter of offer or agreement with constant monitoring of outstanding balances to ensure minimum credit exposure is monitored via stringent collection policy. This is to ensure that there are adequate resources to fulfil the requirements of Pavilion REIT's operations and distribution of income to unitholders
- d) Tenant concentration risk of relying on only a handful of tenants are mitigated as the top ten tenants' contribution is 12.0% of the Fund's gross revenue with the main tenant contributing only 4.7% of the Fund's gross revenue as at 31 December 2018.
- e) Financing risk refers to risk of not being able to obtain fresh facilities or renew its facilities when due, either from financial institution or debt capital market. The Manager has established a RM8.0 billion medium term note programme of 20 years from 25 March 2016, which can either be rated or unrated and to be on either fixed or floating rate. At the same time, the Manager will also continue to engage with various financial institution as well as potential bond holders to determine the best options in the future. Currently, about a third each of the Funds borrowings are each due in 2019, 2021 and 2023 respectively.
- f) Interest rate risk refers to the potential unfavourable movement in floating interest rate that will affect income before taxation. Besides closely monitoring interest rate to possibly convert to them to fixed rate when timing is deemed appropriate, swap line has also being extended by certain financial institutions to be exercised when appropriate. Borrowing on floating rate is RM1.2 billion or 53.5% of total borrowings.
- g) Operational risk at property is mitigated by having standard operating procedures that are adopted and being continuously reviewed for all the properties under the Fund which comprises operational guide, control and monitoring procedures. Some examples of reports are :-
  - i) management of call centre, preventive maintenance, management of incidents
  - ii) inventory control and purchasing procedure
  - iii) rental of promotional space, visual merchandising
  - iv) sourcing, negotiating with potential / existing tenants, tenancy administration
  - v) billing, payment, collection and refund
  - vi) staff training and recruitment
- h) Legal and regulatory compliance. The Manager has a compliance officer, reporting to the Board who is responsible to provide guidance to ensure that all regulatory and compliance matters are adhered to.
- i) Disaster recovery planning. As management information technology plays an important role, the Manager has arranged for daily back-up of information to be housed externally to facilitate recovery in the event of a disaster. All Pavilion REIT properties also have their own emergency response and crisis management plans. Annual fire drills involving all occupants in each property were also held to ensure occupants are kept updated on routes to use and procedures to adhere to in the event of occurrence of disaster.
- j) Currency risk is currently not applicable to the Fund as Pavilion REIT does not have any properties located outside Malaysia, with all collections, payments and borrowings denominated in Ringgit Malaysia.
- k) Staff resources risk of not being able to attract and retain capable staff are mitigated via staff engagement, periodic staff dialogues, annual review and training with a planned remuneration package that is in line with industry practice.

## INVESTORS RELATION AND FUND MANAGEMENT

During the year, the Manager's management team have continuously met analysts, fund managers and investors, besides attending investors' roadshows and seminars as listed below.

- Half yearly analyst briefing
- Citi Asia Pacific Property Conference, Hong Kong
- Malaysia REITs Corporate Day – REITs in the New Economy, Kuala Lumpur

Pavilion REIT's annual general meeting was held on 29 March 2018 whereby its unitholders were updated on the performance of Pavilion REIT for the financial year ended 31 December 2017.

### Pavilion REIT's Monthly Trading Performance



### Pavilion REIT's Unit Price Performance against FBM KLCI





## Investors Relation and Fund Management (cont'd)

Trading Summary	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Net Asset Value per Unit (RM)					
-As at 31 December	1.26	1.28	1.30	1.30	1.31
-Lowest during the year	1.15	1.24	1.25	1.27	1.28
-Highest during the year	1.26	1.28	1.30	1.30	1.31
Closing unit price (RM) as at 31 December	1.46	1.55	1.90	1.61	1.64
Highest traded price during the year (RM)	1.53	1.63	1.90	1.93	1.78
Lowest traded price during the year (RM)	1.23	1.39	1.52	1.61	1.32
Capital appreciation / (depreciation) (%) <sup>1</sup>	14.06	6.16	22.58	(15.26)	1.24
Annual total return (%) <sup>2</sup>	19.51	11.47	26.92	(10.14)	6.59
Average total return over 3 years (%)	16.60	9.61	19.30	9.42	7.79
Average total return over 5 years (%)	-	-	17.64	9.12	10.87
Units in circulation ('000)	3,013,819	3,017,842	3,022,525	3,030,094	3,036,705
Market capitalisation (RM'000)	4,400,177	4,677,655	5,742,798	4,878,451	4,980,196

<sup>1</sup> Capital appreciation/(depreciation) is calculated based on the difference between opening and closing price for the relevant financial year.

<sup>2</sup> Annual total return refers to total of capital appreciation and distribution yield.



## PORTFOLIO DETAILS

### (A) RETAIL

<b>Pavilion Kuala Lumpur Mall</b>	
<b>Address</b>	168 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
<b>Description</b>	7-storey shopping mall (including 4 split-levels of car parking bays together with a 3-storey retail office block sited atop and annexed with a 4-storey retail/entertainment connection block) and 3 levels of basement car parks
<b>Year of Completion</b>	2007
<b>Age of Building</b>	11 years
<b>Title</b>	HS(D) 120091, PT 80 Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
<b>Encumbrances</b>	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
<b>Tenure</b>	99-year lease expiring on 26 October 2109
<b>Gross Floor Area</b>	2,250,684 square feet
<b>Net Lettable Area</b>	1,334,331 square feet
<b>Number of Car Park Bays</b>	2,391
<b>Occupancy Rate as at 31 December 2018</b>	98.7%
<b>Date of Acquisition</b>	7 December 2011
<b>Acquisition Price</b>	RM3,190 million
<b>Appraised Value</b>	RM4,700 million
<b>Date of Latest Valuation</b>	31 December 2018
<b>Independent Valuer</b>	Knight Frank Malaysia Sdn Bhd
<b>Capitalisation Rate – Reversionary</b>	6.50%
<b>Gross Revenue</b>	RM441 million
<b>Net Property Income</b>	RM313 million
<b>Ten Largest Tenants</b>	Cartier, Food Republic, Forever 21, Golden Screen Cinema, Hermes, Mercato, Padini Concept Store, Parkson Elite, Royal Selangor, Zara

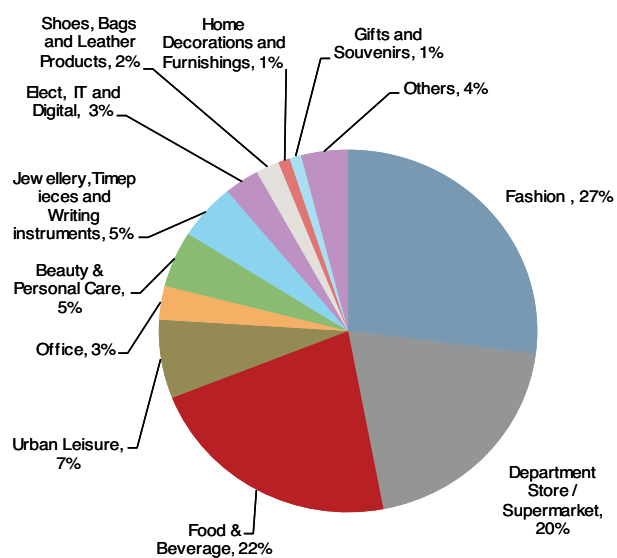
## Portfolio Details (cont'd)

### Tenancy Expiry Profile

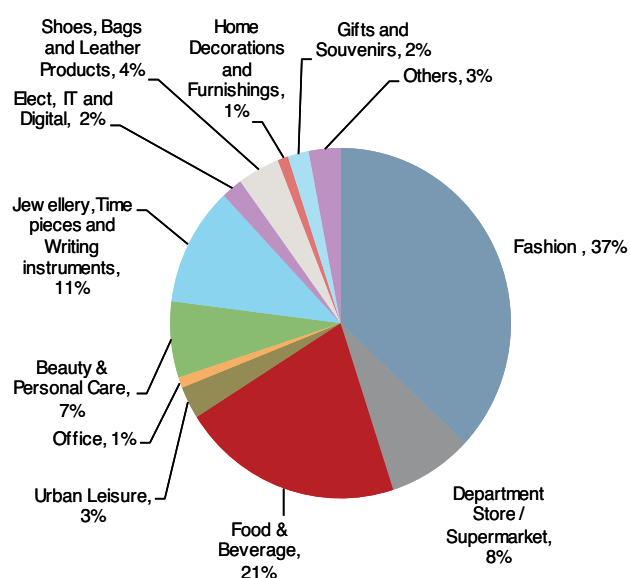
Period	% of Occupied NLA	% of Gross Rental
Monthly	1	1
FY2019	65	60
FY2020	22	25
FY2021 and thereafter	12	14
<b>Total</b>	<b>100</b>	<b>100</b>

### Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental





Portfolio  
Details (cont'd)

(A) RETAIL

<b>Intermark Mall</b>	
<b>Address</b>	348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
<b>Description</b>	6-storey retail podium with a roof pavilion together with 367 designated car parking bays
<b>Year of Completion</b>	Refurbished in 2012
<b>Age of Building</b>	6 years
<b>Title</b>	Geran 75638/M1/B3/2, Parcel No 2, Storey No B3, Building No M1 on part of parent Lot 20000 Seksyen 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan
<b>Encumbrances</b>	Nil
<b>Tenure</b>	Interest in perpetuity
<b>Gross Floor Area</b>	337,427 square feet
<b>Net Lettable Area</b>	222,565 square feet
<b>Number of Car Park Bays</b>	367
<b>Occupancy Rate as at 31 December 2018</b>	94.4%
<b>Date of Acquisition</b>	25 March 2016
<b>Acquisition Price</b>	RM160 million
<b>Appraised Value</b>	RM170 million
<b>Date of Latest Valuation</b>	31 December 2018
<b>Independent Valuer</b>	C H Williams Talhar & Wong Sdn Bhd
<b>Capitalisation Rate – Reversionary</b>	6.50%
<b>Gross Revenue</b>	RM29 million
<b>Net Property Income</b>	RM17 million
<b>Top Ten Tenants</b>	Hanare, Hua Wei, In Colonial, Jaya Grocer, McDonald's, MST Golf, Primrose Hill Active Learning, Savini, Space Furniture, SportsDirect.com

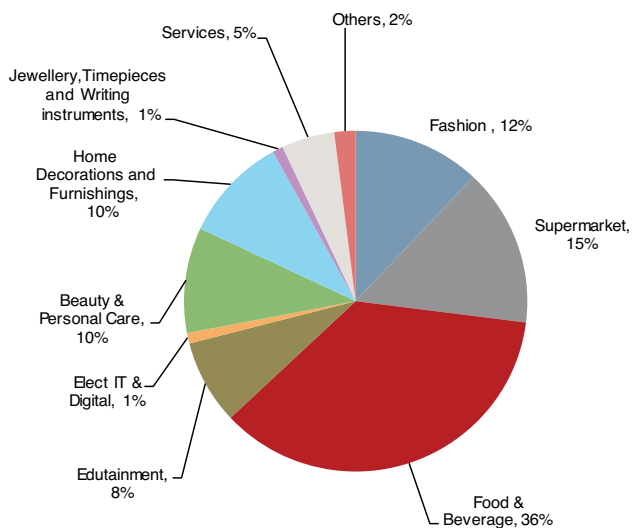
## Portfolio Details (cont'd)

### Tenancy Expiry Profile

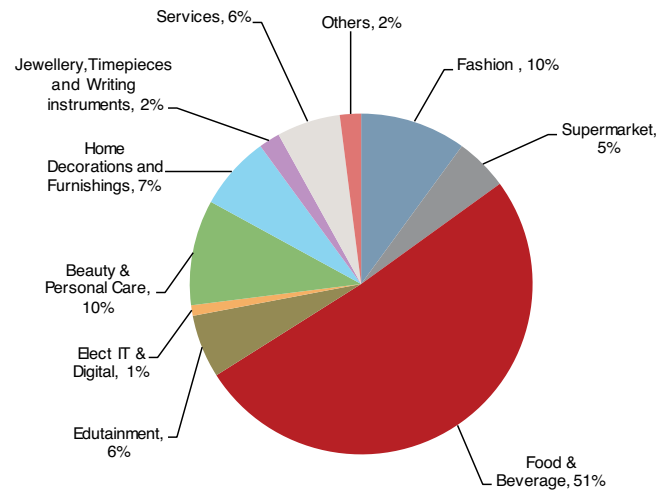
Period	% of Occupied NLA	% of Gross Rental
Monthly	4	4
FY2019	51	45
FY2020	29	33
FY2021 and thereafter	16	18
<b>Total</b>	<b>100</b>	<b>100</b>

### Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



Portfolio  
Details (cont'd)

(A) RETAIL

DA MEN Mall	
Address	Da:men USJ 1, Persiaran Kewajipan, USJ 1, 47600 Subang Jaya, Selangor Darul Ehsan
Description	Five storey retail mall together with a lower ground floor and two levels of basement car parks
Year of Completion	2015
Age of Building	3 years
Title	Geran 320023/M1-A/1/1, Building No M1-A, Storey No 1, Parcel No 1 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Geran 320023/M1-A/1/2, Building No M1-A, Storey No 1, Parcel No 2 on part of parent Lot 91576 Pekan Subang Jaya, Daerah Petaling, Negeri Selangor
Encumbrances	Pending registration to Public Bank Berhad
Tenure	Interest in perpetuity
Gross Floor Area	705,128 square feet
Net Lettable Area	434,938 square feet
Number of Car Park Bays	1,638
Occupancy Rate as at 31 December 2018	74.4%
Date of Acquisition	25 March 2016
Acquisition Price	RM487 million
Appraised Value	RM310 million
Date of Latest Valuation	31 December 2018
Independent Valuer	C H Williams Talhar & Wong Sdn Bhd
Capitalisation Rate – Reversionary	6.50 %
Gross Revenue	RM30 million
Net Property Income	RM9 million
Top Ten Tenants	Al Hannan Events, Food Arcade, Grand Harbour Restaurant, House of Teak, Jaya Grocer, Morganfield's, SHP Gallery, The Blues, Square Room & Co / MOS, Urban Living Republic



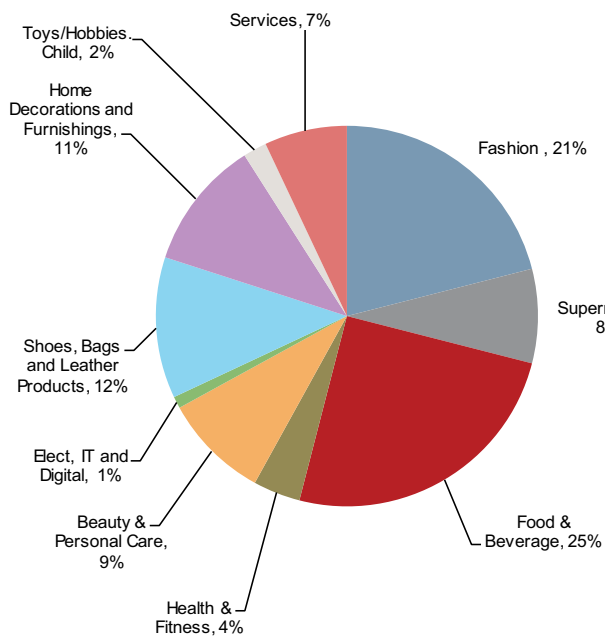
## Portfolio Details (cont'd)

### Tenancy Expiry Profile

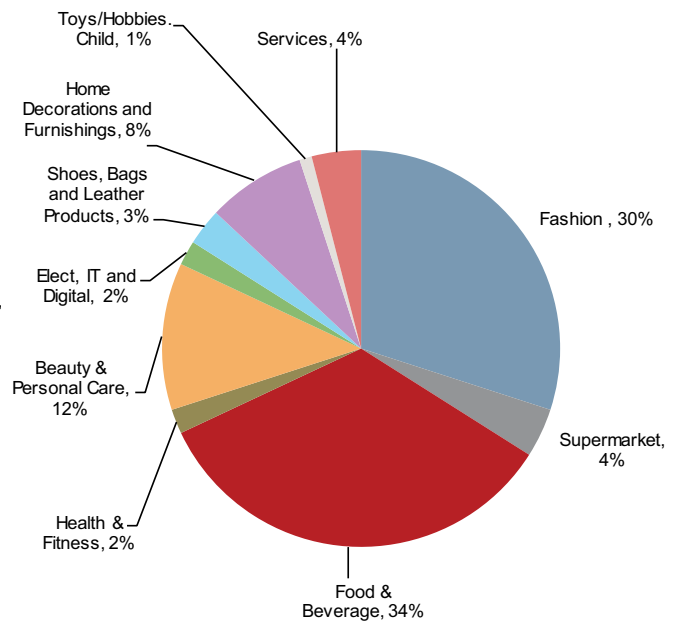
Period	% of Occupied NLA	% of Gross Rental
Monthly	21	43
FY2019	38	25
FY2020	17	9
FY2021 and thereafter	24	23
<b>Total</b>	<b>100</b>	<b>100</b>

### Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental



Portfolio  
Details (cont'd)

(A) RETAIL

Elite Pavilion Mall	
Address	166 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	10-storey shopping mall with stratified parcels consisting of car park bays on Level B3 to Level 2 ('Elite Pavilion') interconnected to Pavilion Kuala Lumpur Mall via pedestrian link bridges and seating / retail areas on Level 4 to Level 10 ('Extension-Connections') and an underground pedestrian tunnel with retail outlets which contractual rights will expire on 10 October 2037 ('Subway Linkage')
Year of Completion	2016
Age of Building	2 years
Title	HS(D) 120601, PT 116, Sekysen 57, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL for Elite Pavilion HS(D) 120091, PT 80 Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL for Extension-Connections
Encumbrances	Nil
Tenure	Interest in perpetuity for Elite Pavilion 99-year lease expiring on 26 October 2109 for Extension-Connections
Gross Floor Area	464,689 square feet
Net Lettable Area	241,831 square feet
Number of Car Park Bays	50
Occupancy Rate as at 31 December 2018	96.7%
Date of Acquisition	27 April 2018
Acquisition Price	RM580 million
Appraised Value	RM580 million
Date of Latest Valuation	31 December 2018
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.25% for Elite Pavilion
Gross Revenue	RM43 million
Net Property Income	RM27 million
Top Ten Tenants	Acme Bar & Coffee, Coach, COS, JD Sports, Lukfook Jewellery, Mango and Mango Man, Muji & Café, Rimova, Toys 'R' Us, TSL

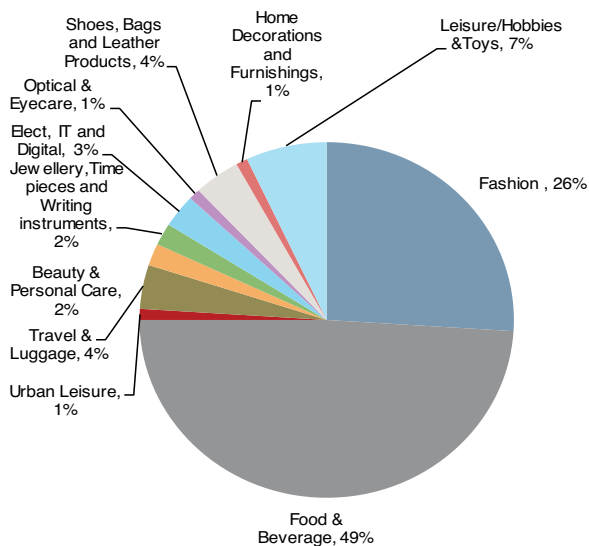
## Portfolio Details (cont'd)

### Tenancy Expiry Profile

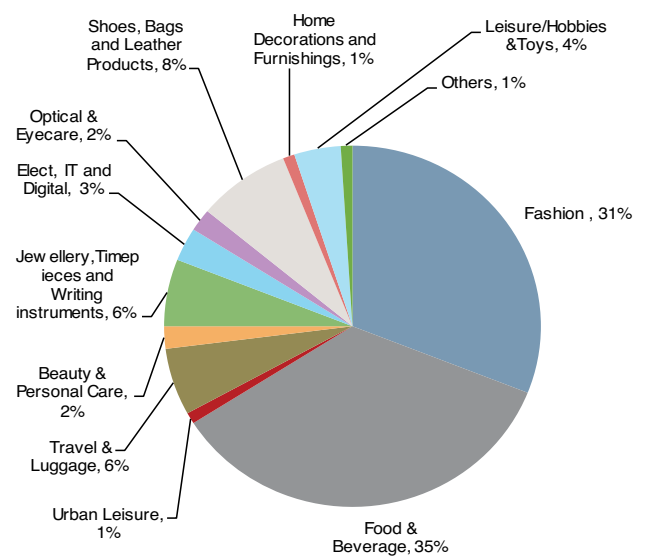
Period	% of Occupied NLA	% of Gross Rental
Monthly	0	0
FY2019	60	76
FY2020	20	14
FY2021 and thereafter	20	10
<b>Total</b>	<b>100</b>	<b>100</b>

### Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental





Portfolio  
Details (cont'd)

(B) OFFICE

Pavilion Tower	
Address	75 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Description	20-storey office building together with 6 mechanical / electrical levels
Year of Completion	2007
Age of Building	11 years
Title	HS(D) 120091, PT 80 Sekysen 63, Town and District of Kuala Lumpur, Negeri Wilayah Persekutuan KL
Encumbrances	Private caveats have been lodged in favour of MTrustee Berhad and Alliance Investment Bank Berhad
Tenure	99-year lease expiring on 26 October 2109
Gross Floor Area	243,288 square feet
Net Lettable Area	163,844 square feet
Occupancy Rate as at 31 December 2018	94.0%
Date of Acquisition	7 December 2011
Acquisition Price	RM123 million
Appraised Value	RM133 million
Date of Latest Valuation	31 December 2018
Independent Valuer	Knight Frank Malaysia Sdn Bhd
Capitalisation Rate – Reversionary	6.50%
Gross Revenue	RM13 million
Net Property Income	RM8 million
Ten Largest Tenants	Clever Eagle Sdn Bhd, Gapadu Development Sdn Bhd, Impian Ekspresi Sdn Bhd, Khuan Choo Development Sdn Bhd, KL Pavilion Design Studio Sdn Bhd, KL Metro Sdn Bhd, MRails Tram (Melaka) Sdn Bhd, Pan-Asia Property Management Sdn Bhd, Pioneer Haven Sdn Bhd, Urusharta Cemerlang (KL) Sdn Bhd

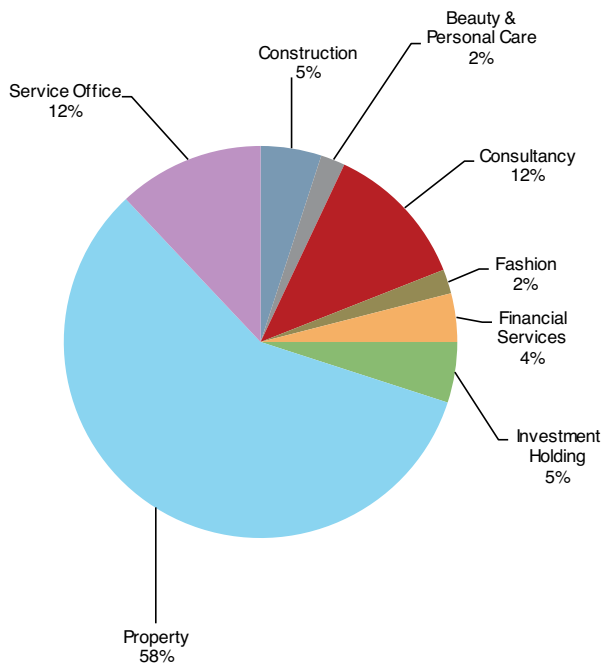
## Portfolio Details (cont'd)

### Tenancy Expiry Profile

Period	% of Occupied NLA	% of Gross Rental
Monthly	8	8
FY2019	42	41
FY2020	36	37
FY2021 and thereafter	14	14
<b>Total</b>	<b>100</b>	<b>100</b>

### Trade Sector Analysis

Trade Sector Analysis based on Net Lettable Area



Trade Sector Analysis based on Gross Rental

